ANNUAL REPORT 2003

Year ended March 31, 2003

THE KANSAI ELECTRIC POWER CO., INC.

THE KANSAI ELECTRIC POWER CO., INC.

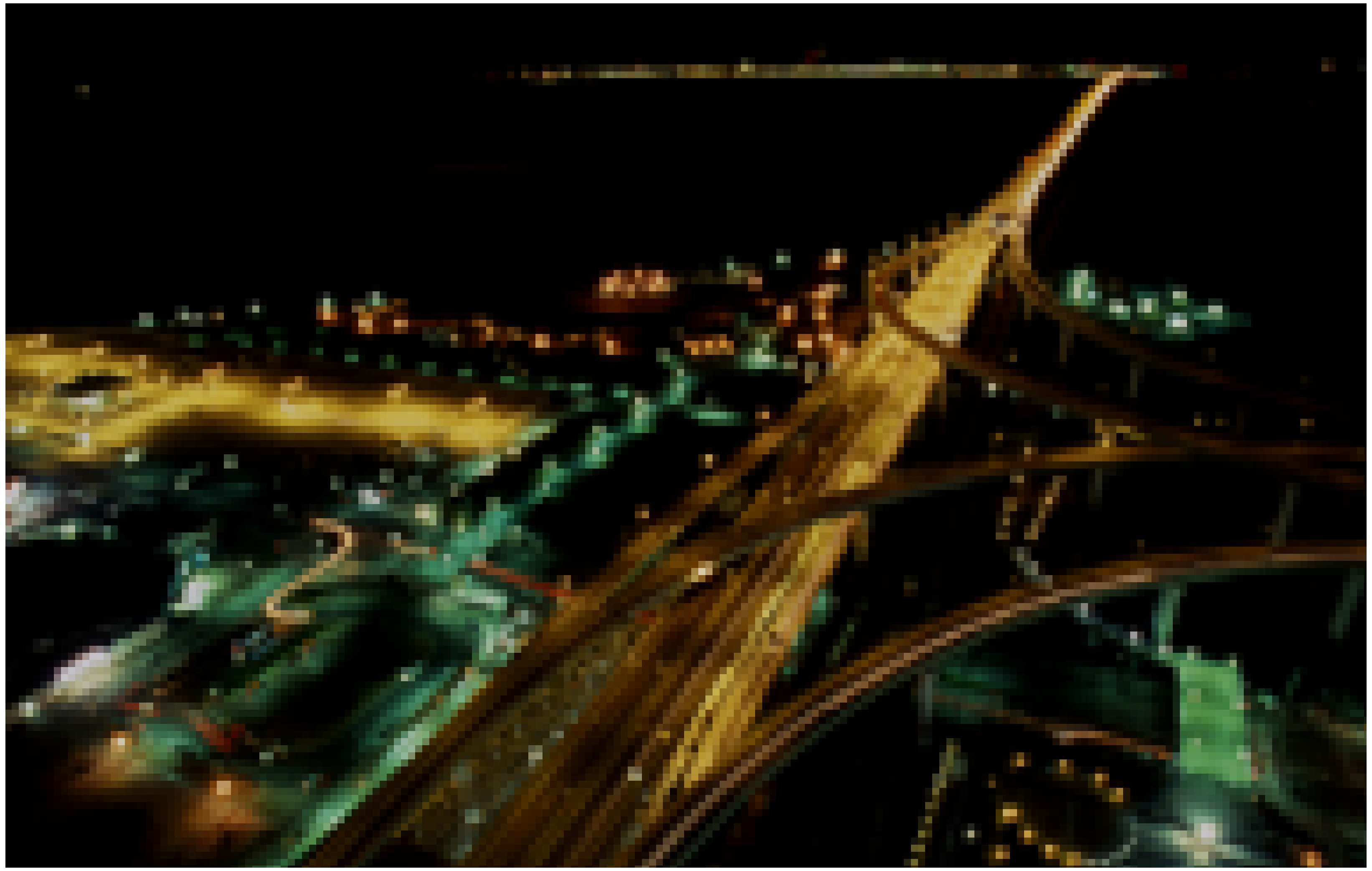
The Kansai Electric Power Co., Inc. (Kansai EP) has been serving the power needs of the Kansai area since its establishment in 1951. In 2001 the Company celebrated its 50th Anniversary in operation, and through more than a half-century it has developed and operated its own power plants, secured diversified resources to run them, and delivered the generated power with optimum efficiency and reliability to customers throughout the region.

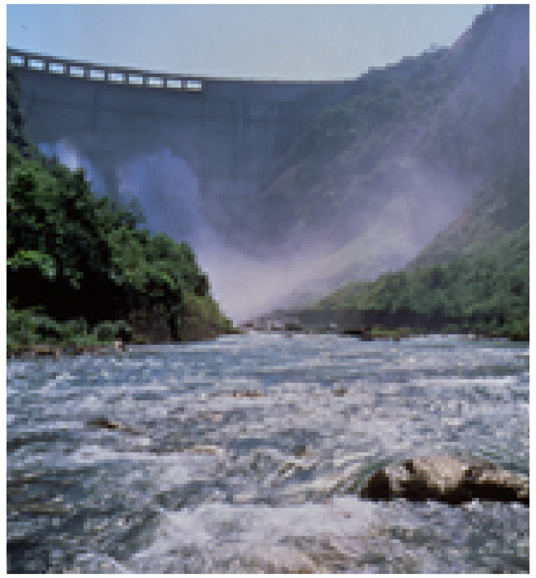
Geographically, Kansai EP's service area is remarkably expansive, covering nearly 29,000 km^2. The Company's output is equally impressive: in the fiscal year ended March 31, 2003, sales reached 141.8 billion kWh — almost equal to the national power needs of Sweden.

One secret behind Kansai EP's ability to keep pace with Kansai's expanding power demand has been its steadfast commitment to technological development. Today, in an era of burgeoning deregulation of the utility industry, the Company is reinforcing its position in core electricity operations while simultaneously probing innovations in new growth-driving operations for tomorrow.

Cautionary Information with Respect to Forward-Looking Statements
Statements made in this Annual Report with respect to The Kansai Electric Power Company's plans, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of the Company. These statements are based on management's assumptions and beliefs in light of the information currently available to it, and therefore involve risks and uncertainties. Potential risks and uncertainties include, without limitation, the general economic conditions and changes to laws and regulations.

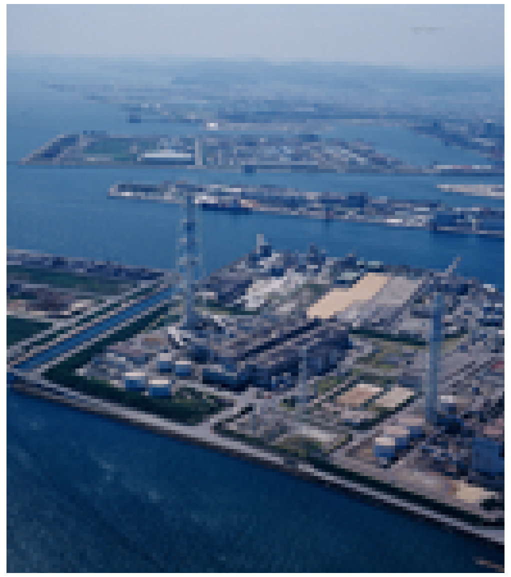
Osaka Bay Area & Kansai International Airport





Kurobegawa No.4 Hydro Power Plant (335 MW)

Ohi Nuclear Power Plant (4,710 MW)



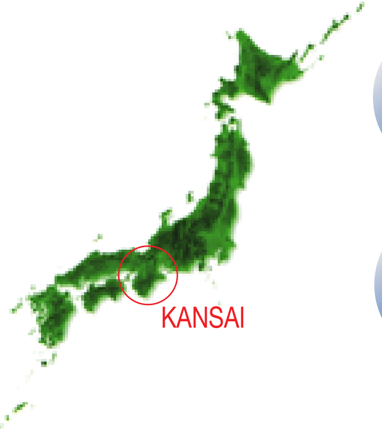
Himeji No.1 Thermal Power Plant (1,442 MW)

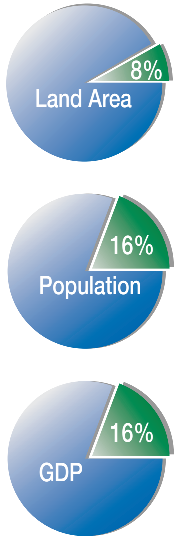
KANSAI — THE HEARTLAND OF JAPAN

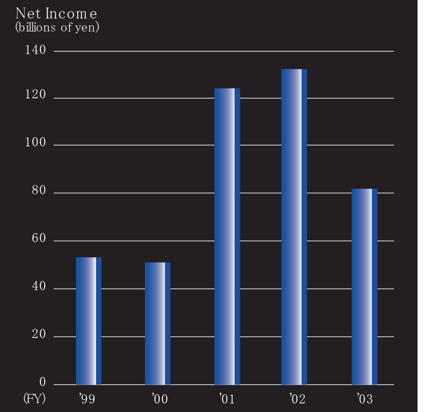
Kansai, the area served by The Kansai Electric Power Co., Inc., forms the cultural, historical, industrial and commercial core of the Japanese archipelago. From the treasured ancient capitals of Nara and Kyoto to the bustling business centers of Osaka and Kobe, Kansai is where the nation's heart began to beat — and where it continues to ring loud with dynamic growth for the 21st century.

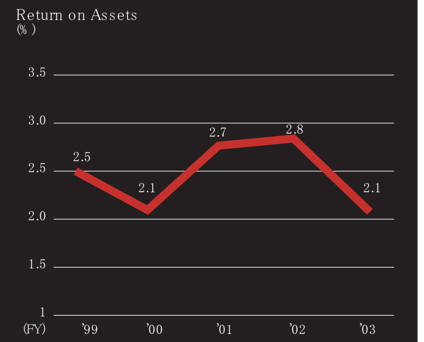
Although Kansai covers a modest 8% of Japan's land area, it accounts for a stunning 16% of the nation's gross domestic product. The region, with a population today numbering more than 20 million, has long served as Japan's economic dynamo in segments spanning from manufacturing to services. A remarkable number of the nation's leading business enterprises trace their beginnings to Kansai, and today they are augmented by a host of vibrant companies marking steady growth driven by innovative technologies representing the state of their respective arts.

While currently the nation is in a severe and persistent economic recession, the Kansai region is concentrating its full roster of resources — its vigor, vitality and wisdom — to ensure the area's sustained and dynamic growth in the first century of this new millennium.









Financial Highlights
(Consolidated Basis)

	2002 (billions of yen)	2003 (billions of yen)	2003 (millions of U.S. dollars)
Financial Data			
Operating Revenues	¥ 2,651.5	¥ 2,615.1	$ 21,756
Operating Income	319.3	325.5	2,708
Net Income	128.4	80.4	669
Total Assets	7,507.5	7,402.3	61,583
Per Share Data (Yen and U.S. dollars)			
Net Income	131.6	83.5	0.69
Cash Dividends	50.0	50.0	0.42
Key Ratios (%)			
Shareholders' Equity Ratio	21.1%	20.9%	
Return on Equity (ROE)	8.2%	5.1%	
Return on Assets (ROA)	2.8%	2.1%	

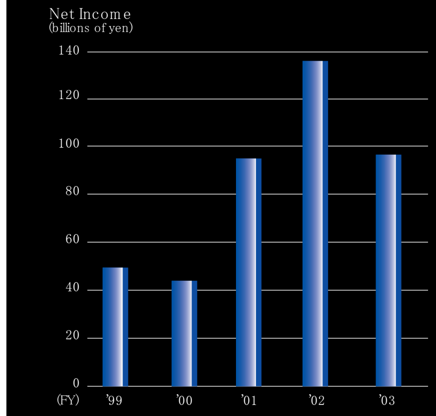
Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.20=US$1, the approximate rate of exchange at March 31, 2003.
2. ROA= (Income Before Income Taxes+ Financial Expenses) x (1 −Income Tax Rate) /Total Assets

Financial Highlights
(Non-Consolidated Basis)

	2002 (billions of yen)	2003 (billions of yen)	2003 (millions of U.S. dollars)
Financial Data			
Operating Revenues	¥ 2,520.8	¥ 2,482.7	$ 20,655
Operating Income	311.2	315.5	2,625
Net Income	137.0	97.2	809
Total Assets	7,043.4	6,772.3	56,342
Per Share Data (Yen and U.S. dollars)			
Net Income	140.4	101.4	0.84
Cash Dividends	50.0	50.0	0.42
Key Ratios (%)			
Shareholders' Equity Ratio	19.0%	19.6%	
Return on Equity (ROE)	10.2%	7.3%	
Return on Assets (ROA)	3.1%	2.4%	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.20=US$1, the approximate rate of exchange at March 31, 2003.
2. ROA= (Income Before Income Taxes+ Financial Expenses) x (1 −Income Tax Rate) /Total Assets

The Kansai Electric Power Co., Inc. | Annual Report 2003



Contents

Engineering solid new foundations for robust corporate growth in a changing world

Kansai EP is boldly transforming itself into a diversified and dynamic entity flexibly prepared to respond to shifting parameters.

The Year in Review

In fiscal 2003, the period from April 1, 2002 through March 31, 2003, the Japanese economy demonstrated signs of recovery in certain respects, as illustrated by expansion in exports from the start of the term. Unfortunately, the situation turned severe during the second half of the term as deflationary concerns exacerbated and share prices proceeded relentlessly downward amid anxiety toward the future prospects of the global economy.

Against this backdrop The Kansai Electric Power Co., Inc. (Kansai EP) recorded a 1.5% increase in total electricity sales year-on-year; sales volume reached 141.8 billion kWh, with expansion attributable to increased heating demand in response to a colder-than-average winter and recovery in select customer segments. This increase in electricity volume notwithstanding, operating revenues declined by ¥3.64 billion to ¥2,615.1 billion under the impact of our rate reductions implemented in October 2002 to boost the Company's competitive position. Operating expenses totaled ¥2,289.5 billion, down ¥42.7 billion from the level of fiscal 2002. On the one hand fossil-fuel costs decreased as nuclear plants performed smoothly and enabled the load factor to rise to an unprecedented 90.5%. Also, initiatives were taken to enhance efficiency throughout all aspects of management, and measures were implemented to trim maintenance and capital costs. On the other hand a variety of new cost-incurring steps were taken ahead of schedule to prevent future burdens; these included preferential measures in tandem with our early retirement initiative and disposal of pension-related costs. Additionally, to cope with thermal plants whose operations had been suspended at length, we effected extraordinary amortizations so as to fortify our competitive position going forward. In the end the Company completed fiscal 2003 with ¥325.5 billion in operating income, up ¥6.2 billion from the year-earlier level.

Consolidated net income reached ¥80.4 billion, down ¥47.9 billion from the year-earlier level. The positive impact of the booking of ¥28.2 billion in extraordinary profit from the sale of part of the Company's shareholdings was heavily offset by a special loss of ¥62.0 billion linked to the cancellation of the construction of the Kaneihara power facility.

At term's end our shareholders' equity ratio was down 0.2 percentage point from the level of fiscal 2002. However, interest-bearing liabilities were reduced by ¥94.2 billion.

A trend in recent years, and one which had a clear impact on our earnings results in fiscal 2003, is a progressively heavier burden of personnel costs; the trend is ascribable to increasing retirement payments, notably in conjunction with pension expenditures. Although this circumstance can be blamed on the current investment environment, a radical resolution to the problem is imperative.

Yoshihisa Akiyama
Chairman of the Board of Directors

Yohsaku Fuji
President and Director

Another problem is the level of our operating income. In fiscal 2003 we managed to record a year-on-year increase in operating income as described above; but in comparison to the levels of earlier years, income remains sluggish. The lethargy can be ascribed to the Kansai region's slumping economy and to competition against other energies in this home area, and in order to increase our income level going forward, at Kansai EP we are determined to pursue an effective price strategy as well as implement a host of business initiatives not price-related.

Focused Response to a Ripe Opportunity

The environment surrounding the electricity business is currently undergoing significant transformations as the blueprint for deregulating the industry becomes increasingly clear. In the coming years liberalization will be expanded in progressive increments and the industry will undergo a cornucopia of major system changes, including the establishment of a wholesale electric power market and elimination of the wheeling charges currently levied whenever power crosses into the grid of another provider. In addition, competition is projected to become increasingly fierce in the coming years. Today, movements to enter the electricity market are gathering momentum as competing firms carry forward plans to operate power plants of major scale.

At Kansai EP, while we are keenly cognizant of the risk of becoming embroiled in severe competition amid this rapidly changing business environment, more importantly we look on these shifting parameters as a dynamic opportunity for us to raise our corporate and shareholder value through earnings expansion. To capitalize fully on this opportunity — an opportunity not afforded to us when the industry was totally regulated — we have set three overriding targets on which to focus our managerial resources: 1) reinforcement of our competitive strength, 2) enhancement of our Groupwide earning power, and 3) strengthening of our financial structure. Here is how we aim to achieve this triad of objectives.

First, to boost our competitive strength, we are taking determined initiatives to fortify our price competitiveness while closely monitoring developments in market liberalization, and to enhance customer satisfaction through provision of new forms of value. Toward these ends we will pursue optimal efficiency in all areas of management and devote our resources to the development of ever better electrical equipment, service menus and rate options. We will also pool our comprehensive Group resources in a quest for enhanced capabilities as a provider of a full slate of energy solutions. Finally, we will strive to achieve ever more effective programs to cultivate and train the professional staff we will require to furnish this kaleidoscopically changing palette of solutions to our customers.

Second, with the aim of strengthening our Groupwide earning capacity, we will pursue enhanced management efficiency, including radical reorganization of our Group companies, and strive for ever more effective use of our Groupwide managerial resources. We also will explore new business avenues through selective concentration into operations that will offer us the ability to effectively apply our Groupwide resources along three vectors in particular: comprehensive energy solutions, amenities in support of lifecycle requirements, and information technology services. Steady progress continues to be achieved in each of these directions. For example, we have instituted retail gas sales by applying our expertise in the operation of facilities handling LNG; we have inaugurated services in home security, capitalizing on the trust placed in us by the regional community; and we have launched Internet services making use of our 65,000-kilometer fiber-optic network. In the years ahead we will continue to aggressively pursue investments into new business areas that will lead to ongoing expansion of our earnings base into the future.

Third, in conjunction with the fortification of our financial structure, tangible achievements are now coming to the fore. In March 2003 we revised upward nearly all of the financial targets that we had set one year earlier, despite the deepening severity of our operating environment projected ahead. We now aim for a consolidated free cash flow averaging more than ¥360 billion per annum between fiscal 2004 and fiscal 2006, a shareholders' equity ratio above 25% by the end of fiscal 2006, and a reduction in our interest-bearing debt to ¥3.4 trillion by the end of fiscal 2006.

Meeting New Challenges for Tomorrow's Growth

Going forward Kansai EP will continue to fulfill its social responsibilities as a corporate global citizen, including our indelible commitment to resolve environmental issues. Synchronously we will also seek profit growth and expanded shareholder value in a sustained manner, in three ways: by instilling loyal trust among our customers on a Groupwide basis; by driving the continuing development of the Kansai region as a growth enterprise; and by achieving and sustaining the resiliency and strength to respond to any and all changes in our operating environment.

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

Yoshihisa Akiyama
Chairman of the Board of Directors

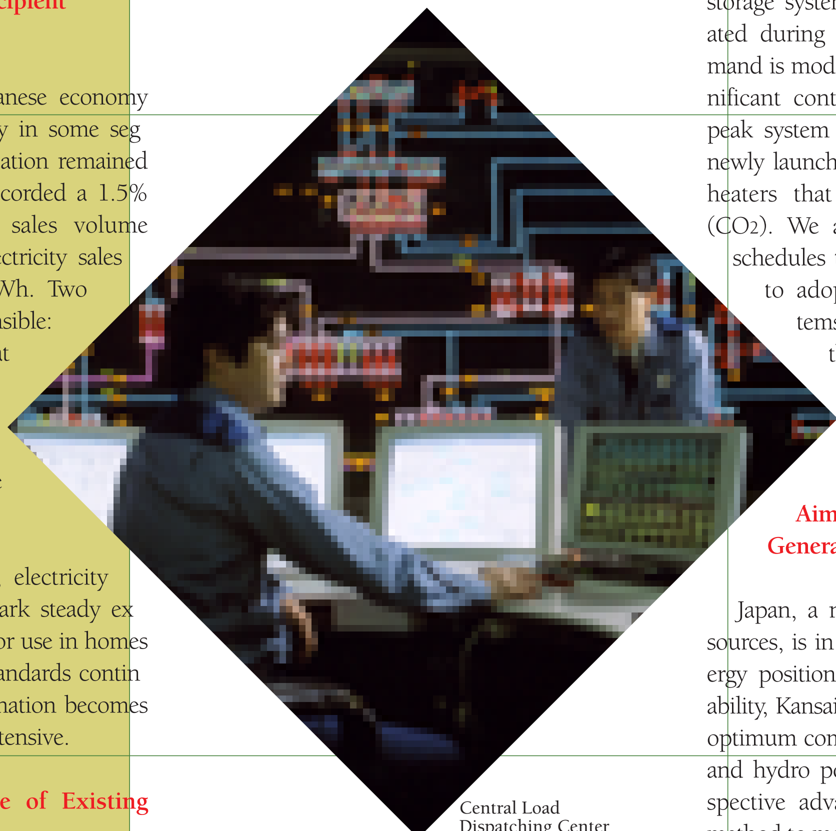
Yohsaku Fuji
President and Director

Meeting growing demand through effective use of resources, infrastructure and innovations

Sales Expansion Amid Incipient Economic Recovery

In fiscal 2003 the Japanese economy exhibited signs of recovery in some segments, but the overall situation remained quite severe. Kansai EP recorded a 1.5% year-on-year increase in sales volume nonetheless, with total electricity sales reaching 141.8 billion kWh. Two factors were largely responsible: increased demand for heating in response to an unusually cold winter, and incipient recovery in production activities in select industries.

Beyond the near term, electricity demand is expected to mark steady expansion ahead, especially for use in homes and businesses as living standards continue to improve and as the nation becomes increasingly information-intensive.



Central Load Dispatching Center

Pursuing Maximum Use of Existing Infrastructure

Electricity sales expansion puts increasing strain on the total power infrastructure. To utilize existing infrastructure to optimum effect — and thereby enhance the Company's competitive position — we are taking steps to minimize increases in peak demand on the system: in other words, to improve our load factor.

Specifically, we encourage the adoption of and vigorously market systems engineered for greater energy efficiency. Most notably these include “Eco Ice” and “Eco Cute.” Eco Ice is our innovative thermal-storage system that retains power generated during nighttime hours, when demand is modest, and thereby makes a significant contribution to easing daytime peak system demand. Eco Cute are our newly launched electric heat-pump water heaters that use a natural refrigerant (CO_2). We also provide attractive rate schedules tailored to induce customers to adopt these energy-saving systems. The burgeoning success of these initiatives is reflected in the gradual improvement in our load factor in recent years.

Aiming for the Optimum Generation Mix

Japan, a nation of limited natural resources, is in a perennially precarious energy position. To cope with this vulnerability, Kansai EP continuously probes the optimum combination of nuclear, thermal and hydro power, capitalizing on the respective advantages of each generation method to maximum effect.

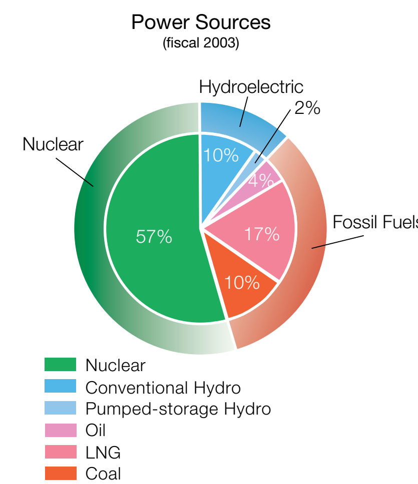
Nuclear power forms the core of our energy platforms, meeting a majority 57% of the Company's total output demand. Nuclear power offers salient economic advantages because we pioneered its development, and this long record today yields benefits in terms of relatively modest depreciation costs and a sustained high capacity factor. Nuclear energy is also friendly to the environment as it produces low levels of CO_2 emissions.

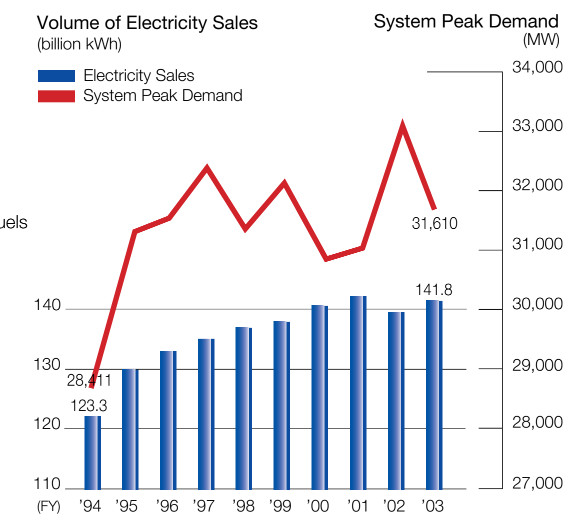
Thermal power, which offers superior load-following characteristics, is our second-most important source of energy. In this area, we are pursuing diversification beyond oil dependency and striving for efficient operation of facilities by retiring or suspending, at length, operation of power plants plagued by poor efficiency or low load factor.

We are also developing hydroelectric power aggressively, in view of this energy source's modest burden on the environment and the need to optimize effective use of Japan's available resources. Pumped-storage hydropower plants play a significant role in satisfying peak demand.

Periodic inspection of nuclear power plant turbines

To cope with ever-expanding electricity demand, Kansai EP explores all conceivable avenues to achieve optimal use of available resources and infrastructure.





Adopting resilient new business strategies to ensure a future of dynamic growth

Japan's Power Industry in Transformation

Under revisions to Japanese regulations governing the electric power industry that took effect from March 2000, retail users who contract for more than 2,000 kW of power received at voltages above 20,000V are now permitted to choose their preferred power supplier. Users matching those criteria account for roughly 30% of Kansai EP's sales volume and 20% of the Company's revenue.

In tandem with this deregulatory measure, the nation's electric power providers now offer open access to their power transmission networks. This liberal disposition permits total fairness in the usage of transmission systems by all competitors in the newly deregulated segment of the industry.

In February 2003 a special government committee serving in an advisory capacity to the Minister of Education, Trade and Industry suggested a menu of system changes for achieving further deregulation of the electric power industry going forward. The newly indicated measures call for graduated expansion of the scope of liberalization, elimination of wheeling charges levied by the power companies against transmissions through their supply grids, and the establishment of a wholesale power market. Collectively these and other complementary initiatives are designed to enhance the industry's competitive environment.

Competition Entering a New Phase

Since the inception of the deregulatory change initiated in 2000, new participants have become increasingly active in the domestic electricity market. As of March 31, 2003, eleven new energy providers had entered the market and successfully acquired customers in areas throughout the nation. Kansai is but one region where their activities targeted at attracting demand are beginning to gather momentum.

Deregulation has also had an impact on competition among the traditional power providers. Since deregulation got under way, rate reductions have been executed by all power firms, leading to rate leveling that to date has prevented scrambles for customers.

Proactive Response to a Changing Environment

Kansai EP views the transformations in its operating environment as an ideal opportunity for corporate reform, and we are taking aggressive steps now in that direction. Specifically we are working assiduously to maximize efficiency in all areas of our operations, with the cash flow generated from these initiatives to be applied strategically in the following three ways.

First, we are resolved to enhance our price competitiveness. Historically the Company has long maintained a pricing advantage, but going forward we will face intensifying competition against new power providers and on-site power sources, compelling us to fortify our price competitiveness even further. Also, in preparation for future expansion of market liberalization and ongoing developments in competition, we will focus our business policies more sharply on the needs of our customers. By providing them with added value and optimal solutions, we aim to secure the loyal patronage not only of customers in the newly deregulated segment but also of home users and other customers in the regulated markets.

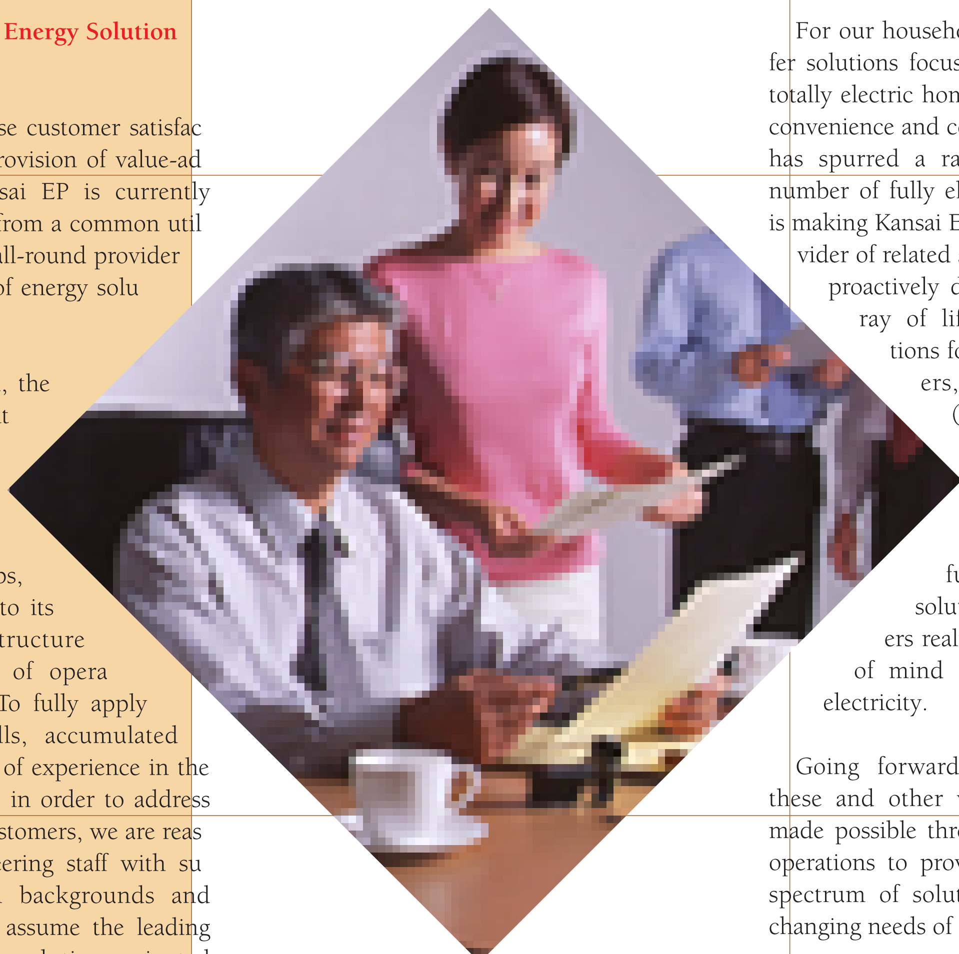
In step with the continuing deregulation of Japan's power industry, Kansai EP is making aggressive moves to strengthen its competitive position.

Second, we intend to use our enhanced cash flow to make our financial structure ever more muscular. Reinforcement of our financial structure is indispensable in two respects: to ensure the Company's survival as competition becomes increasingly more severe in coming years, and to win the confidence of the capital markets.

Third, we will turn our newly generated cash flow to advantage by undertaking investments particularly into new business areas that have promise of expanding our earnings base. Notably, we intend to pursue Group operations more strategically by concentrating our comprehensive managerial resources into three core areas: energy solutions, IT services, and amenities in support of lifecycle needs. The broad-ranging products and services that we offer within our total Group framework will be applied to provide clients with a full spectrum of solution-oriented services.

Our newly evolving Group strategy will come to form an integral element of the Company's comprehensive business strategy, together with our marketing and financial strategies. In combination, these three powerful pillars will provide the solid support we require to maintain our leading position in the coming era of severe competition.

Developing marketing strategies finely tuned to the evolving needs of the customer



Transformation to Energy Solution Provider

In a quest to raise customer satisfaction through the provision of value-added services, Kansai EP is currently transforming itself from a common utility company to an all-round provider of a broad palette of energy solutions.

Toward that end, the Company is presently reengineering its business operations at all levels and taking a host of decisive steps, including changes to its organizational structure and enhancement of operations Groupwide. To fully apply our technical skills, accumulated through long years of experience in the electricity business, in order to address the needs of our customers, we are reassigning our engineering staff with superlative technical backgrounds and rich experience to assume the leading role in our new solutions-oriented transformation.

Solutions are carefully devised to match the specific needs of each customer segment. For large-volume customers, for example, we capitalize on the comprehensive capabilities of our Group companies to provide optimum solutions across a wide spectrum. Solutions center on energy-related services, including gas sales, but also touch upon the environment, information technology and business support.

For our household customers, we offer solutions focused on the "value" of totally electric homes in terms of safety, convenience and comfort. This initiative has spurred a rapid increase in the number of fully electric dwellings, and is making Kansai EP renowned as a provider of related solutions. We are also proactively developing a total array of life-supporting operations for household customers, including FTTH (fiber-to-the-home) and home security services. The entire Kansai EP Group is pooling its full complement of solutions to help customers realize ever greater peace of mind through reliance on electricity.

Going forward, we will combine these and other value-added services made possible through our Groupwide operations to provide an ever broader spectrum of solutions attuned to the changing needs of the market.

Dynamic Pricing Strategy

The Company is also carrying out a dynamically aggressive pricing strategy in a quest to maintain a competitive edge within the liberalizing power industry. At the core of the strategy is our development, based on exhaustive market research, of a full menu of rate options targeting specific customer segments. Kansai EP is leading the industry in introducing special rate plans not only to customers in the newly liberalized market but also, in anticipation of further deregulation and competition, to commercial and home users in markets still regulated.

Applying the full complement of its Group resources, Kansai EP is reengineering itself into a provider of energy solutions tailored to customer needs.

For customers in the liberalized market, we provide a selection of rate schedules tailor-made to their specific needs and energy usage patterns. We also offer special discount options applicable to new or expanded demand requirements.

For customers still affected by industry regulation, the Company has aggressively developed new rate options specifically targeting areas in which various energy sources compete. One example is the launch of our "HAP-e (Happy) Plan" in 2000. The new program, the first of its kind from any power provider in the nation, offers discounted rates to household customers who rely entirely on electric power to meet all their energy needs. The program has resulted in a dramatic increase in totally electric homes and adoption of electric kitchens.

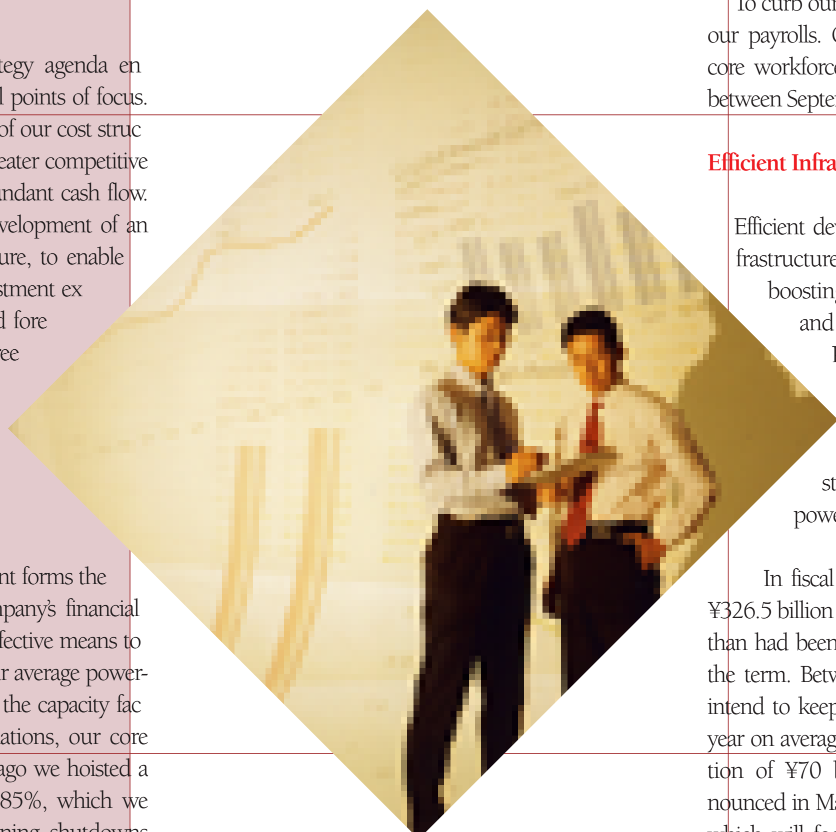
Customer Service Enhancement through Advanced IT

In a quest for greater management efficiency and customer satisfaction, we have launched a "one-stop customer service" system at all of our service bases. The one-stop system applies IT interfacing to enable swift and on-the-mark responses to customer inquiries and requests, with the result that our customers are more satisfied today than ever. In 2003 we also commenced operation of a call center in the heart of Osaka incorporating the latest CTI (computer telephone integration) technology. In ways like these, we intend to continue seeking ever higher customer satisfaction ahead through active use of IT.

Pursuing optimal cost efficiency and a steady path toward sound financial health

Three Strategic Focuses

Kansai EP's financial strategy agenda encompasses three fundamental points of focus. The first is the enhancement of our cost structure, to permit us to attain greater competitive strength and generate an abundant cash flow. Second, we focus on the development of an optimally efficient infrastructure, to enable us to reduce our capital investment expenditures. Finally, we accord foremost priority to allocating free cash flow to the reduction of our interest-bearing liabilities.

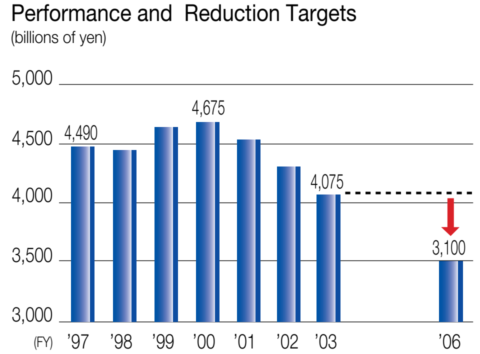


Improved Cost Structure

Cost structure enhancement forms the underlying base of the Company's financial strategies. One of the most effective means toward that end is to reduce our average power-generation costs by elevating the capacity factor of our nuclear power stations, our core energy source. Several years ago we hoisted a target capacity factor above 85%, which we sought to achieve by shortening shutdowns for periodic inspections through measures including replacement of steam generators. In fiscal 2003 we successfully reached — and surpassed — our goal by bringing our capacity factor up to 90.5%.

We are also trimming costs by downsizing our corporate assets. During the past two fiscal years we closed down 16 less efficient power generators with a total output of 2,132 MW, and we have also implemented long-term suspension of operations of another 13 generators with a total output of 5,193 MW. This restructuring of major assets should significantly lower our operation and maintenance costs.

Interest-bearing Liabilities: Performance and Reduction Targets



To curb our fixed costs, we are scaling back our payrolls. Our current goal is to cut our core workforce by roughly 3,000 employees between September 2001 and March 2005.

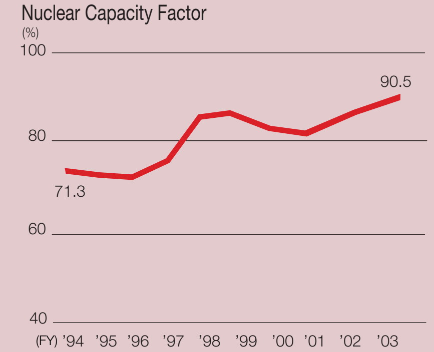
Efficient Infrastructure Development

Efficient development of our corporate infrastructure is an important strategy for boosting our assets' earning capacity and increasing free cash flow. At Kansai EP we are currently reducing our investments into power plants and other facilities while maintaining a stable supply of high-quality power.

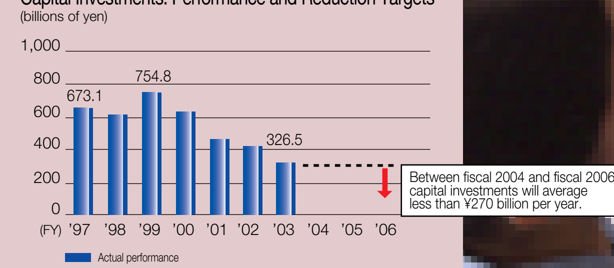
In fiscal 2003 we undertook a total of ¥326.5 billion in capital investments, 11% less than had been initially planned at the start of the term. Between fiscal 2004 and 2006 we intend to keep capex below ¥270 billion per year on average; the figure represents a reduction of ¥70 billion beyond the target announced in March 2002. To achieve that goal, which will focus on curbing capex into distribution and other facilities, we aim to cut our procurement costs through diversification of purchasing methods and the adoption of new technologies and construction methods. We are also substantially deferring construction of new power generation, distribution and transmission facilities while monitoring power demand trends.

On a consolidated basis, in fiscal 2003 we undertook capital investments totaling ¥386.8 billion, 16% less than originally planned. Between fiscal 2004 and 2006 we are targeting a decrease to less than ¥360 billion per term on average, a further ¥70 billion below the target

Nuclear Capacity Factor



Capital Investments: Performance and Reduction Targets




Mihama Nuclear Plant

Kansai EP's financial strategies are sharply trained on improved cost structure, a leaner infrastructure, and a lighter burden of interest-bearing liabilities.

hoisted in March 2002.

Reduction of Interest-bearing Liabilities

Kansai EP's longer-range financial strategy calls for expansion of free cash flow through reductions in costs and capital investments. The generated cash flow will be allocated to reducing interest-bearing liabilities as a way of reinforcing our financial structure. In fiscal 2003 we not only decreased those liabilities by ¥251.6 billion at the parent level, we also generated free cash flow above target through measures including the sale of investment securities. The enhanced financial position resulting therefrom enabled us to repurchase and retire our shares and return profits to our shareholders.

Currently, we have set two targets for trimming our liabilities further. At the parent level we aim to reduce our interest-bearing debt to less than ¥3.1 trillion by the end of fiscal 2006, rather than the ¥3.5 trillion goal we had previously set for the end of fiscal 2005. We have simultaneously revised our shareholders' equity ratio target to higher than 24% by the end of fiscal 2006, superseding the earlier goal that targeted a 23% ratio by the end of fiscal 2005. On a consolidated basis we now aim to pare our interest-bearing debt to less than ¥3.4 trillion by the end of fiscal 2006, as opposed to the ¥3.8 trillion target we had formerly set for the end of fiscal 2005. Within the same time frame we have also enhanced our shareholders' equity ratio goal from above 24% to higher than 25%.

Financial Strategies for Corporate Strength

Through the various measures described here, we not only target sustained expansion of both our corporate and shareholder value, but also seek to achieve the financial stability and flexibility that will enable us to manifest our corporate strength even within the increasingly deregulated market of the coming years.

Business Focus: Group Strategies

Pursuing top-line expansion and sustained growth as an all-around life-support industry

Total Solutions and Competitive Supremacy

To respond to the diversified needs of our customers, at Kansai EP we muster our comprehensive Groupwide strengths to enable us to provide power solutions across the full spectrum. In the process we aim to lend unparalleled support in resolving the kaleidoscopically evolving issues that our customers face.

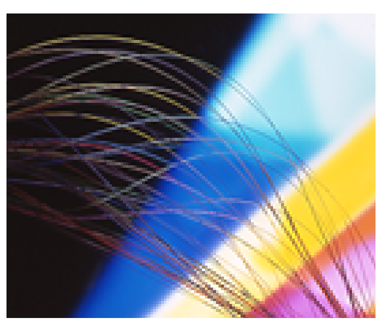
In conjunction with this commitment, we seek to achieve ever more advanced usage of our managerial resources. As an example, we are determined to transform our LNG depots and fiber-optic facilities, which historically have constituted the core cost-generating drags on our electric power operations, into Groupwide seeds to drive profits going forward.

Additionally, whereas traditionally the focus of our Groupwide power operations has been on achieving a stable supply of high-quality electricity, today we are pursuing maximum cost reductions and reorganization targeted at the configuration of an operating structure of optimal efficiency. Through these initiatives we are confident of achieving an unsurpassed level of competitive strength in electricity operations.

Three Strategic Vectors

To utilize our Groupwide resources and strengths to maximum effect, we have elected to concentrate on three strategic areas: energy solutions, life-support amenities, and information technology. Fiscal 2003 yielded tangible results in each segment.

Internet cafe



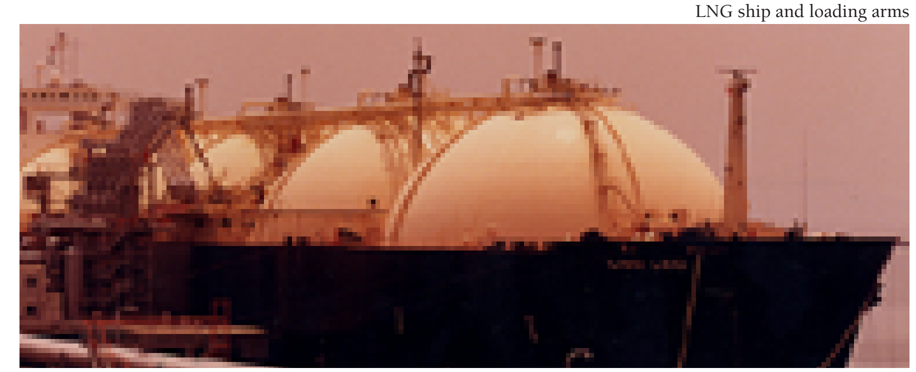
As a comprehensive energy provider, the Company made further progress in providing customers with optimal energy solutions to match their power requirements, relying foremost on electricity but also on gas and cogeneration options as well. In fiscal 2003 we scored solid results in this respect, as illustrated by an increase in retail gas sales to 180,000 tons, and we are targeting 200,000 tons for fiscal 2004. To support this expansion in gas operations, we are presently constructing a new LNG base.

In recent years we have also launched a wealth of new amenity-type business operations to support lifecycle-related needs. The new ventures include operations in home security, settlement services, meal services and health-management support services. In the coming years, we will continue to respond to the trust of our customers, nurtured through many years of service as a dependable electricity provider, by applying these and other new business endeavors to the creation of safe, convenient and comfortable living environments centering on the adoption of totally electric facilities.

In the IT field, in fiscal 2003 we expanded our Internet connection services capitalizing on the Company's fiber-optic network, now some 65,000 kilometers in length. As of the end of fiscal 2003 these services had attracted 220,000 subscriptions, and our target for the year in progress has been set at 300,000. In addition we are pursuing ongoing improvement in our content distribution and application services — illustrated by program distribution integrating communications and broadcasting capabilities — as well as expansion of our user base centered on fiber-to-the-home (FTTH) technology. Our underlying goal is to make operations in these areas our second-largest earnings source after electricity.

Kansai EP is investing its Group resources and capital into new business areas with potential to drive earnings and boost corporate and shareholder value.

LNG ship and loading arms



Medium-Term Targets

Through the three strategy vectors just described, Kansai EP aims to apply its full Group resources to provide its customers with new forms of added value ahead. As the tangible outcome of that initiative, we have hoisted two targets for fiscal 2007: 1) to expand Groupwide sales by 50% to ¥250 billion and 2) to secure ¥33 billion in recurring profit.

Environmental Initiatives

Preserving and protecting the environment as a responsive and responsible global citizen

Mangrove research

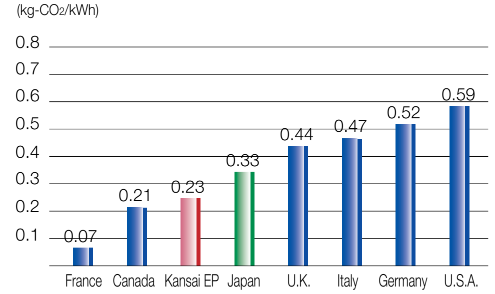
Commitment to Environmental Management

At Kansai EP environmental management has long been accorded the full-time, full-fledged commitment which this crucially influential aspect of our operations — touching on the very health and lives of our customers, our nation and our planet — deserves. Reduction of CO_2 and other greenhouse gas emissions that are causing irreparable damage to our global environment is at the top of our list of priorities. However, achieving that aim requires aggressive and unwavering commitments on both the supply and demand sides.

Here on the supply side, we are aggressively promoting the adoption of nuclear power generation, a technology that produces no CO_2, and enhancing the thermal efficiency of our fossil-fuel generating facilities. We are also fortifying our commitment to the development of new power-generating systems based on wind and solar energy, particularly in response to the enactment in April 2003 of the RPS (Renewable Portfolio Standard) Law. The new legislation delineates special measures concerning the utilization of new energies by Japan's electricity providers. Going forward we pledge to work to promote expanded adoption of the newly developed systems.

Targeting the demand side, we are pushing for widespread adoption of "Eco Ice," our innovative thermal-storage system that utilizes power generated during nighttime hours, when nuclear power dependency is high and CO_2 emissions are low. We are also actively promoting "Eco Cute," our newly launched electric heat-pump water heaters that use a natural refrigerant (CO_2).

Comparison of CO_2 Emission Levels in Major Countries, 2000



Source: Energy Balance of OECD Countries 1999-2000
*Kansai EP (2002, actual)

These and a broad array of other initiatives are already yielding tangible, positive results. In fiscal 2003 Kansai EP's CO_2 emissions were down by roughly 5.8 million tons from the level of fiscal 1991, despite a dramatic increase in power generation volume during that interim. Also, our emission level per unit of generated electricity is lower than in most major Western countries.

Beyond National Borders

In recognition of the global scale of the CO_2 emissions issue, Kansai EP takes its aggressive stance on environmental protection beyond domestic limits. We proactively participate in a host of projects focused on curbing CO_2 worldwide, including a research project on mangrove afforestation technologies for application in Thailand and environmental tree planting to prevent salinity problems in West Australia. We are also participating in an investment fund created to promote energy conservation and reduce harmful emissions in the nations of eastern Europe.

Contributions toward a World of Renewable Resources

Kansai EP is also seriously committed to contribute toward the eventual elimination of all waste materials that today require landfill disposal. In a quest to achieve business activities matching the demands of a world of ecologically harmonic renewable resources, the Company pursues the "3 R's" for dealing with industrial and other wastes: reduce, reuse and recycle.

As an example, already we recycle 100 percent of the heavy/crude oil ash and desulfurized gypsum generated by our fossil-fuel-burning generating facilities as well as all of the low-voltage power line and concrete poles used in our power distribution grids. We are also retooling our purchasing practices to accord highest priority to products that offer high environmental compatibility. To illustrate, from fiscal 2003 we began meeting our full requirement for wire protection conduits by procuring products manufactured from recycled materials originally discarded from our own premises.

We are equally active in recycling initiatives on a Groupwide basis. These include the creation of livestock bedding materials, fertilizers and soil enhancers from dam driftwood; recycling of incinerated waste ash and other wastes into brick-like blocks; and recycling of styrofoam and other polystyrene products using our own unique solvents.

International Certification

In conjunction with our environmental management initiatives, we are continuously striving to enhance the quality and safety levels of our facilities and bring them in line with international standards. To date (March 2003) our efforts have enabled us to acquire ISO14001 certification for the Nanko Power Plant and 11 other operating bases.

Wind-power generation equipment supported by the Kansai Green Power Fund (Taiko-yama, Kyoto)

Nanko Thermal Plant

Kansai EP is a dynamic creator of and dedicated contributor to initiatives to safeguard the Earth's natural environment for future generations.

Pursuing new technologies for the Earth's benefit and the Company's future

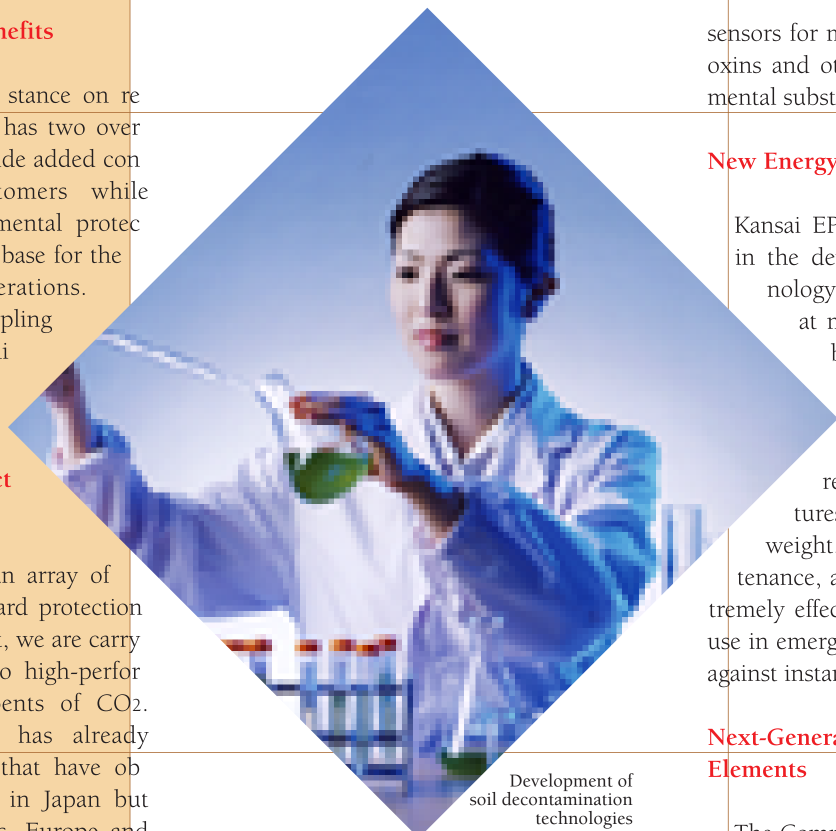
Goals Set on Mutual Benefits

Kansai EP's aggressive stance on research and development has two overriding objectives: to provide added convenience to our customers while contributing to environmental protection, and to forge a solid base for the Company's future operations. Here we introduce a sampling of some of our recent initiatives and achievements in R&D.

Technologies to Protect our Earthly Habitat

In conjunction with an array of initiatives all geared toward protection of the global environment, we are carrying forward research into high-performance chemical absorbents of CO_2. Our research program has already yielded tangible results that have obtained patents not only in Japan but also in the United States, Europe and Asia, and our technology has been adopted in a urea production plant in Malaysia. We are also engaged in research into technologies to regenerate tropical rain forests, in order to revitalize the natural environment and expand CO_2 absorption zones.

Another R&D focus related to environmental protection is the development of soil decontamination technologies employing biotechnologies. We are currently conducting research into soil remediation technologies and into biosensors for measuring heavy metals, dioxins and other environmentally detrimental substances.



Development of soil decontamination technologies

New Energy Storage Technology

Kansai EP is making rapid progress in the development of a new technology for storing energy, targeted at making a significant contribution to load leveling. The redox-flow battery is capable of storing electrical energy for subsequent retrieval as needed. It features a simple structure, light weight, small size and easy maintenance, and it is expected to be extremely effective as a power source for use in emergencies or for compensation against instantaneous voltage dips.

Next-Generation Semiconductor Elements

The Company is conducting basic research into silicon carbide (SiC) diodes, next-generation power semiconductor elements that are expected to enable substantial reductions in power loss. Our research is aimed at applying SiC diodes to the power industry. Unlike conventional silicon elements that cause more power losses and are easily broken under high voltages, SiC diodes are revolutionary in their ability to curb power losses. They also offer outstanding advantages by enabling cooling devices of smaller size.

Basic research into SOFC materials

Kansai EP undertakes a timely program of R&D focused on breakthroughs to enhance the environment and drive growth toward tomorrow.

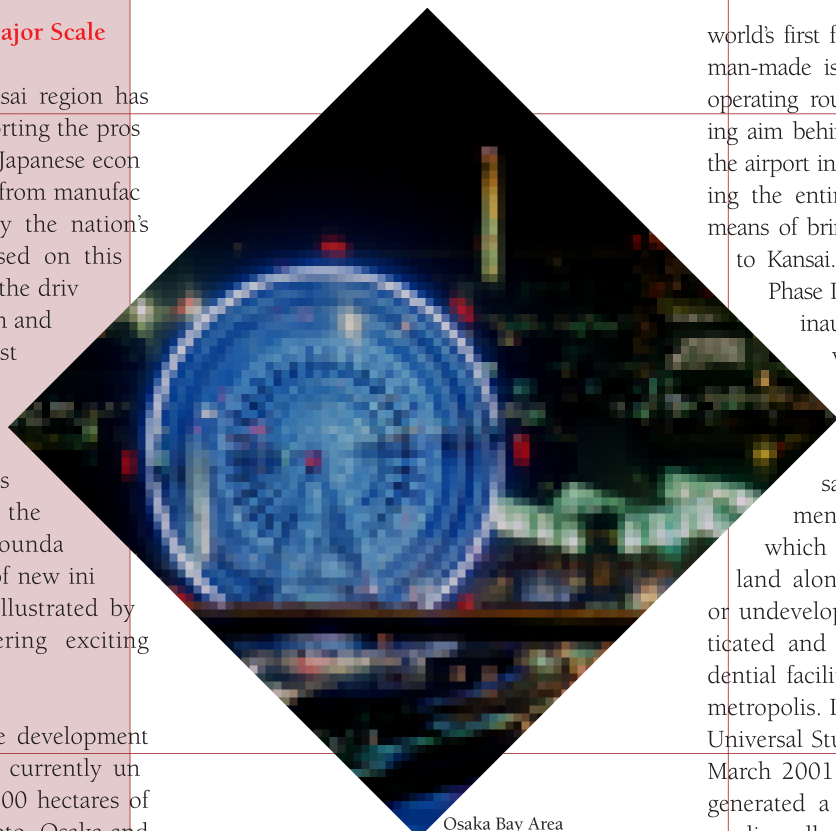
High-Efficiency Fuel Cells

Solid oxide fuel cells (SOFC) are garnering wide attention today as new power supplies offering excellent generation efficiency, stability and environmental friendliness. They are expected to be adopted as alternative power supplies in applications ranging from small-scale home generators to large-scale power systems. At Kansai EP, we are engaged in research into low-temperature SOFCs in a quest to realize cells of low cost, light weight and compact size.

SiC diode module testing

Serving in a major supporting role in the Kansai area's dynamic development

Ambitious Projects of Major Scale


Osaka Bay Area

For centuries the Kansai region has served as the pillar supporting the prosperous flourishing of the Japanese economy, in sectors spanning from manufacturing to services. Today the nation's aspirations remain focused on this bustling zone to serve as the driving force of Japan's growth and development in the 21st century, and to respond to that call Kansai is currently setting down new foundations for its dynamic expansion in the coming years. Those foundations include a number of new initiatives of major scale, illustrated by a trio of projects offering exciting prospects for the future.

The first project is the development of "Kansai Science City," currently under construction on 15,000 hectares of rolling hills spanning Kyoto, Osaka and Nara prefectures. The City is a national project that aims to apply Kansai's rich cultural, academic and scientific strengths to forge a new creative launching ground on international scale appropriate for the 21st century. Facilities are to include not only universities and corporate research centers, but also residential and community amenities to support the lives of those who will work and reside here.

The second mammoth project underway in Kansai is Kansai International Airport. Opened in 1994, the airport is the world's first facility of its scale built on a man-made islet and Japan's first airport operating round-the-clock. The underlying aim behind the project is to develop the airport into an international hub serving the entire Asia-Pacific region, as a means of bringing unprecedented vitality to Kansai. Currently the airport is in Phase II of construction, toward the inauguration of a second runway in 2007.

The third large-scale work in progress in Kansai is the Bay Area Development Project, the objective of which is to make effective use of land along Osaka Bay, turning idle or undeveloped properties into sophisticated and attractive urban and residential facilities suited to a world-class metropolis. In tandem with this project, Universal Studios Japan opened here in March 2001. The new theme park has generated a phenomenal response exceeding all projections, attracting more than 10 million visitors during its first year in operation.

Besides supporting dynamic projects like these as the leading power supplier to the region, Kansai EP is playing a proactive role in initiatives designed to draw new businesses, both domestic and foreign, to Kansai as a way of contributing to its sustained development and prosperity.

Close Community Rapport

Kansai is home to large numbers of non-Japanese, and to meet their needs as well as prepare for even greater internationalization of the region during the 21st century, a host of amenities are being developed. One example is FM CO·CO·LO, Japan's first multilingual FM ratio station. Operated by dedicated volunteers with financial support from Kansai EP and other corporate sponsors, the station provides a broad array of programming — from news and entertainment to language lessons and emergency information — in a kaleidoscope of languages.

Kansai EP is also active in operations that cater to the special needs of or provide employment opportunities to the physically and mentally handicapped.

In these various ways, through national projects, nurturing of new industries and a colorful palette of undertakings in support of the evolving needs of local citizens, Kansai EP today is contributing on broad fronts to the ongoing development of its home region.


FM CO·CO·LO


Kansai Science City

Kansai EP provides invaluable support to projects and initiatives transforming Kansai into an ever more vibrant and people-friendly region.


Kanden L-Heart, a Kansai EP subsidiary

Directors and Auditors

(As of June 27, 2003)

Yoshihisa Akiyama
Chairman of the Board of Directors

Yohsaku Fuji
President and Director

Shosuke Mori
Executive Vice President and Director

Tetsuji Kishida
Executive Vice President and Director

Keishi Yoshimoto
Executive Vice President and Director

Hiroshi Morimoto
Executive Vice President and Director

Isao Aoki
Executive Vice President and Director

Managing Directors
Takashi Inoue
Hiroshi Matsumura
Ikuro Tsukuda
Sadanori Ozasa
Yasuo Shinomaru
Michiyuki Hashimoto
Norihiko Saito
Sakae Kanno

Directors
Koji Kaibe
Masanobu Tezuka
Takeshi Imai
Toshiaki Mukai
Hiroki Tanaka
Masumi Fujii
Yonezo Tsujikura
Mamoru Yoshida
Takashi Teramoto
Hirofumi Tayama
Tsuneaki Miyamoto

Directors
Yasuo Hamada
Naotaka Saeki
Wa Tashiro
Noriyuki Inoue

Senior Corporate Auditors
Yoji Goto
Yoku Matsumoto
Tomoaki Nakamori

Corporate Auditors
Takaharu Dohi
Yoichi Morishita
Akira Imagawa
Keiko Nakamura

Financial Section

Contents

Financial Results and Analysis (Consolidated)

Overview

Income

In fiscal 2003 — the year from April 1, 2002 through March 31, 2003 — the Japanese economy initially exhibited recovery in some segments, as illustrated by increased exports from the start of the term; however, in the second half the situation turned severe under pressures including steady declines in the stock market amid heightening deflationary concerns and worrisome prospects for the global economy. Against this backdrop, Kansai EP suffered a decline in revenues from its electricity operations despite a year-on-year increase in total power sales volume. Revenues reached ¥2,461,694 million, down ¥47,870 million from the previous term. The decline owed to the impact of rate cuts.

Operating revenues generated by other operations totaled ¥153,460 million, up ¥11,427 million from the level of fiscal 2002. Factors contributing to the increase included brisk demand for Internet connection services to the home in the IT/Communications segment, the achievement of full-scale operations in retail gas sales, and increased sales from lifecycle support operations, especially those pertaining to real estate.

Expenses

Expenses incurred in conjunction with electricity operations totaled ¥2,141,337 million, down ¥50,796 million from fiscal 2002. Personnel costs increased year-on-year primarily owing to the writeoff of recognized actuarial losses against pensions and increased payments rendered to 2,230 employees who responded to the Company's early retirement offer. The increase was offset, however, by three factors: 1) a decline in fuel costs for thermal power generation, enabled by smooth operation of nuclear plants that permitted the achievement of an unprecedented capacity factor of 90.5%; 2) efficiency enhancement initiatives affecting all areas of management; 3) efforts to trim maintenance, depreciation and other operating costs. Operating expenses in other business areas reached ¥148,236 million, representing an increase of only ¥8,084 million from the preceding term. This was accomplished through initiatives to reduce operating outlays of all kinds. In the end, operating income in fiscal 2003 reached ¥325,581 million, up ¥6,269 million year-on-year.

Other (income) expenses recorded during the term totaled ¥184,551 million, up ¥68,763 million from fiscal 2002. The increase stemmed from a loss of ¥62,001 million booked in conjunction with the canceled construction of a pumped-storage hydroelectric power plant at Kaneihara; construction was terminated primarily in light of sluggish growth in electricity demand and the opacity of the future power market. The loss was partly compensated by a reduction in interest payments by ¥14,397 million year-on-year, to ¥113,065 million, mostly through reduction of interest-bearing liabilities and efforts to trim interest on borrowings. On a consolidated basis the Companies also booked ¥28,367 million in profit from the continued sale of securities holdings released in order to enhance asset efficiency.

As a result of the foregoing, consolidated income before income taxes and minority interests reached ¥141,030 million, down ¥69,102 million from fiscal 2002. Net income, after deducting ¥59,923 million in income taxes, totaled ¥80,474 million, a ¥47,970 million decline year-on-year.

Assets, Liabilities and Shareholders' Equity

The Companies' total assets as of end-March 2003 reached ¥7,402,327 million, down ¥105,229 million from the previous fiscal year-end. Among factors that narrowed the scope of decline was the new incorporation into the consolidated account of Osaka Media Port Corporation, worth roughly ¥110 billion. Property, after deductions including ¥413,951 million in depreciation costs, decreased ¥80,426 million year-on-year. The trimming of fixed assets was made possible largely by two factors affecting electricity operations. First, capital expenditures were held to ¥386,851 million, down ¥80,963 million from fiscal 2002; this was accomplished by optimizing efficiency through initiatives including severe selectivity regarding new construction projects and reconsideration of previously set construction schedules and project scopes. Second, measures were taken to reduce property assets: for example, the aforementioned cancellation of construction of the Kaneihara plant, which had been booked to the construction-in-progress account. Assets in the form of investment securities decreased ¥35,273 million during the year. Some securities were sold, and others suffered declines in their net unrealized gains under market valuations as a result primarily of eroded market values. By contrast, deferred tax assets included under investments and other assets increased by ¥40,284 million year-on-year. The increase stemmed largely from a reduction in deferred tax liabilities, earlier booked as an amount equivalent to income taxes, reflecting the decline in net unrealized gains under market valuations. Among current assets, cash and cash equivalents decreased ¥24,900 million from the level of fiscal 2002. The decline was the result of effective use of cash on hand and aggressive reduction of interest-bearing liabilities.

Liabilities decreased ¥77,186 million during the term, to ¥5,841,952 million. Interest-bearing liabilities were trimmed by ¥94,277 million, in spite of some ¥100 billion in liabilities newly accrued in conjunction with the incorporation of Osaka Media Port Corporation into the consolidated account. The overall reduction was achieved by according highest priority in the allocation of free cash flow to reducing interest-bearing debt as a way of fortifying the Companies' financial structure.

Total shareholders' equity decreased ¥32,606 million year-on-year, to ¥1,548,131 million. A ¥31,777 million increase in retained earnings was offset by the combined impact of a ¥34,424 million decrease in net unrealized gain on available-for-sale securities and a ¥29,810 million increase in treasury stock. The decline in gain on available-for-sale securities was attributable chiefly to stock sales and eroded market values. The increase in treasury stock primarily reflected the purchase, approved by vote at the fiscal 2003 general shareholders meeting, of roughly 16 million shares. Although the shareholders' equity ratio thus slipped 0.2 point during the term, to 20.9%, steady progress was achieved at reducing interest-bearing debt and streamlining Companies' assets.

Cash Flow

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

In fiscal 2003 free cash flow reached ¥246,448 million. Cash flow generated by operating activities totaled ¥656,040 million, down ¥100,587 million year-on-year. The combined positive effects of enhanced efficiency in all aspects of management and the increase in total electricity sales volume were outweighed by the impact of the electricity rate cuts implemented in October 2002 and substantially increased income tax payments. Cash flow linked to investing activities resulted in ¥409,592 million in outlays, down ¥37,035 million from the preceding term. The reduction, achieved despite increased capital expenditures into new business areas such as IT/communications, was chiefly ascribable to an overall decrease in capital investments, made possible by increased efficiency in electricity operations. In addition, as in fiscal 2002 cash was again generated from the sale of part of the Companies' securities holdings.

Cash flow applied to financing activities reached outlays totaling ¥271,344 million, down ¥34,150 million from the year-earlier level. The free cash flow generated as described above was allocated mainly to reducing the Companies' interest-bearing liabilities and purchasing treasury stock.

As a result of the foregoing, the balance of cash and cash equivalents as of the end of the fiscal term reached ¥104,183 million, constituting a decline of ¥24,900 million from fiscal 2002. The decrease was chiefly ascribable to efforts to optimize efficiency in the use of cash on hand.

Consolidated Balance Sheets

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS (Note 5)	**2003**	2002	**2003**
PROPERTY:			
Utility plant and equipment	**¥13,026,235**	¥13,015,757	**$108,371,339**
Other plant and equipment	**936,821**	606,532	**7,793,852**
Construction in progress	**822,748**	773,318	**6,844,825**
Contributions in aid of construction	**(407,075)**	(393,008)	**(3,386,647)**
Accumulated depreciation	**(8,481,263)**	(8,007,390)	**(70,559,592)**
Plant and equipment - net (Notes 3 and 5)	**5,897,466**	5,995,209	**49,063,777**
Nuclear fuel, net of amortization	**517,485**	500,168	**4,305,200**
Property - net	**6,414,951**	6,495,377	**53,368,977**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**139,654**	174,927	**1,161,847**
Investments in and advances to associated companies	**163,649**	176,999	**1,361,473**
Deferred tax assets (Note 9)	**248,575**	208,291	**2,068,012**
Other assets	**38,214**	39,979	**317,919**
Total investments and other assets	**590,092**	600,196	**4,909,251**
CURRENT ASSETS:			
Cash and cash equivalents	**104,183**	129,083	**866,747**
Accounts receivable	**159,374**	158,003	**1,325,907**
Allowance for doubtful accounts	**(3,910)**	(4,316)	**(32,529)**
Inventories	**53,001**	57,934	**440,940**
Deferred tax assets (Note 9)	**32,236**	24,811	**268,186**
Other current assets	**52,400**	46,468	**435,940**
Total current assets	**397,284**	411,983	**3,305,191**
TOTAL	**¥7,402,327**	¥7,507,556	**$61,583,419**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	**2003**	2002	**2003**
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 5)	**¥3,716,785**	¥3,813,429	**$30,921,672**
LIABILITY FOR RETIREMENT BENEFITS (Note 6)	**290,737**	276,663	**2,418,777**
RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL	**529,630**	483,413	**4,406,239**
RESERVE FOR DECOMMISSIONING OF NUCLEAR POWER UNITS	**225,402**	213,043	**1,875,224**
DEFERRED TAX LIABILITIES (Note 9)	**184**	325	**1,531**
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	**365,996**	324,821	**3,044,892**
Short-term borrowings (Note 7)	**306,652**	353,503	**2,551,181**
Accounts payable (Note 5)	**129,430**	162,835	**1,076,789**
Payable to associated companies	**15,062**	15,628	**125,308**
Accrued income taxes	**44,501**	66,049	**370,225**
Deferred tax liabilities (Note 9)	**113**	72	**940**
Accrued expenses and other current liabilities	**217,460**	209,357	**1,809,151**
Total current liabilities	**1,079,214**	1,132,265	**8,978,486**
MINORITY INTERESTS	**12,244**	7,681	**101,864**
COMMITMENTS AND CONTINGENCIES (Notes 12 and 13)			
SHAREHOLDERS' EQUITY (Notes 5, 8 and 16):			
Common stock - authorized, 1,784,059,697 shares; issued, 962,698,728 shares in 2003 and 2002	**489,320**	489,320	**4,070,882**
Capital surplus	**65,463**	65,463	**544,617**
Retained earnings	**1,003,204**	971,427	**8,346,123**
Net unrealized gain on available-for-sale securities	**19,875**	54,299	**165,349**
Foreign currency translation adjustments	**101**	281	**841**
Treasury stock - at cost 17,122,620 shares in 2003 and 11,399 shares in 2002	**(29,832)**	(22)	**(248,186)**
Common stock held by consolidated subsidiaries		(31)	
Total shareholders' equity	**1,548,131**	1,580,737	**12,879,626**
TOTAL	**¥7,402,327**	¥7,507,556	**$61,583,419**

See notes to consolidated financial statements.

Consolidated Statements of Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
OPERATING REVENUES:			
Electric	**¥2,461,694**	¥2,509,564	**$20,479,984**
Other	**153,460**	142,033	**1,276,705**
Total	**2,615,154**	2,651,597	**21,756,689**
OPERATING EXPENSES:			
Electric	**2,141,337**	2,192,133	**17,814,784**
Other	**148,236**	140,152	**1,233,244**
Total	**2,289,573**	2,332,285	**19,048,028**
OPERATING INCOME	**325,581**	319,312	**2,708,661**
OTHER (INCOME) EXPENSES:			
Interest expense	**113,065**	127,462	**940,641**
Equity in losses (earnings) of associated companies	**4,650**	(779)	**38,685**
Gain on sales of securities	**(28,367)**	(44,883)	**(235,998)**
Loss on discontinuance of power plant construction	**62,001**		**515,815**
Other - net	**33,202**	33,988	**276,223**
Total	**184,551**	115,788	**1,535,366**
INCOME BEFORE REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL, INCOME TAXES AND MINORITY INTERESTS	**141,030**	203,524	**1,173,295**
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL		6,608	
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**141,030**	210,132	**1,173,295**
INCOME TAXES (Note 9)			
Current	**88,302**	91,758	**734,626**
Deferred	**(28,379)**	(10,968)	**(236,098)**
Total	**59,923**	80,790	**498,528**
MINORITY INTERESTS IN NET INCOME	**633**	898	**5,266**
NET INCOME	**¥80,474**	¥128,444	**$669,501**

	Yen		U.S. Dollars
	2003	2002	**2003**
PER SHARE OF COMMON STOCK (Note 15):			
Net income	**¥83.49**	¥131.61	**$0.69**
Fully diluted net income	**81.99**	126.91	**0.68**
Cash dividends applicable to the year	**50.00**	50.00	**0.42**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

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

		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 Adjustment	Treasury Stock	Common Stock Held by Consolidated Subsidiaries
BALANCE, APRIL 1, 2001	978,639,031	¥489,320	¥65,463	¥906,339	¥108,485		¥(17)	
Adjustment of retained earnings for a newly consolidated subsidiary				26,095				
Net income				128,444				
Cash dividends, ¥60 per share				(58,718)				
Bonuses to directors and corporate auditors				(542)				
Foreign currency translation adjustments						¥281		
Retirement of treasury stock	(15,940,303)			(30,191)			30,191	
Net increase in treasury stock (excluding retirement of treasury stock)							(30,196)	
Net increase in common stock held by consolidated subsidiaries								¥(31)
Net decrease in unrealized gain on available-for-sale securities					(54,186)			
BALANCE, MARCH 31, 2002	962,698,728	489,320	65,463	971,427	54,299	281	(22)	(31)
Net income				80,474				
Cash dividends, ¥50 per share				(48,129)				
Bonuses to directors and corporate auditors				(568)				
Net decrease in foreign currency translation adjustments						(180)		
Reclassification for adopting new accounting standards for treasury stock							(31)	31
Net increase in treasury stock							(29,779)	
Net decrease in unrealized gain on available-for-sale securities					(34,424)			
BALANCE, MARCH 31, 2003	962,698,728	¥489,320	¥65,463	¥1,003,204	¥19,875	¥101	¥(29,832)	¥

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Treasury Stock	Common Stock Held by Consolidated Subsidiaries
BALANCE, MARCH 31, 2002	$4,070,882	$544,617	$8,081,755	$451,739	$2,338	$(183)	$(258)
Net income			669,501				
Cash dividends, $0.42 per share			(400,408)				
Bonuses to directors and corporate auditors			(4,725)				
Net decrease in foreign currency translation adjustments					(1,497)		
Reclassification for adopting new accounting standards for treasury stock						(258)	258
Net increase in treasury stock						(247,745)	
Net decrease in unrealized gain on available-for-sale securities				(286,390)			
BALANCE, MARCH 31, 2003	$4,070,882	$544,617	$8,346,123	$165,349	$841	$(248,186)	$

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥141,030	¥210,132	$1,173,295
Adjustments for:			
Income taxes-paid	(111,526)	(39,979)	(927,837)
Depreciation and amortization	413,951	421,573	3,443,852
Amortization of nuclear fuel	57,292	53,055	476,639
Loss on disposal of property, plant and equipment	17,584	51,203	146,290
Loss on discontinuance of power plant construction	62,001		515,815
Nuclear fuel transferred to reprocessing costs	14,871	14,372	123,719
Increase (decrease) in liability for retirement benefits	13,000	(14,310)	108,153
Provision for reprocessing of irradiated nuclear fuel	46,216	71,213	384,493
Provision for decommissioning of nuclear fuel units	12,358	9,212	102,812
Reversal of reserve for fluctuations in water level		(6,608)	
Gain on sales of securities	(28,367)	(44,883)	(235,998)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries and merger:			
Decrease in trade receivables	1,166	20,546	9,700
Decrease in interest and dividends receivable	956	420	7,953
Decrease in trade payables	(14,709)	(7,453)	(122,371)
Decrease in interest payable	(1,562)	(2,587)	(12,995)
Other - net	31,779	20,721	264,383
Total adjustments	515,010	546,495	4,284,608
Net cash provided by operating activities	656,040	756,627	5,457,903
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(415,846)	(481,924)	(3,459,617)
Payments for investments and advances	(38,621)	(29,430)	(321,306)
Proceeds from sales of investments or collections of advances	36,577	58,104	304,301
Payments for purchase of investments in subsidiaries net of cash acquired	(7,247)		(60,291)
Other – net	15,545	6,623	129,326
Net cash used in investing activities	(409,592)	(446,627)	(3,407,587)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	98,849	149,363	822,371
Proceeds from long-term debt (exclusive of bonds)	158,353	217,061	1,317,413
Proceeds from short-term loans	453,634	752,336	3,773,993
Proceeds from issuance of commercial papers	828,000	216,000	6,888,519
Redemption of bonds	(208,032)	(276,039)	(1,730,715)
Repayments of long-term debt (exclusive of bonds)	(196,812)	(240,064)	(1,637,371)
Repayments of short-term loans	(534,663)	(869,750)	(4,448,111)
Repayments of commercial paper	(793,000)	(166,000)	(6,597,338)
Purchases of treasury stock	(29,670)	(30,477)	(246,839)
Dividends paid	(48,113)	(58,690)	(400,275)
Other – net	110	766	915
Net cash used in financing activities - (Forward)	¥(271,344)	¥(305,494)	$(2,257,438)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Net cash used in financing activities-(Forward)	¥(271,344)	¥(305,494)	$(2,257,438)
NET CASH PROVIDED BY (USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES	(24,896)	4,506	(207,122)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4)	7	(33)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,900)	41,316	(207,155)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		36,803	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	129,083	87,767	1,073,902
CASH AND CASH EQUIVALENTS, END OF YEAR	¥104,183	¥129,083	$866,747
NON CASH INVESTING AND FINANCING ACTIVITIES:			
Assets and liabilities increased by consolidation of subsidiaries previously unconsolidated:			
Assets		¥47,163	
Liabilities		40,948	
ADDITIONAL INFORMATION:			
Assets and liabilities of subsidiaries, which were included in the scope of consolidation through acquisition of common stock, were as follows:			
Property, investments and other assets	¥123,693		$1,029,060
Current assets	9,075		75,499
Long-term debt	(77,435)		(644,218)
Current liabilities	(29,689)		(246,997)
Negative goodwill	(356)		(2,962)
Minority interests and other	(7,020)		(58,402)
Sub-total	18,268		151,980
Investments acquired in prior years	(6,358)		(52,895)
Payment for investments	11,910		99,085
Cash and cash equivalents	(4,663)		(38,794)
Payments for purchase of investments in subsidiaries net of cash acquired	¥7,247		$60,291

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying 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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 2002 financial statements to conform to the classifications used in 2003.

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 ¥120.20 to $1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Associated Companies -** The consolidated financial statements as of March 31, 2003 include the accounts of the Company and all subsidiaries (seventy-eight in 2003 and seventy in 2002).

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, 2003 and 2002, investments in one associated company 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.

Negative goodwill represents the excess of the fair value of the net assets of the acquired subsidiary/associated company over the cost of an acquisition at the date of acquisition. Negative goodwill on acquisition of subsidiaries occurring on or after April 1, 1999 is reported in the balance sheet as other liabilities 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 consolidated subsidiaries is December 31. The Company consolidates such subsidiaries' financial statements using their financial results for the year ended December 31. The effect of any significant transactions during the period between the subsidiaries' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

c. **Property, Depreciation and Amortization -** Property is stated at cost. Contributions in aid of construction, which include certain amounts assessed to and collected from customers, are deducted from the costs of the related assets in accordance with the regulations.

Depreciation is principally computed by the declining-balance method based on the estimated useful lives of the assets.

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel at March 31, 2003 and 2002 was ¥117,765 million ($979,742 thousand) and ¥119,224 million, respectively.

d. **Leases -** All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

e. **Investment Securities -** The Companies' securities are classified and accounted for as follows: i) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity, are reported at amortized cost, ii) available-for-sale securities whose fair value is not readily determinable are reported at cost, and iii) available-for-sale securities whose fair value is readily determinable are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity.

The cost of securities sold is determined by the moving-average method.

f. **Cash Equivalents -** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents principally include time deposits, certificate of deposits, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

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

h. **Foreign Currency Transactions -** All receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by the forward contracts.

i. **Foreign Currency Financial Statements -** The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate as of the balance sheet date. Differences arising from such translation are shown as "Foreign currency translation adjustments" as a separate component of shareholders' equity.

j. **Retirement and Pension Plan -** The Company and certain consolidated subsidiaries have non-contributory defined benefit pension plans, contributory pension plans, and unfunded retirement benefit plans.

The Companies accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Prior service cost is being amortized by the straight-line method over a period of principally 3 years. Actuarial gains or losses are being recognized by the straight-line method over a period of principally 3 years.

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

k. **Reserve for Reprocessing of Irradiated Nuclear Fuel -** The Company has accrued costs for the reprocessing of irradiated nuclear fuel in accordance with accounting methods accepted by the regulatory authority. The Company provides for the reprocessing of irradiated nuclear fuel at 60% of the amount, which would be required to reprocess all the irradiated nuclear fuel as of the balance sheet date.

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

m. **Income Taxes -** The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. **Derivatives and Hedging Activities -** The Companies use principally foreign exchange forward contracts, currency swaps and interest rate swaps in the normal course of business, to manage its exposures to fluctuations in foreign exchange, interest rates and so on. The 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 be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be recognized in the income statement and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Assets and liabilities denominated in foreign currencies for which foreign exchange forward contracts and currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts and currency swaps qualify for hedge accounting.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

o. **Reserve for Fluctuations in Water Level -** Until March 31, 2001, a reserve for fluctuations in water level was provided for costs expected to incur from insufficient water levels in accordance with the Japanese Electric Utility Law and related accounting regulations.

p. **Appropriations of Retained Earnings -** Appropriations of retained earnings at each year end are reflected in the financial statements of the following year after shareholders' approval.

q. **Per Share Information -** Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Fully diluted net income per share reflects the potential dilution that could occur if securities were converted into common stock. Fully diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying non-consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

The average number of common shares used in the computation was 958,010,034 shares for the year ended March 31, 2003 and 975,972,901 shares for the year ended March 31, 2002.

Previous year's earnings per share based on the new accounting standards are as follows:

	Year Ended March 31 2002
Per share of common stock:	
Net income	¥131.06
Fully diluted net income	126.39

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

Notes to Consolidated Financial Statements

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

3. PLANT AND EQUIPMENT

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Hydroelectric power production facilities	**¥482,527**	¥508,664	**$4,014,368**
Thermal power production facilities	**423,751**	488,429	**3,525,383**
Nuclear power production facilities	**476,573**	520,252	**3,964,834**
Transmission facilities	**1,494,318**	1,566,946	**12,431,930**
Transformation facilities	**574,351**	609,462	**4,778,294**
Distribution facilities	**999,281**	1,054,258	**8,313,486**
General facilities	**165,792**	180,562	**1,379,301**
Other utility facilities	**14,257**	14,310	**118,611**
Other plant and equipment	**443,868**	279,008	**3,692,745**
Construction in progress	**822,748**	773,318	**6,844,825**
Total	**¥5,897,466**	¥5,995,209	**$49,063,777**

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, 2003 and 2002 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2003			
Securities classified as:				
Available-for-sale:				
Equity securities	¥21,047	¥29,076	¥100	¥50,023
Debt securities	2,418	61	6	2,473
Held-to-maturity debt securities	11,603	640	20	12,223

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2002			
Securities classified as:				
Available-for-sale:				
Equity securities	¥25,116	¥81,016	¥300	¥105,832
Debt securities	1,382	9	20	1,371
Other	2,552	16		2,568
Held-to-maturity debt securities	8,012	421	30	8,403

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	2003			
Securities classified as:				
Available-for-sale:				
Equity securities	$175,100	$241,897	$832	$416,165
Debt securities	20,117	507	50	20,574
Held-to-maturity debt securities	96,531	5,324	166	101,689

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Available-for-sale:			
Equity securities	**¥71,538**	¥55,658	**$595,158**
Other	**8,355**	8,624	**69,509**
Held-to-maturity debt securities	**400**	350	**3,328**
Total	**¥80,293**	¥64,632	**$667,995**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥28,649 million ($238,344 thousand) and ¥45,477 million ($341,291 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥28,382 million ($236,123 thousand) and ¥15 million ($125 thousand), respectively for the year ended March 31, 2003 and ¥44,955 million and ¥72 million, respectively for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥1,173	$9,759
Due after one year through five years	6,664	55,441
Due after five years through ten years	6,064	50,449
Due after ten years	986	8,203
Total	¥14,887	$123,852

Notes to Consolidated Financial Statements

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

5. LONG-TERM DEBT

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
General mortgage bonds:			
0.29% to 6.9%, due serially through 2018	**¥1,497,976**	¥1,606,278	**$12,462,363**
7.25%, due 2006 (payable in U.S. dollars)	**54,450**	54,450	**452,995**
6.625% and 7.0%, due through 2006 (payable in French francs)	**110,266**	110,266	**917,354**
5.75%, due 2007 (payable in Netherlands guilder)	**62,294**	62,294	**518,253**
1.4% general mortgage convertible bonds, due 2005	**178,637**	178,637	**1,486,165**
0.95% to 6.4% secured loans from principally the Development Bank of Japan maturing serially through 2023:			
The Company	**460,320**	509,312	**3,829,617**
Subsidiaries	**24,602**	23,747	**204,676**
0.289% to 6.4% unsecured loans from banks and insurance companies maturing serially through 2036	**1,683,477**	1,568,610	**14,005,632**
Other	**10,759**	24,656	**89,509**
Total	**4,082,781**	4,138,250	**33,966,564**
Less current maturities	**365,996**	324,821	**3,044,892**
Long-term debt, less current maturities	**¥3,716,785**	¥3,813,429	**$30,921,672**

Annual maturities of long-term debt at March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2004	¥365,996	$3,044,892
2005	608,733	5,064,334
2006	317,479	2,641,256
2007	379,059	3,153,569
2008 and thereafter	2,411,514	20,062,513
Total	¥4,082,781	$33,966,564

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

The carrying amounts of subsidiaries' assets pledged as collateral for accounts payable of ¥1,220 million ($10,150 thousand) and the above secured loans at March 31, 2003, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property and other	¥52,968	$440,666

Certain long-term loan agreements include provisions which allow lenders the right of prior approval, if so requested, of any appropriation from retained earnings, including dividends. To date no lender has exercised this right.

The convertible bonds may be redeemed in whole or in part at prices declining by 1% per year from 107% to 100% of the principal amounts. The 1.4% bonds are currently redeemable. The 1.4% convertible bonds outstanding at March 31, 2003 were convertible into 37,162 thousand shares of common stock, at the conversion prices of ¥4,807 ($39.99) subject to certain anti-dilutive provisions.

6. RETIREMENT AND PENSION PLAN

The Company and certain of its subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment with the Companies, either voluntarily or upon reaching mandatory retirement age, are entitled to severance payments based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. In certain instances additional retirement payments are paid at the retirement of employees.

The liability for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥798,894**	**¥752,472**	**$6,646,373**
Fair value of plan assets	**(362,105)**	**(396,570)**	**(3,012,521)**
Unrecognized prior service cost	**12,573**	**28,978**	**104,601**
Unrecognized actuarial loss	**(158,892)**	**(108,217)**	**(1,321,897)**
Prepaid pension cost	**267**		**2,221**
Net liability	**¥290,737**	**¥276,663**	**$2,418,777**

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥31,024**	¥28,573	**$258,103**
Interest cost	**18,415**	19,653	**153,203**
Expected return on plan assets	**(6,287)**	(6,260)	**(52,304)**
Amortization of prior service cost	**(17,314)**	(17,799)	**(144,043)**
Recognized actuarial loss	**39,985**	12,895	**332,654**
Settlement loss	**24,119**		**200,657**
Other	**53,030**	1,998	**441,181**
Net periodic retirement benefit costs	**¥142,972**	¥39,060	**$1,189,451**

For the year ended March 31, 2003 the Company recognized amortization of unrecognized actuarial loss and prior service cost as "settlement loss" incurred by the large scale retirement due to the expansion of the early retirement plan, and an additional retirement payment of ¥52,921 million ($440,275 thousand) is included in "Other" in the above table.

Principal assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	**2.0%**	2.5%
Expected rate of return on plan assets	**1.5%**	1.5%
Allocation method of the retirement benefits expected to be paid at the retirement date	**Straight-line method based on years of service**	Straight-line method based on years of service
Amortization period of prior service cost	**3 years**	3 years
Recognition period of actuarial gain/loss	**3 years**	3 years

In addition certain consolidated subsidiaries participate in a contributory multi-employer pension plan covering substantially all of their employees. The pension fund and assets available for benefits under this plan were approximately ¥2,212 million ($16,600 thousand) at March 31, 2002.

Notes to Consolidated Financial Statements

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

7. SHORT-TERM BORROWINGS

Short-term borrowings at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Short-term loans principally from banks (principally bank overdrafts), weighted average interest rate of 0.299% and 0.291% at March 31, 2003 and 2002	¥221,652	¥303,503	$1,844,026
Commercial paper, weighted average interest rate of 0.012% and 0.007% at March 31, 2003 and 2002	85,000	50,000	707,155
Total	¥306,652	¥353,503	$2,551,181

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

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

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥631,633 million ($5,254,850 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Effective April 1, 2002, the Companies adopted a new accounting standard for Treasury Stock and Reduction of capital surplus and Legal Reserve issued by the Accounting Standards Board of Japan. Under the new standard, the stock of the Company, which is held by its subsidiaries and associated companies, is stated as treasury stock according to the percentage of ownership. The effect of this change in the consolidated financial statements for the year ended March 31, 2003 is immaterial.

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, 2003 and 2002.

The tax effect of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred Tax Assets:			
Liability for retirement benefits	¥85,679	¥72,768	$712,804
Intercompany profit elimination	44,010	45,487	366,140
Reserve for reprocessing of irradiated nuclear fuel	41,878	41,878	348,403
Reserve for decommissioning of nuclear power units	29,304	29,304	243,794
Depreciation	28,747	20,032	239,160
Deferred charges	17,071	19,413	142,021
Other	60,427	42,426	502,719
Less valuation allowance	(15,257)	(8,354)	(126,930)
Deferred tax assets	291,859	262,954	2,428,111
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	10,652	29,459	88,619
Other	693	790	5,765
Deferred tax liabilities	11,345	30,249	94,384
Net deferred tax assets	¥280,514	¥232,705	$2,333,727

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2003 and 2002 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2003	2002
Normal effective statutory tax rate	36.2%	36.2%
Equity in losses (earnings) of associated companies	1.2	(0.1)
Valuation allowance	4.7	2.6
Other - net	0.4	(0.2)
Actual effective tax rate	42.5%	38.5%

On March 31, 2003, a local tax reform law was enacted in Japan, which changed the normal effective statutory tax rate of certain subsidiaries effective for years beginning April 1, 2004. The effect of this change on deferred taxes in the consolidated financial statements for the year ended March 31, 2003 is immaterial.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥27,275 million ($226,913 thousand) and ¥30,499 million for the years ended March 31, 2003 and 2002, respectively.

11. RELATED PARTY TRANSACTIONS

Transactions and balances of the Company with an associated company for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Kinden Co., Ltd.			
Transactions:			
Orders for construction of transmission and distribution facilities	¥54,228	¥77,924	$451,148
Balances at year ended:			
Payables for construction	6,016	10,685	50,050

Notes to Consolidated Financial Statements

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

12. LEASES

Lessor

Finance Leases

Revenues under finance leases were ¥4,836 million ($40,233 thousand) and ¥4,805 million for the years ended March 31, 2003 and 2002, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	Other Facilities		Other Facilities
	2003	2002	**2003**
Acquisition cost	**¥30,088**	¥26,340	**$250,316**
Accumulated depreciation	**19,632**	18,174	**163,328**
Net leased property	**¥10,456**	¥8,166	**$86,988**

Future lease revenue under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥4,488**	¥4,962	**$37,338**
Due after one year	**11,866**	10,055	**98,719**
Total	**¥16,354**	¥15,017	**$136,057**

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

Depreciation expenses relating to the leased assets mentioned above were ¥5,615 million ($46,714 thousand) and ¥4,479 million for the years ended March 31, 2003 and 2002, respectively.

Operating Leases

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥5**	¥26	**$42**
Due after one year		5	
Total	**¥5**	¥31	**$42**

Lessee

Finance Leases

Total lease payments under finance leases were ¥2,230 million ($18,552 thousand) and ¥3,177 million for the years ended March 31, 2003 and 2002, respectively.

Certain pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense of finance leases that deem to transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2003					
Acquisition cost	¥4,480	¥1,135	¥112	¥7,415	¥13,142
Accumulated depreciation	1,302	1,007	79	4,598	6,986
Net leased property	¥3,178	¥128	¥33	¥2,817	¥6,156

	Thousands of U.S. Dollars				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2003					
Acquisition cost	$37,271	$9,443	$932	$61,689	$109,335
Accumulated depreciation	10,832	8,378	657	38,253	58,120
Net leased property	$26,439	$1,065	$275	$23,436	$51,215

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2002					
Acquisition cost	¥4,436	¥1,135	¥4,739	¥8,378	¥18,688
Accumulated depreciation	628	881	4,643	5,245	11,397
Net leased property	¥3,808	¥254	¥96	¥3,133	¥7,291

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥1,823**	¥2,148	**$15,166**
Due after one year	**4,359**	5,174	**36,265**
Total	**¥6,182**	¥7,322	**$51,431**

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Depreciation expense	**¥2,230**	¥3,177	**$18,552**

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 includes the accrued sublease rentals.

Operating Leases

Obligations under non-cancelable operating leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥68**	¥78	**$566**
Due after one year	**3**	71	**25**
Total	**¥71**	¥149	**$591**

Notes to Consolidated Financial Statements

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

13. COMMITMENTS AND CONTINGENCIES

At March 31, 2003, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥203,940 million ($1,696,672 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, 2003, 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	¥218,516	$1,817,937
Other	5,010	41,680
Total	¥223,526	$1,859,617
Contingency relating to debt assumption agreement	¥117,015	$973,502
Note receivable endorsed	¥24	$200

14. DERIVATIVES

The Company enters into derivative financial instruments, including foreign currency forward contracts, currency swaps and interest rate 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, 2003 and 2002 are as follows:

	Millions of Yen					
	2003			2002		
	Contracted Amount	Fair Value	Unrealized Loss	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts						
Selling U.S. Dollars	¥1,076	¥1,384	¥308	¥1,356	¥1,778	¥422
Commodity swaps:						
Receivable floating price/payable fixed price	978	(10)	10			
Receivable fixed price/payable floating price	499	(3)	3			

	Thousands of U.S. Dollars		
	2003		
	Contracted Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts			
Selling U.S. Dollars	$8,952	$11,514	$2,562
Commodity swaps:			
Receivable floating price/payable fixed price	8,136	(83)	83
Receivable fixed price/payable floating price	4,151	(25)	25

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

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

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2003 is as follows:

	Millions of Yen	Thousands of Share	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	¥79,984	958,010	¥83.49	$0.69
Effect of Dilutive Securities				
Convertible bonds	1,608	37,145		
Diluted EPS				
Net income for computation	¥81,592	995,155	¥81.99	$0.68

16. SUBSEQUENT EVENT

On June 27, 2003, the shareholders of the Company (1) approved payment of a cash dividend of ¥25 ($0.21) per share to holders of record as of March 31, 2003 or a total of ¥23,648 million ($196,739 thousand), and bonuses to directors and corporate auditors of ¥145 million ($1,206 thousand) and (2) authorized the Company to repurchase up to 16,000,000 shares of the Company's common stock (aggregate amount of ¥30,000 million) as treasury stock until next shareholders meeting.

17. SEGMENT INFORMATION

Information about industry segments of the Company and subsidiaries for the years ended March 31, 2003 and 2002, is as follows:

a. Sales and Operating Income

	Millions of Yen				
	2003				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥2,461,694	¥32,957	¥120,503		¥2,615,154
Intersegment sales	9,665	43,388	230,271	¥(283,324)	
Total sales	2,471,359	76,345	350,774	(283,324)	2,615,154
Operating expenses	2,155,224	81,854	339,343	(286,848)	2,289,573
Operating income	¥316,135	¥(5,509)	¥11,431	¥3,524	¥325,581

	Thousands of U.S. Dollars				
	2003				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$20,479,983	$274,185	$1,002,521		$21,756,689
Intersegment sales	80,408	360,965	1,915,732	$(2,357,105)	
Total sales	20,560,391	635,150	2,918,253	(2,357,105)	21,756,689
Operating expenses	17,930,316	680,982	2,823,153	(2,386,423)	19,048,028
Operating income	$2,630,075	$(45,832)	$95,100	$29,318	$2,708,661

Notes to Consolidated Financial Statements

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

	Millions of Yen				
	2002				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥2,509,564	¥28,815	¥113,218		¥2,651,597
Intersegment sales	8,253	39,701	260,619	¥(308,573)	
Total sales	2,517,817	68,516	373,837	(308,573)	2,651,597
Operating expenses	2,206,105	75,341	363,640	(312,801)	2,332,285
Operating income	¥311,712	¥(6,825)	¥10,197	¥4,228	¥319,312

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2003				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	¥6,793,679	¥311,359	¥500,361	¥(203,072)	¥7,402,327
Depreciation	383,031	15,687	22,185	(6,952)	413,951
Capital expenditures	322,786	23,391	44,197	(3,523)	386,851

	Thousands of U.S. Dollars				
	2003				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	$56,519,792	$2,590,341	$4,162,737	$(1,689,451)	$61,583,419
Depreciation	3,186,614	130,508	184,567	(57,837)	3,443,852
Capital expenditures	2,685,408	194,601	367,695	(29,310)	3,218,394

	Millions of Yen				
	2002				
	Electric Power	IT/ Communications	Other	Eliminations/ Corporate	Consolidated
Assets	¥7,098,475	¥123,757	¥498,961	¥(213,637)	¥7,507,556
Depreciation	396,085	12,137	22,557	(9,205)	421,574
Capital expenditures	407,186	34,123	31,750	(5,245)	467,814

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

Deloitte
Touche
Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
The Kansai Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheets of The Kansai Electric Power Company, Incorporated and subsidiaries as of March 31, 2003 and 2002, 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, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

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

Deloitte Touche Tohmatsu

Osaka, Japan
June 27, 2003

Financial Results and Analysis (Non-Consolidated)

Overview

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

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

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

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

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

Assets, Liabilities and Shareholders' Equity

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

The Kansai Electric Power Co., Inc. | Annual Report 2003

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

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

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

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

Dividends

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

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

Non-Consolidated Balance Sheets

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS (Note 5)	**2003**	2002	**2003**
PROPERTY:			
Plant and equipment	**¥13,348,698**	¥13,324,009	**$111,054,060**
Construction in progress	**792,008**	768,744	**6,589,085**
Contributions for construction	**(385,825)**	(372,570)	**(3,209,859)**
Accumulated depreciation	**(8,190,315)**	(7,867,297)	**(68,139,060)**
Plant and equipment - net (Note 3)	**5,564,566**	5,852,886	**46,294,226**
Nuclear fuel, net of amortization	**517,485**	500,168	**4,305,200**
Property - net	**6,082,051**	6,353,054	**50,599,426**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**118,465**	153,966	**985,566**
Investments in and advances to subsidiaries and associated companies (Note 4)	**133,104**	119,776	**1,107,354**
Long-term loans receivable	**6,280**	12,624	**52,246**
Deferred tax assets (Note 8)	**177,885**	136,798	**1,479,908**
Other assets	**21,977**	18,718	**182,838**
Total investments and other assets	**457,711**	441,882	**3,807,912**
CURRENT ASSETS:			
Cash and cash equivalents	**30,702**	39,919	**255,424**
Accounts receivable	**127,458**	129,672	**1,060,383**
Allowance for doubtful accounts	**(2,149)**	(2,410)	**(17,879)**
Fuel, materials and supplies	**37,723**	44,133	**313,835**
Deferred tax assets (Note 8)	**23,616**	19,036	**196,473**
Other current assets	**15,204**	18,158	**126,489**
Total current assets	**232,554**	248,508	**1,934,725**
TOTAL	**¥6,772,316**	¥7,043,444	**$56,342,063**

See notes to non-consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	**2003**	2002	**2003**
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 5)	**¥3,450,486**	¥3,702,062	**$28,706,206**
LIABILITY FOR RETIREMENT BENEFITS	**267,476**	253,072	**2,225,258**
RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL	**529,630**	483,413	**4,406,240**
RESERVE FOR DECOMMISSIONING OF NUCLEAR POWER UNITS	**225,402**	213,043	**1,875,225**
CURRENT LIABILITIES:			
Current maturities of long-term debt (Note 5)	**337,183**	319,474	**2,805,183**
Short-term borrowings (Note 6)	**303,472**	330,013	**2,524,725**
Accounts payable	**72,559**	106,951	**603,652**
Payable to subsidiaries and associated companies	**53,017**	63,871	**441,073**
Accrued income taxes	**39,823**	61,679	**331,306**
Accrued expenses and other current liabilities	**168,462**	172,173	**1,401,515**
Total current liabilities	**974,516**	1,054,161	**8,107,454**
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)			
SHAREHOLDERS' EQUITY (Notes 5, 7 and 12):			
Common stock, authorized, 1,784,059,697 shares; issued, 962,698,728 shares in 2003 and 2002	**489,320**	489,320	**4,070,882**
Capital surplus	**65,463**	65,463	**544,617**
Retained earnings:			
Legal reserve	**122,330**	122,330	**1,017,720**
Unappropriated	**661,318**	612,315	**5,501,814**
Net unrealized gain on available-for-sale securities	**16,067**	48,287	**133,669**
Treasury stock - at cost 16,796,995 shares in 2003 and 11,399 shares in 2002	**(29,692)**	(22)	**(247,022)**
Total shareholders' equity	**1,324,806**	1,337,693	**11,021,680**
TOTAL	**¥6,772,316**	¥7,043,444	**$56,342,063**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING REVENUES:			
Electricity operating revenues:			
Residential	¥995,426	¥993,753	$8,281,414
Commercial and industrial	1,426,323	1,477,859	11,866,248
Other	49,609	46,205	412,721
Sub-total	2,471,358	2,517,817	20,560,383
Incidental operating revenues	11,385	3,072	94,717
Total	2,482,743	2,520,889	20,655,100
OPERATING EXPENSES:			
Electricity operating expenses:			
Personnel expenses	367,818	277,634	3,060,050
Fuel	202,275	239,059	1,682,820
Purchased power	407,465	399,621	3,389,892
Maintenance	206,636	245,068	1,719,101
Depreciation	382,931	396,054	3,185,782
Taxes	166,019	166,884	1,381,190
Other	422,080	481,785	3,511,481
Sub-total	2,155,224	2,206,105	17,930,316
Incidental operating revenues	11,944	3,512	99,368
Total	2,167,168	2,209,617	18,029,684
OPERATING INCOME	315,575	311,272	2,625,416
OTHER (INCOME) EXPENSES:			
Interest expense	111,072	126,193	924,060
Gain on sales of investment securities	(28,286)	(43,917)	(235,324)
Loss on discontinuance of power plant construction	62,001		515,815
Other - net	17,944	21,439	149,284
Total	162,731	103,715	1,353,835
INCOME BEFORE REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES	152,844	207,557	1,271,581
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL		6,608	
INCOME BEFORE INCOME TAXES	152,844	214,165	1,271,581
INCOME TAXES (Note 8):			
Current	82,992	85,666	690,449
Deferred	(27,425)	(8,521)	(228,161)
Total	55,567	77,145	462,288
NET INCOME	¥97,277	¥137,020	$809,293

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

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

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

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

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

See notes to consolidated financial statements.

Notes to Non-Consolidated Financial Statements

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

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Kansai Electric Power Company, Incorporated (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code"), the Japanese Electric Utility Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The non-consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's non-consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2002 financial statements to conform to the classifications used in 2003.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to $1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Property, Depreciation and Amortization -** Property is stated at cost. Contributions for construction, which include certain amounts assessed to and collected from customers, are deducted from the costs of the related assets in accordance with the regulations.

Depreciation is computed by the declining-balance method based on the estimated useful lives of the assets.

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel at March 31, 2003 and 2002 was ¥117,765 million ($979,742 thousand) and ¥119,224 million, respectively.

b. **Leases -** All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

c. **Investment Securities -** The Company's securities are classified and accounted for as follows: i) investments in subsidiaries and associated companies are reported at cost, ii) available-for-sale securities whose fair value is not readily determinable are reported at cost, and iii) available-for-sale securities whose fair value is readily determinable are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity.

The cost of securities sold is determined by the moving-average method.

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

e. **Foreign Currency Transactions -** All receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

f. **Retirement and Pension Plan -** The Company accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

Prior service cost is being amortized by the straight-line method over a period of 3 years. Actuarial gains or losses are being recognized by the straight-line method over a period of 3 years.

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

g. **Reserve for Reprocessing of Irradiated Nuclear Fuel -** The Company has accrued costs for the reprocessing of irradiated nuclear fuel since April 1, 1981, in accordance with accounting methods accepted by the regulatory authority. The Company provides for the reprocessing of irradiated nuclear fuel at 60% of the amount, which would be required to reprocess all the irradiated nuclear fuel as of the balance sheet date.

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

i. **Income Taxes -** The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

j. **Derivatives and Hedging Activities -** The Company uses principally foreign exchange forward contracts, currency swaps and interest rate swaps in the normal course of business, to manage its exposures to fluctuations in foreign exchange, interest rates and so on. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Assets and liabilities denominated in foreign currencies for which foreign exchange forward contracts and currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts and currency swaps qualify for hedge accounting.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

k. **Reserve for Fluctuations in Water Level -** Until March 31, 2001, a reserve for fluctuations in water level was provided for costs expected to incur from insufficient water levels in accordance with the Japanese Electric Utility Law and related accounting regulations.

l. **Per Share Information -** Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Fully diluted net income per share reflects the potential dilution that could occur if securities were converted into common stock. Fully diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying non-consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

The average number of common shares used in the computation was 958,335,659 shares for 2003 and 976,016,583 shares for 2002.

Previous year's earnings per share based on the new accounting standards are as follows:

	Year Ended March 31
	2002
Per share of common stock:	
Net income	¥140.24
Fully diluted net income	135.05

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

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

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

3. PLANT AND EQUIPMENT

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

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

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

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

4. INVESTMENT SECURITIES

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

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

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

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

5. LONG-TERM DEBT

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
General mortgage bonds:			
0.29% to 6.9%, due serially through 2018	**¥1,497,976**	¥1,606,278	**$12,462,363**
7.25%, due 2006 (payable in U.S. dollars)	**54,450**	54,450	**452,995**
6.625% and 7.0%, due through 2006 (payable in French francs)	**110,266**	110,266	**917,354**
5.75%, due 2007 (payable in Netherlands guilder)	**62,294**	62,294	**518,253**
1.4% general mortgage convertible bonds, due 2005	**178,637**	178,637	**1,486,165**
0.95% to 6.4% secured loans from the Development Bank of Japan maturing serially through 2023	**460,320**	509,312	**3,829,617**
0.289% to 6.4% unsecured loans from banks and insurance companies maturing serially through 2036	**1,408,055**	1,475,868	**11,714,268**
Other	**15,671**	24,431	**130,374**
Total	**3,787,669**	4,021,536	**31,511,389**
Current maturities	**337,183**	319,474	**2,805,183**
Long-term debt, less current maturities	**¥3,450,486**	¥3,702,062	**$28,706,206**

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

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

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

Certain long-term loan agreements include provisions which allow lenders the right of prior approval, if so requested, of any appropriation from retained earnings, including dividends. To date no lender has exercised this right.

The convertible bonds may be redeemed in whole or in part at prices declining by 1% per year from 107% to 100% of the principal amounts. The 1.4% bonds are currently redeemable. The 1.4% convertible bonds outstanding at March 31, 2003 were convertible into 37,162 thousand shares of common stock, at the conversion prices of ¥4,807 ($39.99) subject to certain anti-dilutive provisions.

6. SHORT-TERM BORROWINGS

Short-term borrowings at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Short-term loans principally from banks (principally bank overdrafts), weighted average interest rate of 0.296% and 0.307% at March 31, 2003 and 2002	**¥218,472**	¥280,013	**$1,817,570**
Commercial paper, weighted average interest rate of 0.012% and 0.007% at March 31, 2003 and 2002	**85,000**	50,000	**707,155**
Total	**¥303,472**	¥330,013	**$2,524,725**

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

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

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥631,633 million ($5,254,850 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Effective April 1, 2002, the Company adopted a new accounting standard for Treasury Stock and Reduction of capital surplus and Legal Reserve issued by the Accounting Standards Board of Japan. There is no effect of this change in the non-consolidated financial statements for the year ended March 31, 2003.

8. INCOME TAXES

The Company is subject to a number of taxes based on income such as corporate income tax and inhabitant taxes which, in the aggregate, resulted in normal statutory tax rates of approximately 36.2% for the years ended March 31, 2003 and 2002.

The tax effect of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred Tax Assets:			
Liability for retirement benefits	**¥78,262**	¥65,156	**$651,098**
Reserve for reprocessing of irradiated nuclear fuel	**41,878**	41,878	**348,403**
Reserve for decommissioning of nuclear power units	**29,303**	29,303	**243,785**
Deferred charges	**16,939**	19,161	**140,923**
Depreciation	**15,663**	6,963	**130,308**
Other	**28,571**	20,730	**237,696**
Deferred tax assets	**210,616**	183,191	**1,752,213**
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	**9,097**	27,339	**75,682**
Contingent reserve for overseas investment	**18**	18	**150**
Deferred tax liabilities	**9,115**	27,357	**75,832**
Net deferred tax assets	**¥201,501**	¥155,834	**$1,676,381**

9. LEASES

Lessor

Finance Leases

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

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

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

Future lease revenue under finance leases:

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

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

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

Lessee

Finance Leases

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

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

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

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

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

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

Obligations under finance leases:

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

Depreciation expense under finance leases:

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

Depreciation expense, which is not reflected in the accompanying non-consolidated statements of income, was computed by the straight-line method over the respective lease periods.

The amount of leased assets and obligations under finance leases includes the imputed interest expense portion.

Operating Leases

Obligations under non-cancelable operating leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥68**	¥78	**$566**
Due after one year	**3**	71	**25**
Total	**¥71**	¥149	**$591**

10. COMMITMENTS AND CONTINGENCIES

At March 31, 2003, the Company had firm purchase commitments, principally related to utility plant expansion, of approximately ¥203,940 million ($1,696,672 thousand). Additionally, the Company had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, purchase prices are contingent upon fluctuations of market prices.

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

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited	¥218,516	$1,817,937
K-Opticom Corporation	100,263	834,135
Other	2,727	22,687
Total	¥321,506	$2,674,759

A guarantee of equity contribution to KPIC Singapore Pte Ltd	¥117	$973
A guarantee about power supply for KPIC Singapore Pte Ltd	¥536	$4,459
Contingency relating to debt assumption agreement	¥117,025	$973,586

11. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2003 is as follows:

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

12. SUBSEQUENT EVENT

On June 27, 2003, the shareholders of the Company (1) approved payment of a cash dividend of ¥25 ($0.21) per share to holders of record as of March 31, 2003 or a total of ¥23,648 million ($196,739 thousand), and bonuses to directors and corporate auditors of ¥145 million ($1,206 thousand) and (2) authorized the Company to repurchase up to 16,000,000 shares of the Company's common stock (aggregate amount of ¥30,000 million) as treasury stock until next shareholders meeting.

Deloitte
Touche
Tohmatsu

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
The Kansai Electric Power Company, Incorporated:

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

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

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

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

Deloitte Touche Tohmatsu

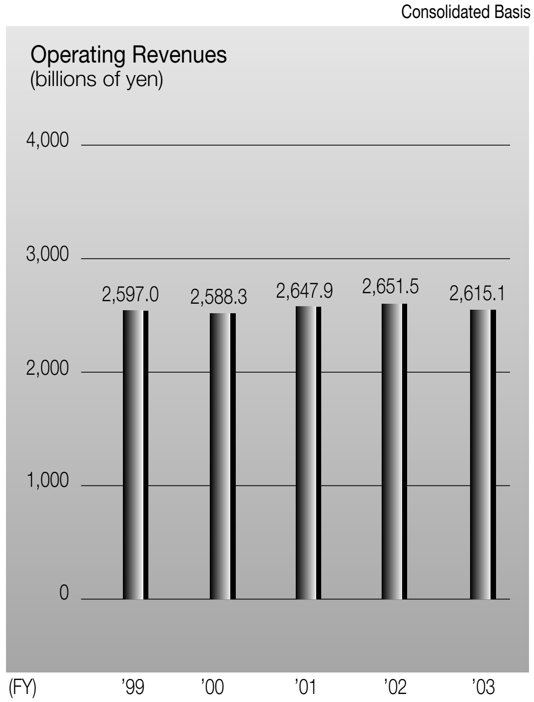
Osaka, Japan
June 27, 2003

Five-Year Summary of Selected Operational Data

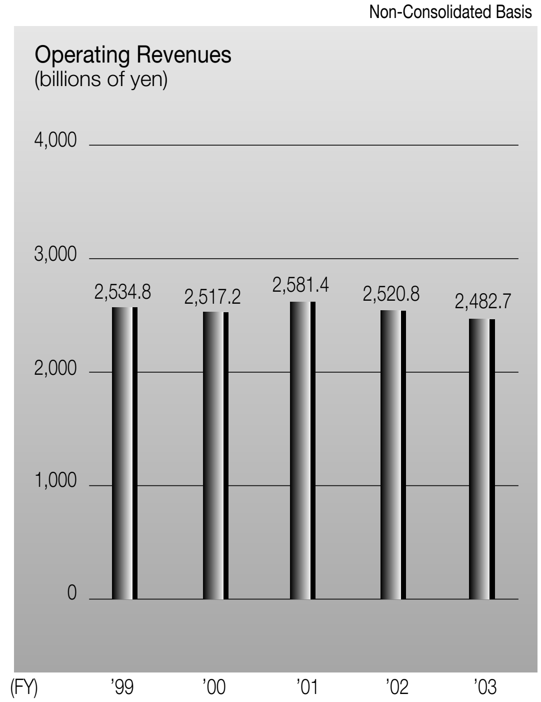
	Consolidated Basis					Non-Consolidated Basis				
	(FY) 1999	2000	2001	2002	**2003**	(FY) 1999	2000	2001	2002	**2003**
Operating Revenues (Millions of Yen)	2,597,077	2,588,390	2,647,944	2,651,597	**2,615,154**	2,534,803	2,517,203	2,581,451	2,520,889*	**2,482,743***
Operating Income	310,592	310,573	340,682	319,312	**325,581**	298,218	315,219	336,077	311,272	**315,575**
Net Income	52,497	52,300	122,791	128,444	**80,474**	50,973	43,650	95,492	137,020	**97,277**
Operating Revenues										
Residential						974,791	988,026	1,010,946	993,753	**995,426**
Commercial & Industrial						1,503,089	1,477,595	1,515,267	1,477,859	**1,426,323**
Total						2,477,880	2,465,621	2,526,213	2,471,612	**2,421,749**
Breakdown of Operating Expenses										
Personnel Expenses						344,559	336,067	294,123	277,634	**367,818**
Fuel Costs						218,831	238,155	269,559	239,059	**202,275**
Costs of Purchased Power						327,964	324,734	369,659	399,621	**407,465**
Maintenance Costs						347,212	311,306	277,896	245,068	**206,636**
Depreciation						427,558	415,692	406,292	396,054	**382,931**
Taxes Other than Income Taxes						173,749	170,505	170,703	166,884	**166,019**
Other						396,712	405,525	457,142	485,297**	**434,024****
Total						2,236,585	2,201,984	2,245,374	2,209,617**	**2,167,168****
Financial Revenues	3,202	2,584	2,820	2,491	**2,192**	3,955	3,621	3,575	3,086	**2,932**
Interest Expenses						171,009	146,790	147,652	126,193	**111,072**

*Including Incidental Operating Revenues
**Including Incidental Operating Expenses

Consolidated Basis



Non-Consolidated Basis

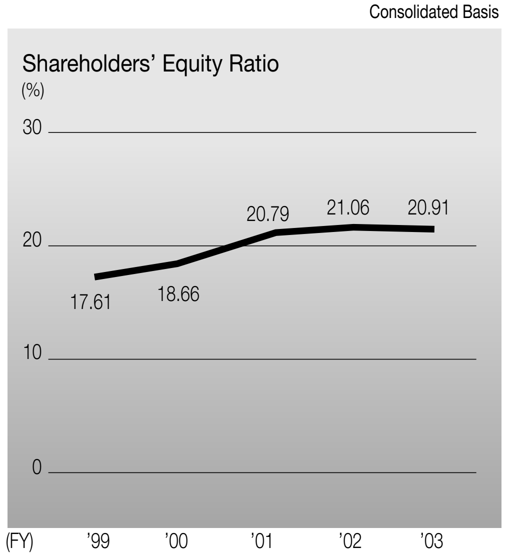


	Consolidated Basis					Non-Consolidated Basis				
	(FY) 1999	2000	2001	2002	**2003**	(FY) 1999	2000	2001	2002	**2003**
Return on Equity (ROE) (%)	4.18	3.93	8.27	8.15	**5.14**	4.77	3.86	7.53	10.22	**7.31**
Return on Assets (ROA)* (%)	2.52	2.06	2.73	2.77	**2.05**	2.53	1.95	2.64	3.05	**2.44**
Net Income per Share (Yen)	53.64	53.44	125.47	131.61	**83.49**	52.09	44.60	97.58	140.39	**101.36**
Cash Dividends per Share (Yen)	50.00	50.00	60.00	50.00	**50.00**	50.00	50.00	60.00	50.00	**50.00**
Stock Price (Yen)										
Highest Stock Price						2,610	2,530	2,000	2,180	**1,912**
Lowest Stock Price						2,130	1,458	1,520	1,757	**1,641**
Capital Investments (Millions of Yen)		628,928	489,527	467,813	**386,850**	754,817	612,291	479,017	410,502	**326,535**
Total Assets (Millions of Yen)	7,176,783	7,500,934	7,550,821	7,507,556	**7,402,327**	6,914,587	7,166,847	7,212,514	7,043,444	**6,772,316**
Shareholders' Equity (Millions of Yen)	1,263,695	1,399,531	1,569,590	1,580,737	**1,548,131**	1,068,500	1,195,046	1,342,904	1,337,693	**1,324,806**
Shareholders' Equity Ratio (%)	17.61	18.66	20.79	21.06	**20.91**	15.45	16.67	18.62	18.99	**19.56**
Volume of Electricity Sales (Million kWh)										
Residential						42,492	43,555	44,408	44,347	**45,603**
Commercial & Industrial						96,326	96,848	98,444	95,432	**96,217**
Total						138,818	140,403	142,852	139,779	**141,820**
Number of Customers (Thousands)										
Residential						11,057	11,194	11,352	11,491	**11,590**
Commercial & Industrial						1,437	1,431	**1,416	**1,398	****1,379**
Total						12,494	12,625	**12,768	**12,889	****12,969**

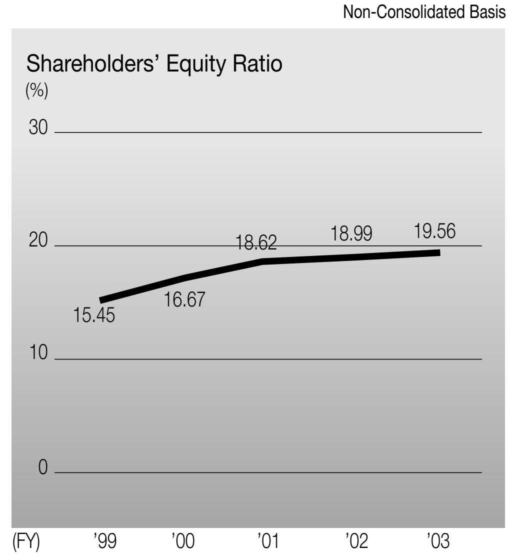
**Excluding the liberalized segment

*ROA= (Income Before Income Taxes+ Financial Expenses) x (1 - Income Tax Rate) / Total Assets

Consolidated Basis



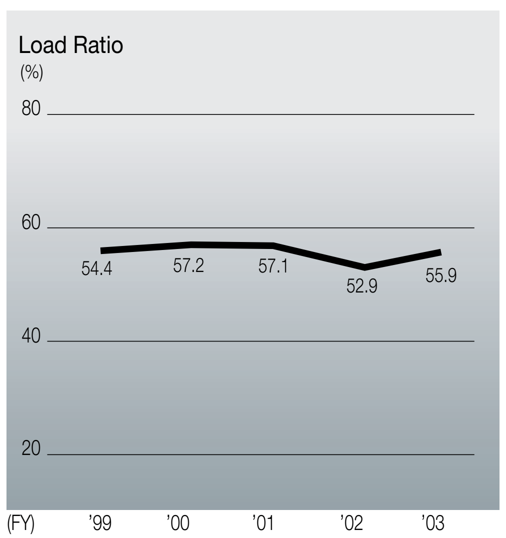
Non-Consolidated Basis



The Kansai Electric Power Co., Inc. | Annual Report 2003

	(FY) 1999	2000	2001	2002	**2003**
Electricity Generation Capacity by Sources (MW)					
Nuclear	9,768	9,768	9,768	9,768	**9,768**
Fossil Fuel	19,921	19,921	19,561	17,687	**17,531**
Hydroelectric	8,087	8,107	8,129	8,130	**8,135**
Total	37,776	37,796	37,458	35,585	**35,434**
System Peak Demand (MW)	32,160	30,710	31,060	33,060	**31,610**
Load Ratio (%)	54.4	57.2	57.1	52.9	**55.9**
Power Sources (%)					
Nuclear	53	51	51	54	**57**
Fossil Fuel	34	37	37	35	**31**
Hydroelectric	13	12	12	11	**12**
Total	100	100	100	100	**100**
Duration of Power Interruptions per Household (Minute)	37	3	4	4	**2**
SOx Emissions from Fossil Fuel Power Generation (g/kWh)	0.08	0.08	0.07	0.04	**0.05**
NOx Emissions from Fossil Fuel Power Generation (g/kWh)	0.15	0.15	0.15	0.13	**0.14**
Nuclear Capacity Factor (%)	84.3	82.0	81.8	84.5	**90.5**
Heat Efficiency Ratio (power generation end) (%)	39.07	39.40	39.44	39.48	**39.74**
Number of Employees *	26,333	24,903	24,539	23,971	**21,920**
Ratings (Moody's)					
In Yen	Aa1	Aa2	Aa2	Aa2	**Aa3**
In Foreign Currencies	Aaa	Aa2	Aa2	Aa2	**Aa3**
Date of Shareholders General Meeting	June 29	June 29	June 28	June 27	**June 27**

* The standard for stating the number of employees has been changed since beginning 2000. Using the traditional standard, the number of employees would be 26,248 in 2000.



Corporate Data
(As of March, 2003)

Date of Establishment: May 1, 1951
Paid-in Capital: ¥489.3 Billion
Number of Common Shares Issued: 962,698 Thousand
Number of Shareholders: 491 Thousand
Operating Revenues: ¥2,615.1 Billion (Consolidated Basis)
Total Assets: ¥7,402.3 Billion (Consolidated Basis)
Number of Employees: 35,554 (Consolidated Basis)

Corporate Information

THE KANSAI ELECTRIC POWER CO., INC.

Head Office:
3-22, Nakanoshima 3-chome, Kita-ku, Osaka 530-8270, Japan
Phone: 06-6441-8821
Fax: 06-6441-7174
URL: http://www.kepco.co.jp
E-mail: finance@kepco.co.jp

Stock Exchange Listings:
Common Stock;
Osaka Securities Exchange
Tokyo Stock Exchange
Nagoya Stock Exchange

Transfer Agent:
UFJ Trust Bank Limited
6-3, Fushimi-cho 3-chome, Chuou-ku, Osaka 541-8502, Japan
Phone: 06-6229-3011

Notes:
1. THE KANSAI ELECTRIC POWER CO., INC. is the source of all exhibits herein unless otherwise indicated.
2. All fisical years (F.Y.) run from April 1 to March 31 unless otherwise indicated.
3. All dollar amounts are U.S. dollars unless otherwise stated.
4. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.20=U.S.$1, the approximate rate of exchange at March 31, 2003.

Major Power Plants In Service (Over 50 MW)

(As of July 31, 2003)

Hydroelectric

1	Okutataragi (Pumped-Storage)	1,932 MW
2	Okawachi (Pumped-Storage)	1,280 MW
3	Okuyoshino (Pumped-Storage)	1,206 MW
4	Kisenyama (Pumped-Storage)	466 MW
5	Kurobegawa No.4	335 MW
6	Shimokotori	142 MW
7	Maruyama	125 MW
8	Otozawa	124 MW
9	Kiso	116 MW
10	Yomikaki	114 MW
11	Shin-Kurobegawa No.3	105 MW
12	Amagase	92 MW
13	Kurobegawa No.3	81 MW
14	Komaki	75 MW
15	Shin-Kurobegawa No.2	74 MW
16	Kurobegawa No.2	72 MW
17	Shin-Soyama	68 MW
18	Ontake	66 MW
19	Shin-Tsubakihara	63 MW
20	Shin-Maruyama	63 MW
21	Shin-Narude	58 MW
22	Soyama	54 MW
23	Ohi	52 MW
24	Kanidera	51 MW

Fossil Fuel

25	Himeji No.2 (LNG/Oil)	2,550 MW
26	Kainan (Oil)	2,100 MW
27	Sakaiko (LNG/Oil)	2,000 MW
28	Gobo (Oil)	1,800 MW
29	Nanko (LNG)	1,800 MW
30	Himeji No.1 (LNG)	1,442 MW
31	Tanagawa No.2 (Oil)	1,200 MW
32	Ako (Oil)	1,200 MW
33	Aioi (Oil)	1,125 MW
34	Takasago (Oil)	900 MW
35	Miyazu (Oil)	750 MW
36	Osaka (LNG/Oil)	624 MW

Nuclear

37	Mihama	1,666 MW
38	Takahama	3,392 MW
39	Ohi	4,710 MW

Power Plants Under Construction

Fossil Fuel

A	Maizuru (Coal)	1,800 MW

This annual report was printed on recycled paper.