ANNUAL REPORT 2006

Year ended March 31, 2006

THE KANSAI ELECTRIC POWER CO.,INC.

THE KANSAI ELECTRIC POWER CO., INC.

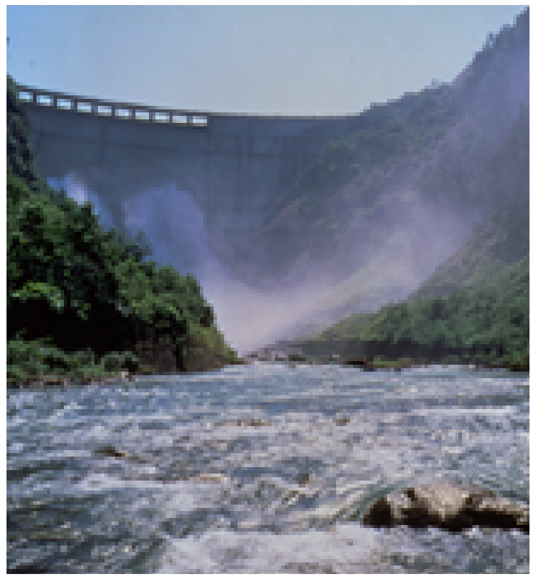
The Kansai Electric Power Co., Inc. (Kansai EP) has been serving the power needs of the Kansai area since its establishment in 1951. Through more than half a century it has developed and operated its own power stations, secured the diversified resources indispensable to running them, and delivered the 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, 2006, sales reached 147.1 billion kWh — almost equal to the national power needs of Sweden.

In response to the Kansai region's power demands, Kansai EP works steadfastly at technological development. Today, in an era of rapid deregulation of public utilities, the Company is reinforcing its position in core electricity operations while simultaneously striving to implement management reforms that will enable Kansai EP to achieve new growth to take it solidly into the future.

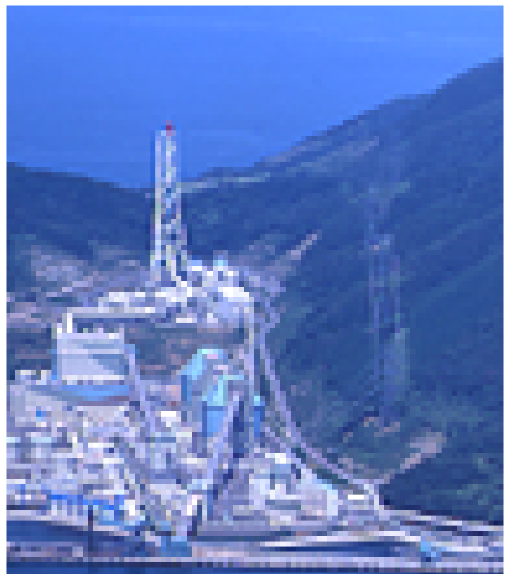
Cautionary Information with Respect to Forward-Looking Statements
Statements made in this Annual Report with respect to The Kansai Electric Power Company's plans, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of 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 Nakanoshima Area



Kurobegawa No.4 Hydro Power Plant (335 MW)

Ohi Nuclear Power Plant (4,710 MW)



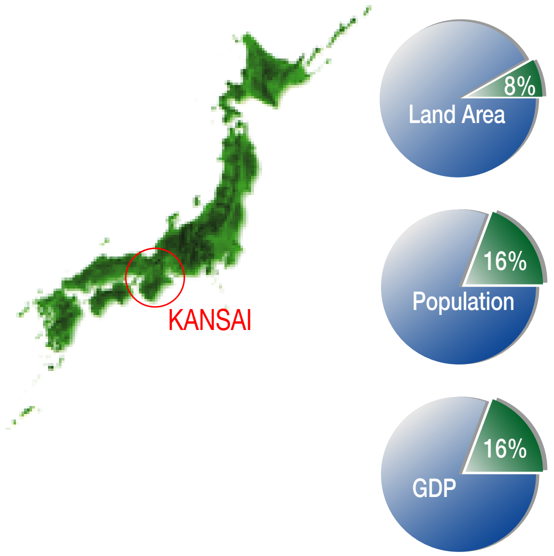
Maizuru Thermal Power Plant (900 MW)

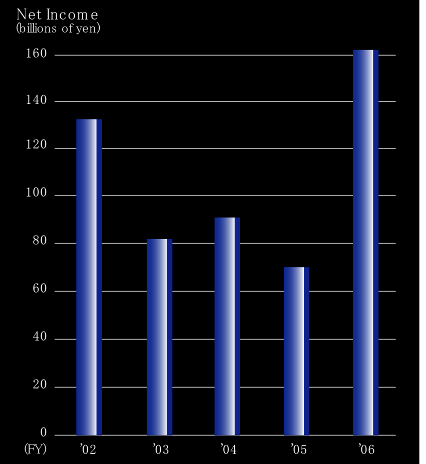
KANSAI — THE HEARTLAND OF JAPAN

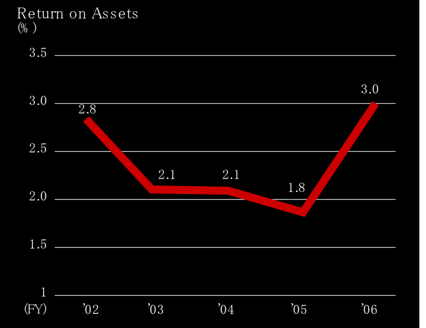
Kansai, the area served by Kansai EP, forms the cultural, historical, industrial and commercial core of the Japanese archipelago. From the treasured ancient capitals of Nara and Kyoto to the bustling business centers of Osaka and Kobe, Kansai continues to mark dynamic growth in the 21st century.

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 continue to achieve steady growth driven by innovative technologies in their respective fields.

As the nation moves steadily forward on the road to full economic recovery, the Kansai region is concentrating its complete roster of resources — its vitality and wisdom — to ensure the area's sustained and dynamic growth in this first century of the new millennium.







Financial Highlights
(Consolidated Basis)

	2005 (billions of yen)	2006 (billions of yen)	2006 (millions of U.S. dollars)
Financial Data			
Operating Revenues	¥ 2,613.4	¥ 2,579.0	$ 21,955
Operating Income	386.9	327.1	2,785
Net Income	69.7	161.0	1,370
Total Assets	6,857.8	6,856.4	58,368
Per Share Data (Yen and U.S. dollars)			
Net Income	73.8	172.8	1.47
Cash Dividends	50.0	60.0	0.51
Key Ratios (%)			
Shareholders' Equity Ratio	24.0%	26.0%	
Return on Equity (ROE)	4.3%	9.4%	
Return on Assets (ROA)	1.8%	3.0%	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117.47=US$1, the approximate rate of exchange at March 31, 2006.
2. ROA= (Income Before Income Taxes + Financial Expenses) x (1 −Income Tax Rate) / Total Assets

Financial Highlights
(Non-Consolidated Basis)

	2005 (billions of yen)	2006 (billions of yen)	2006 (millions of U.S. dollars)
Financial Data			
Operating Revenues	¥ 2,248.1	¥ 2,403.5	$ 20,461
Operating Income	366.0	294.8	2,510
Net Income	110.1	143.5	1,221
Total Assets	6,294.6	6,268.8	53,365
Per Share Data (Yen and U.S. dollars)			
Net Income	116.9	154.1	1.31
Cash Dividends	50.0	60.0	0.51
Key Ratios (%)			
Shareholders' Equity Ratio	23.6%	25.5%	
Return on Equity (ROE)	7.6%	9.3%	
Return on Assets (ROA)	2.5%	3.0%	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117.47=US$1, the approximate rate of exchange at March 31, 2006.
2. ROA= (Income Before Income Taxes + Financial Expenses) x (1 −Income Tax Rate) / Total Assets

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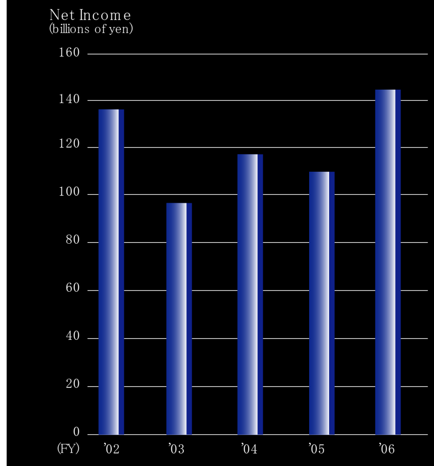

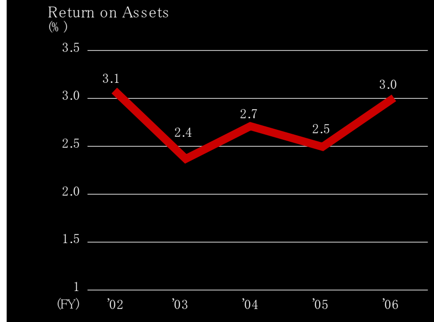

Contents

Laying down the foundations today for sustained growth in tomorrow's world of new and evolving needs

Kansai EP is responding with alacrity to changing parameters in its business environment, with dynamic initiatives focused on safety assurance and optimal customer value.

The Year in Review

In fiscal 2006, the period from April 1, 2005 through March 31, 2006, the Japanese economy generally remained in a holding pattern during the first half and then marked steady recovery during the second half on robust exports, resumed momentum in production within the corporate sector, and expanded capital investments.

Against this backdrop, The Kansai Electric Power Co., Inc. (Kansai EP) recorded total electricity sales volume of 147.11 billion kWh, up 1.5% year-on-year. The figure constituted a new record for the Company, outstripping the previous high registered in fiscal 2005. The unprecedented sales volume, boosted by economic recovery, owed largely to a significant increase in demand for heating and air-conditioning. Heating demand was especially strong as the Kansai region experienced an unusually cold winter; in Osaka, for example, the average temperature in December was the lowest on record for the past 30 years.

Outside core operations in electricity, the Company vigorously pursued business expansion along three main vectors – information technology (IT), total energy solutions, and amenities in support of lifecycle needs – and steady earnings base expansion is being achieved in all areas. To illustrate, in the IT area, home subscriptions for our communication services, including mainstay fiber-to-the-home (FTTH) Internet connections, exceeded 500,000 at the end of the fiscal year. In the realm of total energy solutions, the year's total sales volume of gas, LNG and other energies reached 640,000 tons.

Turning to the financial side of fiscal 2006, total operating revenue finished at ¥2,579.0 billion, down ¥34.4 billion from the preceding year. Income from electricity operations reached ¥2,358.7 billion, down ¥53.3 billion year-on-year. Total sales volume increased but revenue contracted, largely as a result of rate reductions implemented in April 2005. Revenue from other operations totaled ¥220.3 billion, up ¥18.9 billion from the year-earlier level primarily on expanded IT operations.

Total operating expenses in fiscal 2006 reached ¥2,251.8 billion, up ¥25.3 billion year-on-year. Operating expenses related to electricity operations totaled ¥2,048.4 billion, up ¥9.7 billion from fiscal 2005. Retirement stipends decreased following revisions to the Company's employee retirement pension system, and efforts were made to trim capital costs and operating expenditure; but these were offset by increased fuel costs incurred for operation of thermal power plants, arising from higher fuel costs, and increased maintenance and repair outlays targeted at ensuring the safety of the Company's nuclear power stations. Operating expenses incurred in the performance of other operations totaled ¥203.4 billion, up ¥15.6 billion year-on-year. In this case, the increase owed heavily to increased fuel costs in conjunction with gas operations.

As the combined result of the foregoing revenue and expense figures, consolidated operating income in fiscal 2006 came to ¥327.1 billion, down ¥59.7 billion from the previous year. Consolidated net income

Shosuke Mori
President and Director

reached ¥161.0 billion, up ¥91.3 billion. At term's end, our shareholders' equity ratio was up 2.0 percentage points from the level of fiscal 2005, and our interest-bearing liabilities were reduced by ¥165.8 billion.

Management Issues Demanding Immediate Attention

In 2004 we set down a new "Group Management Vision" targeted at making Kansai EP a company that garners an unparalleled level of satisfaction from its customers. In line with this vision, a broad palette of initiatives have been made within our Groupwide business activities to deliver superior services that will invite total customer satisfaction. The foundation on which those activities rest is the trust we receive from society as a whole, but unfortunately that trust was seriously eroded as a direct outgrowth of the accident at the Mihama Nuclear Power Station in August 2004.

In March 2005 the Company submitted an action plan to the Japanese government outlining measures designed to prevent a recurrence of any accident of the kind that occurred at Mihama. In line with the President's pledge to maintain safety under all circumstances as both his personal mission and as the mission of the entire Company, ongoing efforts have been made to firmly keep that promise to society to securely implement preventive measures against any accidental recurrence and to forge a new corporate culture focused on safety. In February 2005 we made open disclosure of the progress we had achieved toward those ends to date, and of the challenges we still face. One month later we received an evaluation of our initiatives from the Ministry of Economy, Trade and Industry. The assessment rendered was that Kansai EP is autonomously carrying out activities in planning, execution, evaluation and improvement.

In the coming years we will continue to pursue utmost safety in our nuclear power generating operations and, with concerted efforts Companywide, will carry forward reforms of our corporate culture targeted at forging a business management structure that accords foremost priority to safety and fulfilling our corporate social responsibility (CSR), as a way of enabling us to restore the public's trust in us.

Today, both the national economy and the economy of the Kansai region are on a full-fledged recovery course, and firm growth is projected to continue into the future. At the same time, however, the environment surrounding the Company is becoming increasingly severe as a result of a variety of factors including intensified competition between energy platforms. Against the backdrop of this business environment, we have set down a new "Kansai Electric Power Group Management Plan for Fiscal 2007" to make fiscal 2007 a year of transition to a new stage heading toward sustained growth.

Specifically, the Plan incorporates three action plans collectively targeted at creating customer value through implementation of measures devised from the long-term perspective, with highest priority placed on safety. Individually, the action plans respectively have the following overriding objectives: 1) the cultivation of a corporate culture that accords foremost priority to safety; 2) the creation of customer value through a concerted commitment by all Group members; and 3) development of human resources and enhancement of technological capabilities.

In line with the new Group Management Plan, all members of management as well as each and every employee will at all times act in ways that give first priority to safety, and efforts will be made to forge the

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mechanisms that will enable business operations to be carried out with full propriety and assurance, for example by developing quality management systems relating to the safety of all facilities. In addition, initiatives will be pursued to set down basic policies pertaining to internal control systems to ensure that business is conducted in a proper manner, and risk assessment and management will be securely implemented to achieve optimal efficacy in all related endeavors.

Based on the foregoing actions, we will seek to provide products and services that are truly valuable to the customer, not only through the provision of optimal energy services as an enterprise that delivers total energy solutions but also through our business operations in information technology and amenities in support of lifecycle needs as well as overseas operations. In doing so, we aim to contribute to the development of our customers and our local communities, and to ensure the sustained development of the entire Kansai Electric Power Group.

Furthermore, we will pursue the development of our human resources – the driving force behind all our activities – and enhancement of our technological capabilities, to serve as a solid foundation for our business activities.

In a quest to further strengthen our corporate governance position, at this year's general shareholders meeting resolutions were passed that will enable us to achieve swifter decision-making and stronger supervisory functions through a reduced number of Company directors and vitalization of the board of directors. In addition, initiatives to boost the speed and effectiveness of business execution were set in motion through introduction of a system of executive officers.

Through these diverse initiatives, we pledge to devote our comprehensive strength toward realizing our ambition to become a company that invites optimal customer satisfaction, a company sustained by the public's trust.

Wholehearted Commitment to Future Growth

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

Our business environment is presently on the threshold of even greater transformations ahead. To weather the challenges of these changing times, we renew our pledge to continuously 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.

Shosuke Mori
President and Director

Meeting steadily expanding demand through efficient use of resources, infrastructure and innovations

Sales Poised for Expansion into the Future

In fiscal 2006 Kansai EP registered total electricity sales of 147.1 billion kWh, constituting a 1.5% increase from the year-earlier level and an all-time record. Sales expansion was largely attributable to increased demand for heating, driven by low temperatures throughout the winter season, amid the overall environment of economic recovery.

Going forward, moreover, now that the economy is securely on a recovery track, demand for electricity, especially for use in homes and businesses, is expected to mark steady expansion on a long-term basis as living standards continue to improve and as Japanese society becomes increasingly information-intensive.

Making Maximum Use of Existing Facilities

Electricity sales expansion normally comes hand in hand with increases in peak demand. At Kansai EP, in order to cope with projected growth in demand at peak levels we are compelled to pursue ongoing development of our power infrastructure. At the same time, in order to continuously enhance our competitive position, we must also maximize effective use of existing facilities while probing ways to minimize increases in peak demand. In line with these dual aims, we are taking a variety of steps targeted at improving our load factor.

Specifically, we are vigorously promoting the adoption of systems engineered for greater energy efficiency. Two notable examples are "Eco Ice" and "Eco Cute." Eco Ice is an 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 is an electric heat-pump water heater that uses 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.

In Pursuit of the Optimum Generation Mix

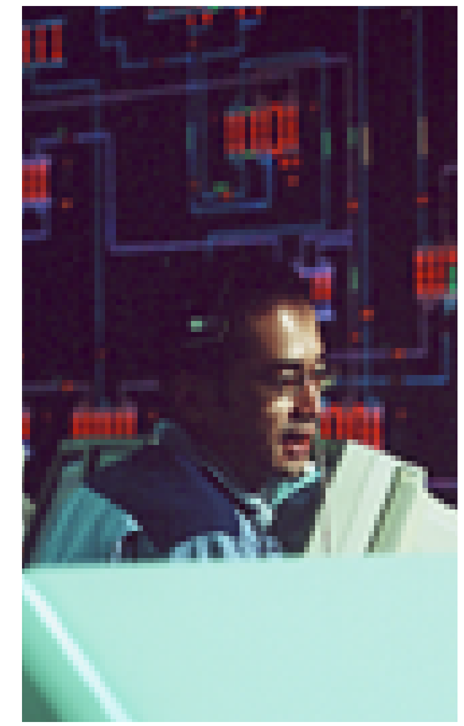
Japan, a nation of limited natural resources, is in a perennially precarious energy position. To cope with this vulnerability, Kansai EP continuously pursues the optimum combination of nuclear, thermal and hydro power, capitalizing on the respective advantages of each generation method to maximum effect.

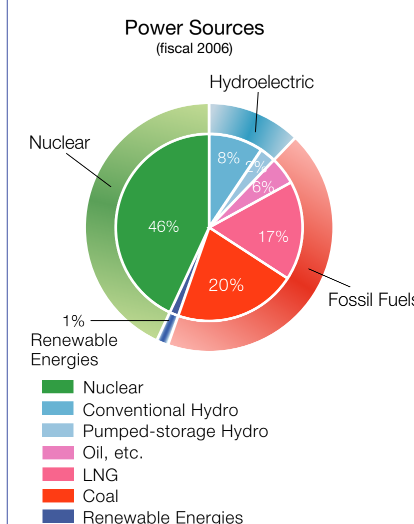
Nuclear power forms the core of our energy platforms, meeting 46% of the Company's total output demand. Nuclear power offers us salient economic advantages because we pioneered its development, and this long record today yields benefits in terms of relatively modest depreciation costs. Nuclear energy is also friendly to the environment as it produces low levels of CO_2 emissions.

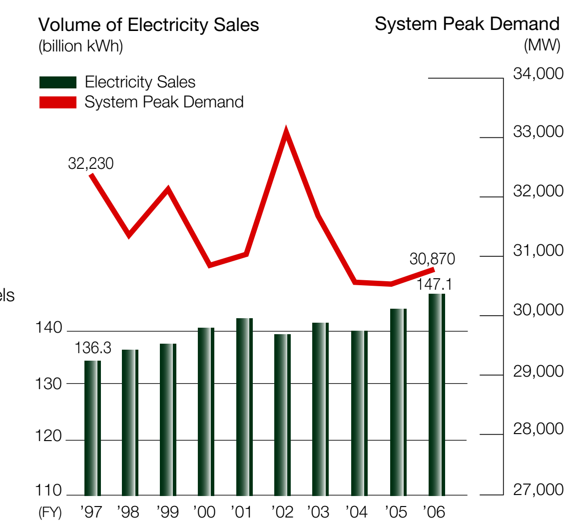
Thermal power, which offers superior flexibility to adjust to fluctuations in demand, is our second-most important source of energy. In this area, we are pursuing diversification beyond oil dependency and striving for efficient operation of facilities by retiring or suspending, at length, operation of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

We have also proactively developed hydroelectric power, 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.

To cope with escalating demand for electricity, Kansai EP is exploring all viable avenues to optimize use of available resources and infrastructure.







Executing well-focused business strategies to enable sustained growth amid intensifying competition

Transformation of the Power Industry

From April 2005, all customers who contract for electricity received at high voltages became free to choose their preferred power supplier. Users matching that criterion account for roughly 60% of Kansai EP's total sales volume. In addition, wheeling charges formerly levied by the power companies against transmissions through their supply grids were eliminated, and a wholesale power market was newly established, thereby setting in place an ever more competitive environment.

A New Era in Business Competition

Since the implementation of the industry's first deregulatory measures in 2000, new participants have become increasingly active in the domestic electricity market. Already, more than 20 new energy providers have entered the market and successfully acquired customers in areas throughout the nation. The Kansai region is no exception, and activities targeted at attracting demand within our traditional operating base are gathering momentum.

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. Going forward, however, it is difficult to project how the competitive situation might change in tandem with continuing developments in industry deregulation.

Focused Response to a Shifting Environment

Kansai EP is keenly cognizant of the risk potential for becoming embroiled in severe competition as our business environment undergoes vertiginous changes. More importantly, however, we view these environmental transformations as an ideal opportunity to enhance both our corporate and shareholder value through profit expansion. To capitalize on this opportunity — one not afforded to us when we operated in a fully regulated environment – we are focusing on three targets: 1) greater competitive strength, 2) a more muscular financial structure, and 3) enhancement of our earning capacity Groupwide.

First, to achieve greater competitive strength, we are determined to pursue ever stronger price competitiveness in line with developments in deregulation, and to invite greater customer satisfaction through the provision of new forms of value. Toward those ends, we firmly aim to improve efficiency throughout all aspects of our operations, and to develop new equipment operated electrically, new services and new rate menus. Furthermore, we intend to muster our comprehensive Groupwide capabilities toward fortifying our solution-focused services. In this last connection, we will strengthen our programs of human resource development so as to cultivate the professional teams needed to provide our key solutions.

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

Third, to achieve stronger earning capability as a Group, we will strategically select business operations and develop new areas of business that will enable the most effective use of our Groupwide resources. In doing so, we will concentrate on three core areas: total energy solutions, amenities in support of lifecycle needs, and information technology (IT). Today steady progress is being achieved in each of those fields, for example in the form of retail gas sales capitalizing on our expertise in operating LNG processing facilities, home security services rooted in the trust placed in us by the local community, and Internet services taking advantage of our 67,000-kilometer fiber-optic network. Going forward, we will continue to invest vigorously into new business areas that will lead to ever greater expansion of our earnings base.

As the three supporting pillars of our business strategies, our marketing, financial and Group strategies will enable Kansai EP to maintain its leading position in the coming era of severe competition.

Kansai EP is responding with agility to the continuing deregulation of Japan's power industry, taking decisive steps to strengthen its competitive position.

Developing dynamic new marketing strategies tailored to the evolving needs of all customer segments

Metamorphosis to All-round 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 conventional utility company to an all-round provider of a broad palette of energy solutions.

Toward that end, the Company is presently taking a host of decisive steps, including Groupwide structural revamping and business expansion. To fully apply our technical strengths, accumulated through long years of experience in the electricity business, in order to address the needs of customers, we are reassigning our engineering staff with superlative technical backgrounds and rich experience to assume the leading role in our new solution-oriented transformation.

Solutions are carefully devised in line with the specific needs and challenges presented by 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 (IT) and business support.

Four 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 and more comfortable living through reliance on electricity.

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

Applying the entire slate of its Group resources, Kansai EP is transforming itself into a provider of energy solutions for every customer requirement.

Aggressive Pricing Strategies for All Segments

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

For customers in the liberalized market, we provide a selection of rate schedules tailor-made to their specific needs and energy usage patterns. For customers still affected by industry regulation, the Company has vigorously 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, has resulted in dramatic increases in the number of totally electric homes and in the adoption of electric kitchens.

Enhanced Customer Service Enabled by Advanced IT

In pursuit of greater management efficiency and customer satisfaction, we have introduced 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 commenced operation of a call center in the heart of Osaka incorporating the latest CTI (computer telephone integration) technology, and in 2005 new call centers were added in south Osaka, Kyoto and Kobe. In ways like these, we intend to continue seeking ever higher customer satisfaction in the years ahead through active use of IT.

Pursuing robust financial strength through optimal efficiency in cost allocation and facility utilization

Three Strategic Aims

Kansai EP's financial strategy agenda encompasses three fundamental focal points. The first is improvement of the Company's cost structure, to permit us to attain greater competitive strength and generate an abundant cash flow. Second, we target increased efficiency in facilities development, to enable us to reduce our capital investment expenditures. Finally, we are pursuing fortification of our financial structure through measures including reduction of our interest-bearing debt. The Company is wholeheartedly committed to allocating free cash flow on a priority basis as its way of achieving these three strategic aims.

More Muscular Cost Structure

Cost structure enhancement, centering on operations in power generation and targeted at the achievement of solid competitive strength, forms the underlying base of the Company's financial strategy initiatives. 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.

In addition, we are trimming costs through streamlining of our existing infrastructure. During the past five years (as of April 30, 2006), we closed down 22 less efficient power generators with a total output of 3,656 MW. We also implemented long-term suspension of operations of another nine units with a total output of 4,350 MW. This restructuring of major assets is contributing to lower maintenance, repair and other operating costs. In order to achieve optimally effective use of our existing facilities while also easing the burden on the environment, going forward we will be upgrading installations at our Sakaiko Power Station (2,000 MW) to a state-of-the-art, high-efficiency, natural gas combined-cycle system. We are targeting fiscal 2010 as the launch date of the plant in its new incarnation.

To curb our fixed costs, we are scaling back our payrolls. Our original goal was to cut our workforce by roughly 3,000 employees between September 2001 and March 2005, but we successfully reached that target one year ahead of schedule in March 2004.

Kansai EP's financial strategies target a firmer cost structure, enhanced use of existing facilities, and reduction in the Company's debt burden.

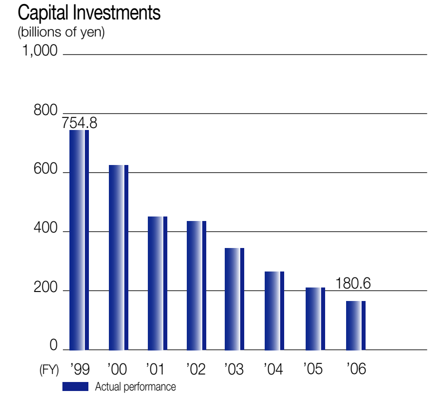
Higher Efficiency in Facilities Development

Efficient development of our physical plant is an important strategy for boosting our assets' earning capacity and increasing cash flow. At Kansai EP we are currently curbing our investments into power stations and other facilities even as we maintain a stable supply of high-quality power.

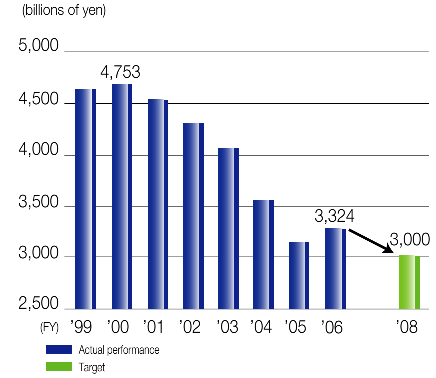
In fiscal 2006 we undertook a total of ¥180.6 billion in capital investments, approximately 16% less than had been initially planned at the start of the term. Going forward, while continuing to accord highest priority to safety concerns, we are resolved to be even more selective in undertaking new projects. With respect to existing facilities, we intend to carry out exhaustive reviews of the timing and scope of equipment upgrades in accordance with the level of importance of each installation. Furthermore, we aim to trim our procurement costs through diversification of purchasing methods and the adoption of new technologies and construction methods. Meanwhile we are also reviewing construction plans for new power generation, distribution and transmission facilities while monitoring power demand trends.

In fiscal 2006, on a consolidated basis we undertook capital investments totaling ¥268.6 billion.

Capital Investments



Interest-bearing Liabilities:
Performance and Reduction Targets



Fortification of Financial Structure

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 is allocated to reducing interest-bearing liabilities as a way of reinforcing our financial structure. In fiscal 2006 we decreased those liabilities by ¥188.9 billion at the parent level.

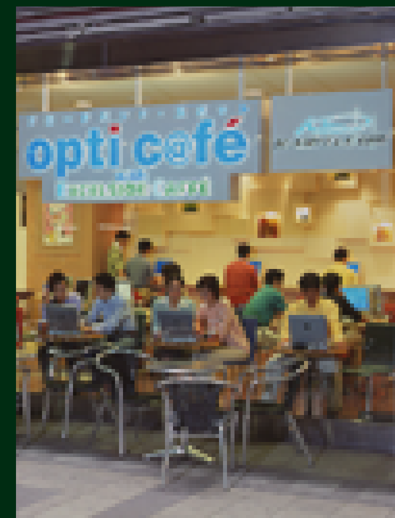
Currently, we have set two targets on a consolidated basis for improving our financial structure further. By the end of fiscal 2008, we aim to bring our shareholders' equity ratio to around 30% and to pare our interest-bearing debt to near ¥3 trillion.

In light of the present outlook for those dual targets to be achieved, as well as other relevant factors, in fiscal 2006 we boosted our term-end dividend disbursement. Together with the interim allocation, our dividend payment for the year thereby reached ¥60 per share, up ¥10 from the previous term.

Comprehensive Commitment to Corporate Strength

Through the various measures described here, we are not only targeting expansion of both our corporate and shareholder value, but also seeking to achieve the financial stability and flexibility that will enable Kansai EP to manifest its corporate strength within the increasingly deregulated market of the coming years.

Aiming to generate unchallenged customer satisfaction as an all-round life-support provider



Targeting Unrivaled Customer Satisfaction in Both Energy and Life-Supporting Realms

At Kansai EP we actively invest our Groupwide resources and strengths into new areas of business that have the potential to grow into new sources of earnings. This approach is vigorously pursued as our way of continuously expanding our corporate and shareholder value.

Our belief is that in order to remain the power provider chosen by our customers well into the future, we must provide them not only with electricity but also with a panoply of services supporting their living environment, as a way of inviting an ever higher level of customer satisfaction.

We believe that pursuing these objectives on a Groupwide basis will enable us to furnish greater value to customers and, as a result, lead to sustained growth and ongoing earnings expansion at all Group enterprises.

Kansai EP is vigorously investing its Groupwide resources into new business areas offering promise as tomorrow's pillars of earnings.

Three Core Business Domains

In line with the foregoing objectives, Kansai EP engages in a kaleidoscope of Groupwide business endeavors all targeted at enabling the most effective use of managerial resources. We concentrate on three strategic areas: total energy solutions, life-support amenities, and information technology (IT).

As a comprehensive energy provider, we are implementing focused measures to provide customers with optimal energy solutions matching their power requirements, relying foremost on electricity but also including gas, cogeneration and related service options as well. In fiscal 2006 we scored solid results in this respect, as illustrated by the achievement of sales of 640,000 tons (in natural gas parameters) of gas, LNG and fuel oil for cogeneration applications – 140,000 tons above both the level of fiscal 2005 and the 500,000-ton target we had originally hoisted for fiscal 2008. In addition, in January 2006 we inaugurated operations at a new LNG receiving terminal constructed along Osaka Bay, targeted at boosting the competitive position and supply stability of our electricity operations. The new facility will serve effectively as the Company's second base supporting our comprehensive energy solutions business.

In recent years we have also launched a wealth of new amenity-type business operations to support lifecycle-related needs. New ventures already established include operations in real estate centered on the provision of fully electric homes as well as services relating to home security protection, health-management support and care provision. Going forward, by providing products and services of true value to the customer, we will assiduously strive to acquire new customers in all of these business areas as a means of fortifying the links between Group companies and the lives of our customers.

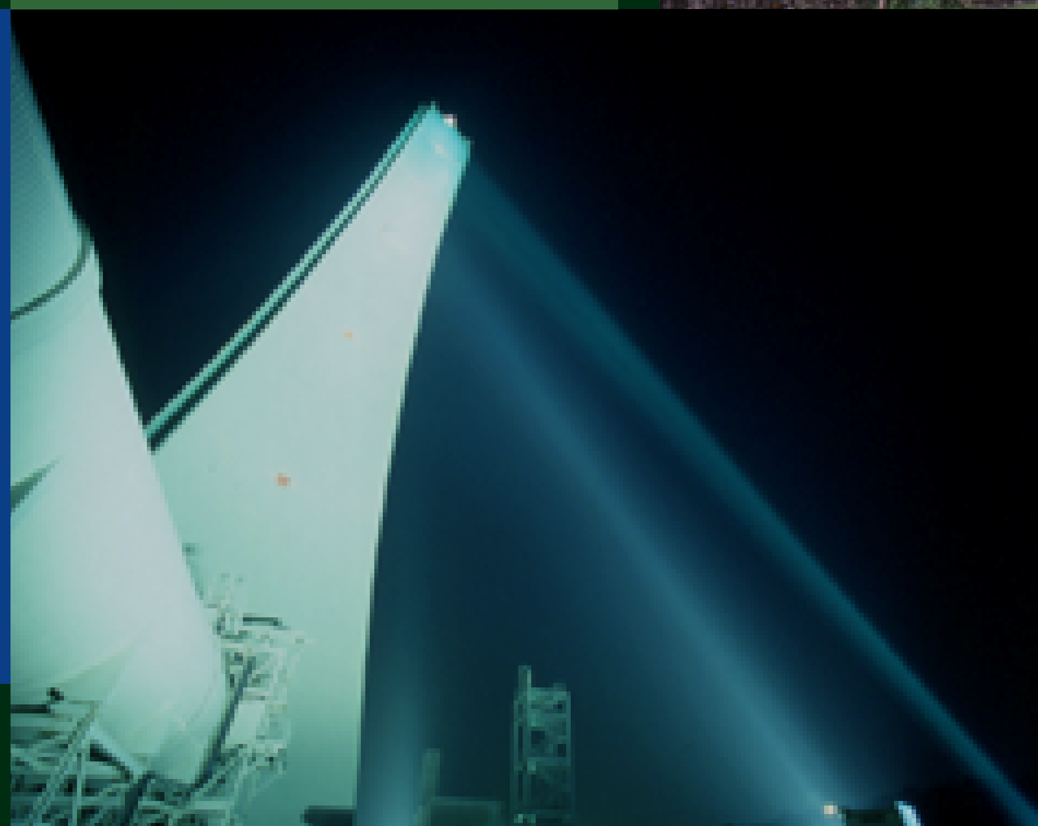
The IT field offers another opportunity to make effective use of our Groupwide managerial resources, especially our fiber-optic network, and we are vigorously working to develop this market destined to achieve salient growth in the years ahead. Through the provision of services supporting daily living, IT services also have outstanding synergy with our electricity operations. In fiscal 2006 we attracted some 510,000 new home subscriptions for our Internet connection services and 20,000 business subscriptions for our communication services, and for fiscal 2007 we have set targets of 620,000 and 21,000, respectively. As a provider of IT services rooted in the local community, we aim to continuously expand our user base centered on fiber-to-the-home (FTTH) technology. Our long-range goal is to make operations in these areas the Company's second-largest earnings source after electricity, as a way of contributing to the sustained growth of our Group.

Medium-Term Targets

Applying the three strategy vectors just described, Kansai EP has set two targets for fiscal 2008: 1) to expand Groupwide sales to ¥250 billion and 2) to secure ¥33 billion in income before income taxes.

Protecting the Earth's environment as a responsible corporate citizen

Mangrove research



Nanko Thermal Plant

ECO LEAF
製品環境情報
http://www.jemai.or.jp
No. AT-03-001

Kansai EP is Japan's first power provider to have its electricity acquire the "EcoLeaf"™ label. Under this labeling program, quantitative data on a product's environmental impact is certified and disclosed by a third party.

e8 Micro Hydropower CDM Project in the Kingdom of Bhutan

Initiatives to Prevent Global Warming

At Kansai EP, we view environmental issues as matters of crucial importance that affect the safety and lives of our customers, our nation and the entire planet. We thus believe that undertaking maximum effort to address environmental issues is an inherent and natural course of action. Among those issues, global warming in particular is a problem that the whole world needs to combat with dedicated persistence over time, and we at Kansai EP are aggressively taking comprehensive measures in that direction as one of our foremost management objectives.

As a provider of electric power, the Company is promoting an array of measures to counter global warming. These include vigorous promotion of nuclear power generation as a technology that emits no CO_2, enhancement of the thermal efficiency of fossil-fuel-dependent generating facilities, and the development of decarbonization technologies for removing CO_2 emitted by thermal power plants. To illustrate, plans are currently moving forward to upgrade to a state-of-the-art, natural-gas-fired, combined-cycle generation system at our Sakaiko Thermal Power Station; the new technology is expected to reduce the plant's CO_2 emissions per unit of output (volume of CO_2 emitted per kWh of electricity generated) by approximately 30%. Another project under way, this one at the Maizuru Power Station, targets implementation of power generation using an admixture of biomass fuel (wood pellets) and coal; when completed, the new system is expected to cut CO_2 emissions by 92,000 tons per year.

Kansai EP is a committed promoter of and dynamic contributor to initiatives, at home and abroad, to safeguard the global environment.

To achieve efficient use of energy by society as a whole, we are developing and pushing for widespread adoption of a variety of innovative systems offering excellent efficiency. These include "Eco Ice," a thermal-storage air-conditioning system that utilizes power generated during nighttime hours, and "Eco Cute," an electric heat-pump water heater that uses a natural refrigerant.

In addition to the foregoing domestic initiatives, Kansai EP is also actively cooperating in diverse ways toward reducing CO_2 abroad. In Thailand, the Company is participating in a research project on mangrove afforestation technology; in Western Australia, we are involved in an environmental tree planting project; in Bhutan, we are engaged in a Kyoto Protocol Clean Development Mechanism (CDM*1) project to construct small-scale hydropower plants in nonelectrified villages; and in China, we are taking part in a CDM hydropower project.

Going forward, we will continue to carry out measures, both at home and overseas, to prevent global warming ever more vigorously.

*1 *A framework under which the developed and developing nations collaborate in initiatives targeted at curbing CO2. The mechanism enables credit for the reduced CO2 volume to be shared by the assisting country.*

Responding to the Demands of a Sustainable Society

In a quest to realize business activities that are fully compatible with the demands of a sustainable society, Kansai EP pursues the "3Rs" for dealing with industrial and other wastes: reduce, reuse and recycle. Measures are being taken to reduce and recycle wastes throughout the entire spectrum of our business activities.

To illustrate, the concrete poles from our power grids are completely recycled and used as road construction material, and the residual ash from the burning of coal to fuel our thermal power plants is used in entirety as material for making cement.

We also actively pursue "green purchasing," which accords foremost priority to purchasing products and services that impose minimal burden on the environment, and we promote energy and resource conservation activities within our offices.

Finally, 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, and revitalization of contaminated soil through washing and thermal desorption.

International Certification

As an integral part of the Company's initiatives in environmental protection, Kansai EP is progressively acquiring ISO 14000 certification, the global standard in environmental management, at its facilities. To date (March 2006) certification has successfully been secured at nine operating bases, centered on our fossil-fuel-burning power plants.

The Company is also taking steps to meet international standards in other important ways. As an example, Kansai EP is the first power provider in Japan to receive "Eco Leaf" environmental labeling certification, a Type III labeling system set by international standards. Certification was awarded in recognition of the environmental harmony of the electric power the Company supplies to its customers. As a result of comprehensive measures taken to prevent global warming, the certified power has one of the lowest levels of CO_2 emission volumes per kWh of generated electricity – the principal gauge of environmental compatibility – among all domestic power suppliers.

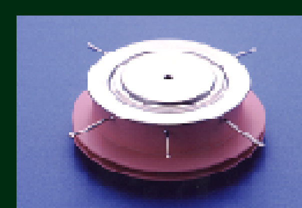
Soil decontamination services: KANDEN GEO-RE Inc.

Pursuing innovative technologies for the customer's benefit and the Company's future


Development of soil decontamination technologies


Reserch on SiC inverter


Biosensors for cadmium



Two Overriding Aims

In conjunction with its quest to carry out its corporate social responsibilities apropos to safety assurance and stable power provision, Kansai EP accords the highest priority to research and development. R&D programs at Kansai EP have two focal points: to provide products and services conducive to fostering customer satisfaction, and to achieve breakthroughs that will contribute to the Company's future business operations. Here, we introduce a sampling of some of our recent achievements in R&D.

Technologies to Protect the Earth's Environment

Among an abundant array of initiatives directed at protecting the global environment, Kansai EP is conducting ongoing research and development of chemical absorption methods for recovering CO_2 by means of chemical absorbents. The related separation and recovery technologies have already been achieved, and the results of this research program have been acknowledged in the form of patents awarded to Kansai EP not only in Japan but also in the United States, Europe and Asia. Today, our technologies in this field have already been adopted in a urea production plant in Malaysia.

The Company is also actively engaged in the development of soil decontamination technologies employing biotechnologies. We are presently undertaking research into soil remediation technologies and into biosensors for measuring heavy metals, dioxins and other environmentally detrimental substances.

Next-Generation Semiconductor Elements

Today, Kansai EP is making steady progress in developing silicon carbide (SiC) diodes, next-generation power semiconductor elements that are expected to enable major reductions in power loss. In contrast to conventional silicon elements that are vulnerable to significant power loss during current flow, etc., and whose crystals break easily under high voltages, SiC diodes are revolutionary in their ability to reduce power loss substantially. We have already succeeded in developing 100kVA inverters using SiC diodes, and once they shift into commercial production and supersede today's Si inverters, power loss is expected to be curbed by more than 50%. In that way, SiC diodes are projected to make a dramatic contribution to energy savings throughout the industrial sector.

Kansai EP undertakes a broad palette of R&D projects all targeting innovations with tangible benefits to customers and potential to become corporate growth drivers.

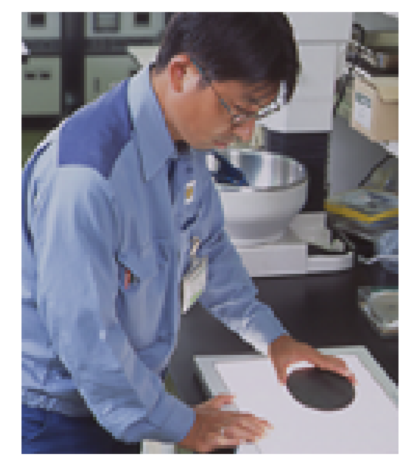
High-Efficiency Fuel Cells

Solid oxide fuel cells (SOFC) are garnering attention today as an epochmaking new technology offering excellent characteristics in generation efficiency, stability and environmental friendliness. At Kansai EP, we are engaged in research into intermediate-temperature SOFCs, and we have already succeeded in developing fuel cells boasting high power density as well as an SOFC-based power-generating system. These breakthroughs are integral to our pursuit of commercial production of power systems of low cost and compact size.

Water Heaters for Home Use

As part of the Company's quest to develop products promoting the efficient use of electric power, Kansai EP is presently engaged in the development of electric heat-pump water heaters, known as "Eco Cute" systems, employing a natural refrigerant (CO_2). The new systems offer superlative benefits with respect to environmental compatibility, energy conservation and economical operation.

Representative Eco Cute systems already developed include multifunction systems permitting combination with features such as floor heating or bathroom drying, and compact systems suited to installations in private homes and communal housing in urban locations.


Fundamental Research on SOFC Materials

Supporting Kansai in its dynamic development as a key player on the national and global stages

FM CO·CO·LO

Three Mammoth Projects Under Way

For centuries the Kansai region has served as a main pillar supporting the development of the Japanese economy. Today, with the economy in a clear recovery trend, Kansai is attracting widespread attention as a central force to drive the nation's future economic growth and prosperity. In a quest to respond to those weighty expectations, Kansai is currently setting down new foundations for its dynamic development in the coming years. These foundations include a number of new initiatives of formidable scale, illustrated by a triad of projects offering exciting prospects for the future.

The first project is the development of "Kansai Science City," currently under construction on 15,000 acres of land straddling Kyoto, Osaka and Nara prefectures. The project is targeted at the creation of an international cultural, academic and research base appropriate to 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. In conjunction with infrastructure development, a new railway, the Keihanna New Line, was constructed as a major new access route linking the City with Osaka. The new rail line went into service in March 2006.

The second mammoth project under way 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 Asian region, as a means of contributing to Kansai's further development. Presently 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 zones appropriate to an international metropolis. In tandem with this project, Universal Studios Japan opened here in 2001. The new theme park has quickly become one of Kansai's most popular destinations.

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

Kansai EP plays a key role in supporting projects and initiatives designed to transform Kansai into an ever more vibrant and people-friendly region.

Strong Commitment to the Local Community

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 this century, a host of amenities are being developed. One example is FM CO·CO·LO, Japan's first multilingual FM radio 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 initiatives in support of the diversified needs of local citizens, Kansai EP today is contributing on broad fronts to the ongoing development of its home region.

Directors and Auditors
(As of June 29, 2006)

Shosuke Mori
President and Director

Keishi Yoshimoto
Executive Vice President and Director

Hiroshi Morimoto
Executive Vice President and Director

Isao Aoki
Executive Vice President and Director

Norihiko Saito
Executive Vice President and Director

Managing Directors
Yasuo Shinomaru
Sakae Kanno
Mitsuyasu Iwata
Mamoru Yoshida
Masumi Fujii
Tsuneaki Miyamoto
Makoto Yagi

Directors
Toshiaki Mukai
Takashi Teramoto
Yohsaku Fuji
Noriyuki Inoue
Akio Tujii
Ryosuke Tamakoshi

Senior Corporate Auditors
Yoji Goto
Hiroki Tanaka
Tomoaki Nakamori

Corporate Auditors
Takaharu Dohi
Yoichi Morishita
Akira Imagawa
Keiko Nakamura

Financial Section

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Consolidated Financial Statements
for the Years Ended March 31, 2006 and 2005, and
Independent Auditors' Report

Financial Results and Analysis (Consolidated)

OVERVIEW

Operating Income

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

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

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

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

Information Technology Operations
Kansai EP and its Group companies, centered on K-Opti.com, provide a comprehensive range of information technology services to both individual and corporate customers. A diversified menu of services is offered in line with the broad spectrum of user requirements, spanning from 64kbps to 1Gbps in both indoor and outdoor applications.

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

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

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

Other Operations
In addition to core electricity operations and IT business, Kansai EP and its Group network undertake an aggressive program of operations in two prime areas: total energy solutions and amenities in support of lifecycle needs.

Business in total energy solutions focuses on gas-related operations, while operations involving lifecycle-support amenities center on related services as well as real estate development, especially housing.

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

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

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

Taken together, consolidated income accrued from electricity, IT and other operations reached ¥327,170 million, down ¥59,769 million*, or 15.4%, from fiscal 2005. This total is the end result after eliminating all profits or losses incurred in conjunction with internal sales between the various segments.

* Includes internal transactions between segments.

Net Income

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

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

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

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FISCAL POSITION

Assets

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

Liabilities

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

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

Shareholders' Equity

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

In April and November 2005 the Company repurchased 14.11 million shares of its own stock, at a total outlay of ¥32,008 million. The move had two objectives: a) to increase shareholder return and enhance capital efficiency, and b) to improve the supply-and-demand balance of Company shares within the market. The Company has opted to retain the repurchased holdings as treasury stock for the time being, a situation that will enable the shares to be flexibly used, or retired, as changes in the operating environment may come to dictate.

Cash Flow

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

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

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

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

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

Dividend Policy

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

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

Business and Other Risks

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

1) Economic Situation

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

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2) Changes in the Environment Surrounding Electricity Operations

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

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

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

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

3) Business Other than Electricity Operations

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

4) Weather Factors

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

5) Fuel Price Fluctuations

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

6) Interest Rate Fluctuations

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

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

7) Operational Obstructions

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

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

8) Information Management

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

Consolidated Balance Sheets

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

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

See notes to consolidated financial statements.

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

See notes to consolidated financial statements.

Consolidated Statements of Income

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

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

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

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

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

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

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2005	$4,165,489	$567,175	$9,088,184	$529,548	$85	$(332,553)
Net income			1,370,980			
Cash dividends, $0.43 per share			(398,851)			
Bonuses to directors and corporate auditors			(1,847)			
Net decrease in foreign currency translation adjustments					(85)	
Net increase in treasury stock						(279,952)
Net increase in unrealized gain on available-for-sale securities				497,318		
Decrease due to exclusion of previously consolidated subsidiaries			(1,737)			
BALANCE, MARCH 31, 2006	$4,165,489	$567,175	$10,056,729	$1,026,866		$(612,505)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

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

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

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law (the "Law"), the Japanese Electric Utility Law and the related accounting regulations. The Kansai Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (together the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code"), the Japanese Electric Utility Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2005 financial statements to conform to the classifications used in 2006.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117.47 to $1, the approximate rate of exchange at March 31, 2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Principles of Consolidation and Accounting for Investments in Associated Companies -** The consolidated financial statements as of March 31, 2006 include the accounts of the Company and all subsidiaries (sixty-two in 2006 and sixty-eight in 2005).

Under the control or influence concept, those companies over whose operations the Company, directly or indirectly, is able to exercise control are fully consolidated, and those companies over which the Company has an ability to exercise significant influence are accounted for by the equity method.

For the years ended March 31, 2006 and 2005, the investment in one associated company is accounted for by the equity method. Investments in the remaining associated companies are stated at cost, and had the equity method been applied to the investments in these companies, there would have been an immaterial effect on the accompanying consolidated financial statements.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisition of subsidiaries is reported in the balance sheet as other assets and is amortized using the straight-line method over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

b. **Subsidiaries' Fiscal Year-End -** The fiscal year-end of five subsidiaries is December 31. The Company consolidates such subsidiaries' financial statements using their financial results for the year ended December 31. The effect of any significant transactions during the period between the subsidiaries' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

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

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

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

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

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel at March 31, 2006 and 2005 was ¥115,657 million ($984,566 thousand) and ¥120,509 million, respectively.

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

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Companies review their fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Notes to Consolidated Financial Statements

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

o. **Derivatives and Hedging Activities -** The Companies use principally foreign exchange forward contracts, currency swaps, interest rate swaps and commodity swaps in the normal course of business, to manage its exposures to fluctuations in foreign exchange, interest rates, fuel price and so on. The Companies do not enter into derivatives for trading or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be recognized in the income statement and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

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

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

p. **Reserve for Fluctuations in Water Level -** A reserve for fluctuations in water level is provided for costs expected to be incurred from insufficient water levels, in accordance with the Japanese Electric Utility Law and related accounting regulations.

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

r. **Per Share Information -** Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

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

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

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

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

t. **New Accounting Pronouncements**

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

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

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

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

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

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

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

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

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

3. PLANT AND EQUIPMENT

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

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

4. INVESTMENT SECURITIES

Information regarding each category of the securities classified as available-for-sale, whose fair value is readily determinable, and held-to-maturity at March 31, 2006 and 2005 were as follows:

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

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

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

5. LONG-TERM DEBT

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

6. RETIREMENT AND PENSION PLAN

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

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

In October 2005, the Company revised its pension plans.

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

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

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

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

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

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

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

	2006	2005
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.0%**	0.5%
Allocation method of the retirement benefits expected to be paid at the retirement date	**Straight-line method based on years of service**	Straight-line method based on years of service
Amortization period of prior service cost	**3 years**	3 years
Recognition period of actuarial gain/loss	**3 years**	3 years

In addition certain consolidated subsidiaries participate in a contributory multi-employer pension plan covering substantially all of their employees. The pension fund and assets available for benefits under this plan were approximately ¥3,122 million ($26,577 thousand) at December 31, 2005.

7. SHORT-TERM BORROWINGS

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

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

8. SHAREHOLDERS' EQUITY

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

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

(a) Dividends

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

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

9. INCOME TAXES

The Companies are subject to a number of taxes based on income such as corporate income tax and inhabitant taxes which, in the aggregate, resulted in normal statutory tax rates of approximately 36.2% for the years ended March 31, 2006 and 2005.

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

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

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

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

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

10. RESEARCH AND DEVELOPMENT COSTS

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

Notes to Consolidated Financial Statements

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

11. LEASES

Lessor

Finance Leases

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

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

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

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

Future lease revenue under finance leases:

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

Future lease revenue under finance leases includes the sublease revenue.

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

Lessee

Finance Leases

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

Certain pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005 was as follows:

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

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

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

Obligations under finance leases:

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

Depreciation expense under finance leases:

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

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

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

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Notes to Consolidated Financial Statements

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

12. COMMITMENTS AND CONTINGENCIES

At March 31, 2006, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥100,528 million ($855,776 thousand). Additionally, the Companies had a number of fuel purchase commitments, most of which specify quantities and terms. Purchase prices are contingent upon fluctuations of market prices and so on.

At March 31, 2006, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Co-guarantees or guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited	¥225,317	$1,918,081
Other	1,455	12,386
Total	¥226,772	$1,930,467
A guarantee about power supply for San Roque Corporation	¥465	$3,958

13. DERIVATIVES

The Company enters into derivative financial instruments, including foreign currency forward contracts, currency swaps, interest rate swaps and commodity swaps, to reduce market risks associated with assets and liabilities in the normal course of business.

The fair value of the Companies' derivative financial instruments at March 31, 2006 and 2005 are as follows:

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

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

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

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

14. NET INCOME PER SHARE

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

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

15. SUBSEQUENT EVENT

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

Notes to Consolidated Financial Statements

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

16. SEGMENT INFORMATION

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

a. Sales and Operating Income

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

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

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

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b. Assets, Depreciation and Capital Expenditures

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

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

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

Geographic segment information is not disclosed because generally accepted accounting principles in Japan do not require such disclosure if sales of foreign operations represent less than 10% of total sales. Sales to foreign customers are not disclosed because generally accepted accounting principles in Japan do not require such disclosure for sales to foreign customers if such sales represent less than 10% of total sales.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of The Kansai Electric Power Company, Incorporated (the "Company") and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Kansai Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

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

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

Deloitte Touche Tohmatsu

June 29, 2006

Member of
Deloitte Touche Tohmatsu

The Kansai Electric Power Company, Incorporated

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

Non-Consolidated Balance Sheets

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

	Millions of Yen		Thousands of U.S. Dollars (Note)
ASSETS	**2006**	2005	**2006**
PROPERTY:			
Plant and equipment	**¥13,870,415**	¥13,743,978	**$118,076,232**
Construction in progress	**245,132**	328,737	**2,086,763**
Contributions for construction	**(409,572)**	(403,182)	**(3,486,609)**
Accumulated depreciation	**(9,030,961)**	(8,739,531)	**(76,878,871)**
Plant and equipment - net	**4,675,014**	4,930,002	**39,797,515**
Nuclear fuel, net of amortization	**512,407**	526,130	**4,362,024**
Property - net	**5,187,421**	5,456,132	**44,159,539**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**252,131**	167,770	**2,146,344**
Investments in and advances to subsidiaries and associated companies	**129,771**	129,628	**1,104,716**
Reserve fund for reprocessing of irradiated nuclear fuel	**136,302**		**1,160,313**
Long-term loans receivable	**1,426**	1,655	**12,139**
Deferred tax assets	**233,414**	256,760	**1,987,009**
Other assets	**48,632**	40,726	**413,995**
Total investments and other assets	**801,676**	596,539	**6,824,516**
CURRENT ASSETS:			
Cash and cash equivalents	**46,477**	38,447	**395,650**
Accounts receivable	**123,682**	122,279	**1,052,882**
Allowance for doubtful accounts	**(1,963)**	(2,188)	**(16,711)**
Fuel, materials and supplies	**44,559**	31,401	**379,322**
Deferred tax assets	**22,744**	24,482	**193,615**
Other current assets	**44,288**	27,520	**377,015**
Total current assets	**279,787**	241,941	**2,381,773**
TOTAL	**¥6,268,884**	¥6,294,612	**$53,365,828**

U.S.dollar amounts have been translated from yen, for convenience, at the rate of ¥117.47 = U.S.$1, the approximate rate of exchange at March 31, 2006.

	Millions of Yen		Thousands of U.S. Dollars (Note)
LIABILITIES AND SHAREHOLDERS' EQUITY	**2006**	2005	**2006**
LONG-TERM LIABILITIES			
Long-term debt, less current maturities	**¥2,543,806**	¥2,662,562	**$21,654,942**
Liability for retirement benefits	**371,011**	360,038	**3,158,347**
Reserve for reprocessing of irradiated nuclear fuel	**649,675**	630,679	**5,530,561**
Reserve for decommissioning of nuclear power units	**249,754**	233,122	**2,126,109**
Other long-term liabilities	**53,006**	52,167	**451,229**
Total long-term liabilities	**3,867,252**	3,938,568	**32,921,188**
CURRENT LIABILITIES:			
Current maturities of long-term debt	**287,442**	268,912	**2,446,940**
Short-term borrowings	**146,750**	167,871	**1,249,255**
Commercial papers		68,000	
Accounts payable	**85,076**	65,448	**724,236**
Payable to subsidiaries and associated companies	**68,723**	50,287	**585,026**
Accrued income taxes	**30,397**	58,813	**258,764**
Accrued expenses and other current liabilities	**175,024**	172,295	**1,489,945**
Total current liabilities	**793,412**	851,626	**6,754,166**
RESERVE FOR FLUCTUATIONS IN WATER REVEL	**8,642**	18,238	**73,568**
SHAREHOLDERS' EQUITY			
Common stock, authorized, 1,784,059,697 shares; issued, 962,698,728 shares in 2006 and 2005	**489,320**	489,320	**4,165,489**
Capital surplus	**67,031**	67,031	**570,622**
Retained earnings:			
Legal reserve	**122,330**	122,330	**1,041,372**
Unappropriated	**891,592**	794,960	**7,589,955**
Net unrealized gain on available-for-sale securities	**101,109**	51,458	**860,722**
Treasury stock - at cost 35,826,610 shares in 2006 and 21,342,509 shares in 2005	**(71,804)**	(38,919)	**(611,254)**
Total shareholders' equity	**1,599,578**	1,486,180	**13,616,906**
TOTAL	**¥6,268,884**	¥6,294,612	**$53,365,828**

U.S.dollar amounts have been translated from yen, for convenience, at the rate of ¥117.47 = U.S.$1, the approximate rate of exchange at March 31, 2006.

Non-Consolidated Statements of Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2006	2005	**2006**
OPERATING REVENUES:			
Electricity operating revenues:			
Residential	**¥989,390**	¥990,939	**$8,422,491**
Commercial and industrial	**1,326,112**	1,373,715	**11,288,942**
Other	**53,407**	57,929	**454,643**
Sub-total	**2,368,909**	2,422,583	**20,166,076**
Incidental operating revenues	**34,677**	25,598	**295,199**
Total	**2,403,586**	2,448,181	**20,461,275**
OPERATING EXPENSES:			
Electricity operating expenses:			
Personnel expenses	**246,176**	292,170	**2,095,650**
Fuel	**300,212**	242,944	**2,555,648**
Purchased power	**404,603**	410,037	**3,444,309**
Maintenance	**208,743**	184,663	**1,776,990**
Depreciation	**338,286**	359,588	**2,879,765**
Taxes	**154,988**	156,357	**1,319,384**
Other	**416,199**	408,352	**3,543,024**
Sub-total	**2,069,207**	2,054,111	**17,614,770**
Incidental operating expenses	**39,502**	28,011	**336,273**
Total	**2,108,709**	2,082,122	**17,951,043**
OPERATING INCOME	**294,877**	366,059	**2,510,232**
OTHER (INCOME) EXPENSES:			
Interest expense	**62,632**	77,836	**533,174**
Loss on impairment of fixed assets		25,670	
Loss on discontinuance of power plant construction		64,905	
Other - net	**12,961**	14,135	**110,335**
Total	**75,593**	182,546	**643,509**
INCOME BEFORE PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES	**219,284**	183,513	**1,866,723**
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	**(9,595)**	9,872	**(81,681)**
INCOME BEFORE INCOME TAXES	**228,879**	173,641	**1,948,404**
INCOME TAXES			
Current	**88,357**	114,614	**752,167**
Deferred	**(3,026)**	(51,152)	**(25,760)**
Total	**85,331**	63,462	**726,407**
NET INCOME	**¥143,548**	¥110,179	**$1,221,997**

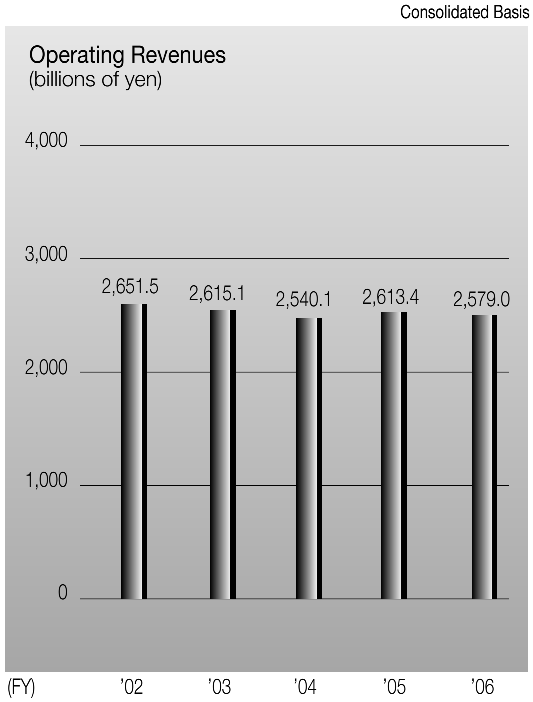
U.S.dollar amounts have been translated from yen, for convenience, at the rate of ¥117.47 = U.S.$1, the approximate rate of exchange at March 31, 2006.

Five-Year Summary of Selected Operational Data

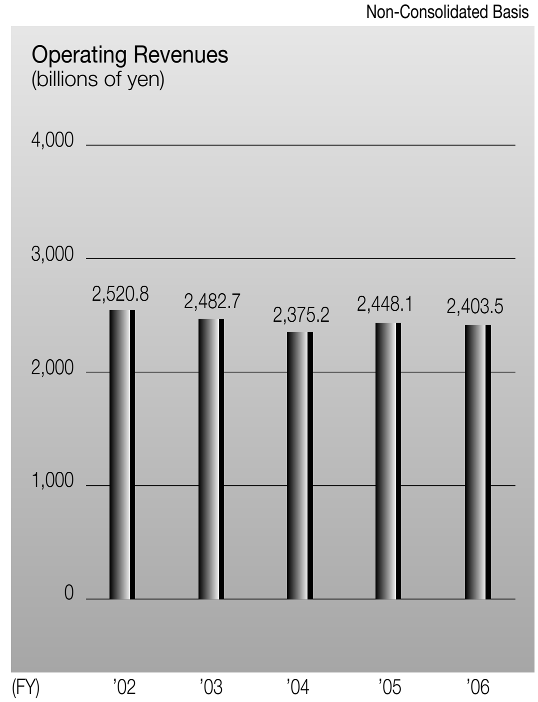
	Consolidated Basis					Non-Consolidated Basis				
(FY)	2002	2003	2004	2005	**2006**	2002	2003	2004	2005	**2006**
Operating Revenues (Millions of Yen)	2,651,597	2,615,154	2,540,155	2,613,483	**2,579,059**	2,520,889 *	2,482,743 *	2,375,239 *	2,448,181 *	**2,403,586** *
Operating Income	319,312	325,581	349,492	386,939	**327,170**	311,272	315,575	329,456	366,059	**294,877**
Net Income	128,444	80,474	90,111	69,739	**161,049**	137,020	97,277	118,448	110,179	**143,548**
Operating Revenues										
Residential						993,753	995,426	944,224	990,939	**989,390**
Commercial & Industrial						1,477,859	1,426,323	1,356,480	1,373,715	**1,326,112**
Total						2,471,612	2,421,749	2,300,704	2,364,654	**2,315,502**
Breakdown of Operating Expenses										
Personnel Expenses						277,634	367,818	330,738	292,170	**246,176**
Fuel Costs						239,059	202,275	168,436	242,944	**300,212**
Costs of Purchased Power						399,621	407,465	372,126	410,037	**404,603**
Maintenance Costs						245,068	206,636	185,848	184,663	**208,743**
Depreciation						396,054	382,931	388,751	359,588	**338,286**
Taxes Other than Income Taxes						166,884	166,019	160,054	156,357	**154,988**
Other						485,297 **	434,024 **	423,714 **	408,352 **	**416,199** **
Total						2,209,617 **	2,167,168 **	2,029,667 **	2,054,111 **	**2,069,207** **
Financial Revenues	2,491	2,192	2,364	4,143	**3,653**	3,086	2,932	2,892	3,573	**3,876**
Interest Expenses						126,193	111,072	98,575	77,836	**62,632**

*Including Incidental Operating Revenues
**Including Incidental Operating Expenses

Consolidated Basis



Non-Consolidated Basis

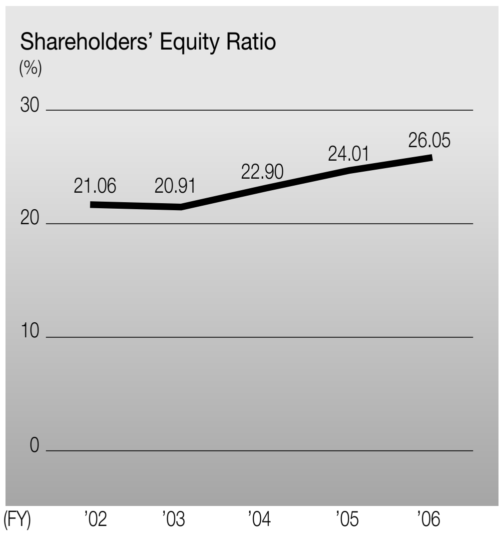


	Consolidated Basis					Non-Consolidated Basis				
	(FY) 2002	2003	2004	2005	**2006**	(FY) 2002	2003	2004	2005	**2006**
Return on Equity (ROE) (%)	8.15	5.14	5.66	4.25	**9.38**	10.22	7.31	8.59	7.55	**9.31**
Return on Assets (ROA)* (%)	2.77	2.05	2.09	1.75	**3.01**	3.05	2.44	2.68	2.51	**2.97**
Net Income per Share (Yen)	131.61	83.49	94.77	73.83	**172.84**	140.39	101.36	124.97	116.91	**154.14**
Cash Dividends per Share (Yen)	50.00	50.00	50.00	50.00	**60.00**	50.00	50.00	50.00	50.00	**60.00**
Stock Price (Yen)										
Highest Stock Price						2,180	1,912	2,035	2,150	**2,805**
Lowest Stock Price						1,757	1,641	1,801	1,862	**2,050**
Capital Investments (Millions of Yen)	467,813	386,850	321,503	273,797	**268,652**	410,502	326,535	255,110	203,555	**180,631**
Total Assets (Millions of Yen)	7,507,556	7,402,327	7,150,826	6,857,871	**6,856,489**	7,043,444	6,772,316	6,540,844	6,294,612	**6,268,884**
Shareholders' Equity (Millions of Yen)	1,580,737	1,548,131	1,637,248	1,646,686	**1,785,985**	1,337,693	1,324,806	1,433,439	1,486,180	**1,599,578**
Shareholders' Equity Ratio (%)	21.06	20.91	22.90	24.01	**26.05**	18.99	19.56	21.92	23.61	**25.52**
Volume of Electricity Sales (Million kWh)										
Residential						44,347	45,603	44,655	46,800	**48,720**
Commercial & Industrial						95,432	96,217	95,591	98,086	**98,389**
Total						139,779	141,820	140,246	144,886	**147,108**
Number of Customers (Thousands)										
Residential						11,491	11,590	11,695	11,821	**11,964**
Commercial & Industrial						**1,398	**1,379	**1,358	**1,335	****1,196**
Total						**12,889	**12,969	**13,053	**13,156	****13,160**

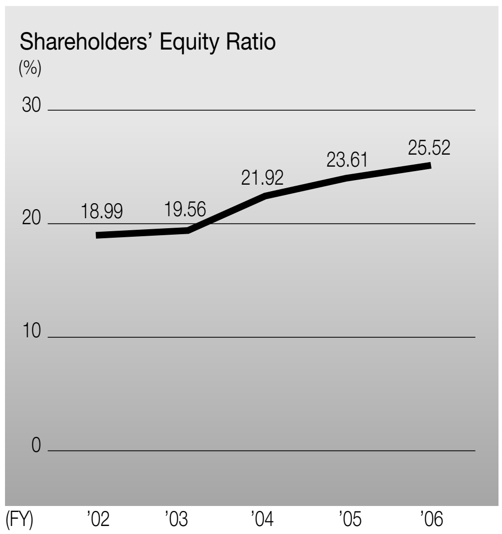
**Excluding the liberalized segment

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

Consolidated Basis

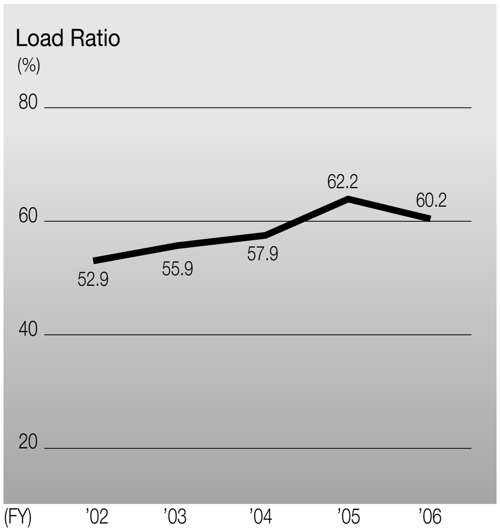


Non-Consolidated Basis



(FY)	2002	2003	2004	2005	2006
Electricity Generation Capacity by Sources (MW)					
Nuclear	9,768	9,768	9,768	9,768	**9,768**
Fossil Fuel	17,687	17,531	16,907	17,807	**17,807**
Hydroelectric	8,130	8,135	8,149	8,186	**8,186**
Total	35,585	35,434	34,824	35,761	**35,761**
System Peak Demand (MW)	33,060	31,610	30,550	30,470	**30,870**
Load Ratio (%)	52.9	55.9	57.9	62.2	**60.2**
Power Sources (%)					
Nuclear	54	57	56	43	**46**
Fossil Fuel	35	31	29	43	**43**
Hydroelectric	11	12	14	13	**10**
Renewable			1	1	**1**
Total	100	100	100	100	**100**
SO_X Emissions from Fossil Fuel Power Generation (g/kWh)	0.040	0.049	0.019	0.064	**0.066**
NO_X Emissions from Fossil Fuel Power Generation (g/kWh)	0.133	0.138	0.124	0.121	**0.127**
Nuclear Capacity Factor (%)	84.5	90.5	89.1	70.2	**75.4**
Heat Efficiency Ratio (power generation end) (%)	39.48	39.74	39.50	40.03	**40.07**
Number of Employees *	23,971	21,920	21,031	20,640	**20,408**
Ratings (Moody's)					
In Yen	Aa2	Aa3	Aa3	Aa3	**Aa3**
In Foreign Currencies	Aa2	Aa3	Aa3	Aa3	**Aa3**
Date of Shareholders General Meeting	June 27	June 27	June 29	June 29	**June 29**

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



Corporate Data
(As of March, 2006)

Date of Establishment: May 1, 1951
Paid-in Capital: ¥489.3 Billion
Number of Common Shares Issued: 962,698 Thousand
Number of Shareholders: 461 Thousand
Operating Revenues: ¥2,579.0 Billion (Consolidated Basis)
Total Assets: ¥6,856.4 Billion (Consolidated Basis)
Number of Employees: 30,674 (Consolidated Basis)

Corporate Information

THE KANSAI ELECTRIC POWER CO., INC.
Head Office:
6-16, 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, Chuo-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 fiscal years (FY) 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 ¥117.47=US$1, the approximate rate of exchange at March 31, 2006.

Major Power Plants In Service (Over 50 MW)

(As of March 31, 2006)

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	Yomikaki	117 MW
10	Kiso	116 MW
11	Shin-Kurobegawa No.3	107 MW
12	Amagase	92 MW
13	Komaki	82 MW
14	Kurobegawa No.3	81 MW
15	Shin-Kurobegawa No.2	74 MW
16	Kurobegawa No.2	72 MW
17	Ontake	69 MW
18	Shin-Soyama	68 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)	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	Maizuru Unit No.1 (Coal)	900 MW
35	Takasago (Oil)	900 MW
36	Miyazu (Oil)	750 MW

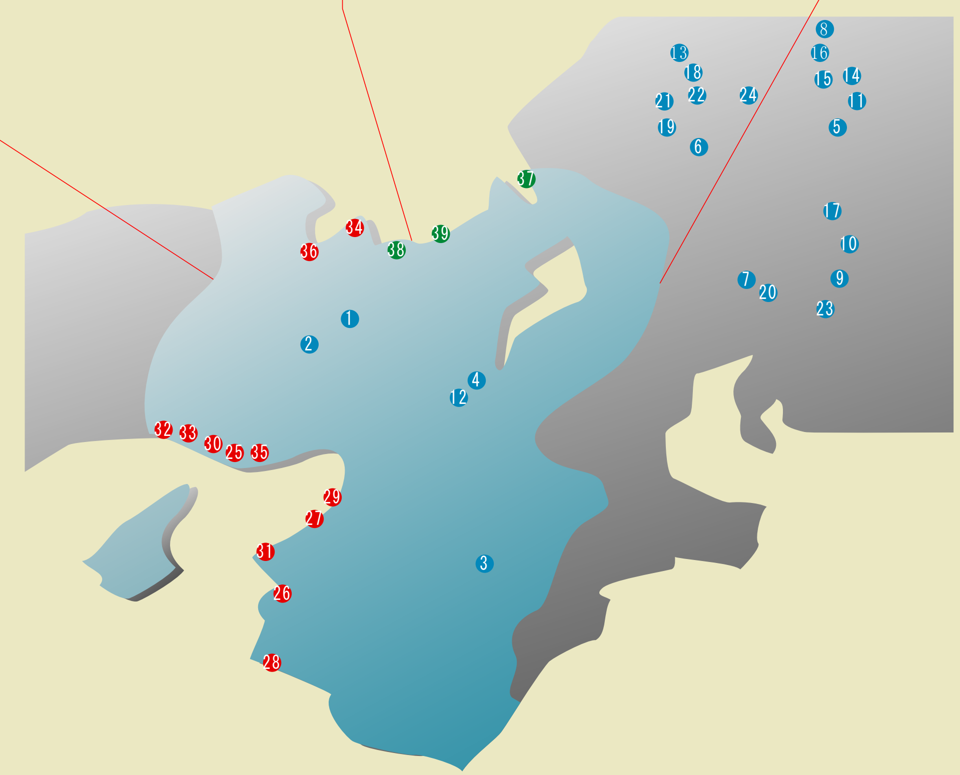
Nuclear

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

Power Plants Under Construction

Fossil Fuel

Maizuru Unit No.2 (Coal)	900 MW



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