J-POWER

Electric Power Development Co., Ltd.

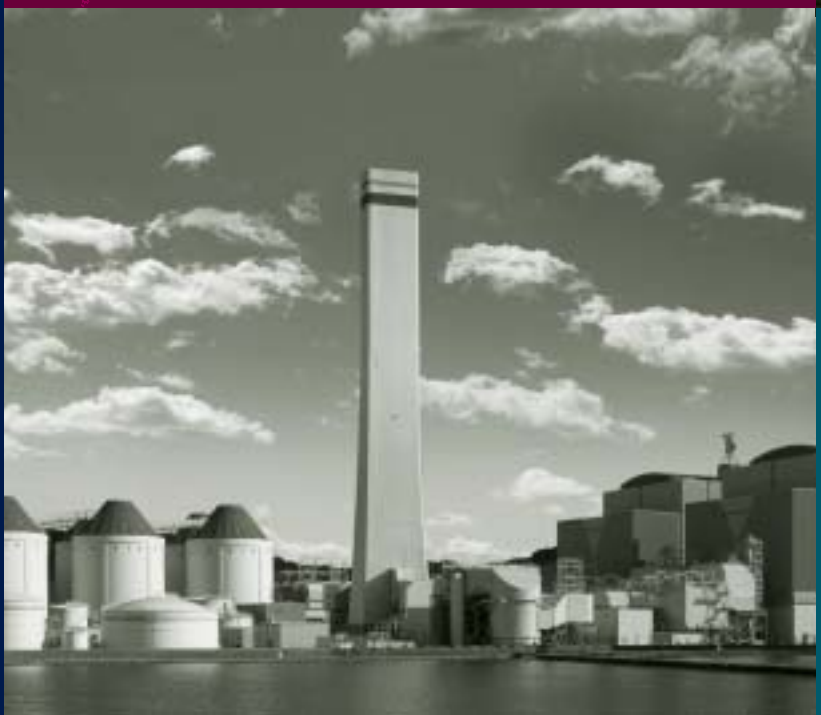
Annual Report

2004

Powering Tomorrow Today

Thermal Power, Hydropower and Transmission

Expanding Business Opportunities



Profile

J-POWER (Electric Power Development Co., Ltd.) was established in 1952 to increase Japan's electricity supplies. Since then, J-POWER has endeavored to provide stable supplies of power, essential for lifestyles and economic activities. The Company focuses on developing power sources and building transmission lines, and sells electricity to Japan's 10 major electric power companies (EPCOs) through hydroelectric and coal-fired thermal power stations that it builds and operates. J-POWER has stabilized supplies and enhanced efficiency by constructing a nationwide network of extra-high-voltage transmission lines for EPCOs.

Since 1960, J-POWER has provided electric power consulting services, participated in thermal and hydroelectric power development initiatives, and conducted surveys, designs and construction management on environmental issues in 59 countries. In recent years, it has diversified its international operations to encompass independent power producer (IPP) projects.

J-POWER responded to the cabinet's June 1997 decision to privatize its operations by overhauling its business structure, downsizing personnel and reinforcing its financial position. The Company completed the privatization process in October 2004, when it listed on the First Section of the Tokyo Stock Exchange.

Corporate Philosophy

We aim to ensure constant supplies of energy to contribute to the sustainable development of Japan and the rest of the world.

Sincerity and pride underlie all our corporate activities.
We build community trust by harmonizing our operations with the environment.
Profits are a growth source, and we share the benefits with society.
We continuously refine our knowledge and technologies to be a leader in these areas.
We meet the challenges of tomorrow by harnessing our unique skills and enthusiasm.

Contents

Forward-Looking Statements

Statements in this annual report, other than those of historical fact, are forward-looking statements about the future performance of J-POWER that are based on management's assumptions and beliefs in light of information currently available, and involve both known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

Financial Highlights

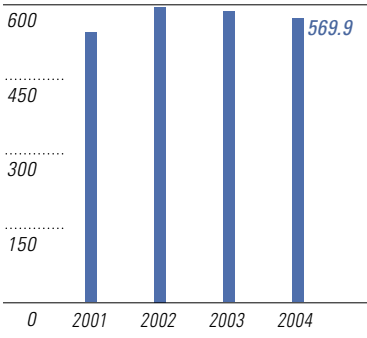
For the years ended March 31

Consolidated Data	Millions of yen				Thousands of U.S. dollars (Note)
	2001	2002	2003	2004	2004
Operating revenues	¥ 541,592	¥ 593,343	¥ 584,122	¥ 569,854	$ 5,391,750
Operating income	117,313	119,590	134,201	132,138	1,250,248
Net income	17,838	17,638	20,725	27,623	261,365
Total shareholders' equity	138,868	152,304	168,301	359,645	3,402,834
Total assets	2,420,661	2,314,720	2,195,897	2,076,107	19,643,371
Net cash provided by operating activities	145,835	200,708	167,368	179,948	1,702,608
Net cash used in investing activities	(166,942)	(77,248)	(11,030)	(64,507)	(610,349)
Free cash flow	(21,107)	123,460	156,338	115,441	1,092,259
Net cash (used in) provided by financing activities	22,127	(125,572)	(117,709)	(147,516)	(1,395,745)

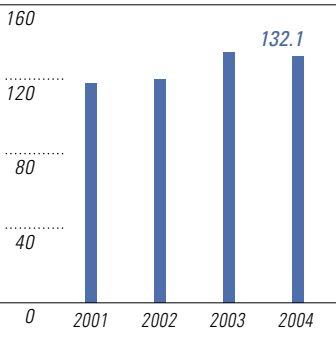
Notes: 1. The translation of the Japanese yen amounts into U.S. dollars uses the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2004, which was ¥105.69 = US$1.00.

2. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

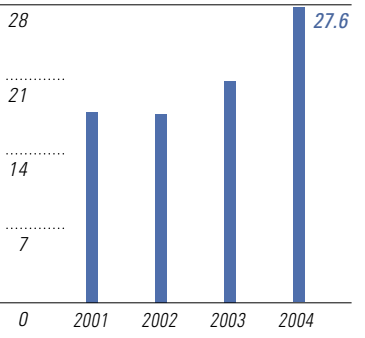
Operating Revenues
(Billions of yen)



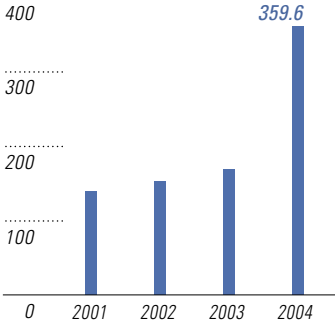
Operating Income
(Billions of yen)



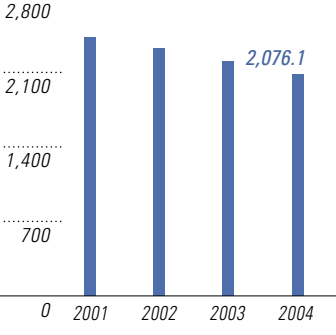
Net Income
(Billions of yen)



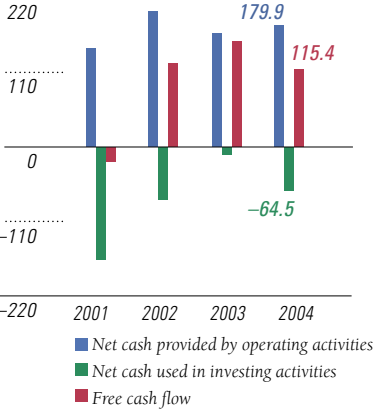
Total Shareholders' Equity
(Billions of yen)



Total Assets
(Billions of yen)



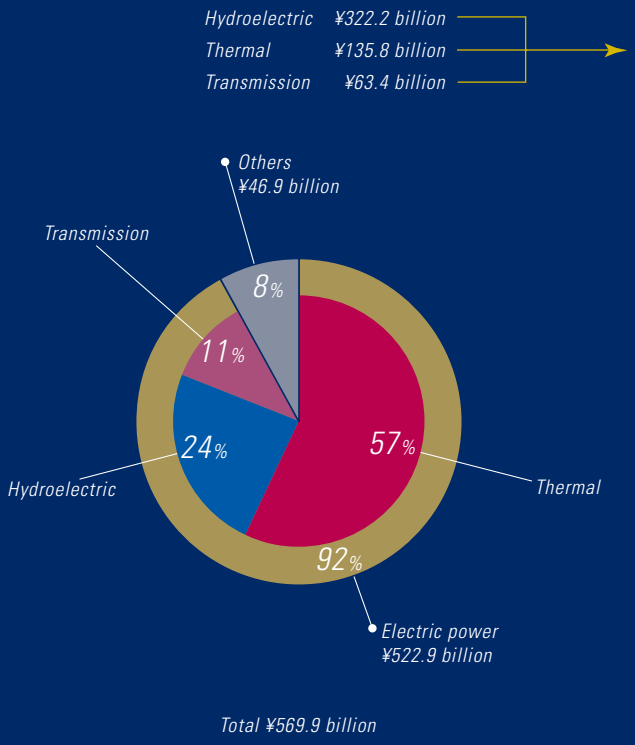
Cash Flows
(Billions of yen)



Operating Data

Composition of Operating Revenues

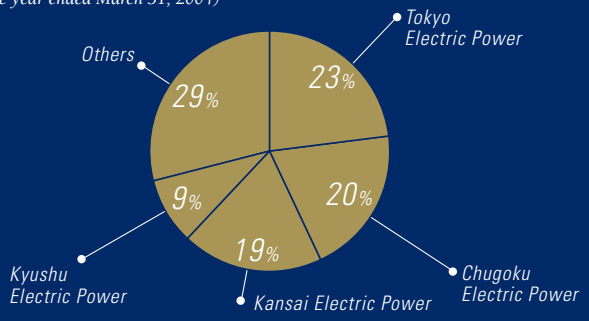
(For the year ended March 31, 2004)



Total ¥569.9 billion

Revenues from Electric Power Sales and Transmission by Customer

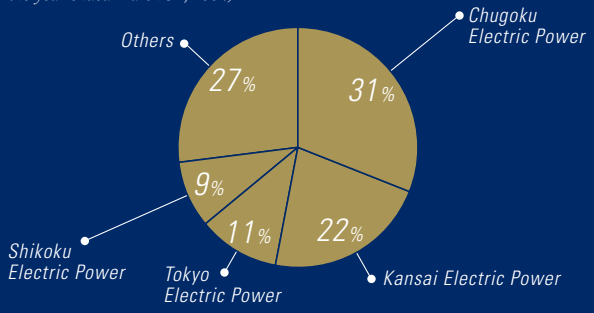
(For the year ended March 31, 2004)



Total ¥521.3 billion

Electric Power Sales Volume

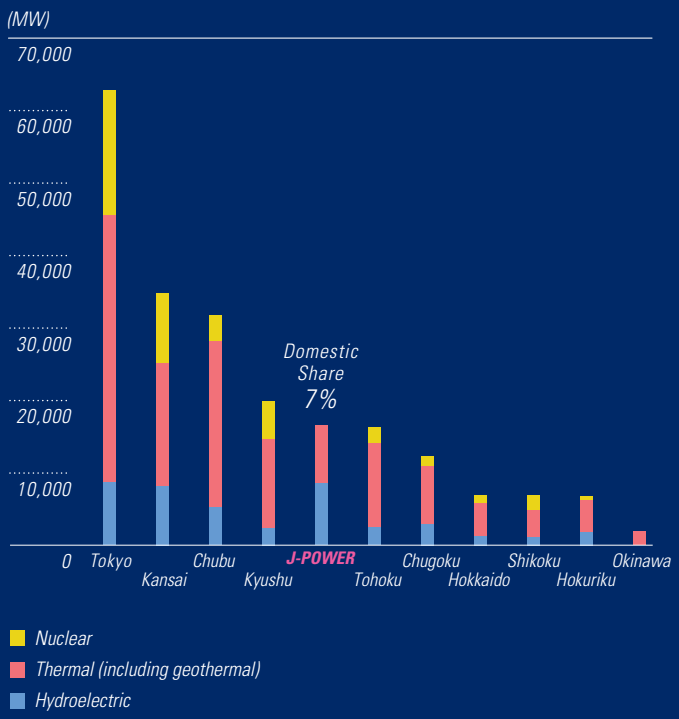
(For the year ended March 31, 2004)



Total 59,305 GWh

Power Generation Capacity of J-POWER and Japan's 10 EPCOs

(As of March 31, 2004)



Facilities

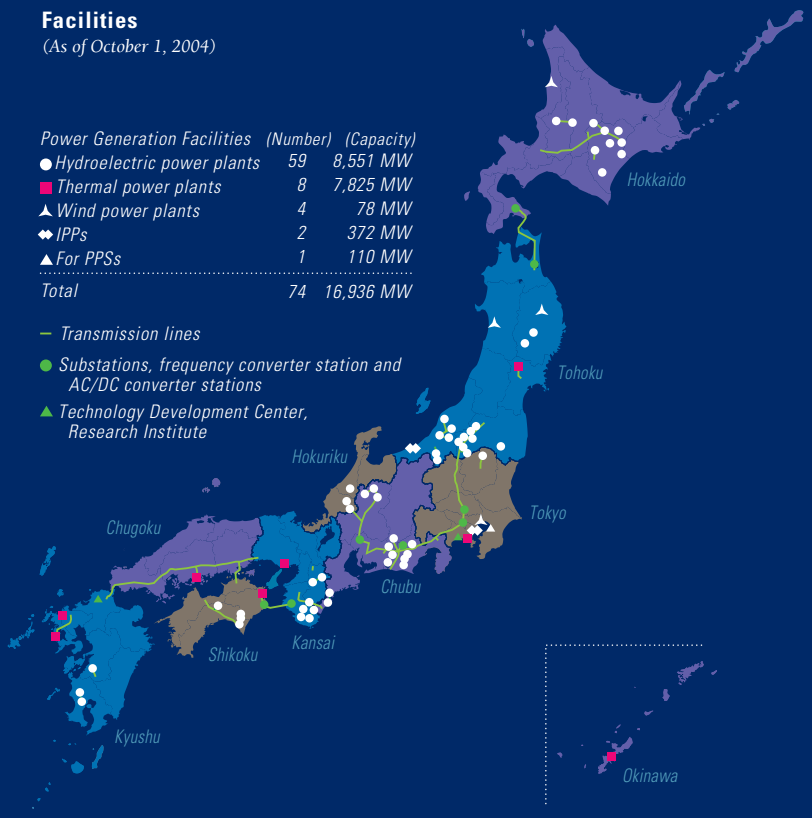
(As of October 1, 2004)

Power Generation Facilities	(Number)	(Capacity)
● Hydroelectric power plants	59	8,551 MW
■ Thermal power plants	8	7,825 MW
▲ Wind power plants	4	78 MW
◆◆ IPPs	2	372 MW
▲ For PPSs	1	110 MW
Total	74	16,936 MW

— Transmission lines

● Substations, frequency converter station and AC/DC converter stations

▲ Technology Development Center, Research Institute



On October 6, 2004, J-POWER completed the long process of privatization by listing on the First Section of the Tokyo Stock Exchange.

Since its establishment in 1952, J-POWER has developed power sources and built transmission lines to ensure stable supplies of the electricity that is so essential to lifestyles. Japan is now one of the world's largest power markets and is harnessing deregulation to gradually overhaul the electric power business. We will meet expectations in playing a key role in the new framework while making significant advances as a private entity.

J-POWER's Competitive Advantages

Our core business is power wholesaling, which entails constructing and managing hydroelectric and thermal generation, transmission and substation facilities, supplying and wheeling electricity to power companies based on long-term contracts. So, our prime strength is that we are the only large-scale wholesale power company in Japan. At March 31, 2004, our facilities accounted for 22% and 19% of Japan's coal-fired and hydroelectric power generation capacity and roughly 7% of the national total. This made us the country's fifth largest electricity producer after Tokyo Electric Power Co., Inc., Kansai Electric Power Co., Inc., Chubu Electric Power Co., Inc., and Kyushu Electric Power Co., Inc.

Our second strength is our solid core businesses, which allow us to play a central role in Japan's electricity network. We are highly cost-competitive in coal-fired thermal power, and can deliver hydroelectric power to cover demand peaks. We are also Japan's only company with nationwide power plants and transmission and substation facilities.

A third strength is that we can consistently generate ample cash flows through our long-term supply arrangements with the nation's 10 EPCOs.

Yoshihiko Nakagaki, President

We are also unique. Having accumulated a wealth of expertise from specializing in the wholesale power business in Japan for more than 50 years, we are using our knowledge to steadily expand internationally.

Stable Revenues and Improving Financial Position

In the fiscal year ended March 31, 2004, consolidated operating revenues dipped 2.4%, to ¥569.9 billion. This was largely because we cut hydroelectric and transmission fees and revised long-term fees for thermal power. Revenues were nonetheless ample in management's view. Net income surged 33.3%, to ¥27.6 billion, the second straight rise. This growth stems from efforts we have taken over the past few years to slash costs while steadily lowering interest-bearing debt.

After the Japanese government finalized plans to privatize our operations, we accorded top priority to improving our equity ratio, reducing debt and otherwise reinforcing our financial position. Additionally, pursuant to discussions with the government,

we issued ¥163.7 billion in new shares in December 2003. This injection allowed us to greatly enhance our financial position. In the year to March 31, 2004, we decreased our debt-to-equity ratio from 11.3 times to 4.4 times, and raised the equity ratio from 7.7% to 17.3%.

Two Strategies for Certain Growth

We are pursuing two growth strategies. The first is to further increase competitiveness in our core businesses. The second is to emphasize diverse expansion in response to changes in the deregulated environment.

The first strategy concentrates on reinforcing our cost and technology bases in our core electric power business. We are dramatically reducing costs under the Third Phase of the Restructure Plan. On the technology front, in coal-fired generation we have maintained one of the highest thermal efficiency rates in Japan by enhancing the performance of our facilities. We have also enabled the construction of urban power plants on the strength of great advances in techniques to cut emissions of sulfuric and nitrous oxides. An excellent example of these achievements is the Isogo New No. 1 thermal power plant. We are pushing ahead with coal gasification combined cycle power generation for next-generation advanced power systems. We will continue to make our core operations even more competitive economically and technologically.

In our second strategy, we are drawing on the expertise and management resources accumulated in our core businesses to tackle three challenges. These are to respond to electric power deregulation, develop overseas power generation business and diversify our domestic power business.

April 2005 will see the deregulation of the retail electricity market, which account for 60% of power sales, with transactions starting in the wholesale power exchange. From 2007, deliberations are slated to begin extending competition to the entire retail market. Deregulation will likely intensify competition and downword pressure on wholesale prices, but it should also create new business opportunities. These include wholesaling to electric power companies through IPPs, the supply of electricity to power producers and suppliers (PPSs)—a term that covers new entrants to the power retail market—and participation in the wholesale power exchange.

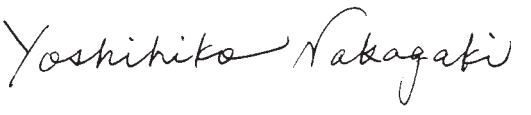
We will use the trust and track record we have built in 40 years of offering power consulting services around the world to cultivate our IPP operations internationally, focusing on Asia.

In Japan, we will draw on the technological capabilities we have amassed in our core businesses to diversify into such fields as wind power, biomass power generation and renewable energy.

J-POWER has achieved much by fully privatizing and pursuing ongoing initiatives to take advantage of the deregulation process. We are confident we will achieve tremendous progress as a highly competitive player in a changing operating environment.

I look forward to your continued support for J-POWER as it embarks on a new journey as part of the private sector.

October 2004



Yoshihiko Nakagaki
President

Meeting New Challenges as a Private Sector Entity

Seizing new opportunities arising from deregulation of the electric power market

Powering Tomorrow Today

Making steady progress in building solid operation and management fundamentals through the Third Phase of the Restructure Plan

Harnessing technologies and experience to create promising new businesses

Expanding generation capacity 12% over the next decade

Progress under the Third Phase of the Restructure Plan

A Five-Year Initiative through March 31, 2006

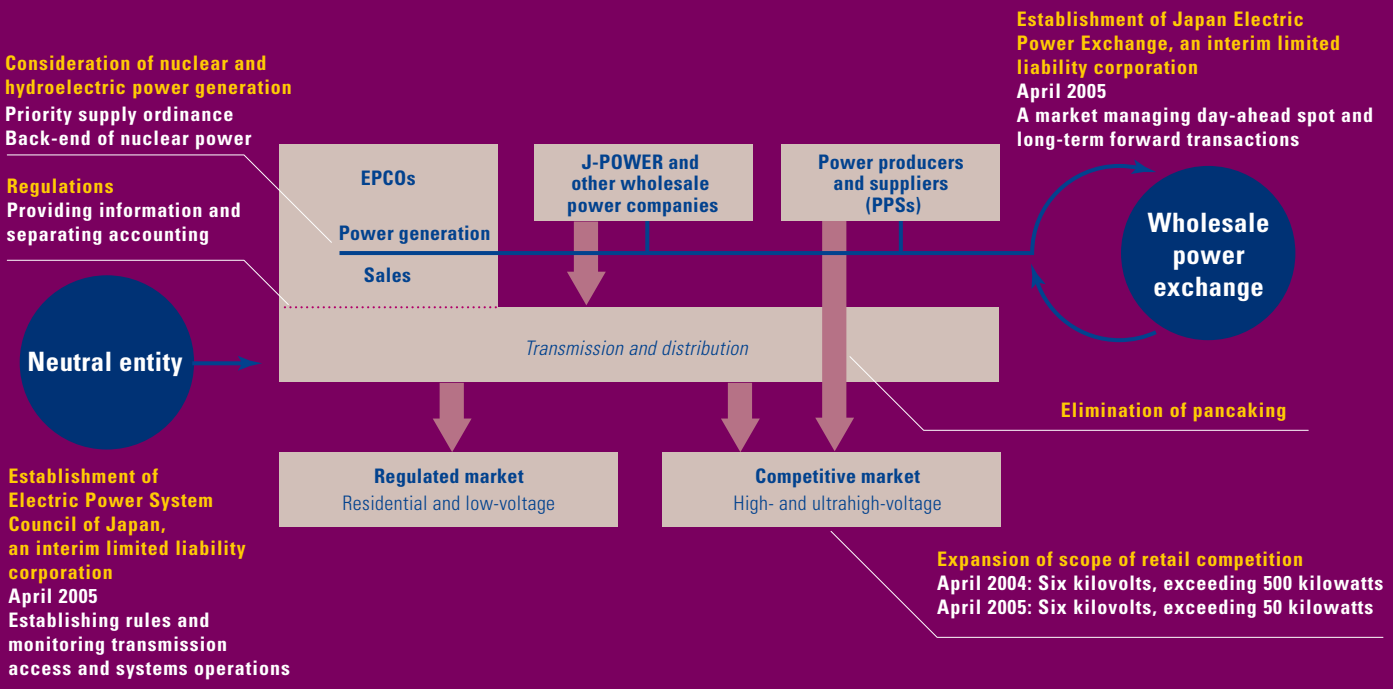
Ordinary income: ¥45.0 billion
(Annual average in three years through March 31, 2007)

Equity ratio: 20%
(As of March 31, 2007)

	2004.3	2005.3	2006.3
Consolidated financial targets	• Equity ratio: 17.3% • Increase capitalization through fund scheme		
Costs			**Cut controllable costs at least 20%**
Organization	• Reduce Board of Directors from 15 members to 13		**Reduce Board of Directors to 12 members** (Reached in July 2004)
		• Group company reorganization (From nine companies to six)	
Group employees	• 6,367 employees*		**6,000 employees**
Electric power business **Wholesale electric power business**	• Build integrated management system of group companies • Introduce new maintenance management system • Upgrade Okutadami and Otori power plants	Full deployment	
Other electric power business	• Green Power Kuzumaki Wind Power Plant (December 2003) • Genex Mizue (IPP) (June 2003)	• Ichihara Power (for PPSs) (October 2004) • Aso Nishihara Wind Power (February 2005) • Nagasaki Shikamachi Wind Power (February 2005) • Tahara Rinkai Wind Power (IPP) (March 2005)	• Bay Side Energy (for PPSs) (April 2005) • Tosa (IPP) (April 2005) • Mihama Seaside Power (for PPSs) (October 2005) • Setana Rinkai Wind Power (January 2006)
Other business	• Roi-Et Biomass Generation Project, Thailand (May 2003) • Chiahui Gas-Fired Power Project, Taiwan (December 2003)		

*Including personnel assigned to companies other than consolidated subsidiaries.

Japan's Electric Power Industry Structure



Q. Please outline the operating environment of the J-POWER Group.

A. In June 2003, the Electric Utilities Industry Law was amended as a part of electric utilities planning reform brought about by the slowing of the growth rate for power demand that is expected in the medium term due to structural changes in the economy. A number of elements for a competitive market environment have been established. These include the staged expansion of the scope of deregulation in the retail supply of electricity, the creation of a wholesale electric power exchange (with trading scheduled to start in April 2005), and the establishment of an unbiased institution and regulations on conduct to ensure impartiality and transparency in the power supply and distribution sectors. Together with these changes, we anticipate an increase in the number of new industry players, which should lead to increased competition in the electric power industry.

Also, in reference to the scope of the above retail deregulation, the portion of electricity demand subject to deregulation increased to about 40%, and in April 2005 is expected to increase to as much as 60%. In response to the demand for low power rates from vendors, and to secure customer bases, general electric power vendors reduced retail rates in 2000 and 2002 following the retail sector deregulation that started in March 2000. This led to the implementation of further reductions by Tokyo Electric Power Co., Inc., in October 2004. General electric power vendors may also carry out reductions. Due to the majority of our operating revenues being earned through the wholesale provision of electricity to EPCOs, it is also possible that they will demand further reductions in J-POWER's wholesale power rates.

Significant progress is also expected on the Kyoto Protocol, which specifies goals for the reduction of greenhouse gas emissions by industrialized nations, following the Russian Duma's ratification of the agreement in October 2004. Our company retains a large number of coal-fired thermal power plants, and we need to monitor developments both domestic and abroad that aim to achieve reductions in greenhouse gas emissions.

While responding appropriately to changes to the business environment, the J-POWER Group as a whole will endeavor to improve profit-earning capacity by improving management efficiency. In doing so, we will establish a strong corporate structure.

Q. Please explain what you are doing under the Third Phase of the Restructure Plan, which is designed to reinforce your competitiveness in power wholesaling.

A. In the wholesale electric power business, which constitutes the largest pillar of J-POWER's operations, since the year ended March 31, 2002, we have been pushing ahead with the Third Phase of the Restructure Plan, a five-year plan extending until March 31, 2006. We are doing this to anticipate changes in the aforementioned business environment, bolster competitiveness by cutting costs in existing operating facilities, and improve profitability.

Review of the Group Management Framework

To upgrade and improve operational efficiency for the Group as a whole, in April 2003 J-POWER and key subsidiaries developed an integrated framework relating to the maintenance and operation of electric power facilities. We reorganized key subsidiaries in April 2004 based on this new framework.

Improving Personnel Efficiency and Cost-Cutting

To improve personnel efficiency, J-POWER is steadily moving toward its goal of reducing the number of Group employees. Through measures such as reductions in hiring and reform of the early retirement system, by March 31, 2006, we expect to have 6,000 employees, a reduction of 2,000 from 8,000 staff five years earlier. In addition, given the aforementioned integrated maintenance and operational framework, we are committed to improving the Group's management efficiency, thereby achieving a targeted 20% cutback in manageable costs during the same period.

Strengthening the Balance Sheet

By reducing capital investment and converting the head office building to liquid assets in response to a revision to the power plants construction plan and an increase in capital implemented in December 2003, interest-bearing debt fell about 28% from a peak at the end of 2000, when such debt amounted to about ¥1.5 trillion. In addition to reducing interest-bearing debt while

employing a stable operating cash flow, J-POWER will endeavor to further strengthen its balance sheet by boosting shareholder equity through profit accumulation. In March 2003, the Company issued publicly offered bonds without government guarantees. We are committed to the diversification and stabilization of financing methods.

Q. What approaches will you take to domestic new businesses and international businesses?

A. Capitalizing on the Group's core operational and technological competencies fostered through over 50 years of business experience in Japan and abroad, J-POWER is endeavoring to build new profit bases by dedicating funds and personnel to the electrical power, environment, energy resource and engineering sectors.

Domestic Electric Power Business

J-POWER is committed to the wholesale supply of electric power to general electric power vendors through IPPs, the wholesale supply of electric power to PPSs, and the business of power generation using renewable energy resources such as windpower and waste. To date, J-POWER has either invested in or made the decision to invest in three IPPs as a joint-venture partner. The aggregate output of the concerned power plants is 520,000 kilowatts, including power plants under construction. For the wholesale supply of power for PPSs, we have been constructing three LNG thermal power plants, each with a capacity of 100,000 kilowatts, on Tokyo Bay. One of these began commercial operations on October 1, 2004. Four wind power generation plants, with a total output of 80,000 kilowatts, are already in commercial operation, and five other plants are under construction. Including those under construction, this yields an aggregate output of 210,000 kilowatts. These projects are normally carried out as joint ventures with other companies or through the establishment of an independent operating company. In addition, the Japan Electric Power Exchange was established in November 2003, and the examination of transaction rules as well as preparations for the development of an exchange system are under way with a view to commencing the trading of wholesale electric power in April 2005. J-POWER is a member of, and investor in, the exchange, and we plan to participate in the trading of wholesale power.

Overseas Electric Power Operations

Capitalizing on our experience and on the network developed through our consulting business, which boasts 233 projects in 59 countries and regions as of September 30, 2004, J-POWER is participating in the IPP business, particularly in Asia, where we anticipate high growth in demand for power. We have invested in 15 IPPs in six countries and regions, and 11 of these are in commercial operation. The total output of power plants in commercial operation is 2.11 million kilowatts. While appropriately managing risk, we plan to develop this business into a second pillar of operations.

Q. What are your capital investment plans?

A. We are planning to expand generation capacity 12% over the next decade in our core wholesale power business. This is in line with the power facilities expansion plans of the 10 EPCOs.

We will construct power stations to serve EPCOs based on the stable income and cash flows we anticipate under long-term contracts with those companies.

We are involved in two main power projects. One is the 600-megawatt Isogo New No. 2 thermal power plant in Yokohama. This coal-fired unit will meet very strict environmental regulations commensurate with its urban location.

The other project is the construction of the 1,383-megawatt Oma nuclear power plant, which is designed to utilize plutonium as fuel in line with the Japanese government's nuclear power policies. The facility will feature Japan's largest output capacity per unit, making it a showcase of the expertise and technological capabilities accumulated in our core business. We have already concluded basic accords to supply nine EPCOs, positioning the new power plant to become a long-term source of revenues and earnings.

Our capital expenditures for the year ended March 31, 2004, totaled ¥46.2 billion. We plan to raise capital expenditures to ¥70 billion for the current fiscal term. Spending will probably rise even further when construction starts on the Isogo New No. 2 thermal power plant and the Oma nuclear power plant in 2006.

The J-POWER Group's main business is electric power, supplied mainly to the 10 EPCOs under long-term contracts. The "other" business segment encompasses peripheral operations that enhance the efficiency of the electric power business and diversified activities that draw on the Group's management resources and expertise.

Electric Power Business

This segment encompasses the power wholesaling business and other electric power business. In the former area, we supply the 10 EPCOs from our thermal and hydroelectric power plants. We also provide transmission services to nine of the EPCOs (excluding Okinawa Electric Power Co., Inc.) through our transmission and substation facilities.

We are Japan's largest operator of coal-fired power stations, with seven facilities that can produce a combined 7,812 megawatts. Foreign coal is cheaper per calorie than other fossil fuels. Our coal-fired power plants are thus used mainly as highly efficient and economical vehicles to serve base demand for electricity.

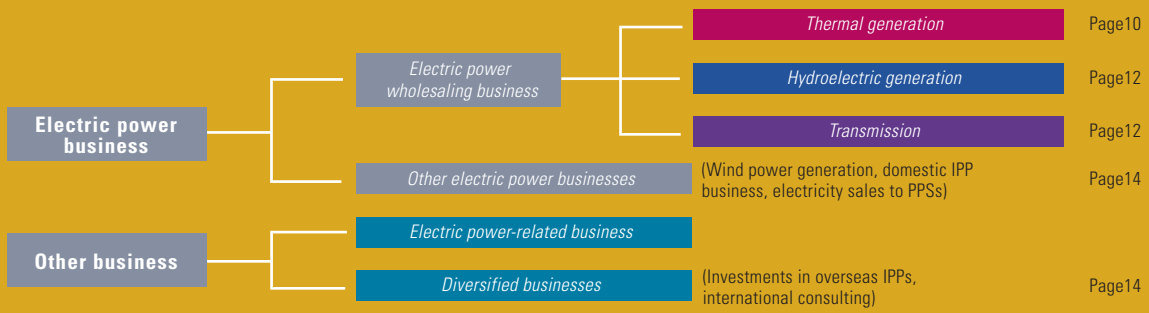
We maintain 59 hydroelectric power plants throughout Japan, with a total capacity of 8,551 megawatts. These facilities allow us to respond swiftly to demand fluctuations and primarily provide power during the daytime, when electricity consumption is higher.

We operate 2,404 kilometers of transmission lines and substations that interconnect the supply areas of the nine mainland EPCOs. We also have frequency conversion facilities that connect the differing electricity systems of east and west Japan.

Subsidiaries and affiliates handle our other electric power businesses. They supply wind power to EPCOs, operate IPPs and provide wholesale power to PPSs.

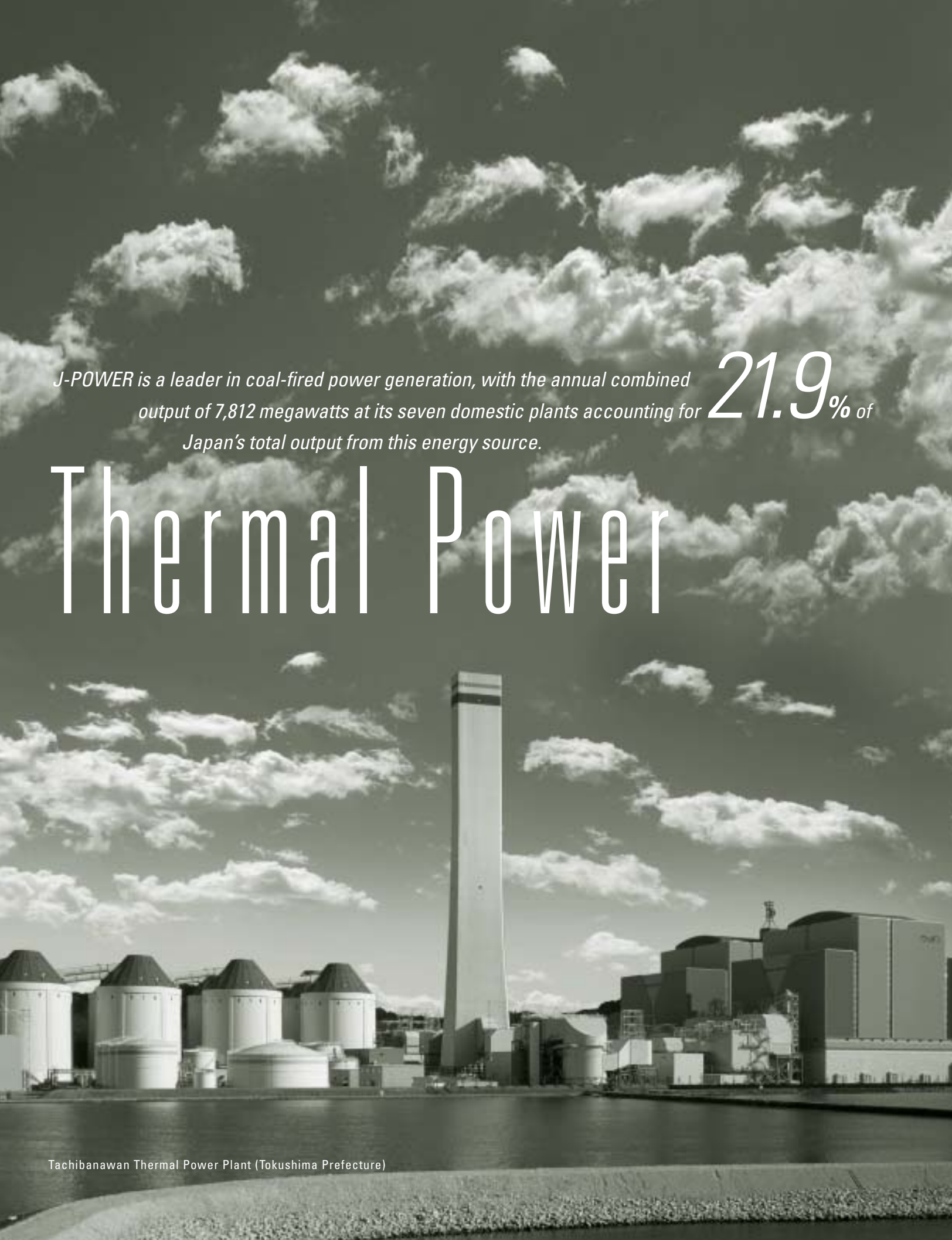
Other Business

This segment covers electric power-related business and diversified businesses. Electric power-related business includes designing, constructing, inspecting, maintaining and repairing power plants and other facilities, and supplying generating fuels, thus augmenting and streamlining electric power operations. Our diversified businesses cover overseas power operations, refuse-based generation in Japan and other new fields, as well as engineering and consulting services in Japan and abroad.



J-POWER is a leader in coal-fired power generation, with the annual combined output of 7,812 megawatts at its seven domestic plants accounting for **21.9%** *of Japan's total output from this energy source.*

Thermal Power

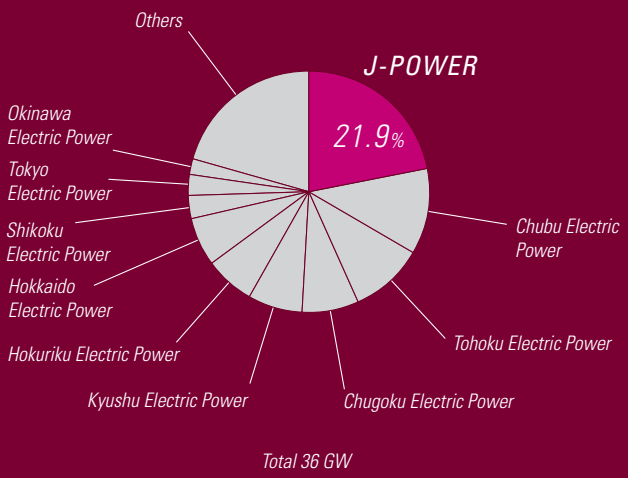


Tachibanawan Thermal Power Plant (Tokushima Prefecture)

Our thermal generating operations constitute a very cost-competitive power base for Japan.

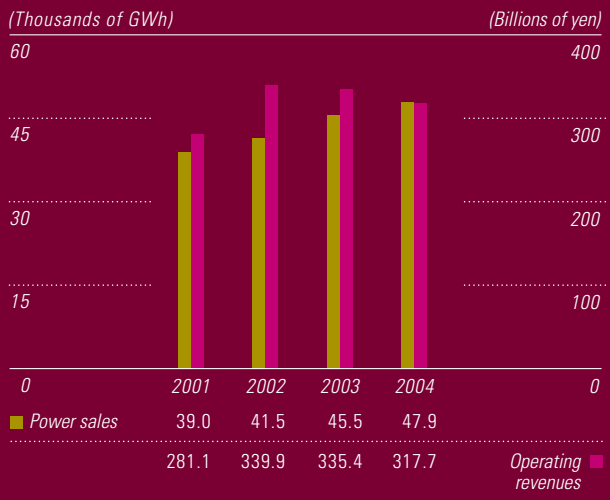
- *Focused on coal, with a No. 1 share in coal-fired generation*
- *Coal is the most economical thermal fuel*
- *Coal-fired operations are a stable source of revenues and earnings through long-term contracts with EPCOs*

Share of Coal-Fired Power Generation Capacity
(As of March 31, 2004)



Sources: Company and public sources

Thermal Power Sales and Operating Revenues
(Years ended March 31)

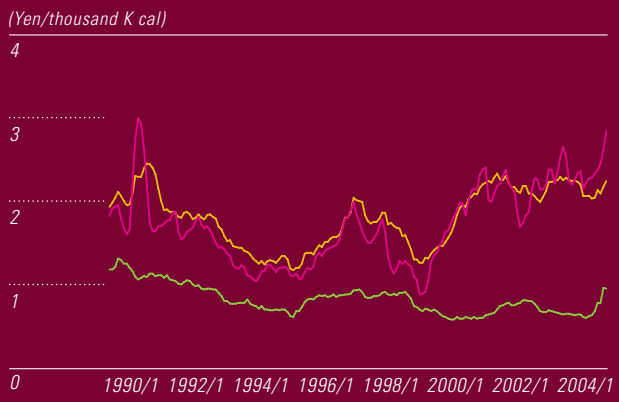


J-POWER's Fee Structure for Thermal Power

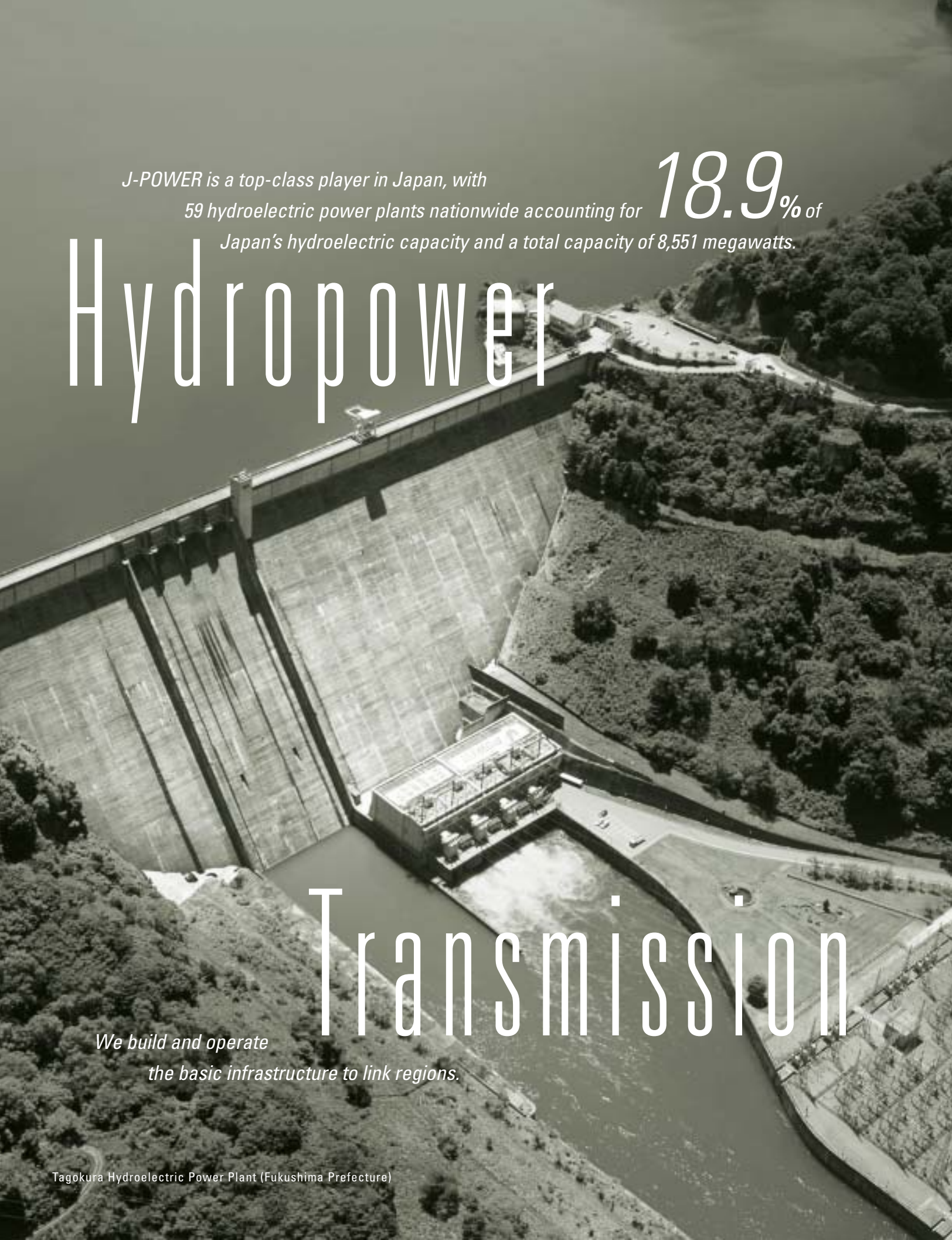
- Variable costs (Fuel, chemicals and other costs) → Variable portion of fee (According to output)
- Fixed costs (Depreciation, Maintenance costs, Headquarters costs, Taxes) → Fixed portion of fee (Fixed)
- Return on capital → Fixed portion of fee (Fixed)

Fuel, maintenance and other expenses comprise a high proportion of variable costs, and fluctuate greatly by year. Every two years, therefore, we revise our rates to reflect those changes. We use the variable portion of fee to reflect changes in fuel costs according to power output. We also maintain a fuel cost adjustment system that covers fluctuations in foreign exchange rates and the prices of heavy oil used as a supplementary fuel. Depreciation, repairs and maintenance, return on capital and other costs are part of the basic (fixed) rates for all output levels. This framework allows J-POWER to secure stable cash flows.

Calorific Unit Price by Fossil Fuel (Imports)
(To June 2004)



Source: The Energy Data and Modelling Center



J-POWER is a top-class player in Japan, with 59 hydroelectric power plants nationwide accounting for 18.9% of Japan's hydroelectric capacity and a total capacity of 8,551 megawatts.

Hydropower

Transmission

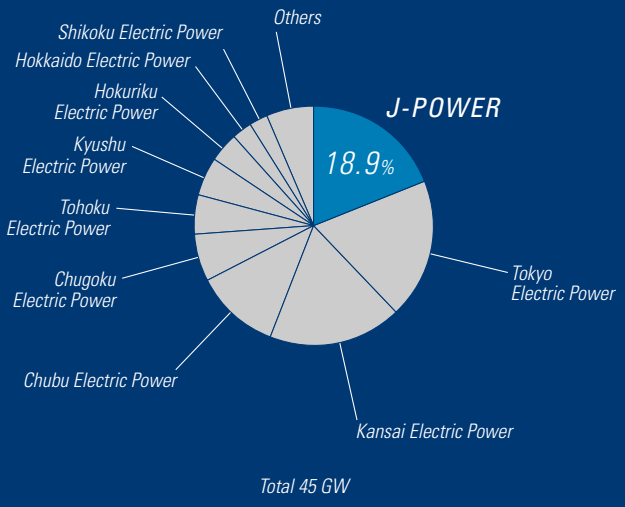
We build and operate the basic infrastructure to link regions.

Tagokura Hydroelectric Power Plant (Fukushima Prefecture)

We own numerous large hydroelectric power plants that ensure high operational flexibility for intra-day and intra-seasonal demand/supply balancing and transmission lines that connect neighboring EPCO service areas.

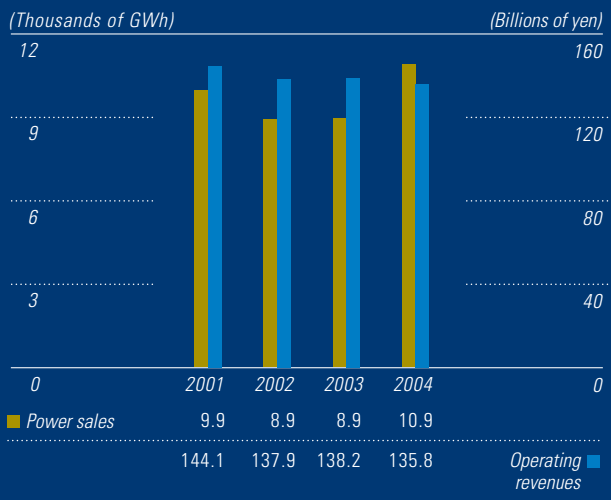
- *We have been a leader for more than 50 years in developing hydroelectric power and maintain a top-class share in this field*
- *Hydroelectric power is clean and renewable*
- *Hydroelectric power plants provide a stable source of revenues and earnings through long-term contracts with EPCOs*

Share of Hydroelectric Power Generation Capacity
(As of March 31, 2004)

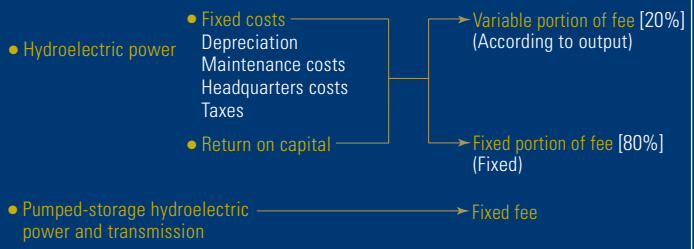


Sources: Denryoku Chosa Tokei Geppo, Japan Electric Association

Hydroelectric Power Sales and Operating Revenues
(Years ended March 31)

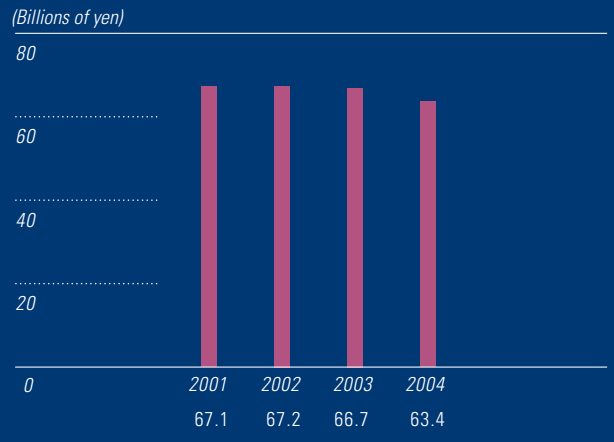


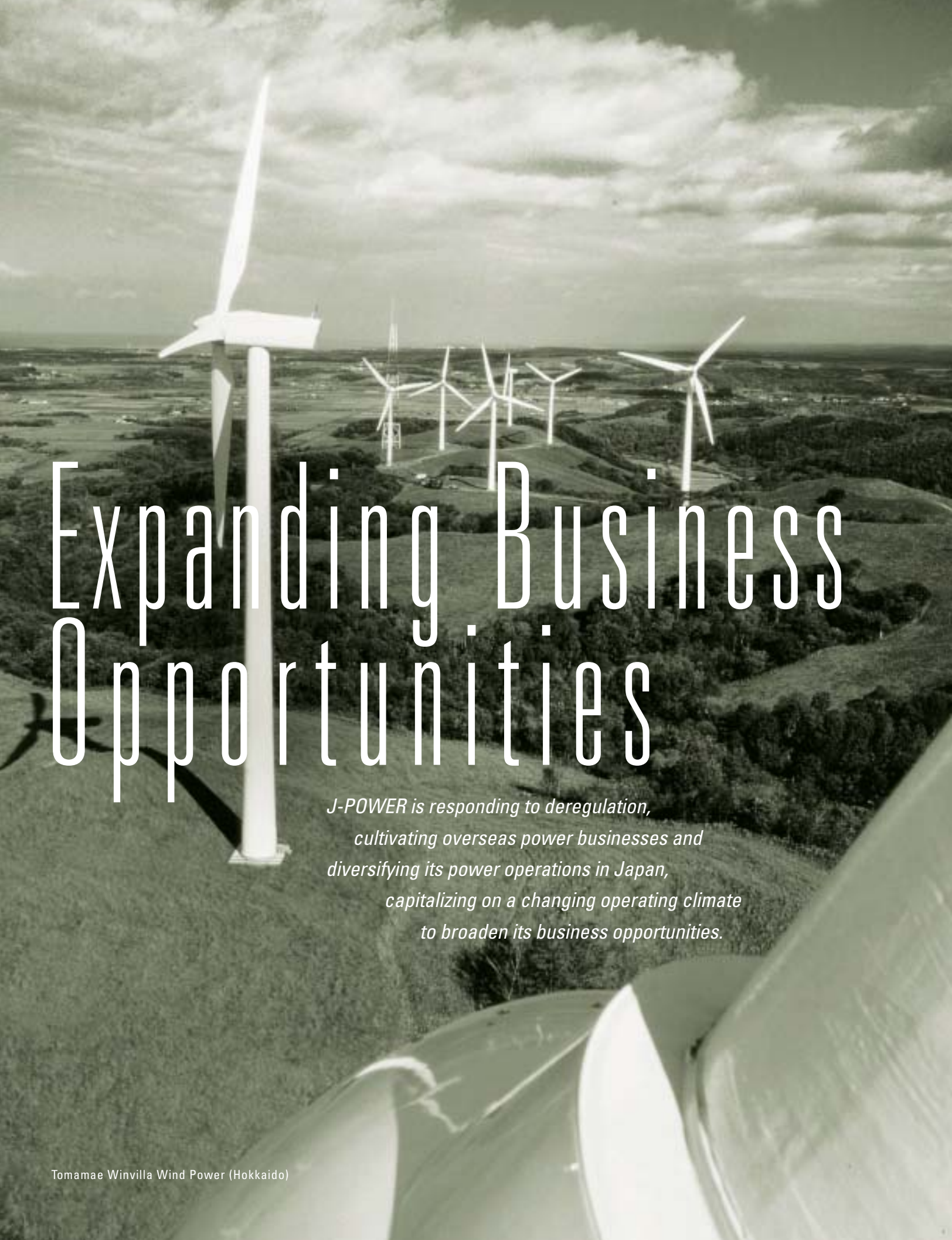
J-POWER's Fee Structure for Hydroelectric Power and Transmission



Capital costs and fixed-asset taxes account for a high proportion of the expenses of our hydropower, transmission and substation facilities, and annual cost fluctuations are small. We therefore set low rates from the start of operations to ensure long-term price stability. The fixed portion of fee is high, minimizing the impact of output fluctuations on sales. This approach generates stable cash flows for our revenues and earnings structure.

Transmission Operating Revenues
(Years ended March 31)





Expanding Business Opportunities

J-POWER is responding to deregulation, cultivating overseas power businesses and diversifying its power operations in Japan, capitalizing on a changing operating climate to broaden its business opportunities.

Tomamae Winvilla Wind Power (Hokkaido)

Diversifying domestic power business—

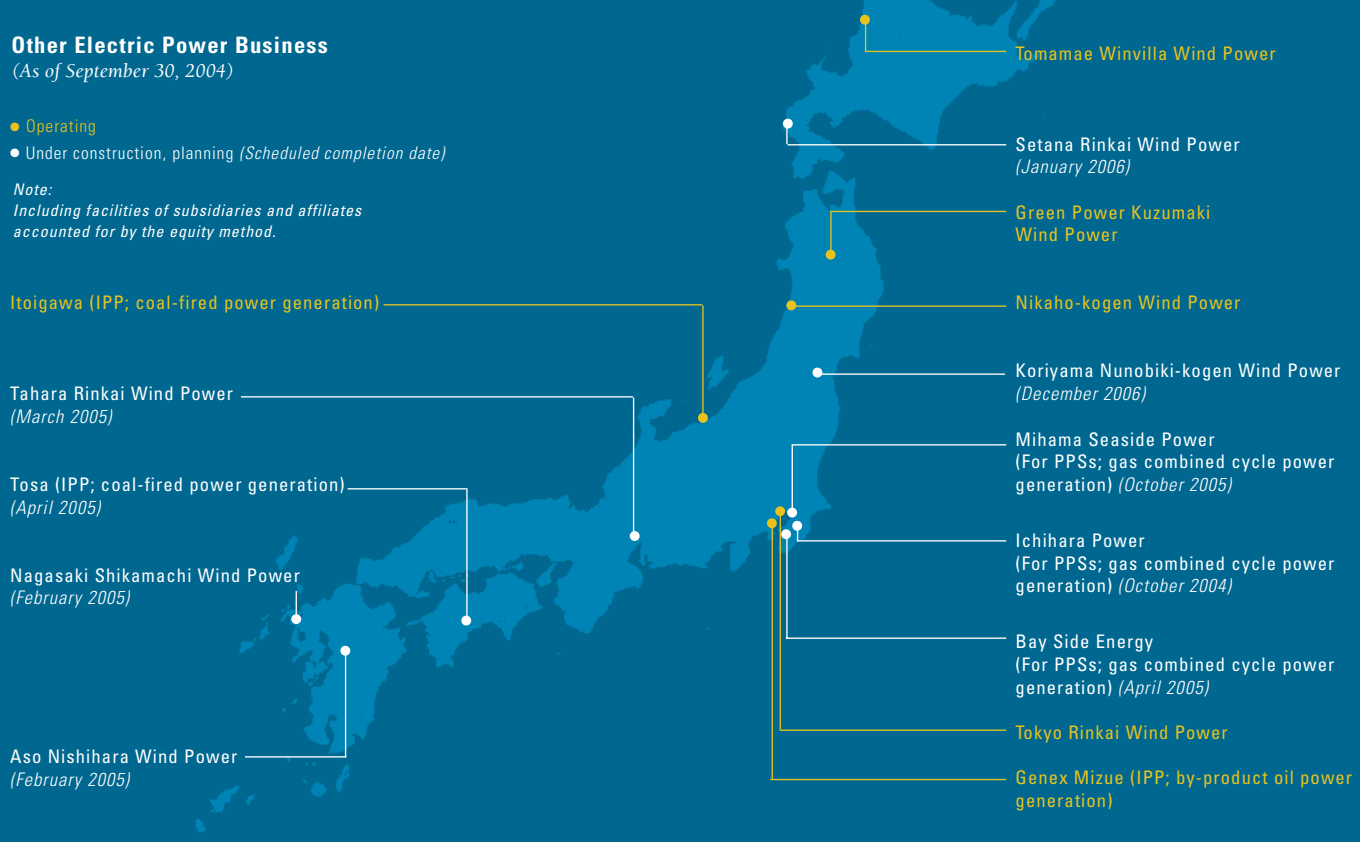
Taking full advantage of our technological clout and know-how from power wholesaling to seek business opportunities through our IPP operations, supply PPSs with wholesale electricity and pursue opportunities in wind power and other diverse areas.

Other Electric Power Business

(As of September 30, 2004)

- Operating
- Under construction, planning *(Scheduled completion date)*

Note:
Including facilities of subsidiaries and affiliates accounted for by the equity method.



Expanding international power business—

Drawing on a solid track record in consulting to cultivate IPP operations, focusing on Asia.

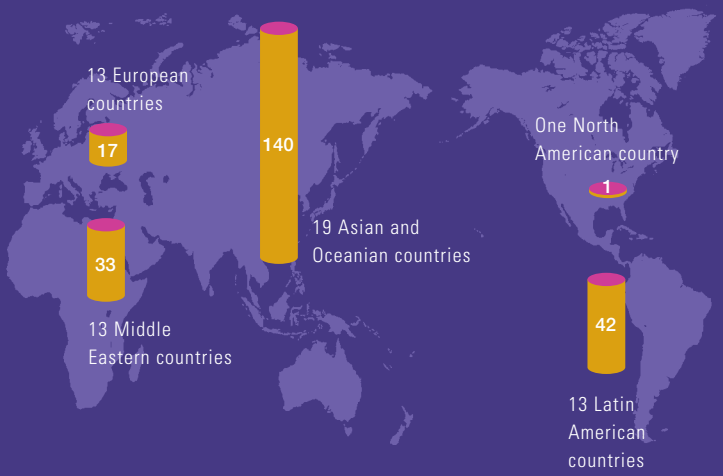
IPP Investment Projects

(In operation as of September 30, 2004)

Overseas Consultation Projects

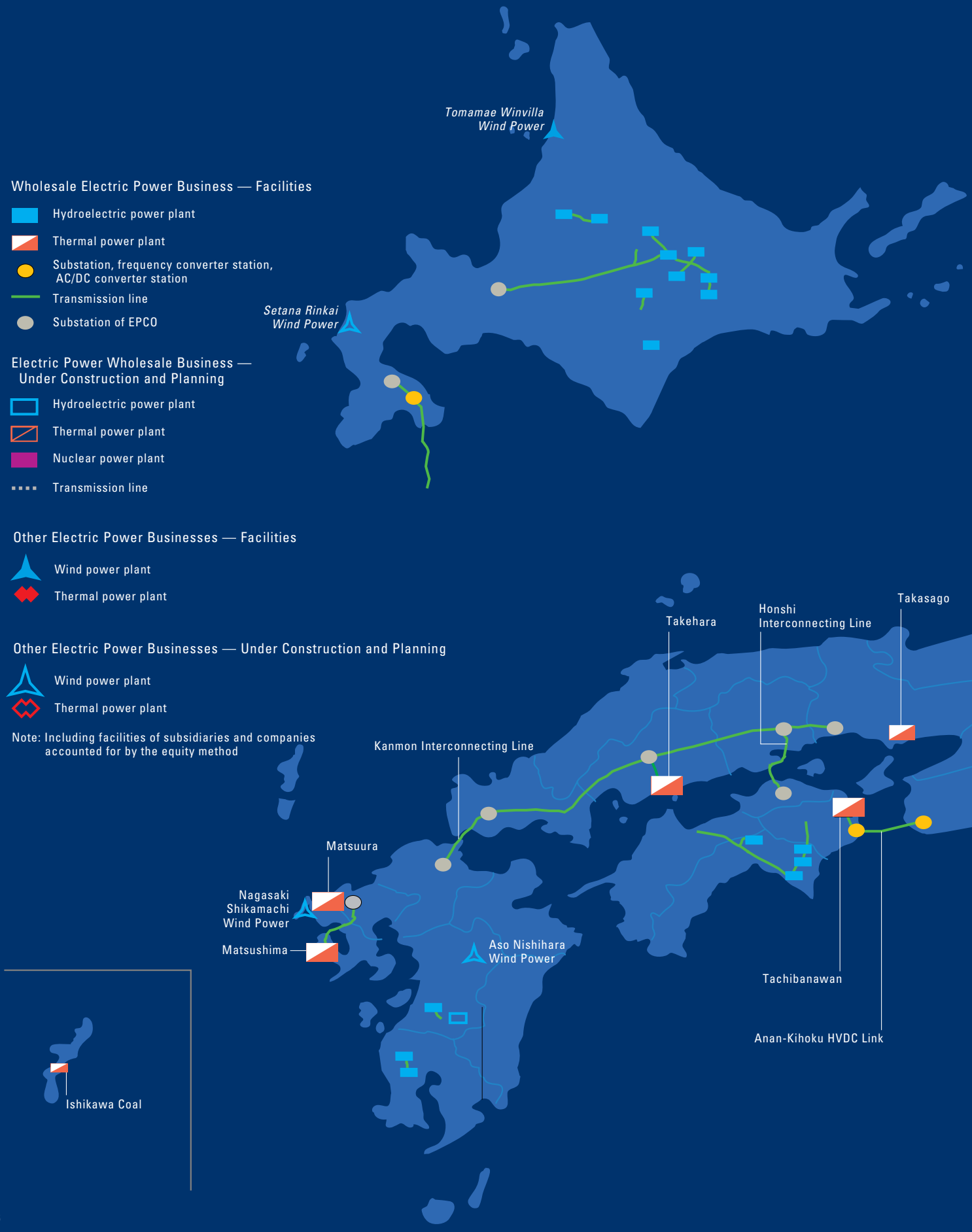
(As of September 30, 2004)

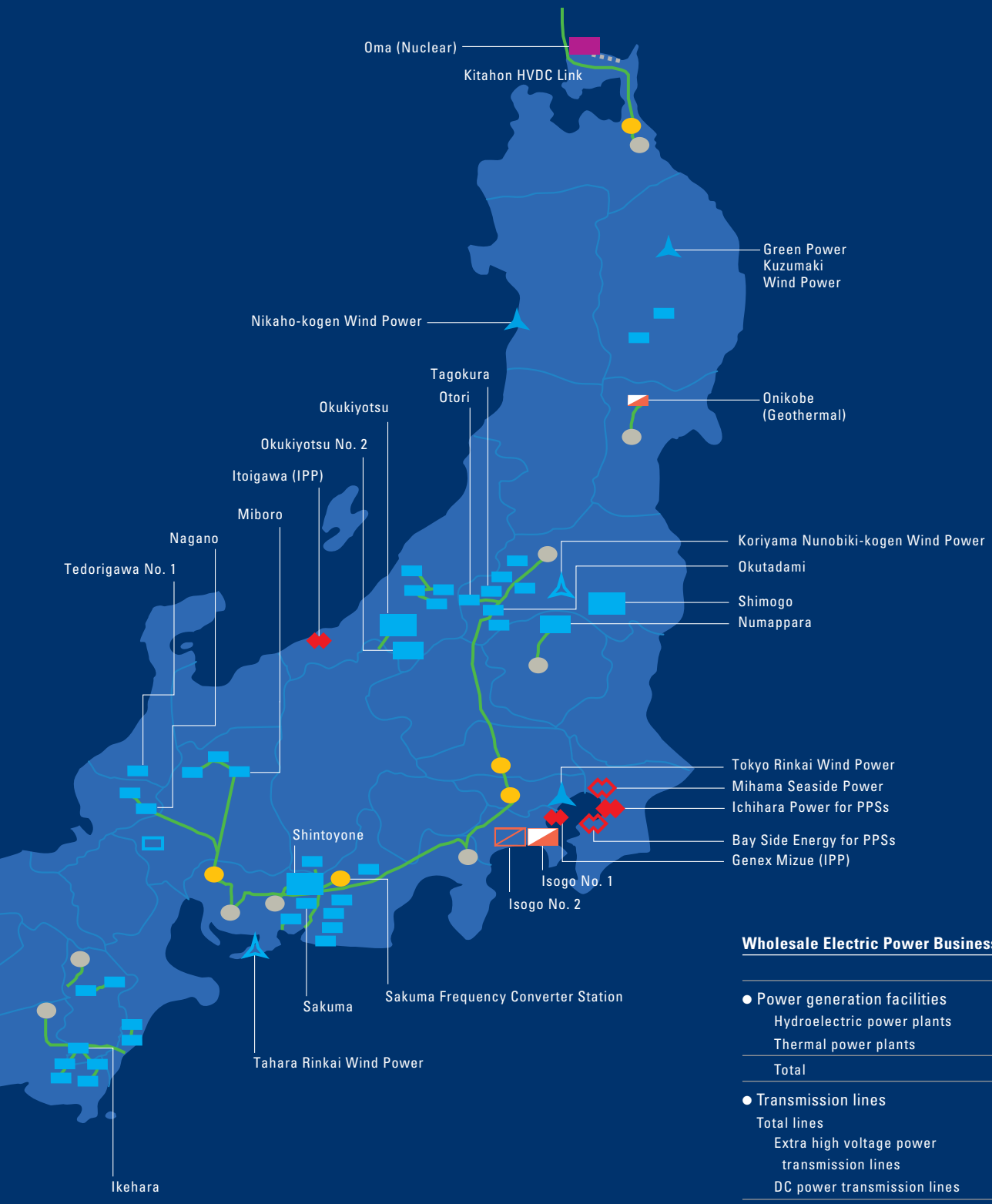
Number of countries and territories	59
Number of projects	233



Facilities

(As of October 1, 2004)





Wholesale Electric Power Business

	Number	Capacity
● Power generation facilities		
Hydroelectric power plants	59	8,550.5 MW
Thermal power plants	8	7,824.5 MW
Total	67	16,375.0 MW
● Transmission lines		
Total lines		2,404.4 km
Extra high voltage power transmission lines		1,970.2 km
DC power transmission lines		267.2 km
● Substations	3	4,292 MVA
● Frequency converter station	1	300 MW
● AC/DC converter stations	4	2,000 MW
● Wireless communication facilities		1,418.173 ch-km

Other Electric Power Businesses

Generation facilities (maximum capacity)		
Wind power plants	4	78.1 MW
IPPs	2	372.0 MW
For PPSs	1	110.0 MW
Total	7	560.1 MW

Since its establishment and recent privatization, J-POWER has cultivated energy technologies to match contemporary power needs. Our R&D programs aim to maintain stable supplies of high-quality power at low costs by enhancing the operations of existing facilities while strengthening the competitiveness of new facilities.

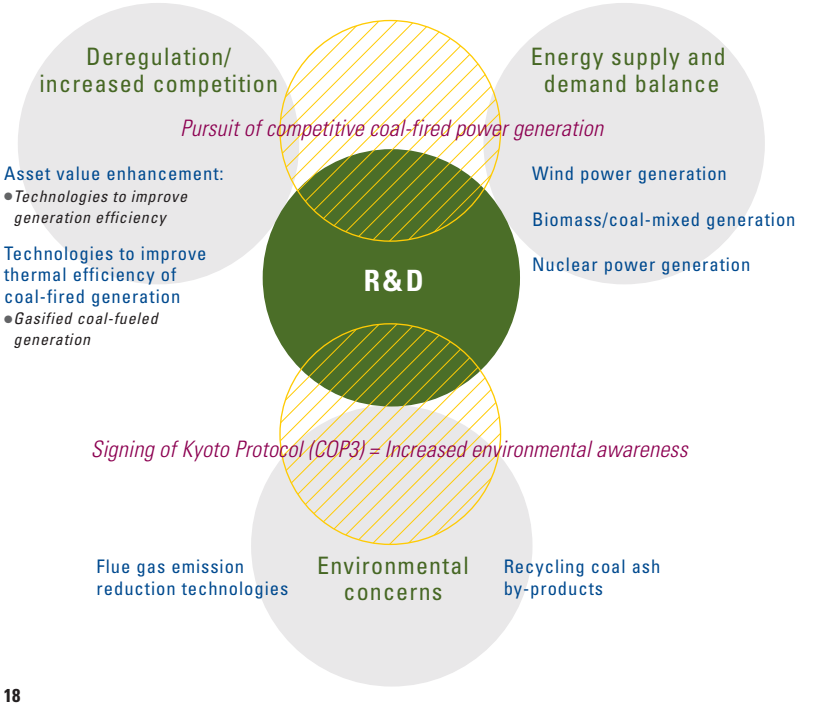
The Technology Development Center and its Chigasaki Research Institute in Chigasaki, Kanagawa Prefecture, and Wakamatsu Research Institute, in Kitakyushu, Fukuoka Prefecture, spearhead our R&D activities.

Our main priority is to help alleviate global warming through progress in such areas as integrated coal gasification fuel cell, technologies to stabilize wind power systems, and full-MOX advanced boiling water reactors. We are drawing on our experience in the electric power business to research and develop new businesses in the fields of resources, energy and the environment.

Our research and development costs for the year ended March 31, 2004, were ¥6,752 million. After factoring in internal transactions, we allocated ¥6,694 million to the electric power business and ¥58 million to other businesses.

R&D Efforts

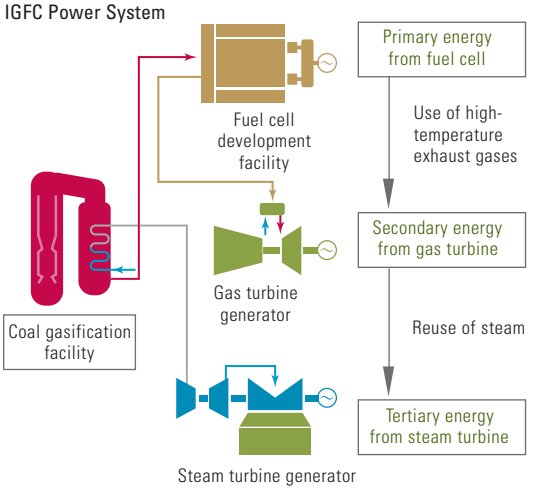
- Increase efficiency and competitiveness of our core businesses
- Respond proactively to environmental concerns



Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC) Technology

We are working to create the IGFC generating system, which will raise efficiency by harnessing coal energy through fuel cells, gas turbines and steam turbines. As part of that goal, we are working on the development of a solid oxide fuel cell (SOFC) and EAGLE, our acronym for Coal Energy Application for Gas, Liquid and Electricity.

IGFC Power System



Solid Oxide Fuel Cell

Fuel cells generate electricity through a chemical reaction between oxygen and hydrogen extracted from gasified fuel, which is the reverse of water electrolysis. This generating system differs from traditional setups, which convert heat from the combustion of fuels, because it transforms heat directly into electrical energy, thus lowering losses and delivering high efficiency.

Our SOFC is made of ion electroconductive ceramics and operates at between 900°C and 1,000°C. It enhances generating efficiency through its integration in combined cycle systems. The SOFC can be run on natural gas, methanol, coal gas and biogas.

EAGLE

To use coal as a gas for fuel cells, the coal must be gasified and refined to remove dust and sulfur. The Japanese government and the New Energy and Industrial Technology Development Organization have funded us to build and operate an EAGLE pilot plant, through which we are conducting a five-year test program that ends in March 2007.

Based on our corporate philosophy of harmonizing energy and the environment and contributing to the development of a sustainable society, we have defined our environmental management policies to allow for both environmental conservation and enhanced economic value. These policies are outlined in the J-POWER Group Environmental Management Vision.

Basic Environmental Stance

As an energy supplier, we will contribute to sustainable development by harmonizing our operations with the environment and ensuring the constant supply of energy essential to human life and economic activity.

We will efficiently generate and continuously supply electric power essential to human life and economic activity by effectively using limited resources, such as coal, in response to a variety of needs. We will contribute to sustainable development both locally and globally by minimizing the environmental impacts of our business activities, including reducing the risks associated with such issues as climate change, improving eco-efficiency (environmental impact per unit of production), and ensuring the harmonization of environmental and economic value.

Efforts Relating to Global Environmental Issues

In accordance with the principles of the United Nations Framework Convention on Climate Change (FCCC), we will cost-effectively address issues relating to climate change on a global scale. We will continue to reduce CO_2 emissions per unit of electric power sales through the economically feasible improvement of energy efficiency, develop power sources with low CO_2 emissions, develop, transfer and diffuse new technologies, and utilize the Kyoto Protocol mechanisms. We will also continue to work toward our ultimate goal: to achieve zero emissions through the recovery and fixation of CO_2.

Climate change is the most important long-term environmental issue facing the world today. Human beings will need to continue using fossil fuels as key energy resources throughout this century. As measures to address climate change are potentially very expensive, it is desired to willingly adopt cost-effective countermeasures and actions on a global scale and reduce larger amounts of greenhouse gases at a lower cost. This will contribute to the realization of sustainable development as specified in the FCCC, upon which the Kyoto Protocol is based.

We will continue to cost-effectively reduce CO_2 emissions per unit of electric power sales, improve the efficiency of energy use, develop low-emission power sources, develop, transfer and diffuse new technologies, and utilize the Kyoto Protocol mechanisms. Furthermore, recognizing the need to recover and fix CO_2 generated from the combustion of fossil fuels to enable the sustainable supply of energy to people around the world, our ultimate goal is to achieve zero emissions.

Efforts Relating to Regional Environmental Issues

We will take measures to reduce the environmental impact of our operations by enhancing energy efficiency, recycling and reusing resources to limit the generation of waste, and fostering good community relations.

Recognizing that safeguarding the well-being of people and the environment is essential for the prosperity of local and global communities, we will take measures to reduce the environmental impact of our activities. We will use the latest technologies and know-how to enhance energy efficiency, reduce the discharge of pollutants to air and water, and reuse and recycle precious resources. We will also seek to gain the community's trust by ensuring rigorous preparedness for accidents and disasters.

Ensuring Transparency and Reliability

We will ensure our business activities comply with all laws and regulations, disclose a wide range of environmental information and enhance communication with stakeholders.

We will make efforts to be trusted by the community by integrating environmental management throughout our business activities and ensuring compliance with all laws and regulations. We will increase corporate transparency through the disclosure of a wide range of environmental information. We will also consult with stakeholders to learn of their demands and expectations, and will call upon the entire Group's skills and knowledge to effectively respond to them.

Corporate Governance

J-POWER is engaged in a variety of initiatives in recognition of the extreme importance of enhancing corporate governance and thoroughly implementing compliance procedures.

J-POWER has adopted an auditing plan that includes 12 directors and three corporate auditors. Board of Directors meetings are, as a rule, held once a month, with corporate auditors in attendance. Additional meetings are held as necessary. The Executive Committee meets, as a rule, every week. At these meetings, matters discussed at the Board of Directors meeting, the overall administrative policy of Company management and important matters concerning management are deliberated, thus enabling precise and prompt decision making and efficient Company management. The effectiveness of the corporate auditing function is also enhanced through the attendance of corporate auditors at Executive Committee meetings. Moreover, through internal audits by the Internal Audit & Legal Office, J-POWER is working to maintain the smooth and appropriate administration of the Company's operations.

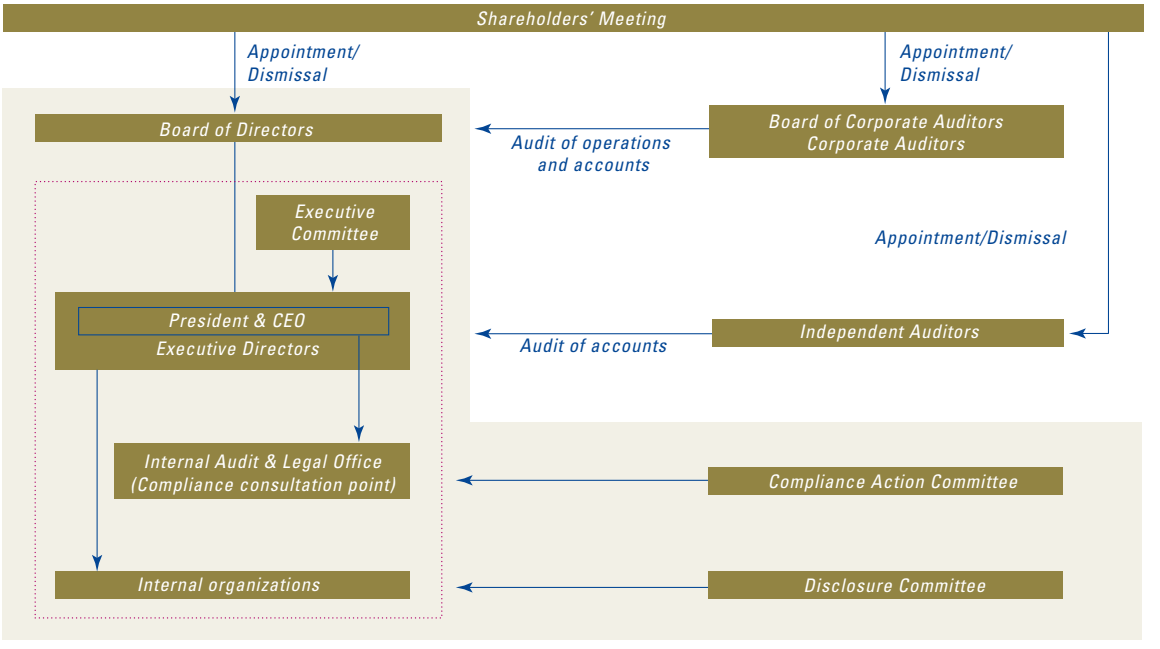
J-POWER has concluded an agreement with Shin Nihon & Co., for that firm to be responsible for the independent auditing of the Company's accounts.

In an effort to improve the accountability and transparency of business activities, J-POWER has established a Disclosure Committee, which is chaired by the president. This committee ensures the vigorous, impartial and transparent disclosure of corporate information. Additionally, to strengthen measures for countering non-compliance, a compliance code has been formulated, which stipulates specific criteria for judging the conduct of every employee, including managers. A Compliance Action Committee chaired by one of the vice presidents has also been established as an organization for dealing swiftly with compliance breaches and preventing their recurrence.

J-POWER has appointed a corporate auditor as an outside officer who has no particular vested interest in the Company.

In the year ended March 31, 2004, the number of directors was reduced from 15 to 13 to strengthen responsibility and authority and accelerate the decision-making process. As of September 30, 2004, this number had been cut further, to 12. In addition, a compliance consultation point has been established within the Internal Audit & Legal Office for employees confronting compliance questions in the course of their duties.

Corporate Governance and Internal Control Framework



Financial Section

Contents

Consolidated Financial Summary

For the years ended March 31

	Millions of yen				Thousands of U.S. dollars
	2001	2002	2003	2004	2004
Operating revenues	¥ 541,592	¥ 593,343	¥ 584,122	¥ 569,854	$ 5,391,750
Electric power	494,907	547,333	545,824	522,922	4,947,702
Other	46,684	46,010	38,297	46,931	444,047
Operating expenses	424,279	473,753	449,920	437,715	4,141,502
Electric power	371,683	421,816	407,131	386,463	3,656,579
Other	52,595	51,937	42,789	51,251	484,922
Operating income	117,313	119,590	134,201	132,138	1,250,248
Income before income taxes and minority interests	29,790	30,526	35,522	43,757	414,014
Net income	17,838	17,638	20,725	27,623	261,365
Total assets	2,420,661	2,314,720	2,195,897	2,076,107	19,643,371
Interest-bearing debt	2,128,718	2,007,487	1,893,902	1,592,908	15,071,515
Total shareholders' equity	138,868	152,304	168,301	359,645	3,402,834
Net cash provided by operating activities	145,835	200,708	167,368	179,948	1,702,608
Net cash used in investing activities	(166,942)	(77,248)	(11,030)	(64,507)	(610,349)
Free cash flow	(21,107)	123,460	156,338	115,441	1,092,259
Net cash (used in) provided by financing activities	22,127	(125,572)	(117,709)	(147,516)	(1,395,745)
Operating revenues (Hydroelectric)	144,100	137,901	138,195	135,758	1,284,492
Operating revenues (Thermal)	281,084	339,947	335,371	322,192	3,048,462
Operating revenues (Transmission)	67,095	67,183	66,739	63,398	599,849
Depreciation	127,322	149,145	137,148	131,380	1,243,071
Capital expenditures	191,473	76,641	53,443	46,202	437,148
Net income per share (yen, U.S. dollars)	252.67	249.84	291.40	304.88	2.88
Cash dividends per share (yen, U.S. dollars)	60.00	60.00	60.00	60.00	0.56
Shareholders' equity per share (yen, U.S. dollars)	1,966.98	2,157.29	2,381.71	2,590.00	24.50
Return on equity (%)	13.4	12.1	12.9	10.5	
Equity ratio (%)	5.7	6.6	7.7	17.3	
Number of shares outstanding (thousands)	70,600	70,600	70,600	138,808	
Number of employees	7,434	7,073	6,543	5,871	
Capacity of power generation facilities (MW)					
Hydroelectric	8,261	8,261	8,261	8,551	
Thermal	7,755	7,825	7,825	7,959	
Total	16,015	16,085	16,085	16,509	
Power sales (GWh)*					
Hydroelectric	9,929	8,873	8,902	10,850	
Thermal	38,986	41,530	45,527	48,455	
Total	48,915	50,403	54,429	59,305	

** Pumped-storage hydroelectric power is not included.*

*** Free cash flow = Net cash provided by operating activities + net cash used in investing activities*

Operating Revenues

Total operating revenues in the year ended March 31, 2004 decreased by 2.4%, or ¥14,268 million, to ¥569,854 million compared with ¥584,122 million in the year ended March 31, 2003, reflecting declines in operating revenues from our electric power segment.

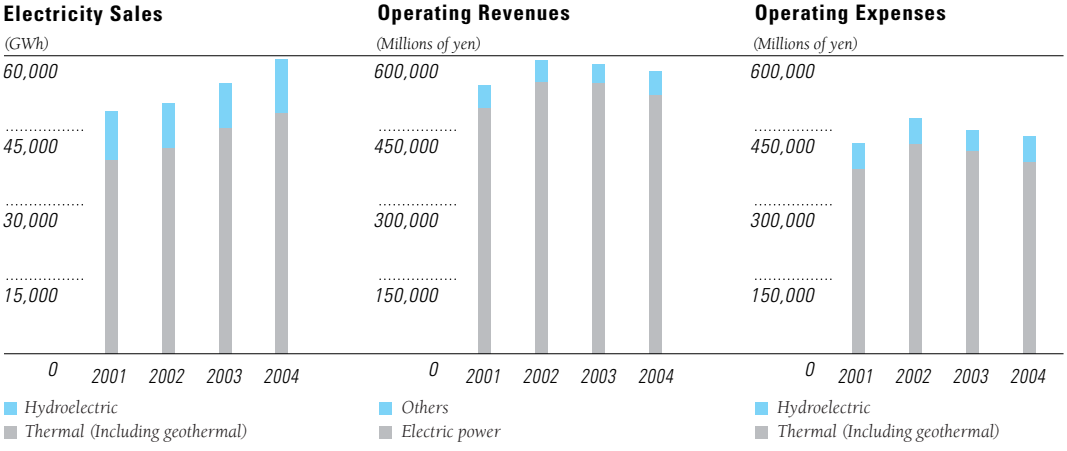
Total electricity sales volume (excluding pumped-storage) in the electric power segment increased 9.0% from the previous year to 59,305 million kWh. Thermal electricity sales volume increased by 6.4% to 48,455 million kWh, due to improvements in the load factor of our coal-fired thermal power plants and the addition of revenues from our newly consolidated IPP subsidiary, ITOIGAWA POWER. Hydroelectric electricity sales volume (excluding pumped-storage) increased 21.9% in the year ended March 31, 2004 from the previous year to 10,850 million kWh due to the expansion of the Okutadami and Otori power plants and higher-than-average streamflow (109% of historical average) compared to lower-than-average streamflow (91% of historical average) in the previous year. Despite these increases in the volume of electricity sold, however, total operating revenues from the electric power segment decreased by 4.2%, or ¥22,902 million, to ¥522,922 million in the year ended March 31, 2004 compared with ¥545,824 million in the previous year. The decline in total operating revenues despite increased capacity and sales of electricity reflected decreases in our thermal and hydroelectric electricity and transmission fees. The thermal electricity fees were lowered to reflect lower depreciation costs, lower personnel expenses, lower fuel costs and lower repair costs, as well as a reduction in our fair return on capital, which resulted from declining book values and declining actual interest rates, due in part to our repayments of debt with higher interest rates, and our hydroelectricity and transmission fees declined due to a reduction in our fair return on capital to reflect lower costs of capital.

Operating revenues from the other segment increased 22.5%, or ¥8,633 million, to ¥46,931 million compared with ¥38,297 million in the previous year due primarily to increased sales of construction services in Japan, mostly with respect to construction services provided to our non-consolidated wind power subsidiaries. In addition, in the year ended March 31, 2004, the others segment included the revenues of our domestic engineering consulting business, which were previously included in our electric power segment.

Operating Expenses

Total operating expenses in the year ended March 31, 2004 decreased by 2.7%, or ¥12,205 million, to ¥437,715 million compared with ¥449,920 million in the previous year.

Operating expenses in the electric power segment decreased by 5.1%, or ¥20,667 million, to ¥386,463 million in the year ended March 31, 2004 compared with ¥407,131 million in the year ended March 31,



2003 due to lower repair expenses as our repair expenses tend to be greater in years ending in odd numbers due to our maintenance schedule, lower personnel expense as a result of our efforts to reduce personnel and lower depreciation costs due to the lack of major new projects.

Operating expenses of the other segment increased by 19.8%, or ¥8,462 million, to ¥51,251 million in the year ended March 31, 2004 compared with ¥42,789 million in the year ended March 31, 2003, reflecting the increase in revenues offset in part by our cost-reduction efforts.

Operating Income

Operating income decreased by 1.5%, or ¥2,062 million, to ¥132,138 million in the year ended March 31, 2004 compared with ¥134,201 million in the previous year, reflecting a decline in the fair return on capital included in our fees, mainly due to a decrease in the assumed interest expenses incorporated in cost of capital, as well as to a decline in the book value of our thermal power plants, which offset increased operating income from our conventional hydroelectric power plants due to excess streamflow of 109% of the historical average and lower operating expenses resulting from our efforts to reduce costs.

Other Income (Expenses) Net

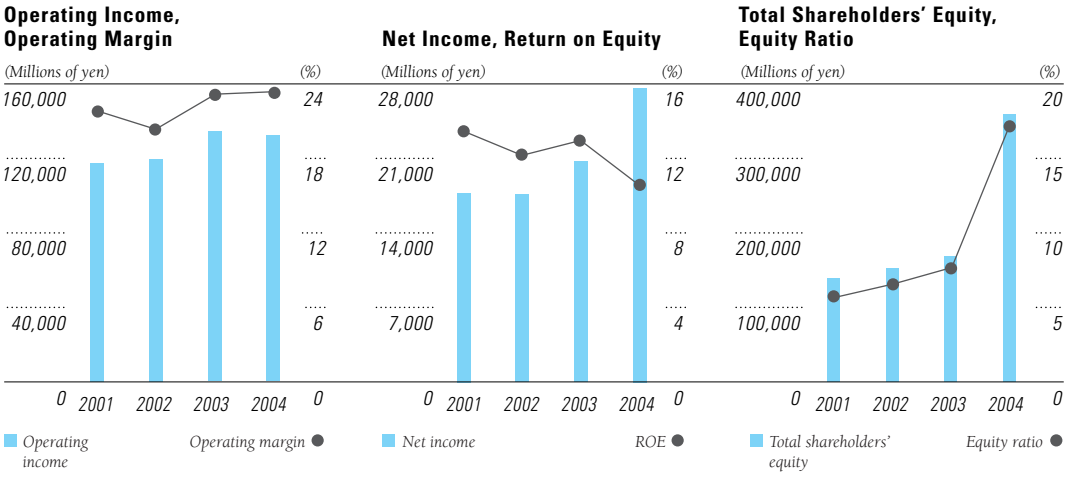
Other expenses, net decreased 10.4%, or ¥10,297 million, to ¥88,381 million in the year ended March 31, 2004 due to a decrease in other, net and interest expenses. Other, net decreased to expenses of ¥4,172 million in the year ended March 31, 2004 from expenses of ¥11,543 million in the previous year. The decline reflected the absence of expenses related to changes in construction plans, a lower provision for severance payments for early retirement and lump-sum payments to transferees and a small increase in income from equity method affiliates, mostly overseas independent power producers. Interest expenses decreased 4.2% or ¥3,617 million, reflecting our efforts to decrease our outstanding debt.

Income Before Income Taxes and Minority Interests

Income before income taxes and minority interests grew 23.2% or ¥8,234 million, to ¥43,757 million in the year ended March 31, 2004 compared with ¥35,522 million in the previous year as a result of the above factors.

Income Taxes

Current income taxes decreased 22.2%, or ¥4,627 million, to ¥16,222 million compared with ¥20,850 million in the year ended March 31, 2003. Deferred income taxes decreased 95.2%, or ¥6,170 million, to ¥309 million compared with ¥6,480 million in the year ended March 31, 2003 due to differences between



the timing of the recognition of expenses, such as expenses associated with provisions for losses, under Japanese tax laws and accounting rules. As a result, net income taxes increased ¥1,542 million, or 10.7%, to ¥15,912 million.

Net Income

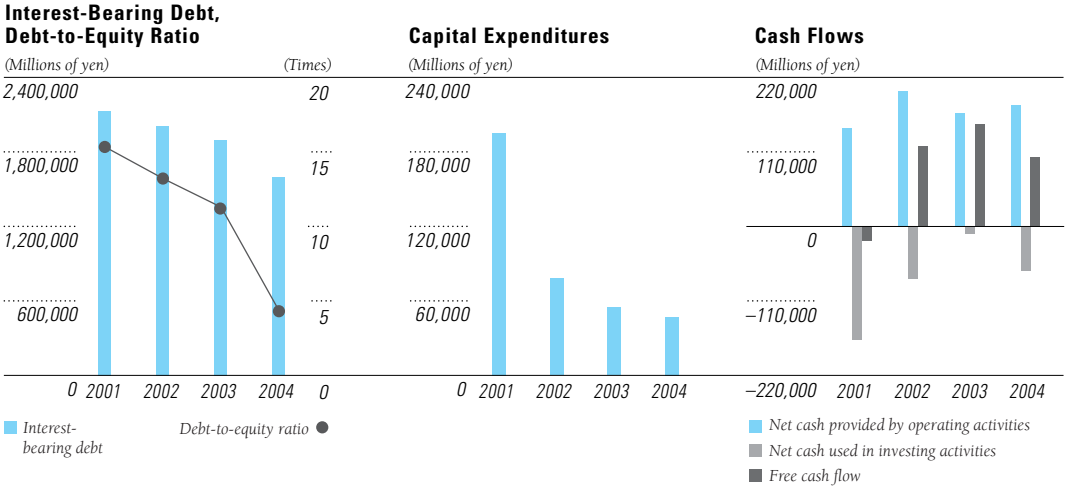
Net income increased 33.3% or ¥6,897 million, to ¥27,623 million in the year ended March 31, 2004 compared with ¥20,725 million in the previous year as a result of the above factors.

Cash and Capital Requirements

Our cash and capital requirements mainly relate to capital expenditures, investments and debt service for our long-term debt. Because our capital expenditures declined following the completion in March 2002 of our most recent large-scale power plant construction project, the 600 MW Isogo New No. 1 thermal power plant, we were able to make early repayments on our long-term debt, particularly our relatively high-interest long-term borrowings from the Government of Japan, in the years ended March 31, 2003 and 2004.

Capital Expenditures

Substantially all of our capital expenditures relate to our electric power segment. Total capital expenditures in our electric power segment have decreased from ¥78,787 million in the year ended March 31, 2002 to ¥54,885 million and ¥44,896 million in the years ended March 31, 2003 and 2004, respectively. Our capital expenditures for "others" within electric power segment capital expenditures, which mainly consist of capital expenditures related to the maintenance and upgrade of our power plants (including capital expenditures related to initial construction that continues after the commencement of operation of a power plant). The amount of such capital expenditures declined significantly between the years ended March 31, 2002 and 2003 mainly because in the year ended March 31, 2002 we made significant capital expenditures associated with payments for the Isogo New No. 1 thermal power plant made after commencement of its operations. Capital expenditures related to new hydroelectric power plants decreased significantly in the year ended March 31, 2004 to ¥4,667 million, from ¥14,939 million in the previous year, due mainly to the commencement of operations of the 287 MW expansion in the generation capacity of the Okutadami and Otori hydroelectric power plants, for which there were expenditures in the year ended March 31, 2003. We also incurred capital expenditures for preparatory construction related to the Oma nuclear power plant, for which construction is scheduled to commence in 2006, and we will continue incurring related capital expenditures through the power plant's completion, scheduled to occur in 2012.



While capital expenditures related to new thermal power plants were insignificant in the years ended March 31, 2002 and 2003 because of the lack of major new projects, they increased to ¥2,582 million in the year ended March 31, 2004, due mainly to an increase in expenditures associated with the preparatory construction of the Isogo New No. 2 thermal power plant.

We started construction of the Tokuyama hydroelectric power plant project in 1997. Although it was originally scheduled to commence commercial operation in the year ending March 31, 2009, we and Chubu Electric Power Company, our project partner, have decided, based on a proposal by the Government of Japan to reduce the amount of water used for the generation of electricity, to change the structure and capacity of the hydroelectric power plant from a 400 MW pumped-storage hydroelectric power plant to a 153 MW conventional hydroelectric power plant, and we expect to delay commencement of operation until the year ending March 31, 2015. We are currently working to obtain the concurrence of the local government and community to these changes. We are scheduled to start construction of our Isogo New No. 2 coal-fired thermal power plant and our Oma nuclear power plant in 2006, and we expect to start operation of the power plants in the years ending March 31, 2010 and 2012, respectively. In relation to the Oma nuclear power plant project, we have invested approximately ¥104,453 million (including research and development grants) as of July 31, 2004, mainly related to preparatory construction, out of an estimated expected total investment of ¥469,000 million. After the commencement of the main construction activities in connection with the Oma and Isogo New No. 2 power plants, our capital expenditures will increase until their operation begins.

Debt Service and Repayments

• *Short-Term Loan Obligations*—Our short-term loan obligations as of March 31, 2004 consisted of ¥40,466 million in short-term borrowings from private financial institutions, ¥40,000 million of commercial paper, ¥32,574 million in current portion of long-term borrowings and ¥25,000 million of the current portion of long-term bonds.

• *Long-Term Debt Obligations*—Our long-term debt obligations (excluding current portion) as of March 31, 2004 consisted of ¥829,751 million in long-term bonds, of which ¥70,000 million are non-guaranteed corporate bonds, and ¥625,116 million in long-term borrowings. We shifted to issuing only non-guaranteed corporate bonds beginning in the year ended March 31, 2003.

All of our assets are subject to statutory liens to secure payment of our bonds issued prior to the repeal of the J-POWER Law. The corporate bonds we issued thereafter are unsecured.

Liquidity and Capital Resources

• *Liquidity*—In the past, our funding needs have been satisfied mainly through issuing bonds to the Government of Japan, issuing government-guaranteed bonds and by long-term borrowings, mostly from the Government of Japan. In light of our planned privatization, we have in recent years increasingly been satisfying our funding needs through borrowings from private financial institutions and issuances of non-guaranteed corporate bonds, and we started relying exclusively on private funding sources for new funds beginning in the year ending March 31, 2003. We started issuing non-guaranteed bonds during the year ended March 31, 2003, and the aggregate outstanding amount of such bonds as of March 31, 2004 was ¥70,000 million. Our borrowing costs did not increase as a result of this shift to private financing because we have been able to maintain a high credit rating for our bonds.

The table below shows the net amount of new debt raised annually from various sources during the periods indicated, as well as the total amounts outstanding in each category as of March 31, 2004:

	Billions of yen										
	Years ended March 31										As of March 31
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004
Government sources:											
Government-guaranteed bonds	¥ 59.5	¥ 79.9	¥ 30.1	¥ 65.5	¥150.6	¥169.3	¥158.0	¥ 35.0	—	—	¥ 638.5
Government-funded bonds	25.0	43.7	44.0	33.6	—	—	—	—	—	—	146.2
Government borrowings	105.0	93.5	106.1	99.9	—	—	—	—	—	—	23.2
Total government sources	¥189.5	¥217.1	¥180.2	¥199.0	¥150.6	¥169.3	¥158.0	¥ 35.0	—	—	¥ 807.9
Private sources:											
Private borrowings[1]	—	—	—	¥ 23.0	¥242.4	¥ 74.0	¥ 85.0	¥ 90.9	¥298.9	¥229.0	¥ 700.1
Corporate bonds	—	—	—	—	—	—	—	—	20.0	50.0	70.0
Total private sources	—	—	—	¥ 23.0	¥242.4	¥ 74.0	¥ 85.0	¥ 90.9	¥318.9	¥279.0	¥ 770.1
Total external funding sources	¥189.5	¥217.1	¥180.2	¥220.0	¥393.0	¥243.3	¥243.0	¥125.9	¥318.9	¥279.0	¥1,578.0

Note: [1] *Amounts listed under private borrowings include both long-term borrowings and short-term borrowings and commercial paper. As we do not have consolidated data for the years ended March 31, 1995 through 2000, the information in this table presents only the interest-bearing debt of the Company on a non-consolidated basis.*

We rely on short-term borrowings, including commercial paper, to satisfy our working capital requirements. We have a bank overdraft facility of ¥10,000 million which we had not drawn on as of March 31, 2004. We have borrowing relationships with several commercial banks, trust banks, local banks, insurance companies and other financial institutions from which we receive loans from time to time. In the year ended March 31, 2004, we issued commercial paper for the first time, and the outstanding amount at March 31, 2004 was ¥40,000 million. We are currently able to issue up to a total of ¥40,000 million in commercial paper based on our current commercial paper credit rating.

We also rely on long-term debt financing, both to finance the construction of new power plants and to refinance existing debt.

We consider the reduction of our financing costs through the reduction of debt obligations with higher interest rates a key management objective. We have particularly focused on the prepayment of borrowings from the Government of Japan with comparatively high interest rates. We repaid or prepaid most of the remaining balance of our borrowings from the government in the two years ended March 31, 2004, utilizing our operating cash flow and the cash received in our recapitalization in December 2003. As of March 31, 2004, we had ¥23,200 million in long-term borrowings from the government outstanding.

We have also reduced our long-term debt in the form of bonds by entering into debt assumption agreements with certain banks. The amount of long-term debt removed from our balance sheet by way of debt assumption in the two years ended March 31, 2002 totaled ¥50,120 million.

In the three years ended March 31, 2004, our total scheduled repayments and prepayments of government borrowings amounted to ¥869,806 million. As a result of these repayments and prepayments and debt assumption arrangements, our total outstanding long-term debt, including the current portion of long-term debt, declined from ¥1,910,567 million as of March 31, 2002 to ¥1,837,185 million as of March 31, 2003 and ¥1,512,442 million as of March 31, 2004. The weighted average interest rate per annum of our long-term debt, including the current portion, declined from 3.18% as of March 31, 2002 to 2.50% as of March 31, 2003 and to 2.00% as of March 31, 2004.

We will continue to consider using prepayments and debt assumption or similar measures in the future as a means of lowering our interest expense burden as we deem appropriate in light of prevailing capital market conditions and the surrounding economic environment.

We also raised capital by issuing common stock in December 2003 to J-POWER Privatization Fund Co., Ltd., or the Fund, an entity formed in connection with our planned privatization, in order to strengthen our financial position. We received ¥163,699 million in equity capital from the Fund. The funds raised have been used mainly to repay and prepay our debt.

• *Cash Flows*—For the year ended March 31, 2004, the net decrease in our cash and cash equivalents was ¥32,260 million, or 54.0%, compared to an increase in cash and cash equivalents of ¥38,658 million for the previous year due to an increase in net cash used in investing activities and net cash used in financing activities.

Net cash provided by operating activities was ¥179,948 million, an increase of ¥12,580 million, or 7.5%, from ¥167,368 million in the previous year due mainly to an increase in others, consisting mainly of payments from the EPCOs for the EPCOs' portion of expenses related to halting the Yunotani pumped-storage hydroelectric power plant construction project, an increase in income before income taxes and minority interests and an increase, as opposed to a decrease in the previous year, in notes and accounts payable offset in part by a decrease in depreciation.

Net cash used in investing activities was ¥64,507 million, an increase of ¥53,477 million, or 484.8%, from ¥11,030 million in the previous year due mainly to a significant decrease in proceeds from sales of property, plant and equipment reflecting the significant proceeds in the prior year from the sale of our assets related to the Hitachinaka thermal power plant construction project, offset in part by a decrease in payments for purchase of property, plant and equipment and a decrease in payments for investments and advances.

Net cash used in financing activities was ¥147,516 million, an increase of ¥29,807 million, or 25.3%, from ¥117,709 in the previous year due to an increase in repayment of long-term loans, relating mostly to repayment and prepayment of our long-term borrowings from the Government of Japan, an increase in repayment of short-term loans and a decrease in proceeds from long-term loans, offset in part by proceeds from the issuance of stock to the Fund, proceeds from short-term loans and proceeds from the issuance of commercial paper.

Risks Related to Our Business

• Deregulation of the Japanese electricity industry may put pressure on our prices and lead to declines in our profits.

Most of our operating revenues come from the wholesale supply of electricity to Japan's ten EPCOs. The EPCOs in turn provide electricity to Japan's retail customers, including household, commercial and industrial users. Until recently, under the Electricity Utilities Industry Law, or the EUIL, the EPCOs enjoyed a monopoly in the retail electricity market for their respective service areas. However, an amendment to the EUIL that came into effect in March 2000 introduced retail competition by deregulating the market for certain large-load customers, which accounted for approximately 30% of total electricity demand. The scope of the deregulated market is continuing to increase in stages. The scope of the deregulated market reached approximately 40% of total electricity demand in April 2004 and is expected to reach approximately 60% of total electricity demand in April 2005 as the result of the further expansion of retail competition.

The EPCOs have been reducing and are expected to further reduce their rates. They have been creating new rate options and expanding their services in order to secure customers in the deregulated retail market and to respond to customer demands to lower electricity rates. In October 2000, the EPCOs lowered their retail rates in the regulated market by an average of 5.4%. Between April and October 2002, they lowered them further, by between 5.2% and 7.1%. The Tokyo Electric Power Company and Chubu Electric Power Company recently announced further rate reductions to take effect in our current fiscal year, and based on past experience, we believe the other EPCOs may take similar steps. While the EPCOs' rates in the deregulated market are generally determined on a customer-by-customer basis and are not made public, we believe retail rates in the deregulated market have also declined.

Although our fees are calculated on a fair cost plus fair return on capital basis and are not directly affected by decreasing retail electricity prices, from time to time we review with the EPCOs the fees we charge and make adjustments to reflect changes in our cost of capital, such as changes in our interest costs, as well as changes in the assumptions related to our fixed and variable costs. We have been facing increasing pressure from the EPCOs to lower our fees as the EPCOs lower their retail rates, and such pressure may strengthen as the deregulated portion of the retail market further expands. In April 2001 and April 2003, we reduced the fees we charge for hydroelectric electricity and transmission by an average of 3.4% and 6.5%, respectively, in part as a result of this pressure. Further pressure could force us to significantly decrease the fees that we charge to the EPCOs, and this in turn could have a material adverse effect on our results of operations.

In connection with the ongoing deregulation of the Japanese electricity industry, a wholesale electricity exchange is scheduled to commence wholesale electricity trading in Japan in April 2005, pursuant to a proposal by the Electricity Industry Committee of the Advisory Committee for Natural Resources and Energy. This will make available market price quotations for electricity at the wholesale level. Although we presently do not expect a large amount of electricity to be traded on the exchange in the near term, we expect to be a participant in the exchange. In order to sell electricity on the exchange, however, we will first have to seek amendments to our supply contracts with the EPCOs under terms to be agreed with them. Whether or not we choose to sell electricity on the exchange, if trading on the exchange expands beyond our current expectations, and prices quoted on the exchange have an effect on our fees, or the exchange otherwise has an adverse impact on our wholesale electricity supply business over time, our results of operations may be adversely affected.

The Electricity Industry Committee of the Advisory Committee for Natural Resources and Energy has stated that it will be appropriate to begin considering full retail deregulation, including the market for individual household customers, in or around April 2007, based on an examination of the effectiveness of prior deregulation and consideration of the need for energy security and universal service. We cannot predict what additional mid- to long-term measures to deregulate Japan's electricity industry will be adopted,

and we cannot guarantee that such additional deregulation would not have an adverse impact on our financial condition and results of operations.

• Declining growth in electricity demand may have a long-term negative affect on our revenue growth due to a decline in new power plant development.

In March 2004, a report by the Agency for Natural Resources and Energy projected that the demand for electricity in Japan would grow by a compound annual growth rate of about 1.1% over the period from the year ended March 31, 2003 to the year ending March 31, 2014, as compared with a 1.9% compound annual growth rate over the period from the year ended March 31, 1994 to the year ended March 31, 2004. In June 2000, the Subcommittee on Energy Demand of the Advisory Committee for Natural Resources and Energy issued its preliminary report on the outlook for electricity demand in 2030. The Subcommittee concluded that in a base case scenario assuming no major changes in electricity consumption patterns, demand for electricity would grow at a compound annual growth rate of about 0.9% over the period from the year ended March 31, 2001 to the year ending March 31, 2031. Under an energy-saving scenario, in which the Subcommittee assumed a decrease in demand for electricity due to the introduction of more energy-saving devices and products utilizing new information technology, the Subcommittee forecast a compound annual growth rate of about 0.3%, with demand for electricity in Japan peaking in the year 2025 and declining thereafter.

The fees that we charge for our coal-fired thermal power plants include a portion that covers our depreciation costs, which are based mainly on the declining-balance method. In addition, the portion of the fees that represents a fair return on capital is calculated based on the then-current book value of the relevant power plant. As a result, absent additional investments to construct new facilities or upgrade existing facilities, the fixed portion of the fees we receive from the EPCOs for the electricity generated at existing coal-fired thermal power plants generally declines over time. In addition, while our fees related to hydroelectric power plants are generally more stable, they may also decline over time, for example, if our ongoing cost-reduction efforts are reflected into the cost assumptions of the fees in the event the fees are renegotiated. Future revenue growth depends in large part on our ability to find new revenue sources, principally by building new power plants. If declining growth in demand for electricity results in reduced demand for new power plants, it may be more difficult for us to increase our operating revenue.

• Declining growth in electricity demand and other changes in conditions may force us to delay or discontinue our current power plant construction, leading to additional costs and possible losses.

Prior to constructing a power plant, we obtain the agreement of the prospective customers of the power plant regarding the generating capacity of the power plant, the target launch date, projected construction costs for the power plant and the basis for our fees. Once the power plant begins operating, we supply electricity pursuant to electricity supply contracts. Pursuant to these arrangements, our fees are calculated on a fair cost plus fair return on capital basis. Under existing arrangements with certain EPCOs, in the next ten years, we plan to commence operation of two large-scale power plants, with an aggregate generating capacity of 1,983 MW.

Given the lower growth trends forecast for long-term electricity demand, the EPCOs are increasingly delaying construction plans for new power plants and are, in some cases, choosing to temporarily or permanently stop the operation of thermal power plants that are inefficient. The EPCOs have also been reducing their aggregate capital expenditures in recent years. The EPCOs' planned aggregate capital investment for the year ending March 31, 2005 is expected to be approximately 3.8% less than for the year ended March 31, 2004.

We must obtain local government and community concurrence to build our power plants. The process of obtaining the concurrence of a local government and community on a plan of construction can cause delays or increase costs related to the construction of the power plant. If we are unable to obtain local concurrence, we would have to alter or cancel the project.

Following deliberations with our EPCO clients, we have, in the past, decided to cancel some construction plans. We have sometimes been requested by the EPCO to which a power plant was to provide electricity to delay or alter the plan for a power plant, usually based on its assessment that paying us for such electricity would be uneconomical due to decreased demand or other reasons. In cases where such a request is made by an EPCO, and we agree to alter or cancel a project following discussions with the EPCO, we have generally been reimbursed by the EPCO for most of the costs related to the alteration or cancellation. However, we were in the past generally required to bear some of the costs associated with ceasing construction based on negotiations with the EPCO.

Since April 1, 2001, we have reevaluated five projects. For example, we halted plans to build a pumped-storage hydroelectric power plant in Yunotani, and we transferred a joint project at the Hitachinaka thermal power plant to partner The Tokyo Electric Power Company. In the three years ended March 31, 2004, we have written off an aggregate of approximately ¥14 billion in relation to our reevaluation of these five projects. In addition, we recently agreed with Chubu Electric Power Company to alter our construction plans for the Tokuyama hydroelectric power plant based on a proposal by the Ministry of Land, Infrastructure and Transport to decrease the amount of water dedicated to the generation of electricity, reflecting a change in regional water management policy, and weaker than anticipated demand for electricity. The proposed new plan calls for the power plant to be changed from a 400 MW pumped-storage hydroelectric power plant to a 153 MW conventional hydroelectric power plant, and the power plant is expected to commence operations in the year ending March 31, 2015. We are currently trying to obtain the concurrence of the local government and community to these changes. We confer with local officials before we undertake projects, and the basic agreements we enter into with the EPCOs prior to construction are based on then current projections of future electricity demand. Nevertheless, future changes in projected demand or other conditions may force us to reevaluate projects in the future, leading to further write-offs.

• Many of our activities involve risks relating to environmental issues, including environmental regulations and liabilities arising from environmental hazards.

Many of our activities, including power generation and transmission, involve potential risks relating to environmental issues. Many of those activities are currently subject to extensive environmental regulation, and it is possible that our activities will be subject to further regulation in the future. For example, we operate many coal-fired thermal power plants that emit large volumes of CO_2 . We have taken various steps to reduce these emissions, and we believe that we are in compliance in all material respects with environmental laws and regulations established by the national and local regulators and other government agencies in each of the jurisdictions where we operate power plants. However, risk of environmental costs and liabilities is inherent in our operations, and there can be no assurance that we will not incur additional material costs and liabilities in the future.

Japan has signed and ratified the Kyoto Protocol, which still has not yet taken effect because certain preconditions to effectiveness, including a sufficient number of ratifications, have not been fulfilled. If the Kyoto Protocol were to take effect, Japan would be required to individually or jointly reduce its global warming greenhouse gas emissions by a specified deadline. According to a projection recently announced by the Ministry of Economy, Trade and Industry, however, Japan is unlikely to fulfill its emissions reduction obligation by the deadline unless additional measures are taken to reduce Japan's emissions. Every

year since 1996, jointly with the EPCOs, we have published our goals for reducing our CO_2 emissions. While we are making our best effort to meet this goal, we anticipate that it will be difficult to do so. It is unclear at this time whether or when the Kyoto Protocol will come into effect. In light of the current level of greenhouse gas emissions in Japan, which is high in light of the Kyoto Protocol targets, the Ministry of the Environment is currently formulating a proposal for further measures to help reduce emissions, which are likely to include the introduction of a so-called "environmental tax," a national tax based upon CO_2 emissions. Any such measures, if imposed, could increase our costs and expenses and could have a negative impact on our business, financial condition and results of operations if we were unable to reflect such increased costs in our fees.

As the regulatory environment continues to evolve, changes to the regulatory framework, our compliance costs related to such changes and the effect of such changes on us is uncertain. Future additional regulatory changes and costs associated with such changes could negatively affect our business, financial condition and results of operations if we are unable to reflect such increased costs in our fees.

• *Our pursuit of overseas business opportunities may lead to losses.*

The major focus of our overseas business is investment in independent power producers and power plant development-related consulting, primarily in Asia. As of March 31, 2004, we have invested in 15 independent power producer projects in 6 countries. For example, since 2001, we have invested in six gas-fired and gas cogeneration power plants in Thailand. In our consulting business, we primarily receive consulting fees from Japanese organizations related to foreign assistance projects supported by the Government of Japan, though we also receive commissions from foreign governments and private entities.

International operations in developing countries present risks that are greater than those in our operations in Japan. These risks include adverse changes in economic, social and political conditions, delays in construction and interruption of business, war, expropriation, nationalization, renegotiation or nullification of existing contracts and adverse changes in law, regulation or tax policy. There can be no assurance that such events will not occur or will not result in a material adverse affect on our results of operations.

• *Our pursuit of new business opportunities may not produce revenues and may lead to losses.*

As part of our corporate strategy, we are endeavoring to grow our other electricity supply businesses in response to changes in the Japanese electricity industry, including businesses that generate and supply electricity to power producers and suppliers, or PPSs, wind power and the supply of electricity to the new wholesale electricity exchange. We have also made investments in alternative energy sources, such as cogeneration and waste-fueled power plants. Many of these opportunities have emerged as a result of regulatory changes and are dependent on the continuation of the new regulatory framework to support these businesses. Our other electricity supply businesses and alternative power source businesses are largely dependent on the deregulation of the electricity industry in Japan, and laws such as the Renewable Portfolio Standard Law, which requires the EPCOs to source a certain amount of their electricity from renewable energy sources. Further changes in the regulatory framework that negatively affect the incentives that promote our new businesses may negatively affect the performance of those businesses.

Many of our new enterprises are joint ventures, and we have less than a controlling interest in some of them. While we partner with entities we believe are sound, in many cases we are dependent on their ability to fulfill their obligations and we may experience losses if they are unable to do so or if they otherwise negatively affect the business.

More generally, many of our new businesses are tied to electricity demand in much the same way as our core wholesale electricity supply businesses. There may be a lack of future demand for electricity produced

by our new businesses and a lack of demand for our other businesses related to power plant development. Significant changes in demand and other unforeseen events may force us to change or abandon plans related to new businesses. As a result, we may not be able to achieve the anticipated financial results from, and may also incur losses in connection with, these new businesses.

• *Because our business requires substantial investments in generation and transmission assets, we must often borrow money to finance our operations. If we are unable to obtain funding on acceptable terms or in a timely manner, our growth prospects and future profitability may be adversely affected.*

In connection with the development of power plants and transmission facilities, we have historically made substantial investments in property, plant and equipment. We have depended mainly on loans and bonds to finance these investments. Our expected capital expenditures in the years ending March 31, 2005 and 2006 for committed projects in our electric power segment are ¥70,349 million and ¥69,872 million, respectively. We are scheduled to make additional major investments after March 31, 2006, including investments in our Isogo New No. 2 thermal power plant and Oma nuclear power plant, and we expect to borrow substantial funds to finance these investments. To the extent we are unable to obtain additional capital on acceptable terms or in a timely manner due to a deterioration in the condition of the financial markets or in our credit quality or for any other reason, our growth prospects and future profitability may be adversely affected.

• *Our business is concentrated in a limited number of customers.*

In the year ended March 31, 2004, 91.8% of our operating revenues were attributable to our electricity business, and 99.7% of our electric power business operating revenues were attributable to our supply of electricity to and the use of our transmission lines by the ten EPCOs. The Tokyo Electric Power Company, The Chugoku Electric Power Company and The Kansai Electric Power Company, our three largest customers by operating revenues, accounted for 62.1% of our electricity business operating revenues for that year.

As a result of our limited customer base, our future results of operations will be affected by the performance of the EPCOs. In particular, the expansion of our electricity supply business depends in large part on whether we are able to conclude new long-term supply contracts. While we believe that deregulation of the electricity industry in Japan will lead to new opportunities to sell electricity to new customers, the EPCOs will remain the most important source of ongoing revenue and new business opportunities. Any adverse change in EPCO operations, such as a decrease in the EPCOs' share of the retail electricity market in light of continuing deregulation, may have a significant adverse impact on our business, results of operations and financial condition.

• *We will be subject to risks associated with the development, financing and construction of a nuclear power plant in Oma.*

We are currently developing a 1,383 MW nuclear power plant in Oma, Aomori Prefecture. We are scheduled to start construction in 2006 and begin operation of the power plant in 2012. We will incur substantial capital expenditures connected with the development of the Oma power plant which will require us to take on additional indebtedness. Currently, construction costs are projected to be ¥469,000 million, part of which we will fund through research and development grants from the Government of Japan and others. We have invested ¥104,453 million, including some amounts funded through research and development grants, through July 31, 2004. We plan to procure a significant portion of the required funds through debt financing and internal cashflows, and no revenues are expected from the project until the commencement of operation in 2012.

While we have entered into basic agreements with nine of the ten EPCOs to provide them with electricity generated at Oma, there can be no assurance that the project will proceed as planned if, for example, there is an unexpected decline in the demand for electricity.

We have obtained approval from the local municipality and have applied to the METI for a license to construct the Oma power plant. Though most of the area's residents and the local governments favor the development of the Oma power plant, some individual citizens and groups are opposed to the presence of any nuclear power plants in Japan. In 2003, several nuclear power plants in Japan were suspended from operation following inappropriate maintenance practices at some of the power plants. Additionally, in August 2004, a steam leak accident occurred at a nuclear power plant in Japan. It did not occur in the nuclear reactor or its primary system and no radiation was released, although several workers were killed and injured. Any similar incidents or a serious nuclear accident could lead to an escalation of public opposition to nuclear power and negatively impact our development plans. Should any delay or other material change in the construction plan occur, we may incur significant costs, including write-offs of investments already made, to the extent we are unable to have the EPCOs bear such costs through negotiation.

• *Our results of operations could be adversely affected by large short-term fluctuations in coal prices.*

Sales volume of electricity from our coal-fired thermal power plants accounted for 81.5% of the electricity we supplied, excluding pumped-storage hydroelectric power, in the year ended March 31, 2004. In that year, we purchased approximately 18 million tons of coal, 96.4% of which was imported. The cost of the coal accounted for approximately 20% of our operating expenses for the year. Accordingly, a significant portion of our operating expenses are influenced by the price of coal on the world markets.

The price of coal in the each of the markets from which we procure it is subject to change. For example, in the years ended March 31, 2002, 2003, and 2004, the average price in annual contracts for coal from Australia, currently our most important source of coal, was U.S.$34.50, $31.85 and $26.75 per ton on an FOB basis, respectively. In the current fiscal year, annual contract prices for coal from Australia have risen by as much as 70% due to a decline in the availability of coal from China, among other things.

Under our electricity sales contracts with the EPCOs, our fees are calculated on a fair cost plus fair return on capital basis, and the assumed coal price used as a factor in determining the electricity fees under such contracts is adjusted every two years or, in the event of significant changes in the price of coal, on an annual basis. Therefore, while the risk of long-term changes in coal price levels is hedged by the terms of our long-term electricity supply arrangements, our results are subject to the risk of short-term coal price fluctuations. In order to mitigate the effects of significant short-term price fluctuations and secure a stable supply of coal, we have entered into one year and longer-term contracts with suppliers in several countries, including Australia, Indonesia and China, under which purchase prices are typically adjusted every year. However, if our cost of coal fluctuates significantly, to the extent we are unable to reflect the increased cost in higher fees in a timely manner, our results of operations may be adversely affected.

• *We will be subject to risks associated with the ownership and operation of a nuclear power plant if we complete our plans to build a nuclear reactor in Oma.*

In 2012, we plan to begin operating an advanced boiling water reactor, or ABWR, nuclear power plant in Oma that will utilize mixed oxide, or MOX, fuel made from a mixture of plutonium and uranium oxide. There are risks associated with nuclear power generation, including risks arising from the storage and handling of radioactive materials. The occurrence of a nuclear accident could result in substantial clean up costs, liability and litigation expenses and substantial harm to our reputation.

• Failures, breakdowns, planned or unplanned outages as well as natural disasters or sabotage at our power plants may harm our business and reputation.

Our power plants, transmission facilities and information systems controlling these facilities could be subject to breakdowns, unplanned outages or physical damage due to natural disasters such as storms and earthquakes, sabotage, terrorism, fuel interruptions and other causes. Our emergency response, disaster recovery or crisis management measures may not effectively protect us from these events. Any service disruption may cause customer dissatisfaction and may also lead to liabilities for damages, imposition of penalties and other unforeseen costs and expenses. We may also need to temporarily shut down some of our power plants and incur expenses in connection with inspections, maintenance or repair activities in addition to those that we currently conduct, including such additional activities that the government may require us to conduct. Not all potential losses are insured, and insurance claims may be subject to challenge or delay. In addition, any physical damage to our facilities may be costly to repair. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

In recent months, a nuclear power plant and a thermal power plant in Japan experienced steam leak accidents arising from internal erosion of high-pressure steam pipes. In response, the METI has required the operators of all nuclear power plants and certain large thermal power plants in Japan to report to the METI schedules for inspections of their water and steam pipe systems. We are currently formulating a schedule for performing inspections of our water and steam pipe systems at our thermal power plants and expect to report our schedule to the METI in September 2004, for power plants in operation for 20 years or more, and October 2004, for power plants in operation for less than 20 years. The inspections will require us to briefly shut down each power plant under inspection. While we currently do not anticipate that the inspections and resulting repairs, if any, will lead to substantial additional expenses or significant declines in operating revenues, there can be no assurance that our results of operations will not be materially adversely affected.

Finally, any failure to comply with environmental regulations, including as a result of accidents that harm the environment or the health of local residents, could subject us to substantial mitigation and remediation costs, civil liability, fines and criminal sanctions.

• We are subject to electricity industry regulations, which may decrease our flexibility.

We are currently subject to regulations under the EUIL, which may reduce our business flexibility and impose regulatory costs on our business. These regulations include:

- A requirement to maintain a license from the METI to act as a wholesale electric utility;
- A requirement to file with the METI fees and other terms and conditions of wholesale electricity supply, subject to the METI's power to issue an order to change;
- A requirement to obtain approval from the METI to transfer or acquire wholesale electricity supply businesses or to conduct a consolidation, merger or corporate split;
- A requirement to file with the METI advance notification to dispose of electric power facilities, subject to the METI's power to issue an order to change or cancel the transaction; and
- A requirement to file a notification with, or obtain approval from, the METI with respect to construction or alteration of electric power facilities, and to perform an environmental impact assessment before such construction or alteration, subject to the METI's power to issue an order to change or cancel the construction or alteration plan or to change the related environmental protection measures.

While we do not presently anticipate the introduction of any major new regulations which may reduce our business flexibility or impose regulatory costs on our business, there can be no assurance that new regulations imposing new burdens and expenses on our business will not be adopted in the future.

Consolidated Balance Sheets

As of March 31, 2003 and 2004

Assets

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2004	2004
Property, plant and equipment, net	¥1,890,617	¥1,813,182	$17,155,665
Power plants (Notes 2 and 3)	1,672,846	1,623,367	15,359,705
Other property, plant and equipment (Notes 2, 3 and 4)	28,598	28,982	274,223
Construction in progress (Note 2)	189,173	160,832	1,521,737
Investment and other assets	123,252	131,958	1,248,543
Long-term investments (Notes 2 and 12)	77,438	86,081	814,473
Deferred tax assets (Notes 2 and 15)	43,319	44,270	418,867
Others	2,493	1,606	15,202
Current assets	182,027	130,967	1,239,163
Cash and bank deposits (Note 10)	60,136	27,804	263,075
Notes and accounts receivable, less allowance for doubtful accounts	50,693	49,705	470,295
Inventories (Note 2)	11,201	11,750	111,179
Others (Notes 2 and 15)	59,995	41,706	394,611
Total assets	¥2,195,897	¥2,076,107	$19,643,371

The accompanying notes are an integral part of these financial statements.

Liabilities, Minority Interests and Shareholders' Equity

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2004	2004
Long-term liabilities	¥1,783,728	¥1,510,088	$14,287,904
Long-term debt, less current portion (Note 4)	1,733,126	1,454,867	13,765,425
Accrued employee retirement benefits (Notes 2 and 14)	49,138	49,546	468,790
Others (Note 15)	1,462	5,674	53,689
Current liabilities	242,487	205,165	1,941,196
Current portion of long-term debt and other (Note 4)	105,845	57,595	544,951
Short-term loans (Note 4)	56,717	40,466	382,874
Commercial paper (Note 4)	—	40,000	378,465
Income and other taxes payable	19,082	14,515	137,344
Others	60,842	52,587	497,560
Reserve for fluctuation in water levels (Note 2)	—	689	6,524
Contingent liabilities (Note 5)			
Total liabilities	2,026,216	1,715,943	16,235,625
Minority interests (Note 2)	1,379	519	4,911
Shareholders' equity (Notes 2 and 16)			
Common stock	70,600	152,449	1,442,422
Authorized shares: 280,000,000 in 2004 and 100,000,000 in 2003			
Issued and outstanding shares: 138,808,000 in 2004 and 70,600,000 in 2003			
Capital surplus	—	81,849	774,430
Retained earnings	99,528	123,213	1,165,803
Unrealized gain (loss) on other securities, net	(31)	3,738	35,372
Foreign currency translation adjustments	(1,795)	(1,605)	(15,194)
Total shareholders' equity	168,301	359,645	3,402,834
Total liabilities, minority interests and shareholders' equity	¥2,195,897	¥2,076,107	$19,643,371

	Yen		U.S. dollars (Note 2)
Shareholders' equity per share (Note 2)	¥2,381.71	¥2,590.00	$24.50

Consolidated Statements of Income

For the years ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2003	2004	2004
Operating revenues	¥593,343	¥584,122	¥569,854	$5,391,750
Electric power	547,333	545,824	522,922	4,947,702
Other	46,010	38,297	46,931	444,047
Operating expenses (Notes 2, 6, 7, 8 and 14)	473,753	449,920	437,715	4,141,502
Electric power	421,816	407,131	386,463	3,656,579
Other	51,937	42,789	51,251	484,922
Operating income	119,590	134,201	132,138	1,250,248
Other income (expenses), net (Note 2)				
Interest expenses	(68,160)	(87,136)	(83,519)	(790,234)
Loss on sale of fixed assets	(7,894)	—	—	—
Unrealized loss on securities	(5,951)	—	—	—
(Provision for) reversal of reserve for fluctuation in water levels	349	—	(689)	(6,524)
Other, net	(7,407)	(11,543)	(4,172)	(39,474)
Total other income (expenses), net	(89,064)	(98,679)	(88,381)	(836,234)
Income before income taxes and minority interests	30,526	35,522	43,757	414,014
Income taxes (Notes 2 and 15):				
Current	16,386	20,850	16,222	153,494
Deferred	(3,899)	(6,480)	(309)	(2,931)
Minority interests	400	426	220	2,085
Net income	¥ 17,638	¥ 20,725	¥ 27,623	$ 261,365

	Yen			U.S. dollars (Note 2)
Per share:				
Net income (Note 2)	¥249.84	¥291.40	¥304.88	$2.88
Cash dividends applicable to the year (Note 9)	60.00	60.00	60.00	0.56

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2002, 2003 and 2004

		Millions of yen				
	Number of issued and outstanding common stock (in thousands)	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on other securities, net	Foreign currency translation adjustments
Balance at March 31, 2001	70,600	¥ 70,600	¥ —	¥ 69,929	¥ 223	¥(1,884)
Net income				17,638		
Dividends				(4,236)		
Bonuses to directors and statutory auditors				(204)		
Net change during the year					73	164
Balance at March 31, 2002	70,600	70,600	—	83,127	296	(1,719)
Net income				20,725		
Increase due to the addition of affiliates accounted for by the equity method				97		
Dividends				(4,236)		
Bonuses to directors and statutory auditors				(186)		
Net change during the year					(328)	(75)
Balance at March 31, 2003	70,600	70,600	—	99,528	(31)	(1,795)
Issuance of common stock	68,208	81,849	81,849			
Net income				27,623		
Increase in earnings from the addition of consolidated subsidiaries				0		
Increase in earnings from the change in consolidated subsidiary's equity				449		
Dividends				(4,236)		
Bonuses to directors and statutory auditors				(152)		
Net change during the year					3,770	189
Balance at March 31, 2004	138,808	¥152,449	¥81,849	¥123,213	¥3,738	¥(1,605)

	Thousands of U.S. dollars (Note 2)				
	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on other securities, net	Foreign currency translation adjustments
Balance at March 31, 2003	$ 667,991	$ —	$ 941,704	$ (298)	$(16,989)
Issuance of common stock	774,430	774,430			
Net income			261,365		
Increase in earnings from the addition of consolidated subsidiaries			2		
Increase in earnings from the change in consolidated subsidiary's equity			4,254		
Dividends			(40,079)		
Bonuses to directors and statutory auditors			(1,444)		
Net change during the year				35,670	1,795
Balance at March 31, 2004	$1,442,422	$774,430	$1,165,803	$35,372	$(15,194)

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2003	2004	2004
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 30,526	¥ 35,522	¥ 43,757	$ 414,014
Depreciation	149,145	137,148	131,380	1,243,071
Loss on disposal of property, plant and equipment	8,117	2,914	2,464	23,320
Loss on sale of property, plant and equipment	7,911	649	49	472
Increase in accrued employees' retirement benefits	6,054	2,047	407	3,858
Increase (decrease) in reserve for fluctuation in water levels	(349)	—	689	6,524
Interest and dividends	(917)	(1,268)	(1,707)	(16,151)
Interest expenses	68,160	87,136	83,519	790,234
Decrease in notes and accounts receivable	663	3,126	94	893
Decrease (increase) in inventories	468	1,142	(326)	(3,088)
Increase (decrease) in notes and accounts payable	(194)	(2,850)	4,406	41,695
Equity in earnings of affiliates	—	(275)	(804)	(7,608)
Others	21,091	3,981	23,639	223,670
Subtotal	291,026	269,273	287,572	2,720,907
Interest and dividends received	917	1,140	1,323	12,522
Interest paid	(69,279)	(87,383)	(87,223)	(825,272)
Income taxes paid	(21,956)	(15,661)	(21,724)	(205,549)
Net cash provided by operating activities	200,708	167,368	179,948	1,702,608
Cash flows from investing activities:				
Payments for purchase of property, plant and equipment	(97,150)	(78,877)	(52,337)	(495,202)
Proceeds from contributions grants	11,883	3,958	3,124	29,560
Proceeds from sales of property, plant and equipment	21,887	101,775	258	2,448
Payments for investments and advances	(15,403)	(42,207)	(22,250)	(210,523)
Proceeds from collections of investments and advances	2,350	5,069	7,056	66,770
Others	(815)	(749)	(359)	(3,403)
Net cash used in investing activities	(77,248)	(11,030)	(64,507)	(610,349)
Cash flows from financing activities:				
Proceeds from issuance of bonds	35,000	20,000	49,988	472,968
Redemption of bonds	(68,034)	(33,500)	(45,010)	(425,868)
Proceeds from long-term loans	791	246,256	166,035	1,570,963
Repayment of long-term loans	(116,718)	(306,020)	(499,603)	(4,727,061)
Proceeds from short-term loans	252,221	117,194	239,730	2,268,246
Repayment of short-term loans	(224,591)	(157,397)	(256,087)	(2,423,007)
Proceeds from issuance of commercial paper	—	—	83,998	794,763
Redemption of commercial paper	—	—	(44,000)	(416,311)
Issuance of common stock	—	—	163,115	1,543,336
Payments for purchase of consolidated subsidiary's equity	—	—	(1,439)	(13,622)
Dividends paid	(4,236)	(4,236)	(4,236)	(40,079)
Dividends paid to minority interests	(5)	(6)	(7)	(73)
Net cash used in financing activities	(125,572)	(117,709)	(147,516)	(1,395,745)
Foreign currency translation adjustments on cash and cash equivalents	54	29	(184)	(1,749)
Net increase (decrease) in cash and cash equivalents	(2,057)	38,658	(32,260)	(305,236)
Cash and cash equivalents at beginning of year	23,186	21,128	59,787	565,686
Increase in cash from the addition of consolidated subsidiaries	—	—	147	1,391
Cash and cash equivalents at end of year (Notes 2 and 10)	¥ 21,128	¥ 59,787	¥ 27,673	$ 261,841

The accompanying notes are an integral part of these financial statements.

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of Electric Power Development Co., Ltd. ("the Company"), and its consolidated subsidiaries have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan and the Electricity Utilities Industry Law and their related accounting regulations, and are prepared on the basis of accounting principles and practices generally accepted and applied in Japan, which are different in certain respects application and disclosure requirements of accounting principles and practices generally accepted in the United States of America and International Financial Reporting Standards. All the intercompany balances and transactions are eliminated upon consolidation.

In addition, the notes to the consolidated financial statements include information that is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen or one thousand U.S. dollars have been rounded off. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation.

2. Summary of significant accounting policies

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 13 significant subsidiaries controlled directly or indirectly by the Company. From the year ended March 31, 2004, ITOIGAWA POWER, Inc. and J-Power Investment Netherlands B.V. have been included in the scope of consolidation due to their increasing influence on the consolidated financial position and results of operations of the Company.

Unconsolidated subsidiaries do not have a significant effect on the Company's consolidated financial position or operating results taken as a whole.

Generally, the difference between the acquisition costs of investment in a subsidiary and the underlying equity in its net assets adjusted based on the fair value at the time of acquisition is deferred and amortized over certain periods within 20 years using the straight-line method.

All of the consolidated subsidiaries, except for ITOIGAWA POWER, Inc., a domestic subsidiary, and overseas subsidiaries EPDC (Australia) Pty. Ltd. and J-Power Investment Netherlands B.V. have the same fiscal year as that of the Company. The fiscal year end of ITOIGAWA POWER, Inc. is the end of February, and the fiscal year end of each of EPDC (Australia) Pty. Ltd. and J-Power Investment Netherlands B.V. is December 31. The financial statements of these three subsidiaries as of these dates are used for consolidation after necessary adjustments with regard to significant transactions incurred during the periods between their fiscal year-ends and that of the Company.

(2) Equity method (Accounting for investment in affiliates)

Affiliates which have a significant influence on the Company's operations are accounted for by the equity method.

From the year ended March 31, 2004, SEC HoldCo, S.A. and four other affiliates, and from the year ended March 31, 2003, Gulf Electric Public Co., Ltd. and six other affiliates, have been accounted for by the equity method due to their increasing influence on the consolidated financial position and results of operations of the Company. Unconsolidated subsidiaries and affiliates which do not have a significant

effect on consolidated net income and retained earnings as a whole are not accounted for by the equity method.

The above-mentioned affiliates accounted for by the equity method have different fiscal year-ends from that of the Company, and accordingly, before their financial statements as of their respective year-ends are used in consolidation, they are adjusted with regard to significant transactions during the periods between their fiscal year-ends and that of the Company.

(3) Accounting policies

a. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Construction grants received from the Government of Japan and others are deducted from the cost of the related assets. Depreciation of major tangible assets is computed based on the estimated useful lives of the respective assets. The declining-balance method has been applied to buildings, structures and machinery and the straight-line method has been applied to other equipment. In addition, the straight-line method has also been applied to all property, plant and equipment at the Matsuura and Tachibanawan thermal power plants, except for environmental protection equipment. Major intangible assets are amortized based on the respective estimated useful lives of those assets using the straight-line method. Software costs for internal use are amortized based on the internally available period (normally, five years) using the straight-line method.

b. Investments

Held to maturity debt securities are stated using the amortized cost method on a straight-line basis.

Other securities with market value are stated at market value on the balance sheet date. Cost of sold securities is stated using the moving average method. The differences between the acquisition costs and the carrying values of securities are recognized in unrealized gain (loss) on securities. Unrealized gain (loss) on securities, net of applicable income taxes, is charged to shareholders' equity. Other securities without market value are stated at cost determined by the moving average method. Money in trust for cash management purposes is also stated at market value. Investments in unconsolidated subsidiaries and affiliates which are not accounted for by the equity method are stated at cost.

c. Inventories

Fuel, materials and supplies are stated at cost determined by the monthly average method.

d. Accrued employee retirement benefits

Accrued employee retirement benefits have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of each fiscal year-end.

Actuarial gain or loss and prior service cost are mainly amortized over a period of two years using the declining-balance method and the straight-line method, respectively.

e. Deferred charges

Bond and stock issuance expenses are fully amortized when incurred.

f. Other expenses

Loss on sale of fixed assets

The Company recorded a loss on sale of the head office building for securitization to strengthen the Company's financial position in the year ended March 31, 2002.

Unrealized loss on securities

The Company recorded a loss on valuation of its investment in the Japan Nuclear Cycle Development Institute as a result of its adoption of impairment accounting in accordance with the Accounting Standard for Financial Instruments in the year ended March 31, 2002.

g. (Provision for) reversal of reserve for fluctuation in water levels

To offset fluctuations in income in connection with hydroelectric power generation caused by higher or lower than average water levels, the Company records a reserve for fluctuations in water levels under "Ministerial Ordinance Concerning Reserve for Fluctuation in Water Levels" (the ministerial ordinance No. 56 of June 15, 1965 of the Ministry of Economy, Trade and Industry) stipulated by Article 36 of the Electricity Utilities Industry Law.

h. Foreign currency translation

Foreign currency-denominated monetary receivables and payables are translated into yen at the exchange rate prevailing as of each fiscal year-end, and the resulting gains or losses are charged to income currently. The assets, liabilities, revenues and expenses of an overseas consolidated subsidiary are translated into yen at the exchange rate in effect at each fiscal year-end, and the resulting translation differences are presented as minority interests and foreign currency translation adjustments under shareholders' equity. The components of shareholders' equity are translated at historical exchange rates.

i. Leases

Finance leases other than those which are deemed to transfer ownership of the leased property to the lessee are accounted for on a basis similar to ordinary operating lease transactions.

j. Derivative financial instruments and hedge accounting

The Company utilizes derivative financial instruments, such as foreign exchange forward contracts, foreign currency swaps and interest rate swaps, to manage its exposure to fluctuations in foreign exchange and interest rates.

The Company does not intend to utilize derivatives for trading or speculative purposes. The Company uses foreign currency forward contracts and foreign currency swaps to hedge foreign currency-denominated bonds and debts, and uses interest swaps to hedge payments and receipts of principal and interest with respect to bonds and debts.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows. All derivatives, except those utilized for hedging purposes, are generally recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statements of income. For derivatives utilized for hedging purposes, if such derivatives meet specific hedging accounting criteria because of high correlation and effectiveness between the hedging instruments and hedged items, gains or losses on derivative transactions are deferred until maturity of the hedged transactions.

k. Capitalization of interest expenses

Interest expenses related to debts incurred for the construction of power plants have been capitalized and included in the cost of the related assets pursuant to the accounting regulations (the ministerial ordinance No. 57 of June 15, 1965 of the Ministry of Economy, Trade and Industry) under the EUIL.

l. Accounting for consumption taxes

Consumption tax with respect to the Company and its domestic subsidiaries is accounted for using the tax-excluded method.

The consumption tax imposed on sales made to customers by the Company and its domestic subsidiaries is withheld by the Company and its subsidiaries at the time of sale and is subsequently paid to the national and local governments. The consumption tax withheld upon sale is not included in the amount of operating revenue in the accompanying consolidated statements of income.

Consumption tax paid on purchases of goods and national services by the Company and its domestic subsidiaries is excluded from each account in the consolidated statements of income.

m. Other significant issues for the preparation of consolidated financial statements

Accounting for treasury stock and reduction of legal reserves

"Accounting Standard for Treasury Stock and Reduction of Legal Reserves" (Accounting Standards Board of Japan, Financial Accounting Standard No. 1) came into effect on April 1, 2002 and the Company has applied this new accounting standard from the year ended March 31, 2003. This new accounting standard had no effect on the consolidated statements of income of the Company for the period under review.

Per share information

"Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan, Financial Accounting Standard No. 2) and "Implementation Guidance on Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan, Financial Accounting Standard Implementation Guidance No. 4) apply to fiscal years beginning from and after April 1,2002 and the Company has followed this new accounting standard and implementation guidance.

Accounting for the domestic engineering business and consulting business

Income and related expenses related to the domestic engineering business and consulting business were recorded in "Electric power operating revenues" and "Electric power operating expenses", respectively, until the fiscal year ended March 31, 2003. However, because the Electric Power Development Promotion Law was repealed on October 2, 2003, beginning in the fiscal year ended March 31, 2004, the Company started to record income and related expenses related to its domestic engineering business and consulting business in "Other operating revenues" and "Other operating expenses", respectively. Adoption of this change had no material effect on the consolidated financial statements of the Company.

(4) Income taxes

Income taxes comprise corporate income tax, inhabitant tax and enterprise tax, except for the one imposed on the sales of the Company. Most of the enterprise tax imposed on the Company is imposed on sales and such enterprise tax is included in operating expenses (electric power) in its consolidated statements of income. The provision for income taxes is computed based on pretax income included in the Company's consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(5) Appropriation of retained earnings

Appropriation of retained earnings is accounted for and reflected in the accompanying consolidated financial statements when approved by shareholders.

(6) Cash equivalents

Cash and cash equivalents presented in the accompanying consolidated statements of cash flows represent cash on hand, bank deposits, which are payable on demand, and short-term investments with original maturities of three months or less which are easily convertible into cash and present insignificant risk of changes in value.

(7) Per share information

Net income per share is calculated based on the weighted average number of outstanding shares of common stock during the fiscal year. Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share is not disclosed as there are no outstanding securities, such as convertible bonds or warrants, that are convertible into shares of common stock.

(8) U.S. dollar amounts

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2004, which was ¥105.69 = U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted, realized or settled in U.S. dollars at this or any other rate of exchange.

3. *Property, plant and equipment*

Power plants, less construction grants and accumulated depreciation, as of March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Hydroelectric power production facilities	¥ 475,200	¥ 506,703	$ 4,794,239
Thermal power plants	803,105	746,203	7,060,302
Transmission facilities	307,963	289,771	2,741,714
Conversion facilities	47,320	43,795	414,380
Communication facilities	11,730	10,983	103,921
General facilities	27,527	25,909	245,146
Total	¥1,672,846	¥1,623,367	$15,359,705

Construction grants, which were deducted from the cost of property, plant and equipment as of March 31, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Construction grants	¥97,719	¥98,123	$928,458

Accumulated depreciation of property, plant and equipment as of March 31, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Accumulated depreciation	¥1,787,841	¥1,905,775	$18,031,744

4.

Short-term loans and long-term debt

Short-term loans and long-term debt as of March 31, 2003 and 2004, consisted of the following:

		Millions of yen		Thousands of U.S. dollars
		2003	2004	2004
Loans from banks and Japanese government agencies, due on varying dates through 2019		¥1,044,141	¥ 738,157	$ 6,984,173
Interest rates:				
Long-term loans, excluding current portion	1.86% (average)			
Current portion of long-term loans	2.52% (average)			
Short-term loans	0.38% (average)			
Commercial paper	0.01% (average)			
Domestic bonds guaranteed by the Government of Japan, due on varying dates through 2011, 1.1%–3.0%		536,120	536,120	5,072,570
Domestic bonds underwritten by the Government of Japan, due on varying dates through 2008, 2.0%–4.7%		191,250	146,240	1,383,669
Domestic straight bonds due on varying dates through 2023, 0.93–2.01%		20,000	70,000	662,314
French franc-dominated foreign bonds guaranteed by the Government of Japan, due on 2007, 5.63%		35,474	35,474	335,642
Euro-dominated foreign bonds guaranteed by the Government of Japan, due on 2006, 4.88%		28,917	28,917	273,603
Japanese yen-dominated foreign bonds guaranteed by the Government of Japan, due on 2010, 1.80%		38,000	38,000	359,542
Subtotal		1,893,902	1,592,908	15,071,515
Less: Current portion		(160,776)	(138,040)	(1,306,090)
		¥1,733,126	¥1,454,867	$13,765,425

The annual maturities of bonds and long-term debts subsequent to March 31, 2004, are summarized as follows:

Years ended March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 138,040	$ 1,306,090
2006	111,173	1,051,884
2007	162,645	1,538,893
2008	196,145	1,855,853
2009	199,827	1,890,696
2010 and thereafter	785,075	7,428,097
Total	¥1,592,908	$15,071,515

All of the Company's assets are subject to certain statutory liens as security for bonds. The outstanding amount of such bonds amounted to ¥849,761 million and ¥824,751 million ($7,803,493 thousand) as of March 31, 2003 and 2004, respectively.

The book value of the Company's assets pledged as collateral for the debt of certain consolidated subsidiaries, which debt totaled ¥3,232 million and ¥1,647 million ($15,590 thousand) as of March 31, 2003 and 2004, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Other property, plant and equipment	¥4,514	¥3,616	$34,215

5. Contingent liabilities

Contingent liabilities as of March 31, 2003 and 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Guarantees for loans of other companies:			
Green Power Kuzumaki Co., Ltd.	¥ 2,700	¥ 3,300	$ 31,223
Dream-Up Tomamae Co., Ltd.	3,636	3,140	29,709
Nikaho-kogen Wind Power Co., Ltd.	1,168	1,093	10,345
Green Power Aso Co., Ltd.	—	950	8,988
Ecuador Resources Finance Ltd.	159	395	3,742
Roi-Et Green Co., Ltd.	—	315	2,980
Okutadami Kanko Co., Ltd.	264	273	2,583
Kyoeki Ryokou Co., Ltd.	448	252	2,389
Kawagoe Cable Vision Co., Ltd.	314	222	2,100
Kanda Eco Plant Co., Ltd.	204	185	1,754
ITOIGAWA POWER Inc.	2,176	—	—
TLP Cogeneration Co., Ltd.	1,090	—	—
Omuta Recycle Power Co., Ltd.	194	—	—
Total	12,356	10,127	95,818
Guarantees in connection with housing loans to Company employees	5,505	6,589	62,342
Guarantees for electricity sales revenue of: Nikaho-kogen Wind Power Co., Ltd.	158	252	2,384
Green Power Kuzumaki Co., Ltd.	—	54	515
Debts assigned by the Company to certain banks under debt assumption agreements	50,120	50,120	474,217
Total	¥68,140	¥67,142	$635,278

6. Operating expenses

Operating expenses (electric power) for the years ended March 31, 2002, 2003 and 2004, are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Personnel expense	¥ 54,230	¥ 49,923	¥ 42,220	$ 399,471
Fuel cost	92,876	86,438	85,927	813,012
Repair expense	30,366	36,189	28,652	271,103
Consignment fee	22,958	25,126	26,193	247,832
Taxes and duties	23,754	23,312	23,984	226,931
Depreciation and amortization cost	145,676	134,043	128,395	1,214,833
Others	51,953	52,097	51,089	483,393
Total	¥421,816	¥407,131	¥386,463	$3,656,579

Selling, general and administration expenses included in operating expenses (electric power) for the years ended March 31, 2002, 2003 and 2004, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Personnel expense	¥37,191	¥33,758	¥31,614	$299,120
Fuel cost	—	—	—	—
Repair expense	858	1,013	836	7,915
Consignment cost	7,806	9,618	6,997	66,206
Taxes and duties	749	650	649	6,141
Depreciation and amortization cost	2,295	2,391	2,403	22,738
Others	12,197	15,350	13,692	129,554
Total	¥61,099	¥62,782	¥56,192	$531,677

7. Enterprise tax

Most of the enterprise tax of the Company and ITOIGAWA POWER Inc. is imposed on operating revenues, except for certain enterprise taxes imposed on taxable income. Enterprise tax on operating revenues was included in operating expenses (electric power) in the amount of ¥7,140 million, ¥7,097 million and ¥6,845 million ($64,772 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively. For domestic consolidated subsidiaries, except for ITOIGAWA POWER Inc., enterprise tax is included in income taxes as it is imposed on taxable income.

8. Research and development costs

Research and development costs are presented in a total amount pursuant to "Accounting Standard for Research and Development Costs, etc." ("Opinion Concerning Establishment of Accounting Standard for Research and Development Costs, etc." issued by the Business Accounting Deliberation Council on March 13, 1998).

Research and development costs included in general and administrative expenses for the years ended March 31, 2002, 2003 and 2004, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Research and development costs	¥5,805	¥6,333	¥6,752	$63,893

9. Subsequent events

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2004, were approved at the general meeting of the shareholders held on June 30, 2004:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥60 [$0.56] per share*)	¥5,410	$51,192
Directors' and statutory auditors' bonuses	55	528

* Cash dividends paid on 68,208,000 new shares of common stock issued in December 2003 were prorated based on the number of days such shares were outstanding during the fiscal year ended March 31, 2004. As a result, cash dividends per share actually paid on such shares were ¥17.22 and the average cash dividend per share actually paid on all of our shares of common stock outstanding as of March 31, 2004 was ¥38.98.

Due to a revision of the Commercial Code of Japan in the fiscal year ended March 31, 2002, the common stock of the Company was converted from par value ¥1,000 per share to non-par value common stock.

10. Cash and cash equivalents

The reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2003 and 2004, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Cash and bank deposits on the consolidated balance sheets	¥60,136	¥27,804	$263,075
Time deposits with a maturity of more than three months	(349)	(130)	(1,234)
Securities with a maturity of three months or less	—	—	—
Cash and cash equivalents on the consolidated statements of cash flows	¥59,787	¥27,673	$261,841

11. Leases

Finance leases other than those which are deemed to transfer ownership of the leased property to the lessee:

As a lessee

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2003 and 2004, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2003			2004			2004		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Electric utility plant	¥ 9,131	¥3,738	¥5,393	¥ 8,638	¥4,578	¥4,059	$ 81,730	$43,318	$38,412
Others	2,489	1,338	1,150	2,269	1,251	1,018	21,472	11,838	9,633
Total	¥11,620	¥5,077	¥6,543	¥10,907	¥5,829	¥5,077	$103,202	$55,156	$48,045

Acquisition cost includes the imputed interest expense portion.

Future lease payments under finance leases as of March 31, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Due within one year	¥2,271	¥2,215	$20,961
Due after one year	4,271	2,862	27,084
Total	¥6,543	¥5,077	$48,045

Future lease payments under finance leases include the imputed interest expense portion.

Lease payments (including accumulated depreciation) under finance leases were ¥2,494 million and ¥2,360 million ($22,336 thousand) as of March 31, 2003 and 2004, respectively. Depreciation expense is computed using the straight-line method over the respective lease periods.

As a lessor

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2003 and 2004, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2003			2004			2004		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Others	¥58	¥35	¥22	¥75	¥46	¥28	$713	$444	$268
Total	¥58	¥35	¥22	¥75	¥46	¥28	$713	$444	$268

Future lease revenues under finance leases at March 31, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Due within one year	¥14	¥23	$220
Due after one year	33	42	400
Total	¥48	¥65	$620

Future lease revenues under finance leases include the imputed interest income portion.

Revenues under finance leases were ¥15 million and ¥19 million ($185 thousand) as of March 31, 2003 and 2004.

Depreciation under finance leases was ¥12 million and ¥13 million ($123 thousand) as of March 31, 2003 and 2004.

12. Marketable securities and investment securities

(1) Held-to-maturity securities for which market prices were available as of March 31, 2003 and 2004, were as follows:

Bonds: Market value more than balance sheet amount

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Balance sheet amount	¥7	¥6	$56
Market value	7	6	57
Unrealized gain	¥0	¥0	$ 0

(2) Other securities for which market prices were available as of March 31, 2003 and 2004, were as follows:

Stocks: Balance sheet amount more than cost

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Cost	¥153	¥ 7,064	$ 66,845
Balance sheet amount	562	12,860	121,676
Unrealized gain	¥409	¥ 5,795	$ 54,831

Stocks: Balance sheet amount less than cost

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Cost	¥4,411	¥—	$—
Balance sheet amount	3,828	—	
Unrealized loss	¥ (583)	¥—	$—

Total

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Cost	¥4,565	¥ 7,064	$ 66,845
Balance sheet amount	4,390	12,860	121,676
Unrealized gain (loss)	¥ (174)	¥ 5,795	$ 54,831

(3) Non-marketable securities and investment securities stated at cost as of March 31, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Unlisted stock	¥17,117	¥17,084	$161,651
Unlisted foreign stock	2,049	2,138	20,235
Capital contribution	1,852	1,833	17,352
Foreign capital contribution	85	38	361
Others	1,724	1,135	10,744
Total	¥22,830	¥22,231	$210,344

(4) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity securities as of March 31, 2003 and 2004, is summarized as follows:

Bonds

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Due in one year or less	¥ 1	¥ 6	$56
Due after one year through five years	6	—	—
Due after five years through ten years	—	—	—
Due after ten years	—	—	—

13. Derivatives

(1) Transaction status

a. Purpose and policy of transactions

The Company enters into forward foreign exchange contracts and currency swaps as currency-related derivatives and enters into interest rate swaps as interest rate-related derivatives.

The Company utilizes derivatives solely to hedge the foreign currency exchange risk and interest rate risk exposure of its underlying assets and liabilities and does not execute speculative derivatives dealings as a policy.

The Company adopts hedge accounting for derivatives. Hedged items are bonds and debts, and hedging instruments are derivatives such as forward exchange contracts and currency swaps assigned

to foreign currency-denominated bonds and debts and interest rate swaps. Hedging activities are performed to the extent of the underlying liabilities.

b. Content of transaction risk

The management of the Company recognizes that forward exchange contracts minimize foreign exchange risk and that interest rate swaps minimize interest rate risk, as all of these derivatives are intended to avoid market risk. In addition, the management considers counterparty risk to be minimal because the Company enters into derivative contracts only with financial institutions with high credit ratings.

c. Risk management system

The Company's Treasury Department is responsible for managing derivatives transactions in accordance with the Company's internal rules governing trading authorities, trading limits and reporting, among other things.

(2) Fair value

There are no derivatives for which the fair value should be disclosed as of March 31, 2003 and 2004, as all derivatives qualified for hedge accounting.

14. Employee retirement benefit plans

The Company and certain of its domestic consolidated subsidiaries have defined benefit plans, including tax-qualified pension plans and lump sum retirement benefit plans. Severance payments in addition to the amounts actuarially calculated under lump sum retirement benefit plans are also paid to employees upon retirement.

Retirement benefit obligation as of March 31, 2003 and 2004, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Retirement benefit obligation	¥(123,851)	¥(129,508)	$(1,225,358)
Plan assets at fair value	66,983	76,575	724,525
Unfunded retirement benefit obligation	(56,867)	(52,932)	(500,832)
Unrecognized differences arising from a change in accounting standard	—	—	—
Unrecognized actuarial loss	4,786	2,538	24,015
Unrecognized prior service cost	2,941	848	8,027
Accrued employees' retirement benefits	¥ (49,138)	¥ (49,546)	$ (468,790)

Retirement benefit expenses for the years ended March 31, 2002, 2003 and 2004, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Service cost	¥ 4,164	¥ 4,424	¥ 4,303	$ 40,716
Interest cost	3,224	2,918	2,962	28,032
Expected return on plan assets	(1,776)	(1,826)	(1,719)	(16,268)
Amortization of differences arising from a change in accounting standard	5,926	—	—	—
Amortization of actuarial loss	9,135	8,942	4,145	39,225
Amortization of prior service cost	(1,721)	384	2,093	19,807
Additional severance payments, etc.	783	1,637	1,769	16,742
Total	¥19,737	¥16,480	¥13,555	$128,255

The principal assumptions used in determining the retirement benefit obligation and other components of plans of the Company and its subsidiaries for the years ended March 31, 2002, 2003 and 2004, were as follows:

	2002	2003	2004
Method of allocation of estimated retirement benefits	Equally over the period	Equally over the period	Equally over the period
Discount rate	Mainly 2.6%	Mainly 2.6%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 3.0%	Mainly 3.0%	Mainly 3.0%
Amortization period of unrecognized actuarial loss	Mainly amortized by the declining-balance method over a period of two years	Mainly amortized by the declining-balance method over a period of two years	Mainly amortized by the declining-balance method over a period of two years
Amortization period of prior service cost	Mainly amortized by the straight-line method over a period of two years	Mainly amortized by the straight-line method over a period of two years	Mainly amortized by the straight-line method over a period of two years
Amortization period of differences arising from a change in accounting standard	Mainly two years	—	—

15. Income taxes

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporate income tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in statutory tax rates of approximately 36% and 42% for the Company and its consolidated subsidiaries, respectively.

The significant components of deferred tax assets and liabilities as of March 31, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred tax assets			
Reserve for retirement benefits	¥18,970	¥20,226	$191,372
Excess of depreciation of fixed assets	3,684	3,410	32,272
Excess of amortization of deferred charges for tax purposes	2,258	2,125	20,114
Tax effect on elimination of unrealized gain on fixed assets	14,274	14,466	136,878
Other	12,265	11,456	108,395
Total deferred tax assets	51,453	51,686	489,034
Deferred tax liabilities			
Other	(636)	(2,728)	(25,814)
Total deferred tax liabilities	(636)	(2,728)	(25,814)
Net deferred tax assets	¥50,817	¥48,957	$463,219

Differences between effective and statutory tax rates as of March 31, 2002, 2003 and 2004, were as follows:

	2002	2003	2004
Statutory tax rate	36.00%	36.00%	—
Permanently non-deductible expenses (e.g., entertainments expenses)	1.66%	1.35%	—
Permanently non-taxable income (e.g. dividends income)	(1.07%)	(0.80%)	—
Difference in the taxation method of enterprise tax between the Company and its subsidiaries	1.50%	2.03%	—
Reduction of deferred tax assets due to a change in the income tax rate	—	0.29%	—
Other	2.82%	1.58%	—
Effective tax rate	40.91%	40.45%	—

There was no significant difference between the statutory tax rate and the income tax rate reflected in the accompanying consolidated statements of operations for the year ended March 31, 2004.

As a result of the promulgation of the Law to Revise Elements of Local Tax Law, etc. (Law No. 9 in 2003) during the fiscal year ended March 31, 2003, the statutory tax rate used to calculate deferred tax assets and liabilities for the year ended March 31, 2003 (only for the portion to be realized after March 31, 2004) for six of the Company's 11 consolidated subsidiaries for the year was 42.06% for the year ended March 31, 2002 and 40.69% for the year ended March 31, 2003. As a result of this change in the income tax rate during the year ended March 31, 2003, net deferred tax assets decreased by ¥98 million, deferred income taxes increased by ¥102 million and unrealized gain on other securities increased by ¥4 million for the year ended March 31, 2003.

16. Shareholders' equity

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminated the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001.

The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥1,000 per share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The legal reserves are included in retained earnings in the accompanying consolidated financial statements.

On October 7, 2003, J-POWER Privatization Fund Co., Ltd. (the "Fund") was established to ensure the smooth acquisition and sale of the Company's shares during the course of the Company's privatization. All of the 47,083,000 shares of the Company formerly held by the Minister of Finance, which represented 66.69% of the Company's total issued shares, were transferred by the Minister of Finance to the Fund in November 2003.

On December 18, 2003, the Company issued an additional 68,208,000 shares to the Fund, in return for which the Fund paid the Company ¥163,699 million ($1,548,860 thousand) thereby increasing the Company's common stock account from ¥70,600 million ($667,991 thousand) to ¥152,449 million ($1,442,422 thousand), and increasing the Company's capital surplus to ¥81,849 million ($774,430 thousand) as of March 31, 2004. Through the issuance of these additional shares to the Fund, the Fund became the owner of 83.06% of the Company's outstanding shares.

17. Segment information

Information about business segments of the Company and its consolidated subsidiaries for the years ended March 31, 2002, 2003 and 2004, was as follows:

(1) Business Segments

	Millions of yen				
	2002				
	Electric power	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 547,333	¥ 46,010	¥ 593,343	¥ —	¥ 593,343
Intersegment sales	399	142,169	142,569	(142,569)	—
Total sales	547,733	188,179	735,913	(142,569)	593,343
Operating expenses	434,241	180,549	614,791	(141,037)	473,753
Operating income	113,492	7,629	121,121	(1,531)	119,590
Assets	2,260,233	107,792	2,368,026	(53,305)	2,314,720
Depreciation	149,175	3,468	152,644	(3,499)	149,145
Capital expenditures	78,787	1,802	80,589	(3,947)	76,641

	Millions of yen				
	2003				
	Electric power	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 545,824	¥ 38,297	¥ 584,122	¥ —	¥ 584,122
Intersegment sales	385	135,138	135,523	(135,523)	—
Total sales	546,209	173,435	719,645	(135,523)	584,122
Operating expenses	421,750	165,107	586,858	(136,937)	449,920
Operating income	124,459	8,328	132,787	1,414	134,201
Assets	2,137,705	110,905	2,248,610	(52,713)	2,195,897
Depreciation	137,736	3,104	140,840	(3,692)	137,148
Capital expenditures	54,885	1,347	56,233	(2,790)	53,443

	Millions of yen				
	2004				
	Electric power	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 522,922	¥ 46,931	¥ 569,854	¥ —	¥ 569,854
Intersegment sales	527	150,047	150,575	(150,575)	—
Total sales	523,450	196,978	720,429	(150,575)	569,854
Operating expenses	404,046	184,193	588,239	(150,524)	437,715
Operating income	119,404	12,785	132,189	(50)	132,138
Assets	2,015,716	115,443	2,131,159	(55,051)	2,076,107
Depreciation	131,869	3,001	134,870	(3,489)	131,380
Capital expenditures	44,896	3,837	48,733	(2,531)	46,202

	Thousands of U.S. dollars				
	2004				
	Electric power	Other	Subtotal	Elimination	Consolidated
Sales to customers	$ 4,947,702	$ 444,047	$ 5,391,750	$ —	$ 5,391,750
Intersegment sales	4,993	1,419,693	1,424,687	(1,424,687)	—
Total sales	4,952,696	1,863,741	6,816,438	(1,424,687)	5,391,750
Operating expenses	3,822,938	1,742,770	5,565,708	(1,424,205)	4,141,502
Operating income	1,129,758	120,971	1,250,730	(481)	1,250,248
Assets	19,071,967	1,092,285	20,164,252	(520,880)	19,643,371
Depreciation	1,247,697	28,394	1,276,091	(33,020)	1,243,071
Capital expenditures	424,791	36,311	461,102	(23,953)	437,148

For the fiscal year ended March 2004, in connection with the repeal of the Electric Power Development Promotion Law in October 2003, businesses that generate and sell wind power or thermal power (as an independent power producer (IPP)) operated by subsidiaries of the Company, which previously would have been classified under the "Other" segment, were reclassified under the "Electric power" segment. This change in classification had no material effect on the segment information for the fiscal year ended March 31, 2004, because there were no consolidated subsidiaries of the Company engaged in these businesses, except for ITOIGAWA POWER Inc., an IPP subsidiary, which was newly included in the scope of consolidation for the fiscal year ended March 31, 2004 under the "Electric power" segment.

Beginning with the fiscal year ended March 31, 2004, the Company began to record income and related expenses related to its domestic engineering business and consulting business under other operating revenues and other operating expenses, respectively, rather than under operating revenues (electric power) and operating expenses (electric power) as had been its practice through the fiscal year ended March 31, 2003. The effect of this change is immaterial.

The main products within each segment as of March 31, 2004 are as follows:

Electric power: Wholesale electricity, other electricity

Other: Electricity and construction work, fuel transportation, computing, lease of computers, engineering, consulting.

Main products within each segment as of March 31, 2002 and 2003 are as follows:

Electric power: Wholesale electricity

Other: Electricity and construction work, fuel transportation, computing, lease of computers.

(2) Geographic Segments

Since the proportion of the Company's business that is conducted in Japan accounts for more than 90% of the Company's total revenues and assets, geographic segment information is not presented.

(3) Overseas Revenues

Overseas revenues are omitted because revenues from foreign countries account for less than 10% of the Company's total revenues.

18. Related party transactions

During the fiscal year ended March 31, 2004, the Company rented a house to one of its Executive Vice Presidents. The rental fee received by the Company was approximately ¥1 million ($10 thousand). The amount of the rental fee was decided based on the Company's internal rules and in consideration of Japanese income tax law.

There were no significant related-party transactions for the fiscal year ended March 31, 2003.

Report of Independent Auditors

To the Board of Directors
Electric Power Development Co., Ltd.

We have audited the accompanying consolidated balance sheets of Electric Power Development Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years ended March 31, 2004, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Electric Power Development Co., Ltd. and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2004 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young Shin Nihon

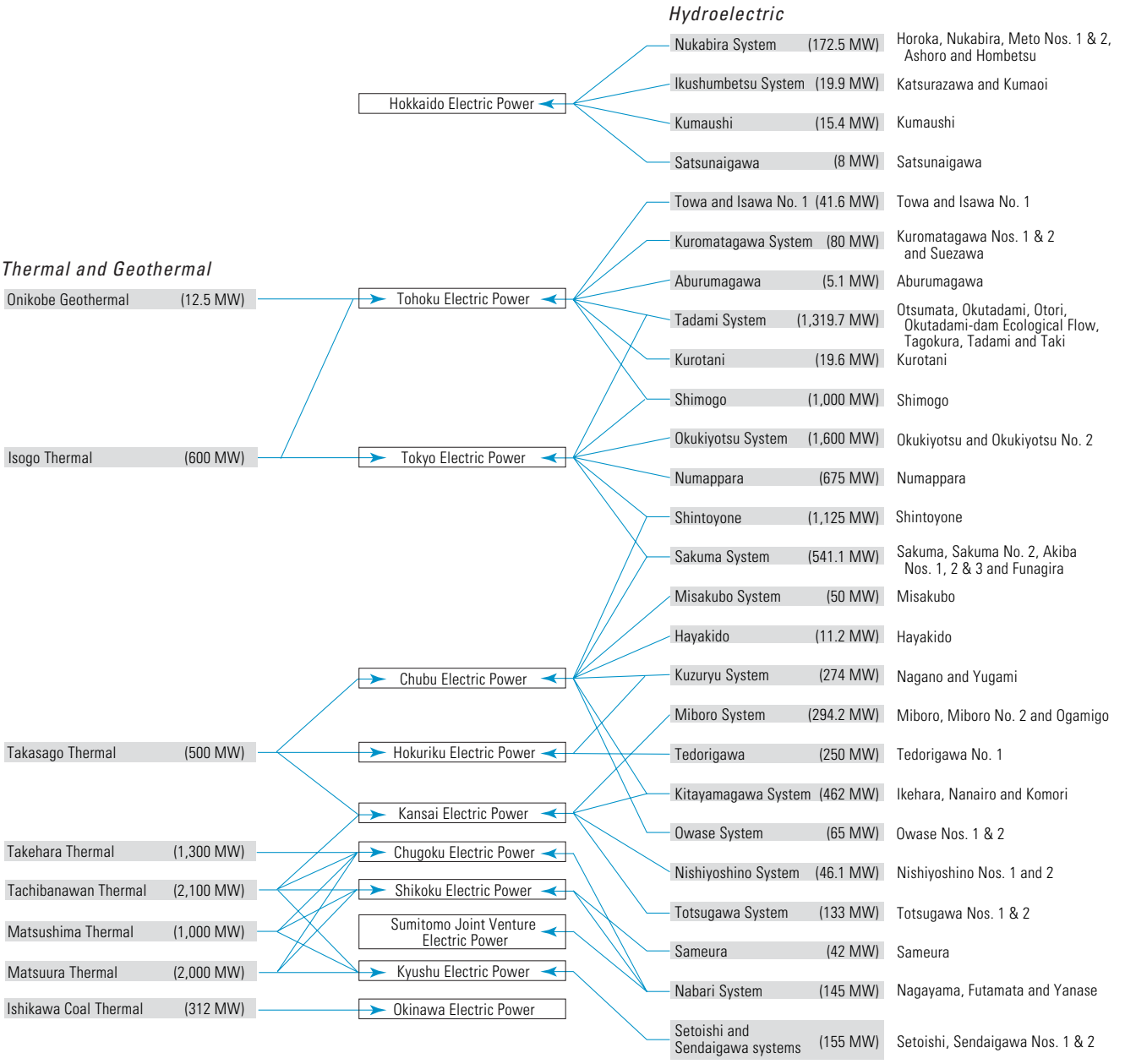
June 30, 2004

Customers by Facilities

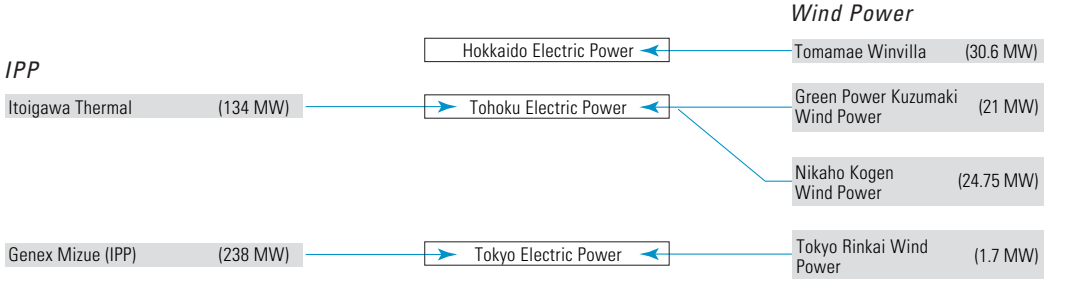
(As of September 30, 2004)

Wholesale Electric Power Businesses

We enter into contracts with each EPCO for the supply of electric power, based on the power plant, water system and site.



Other Electric Power Businesses



Major Group Companies

(As of September 30, 2004)

	Company	Paid-in capital (Millions of yen)	J-POWER interest (%)		Main business
Parent Company	J-POWER Privatization Fund Co., Ltd.	64,499	80		Management of J-POWER shares
Consolidated Subsidiaries	ITOIGAWA POWER Inc.	1,006	80		Investment in domestic IPP projects
	Ichihara Power Co., Ltd.	490	60		Investment in domestic PPS projects
	Green Power Aso Co., Ltd.	490	81		Construction and operation of wind power generation facilities
	Green Power Kuzumaki Co., Ltd.	490	100		Construction and operation of wind power generation facilities
	Nagasaki-Shikamachi Wind Power Co., Ltd.	490	70		Construction and operation of wind power generation facilities
	J-Wind TAHARA Ltd.	245	66		Construction and operation of wind power generation facilities
	Nikaho-kogen Wind Power Co., Ltd.	100	67		Construction and operation of wind power generation facilities
	Dream-up Tomamae Co., Ltd.	10	100		Construction and operation of wind power generation facilities
	JPOWER GENEX CAPITAL Co., Ltd.	570	100		Management of joint IPP projects
	JPec Co., Ltd.	500	100		Construction, technological development, design, consulting, maintenance and research for thermal and nuclear power stations; unloading and transporting of coal to thermal power stations; sales of fly ash and shipping of coal for thermal power stations; studies, construction and maintenance in the area of greening and landscape engineering; studies and planning for environmental conservation
	JPHYTEC Co., Ltd.	500	100		Construction, technological development, design, consulting, maintenance and research for hydroelectric power stations, power distribution lines and substations; compensation for and surveying of construction sites; civil engineering, general construction and construction management
	Kaihatsu Denshi Gijutsu Co., Ltd.	110	100		Construction and maintenance of electronic and communications facilities
	EPDC CoalTech and Marine Co., Ltd.	20	100	100*	Shipping of coal ash and fried ash of thermal power plants
	Kaihatsu Sekkei Consultant Co., Ltd.	20	100		Design and construction management of electric power facilities; engineering and construction
	J-POWER RESOURCES Co., Ltd.	1,000	100		Research, investigation and development of coal mines; investment in coal mining
	J-POWER AUSTRALIA PTY. LTD. (Australia)	11 *(Millions of Australian dollars)*	100	100*	Investments in coal mines in Australia
	JP Business Service Corporation	450	100		Operation of welfare facilities and building management; general administration, industrial relations and accounting services; development of computer software
	J-Power Investment Netherlands B.V. (Netherlands)	50 *(Millions of euros)*	100		Management of overseas investments
Companies Accounted for by the Equity Method	GENEX COMPANY, LIMITED	2,800	40	40*	Investment in domestic IPP projects
	Gulf Electric Public Co., Ltd. (Thailand)	4,574 *(Millions of baht)*	49		Holding company for thermal power generation companies
	Thaioil Power Co., Ltd. (Thailand)	2,810 *(Millions of baht)*	19		Operation of gas cogeneration facilities
	SEC HoldCo, S.A. (Spain)	3.6 *(Millions of euros)*	50	50*	Operation of wind power generation facilities
	Chiahui Power Corporation (Taiwan)	4,300 *(Millions of new Taiwan dollars)*	40	40*	Operation of gas combined cycle power plants
	Nong Khae Cogeneration Co., Ltd. (Thailand)	1,242 *(Millions of baht)*	—	100**	Operation of gas cogeneration facilities
	Samutprakarn Cogeneration Co., Ltd. (Thailand)	982 *(Millions of baht)*	—	100**	Operation of gas cogeneration facilities
	Gulf Cogeneration Co., Ltd. (Thailand)	850 *(Millions of baht)*	—	100**	Operation of gas cogeneration facilities
	Gulf Power Generation Co., Ltd. (Thailand)	577 *(Millions of baht)*	—	100**	Construction and operation of thermal power plants
	Trang Biomass Co., Ltd. (Thailand)	0.25 *(Millions of baht)*	—	100**	Construction and operation of bio-mass power plants
	Gulf Yala Green Co., Ltd. (Thailand)	200 *(Millions of baht)*	—	95**	Construction and operation of bio-mass generation power plants
	Independent Power (Thailand) Co., Ltd. (Thailand)	1,771 *(Millions of baht)*	—	56**	Operation of gas combined cycle power plants

** Indirect holdings*

*** Held by associated persons and not included in ownership*

Investor Information

(As of October 6, 2004)

Category of Business	Electric power business
Date of Incorporation	September 16, 1952
Paid-in Capital	¥152,449 million
Authorized Shares	550,000,000
Number of Shares Outstanding	138,808,000
Closing Date	March 31
Annual Shareholders' Meeting	June
Stock Exchange Listing	Tokyo Stock Exchange, First Section
Transfer Agent	Sumitomo Trust & Banking Co., Ltd.

Directors and Corporate Auditors

(As of July 2004)

President	Yoshihiko Nakagaki*
Executive Vice Presidents	Youki Kawata*
	Hisao Nakagami*
	Katsuhiko Miyashita*
Executive Managing Directors	Akinobu Yasumoto
	Kiyoshi Sawabe
	Masayoshi Kitamura
Executive Directors	Masashi Hatano
	Akio Ushio
	Yasuo Maeda
	Kanji Shimada
	Yoshihiko Sakanashi
Corporate Auditors	Masayuki Hori
	Takeshi Sone
	Yasuo Matsushita

** Representative Directors*

Corporate Network

(As of September 30, 2004)

Head Office

15-1, Ginza 6-chome, Chuo-ku, Tokyo 104-8165, Japan
Tel: 81-3-3546-2211
URL: www.jpower.co.jp
E-mail: webmaster@jpower.co.jp

Regional Headquarters and Others

Hokkaido Regional Headquarters
Tohoku Office
East Regional Headquarters
Chubu Regional Headquarters
Hokuriku Office
West Regional Headquarters
Chugoku Office
Shikoku Office
Kyushu Office

Overseas Offices

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