The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2000 and 1999 and for the Six-Months Ended September 30, 2000

The Kansai Electric Power Company, Incorporated
and Consolidated Subsidiaries

Consolidated Balance Sheets

ASSETS (Note 6)	Millions of Yen March 31 2000	Millions of Yen March 31 1999	Millions of Yen September 30, 2000	Thousands of U.S. Dollars (Note 1) September 30, 2000
PROPERTY:				
Utility plant and equipment	¥ 12,562,541	¥ 12,330,521	¥ 12,765,004	$ 118,194,481
Other plant and equipment	316,925	258,867	367,330	3,401,204
Construction in progress	1,008,786	904,236	895,055	8,287,546
Contributions in aid of construction	(361,478)	(352,947)	(362,884)	(3,360,037)
Accumulated depreciation	(7,401,135)	(7,058,129)	(7,583,657)	(70,219,046)
Plant and equipment - net (Notes 4 and 6)	6,125,639	6,082,548	6,080,848	56,304,148
Nuclear fuel, net of amortization	497,790	470,991	503,356	4,660,704
Property - net	6,623,429	6,553,539	6,584,204	60,964,852
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Note 5)	92,221	118,066	211,270	1,956,204
Investments in and advances to unconsolidated subsidiaries and associated companies	217,973	149,659	210,955	1,953,287
Deferred tax assets	194,378	17,174	155,980	1,444,259
Other assets	50,713	50,489	47,064	435,778
Total investments and other assets	555,285	335,388	625,269	5,789,528
CURRENT ASSETS:				
Cash and time deposits	69,890	59,068	52,417	485,343
Accounts receivable	150,454	142,137	211,374	1,957,167
Allowance for doubtful accounts	(2,166)	(1,219)	(2,460)	(22,778)
Inventories	52,910	51,166	57,911	536,213
Other current assets	51,132	36,704	72,354	669,944
Total current assets	322,220	287,856	391,596	3,625,889
TOTAL	¥ 7,500,934	¥ 7,176,783	¥ 7,601,069	$ 70,380,269

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen March 31 2000	Millions of Yen March 31 1999	Millions of Yen September 30, 2000	Thousands of U.S. Dollars (Note 1) September 30, 2000
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 6)	¥ 3,987,734	¥ 3,834,181	¥ 3,958,458	$ 36,652,389
LIABILITY FOR RETIREMENT BENEFITS (Notes 3 and 7)	303,504	188,155	295,431	2,735,472
RESERVE FOR REPROCESSING OF IRRADIATED NUCLEAR FUEL	372,156	351,205	386,415	3,577,917
RESERVE FOR DECOMMISSIONING OF NUCLEAR POWER UNITS	179,995	169,599	202,176	1,872,000
CURRENT LIABILITIES:				
Current maturities of long-term debt (Note 6)	385,057	381,776	368,664	3,413,556
Short-term borrowings	428,180	476,943	425,682	3,941,500
Accounts payable (Note 6)	163,332	183,091	120,130	1,112,315
Payable to unconsolidated subsidiaries and associated companies	45,340	43,361	25,007	231,546
Accrued income taxes	42,180	41,994	57,724	534,481
Reserve for restoration costs of natural disaster		928	75	694
Accrued expenses and other current liabilities	182,021	227,600	183,359	1,697,769
Total current liabilities	1,246,110	1,355,693	1,180,641	10,931,861
RESERVE FOR FLUCTUATIONS IN WATER LEVEL	9,108	11,213	5,276	48,852
MINORITY INTERESTS	2,796	3,042	2,646	24,500
COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)				
SHAREHOLDERS' EQUITY (Notes 5, 6, 8 and 12):				
Common stock - authorized, 1,800,000,000 shares with par value of ¥500 per share	489,320	489,320	489,320	4,530,741
Additional paid-in capital	65,463	65,463	65,463	606,139
Retained earnings	844,764	708,934	935,041	8,657,787
Net unrealized gain on other investment securities			80,220	742,778
Treasury stock	(16)	(22)	(18)	(167)
Total shareholders' equity	1,399,531	1,263,695	1,570,026	14,537,278
TOTAL	¥ 7,500,934	¥ 7,176,783	¥ 7,601,069	$ 70,380,269

See notes to consolidated financial statements.

The Kansai Electric Power Company, Incorporated
and Consolidated Subsidiaries

Consolidated Statements of Income

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Year Ended March 31		Six-Months Ended September 30	Six-Months Ended September 30
	2000	1999	2000	2000
OPERATING REVENUES:				
Electric	¥ 2,512,721	¥ 2,530,750	¥ 1,346,210	$ 12,464,907
Other	75,669	66,327	25,444	235,593
Total	2,588,390	2,597,077	1,371,654	12,700,500
OPERATING EXPENSES:				
Electric	2,193,012	2,226,844	1,096,991	10,157,324
Other	84,805	59,641	28,075	259,954
Total	2,277,817	2,286,485	1,125,066	10,417,278
OPERATING INCOME	310,573	310,592	246,588	2,283,222
OTHER (INCOME) EXPENSES:				
Interest expense	148,459	171,395	72,546	671,722
Exchange gain	(582)	(1,207)	(328)	(3,037)
Equity in losses (earnings) of associated companies	(4,654)	2,218	11,001	101,861
Loss (gain) on sales of securities	(24,491)	1,509	(7)	(65)
Cumulative effect of the change in the accounting for liability for severance payments	105,354			
Other – net	1,282	(1,872)	1,907	17,658
Total	225,368	172,043	85,119	788,139
INCOME BEFORE PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL, INCOME TAXES AND MINORITY INTERESTS	85,205	138,549	161,469	1,495,083
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL	(2,105)	7,489	(3,831)	(35,473)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	87,310	131,060	165,300	1,530,556
INCOME TAXES:				
Current	78,687	78,742	57,648	533,778
Deferred	(43,544)	(325)	(4,766)	(44,130)
Total	35,143	78,417	52,882	489,648
MINORITY INTERESTS IN NET INCOME	(133)	146	(201)	(1,861)
NET INCOME	¥ 52,300	¥ 52,497	¥ 112,619	$ 1,042,769

(Continued)

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statements of Income

	Yen			U.S. Dollars (Note 1)
	Year Ended March 31		Six-Months Ended September 30	Six-Months Ended September 30
	2000	1999	2000	2000
PER SHARE OF COMMON STOCK:				
Net income	¥53.44	¥53.64	¥115.08	$1.07
Fully diluted net income	53.10	53.06	109.83	1.02
Cash dividends applicable to the period	50.00	50.00	25.00	0.23

See notes to consolidated financial statements.

(Concluded)

The Kansai Electric Power Company, Incorporated
and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

	Number of Common Shares Issued	Millions of Yen: Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Other Investment Securities	Treasury Stock
BALANCE, APRIL 1, 1998	978,639,031	¥ 489,320	¥ 65,463	¥ 695,237		¥ (20)
Cumulative effect of the initial application of the equity method to associated companies				10,607		
Net income				52,497		
Cash dividends, ¥50 per share				(48,931)		
Bonuses to directors and corporate auditors				(476)		
Net increase in treasury stock						(2)
BALANCE, MARCH 31, 1999	978,639,031	489,320	65,463	708,934		(22)
Adjustment of retained earnings for adoption of deferred tax accounting method				147,853		
Adjustment of retained earnings for newly consolidated subsidiaries				(14,914)		
Net income				52,300		
Cash dividends, ¥50 per share				(48,932)		
Bonuses to directors and corporate auditors				(477)		
Net decrease in treasury stock						6
BALANCE, MARCH 31, 2000	978,639,031	489,320	65,463	844,764		(16)
Adjustment of retained earnings for newly consolidated subsidiaries				2,526		
Net income				112,619		
Cash dividends, ¥25 per share				(24,464)		
Bonuses to directors and corporate auditors				(404)		
Net increase in treasury stock						(2)
Net unrealized gain on other investment securities (including the effect of initially adopting the new accounting standard at April 1, 2000)					¥ 80,220	
BALANCE, SEPTEMBER 30, 2000	978,639,031	¥ 489,320	¥ 65,463	¥ 935,041	¥ 80,220	¥ (18)

	Thousands of U.S. Dollars (Note 1): Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Other Investment Securities	Treasury Stock
BALANCE, MARCH 31, 2000	$ 4,530,741	$ 606,139	$ 7,821,889		$ (148)
Adjustment of retained earnings for newly consolidated subsidiaries			23,389		
Net income			1,042,769		
Cash dividends, $0.23 per share			(226,519)		
Bonuses to directors and corporate auditors			(3,741)		
Net increase in treasury stock					(19)
Net unrealized gain on other investment securities (including the effect of initially adopting the new accounting standard at April 1, 2000)				$ 742,778	
BALANCE, SEPTEMBER 30, 2000	$ 4,530,741	$ 606,139	$ 8,657,787	$ 742,778	$ (167)

See notes to consolidated financial statements.

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended March 31, 2000	Six-Months Ended September 30, 2000	Six-Months Ended September 30, 2000
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 87,310	¥ 165,300	$ 1,530,556
Adjustments for:			
Income taxes-paid	(77,970)	(42,220)	(390,926)
Depreciation and amortization	432,611	215,325	1,993,750
Amortization of nuclear fuel	59,580	27,751	256,954
Loss on disposal of property, plant and equipment	9,818	6,138	56,833
Nuclear fuel transferred to reprocessing costs	44,595	47	435
Increase (decrease) in liability for retirement benefits	115,216	(12,229)	(113,231)
Provision for reprocessing of irradiated nuclear fuel	20,951	14,258	132,019
Provision for decommissioning of nuclear fuel units	10,395	22,181	205,380
Reversal of reserve for fluctuations in water level	(2,105)	(3,831)	(35,473)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade receivables	(5,568)	(26,408)	(244,519)
Decrease in interest and dividends receivable	631	610	5,648
Decrease in trade payables	(5,927)	(12,926)	(119,685)
Decrease in interest payable	(304)	(5,252)	(48,630)
Other - net	(63,171)	7,141	66,121
Total adjustments	538,752	190,585	1,764,676
Net cash provided by operating activities	626,062	355,885	3,295,232
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(642,485)	(270,658)	(2,506,092)
Payments for investments and advances	(8,390)	(10,305)	(95,417)
Proceeds from collections of investments and advances	32,973	8,780	81,296
Other - net	8,135	3,952	36,593
Net cash used in investing activities	(609,767)	(268,231)	(2,483,620)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	348,525	89,618	829,796
Proceeds from long-term debt (exclusive of bonds)	157,306	143,457	1,328,306
Proceeds from short-term borrowings	860,566	426,025	3,944,676
Proceeds from issuance of commercial paper	223,000	316,000	2,925,926
Redemption of bonds	(229,850)	(142,150)	(1,316,204)
Repayments of long-term debt (exclusive of bonds)	(184,372)	(134,525)	(1,245,602)
Repayments of short-term borrowings	(908,726)	(430,886)	(3,989,685)
Repayments of commercial paper	(223,000)	(316,000)	(2,925,926)
Dividends paid	(48,954)	(24,472)	(226,593)
Other - net	(38)	(24)	(222)
Net cash used in financing activities - (Forward)	¥ (5,543)	¥ (72,957)	$ (675,528)

(Continued)

The Kansai Electric Power Company, Incorporated
and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended March 31, 2000	Six-Months Ended September 30, 2000	Six-Months Ended September 30, 2000
Net cash used in financing activities - (Forward)	¥ (5,543)	¥ (72,957)	$ (675,528)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		(2)	(19)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF PERIOD	5,526	120	1,111
NET INCREASE IN CASH AND EQUIVALENTS	16,278	14,815	137,176
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	66,936	83,214	770,500
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 83,214	¥ 98,029	$ 907,676
NON CASH INVESTING AND FINANCING ACTIVITIES:			
Assets increased by consolidation of subsidiaries previously unconsolidated	¥36,227	¥13,431	$124,361
Liabilities increased by consolidation of subsidiaries previously unconsolidated	50,581	10,843	100,398

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law (the "Law"), the Japanese Electric Utility Law and the related accounting regulations. The Kansai Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (together the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code"), the Japanese Electric Utility Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective April 1, 1999, a consolidated statement of cash flows is required to be prepared under Japanese accounting standards. The statements of cash flows for the year ended March 31, 2000 and for the six-months ended September 30, 2000 are presented herein. Such statement for the year ended March 31, 1999 is not presented, as Japanese accounting standards do not require retroactive preparation or presentation for prior year's financial statements.

Effective April 1, 2000, semi-annual consolidated financial statements are required to be prepared under Japanese accounting standards. The consolidated financial statements for the six-months ended September 30, 2000 are presented herein. Such consolidated financial statements for the six-months ended September 30, 1999 are not presented, as Japanese accounting standards do not require retroactive preparation or presentation for prior periods' financial statements.

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 that is more familiar to readers outside Japan.

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 ¥108.00 to $1, the approximate rate of exchange at September 30, 2000. 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.

Certain reclassifications have been made in the consolidated financial statements for the year ended March 31, 2000 and 1999 to conform to the classifications used in the consolidated financial statements for the six-months ended September 30, 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Associated Companies*** - The consolidated financial statements as of September 30, 2000 include the accounts of the Company and its significant ten subsidiaries (seven for the year ended March 31, 1999 and nine for the year ended March 31, 2000). Investments in two associated companies (three in 1999) are accounted for by the equity method.

Effective April 1, 1999, the Companies changed its consolidation scope of subsidiaries and associated companies from the application of the ownership concept to the control or influence concept. Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated.

Two subsidiaries, one of which was previously accounted for by the equity method and the other of which was accounted for by the cost method, have been consolidated as of April 1, 1999. One subsidiary, which was previously accounted for by the cost method, has been consolidated as of April 1, 2000. The consolidated financial statements for the years ended March 31, 2000 and 1999 are not retroactively adjusted. The change of retained earnings arising from the change in the consolidation scope is recognized as "Adjustment of retained earnings for newly consolidated subsidiaries" in the Consolidated Statements of Shareholders' Equity for the year ended March 31, 2000 and for the six-months ended September 30, 2000.

Investment in the remaining unconsolidated subsidiaries and 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.

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.

In 1999, certain associated companies, previously accounted for by the cost method, were newly accounted for by the equity method. The effects of the initial application of the equity method have been reflected in the consolidated statement of shareholders' equity for the year ended March 31, 1999.

b. ***Property, Depreciation and Amortization*** **-** Property is stated at cost. Prior to April 1, 1999, costs for plant and equipment included certain interest costs incurred during the construction period on borrowings specifically related to constructed plant and equipment. Effective April 1, 1999, those interest costs are charged to income as incurred with revision of the regulations described in the Japanese Electric Utility Law and the related accounting regulations. The effect of this change was not material. Contributions in aid of construction, which include certain amounts assessed to and collected from customers, are deducted from the costs of the related assets in accordance with the regulations.

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

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel at March 31, 2000 and 1999 and September 30, 2000 was ¥141,421 million, ¥135,697 million and ¥134,265 million ($1,243,194 thousand), respectively.

c. ***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.

d. ***Investment Securities*** **-** Through the year ended March 31, 2000, investments in quoted securities were stated at the lower of cost or market value, and other investments were stated at cost or less if the value of such investments had been significantly impaired.

Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments, "Opinion Concerning the Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council in January 1999. Debt securities designated as held-to-maturity are carried at amortized cost. Marketable securities other than the aforementioned securities and investments in non-consolidated subsidiaries and associated companies, which in most cases represent available-for-sale securities (the "other investment securities"), are stated at market value with unrealized gains or losses included as a separate component of Shareholders' equity, net of deferred taxes. Non-marketable securities are stated at cost if they are not significantly impaired. In determining realized gains and losses, the cost of securities sold is determined by the moving-average method and is reflected in the statement of income.

e. ***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.

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

g. ***Foreign Currency Accounts*** - Through the year ended March 31, 2000, receivables and payables of the Company denominated in foreign currencies are translated into Japanese yen at exchange rates prevailing on the dates when they were acquired or incurred. However, in the case where there is significant fluctuation of currencies with possible exchange losses, receivables or payables denominated in foreign currencies are translated at the current exchange rates as of each balance sheet date. Effective April 1, 2000, receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates at balance sheet date.

Receivables and payables hedged by forward exchange contracts are translated at the contract rates. Differences between the contract rates and historical rates resulting from the translation of receivables and payables hedged by forward exchange contracts are recognized as income or expense over the lives of the related contracts. Other exchange gains and losses are recognized in the fiscal periods in which they occur.

If receivables and payables denominated in foreign currencies, not covered by forward exchange contracts, had been translated at the rates in effect at the balance sheet date, there would have been no material effect on the Companies' financial position or results of operations for the year ended March 31, 2000 and 1999.

h. ***Liability for Retirement Benefits*** - Through the year ended March 31, 1999, the Company provided a liability for employees' severance payments at 40% of the amount that would be required if all employees voluntarily terminated their service with the Company at the balance sheet date. Most of the consolidated subsidiaries provided for the liability at 100% of such amount. Effective for the year ended March 31, 2000, however, the Company changed its accounting for employees' severance payments to the accrued benefit valuation method (see Note 3).

In addition, the Company has a non-contributory funded pension plan. Related past service costs were accounted for under long-term debt. The Company amended the expected rate of return rate on plan assets from 5.5% to 4.0% in the year ended March 31, 1999, and from 4.0% to 3.5% in the year ended March 31, 2000. The impact on past service costs of the 1999 amendment was divided and charged to income in the years ended March 31, 1999 and 2000, and the impact on past service costs of the 2000 amendment was charged to income in the year ended March 31, 2000. The amounts contributed to the fund, excluding past service costs, are charged to income when paid.

Effective April 1, 2000, the Companies adopted a new accounting standard for retirement benefits, "Opinion Concerning the Establishment of Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council in June 1998. The Companies provide a liability for retirement benefits based on the present value of projected benefit obligations attributable to employee services rendered through the fiscal year end, less amounts funded under the above non-contributory pension plan.

The cumulative effect of the adoption of the accounting standard for retirement benefits at the beginning of the year (¥12,406 million ($114,870 thousand)) is being amortized in the fiscal year ending March 31, 2001 and a half of the total amount has been charged to income in the six-months ended September 30, 2000.

The net effect on the statement of income of adopting the new accounting standard was to decrease income before income taxes and minority interests by ¥876 million ($8,111 thousand).

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

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

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

k. ***Income Taxes*** **-** Through the year ended March 31, 1999, the Companies did not recognize the tax effect of temporary differences between amounts reported for tax and financial reporting purposes, except for those applicable to unrealized profits arising from the elimination of intercompany transactions in consolidations. Effective April 1, 1999, the Companies adopted an accounting method for interperiod allocation of income taxes principally based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years (¥147,853 million) is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. ***Derivative Financial Instruments*** **-** The Companies use derivative financial instruments, in the normal course of business, including foreign exchange forward contracts, currency swap agreements and interest rate swap agreements to hedge market risk from the fluctuations in foreign exchange rates and interest rates. Foreign exchange forward contracts and currency swap agreements are assigned to the applicable liabilities and are reflected on the balance sheet at period-end. Interest rate swap agreements are not measured at fair value in the balance sheet. Instead, the differentials paid or received under the interest swap agreements are recognized in interest expense over the term of the related liability.

m. ***Reserve for Restoration Costs of Natural Disaster*** **-** In July 1995, a flood in the Kurobe River area resulted in serious damage to the Company's hydroelectric power plants.

The Company and a consolidated subsidiary have made a provision for estimated costs of repair and abandonment related to the above, excluding capital expenditures.

n. ***Reserve for Fluctuations in Water Level*** **-** A reserve for fluctuations in water level is provided for insufficient water levels, in years in which the volume of water for generating hydroelectric power is abundant and available for future generation, in accordance with the Japanese Electric Utility Law and related accounting regulations.

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

p. ***Per Share Information*** **-** The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 978,639,031 for the years ended March 31, 2000 and 1999 and the six-months ended September 30, 2000.

The computation of net income per share assuming full dilution is based on the further assumption that all convertible bonds were converted at the beginning of the period with applicable adjustments of interest expense, net of the related tax effect.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective periods including dividends to be paid after the end of the period, without giving retroactive adjustment for subsequent stock splits.

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

3. ACCOUNTING CHANGE

Effective for the year ended March 31, 2000, the Company changed its method of accounting for employees' severance payments as described in Note 2.h. This change was made in order to provide a more accurate allocation of severance costs to future periods and to make the Company' s financial position sounder, taking this opportunity of investigating the actual condition of employees' severance payment. The effect of this change was to decrease income before income taxes by ¥105,421 million for the year ended March 31, 2000.

4. PLANT AND EQUIPMENT

Plant and equipment, at carrying value, at March 31, 2000 and 1999 and September 30, 2000, consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	March 31		September 30,	September 30,
	2000	1999	2000	2000
Hydroelectric power production facilities	¥ 539,321	¥ 554,186	¥ 546,975	$ 5,064,583
Thermal power production facilities	610,652	666,034	595,459	5,513,509
Nuclear power production facilities	593,959	627,904	569,424	5,272,444
Transmission facilities	1,374,779	1,334,385	1,443,238	13,363,315
Transformation facilities	561,318	577,462	598,912	5,545,482
Distribution facilities	1,072,460	1,087,292	1,056,233	9,779,935
General facilities	196,634	201,451	187,054	1,731,982
Other utility facilities	10,671	11,748	5,820	53,889
Other plant and equipment	157,059	117,850	182,678	1,691,463
Construction in progress	1,008,786	904,236	895,055	8,287,546
Total	¥ 6,125,639	¥ 6,082,548	¥ 6,080,848	$ 56,304,148

5. MARKETABLE INVESTMENT SECURITIES

Marketable investment securities consist of debt securities designated as held-to-maturity and other investment securities which in most cases represent available-for-sale securities. The aggregate acquisition cost, carrying amounts, market value and unrealized gain (loss) at September 30, 2000 are as follows:

	Millions of Yen		
	Carrying Amounts	Market Value	Unrealized Gain (Loss)
Held-to-maturity securities:			
Government and local bonds	¥ 3,660	¥ 3,783	¥ 123
Corporate bonds	1,681	1,716	35
Other	1,579	1,579	
Total	¥ 6,920	¥ 7,078	¥ 158

	Millions of Yen		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Other investment securities:			
Equity	¥ 25,624	¥ 144,370	¥ 118,746
Bonds:			
Government and local bonds	10	10	
Corporate bonds	10	13	3
Other			
Other	1,056	1,038	(18)
Total	¥ 26,700	¥ 145,431	¥ 118,731

	Thousands of U.S. Dollars		
	September 30, 2000		
	Carrying Amounts	Market Value	Unrealized Gain (Loss)
Held-to-maturity securities:			
Government and local bonds	$ 33,889	$ 35,028	$ 1,139
Corporate bonds	15,565	15,889	324
Other	14,620	14,620	
Total	$ 64,074	$ 65,537	$ 1,463

	Thousands of U.S. Dollars		
	September 30, 2000		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Other investment securities:			
Equity	$ 237,259	$ 1,336,759	$ 1,099,500
Bonds:			
Government and local bonds	93	93	
Corporate bonds	93	120	27
Other			
Other	9,778	9,611	(167)
Total	$ 247,223	$ 1,346,583	$ 1,099,360

The difference between the above carrying amounts and the amounts shown in the accompanying consolidated balance sheet principally consists of money management funds and non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

6. LONG-TERM DEBT

Long-term debt at March 31, 2000 and 1999 and September 30, 2000, consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	March 31		September 30,	September 30,
	2000	1999	2000	2000
General mortgage bonds:				
0.6% to 6.9%, due serially through 2018	¥ 1,717,171	¥ 1,597,021	¥ 1,662,038	$ 15,389,241
7.25%, due 2006 (payable in U.S. dollars)	54,450	54,450	54,450	504,167
6.625% and 7.0%, due through 2006 (payable in French francs)	110,266	110,266	110,266	1,020,982
5.75%, due 2007 (payable in Netherlands guilder)	62,294	62,294	62,294	576,796
General mortgage convertible bonds:				
2.0%, due 2002	94,629	94,629	94,629	876,194
1.4%, due 2005	178,637	178,637	178,637	1,654,046
1.1% to 7.4% secured loans from principally the Development Bank of Japan* maturing serially through 2023:				
The Company	613,777	651,763	584,997	5,416,639
Subsidiaries	9,326		9,358	86,648
1.1% to 7.97% unsecured loans from banks and insurance companies maturing serially through 2033	1,485,692	1,413,872	1,529,038	14,148,500
Other	46,549	53,025	41,415	392,732
Total	4,372,791	4,215,957	4,327,122	40,065,945
Less current maturities	385,057	381,776	368,664	3,413,556
Long-term debt, less current maturities	¥ 3,987,734	¥ 3,834,181	¥ 3,958,458	$ 36,652,389

* The Development Bank of Japan was launched on October 1, 1999, taking over the functions of the Japan Development Bank and the Hokkaido-Tohoku Development Finance Public Corporation.

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

The carrying amounts of subsidiaries' assets pledged as collateral for accounts payable of ¥1,027 million ($9,509 thousand) and the above secured loans at September 30, 2000, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property and other	¥18,733	$173,454

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

The convertible bonds may be redeemed in whole or in part at prices declining by 1% per year from 107% to 100% of the principal amounts. The 2.0% and 1.4% bonds are currently redeemable. The convertible bonds outstanding at September 30, 2000 were convertible into 59,596 thousand shares of common stock, at the conversion prices shown below subject to certain anti-dilutive provisions:

	Conversion Price per Share	
	Yen	U.S. Dollars
2.0% bonds	¥4,218	$39.06
1.4% bonds	4,807	44.51

7. SEVERANCE PAYMENTS AND PENSION PLAN

Employees terminating their employment with the Companies, either voluntarily or upon reaching mandatory retirement age, are entitled under most circumstances to severance payments based on the rate of pay at the time of termination, years of service and certain other factors.

The Company has a non-contributory funded pension plan covering substantially all of its employees. A vested interest in the plan is acquired only at retirement age, upon death or in the case of disability.

8. SHAREHOLDERS' EQUITY

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires the Companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments made as an appropriation of retained earnings, until such reserve equals 25% of the stated capital. This reserve amount is not available for dividends but may be used to reduce a deficit by shareholders' resolution.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. The Company may make such a stock split to the extent the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥500.

Cash dividends charged to retained earnings were dividends paid during the year, which represented year-end cash dividends for the preceding year and semi-annual interim dividends for the current year.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥34,124 million and ¥8,451 million ($78,250 thousand) for the year ended March 31, 2000 and for the six-months ended September 30, 2000, respectively.

10. LEASES

Lessor

Finance Leases

Revenues under finance leases were ¥843 million and ¥1,129 million for the years ended March 31, 2000 and 1999 , respectively, and ¥428 million ($3,963 thousand) for the six months ended September 30, 2000.

Certain pro forma information of leased property such as acquisition cost, accumulated depreciation and future lease revenue under finance leases for the years ended March 31, 2000 and 1999 and the six-months ended September 30, 2000, was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	Other Facilities			Other Facilities
	March 31		September 30,	September 30,
	2000	1999	2000	2000
Acquisition cost	¥ 4,266	¥ 5,721	¥ 4,447	$ 41,176
Accumulated depreciation	3,253	4,280	3,226	29,870
Net leased property	¥ 1,013	¥ 1,441	¥ 1,221	$ 11,306

Future lease revenue under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	March 31		September 30,	September 30,
	2000	2000	2000	2000
Due within one year	¥ 669	¥ 923	¥ 707	$ 6,546
Due after one year	926	1,642	1,177	10,898
Total	¥ 1,595	¥ 2,565	¥ 1,884	$ 17,444

Depreciation expenses relating to the leased assets arrangements mentioned above were ¥621 million and ¥1,221 million for the years ended March 31, 2000 and 1999, respectively, and ¥321 million ($2,972 thousand) for the six-months ended September 30, 2000.

Lessee

Finance Leases

Total lease payments under finance leases were ¥8,693 million and ¥8,176 million for the years ended March 31, 2000 and 1999, respectively, and ¥3,739 million ($34,620 thousand) for the six-months ended September 30, 2000.

Certain pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense of finance leases that deem to transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2000 and 1999 and the six-months ended September 30, 2000 was as follows:

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 2000:					
Acquisition cost	¥ 5,419	¥ 7,525	¥ 19,627	¥ 17,511	¥ 50,082
Accumulated depreciation	2,052	4,389	8,370	8,461	23,272
Net leased property	¥ 3,367	¥ 3,136	¥ 11,257	¥ 9,050	¥ 26,810

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of March 31, 1999:					
Acquisition cost	¥ 5,311	¥ 7,951	¥ 20,059	¥ 11,255	¥ 44,576
Accumulated depreciation	1,628	4,288	6,589	6,036	18,541
Net leased property	¥ 3,683	¥ 3,663	¥ 13,470	¥ 5,219	¥ 26,035

	Millions of Yen				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of September 30, 2000:					
Acquisition cost	¥ 2,261	¥ 6,284	¥ 20,174	¥ 15,514	¥ 44,233
Accumulated depreciation	976	4,009	8,963	8,020	21,968
Net leased property	¥ 1,285	¥ 2,275	¥ 11,211	¥ 7,494	¥ 22,265

	Thousands of U.S. Dollars				
	Nuclear Power Generating Facilities	Distribution Facilities	General Facilities	Other Facilities	Total
As of September 30, 2000:					
Acquisition cost	$ 20,935	$ 58,185	$ 186,797	$ 143,648	$ 409,565
Accumulated depreciation	9,037	37,120	82,991	74,259	203,407
Net leased property	$ 11,898	$ 21,065	$ 103,806	$ 69,389	$ 206,158

Obligations under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	March 31		September 30,	September 30,
	2000	1999	2000	2000
Due within one year	¥ 7,431	¥ 7,514	¥ 6,406	$ 59,315
Due after one year	19,379	18,520	15,859	146,843
Total	¥ 26,810	¥ 26,034	¥ 22,265	$ 206,158

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method over the respective lease periods was ¥8,693 million and ¥8,176 million for the years ended March 31, 2000 and 1999, respectively, and ¥3,739 million ($34,620 thousand) for the six-months ended September 30, 2000.

Operating Leases

Obligations under non-cancelable operating leases at March 31, 2000 and 1999 and the six-months ended September 30, 2000 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	March 31		September 30,	September 30,
	2000	1999	2000	2000
Due within one year	¥ 2	¥ 9		
Due after one year	2	4	¥ 1	$ 9
Total	¥ 4	¥13	¥ 1	$ 9

11. COMMITMENTS AND CONTINGENCIES

At March 31, 2000 and September 30, 2000, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥300,857 million and ¥382,279 million ($3,539,620 thousand), respectively. Additionally, the Companies have entered into several fuel supply contracts which involve substantial commitments.

At March 31, 2000 and September 30, 2000, the Companies had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2000	September 30, 2000	September 30, 2000
Co-guarantees of loans of other companies:			
Japan Nuclear Fuel Limited	¥ 206,393	¥ 207,556	$ 1,921,815
Other	2,835	2,516	23,296
Total	¥ 209,228	¥ 210,072	$ 1,945,111
A guarantee about equity contribution and power supply for KPIC Singapore Pte Ltd	¥ 1,260	¥ 1,165	$ 10,787
Contingency relating to debt assumption agreement	¥ 235,492	¥ 235,492	$ 2,180,481

12. SUBSEQUENT EVENT

On November 21, 2000, the Company declared an interim cash dividend of ¥25 ($0.23) per share to shareholders of record at September 30, 2000, amounting to a total of ¥24,465 million ($226,528 thousand).

13. SEGMENT INFORMATION

Information about industry segments of the Company and consolidated subsidiaries for the year ended March 31, 2000 and for the six-months ended September 30, 2000 are as follows:

Sales and Operating Income

	Millions of Yen			
	Electric Power	Other	Eliminations/ Corporate	Consolidated
For the year ended March 31, 2000				
Sales to customers	¥ 2,512,721	¥ 75,669		¥ 2,588,390
Intersegment sales	4,482	232,699	¥ (237,181)	
Total sales	2,517,203	308,368	(237,181)	2,588,390
Operating expenses	2,201,984	313,172	(237,339)	2,277,817
Operating income	¥ 315,219	¥ (4,804)	¥ 158	¥ 310,573

	Millions of Yen			
	Electric Power	Other	Eliminations/ Corporate	Consolidated
For the six-months ended September 30, 2000				
Sales to customers	¥ 1,346,210	¥ 25,444		¥ 1,371,654
Intersegment sales	2,616	97,981	¥ (100,597)	
Total sales	1,348,826	123,425	(100,597)	1,371,654
Operating expenses	1,100,824	125,619	(101,377)	1,125,066
Operating income	¥ 248,002	¥ (2,194)	¥ 780	¥ 246,588

	Thousands of U.S. Dollars			
	Electric Power	Other	Eliminations/ Corporate	Consolidated
For the six-months ended September 30, 2000				
Sales to customers	$ 12,464,907	$ 235,593		$ 12,700,500
Intersegment sales	24,223	907,231	$(931,454)	
Total sales	12,489,130	1,142,824	(931,454)	12,700,500
Operating expenses	10,192,815	1,163,139	(938,676)	10,417,278
Operating income	$ 2,296,315	$ (20,315)	$ 7,222	$ 2,283,222

The Companies do not have any operations or sales to foreign customers.

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