UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from........................to........................

Commission File Number: 814-61

CAPITAL SOUTHWEST CORPORATION
(Exact name of registrant as specified in its charter)

Texas	75-1072796
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12900 Preston Road, Suite 700, Dallas, Texas 75230
(Address of principal executive offices) (Zip Code)

(972) 233-8242
(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act: None

Securities registered pursuant to section 12(g) of the Act:
Common Stock, $1.00 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 30, 2003 was $103,394,124, based on the last sale price of such stock as quoted by Nasdaq on such date (officers, directors and 5% shareholders are considered affiliates for purposes of this calculation).

The number of shares of common stock outstanding as of May 15, 2004 was 3,857,051.

Documents Incorzporated by Reference	Part of Form 10-K
(1) Annual Report to Shareholders for the Year Ended March 31, 2004	Parts I and II; and Part IV, Item 14(a)(1) and (2)
(2) Proxy Statement for Annual Meeting of Shareholders to be held July 19, 2004	Part III

TABLE OF CONTENTS

PART I

Item 1. Business

We were organized as a Texas corporation on April 19, 1961. Until September 1969, we operated as a licensee under the Small Business Investment Act of 1958. At that time, we transferred to our wholly-owned subsidiary, Capital Southwest Venture Corporation ("CSVC"), certain assets and our license as a small business investment company ("SBIC"). CSVC is a closed-end, non-diversified investment company of the management type registered under the Investment Company Act of 1940 (the "1940 Act"). Prior to March 30, 1988, we were registered as a closed-end, non-diversified investment company under the 1940 Act. On that date, we elected to become a business development company subject to the provisions of Sections 55 through 65 of the 1940 Act, as amended by the Small Business Incentive Act of 1980. Because we wholly own CSVC, the portfolios of both entities are referred to collectively as "our", "we" and "us".

We are a venture capital investment company whose objective is to achieve capital appreciation through long-term investments in businesses believed to have favorable growth potential. Our investment interests are focused on expansion financings, management buyouts, recapitalizations, industry consolidations and early-stage financings in a broad range of industry segments. The portfolio is a composite of companies in which we have major interests as well as a number of developing companies and marketable securities of established publicly-owned companies. We make available significant managerial assistance to the companies in which we invest and believe that providing material assistance to such investee companies is critical to their business development activities.

The twelve largest investments we own had a combined cost of $42,496,262 and a value of $356,795,966, representing 87.7% of the value of our consolidated investment portfolio at March 31, 2004. For a narrative description of the twelve largest investments, see "Twelve Largest Investments - March 31, 2004" on pages 7 through 9 of our Annual Report to Shareholders for the Year Ended March 31, 2004 (our "2004 Annual Report") which is herein incorporated by reference. Certain of the information presented on the twelve largest investments has been obtained from the respective companies and, in certain cases, from public filings of such companies. The financial information presented on each of the respective companies is from such companies' financial statements, which in some instances are unaudited.

We compete for attractive investment opportunities with venture capital partnerships and corporations, venture capital affiliates of industrial and financial companies, SBICs and wealthy individuals.

The number of persons employed by us at March 31, 2004 was seven.

Our internet website address is www.capitalsouthwest.com. You can review the filings we have made with the U.S. Securities and Exchange Commission, free of charge by linking directly from our website to NASDAQ, a database that links to EDGAR, the Electronic Data Gathering, Analysis, and Retrieval System of the SEC. You should be able to access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. The charters adopted by the committees of our board of directors are also available on our website.

Item 2. Properties

We maintain our offices at 12900 Preston Road, Suite 700, Dallas, Texas, 75230, where we rent approximately 3,700 square feet of office space pursuant to a lease agreement expiring in February 2008. We believe that our offices are adequate to meet our current and expected future needs.

Item 3. Legal Proceedings

We have no material pending legal proceedings to which we are a party or to which any of our property is subject.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the quarter ended March 31, 2004.

Item 4A. Executive Officers

The names and ages of our executive officers as of June 1, 2004, together with certain biographical information, are as follows:

William M. Ashbaugh, age 49, has served as Vice President since 2001. He previously served as Managing Director in the corporate finance departments of Hoak Breedlove Wesneski & Co. from 1998 to 2001, Principal Financial Securities from 1997 to 1998 and Southwest Securities from 1995 to 1997.

Patrick F. Hamner, age 48, has served as Vice President since 1986 and was an Investment Associate from 1982 to 1986.

Susan K. Hodgson, age 42, has served as Secretary-Treasurer since 2001 and was Controller from 1994 to 2001.

Gary L. Martin, age 57, has been a director since July 1988 and has served as Vice President since 1984. He previously served as Vice President from 1978 to 1980. Since 1980, Mr. Martin has served as President of The Whitmore Manufacturing Company, a wholly-owned portfolio company.

William R. Thomas, age 75, has served as Chairman of the Board of Directors since 1982 and President since 1980. In addition, he has been a director since 1972 and was previously Senior Vice President from 1969 to 1980.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Information set forth under the captions "Shareholder Information - Shareholders, Market Prices and Dividends" on page 33 of our 2004 Annual Report is herein incorporated by reference.

Item 6. Selected Financial Data

"Selected Consolidated Financial Data" on page 32 of our 2004 Annual Report is herein incorporated by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Pages 29 through 31 of our 2004 Annual Report are herein incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in marketable equity security prices. We do not use derivative financial instruments to mitigate any of these risks. The return on our investments is not materially affected by foreign currency fluctuations.

Our investment in portfolio securities consists of fixed rate debt securities which totaled $4,729,493 at March 31, 2004, equivalent to 1.16% of the value of our total investments. Since these debt securities usually have relatively high fixed rates of interest, minor changes in market yields of publicly-traded debt securities have little or no effect on the values of debt securities in our portfolio and no effect on interest income. Our investments in debt securities are generally held to maturity and their fair values are determined on the basis of the terms of the debt security and the financial condition of the issuer.

A portion of our investment portfolio consists of debt and equity securities of private companies. We anticipate little or no effect on the values of these investments from modest changes in public market equity valuations. Should significant changes in market valuations of comparable publicly-owned companies occur, there would be a corresponding effect on valuations of private companies, which would affect the value and the amount and timing of proceeds eventually realized from these investments. A portion of our investment portfolio also consists of restricted common stock of publicly-owned companies. The fair values of these restricted securities are influenced by the nature of applicable resale restrictions, the underlying earnings and financial condition of the issuers of such restricted securities and the market valuations of comparable publicly-owned companies. A portion of our investment portfolio also consists of unrestricted, freely marketable common stocks of publicly-owned companies. These freely marketable investments, which are valued at the public market price, are directly exposed to equity price risks, in that a change in an issuer's public market price would result in an identical change in the fair value of our investment in such security.

Item 8. Financial Statements and Supplementary Data

Pages 10 through 28 of our 2004 Annual Report are herein incorporated by reference. See also Item 15 of this Form 10-K - "Exhibits, Financial Statement Schedules, and Reports on Form 8-K".

Selected Quarterly Financial Data (Unaudited)

The following presents a summary of the unaudited quarterly consolidated financial information for the years ended March 31, 2004 and 2003.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(In thousands, except per share amounts)				
2004					
Net investment income	$ 437	$ 382	$ 1,459	$ 309	$ 2,587
Net realized gain (loss) on investments	(2)	1,935	(92)	6,351	8,192
Net increase in unrealized appreciation of investments	8,756	13,214	12,964	39,755	74,689
Net increase in net assets from operations	9,191	15,531	14,331	46,415	85,468
Net increase in net assets from operations per share	2.40	4.02	3.71	12.03	22.16
2003					
Net investment income	$ 475	$ 484	$ 984	$ 356	$ 2,299
Net realized gain (loss) on investments	(318)	37	13	1,614	1,346
Net increase (decrease) in unrealized appreciation of investments	(14,528)	(32,274)	3,478	(2,048)	(45,372)
Net increase (decrease) in net assets from operations	(14,371)	(31,753)	4,475	(78)	(41,727)
Net increase (decrease) in net assets from operations per share	(3.75)	(8.30)	1.17	(0.02)	(10.90)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

As of March 31, 2004, an evaluation was performed under the supervision and with the participation of our management, including the President and Chairman of the Board and Secretary-Treasurer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the President and Chairman of the Board and Secretary-Treasurer concluded that our disclosure controls and procedures were effective as of March 31, 2004. There have been no significant changes during the period covered by this report in our internal control over financial reporting or in other factors that could significantly affect internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

The section of our 2004 Proxy Statement captioned "Nominees for Director" under "Proposal 1. Election of Directors" identifies members of our board of directors and nominees, and is incorporated in this Item 10 by reference.

Item 4A of this Form 10-K identifies our executive officers and is incorporated in this Item 10 by reference.

The sections of our 2004 Proxy Statement captioned "Meetings and Committees of the Board of Directors - Audit Committee" under "Proposal 1. Election of Directors" and "Report of the Audit Committee" identifies members of our audit committee of our board of directors and our audit committee financial expert, and are incorporated in this Item 10 by reference.

The section of our 2004 Proxy Statement captioned "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated in this Item 10 by reference.

Code of Ethics

We have adopted a code of ethics that applies to all our directors, officers and employees. We have made the Code of Conduct and Ethics available on our website at www.capitalsouthwest.com.

Item 11. Executive Compensation

The information in the section of our 2004 Proxy Statement captioned "Executive Compensation" is incorporated in this Item 11 by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information in the sections of our 2004 Proxy Statement captioned "Stock Ownership of Certain Beneficial Owners" and "Executive Compensation" are incorporated in this Item 12 by reference.

The table below sets forth certain information as of March 31, 2004 regarding the shares of our common stock available for grant or granted under stock option plans that (i) were approved by our stockholders, and (ii) were not approved by our stockholders.

Equity Compensation Plan Information

Plan Category	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants And Rights	Weighted-Average Exercise Price Of Outstanding Options, Warrants And Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	54,500	$70.004	85,500
Equity compensation plans not approved by security holders	-	-	-
Total	54,500	$70.004	85,500

(1) Includes the 1999 Stock Option Plan. For a description of this plan, please refer to Footnote 5 contained in our consolidated financial statements.

Item 13. Certain Relationships and Related Transactions

There were no relationships or transactions within the meaning of this item during the fiscal year ended March 31, 2004 or proposed for the fiscal year ending March 31, 2005.

Item 14. Principal Accountant Fees and Services

The information in the sections of our 2004 Proxy Statement captioned "Proposal 2: Ratification of Appointment of Independent Auditors" and "Audit and Other Fees" are incorporated in this Item 14 by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) The following financial statements included in pages 10 through 28 of our 2004 Annual Report are herein incorporated by reference:

(A) Portfolio of Investments - March 31, 2004
Consolidated Statements of Financial Condition - March 31, 2004 and 2003
Consolidated Statements of Operations - Years Ended March 31, 2004, 2003 and 2002
Consolidated Statements of Changes in Net Assets - Years Ended March 31, 2004, 2003 and 2002
Consolidated Statements of Cash Flows - Years Ended March 31, 2004, 2003 and 2002

(B) Notes to Consolidated Financial Statements

(C) Notes to Portfolio of Investments

(D) Selected Per Share Data and Ratios

(E) Reports of Independent Registered Public Accounting Firms

(F) Portfolio Changes During the Year

(a)(2) All schedules are omitted because they are not applicable or not required, or the information is otherwise supplied.

(a)(3) See the Exhibit Index.

(b) We filed no reports on Form 8-K during the three months ended March 31, 2004.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL SOUTHWEST CORPORATION

By: /s/ William R. Thomas
William R. Thomas, President
and Chairman of the Board

Date: June 11, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ William R. Thomas William R. Thomas	President and Chairman of the Board and Director (chief executive officer)	June 11, 2004
/s/ Gary L. Martin Gary L. Martin	Director	June 11, 2004
/s/ Graeme W. Henderson Graeme W. Henderson	Director	June 11, 2004
/s/ Samuel B. Ligon Samuel B. Ligon	Director	June 11, 2004
/s/ John H. Wilson John H. Wilson	Director	June 11, 2004
/s/ Susan K. Hodgson Susan K. Hodgson	Secretary-Treasurer (chief financial/accounting officer)	June 11, 2004

EXHIBIT INDEX

The following exhibits are filed with this report or are incorporated herein by reference to a prior filing, in accordance with Rule 12b-32 under the Securities Exchange Act of 1934. (Asterisk denotes exhibits filed with this report.)

Exhibit No.	Description
3.1(a)	Articles of Incorporation and Articles of Amendment to Articles of Incorporation, dated June 25, 1969 (filed as Exhibit 1(a) and 1(b) to Amendment No. 3 to Form N-2 for the fiscal year ended March 31, 1979).
3.1(b)	Articles of Amendment to Articles of Incorporation, dated July 20, 1987 (filed as an exhibit to Form N-SAR for the six month period ended September 30, 1987).
3.2	By-Laws of the Company, as amended (filed as Exhibit 2 to Amendment No. 11 to Form N-2 for the fiscal year ended March 31, 1987).
4.1	Specimen of Common Stock certificate (filed as Exhibit 4.1 to Form 10-K for the fiscal year ended March 31, 2002).
10.1	The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998 (filed as Exhibit 10.1 to Form 10-K for the fiscal year ended March 31, 2002).
10.2	Amendment No. I to The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998 (filed as Exhibit 10.2 to Form 10-K for the fiscal year ended March 31, 2002).
10.3	Amendment No. 2 to The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998.
10.4	Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.3 to Form 10-K for the fiscal year ended March 31, 1995).
10.5	Amendments One and Two to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.4 to Form 10-K for the fiscal year ended March 31, 1998).
10.6	Amendment Three to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.5 to Form 10-K for the fiscal year ended March 31, 2002).
10.7	Amendment Four to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989.
10.8	Amendment Five to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989.

10.9	Amendment Six to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989.
10.10	Capital Southwest Corporation and Its Affiliates Restoration of Retirement Income Plan for certain highly-compensated superseded plan participants effective April 1, 1993 (filed as Exhibit 10.4 to Form 10-K for the fiscal year ended March 31, 1995).
10.11	Amendment One to Capital Southwest Corporation and Its Affiliates Restoration of Retirement Income Plan for certain highly-compensated superceded plan participants effective April 1, 1993 (filed as Exhibit 10.6 to Form 10-K for the fiscal year ended March 31, 1998).
10.12	Capital Southwest Corporation Retirement Income Restoration Plan as amended and restated effective April 1, 1989 (filed as Exhibit 10.5 to Form 10-K for the fiscal year ended March 31, 1995).
10.13	Form of Indemnification Agreement which has been established with all directors and executive officers of the Company (filed as Exhibit 10.9 to Form 8-K dated February 10, 1994).
10.14	Capital Southwest Corporation 1999 Stock Option Plan (filed as Exhibit 10.10 to Form 10-K for the fiscal year ended March 31, 2000).
13.1 *	Annual Report to Shareholders for the fiscal year ended March 31, 2004.
21.1	List of subsidiaries of the Company (filed as exhibit 21 to Form 10-K for the fiscal year ended March 31, 1998).
23.1 *	Consent of Independent Registered Public Accounting Firm - Ernst & Young LLP.
23.2 *	Consent of Independent Registered Public Accounting Firm - KPMG LLP.
31.1 *	Certification of President and Chairman of the Board required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), filed herewith.
31.2 *	Certification of Secretary-Treasurer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.
32.1 *	Certification of President and Chairman of the Board required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.
32.2 *	Certification of Secretary-Treasurer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.

Exhibit 13.1

Twelve Largest Investments - March 31, 2004

Palm Harbor Homes, Inc.	$86,406,000

Palm Harbor Homes, Dallas, Texas, is an integrated manufacturer and retailer of manufactured and modular housing produced in 19 plants and sold in 30 states by 149 company-owned retail stores and builder locations and approximately 275 independent dealers, builders and developers. The company provides financing through its subsidiary, CountryPlace Mortgage, and through its jointly-owned mortgage banking company, BSM Financial, and sells insurance through its subsidiary, Standard Casualty. Palm Harbor's high-quality homes are designed to meet the need for attractive, affordable housing.

During the year ended March 26, 2004, Palm Harbor reported a net loss of $6,017,000 ($0.26 per share) on net sales of $578,465,000, compared with earnings of $3,221,000 ($0.14 per share) on net sales of $573,130,000 in the previous year. The March 31, 2004 closing Nasdaq bid price of Palm Harbor's common stock was $20.99 per share.

At March 31, 2004, the $10,931,955 investment in Palm Harbor by Capital Southwest and its subsidiary was valued at $86,406,000 ($11.00 per share), consisting of 7,855,121 restricted shares of common stock, representing a fully-diluted equity interest of 34.4%.

The RectorSeal Corporation	$60,000,000

The RectorSeal Corporation, Houston, Texas, with two plants in Texas and a plant in New York, manufactures specialty chemical products including pipe thread sealants, firestop sealants, plastic cements and other formulations for plumbing, HVAC, electrical and industrial applications. RectorSeal's subsidiary, Jet-Lube, Inc., with plants in Texas, England and Canada, produces anti-seize compounds, specialty lubricants and other products used in industrial and oil field applications. Another subsidiary produces a line of automotive chemical products sold under the Cargo and Blue Magic trade names. RectorSeal also owns a 20% equity interest in The Whitmore Manufacturing Company (described on page 8).

During the year ended March 31, 2004, RectorSeal earned $6,235,000 on revenues of $65,883,000, compared with earnings of $6,799,000 ($5,720,000 after subtracting extraordinary tax credits) on revenues of $63,161,000 in the previous year. RectorSeal's earnings do not reflect its 20% equity in The Whitmore Manufacturing Company.

At March 31, 2004, Capital Southwest owned 100% of RectorSeal's common stock having a cost of $52,600 and a value of $60,000,000.

Encore Wire Corporation	$59,939,000

Encore Wire Corporation, McKinney, Texas, manufactures a broad line of copper electrical building wire and cable including non-metallic sheathed, underground feeder and THHN wire and cable for residential, commercial and industrial construction. Encore's products are sold through large-volume distributors and building materials retailers.

For the year ended December 31, 2003, Encore reported net income of $14,376,000 ($0.94 per share) on net sales of $384,750,000, compared with net income of $5,964,000 ($0.39 per share) on net sales of $285,207,000 in the previous year. The March 31, 2004 closing Nasdaq bid price of Encore's common stock was $37.23 per share.

At March 31, 2004, the $5,800,000 investment in 2,724,500 shares of Encore's restricted common stock by Capital Southwest and its subsidiary was valued at $59,939,000 ($22.00 per share), representing a fully-diluted equity interest of 16.9%.

Skylawn Corporation	$40,000,000

Skylawn Corporation, Hayward, California, owns and operates cemeteries, mausoleums and mortuaries. Skylawn's operations, all of which are in California, include a major cemetery in San Mateo, a mausoleum and an adjacent mortuary in Oakland and cemeteries, mausoleums and mortuaries in Hayward and Sacramento. The company recently acquired a funeral home in San Bruno and will soon begin building a major funeral home on the grounds of its San Mateo County cemetery. Its insurance company and funeral and cemetery trusts enable Skylawn's clients to make pre-need arrangements.

For the fiscal year ended March 31, 2004, Skylawn reported unaudited earnings of $2,850,000 on revenues of $25,452,000, compared with restated earnings of $2,928,000 on revenues of $24,871,000 in the previous year.

At March 31, 2004, Capital Southwest owned 100% of Skylawn Corporation's common stock, which had a cost of $4,510,400 and was valued at $40,000,000.

Alamo Group Inc.	$31,034,000

Alamo Group Inc., Seguin, Texas, is a leading designer, manufacturer and distributor of heavy-duty, tractor and truck mounted mowing and other vegetation maintenance equipment, street-sweeping equipment and replacement parts. Founded in 1969, Alamo Group operates 15 manufacturing facilities and serves governmental, industrial and agricultural markets in the U.S., Europe, Canada and Australia.

For the year ended December 31, 2003, Alamo reported consolidated earnings of $8,038,000 ($0.82 per share) on net sales of $279,078,000, compared with earnings of $6,382,000 ($0.65 per share) on net sales of $259,435,000 in the previous year. The March 31, 2004 closing NYSE market price of Alamo's common stock was $17.39 per share.

At March 31, 2004, the $2,065,047 investment in Alamo by Capital Southwest and its subsidiary was valued at $31,034,000 ($11.00 per share), consisting of 2,821,300 restricted shares of common stock, representing a fully-diluted equity interest of 27.2%.

Media Recovery, Inc. — $17,000,000

Media Recovery, Inc., Graham, Texas, distributes computer and office automation supplies and accessories to corporate customers through its direct sales force with 29 offices in 22 states. Its Shockwatch division manufactures impact and tilt monitoring devices used to detect mishandled shipments. Media Recovery's subsidiary, The Damage Prevention Company, Denver, Colorado, manufactures dunnage products used to prevent damage in trucking, rail and export container shipments.

During the year ended September 30, 2003, Media Recovery reported net income of $3,454,000 on net sales of $108,751,000, compared with net income of $1,817,000 on net sales of $97,866,000 in the previous year.

At March 31, 2004, the $5,415,000 investment in Media Recovery by Capital Southwest and its subsidiary was valued at $17,000,000, consisting of 4,800,000 shares of Series A convertible preferred stock, representing a fully-diluted equity interest of 71.5%.

All Components, Inc. — $14,100,000

All Components, Inc., Farmers Branch, Texas, distributes and produces memory and other electronic components for personal computer manufacturers, retailers, value-added resellers and other corporate customers. Through its Dallas-based sales and distribution center and its contract manufacturing plants in Austin, Texas and Boise, Idaho, the company serves over 2,000 customers throughout the United States.

During the year ended August 31, 2003, All Components reported net income of $4,060,000 on net sales of $156,994,000, compared with net income of $1,605,000 on net sales of $135,936,000 in the previous year.

At March 31, 2004, the $2,650,000 investment in All Components by Capital Southwest and its subsidiary was valued at $14,100,000 consisting of a 12% subordinated note valued at its cost of $2,500,000 and 150,000 shares of Series A convertible preferred stock valued at $11,600,000, representing a 56.1% fully-diluted equity interest.

The Whitmore Manufacturing Company — $12,000,000

The Whitmore Manufacturing Company, Rockwall, Texas, manufactures specialty lubricants for heavy equipment used in surface mining, railroads and other industries, and produces water-based coatings for the automotive and primary metals industries. Whitmore's subsidiary, Fluid Protection Corporation, manufactures fluid contamination control devices.

During the year ended March 31, 2004, Whitmore reported net income of $376,000 on net sales of $13,739,000, compared with net income of $149,000 on net sales of $12,521,000 in the previous year. The company is owned 80% by Capital Southwest and 20% by Capital Southwest's subsidiary, The RectorSeal Corporation (described on page 7).

At March 31, 2004, the direct investment in Whitmore by Capital Southwest was valued at $12,000,000 and had a cost of $1,600,000.

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Texas Capital Bancshares, Inc. $11,110,358
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Texas Capital Bancshares, Inc. of Dallas, Texas, formed in 1998, has total assets of approximately $2.2 billion. With banks in Austin, Dallas, Fort Worth, Houston, Plano and San Antonio, Texas Capital Bancshares conducts its business through its wholly-owned subsidiary, Texas Capital Bank, N.A., which targets middle market commercial and wealthy private client customers in Texas.

For the year ended December 31, 2003, Texas Capital reported net income of $13,834,000 ($0.60 per share), compared with net income of $7,343,000 ($0.32 per share) in the previous year. The March 31, 2004 closing Nasdaq bid price of Texas Capital's common stock was $16.11 per share.

At March 31, 2004, Capital Southwest owned 689,656 unrestricted shares of common stock, having a cost of $5,000,006 and a market value of $11,110,358 ($16.11 per share).

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Mail-Well, Inc. $9,371,748
- --

Mail-Well, Inc., Englewood, Colorado, is one of the largest printers in North America, serving the commercial printing and envelope market segments. It is the world's largest manufacturer of envelopes, the leading printer of envelopes in the U.S. and Canada, and the premier high impact color printer in the U.S.

For the year ended December 31, 2003, Mail-Well reported net income of $5,150,000 ($0.11 per share) on net sales of $1.672 billion, compared with a net loss of $202,104,000 ($4.24 per share) on net sales of $1.729 billion in the previous year. The March 31, 2004 closing NYSE market price of Mail-Well's common stock was $4.47 per share.

At March 31, 2004, the $2,986,870 investment in Mail-Well by Capital Southwest was valued at $9,371,748 ($4.47 per share), consisting of 2,096,588 unrestricted shares of common stock, representing a fully-diluted equity interest of 3.8%.

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PETsMART, Inc. $8,115,000
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PETsMART, Inc., Phoenix, Arizona, is the largest specialty retailer of services and solutions for the lifetime needs of pets. The company operates more than 600 pet superstores in the United States and Canada and is a leading direct marketer of pet products through its e-commerce site and its pet and equine catalog business.

For the year ended February 1, 2004, PETsMART, Inc. reported net income of $139,549,000 ($0.95 per share) on net sales of $2.996 billion, compared with net income of $88,855,000 ($0.63 per share) on net sales of $2.695 billion in the previous year. The March 31, 2004 closing Nasdaq market price of PETsMART's common stock was $27.05 per share.

At March 31, 2004, Capital Southwest and its subsidiary owned 300,000 unrestricted shares of common stock, having a cost of $1,318,771 and a market value of $8,115,000 ($27.05 per share).

==
Liberty Media Corporation $7,719,860
- --

Liberty Media Corporation, Englewood, Colorado, acquired by AT&T as part of Tele-Communications, Inc. in 1999 and now an independent company, produces, acquires and distributes entertainment, sports and informational programming services and electronic retailing services, which are delivered via cable television and other technologies to viewers in the United States and overseas.

For the year ended December 31, 2003, Liberty Media reported a net loss of $1.222 billion ($0.44 per share) on net sales of $4.028 billion, compared with a net loss of $5.330 billion ($2.06 per share) on net sales of $2.084 billion in the previous year. The March 31, 2004 closing NYSE market price of Series A common stock was $10.95 per share.

At March 31, 2004, Capital Southwest owned 705,010 unrestricted shares of Series A common stock, having a cost of $165,613 and a market value of $7,719,860 ($10.95 per share).

Portfolio of Investments - March 31, 2004

Company	Equity (a)	Investment (b)	Cost	Value (c)
+AT&T CORP. New York, New York Major provider of voice and data communications services including business and consumer long distance and Internet.	<1%	++26,649 shares common stock (acquired 3-9-99)	$ 12	$ 521,521
+AT&T WIRELESS SERVICES, INC. Redmond, Washington Provider of wireless voice and data services and products in the cellular and PCS markets.	<1%	++42,878 shares common stock (acquired 7-9-01)	10	583,570
+ALAMO GROUP INC. Seguin, Texas Tractor-mounted mowing and vegetation maintenance equipment for governmental, industrial and agricultural markets; street-sweeping equipment for municipalities.	27.2%	2,821,300 shares common stock (acquired 4-1-73 thru 10-4-99)	2,065,047	31,034,000
ALL COMPONENTS, INC. Farmers Branch, Texas Distribution and production of memory and other components for personal computer manufacturers, retailers and value-added resellers; electronics contract manufacturing.	56.1%	12% subordinated notedue 2008 (acquired 10-28-03 and 1-06-04)	2,500,000	2,500,000
		150,000 shares Series A convertible preferred stock, convertible into 600,000 shares of common stock at $0.25 per share (acquired 9-16-94)	150,000	11,600,000
			2,650,000	14,100,000
+ALLTEL CORPORATION Little Rock, Arkansas Wireline and wireless communications and information services.	<1%	++8,880 shares common stock (acquired 7-1-98)	108,355	443,023
AMPRO MORTGAGE CORPORATION Dallas, Texas Originator and banker of residential mortgage loans.	34.8%	5,000 shares Series A cumulative preferred stock (acquired 2-28-03)	5,000,000	2,500,000
		1,500 shares Series B cumulative preferred stock (acquired 3-31-04)	1,500,000	1,500,000
		29,167 shares Series A common stock (acquired 2-28-03)	29,167	--
		Warrant to purchase 375,000 shares of common stock at $1.00 per share, expiring 2014 (acquired 3-31-04)	--	--
			6,529,167	4,000,000
BALCO, INC. Wichita, Kansas Specialty architectural products used in the construction and remodeling of commercial and institutional buildings.	88.5%	445,000 shares common stock and 60,920 shares Class B non-voting common stock (acquired 10-25-83 and 5-30-02)	624,920	5,000,000

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Company	Equity (a)	Investment (b)	Cost	Value (c)
BOXX TECHNOLOGIES, INC. Austin, Texas Workstations for computer graphics imaging and design.	15.4%	3,125,354 shares Series B convertible preferred stock, convertible into 3,125,354 shares of common stock at $0.50 per share (acquired 8-20-99 thru 8-8-01)	$ 1,500,000	$ 2
		Warrants to purchase 80,000 shares of Series B preferred stock at $0.50 per share, expiring 2005 (acquired 8-24-00)	--	--
			1,500,000	2
CMI HOLDING COMPANY, INC. Richardson, Texas Owns Chase Medical, which develops and sells devices used in cardiac surgery including proprietary devices for surgical intervention to relieve congestive heart failure.	16.2%	2,327,658 shares Series A preferred stock (acquired 8-21-02 and 6-04-03)	4,000,000	4,000,000
+COMCAST CORPORATION Philadelphia, Pennsylvania Development, management and operation of broadband cable networks, electronic retailing and programming.	<1%	++43,104 shares common stock (acquired 11-18-02)	21	1,239,240
+CONCERT INDUSTRIES LTD. Vancouver, British Columbia Manufacture and sale of latex, thermal and multi-bonded air-laid nonwoven fabrics having superabsorbent properties.	6.7%	2,833,485 shares common stock (acquired 5-31-00 thru 6-1-01)	9,131,224	2
DENNIS TOOL COMPANY Houston, Texas Polycrystalline diamond compacts (PDCs) used in oil field drill bits and in mining and industrial applications.	67.4%	20,725 shares 5% convertible preferred stock, convertible into 20,725 shares of common stock at $48.25 per share (acquired 8-10-98)	999,981	999,981
		140,137 shares common stock (acquired 3-7-94 and 8-10-98)	2,329,963	1,500,000
			3,329,944	2,499,981
+ENCORE WIRE CORPORATION McKinney, Texas Electric wire and cable for residential and commercial use.	16.9%	2,724,500 shares common stock (acquired 7-16-92 thru 10-7-98)	5,800,000	59,939,000
EXOPACK HOLDING CORP. Spartanburg, South Carolina Paper and plastic flexible packaging for products such as pet food, building materials, chemicals and other commodities.	1.4%	5,925 shares common stock (acquired 7-27-01 thru 9-29-03)	623,790	805,800
EXTREME INTERNATIONAL, INC. Sugar Land, Texas Owns Bill Young Productions, Texas Video and Post, and Extreme Communications, which produce radio and television commercials and corporate communications videos.	52.8%	12% subordinated notes due 2008, $2,229,493 principal amount (acquired 9-30-03)	1,551,750	2,229,493
		3,935,918 shares Series C convertible preferred stock, convertible into 15,743,672 shares of common stock at $0.25 per share (acquired 9-30-03)	2,625,000	3,935,918
		375,000 shares 8% Series A convertible preferred stock, convertible into 1,500,000 shares of common stock at $0.25 per share (acquired 9-30-03)	375,000	--
		Warrants to purchase 1,303,500 shares of common stock at $0.25 per share, expiring 2008 (acquired 8-11-98 thru 9-30-03)	--	--
			4,551,750	6,165,411

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Company	Equity (a)	Investment (b)	Cost	Value (c)
+FMC CORPORATION Chicago, Illinois Chemicals for agricultural, industrial and consumer markets.	<1%	++6,430 shares common stock (acquired 6-6-86)	$ 66,726	$ 275,332
+FMC TECHNOLOGIES, INC. Chicago, Illinois Equipment and systems for the energy, food processing and air transportation industries.	<1%	++11,057 shares common stock (acquired 1-2-02)	57,051	298,871
HEELING, INC. Carrollton, Texas Heelys stealth skate shoes sold through specialty skate, lifestyle and sporting goods stores, footwear chains, department stores and over the Internet at Heelys.com.	43.0%	1,745,455 shares Series A preferred stock (acquired 5-26-00)	480,000	480,000
		436,364 shares Series B convertible preferred stock, convertible into 436,364 shares of common stock at $0.275 per share (acquired 5-26-00)	120,000	1,600,000
			600,000	2,080,000
+HOLOGIC, INC. Bedford, Massachusetts Medical instruments including bone densitometers, mammography devices and digital radiography systems.	<1%	++158,205 shares common stock (acquired 8-27-99)	220,000	3,203,651
+KIMBERLY-CLARK CORPORATION Dallas, Texas Manufacturer of tissue, personal care and health care products.	<1%	++77,180 shares common stock (acquired 12-18-97)	2,396,926	4,870,058
+LIBERTY MEDIA CORPORATION Englewood, Colorado Global media and entertainment company owning interests in video programming and communications businesses.	<1%	++705,010 shares Series A common stock (acquired 3-9-99 thru 12-12-02)	165,613	7,719,860
+MAIL-WELL, INC. Englewood, Colorado Envelopes and commercial printing.	3.8%	++2,096,588 shares common stock (acquired 2-18-94 thru 11-10-98)	2,986,870	9,371,748
MEDIA RECOVERY, INC. Graham, Texas Computer and office automation supplies and accessories; impact and tilt monitoring devices to detect mishandled shipments; dunnage for protecting shipments.	71.5%	4,800,000 shares Series A convertible preferred stock, convertible into 4,800,000 shares of common stock at $1.00 per share (acquired 11-4-97)	5,415,000	17,000,000
ORGANIZED LIVING, INC. Lenexa, Kansas Specialty retailer of products designed to provide home and office storage and organization solutions.	4.6%	3,333,335 shares Series D convertible preferred stock, convertible into 3,333,335 shares of common stock at $1.80 per share (acquired 1-7-00 and 10-30-00)	6,000,000	1

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Company	Equity (a)	Investment (b)	Cost	Value (c)
PALLET ONE, INC. Bartow, Florida Wood pallet manufacturer with 12 manufacturing facilities.	8.8%	1,633,500 shares Series A preferred stock (acquired 10-18-01)	$ 1,350,000	$ 750,000
		150,000 shares common stock (acquired 10-18-01)	150,000	--
			1,500,000	750,000
+PALM HARBOR HOMES, INC. Dallas, Texas Integrated manufacturing, retailing, financing and insuring of manufactured housing and modular homes.	34.4%	7,855,121 shares common stock (acquired 1-3-85 thru 7-31-95)	10,931,955	86,406,000
+PETSMART, INC. Phoenix, Arizona Retail chain of more than 600 stores selling pet foods, supplies and services.	<1%	++300,000 shares common stock (acquired 6-1-95)	1,318,771	8,115,000
PHARMAFAB, INC. Grand Prairie, Texas Value-added contract manufacturer of branded and generic pharmaceutical drugs.	28.6%	35,000 shares Series A convertible preferred stock, convertible into 129,506 shares common stock at $27.0259 per share (acquired 8-1-03)	3,500,000	3,500,000
		20,000 shares Series B convertible preferred stock, convertible into 74,004 shares common stock at $27.0259 per share (acquired 8-1-03)	2,000,000	2,000,000
			5,500,000	5,500,000
THE RECTORSEAL CORPORATION Houston, Texas Specialty chemical products for plumbing, HVAC, electrical, construction, industrial, oil field and automotive applications; owns 20% of Whitmore Manufacturing Company.	100.0%	27,907 shares common stock (acquired 1-5-73 and 3-31-73)	52,600	60,000,000
SKYLAWN CORPORATION Hayward, California Cemeteries, mausoleums and mortuaries located in northern California.	100.0%	1,449,026 shares common stock (acquired 7-16-69)	4,510,400	40,000,000
+SPRINT CORPORATION - FON Group Westwood, Kansas Diversified telecommunications company.	<1%	++72,000 shares common stock (acquired 6-20-84)	449,654	1,326,960
+SPRINT CORPORATION - PCS Group Overland Park, Kansas Domestic wireless telephony services.	<1%	++36,000 shares common stock (acquired 11-23-98)	53,991	331,200

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Company	Equity (a)	Investment (b)	Cost	Value (c)
TCI HOLDINGS, INC. Denver, Colorado Cable television systems and microwave relay systems.	-	21 shares 12% Series C cumulative compounding preferred stock (acquired 1-30-90)	$ --	$ 677,250
+TEXAS CAPITAL BANCSHARES, INC. Dallas, Texas Regional bank holding company with banking operations in six Texas cities.	2.4%	++689,656 shares common stock (acquired 5-1-00)	5,000,006	11,110,358
TEXAS PETROCHEMICAL HOLDINGS, INC. Houston, Texas Butadiene for synthetic rubber, MTBE for gasoline octane enhancement and butylenes for varied applications.	5.0%	30,000 shares common stock (acquired 6-27-96)	3,000,000	1
TEXAS SHREDDER, INC. San Antonio, Texas Design and manufacture of heavy-duty shredder systems for recycling steel and other materials from junk automobiles.	53.3%	750 shares Series B convertible preferred stock, convertible into 750,000 shares of common stock at $0.10 per share (acquired 3-6-91)	75,000	3,525,000
VOCALDATA, INC. Richardson, Texas Hardware and software for customer premises telephony equipment based on Voice Over Internet Protocol.	1.0%	650,001 shares Series A convertible preferred stock, convertible into 703,899 shares of common stock at $0.808 per share (acquired 11-4-99 and 12-3-99)	568,750	1
		100,143 shares Series B convertible preferred stock, convertible into 123,184 shares of common stock at $1.43 per share (acquired 10-26-00)	176,153	1
		827,083 shares common stock (acquired 10-24-03)	744,902	--
			1,489,805	2
THE WHITMORE MANUFACTURING COMPANY Rockwall, Texas Specialized mining, industrial and railroad lubricants; automotive transit coatings.	80.0%	80 shares common stock (acquired 8-31-79)	1,600,000	12,000,000
MISCELLANEOUS	-	Diamond State Ventures, L.P. - 1.9% limited partnership interest (acquired 10-12-99 thru 12-4-03)	196,875	196,875
	-	First Capital Group of Texas III, L.P. - 3.3% limited partnership interest (acquired 12-26-00 thru 8-28-03)	640,000	640,000
	100.0%	Humac Company - 1,041,000 shares common stock (acquired 1-31-75 and 12-31-75)	--	156,000
	-	STARTech Seed Fund I - 12.6% limited partnership interest (acquired 4-17-98 thru 1-5-00)	178,066	1
	-	STARTech Seed Fund II - 3.2% limited partnership interest (acquired 4-28-00 thru 3-21-04)	900,000	1
	-	Sterling Group Partners I, L.P. - 1.7% limited partnership interest (acquired 4-20-01 thru 11-21-03)	1,063,100	1,063,100
TOTAL INVESTMENTS			$97,282,649	$406,948,819

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Notes to Portfolio of Investments

(a) The percentages in the "Equity" column express the potential equity interests held by Capital Southwest Corporation and Capital Southwest Venture Corporation (together, the "Company") in each issuer. Each percentage represents the amount of the issuer's common stock the Company owns or can acquire as a percentage of the issuer's total outstanding common shares, plus shares reserved for all warrants, convertible securities and employee stock options. The symbol "<1%" indicates that the Company holds a potential equity interest of less than one percent.

(b) Unrestricted securities (indicated by ++) are freely marketable securities having readily available market quotations. All other securities are restricted securities which are subject to one or more restrictions on resale and are not freely marketable. At March 31, 2004, restricted securities represented approximately 87.9% of the value of the consolidated investment portfolio.

(c) Under the valuation policy of the Company, unrestricted securities are valued at the closing sale price for listed securities and at the lower of the closing bid price or the last sale price for Nasdaq securities on the valuation date. Restricted securities, including securities of publicly-owned companies which are subject to restrictions on resale, are valued at fair value as determined by the Board of Directors. Fair value is considered to be the amount which the Company may reasonably expect to receive for portfolio securities if such securities were sold on the valuation date. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities.

Among the factors considered by the Board of Directors in determining the fair value of restricted securities are the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, the market for and recent sales prices of the issuer's securities, the values of similar securities issued by companies in similar businesses, the proportion of the issuer's securities owned by the Company, the nature and duration of resale restrictions and the nature of any rights enabling the Company to require the issuer to register restricted securities under applicable securities laws. In determining the fair value of restricted securities, the Board of Directors considers the inherent value of such securities without regard to the restrictive feature and adjusts for any diminution in value resulting from restrictions on resale.

(d) Agreements between certain issuers and the Company provide that the issuers will bear substantially all costs in connection with the disposition of common stocks, including those costs involved in registration under the Securities Act of 1933 but excluding underwriting discounts and commissions. These agreements cover common stocks owned at March 31, 2004 and common stocks which may be acquired thereafter through exercise of warrants and conversion of debentures and preferred stocks. They apply to restricted securities of all issuers in the investment portfolio of the Company except securities of the following issuers, which are not obligated to bear registration costs: Humac Company, Skylawn Corporation and The Whitmore Manufacturing Company.

(e) The descriptions of the companies and ownership percentages shown in the portfolio of investments were obtained from published reports and other sources believed to be reliable, are supplemental and are not covered by the report of independent auditors. Acquisition dates indicated are the dates specific securities were acquired. Certain securities were received in exchange for or upon conversion or exercise of other securities previously acquired.

Portfolio Changes During the Year

New Investments and Additions to Previous Investments

	Amount
All Components, Inc.	$ 2,500,000
AmPro Mortgage Corporation	1,500,000
CMI Holding Company, Inc.	1,000,000
CashWorks, Inc.	954,945
Diamond State Ventures, L.P.	12,500
Exopack Holding Corp.	99,960
First Capital Group of Texas III, L.P.	240,000
PharmaFab, Inc.	5,500,000
Sterling Group Partners I, L.P.	484,000
StarTech Seed Fund II	150,000
Miscellaneous	17,435
	$12,458,840

Dispositions

	Cost	Amount Received
CashWorks, Inc.	$ 3,000,100	$12,780,483
Concert Industries Ltd	188,900	--
PTS Holdings, Inc.	--	51,245
PETsMART, Inc.	676,753	3,654,339
Miscellaneous	17,435	--
	$ 3,883,188	$16,486,067

Repayments Received		$ 2,754,845

Capital Southwest Corporation and Subsidiaries
Consolidated Statements of Financial Condition

Assets	March 31 2004	March 31 2003
Investments at market or fair value (Notes 1 and 2)		
Companies more than 25% owned (Cost: 2004 - $23,114,865, 2003 - $23,114,865)	$237,095,981	$202,893,981
Companies 5% to 25% owned (Cost: 2004 - $30,431,224, 2003 - $30,120,124)	70,189,005	18,566,004
Companies less than 5% owned (Cost: 2004 - $43,736,560, 2003 - $38,226,853)	99,663,833	65,600,452
Total investments (Cost: 2004 - $97,282,649, 2003 - $91,461,842)	406,948,819	287,060,437
Cash and cash equivalents	10,150,796	4,650,388
Receivables	76,477	297,664
Other assets (Note 7)	6,802,767	6,481,383
Totals	$423,978,859	$298,489,872

Liabilities and Shareholders' Equity	March 31 2004	March 31 2003
Note payable to bank (Note 4)	$ 15,500,000	$ 15,500,000
Notes payable to portfolio company (Note 4)	5,000,000	7,500,000
Accrued interest and other liabilities (Note 7)	1,815,996	1,868,991
Income taxes payable	2,726,850	--
Deferred income taxes (Note 3)	108,312,663	67,153,906
Total liabilities	133,355,509	92,022,897
Shareholders' equity (Notes 3 and 5)		
Common stock, $1 par value: authorized, 5,000,000 shares; issued, 4,294,416 shares at March 31, 2004 and 4,266,416 shares at March 31, 2003	4,294,416	4,266,416
Additional capital	7,904,997	6,935,497
Undistributed net investment income	3,578,088	3,299,659
Undistributed net realized gain on investments	79,381,980	71,190,108
Unrealized appreciation of investments - net of deferred income taxes	202,497,171	127,808,597
Treasury stock - at cost (437,365 shares)	(7,033,302)	(7,033,302)
Net assets at market or fair value, equivalent to $75.35 per share on the 3,857,051 shares outstanding at March 31, 2004, and $53.92 per share on the 3,829,051 shares outstanding at March 31, 2003	290,623,350	206,466,975
Totals	$ 423,978,859	$ 298,489,872

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiaries
Consolidated Statements of Operations

	Years Ended March 31 2004	2003	2002
Investment income (Note 9):			
Interest	$ 213,987	$ 204,490	$ 322,521
Dividends	3,860,937	3,360,990	3,293,633
Management and directors' fees	632,864	495,900	530,400
	4,707,788	4,061,380	4,146,554
Operating expenses:			
Salaries	997,079	911,671	894,612
Net pension benefit (Note 7)	(272,912)	(387,923)	(504,536)
Other operating expenses (Notes 6 and 8)	775,847	626,106	633,254
	1,500,014	1,149,854	1,023,330
Income before interest expense and income taxes	3,207,774	2,911,526	3,123,224
Interest expense	531,068	476,761	929,372
Income before income taxes	2,676,706	2,434,765	2,193,852
Income tax expense (Note 3)	89,646	135,513	151,956
Net investment income	$ 2,587,060	$ 2,299,252	$ 2,041,896
Proceeds from disposition of investments	$ 16,486,067	$ 4,563,763	$ 5,923,165
Cost of investments sold (Note 1)	3,883,188	2,556,651	6,685,279
Realized gain (loss) on investments before income taxes (Note 9)	12,602,879	2,007,112	(762,114)
Income tax expense (benefit)	4,411,007	661,384	(224,180)
Net realized gain (loss) on investments	8,191,872	1,345,728	(537,934)
Increase (decrease) in unrealized appreciation of investments before income taxes	114,067,574	(69,688,616)	36,971,348
Increase (decrease) in deferred income taxes on appreciation of investments (Note 3)	(39,379,000)	(24,317,000)	12,797,000
Net increase (decrease) in unrealized appreciation of investments	74,688,574	(45,371,616)	24,174,348
Net realized and unrealized gain (loss) on investments	$ 82,880,446	$(44,025,888)	$ 23,636,414
Increase (decrease) in net assets from operations	$ 85,467,506	$(41,726,636)	$ 25,678,310

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets

	Years Ended March 31		
	2004	2003	2002
Operations			
Net investment income	$ 2,587,060	$ 2,299,252	$ 2,041,896
Net realized gain (loss) on investments	8,191,872	1,345,728	(537,934)
Net increase (decrease) in unrealized appreciation of investments	74,688,574	(45,371,616)	24,174,348
Increase (decrease) in net assets from operations	85,467,506	(41,726,636)	25,678,310
Distributions from:			
Undistributed net investment income	(2,308,631)	(2,297,431)	(2,294,631)
Capital share transactions			
Exercise of employee stock options	997,500	--	498,750
Increase (decrease) in net assets	84,156,375	(44,024,067)	23,882,429
Net assets, beginning of year	206,466,975	250,491,042	226,608,613
Net assets, end of year	$ 290,623,350	$ 206,466,975	$ 250,491,042

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended March 31		
	2004	2003	2002
Cash flows from operating activities			
Increase (decrease) in net assets from operations	$ 85,467,506	$(41,726,636)	$ 25,678,310
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided by (used in) operating activities:			
Proceeds from disposition of investments	16,486,067	4,563,763	5,923,165
Purchases of securities	(12,458,840)	(11,904,639)	(3,545,458)
Maturities of securities	2,754,845	80,000	2,267,970
Depreciation and amortization	19,089	21,668	26,258
Net pension benefit	(272,912)	(387,923)	(504,536)
Net realized and unrealized loss (gain) on investments	(82,880,446)	44,025,888	(23,636,414)
Decrease (increase) in receivables	221,187	1,455,633	(1,488,920)
Decrease (increase) in other assets	5,023	(29,447)	(17,922)
Increase (decrease) in accrued interest and other liabilities	41,701	(96,188)	(44,479)
Decrease in accrued pension cost	(167,281)	(167,280)	(199,280)
Deferred income taxes	95,600	135,800	176,600
Net cash provided by (used in) operating activities	9,311,539	(4,029,361)	4,635,294
Cash flows from financing activities			
Increase in note payable to bank	--	9,000,000	1,500,000
Increase (decrease) in notes payable to portfolio company	(2,500,000)	5,000,000	(3,500,000)
Decrease in subordinated debenture	--	(5,000,000)	--
Distributions from undistributed net investment income	(2,308,631)	(2,297,431)	(2,294,631)
Proceeds from exercise of employee stock options	997,500	--	498,750
Net cash provided by (used in) financing activities	(3,811,131)	6,702,569	(3,795,881)
Net increase in cash and cash equivalents	5,500,408	2,673,208	839,413
Cash and cash equivalents at beginning of year	4,650,388	1,977,180	1,137,767
Cash and cash equivalents at end of year	$ 10,150,796	$ 4,650,388	$ 1,977,180
Supplemental disclosure of cash flow information:			
Cash paid during the year for: Interest	$ 531,194	$ 606,722	$ 922,011
Income taxes	$ --	$ --	$ 287

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Capital Southwest Corporation ("CSC") is a business development company subject to regulation under the Investment Company Act of 1940. Capital Southwest Venture Corporation ("CSVC"), a wholly-owned subsidiary of CSC, is a Federal licensee under the Small Business Investment Act of 1958. Capital Southwest Management Corporation ("CSMC"), a wholly-owned subsidiary of CSC, is the management company for CSC and CSVC. The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements of CSC, CSVC and CSMC (together, the "Company"):

Principles of Consolidation. The consolidated financial statements have been prepared on the value method of accounting in accordance with accounting principles generally accepted in the United States of America for investment companies. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents. All temporary cash investments having a maturity of three months or less when purchased are considered to be cash equivalents.

Investments. Investments are stated at market or fair value determined by the Board of Directors as described in the Notes to Portfolio of Investments and Note 2 below. The average cost method is used in determining cost of investments sold. Investments are recorded on a trade date basis. Dividends are recognized on the ex-dividend date and interest income is accrued daily.

Segment Information. The Company operates and manages its business in a singular segment. As an investment company, the Company invests in portfolio companies in various industries and geographic areas as presented in the portfolio of investments.

Indemnification. The Company enters into agreements that contain customary indemnification provisions. The maximum exposure under these indemnification agreements is unknown, but the Company has had no previous claims or losses and expects the risk of losses to be remote.

Related Parties. Several of the Company's directors, officers and employees serve on the boards of various portfolio companies.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Stock-Based Compensation. Effective April 1, 2003, the Company adopted the fair value method of recording compensation expense related to all stock options granted after March 31, 2003, in accordance with FASB Statement No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123". Accordingly, the fair value of stock options as determined on the date of grant using the Black-Scholes option-pricing model will be expensed over the vesting period of the related stock options. No stock options were granted during the fiscal year ended March 31, 2004.

Prior to April 1, 2003, the Company accounted for its stock-based compensation under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". No stock-based compensation cost is reflected in net asset value, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net asset value and net asset value per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123 to stock-based compensation.

	Years Ended March 31		
	2004	2003	2002
Net asset value, as reported	$290,623,350	$206,466,975	$250,491,042
Deduct: Total fair value computed stock-based compensation	179,440	179,440	59,216
Pro forma net asset value	$290,443,910	$206,287,535	$250,431,826
Net asset value per share:			
Basic - as reported	$75.35	$53.92	$65.42
Basic - pro forma	$75.30	$53.87	$65.40
Diluted - as reported	$75.32	$53.79	$65.20
Diluted- pro forma	$75.27	$53.74	$65.19

The diluted net asset value per share calculation assumes all vested outstanding options for which the market price exceeds the exercise price have been exercised.

2. Valuation of Investments

The consolidated financial statements as of March 31, 2004 and 2003 include securities valued at $357,538,427 (87.9% of the value of the consolidated investment portfolio) and $261,680,466 (91.2% of the value of the consolidated investment portfolio), respectively, whose values have been determined by the Board of Directors in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, these values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

3. Income Taxes

For the tax years ended December 31, 2003, 2002 and 2001, CSC and CSVC qualified to be taxed as regulated investment companies ("RICs") under applicable provisions of the Internal Revenue Code. As RICs, CSC and CSVC must distribute at least 90% of their taxable net investment income (investment company taxable income) and may either distribute or retain their taxable net realized gain on investments (capital gains). Both CSC and CSVC intend to meet the applicable qualifications to be taxed as RICs in future years; however, either company's ability to meet certain portfolio diversification requirements of RICs in future years may not be controllable by such company.

For the year ended December 31, 2003, CSC and CSVC had net investment income for book and tax purposes of $2,308,631 and $693,569, respectively, all of which has been distributed. During 2003, CSC and CSVC had a net capital gain for book purposes of $2,638,095 and $2,676,859, respectively, and a net capital gain for tax purposes of $2,579,248 and $2,669,314, respectively, which were offset by a capital loss carryforward of $4,792,370 and $2,758,084, respectively. As of December 31, 2003, CSC and CSVC had capital loss carryforwards of $2,213,122 (expires 2009-2010) and $88,770 (expires 2009), respectively, which may be used to offset future taxable capital gains.

The aggregate cost of investments for federal income tax purposes as of March 31, 2004 was $100,752,741. Such investments had unrealized appreciation of $335,974,385 and unrealized depreciation of $26,308,215 for book purposes, or net unrealized appreciation of $309,666,170. They had unrealized appreciation of $333,617,078 and unrealized depreciation of $27,420,999 for tax purposes, or net unrealized appreciation of $306,196,079 at March 31, 2004. The difference between book basis and tax basis unrealized appreciation is attributable primarily to interest income that was accrued for tax purposes, but not for book purposes.

CSC and CSVC may not qualify or elect to be taxed as RICs in future years. Therefore, consolidated deferred Federal income taxes of $107,169,000 and $67,790,000 have been provided on net unrealized appreciation of investments of $309,666,170 and $195,598,595 at March 31, 2004 and 2003, respectively. Such appreciation is not included in taxable income until realized. Deferred income taxes on net unrealized appreciation of investments have been provided at the then currently effective maximum Federal corporate tax rate on capital gains of 35% at March 31, 2004 and 2003.

4. Notes Payable

The note payable to bank at March 31, 2004 and 2003 was from an unsecured revolving line of credit of $25,000,000 of which $15,500,000 had been drawn at both March 31, 2004 and 2003. The revolving line of credit bears interest at the bank's base rate less .50% or LIBOR plus 1.25% and matures on July 31, 2004.

The notes payable to portfolio company were demand promissory notes to Skylawn Corporation with interest payable at the greater of prime minus 2.0% or the Applicable Federal Rate established by the Internal Revenue Service. Interest expense on these portfolio company notes was $151,089 in 2004, $75,531 in 2003 and $216,280 in 2002.

5. Employee Stock Option Plan

Under the 1984 Incentive Stock Option Plan, options to purchase -0-, 28,000 and 28,000 shares of common stock at $35.625 per share (the market price at the time of grant) were outstanding and exercisable at March 31, 2004, 2003 and 2002, respectively. During the three years ended March 31, 28,000 options were exercised in 2004, -0- were exercised in 2003 and 14,000 were exercised in 2002. The 1984 Incentive Stock Option Plan expired in 1994.

On July 19, 1999, shareholders approved the 1999 Stock Option Plan ("Plan"), which provides for the granting of stock options to employees and officers of the Company and authorizes the issuance of common stock upon the exercise of such options for up to 140,000 shares of common stock. All options are granted at or above market price and generally expire ten years from the date of grant and are generally exercisable on or after the first anniversary of the date of grant in five to ten annual installments.

At March 31, 2004, there were 85,500 additional shares available for grant under the Plan. The per share weighted average fair value of stock options granted during 2002 was $20.76 on the date of grant using the Black Scholes option-pricing model with the following assumptions: expected dividend yield of ..92%, risk-free interest rate of 5.14%, expected volatility of 20.6%, and expected life of 7 years.

The following summarizes activity in the stock option plans for the years ended March 31, 2004, 2003 and 2002:

	Number of shares	Weighted Average Exercise Price
Balance at April 1, 2001	80,000	$55.856
Granted	44,000	65.239
Exercised	(14,000)	35.625
Forfeited	(27,500)	65.000
Expired	--	--
Balance at March 31, 2002	82,500	58.336
Granted	--	--
Exercised	--	--
Forfeited	--	--
Expired	--	--
Balance at March 31, 2003	82,500	58.336
Granted	--	--
Exercised	(28,000)	35.625
Forfeited	--	--
Expired	--	--
Balance at March 31, 2004	54,500	$70.004

At March 31, 2004, the range of exercise prices and weighted average remaining contractual life of outstanding options was $65.00 - $84.70 and 6.12 years, respectively.

At March 31, 2004, 2003 and 2002, the number of options exercisable was 24,200, 44,750 and 36,100, respectively and the weighted average exercise price of those options was $73.24, $50.61, $45.93, respectively.

6. Employee Stock Ownership Plan

The Company and one of its wholly-owned portfolio companies sponsor a qualified employee stock ownership plan ("ESOP") in which certain employees participate. Contributions to the plan, which are invested in Company stock, are made at the discretion of the Board of Directors. A participant's interest in contributions to the ESOP fully vests after five years of active service. During the three years ended March 31, 2004, the Company made contributions to the ESOP, which were charged against net investment income, of $88,937 in 2004, $44,417 in 2003 and $28,322 in 2002.

7. Retirement Plans

The Company sponsors a qualified defined benefit pension plan which covers its employees and employees of certain of its wholly-owned portfolio companies. The following information about the plan represents amounts and information related to the Company's participation in the plan and is presented as though the Company sponsored a single-employer plan. Benefits are based on years of service and an average of the highest five consecutive years of compensation during the last ten years of employment. The funding policy of the plan is to contribute annual amounts that are currently deductible for tax reporting purposes. No contribution was made to the plan during the three years ended March 31, 2004.

The following tables set forth the qualified plan's benefit obligations and fair value of plan assets at March 31, 2004, 2003 and 2002:

	Years Ended March 31		
	2004	2003	2002
Change in benefit obligation			
Benefit obligation at beginning of year	$ 3,676,599	$ 3,284,463	$ 3,255,669
Service cost	81,309	41,142	58,428
Interest cost	215,511	202,424	207,940
Amendments	--	346,882	--
Actuarial loss	189,566	165,560	94,298
Benefits paid	(363,872)	(363,872)	(331,872)
Benefit obligation at end of year	$ 3,799,113	$ 3,676,599	$ 3,284,463
Change in plan assets			
Fair value of plan assets at beginning of year	$ 6,881,723	$ 9,410,320	$ 8,758,035
Actual return on plan assets	3,512,912	(2,164,725)	984,157
Benefits paid	(363,872)	(363,872)	(331,872)
Fair value of plan assets at end of year	$ 10,030,763	$ 6,881,723	$ 9,410,320

The following table sets forth the qualified plan's funded status and amounts recognized in the Company's consolidated statements of financial condition:

	March 31	
	2004	2003
Actuarial present value of benefit obligations:		
Accumulated benefit obligation	$ (3,403,639)	$ (3,346,711)
Projected benefit obligation for service rendered to date	$ (3,799,113)	$ (3,676,599)
Plan assets at fair value*	10,030,763	6,881,723
Excess of plan assets over the projected benefit obligation	6,231,650	3,205,124
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	275,731	3,023,057
Unrecognized prior service costs	210,351	217,886
Unrecognized net assets being amortized over 20 years	(73,815)	(147,646)
Prepaid pension cost included in other assets	$ 6,643,917	$ 6,298,421

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*Primarily equities and bonds including approximately 28,000 shares of common stock of the Company.

Components of net pension benefit related to the qualified plan include the following:

	Years Ended March 31		
	2004	2003	2002
Service cost - benefits earned during the year	$ 81,309	$ 41,142	$ 58,428
Interest cost on projected benefit obligation	215,511	202,424	207,940
Expected return on assets	(576,020)	(641,722)	(783,467)
Net amortization and deferral	(66,296)	(104,087)	(114,284)
Net pension benefit from qualified plan	$ (345,496)	$ (502,243)	$ (631,383)

The Company also sponsors an unfunded Retirement Restoration Plan, which is a nonqualified plan that provides for the payment, upon retirement, of the difference between the maximum annual payment permissible under the qualified retirement plan pursuant to Federal limitations and the amount which would otherwise have been payable under the qualified plan.

The following table sets forth the Retirement Restoration Plan's benefit obligations at March 31, 2004, 2003 and 2002:

	Years Ended March 31		
	2004	2003	2002
Change in benefit obligation			
Benefit obligation at beginning of year	$ 1,353,386	$ 1,778,496	$ 1,758,214
Service cost	5,464	5,389	8,573
Interest cost	82,683	104,436	113,779
Amendments	--	(347,147)	--
Actuarial (gain) loss	139,839	(20,507)	97,210
Benefits paid	(167,281)	(167,281)	(199,280)
Benefit obligation at end of year	$ 1,414,091	$ 1,353,386	$ 1,778,496

The following table sets forth the status of the Retirement Restoration Plan and the amounts recognized in the consolidated statements of financial condition:

	March 31	
	2004	2003
Projected benefit obligation	$(1,414,091)	$(1,353,386)
Unrecognized net gain from past experience different from that assumed and effects of changes in assumptions	84,867	(54,972)
Unrecognized prior service costs	(270,699)	(286,262)
Accrued pension cost included in other liabilities	$(1,599,923)	$(1,694,620)

The Retirement Restoration Plan expenses recognized during the years ended March 31, 2004, 2003 and 2002 of $72,584, $114,320 and $126,847, respectively, are offset against the net pension benefit from the qualified plan.

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 5.75% and 5.0%, respectively, at March 31, 2004, 6.0% and 5.0%, respectively, at March 31, 2003 and 6.5% and 5.0%, respectively, at March 31, 2002. The expected long-term rate of return used to project estimated earnings on plan assets for the qualified plan was 6.0% for the years ended March 31, 2004 and March 31, 2003 and 7.5% for the year ended March 31, 2002. The calculations also assume retirement at age 65, the normal retirement age.

8. Commitments

The Company has agreed, subject to certain conditions, to invest up to $2,700,025 in six portfolio companies.

The Company leases office space under an operating lease which requires base annual rentals of approximately $75,000 through February, 2008. For the three years ended March 31, total rental expense charged to investment income was $74,122 in 2004, $60,482 in 2003 and $58,984 in 2002.

9. Sources of Income

Income was derived from the following sources:

Years Ended March 31	Investment Income			Realized Gain (Loss) on Investments Before Income Taxes
	Interest	Dividends	Other Income	
2004				
Companies more than 25% owned	$ --	$ 3,577,800	$ 629,000	$ --
Companies 5% to 25% owned	--	--	3,864	(188,900)
Companies less than 5% owned	203,304	283,137	--	12,791,779
Other sources, including temporary investments	10,683	--	--	--
	$ 213,987	$ 3,860,937	$ 632,864	$ 12,602,879
2003				
Companies more than 25% owned	$ 5,600	$ 3,073,770	$494,900	$ --
Companies 5% to 25% owned	--	--	--	(47,525)
Companies less than 5% owned	180,000	287,220	1,000	2,054,637
Other sources, including temporary investments	18,890	--	--	--
	$ 204,490	$ 3,360,990	$ 495,900	$ 2,007,112
2002				
Companies more than 25% owned	$ 39,200	$ 2,996,591	$ 487,400	$ --
Companies 5% to 25 owned	99,041	--	--	--
Companies less than 5% owned	133,549	297,042	43,000	(762,114)
Other sources, including temporary investments	50,731	--	--	--
	$ 322,521	$ 3,293,633	$ 530,400	$ (762,114)

Selected Per Share Data and Ratios

Per Share Data	2004	2003	2002	2001	2000
	Years Ended March				
Investment income	$ 1.22	$ 1.06	$ 1.08	$ 1.06	$ .86
Operating expenses	(.39)	(.30)	(.27)	(.26)	(.27)
Interest expense	(.14)	(.12)	(.24)	(.30)	(.12)
Income taxes	(.02)	(.04)	(.04)	(.05)	(.03)
Net investment income	.67	.60	.53	.45	.44
Distributions from undistributed net investment income	(.60)	(.60)	(.60)	(.60)	(.60)
Net realized gain (loss) on investments	2.13	.35	(.14)	(.85)	1.58
Net increase (decrease) in unrealized appreciation of investments after deferred taxes	19.37	(11.85)	6.31	(1.69)	(6.49)
Exercise of employee stock options*	(.14)	--	(.08)	--	--
Increase (decrease) in net asset value	21.43	(11.50)	6.02	(2.69)	(5.07)
Net asset value					
Beginning of year	53.92	65.42	59.40	62.09	67.16
End of year	$ 75.35	$ 53.92	$ 65.42	$ 59.40	$ 62.09
Increase (decrease) in deferred taxes on unrealized appreciation	$ 10.09	$ (6.35)	$ 3.26	$ (1.01)	$ (3.49)
Deferred taxes on unrealized appreciation:					
Beginning of year	17.70	24.05	20.79	21.80	25.29
End of year	$ 27.79	$ 17.70	$ 24.05	$ 20.79	$ 21.80
Ratios and Supplemental Data					
Ratio of operating expenses to average net assets	.63%	.52%	.42%	.42%	.42%
Ratio of operating expenses to average net assets plus average deferred taxes on unrealized appreciation	.47%	.39%	.31%	.31%	.31%
Ratio of net investment income to average net assets	1.09%	1.04%	.85%	.74%	.67%
Portfolio turnover rate	3.74%	1.53%	1.05%	2.56%	4.26%
Net asset value total return	41.16%	(16.75%)	11.18%	(3.25%)	(5.12%)
Shares outstanding at end of period (000s omitted)	3,857	3,829	3,829	3,815	3,815

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* Net decrease is due to the exercise of employee stock options at prices less than beginning of period net asset value.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Capital Southwest Corporation:

We have audited the accompanying consolidated statement of financial condition of Capital Southwest Corporation and subsidiaries, including the portfolio of investments on pages 10-14, as of March 31, 2004, and the related consolidated statements of operations, changes in net assets, and cash flows, and the selected per share data and ratios on page 26 for the year then ended. These financial statements and per share data and ratios are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and per share data and ratios based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. Our procedures included verification by examination of securities held by the custodian as of March 31, 2004 and confirmation of securities not held by the custodian by correspondence with others. 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 audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements and the selected per share data and ratios referred to above present fairly, in all material respects, the consolidated financial position of Capital Southwest Corporation and subsidiaries at March 31, 2004, the consolidated results of its operations, changes in its net assets, and its cash flows, and the selected per share data and ratios for the year then ended, in conformity with U.S. generally accepted accounting principles.

ERNST & YOUNG LLP

Dallas, Texas
May 12, 2004

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Capital Southwest Corporation:

We have audited the accompanying consolidated statement of financial condition of Capital Southwest Corporation and subsidiaries as of March 31, 2003, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the two-year period ended March 31, 2003, and the selected per share data and ratios for each of the years in the four-year period ended March 31, 2003. These consolidated financial statements and per share data and ratios are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and per share data and ratios based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 and selected per share data and ratios referred to above present fairly, in all material respects, the financial position of Capital Southwest Corporation and subsidiaries as of March 31, 2003, the results of their operations, the changes in their net assets and their cash flows for each of the years in the two-year period ended March 31, 2003, and the selected per share data and ratios for each of the years in the four-year period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Dallas, Texas
April 25, 2003

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Results of Operations

The composite measure of the Company's financial performance in the Consolidated Statements of Operations is captioned "Increase (decrease) in net assets from operations" and consists of three elements. The first is "Net investment income", which is the difference between the Company's income from interest, dividends and fees and its combined operating and interest expenses, net of applicable income taxes. The second element is "Net realized gain (loss) on investments", which is the difference between the proceeds received from disposition of portfolio securities and their stated cost, net of applicable income tax expense. The third element is the "Net increase (decrease) in unrealized appreciation of investments", which is the net change in the market or fair value of the Company's investment portfolio, compared with stated cost, net of an increase or decrease in deferred income taxes which would become payable if the unrealized appreciation were realized through the sale or other disposition of the investment portfolio. It should be noted that the "Net realized gain (loss) on investments" and "Net increase (decrease) in unrealized appreciation of investments" are directly related in that when an appreciated portfolio security is sold to realize a gain, a corresponding decrease in net unrealized appreciation occurs by transferring the gain associated with the transaction from being "unrealized" to being "realized." Conversely, when a loss is realized on a depreciated portfolio security, an increase in net unrealized appreciation occurs.

Net Investment Income

The Company's principal objective is to achieve capital appreciation. Therefore, a significant portion of the investment portfolio is structured to maximize the potential return from equity participation and provides minimal current yield in the form of interest or dividends. The Company also earns interest income from the short-term investment of cash funds, and the annual amount of such income varies based upon the average level of funds invested during the year and fluctuations in short-term interest rates. During the three years ended March 31, the Company had interest income from temporary cash investments of $10,247 in 2004, $17,346 in 2003 and $48,877 in 2002. The Company also receives management fees from its wholly-owned portfolio companies which aggregated $597,000 in 2004 and $458,400 in 2003 and 2002. During the three years ended March 31, 2004, the Company recorded dividend income from the following sources:

	Years Ended March 31		
	2004	2003	2002
AT&T Corp.	$ 23,984	$ 19,987	$ 19,987
Alamo Group Inc.	677,112	677,112	677,112
Balco, Inc.	252,960	--	--
Dennis Tool Company	49,999	49,999	49,999
Kimberly-Clark Corporation	109,596	95,703	87,985
The RectorSeal Corporation	1,407,729	960,000	960,000
Skylawn Corporation	950,000	1,146,659	1,069,480
TCI Holdings, Inc.	81,270	81,270	81,270
Texas Shredder, Inc.	7,500	33,667	44,506
The Whitmore Manufacturing Company .	240,000	240,000	240,000
Other	60,787	56,593	63,294
	$3,860,937	$3,360,990	$3,293,633

Total operating expenses, excluding interest expense, increased by $350,160 or 30.5% and by $126,524 or 12.4% during the years ended March 31, 2004 and 2003, respectively. Due to the nature of its business, the majority of the Company's operating expenses are related to employee and director compensation, office expenses, legal and accounting fees and the net pension benefit. Interest expense decreased by $452,611 during the year ended March 31, 2003 due to a decrease in interest rates and the payoff of the subordinated debenture on June 3, 2002. For the year ended March 31, 2002, interest expense decreased by $214,965 due to a decrease in interest rates.

Net Realized Gain (Loss) on Investments

Net realized gain on investments was $8,191,872 (after income tax expense of $4,411,007) during the year ended March 31, 2004, compared with a gain of $1,345,728 (after income tax expense of $661,384) during 2003 and a loss of $537,934 (after income tax benefit of $224,180) during 2002. Management does not attempt to maintain a comparable level of realized gains from year to year, but instead attempts to maximize total investment portfolio appreciation. This strategy often dictates the long-term holding of portfolio securities in pursuit of increased values and increased unrealized appreciation, but may at opportune times dictate realizing gains or losses through the disposition of certain portfolio investments.

Net Increase (Decrease) in Unrealized Appreciation of Investments

For the three years ended March 31, the Company recorded an increase (decrease) in unrealized appreciation of investments before income taxes of $114,067,574, $(69,688,616) and $36,971,348 in 2004, 2003 and 2002, respectively. As explained in the first paragraph of this discussion and analysis, the realization of gains or losses results in a corresponding decrease or increase in unrealized appreciation of investments. Set forth in the following table are the significant increases and decreases in unrealized appreciation (before the related change in deferred income taxes and excluding the effect of gains or losses realized during the year) by portfolio company for securities held at the end of each year.

	Years Ended March 31		
	2004	2003	2002
Alamo Group Inc.	$ 8,464,000	$ (8,464,000)	$ 2,821,000
All Components, Inc.	2,900,000	--	(50,000)
AmPro Mortgage Corporation	(2,529,167)	--	--
Concert Industries Ltd.	(442,998)	(5,479,000)	(3,740,000)
Encore Wire Corporation	46,316,000	(10,898,000)	10,898,000
Extreme International, Inc. ..	4,613,661	551,750	--
Mail-Well, Inc.	5,115,674	(2,557,926)	(524,000)
Media Recovery, Inc.	7,000,000	--	(8,000,000)
Organized Living, Inc.	--	(2,999,999)	(3,000,000)
Palm Harbor Homes, Inc.	15,710,000	(39,275,000)	31,420,000
PETsMART, Inc.	4,335,000	(436,051)	5,298,343
The RectorSeal Corporation	5,000,000	5,000,000	2,500,000
Texas Capital Bancshares, Inc.	6,110,352	--	--

As shown in the above table for the year ended March 31, 2004, we sustained a major $46,316,000 increase in the value of our investment in Encore Wire Corporation. This was due to the significant increase in Encore's sales and earnings which stemmed partly from higher copper prices. In the prior period, we experienced a $10,898,000 decline in the value of our investment as overcapacity in the electric wire and cable industry led to intense price competition and lower profit margins. During the year ended March 31, 2004, the value of our investment in Palm Harbor Homes, Inc. increased by $15,710,000 due to anticipated improvement of the manufactured housing industry resulting from substantially reduced inventories of foreclosed homes and reappearance of sources of chattel mortgage financing. In the prior period, the value of our investment decreased by $39,275,000 due to the unfavorable outlook for the manufactured housing industry.

A description of the investments listed above and other material components of the investment portfolio is included elsewhere in this report under the caption "Portfolio of Investments - March 31, 2004."

Deferred Taxes on Unrealized Appreciation of Investments

The Company provides for deferred Federal income taxes on net unrealized appreciation of investments. Such taxes would become payable at such time as unrealized appreciation is realized through the sale or other disposition of those components of the investment portfolio which would result in taxable transactions. At March 31, 2004 consolidated deferred Federal income taxes of $107,169,000 were provided on net unrealized appreciation of investments of $309,666,170 compared with deferred taxes of $67,790,000 on net unrealized appreciation of $195,598,595 at March 31, 2003. Deferred income taxes at March 31, 2004 and 2003 were provided at the then currently effective maximum Federal corporate tax rate on capital gains of 35%.

Portfolio Investments

During the year ended March 31, 2004, the Company invested $12,458,840 in various portfolio securities listed elsewhere in this report under the caption "Portfolio Changes During the Year," which also lists dispositions of portfolio securities. During the 2003 and 2002 fiscal years, the Company invested a total of $11,904,639 and $3,545,458, respectively.

Financial Liquidity and Capital Resources

At March 31, 2004, the Company had cash and cash equivalents of approximately $10.2 million. Pursuant to Small Business Administration ("SBA") regulations, cash and cash equivalents of $0.2 million held by CSVC may not be transferred or advanced to CSC without the consent of the SBA. Under current SBA regulations and subject to SBA's approval of its credit application, CSVC would be entitled to borrow up to $64.5 million. The Company also has an unsecured $25,000,000 revolving line of credit from a commercial bank, of which $9,500,000 was available at March 31, 2004. With the exception of a capital gain distribution made in the form of a distribution of the stock of a portfolio company in the fiscal year ended March 31, 1996, the Company has elected to retain all gains realized during the past 36 years. Retention of future gains is viewed as an important source of funds to sustain the Company's investment activity. Approximately $49.4 million of the Company's investment portfolio is represented by unrestricted publicly-traded securities, which have an ascertainable market value and represent a source of liquidity.

Funds to be used by the Company for operating or investment purposes may be transferred in the form of dividends, management fees or loans from Skylawn Corporation, The RectorSeal Corporation and The Whitmore Manufacturing Company, wholly-owned portfolio companies of the Company, to the extent of their available cash reserves and borrowing capacities. At March 31, 2004, the Company owed $5,000,000 to Skylawn Corporation.

Management believes that the Company's cash and cash equivalents and cash available from other sources described above are adequate to meet its expected requirements. Consistent with the long-term strategy of the Company, the disposition of investments from time to time may also be an important source of funds for future investment activities.

Contractual Obligations

As shown below, the Company had the following contractual obligations as of March 31, 2004. For further information see Note 4 and Note 8 of the Consolidated Financial Statements.

	Payments Due By Period ($ in Thousands)				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-Term Debt Obligations	$20,500	$20,500	--	--	--
Capital Lease Obligations	--	--	--	--	--
Operating Lease Obligations	--	--	$75	$75	--
Purchase Obligations	--	--	--	--	--
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under GAAP	--	--	--	--	--
Total	$20,500	$20,500	$75	$75	--

Critical Accounting Policies

Valuation of Investments

In accordance with the Investment Company Act of 1940, investments in unrestricted securities (freely marketable securities having readily available market quotations) are valued at market and investments in restricted securities (securities subject to one or more resale restrictions) are valued at fair value determined in good faith by the Company's Board of Directors. Under the valuation policy of the Company, unrestricted securities are valued at the closing sale price for listed securities and at the lower of the closing bid price or the last sale price for Nasdaq securities on the valuation date. Restricted securities, including securities of publicly-owned companies which are subject to restrictions on resale, are valued at fair value, which is considered to be the amount the Company may reasonably expect to receive if such securities were sold on the valuation date. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities.

Among the factors considered by the Board of Directors in determining the fair value of restricted securities are the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, the market for and recent sales prices of the issuer's securities, the values of similar securities issued by companies in similar businesses, the proportion of the issuer's securities owned by the Company, the nature and duration of resale restrictions and the nature of any rights enabling the Company to require the issuer to register restricted securities under applicable securities laws. In determining the fair value of restricted securities the Board of Directors considers the inherent value of such securities without regard to the restrictive feature and adjusts for any diminution in value resulting from restrictions on resale.

Deferred Income Taxes

In future years, the Company may not qualify or elect to be taxed as a regulated investment company ("RIC") under applicable provisions of the Internal Revenue Code. Therefore, deferred Federal income taxes have been provided on net unrealized appreciation of investments at the then currently effective corporate tax rate on capital gains.

Impact of Inflation

The Company does not believe that its business is materially affected by inflation, other than the impact which inflation may have on the securities markets, the valuations of business enterprises and the relationship of such valuations to underlying earnings, all of which will influence the value of the Company's investments.

Risks

Pursuant to Section 64(b)(1) of the Investment Company Act of 1940, a business development company is required to describe the risk factors involved in an investment in the securities of such company due to the nature of the company's investment portfolio. Accordingly the Company states that:

The Company's objective is to achieve capital appreciation through investments in businesses believed to have favorable growth potential. Such businesses are often undercapitalized small companies which lack management depth and have not yet attained profitability. The Company's venture investments often include securities which do not yield interest or dividends and are subject to legal or contractual restrictions on resale, which restrictions adversely affect the liquidity and marketability of such securities.

Because of the speculative nature of the Company's investments and the lack of any market for the securities initially purchased by the Company, there is a significantly greater risk of loss than is the case with traditional investment securities. The high-risk, long-term nature of the Company's venture investment activities may prevent shareholders of the Company from achieving price appreciation and dividend distributions.

Selected Consolidated Financial Data
(all figures in thousands except per share data)

	1994	1995	1996	1997	1998	1999
Financial Position (as of March 31)						
Investments at cost	$ 41,993	$ 49,730	$ 58,544	$ 59,908	$ 61,154	$ 73,580
Unrealized appreciation	132,212	153,031	198,386	233,383	340,132	276,698
Investments at market or fair value	174,205	202,761	256,930	293,291	401,286	350,278
Total assets	270,874	213,811	326,972	310,760	522,324	360,786
Notes payable *	15,000	11,000	11,000	5,000	5,000	5,000
Deferred taxes on unrealized appreciation	45,932	53,247	69,121	81,313	118,674	96,473
Net assets	133,053	147,370	189,048	218,972	296,023	256,232
Shares outstanding	3,715	3,735	3,767	3,767	3,788	3,815
Changes in Net Assets (years ended March 31)						
Net investment income	$ 2,870	$ 2,447	$ 2,855	$ 2,574	$ 2,726	$ 1,762
Net realized gain (loss) on investments	(475)	142	11,174	6,806	6,485	995
Net increase (decrease) in unrealized appreciation before distributions	11,160	13,584	38,746	22,804	69,388	(41,233)
Increase (decrease) in net assets from operations before distributions	13,555	16,173	52,775	32,184	78,599	(38,476)
Cash dividends paid	(2,228)	(2,241)	(2,270)	(2,260)	(2,268)	(2,280)
Securities distributed	--	--	(9,402)	--	--	--
Employee stock options exercised	272	385	575	--	720	965
Increase (decrease) in net assets	11,599	14,317	41,678	29,924	77,051	(39,791)
Per Share Data (as of March 31)						
Deferred taxes on unrealized appreciation	$ 12.36	$ 14.26	$ 18.35	$ 21.59	$ 31.33	$ 25.29
Net assets	35.81	39.46	50.18	58.13	78.15	67.16
Closing market price	38.125	38.00	60.00	67.875	94.00	73.00
Cash dividends paid	.60	.60	.60	.60	.60	.60
Securities distributed	--	--	2.50	--	--	--

* Excludes quarter-end borrowing which is repaid on the first business day after year end.

Selected Consolidated Financial Data (continued)
(all figures in thousands except per share data)

	2000	2001	2002	2003	2004
Financial Position (as of March 31)					
Investments at cost	$ 85,002	$ 87,602	$ 82,194	$ 91,462	$ 97,283
Unrealized appreciation	238,627	228,316	265,287	195,598	309,666
Investments at market or fair value	323,629	315,918	347,481	287,060	406,949
Total assets	392,586	322,668	357,183	298,490	423,979
Notes payable *	10,000	16,000	14,000	23,000	20,500
Deferred taxes on unrealized appreciation	83,151	79,310	92,107	67,790	107,169
Net assets	236,876	226,609	250,491	206,467	290,623
Shares outstanding	3,815	3,815	3,829	3,829	3,857
Changes in Net Assets (years ended March 31)					
Net investment income	$ 1,663	$ 1,723	$ 2,042	$ 2,299	$ 2,587
Net realized gain (loss) on investments	6,020	(3,231)	(538)	1,346	8,192
Net increase (decrease) in unrealized appreciation before distributions	(24,750)	(6,470)	24,174	(45,372)	74,689
Increase (decrease) in net assets from operations before distributions	(17,067)	(7,978)	25,678	(41,727)	85,468
Cash dividends paid	(2,289)	(2,289)	(2,295)	(2,297)	(2,309)
Securities distributed	--	--	--	--	--
Employee stock options exercised	--	--	499	--	997
Increase (decrease) in net assets	(19,356)	(10,267)	23,882	(44,024)	84,156
Per Share Data (as of March 31)					
Deferred taxes on unrealized appreciation	$ 21.80	$ 20.79	$ 24.05	$ 17.70	$ 27.79
Net assets	62.09	59.40	65.42	53.92	75.35
Closing market price	54.75	65.00	68.75	48.15	75.47
Cash dividends paid	.60	.60	.60	.60	.60
Securities distributed	--	--	--	--	--

* Excludes quarter-end borrowing which is repaid on the first business day after year end.

Shareholder Information

Stock Transfer Agent

American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10038 (telephone 800-937-5449) serves as transfer agent for the Company's common stock. Certificates to be transferred should be mailed directly to the transfer agent, preferably by registered mail.

Shareholders

The Company had approximately 700 record holders of its common stock at March 31, 2004. This total does not include an estimated 2,300 shareholders with shares held under beneficial ownership in nominee name or within clearinghouse positions of brokerage firms or banks.

Market Prices

The Company's common stock trades on The Nasdaq Stock Market under the symbol CSWC. The following high and low selling prices for the shares during each quarter of the last two fiscal years were taken from quotations provided to the Company by Nasdaq:

Quarter Ended	High	Low
June 30, 2002	$79.24	$66.31
September 30, 2002	70.25	58.00
December 31, 2002	60.24	45.35
March 31, 2003	53.00	43.00

Quarter Ended	High	Low
June 30, 2003	$66.75	$ 47.26
September 30, 2003	60.00	53.31
December 31, 2003	64.75	56.35
March 31, 2004	78.00	61.15

Dividends

The payment dates and amounts of cash dividends per share since April 1, 2002 are as follows:

Payment Date	Cash Dividend
May 31, 2002	$0.20
November 29, 2002	0.40
May 30, 2003	0.20
November 28, 2003	0.40
May 28, 2004	0.20

The amounts and timing of cash dividend payments have generally been dictated by requirements of the Internal Revenue Code regarding the distribution of taxable net investment income (ordinary income) of regulated investment companies. Instead of distributing realized long-term capital gains to shareholders, the Company has ordinarily elected to retain such gains to fund future investments.

Automatic Dividend Reinvestment and Optional Cash Contribution Plan

As a service to its shareholders, the Company offers an Automatic Dividend Reinvestment and Optional Cash Contribution Plan for shareholders of record who own a minimum of 25 shares. The Company pays all costs of administration of the Plan except brokerage transaction fees. Upon request, shareholders may obtain information on the Plan from the Company, 12900 Preston Road, Suite 700, Dallas, Texas 75230. Telephone (972) 233-8242. Questions and answers about the Plan are on the next page.

Annual Meeting

The Annual Meeting of Shareholders of Capital Southwest Corporation will be held on Monday, July 19, 2004, at 10:00 a.m. in the North Dallas Bank Tower Meeting Room (first floor), 12900 Preston Road, Dallas, Texas.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-43881) pertaining to Capital Southwest Corporation of our report dated May 12, 2004, with respect to the consolidated financial statements of Capital Southwest Corporation included in the March 31, 2004 Annual Report to Shareholders of Capital Southwest Corporation and incorporated by reference in this Annual Report (Form 10-K) for the year ended March 31, 2004.

Ernst & Young LLP

June 11, 2004
Dallas, Texas

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Capital Southwest Corporation:

We consent to the incorporation by reference in the registration statement (No. 33-43881) on Form S-8 of Capital Southwest Corporation of our report dated April 25, 2003, with respect to the consolidated statement of financial condition of Capital Southwest Corporation and subsidiaries as of March 31, 2003, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the two-year period ended March 31, 2003, and the selected per share data and ratios for each of the years in the four-year period ended March 31, 2003, which report appears in the annual report to shareholders for the year ended March 31, 2004, and is incorporated by reference in the March 31, 2004 annual report on Form 10-K of Capital Southwest Corporation.

KPMG LLP

Dallas, Texas
June 11, 2004

Exhibit 31.1

CERTIFICATIONS

I, William R. Thomas, President and Chairman of the Board of Capital Southwest Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Capital Southwest Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 11, 2004

By: /s/ William R. Thomas
William R. Thomas, President and Chairman of the Board

Exhibit 31.2

CERTIFICATIONS

I, Susan K. Hodgson, Secretary-Treasurer of Capital Southwest Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Capital Southwest Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 11, 2004

By: /s/ Susan K. Hodgson

Susan K. Hodgson, Secretary-Treasurer

Exhibit 32.1

Certification of President and Chairman of the Board

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

I, William R. Thomas, President and Chairman of the Board of Capital Southwest Corporation, certify that to my knowledge:

1. the Form 10-K, filed with the Securities and Exchange Commission on June 11, 2004 ("accompanied report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

/s/ William R. Thomas

William R. Thomas
President and Chairman of the Board
June 11, 2004

Exhibit 32.2

Certification of Secretary-Treasurer

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

I, Susan K. Hodgson, Secretary-Treasurer of Capital Southwest Corporation, certify that to my knowledge:

1. the Form 10-K, filed with the Securities and Exchange Commission on June 11, 2004 ("accompanied report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

/s/ Susan K. Hodgson

Susan K. Hodgson
Secretary-Treasurer
June 11, 2004