Electric Power Development Co., Ltd. ANNUAL REPORT 2005

What is J-POWER? >

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.

J-POWER's Profile

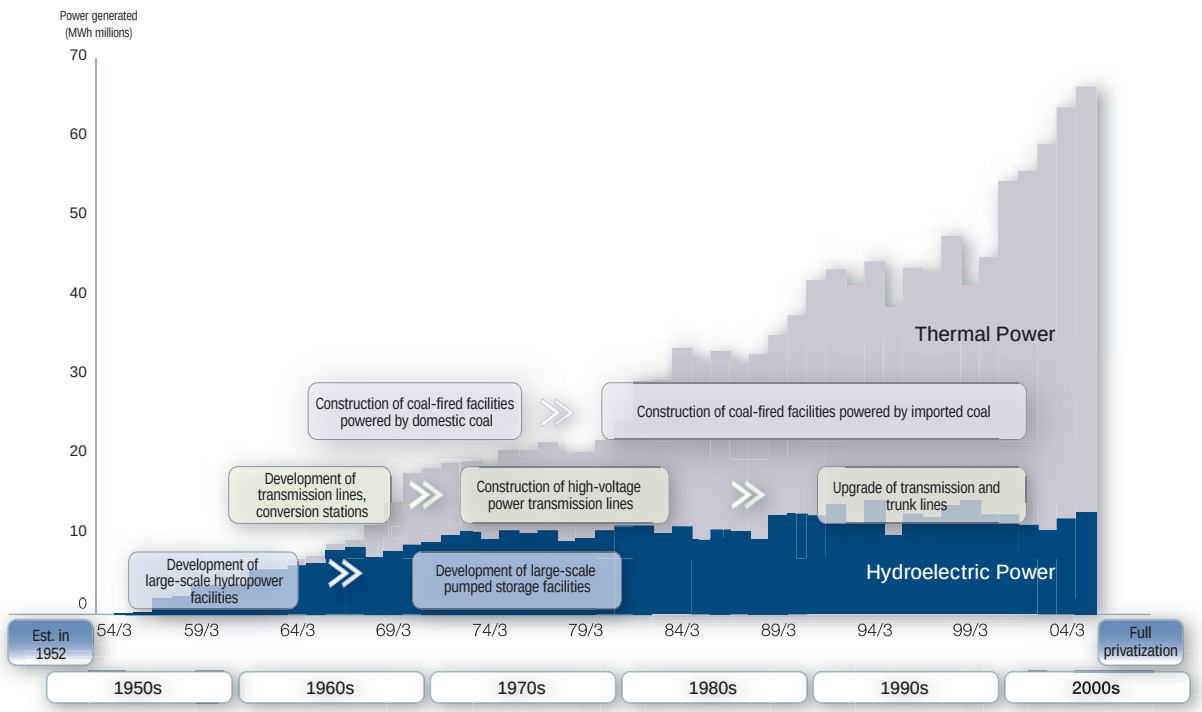
J-POWER (Electric Power Development Co., Ltd.) was established in 1952 through a government initiative to increase the supply of electricity in Japan. Over the half a century since then, J-POWER, as a wholesale electric utility, has provided an inexpensive and stable supply of electricity to Japan's 10 major electric power companies (EPCOs). At the same time, J-POWER has contributed to the development of the Japanese economy and the improvement of the quality of life in the country by constructing and operating a nationwide network of transmission trunk lines for EPCOs.

Since 1960, J-POWER has provided electric power consulting services, participated in thermal and hydroelectric power development initiatives, and conducted surveys, design planning and construction management concerning environmental issues in 60 countries. In recent years, the Company has diversified its overseas operations to encompass independent power producer (IPP) projects.

The Electric Power Development Promotion Law, which was the legal basis for the establishment of J-POWER, was repealed in October 2003. The Company completely achieved privatization in October 2004, when it listed on the First Section of the Tokyo Stock Exchange.

J-POWER will respond to changes in its operating environment, including the progress of electric power deregulation and the global warming issues, and strive to create new businesses in the energy and environment field while strengthening competitiveness in the wholesale electric power business.

Consistently evolving to meet customers' needs



At the time of its foundation, J-POWER began to develop large-scale hydroelectric power generation, followed by pumped-storage power generation to address sharply growing peak demand for electricity during the summer, and built additional extra-high-voltage power transmission lines. After the Oil Shock in the 1970s, the Company began to aggressively develop thermal power generation that use imported coal in an aim to diversify into different energy sources. In this way, J-POWER has expanded the power generation business in tune with the needs of the time.

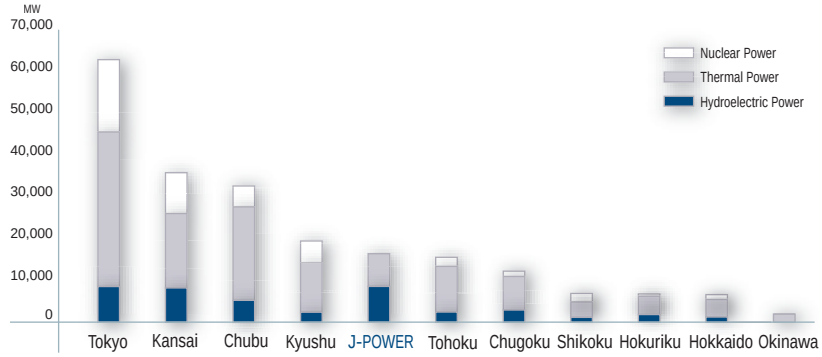
J-POWER's Position

J-POWER is the only large-scale wholesale power company in Japan that has power plants and a nationwide network of electric power transmission and substation facilities.

Approximately 90% of the power generation capacity in Japan is held by J-POWER and the EPCOs. As of March 31, 2005, J-POWER had power generation facilities in 67 locations throughout Japan for a total output of approximately 16,375MW, a scale rivaling any of the EPCOs. J-POWER ranks fifth among the 11 major power companies, representing an approximate 7% share of power generation in Japan.

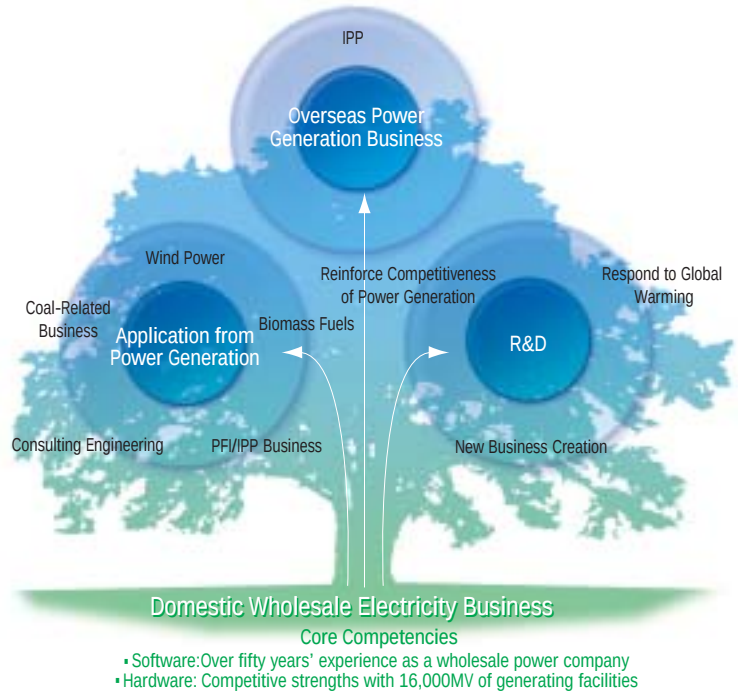
With regard to thermal power generation, J-POWER is unique in that it specializes in coal-fired power generation, and has held the highest share (21%) of coal-fired thermal power generation capacity in Japan for many years.

In hydroelectric power generation, J-POWER is a forerunner in the development of large-scale hydroelectric power plants, which excel at fulfilling peak demand for electricity. We have a top share (19%) of hydroelectric power generation capacity in Japan.



J-POWER's Strategic Business Fields

J-POWER is taking full advantage of its management foundation built up through extensive business experience in Japan and overseas. Piloted by the key words Energy and the Environment, we are concentrating efforts on technological development and the creation of new businesses, while advancing the overseas power generation business with our domestic wholesale electricity business as the core.



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.

Financial Highlights

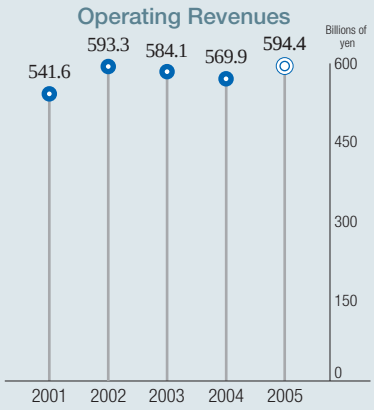
For the years ended March 31

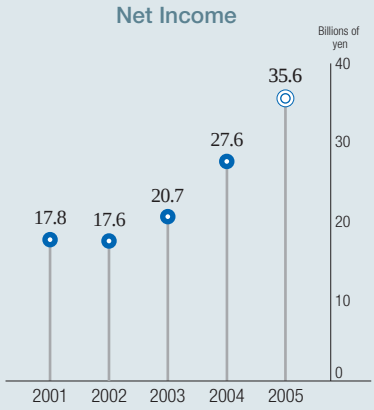
Consolidated Data	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Operating revenues	594,375	569,854	584,122	5,534,733
Operating income	111,885	132,138	134,201	1,041,865
Ordinary income	57,093	44,446	35,522	531,643
Net income	35,559	27,623	20,725	331,127
Total shareholders' equity	391,327	359,645	168,301	3,643,980
Total assets	2,021,655	2,076,107	2,195,897	18,825,362
Net cash provided by operating activities	172,637	179,948	167,368	1,607,575
Net cash used in investing activities	(60,586)	(64,507)	(11,030)	(564,171)
Free cash flow	112,051	115,441	156,338	1,043,404
Net cash used in financing activities	(111,798)	(147,516)	(117,709)	(1,041,051)

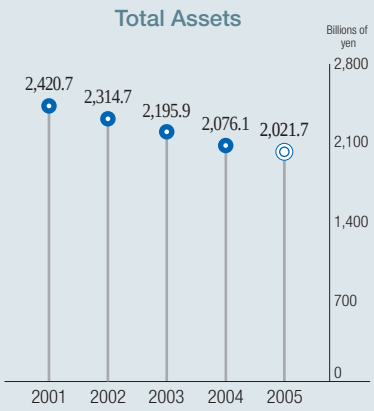
Notes: 1. The translation of the Japanese yen amounts into U.S. dollars uses the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2005, which was ¥107.39=US$1.00

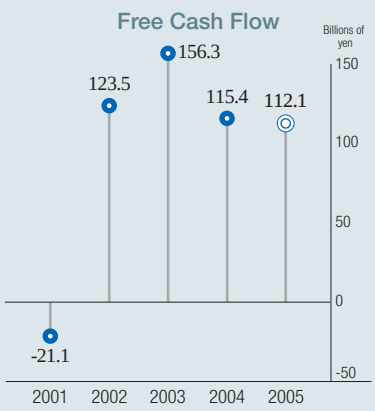
2. Free cash flow=Net cash provided by operating activities+Net cash used in investing activities

3. Although not shown on US GAAP consolidated financial statements or in International Financial Reporting Standards, ordinary income is commonly used in Japan as an indication of profits on the statements of income.
J-POWER calculates ordinary income by adding net other income (expenses) to operating income and excluding provision for reserve for fluctuation in water levels and extraordinary loss.









Message from the President

Privatization Finished with Listing on Stock Market

In October 2004, J-POWER completed the process of privatization by listing on the First Section of the Tokyo Stock Exchange. The market has heralded this achievement as a successful example of the privatization of a special public corporation.

Demand growth for electricity has flattened since the bubble economy came to an end in Japan. From the late 1990s, when debate on the deregulation of the electric industry began in earnest, J-POWER decided to embark on the long process of privatization with the understanding that it needed to grow in business fields that were beyond the scope of its operations as a special public corporation.

As soon as the Cabinet decided to privatize J-POWER in 1997, we began to take specific steps in preparing for privatization. The Electric Power Development Promotion Law, which was the legal basis for the establishment of J-POWER, was abolished in 2003. Thereafter, J-POWER listed on the First Section of the Tokyo Stock Exchange in October 2004, putting all of its shares, including government-owned shares, onto the market. This marked a new beginning as a completely privatized corporation.

Thanks to the unified efforts of our employees during the process of privatization and the heartfelt support of people outside the Company, the privatization of J-POWER is being touted as a successful case of privatization of a special public corporation. Not to spoil our good reputation, we make every effort to record excellent results on every page of a new chapter in our history.

Privatization Process

June 1997
Cabinet decision on the privatization of J-POWER

October 2003
Abolition of the Electric Power Development Promotion Law

December 2003
Capital increase through third-party allocation

October 2004
Listed on the First Section of Tokyo Stock Exchange

DealWatch Awards 2004

Received IPO of the Year Award

THOMSON DealWatch has announced its awards for outstanding offerings of domestic bonds and equities in the fiscal year ended March 31, 2005. In the equities category, Electric Power Development Co., Ltd. (J-POWER) was awarded the IPO of the Year.

This award recognizes J-POWER's IPO as the largest for the fiscal year ended March 31, 2005, and signifies the markets' strong appraisal of the Company's execution of transactions.

The Fiscal Year in Review

In the fiscal year ended March 31, 2005, J-POWER recorded all-time highs for operating revenues and net income that exceeded our expectations, a gratifying close to the fiscal year.

In addition to completing the process of privatization, the fiscal year ended March 31, 2005 was noteworthy for several other accomplishments.

First, we reorganized our Group companies to establish an integrated maintenance management system that reinforces collaboration across J-POWER and its main subsidiaries, as a part of an ongoing initiative to increase the efficiency of our operations. As a result, we have taken a major step toward achieving the goals set forth in our Third Phase of the Restructure Plan currently underway.

Second, we started operations at a gas-fired power plant (110MW) for power producers and suppliers (PPSs), new entrants to the electricity retail market and three wind power plants (with a combined output of 55MW), making substantial progress in new domestic businesses in line with our privatization and electricity deregulation. In particular, the gas-fired power plant for PPSs is notable for opening a new sales channel to companies other than the 10 major electric power companies (EPCOs).

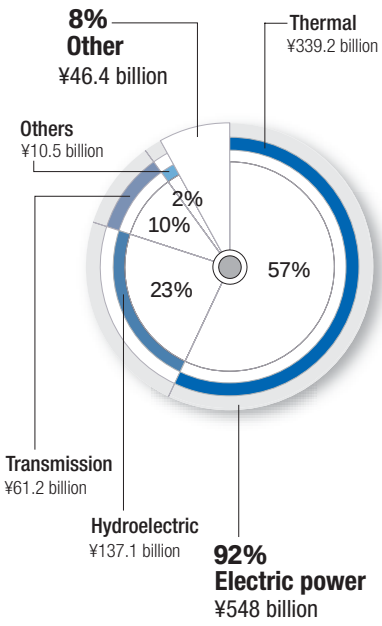
Third, we made significant progress by adding two major projects in our overseas power generation, independent power producer (IPP) business. The first accomplishment is the start of construction of the large-scale gas-fired power plant in Thailand, and the second involves participation in the existing hydroelectric power plant in the Philippines. With regard to the latter, J-POWER is not only participating on a capital basis but also becoming involved on an O&M basis for the first time overseas. We are leveraging our strengths as a power generator in this project. (See page 17 for more information on this project.)

Turning eyes to financial performance, in the fiscal year ended March 31, 2005, consolidated operating revenues increased 4.3% to ¥594.4 billion compared with the previous fiscal year. However, operating income declined 15.3% to ¥111.9 billion. Ordinary income was ¥57.1 billion, an increase of 28.5%. Net income rose 28.7% to ¥35.6 billion. J-POWER posted record-highs for operating revenue, ordinary income and net income on a consolidated basis for the fiscal year under review.

Operating revenues increased as a result of high load factor at our thermal power plants, which was sustained by robust demand for electricity from hot summer weather, an increase in hydroelectric power generation from higher-than-average rainfall and the addition of power generation subsidiaries to the scope of consolidation. Meanwhile, operating expenses rose due to an increase in fuel costs stemming from high load factor at thermal power plants, and a rise in maintenance costs from an increase in regularly scheduled inspections. A reduction in interest expenses, however, led to a considerable increase in ordinary income as well as net income. Our performance for the fiscal year ended March 31, 2005 surpassed our announced earnings estimates, resulting in a fiscal year of great satisfaction for management at J-POWER.

Composition of Operating Revenues

Total ¥594.4billion



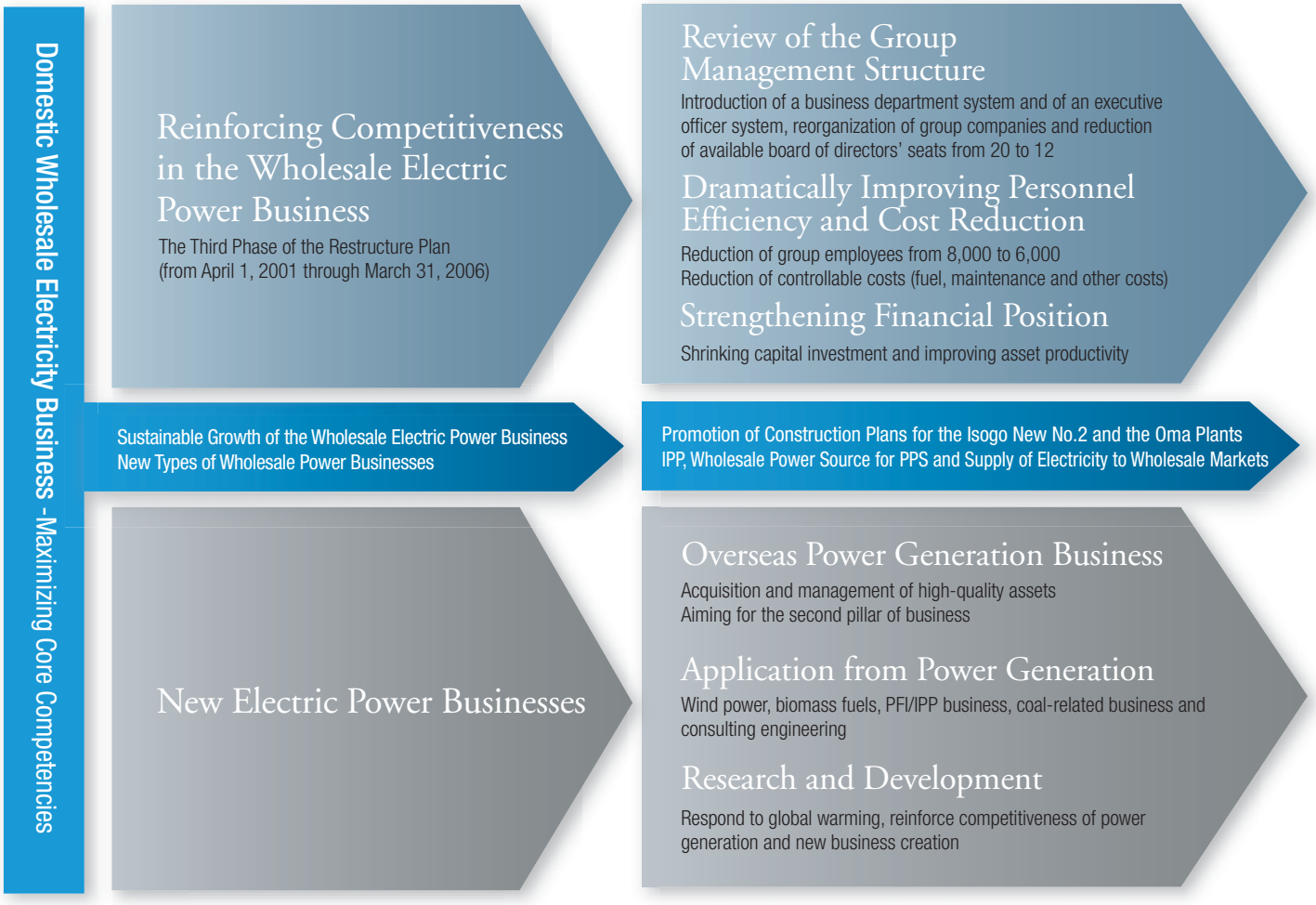
The Operating Environment of the Electric Power Industry and J-POWER's Position

We are capturing new business opportunities presented by ongoing deregulation in the electric power industry.

In the current operating environment, we believe that the deregulation of the electric power industry is one of the most important trends underway in Japan. Since the start of partial deregulation of the retail electricity market in March 2000, the scope of deregulation has been gradually expanded to cover approximately 60% of the retail market as of April 2005, when wholesale power trading was launched on the Japan Electric Power Exchange. Although our wholesale operations are not affected directly by the expanding scope of retail deregulation, we expect increasing pressure from our customers (EPCOs) to lower wholesale electricity fees as price competition intensifies on the retail front.

These trends toward deregulation have the effect of increasing competition and applying downward pressure on prices. However, from a long-term perspective, we positively view these trends as a step toward expanding business opportunities. By sharpening our competitiveness through reducing costs in our core businesses, we aim to be an

GROUP MANAGEMENT PLAN



indispensable partner to electric power companies (EPCOs) and our other customers.

At the same time, we are taking advantage of business opportunities to expand operations by creating new business models such as the development of power sources for PPSs and the supply of electricity through wholesale markets.

J-POWER Group Management Plan for the Fiscal Year Ending March 31, 2006

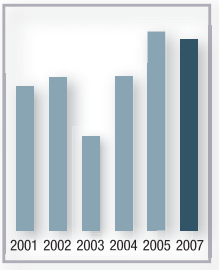
With our management objectives set on reinforcing competitiveness in the wholesale electric power business and capturing new businesses opportunities, we aim to be an attractive, stable-growth company within a dynamically changing business environment.

As we formulate our first management plan as a listed company, we believe the fiscal year ending March 31, 2006, will be one of momentous progress in the deregulation of the electric power industry. Based on these assumptions, we are taking measures to reinforce competitiveness in the wholesale electric power business and strengthen efforts in new electric power and other businesses to remain an attractive, stable-growth company.

> TARGETS

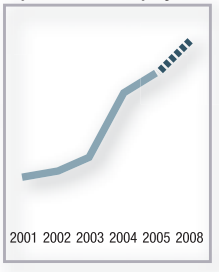
Consolidated Ordinary Income*: over ¥55.0 billion
(annual average in three years through March 31, 2008)
Higher ordinary income target based on steady cost reduction and interest expense reduction due to prepayment of high cost debts

Improvement of Consolidated Ordinary Income



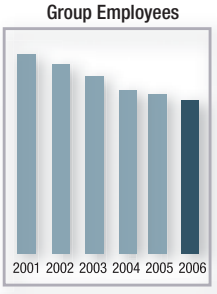
Consolidated Shareholders' Equity Ratio: 23%
(as of March 31, 2008)
Higher shareholders' equity ratio target to further strengthen balance sheet to cope with on-going deregulation and large-scale CAPEX (Isogo New No.2 and Oma plants)

Improvement of Equity Ratio



Group Employees: 6,000
(as of March 31, 2006)
Reduction of group employees from 8,000 to 6,000 in line with the Third Phase of the Restructure Plan

Group Employees



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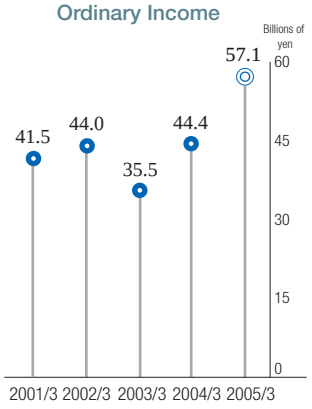
Our management targets are for consolidated ordinary income of more than ¥55.0 billion on average over the fiscal years ending March 31, 2006 to 2008, a shareholders' equity ratio of 23% by March 31, 2008, and a total of 6,000 Group employees by March 31, 2006.

We have increased our target for consolidated ordinary income to more than ¥55.0 billion from the previous target of more than ¥45.0 billion. We raised the bar by ¥10.0 billion in consideration of financial expenses, which were reduced from the prepayment of liabilities with high interest rates, and further cost reductions.

We have also raised our target for the shareholders' equity ratio, which was 19.4% in the fiscal year ended March 31, 2005, from 20% in the fiscal year ending March 31, 2007, to 23% in the fiscal year ending March 31, 2008. In preparation for the progress of deregulation and large-scale capital investment in the Isogo New No. 2 Thermal Power Plant and the Oma Nuclear Power Plant, we are highly conscious of the need to maintain high credit ratings, and we are making continuous efforts to strengthen our financial position.

Ordinary Income



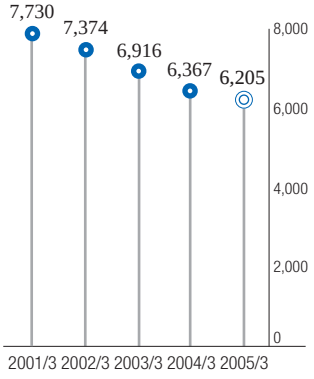
The J-POWER Group is engaging in the following primary measures to attain these objectives:

1. Reinforcing Competitiveness in the Wholesale Electric Power Business

Our first measure aims to thoroughly reinforce product quality and cost competitiveness as well as improve earnings by working for higher efficiency and stable operations in the wholesale electric power business, our core business and largest source of revenues.

We are implementing the Third Phase of the Restructure Plan, created in the fiscal year ended March 31, 2002, as a five-year management plan with the following aims and measures to be achieved by March 31, 2006.

Group Employees*



Note: Includes employees of J-POWER, directors and employees of main consolidated subsidiaries and employees on temporary transfer from consolidated subsidiaries.

(1) Review of the Group Management Structure

To promote more sophisticated and efficient operations as a Group, we have been building an integrated maintenance management system since April 2003 to strengthen collaboration on the maintenance of electric power facilities between J-POWER and its primary subsidiaries. As part of these measures, we also reorganized our primary subsidiaries in April 2004.

(2) Dramatically Improving Personnel Efficiency and Cost Reduction

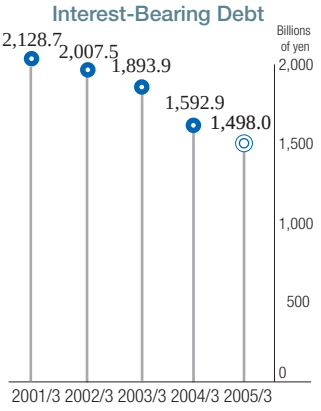
We set a Group personnel reduction target of 2,000 employees, from approxi mately 8,000 in the fiscal year ended March 31, 2001, to approximately 6,000 in the fiscal year ending March 31, 2006, through measures including restrictions on new hiring and an early retirement program. We have been making steady progress toward achieving this goal.

In line with these personnel reductions, we have also set a target for reducing manageable costs by 20% during the same period. We achieved approximately 80% of this cost reduction target by the end of March 31, 2005, through Group-wide efforts.

(3) Strengthening Financial Position

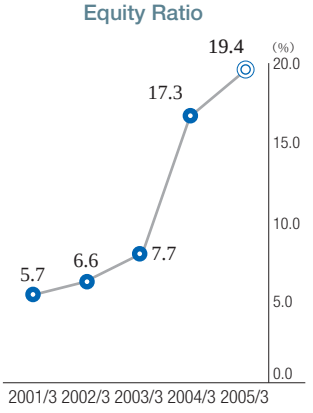
We prioritized the enhancement of shareholders' equity and reduction of interest -bearing debt as our foremost issues before privatizing. In addition to retaining profits through reducing costs, we boosted shareholders' equity by approximately ¥160.0 billion through a third-party allocation of new shares implemented in December 2003 with the cooperation of the Japanese government.

Moreover, we have paid interest-bearing debt of ¥630.0 billion, approximately 30% off its peak, since March 31, 2001. The shareholders' equity ratio has also improved significantly from 5.7% on March 31, 2001, to 19.4% as of March 31, 2005.



We are progressing steadily toward achieving the goals of the Third Phase of the Restructure Plan, which concludes in the fiscal year ending March 31, 2006. Following the performance assessment, we are formulating a framework for the next stage of further bolstering our competitiveness.

In the wholesale electric power business, we are driving new capacity plans to build the Isogo New No. 2 Thermal Power Plant and the Oma Nuclear Power Plant, which will become new earnings sources. For more details, see the special feature on page 14.



2. Expanding New Electric Power Businesses and New Areas of Businesses

For creating earnings growth, we aim to seek and seize new business opportunities by maximizing our experience and technologies accumulated in our core business.

As an example of our new challenges in Japan, we are aggressively promoting the wholesale supply of electricity to EPCOs through independent power producers (IPP), the wholesale supply of electricity to PPSs, and our wind power operations that use renewable energy sources. Currently 12 of these power plants are in operation and three are under construction, scheduled for completion in the fiscal year ending March 31, 2007. In addition, the Japan Electric Power Exchange opened its doors in April 2005. We are preparing to supply electricity to the wholesale power markets and aim to play a significant role in the healthy development of this market.

Overseas, we are actively engaged in IPP operations mainly in Asia, where demand for electricity is expected to grow substantially, by using our network of professional connections and experience accumulated over more than 40 years of consulting work worldwide.

Looking forward, we aim to nurture IPP operations into the second pillar of our business, one that contributes to about 10% of our net income, while strictly managing risks.

Dividend Policy

At an early date, we plan to announce our fundamental policy on shareholder returns, especially on dividends.

Until our public listing in October 2004, our policy has centered on stable dividends, as demonstrated by our constant dividend of ¥60 per share since the fiscal year ended March 31, 1990.

Since listing on the stock market, we have welcomed a diverse range of shareholders and are strongly aware of the importance of having an appropriate policy for shareholder returns.

Although profits have increased over the past few years, our financial position is still weak, given our large-scale investment plans for the Isogo New No. 2 Thermal Power Plant and the Oma Nuclear Power Plant. Meanwhile, we have to take into account our earnings trends in new businesses in Japan and overseas, as well as trends in wholesale power rates under an expanding scope of deregulation.

We have decided to maintain dividends of ¥60 per share in the fiscal year ended March 31, 2005, the same amount as in the fiscal year ended March 31, 2004. With regard to future dividends, we plan to announce our policy on shareholder returns as early as possible, in consideration of the aforementioned changes in operating conditions, within the term of the current management plan from the year ending March 31, 2006 to the year ending March 31, 2008.

We would like to take this opportunity to express our heartfelt appreciation to all of the stakeholders who have trusted and supported J-POWER in its endeavors. To meet your expectations, we aim to develop into a company able to sustain growth by reinforcing competitiveness and steadily expanding business operations, while harmonizing the use of energy with the preservation of the environment as our basic mission.

We ask for your continued support of J-POWER.

Yoshihiko Nakagaki
President

The main outline of the J-POWER Group's management plan emphasizes reinforcing competitiveness in the wholesale electric power business and developing new electric power businesses.

The wholesale electric power business is our greatest source of revenue, accounting for more than 90% of operating revenues. J-POWER is steadily advancing plans to build two new power plants to realize future growth, while aiming to further improve the pricing and quality of our wholesale electricity.

Corporate Strategy

Amid change in the operating environment represented by the deregulation of the electric power industry, J-POWER plans to further strengthen its management foundation and create business opportunities by focusing efforts on new types of electric power businesses around the world.

J-POWER aims to stably expand profits by advancing a new plan in the wholesale electric power business in response to growth in demand for electric power.

Our core business, the wholesale electric power business, is our largest foundation for operating revenues. Its business model aims to generate stable earnings and cash flows based on long-term contracts with EPCOs. We are steadily moving forward with plans to expand generation capacity by 2,000MW by March 31, 2012, mainly by constructing power plants to supply electricity to these EPCOs. We form agreements with EPCOs for the purchase of all electric power generated before we begin major construction on new facilities.

Summary of the Isogo New No.2 Thermal Power Plant Construction Plan

Location	Yokohama City, Kanagawa Prefecture
Capacity	600MW
Fuel	Coal (imported)
Construction Schedule	Start: August 2005 In operation: July 2009

Construction Plans for the Isogo New No.1 (started operations in March 2002) and New No.2 Thermal Power Plants

We plan to replace equipment and increase the scale of our Isogo No.1 and No.2 Thermal Power Plant, which has two 265MW power generators and started operations in 1965 and 1967, in order to deal with aging facilities, upgrade environmental countermeasures, and meet higher demand for electricity. Our extensive technology and R&D in the coal-fired thermal power plant field made this project possible.

To maintain our capacity of electricity supply, we decided to construct the Isogo New No.1 Thermal Power Plant with the capacity of 600MW while operating the old power plant, which had the capacity of 530MW. After the new plant came on line, we discontinued operations at the old plant, tore it down and will begin construction of the Isogo New No.2 Thermal Power Plant, with the capacity of 600MW, on the same site. We are developing several innovative solutions to overcome the limited size of the site, such as Japan's first-ever tower-type boiler that takes up less space than conventional boilers of the same capacity.

In addition, we are meeting Yokohama City's strict environmental regulations by installing cutting-edge flue gas treatment equipment and storing coal indoors to prevent dust from blowing away from the site. At the same time, we are building facilities designed to harmonize with the surroundings, creating a new urban model for thermal power plants.

>SUSTAINABLE GROWTH

Construction Plans for the Oma Nuclear Power Plant

Nuclear power generation excels in terms of fuel supply and price stability, as well as from an environmental perspective, given the absence of CO_2 emissions during the power generation process. Accounting for approximately one-third of the total power generated, nuclear power plays a crucial role in ensuring a stable supply of electricity in Japan.

Since most of our generation capacity relies on coal-fired power plants, the addition of the Oma Nuclear Power Plant will enhance our power source portfolio in terms of the global environment, and deepen our comprehensive technological capabilities as an electric power supplier. We plan to use the uranium-plutonium mixed oxide (MOX) fuel made from a mixture in our nuclear reactor cores, which aligns with the political policies of Japan to enhance the flexibility of the national MOX fuel utilization project for light water reactors.

Summary of the Oma Nuclear Power Plant Construction Plan

Location	Oma, Aomori Prefecture
Capacity	1,383MW
Nuclear Reactor Model	MOX-ABWR (Mixed Oxide-Advanced Boiling Water Reactor)
Fuel	Low enriched uranium and uranium plutonium mixed oxide (MOX)
Construction Schedule	Start: August 2006 In operation: March 2012

Toward the planned start of construction in August 2006, the national authorities are currently evaluating the application for nuclear reactor approval of Oma Nuclear Power Plant as we prepare for the construction at the plant site. Aiming to launch operations in March 2012, we continue to focus on strictly adhering to quality assurance processes and reducing construction costs while keeping safety and reliability as the topmost priority.

Striving to remain a safe power plant operator trusted by local communities and society at large, J-POWER is thoroughly implementing compliance measures as a company that places its highest priority on safety. We are also making every effort to improve our quality assurance activities and ensure appropriate information disclosure and public communications about nuclear power generation.

J-POWER is redoubling efforts in new business fields while flexibly adapting to the deregulation of the electric power industry and other changes in the operating environment.

1. New Power Businesses Spurred on by Deregulation

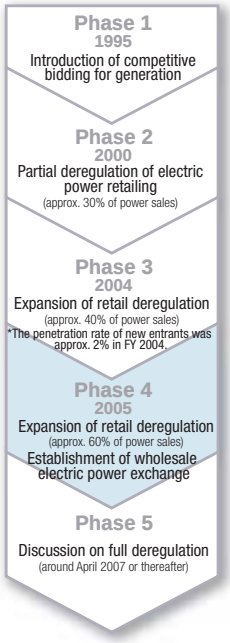
Deregulation of Electric Power Industry

Deregulation of the electric power industry in Japan was started in earnest to lower electricity rates, which were high by international standards, through the principles of market mechanisms.

Amendments to the Electric Utilities Industry Law in 1995 changed the regulation to allow for independent power producers (IPPs) to sell electricity to EPCOs on a wholesale basis, and deregulated the power generation industry with the introduction of competitive bidding for additional thermal power capacity. *(Phase 1)*

In 2000, a new classification called power producers and suppliers (PPSs) was established to encourage new entry into the retail electricity sector. Since then the retail market has gradually been opened up for competition. Deregulation of retail electricity sector started with the sales to extra-high-voltage customers, representing 30% of total demand, and expanded to high voltage customers, representing 60% of total demand in 2005. *(Phase 2 to 4)*

Going forward, in or around April 2007, discussion for full-scale deregulation will start, including deregulation for residential customers, with assurances that customers will have adequate choice for their power supplier. *(Phase 5)*



Efforts in New Electric Power Businesses

As deregulation of the electric power industry continues, we are developing new businesses, power development as an IPP, and wholesale supply to PPSs. Supplying electricity to EPCOs as an IPP is a business where we aim to expand earnings by leveraging the expertise and management resources in our core business.

> New Frontier

The wholesale supply of electricity to PPSs provides an opportunity to develop new customers in addition to EPCOs, our existing customers. J-POWER generally establishes an operational company or a joint venture with another company for supplying electricity to PPSs based on long-term contracts.

		Fuel Type	Capacity	Ownership	Location (Prefecture)
IPP	Genex Mizue Electric Power	Gas Oil Residue	238MW	40%	Kanagawa
	Itoigawa Electric Power	Coal	134MW	80%	Niigata
	Tosa Electric Power	Coal	150MW	45%	Kochi
Wholesale Power for PPS	Ichihara Power	Gas	110MW	60%	Chiba
	Bay Side Energy Ichihara Power	Gas	108MW	100%	Chiba
	Mihama Seaside Power*	Gas	105MW	50%	Chiba

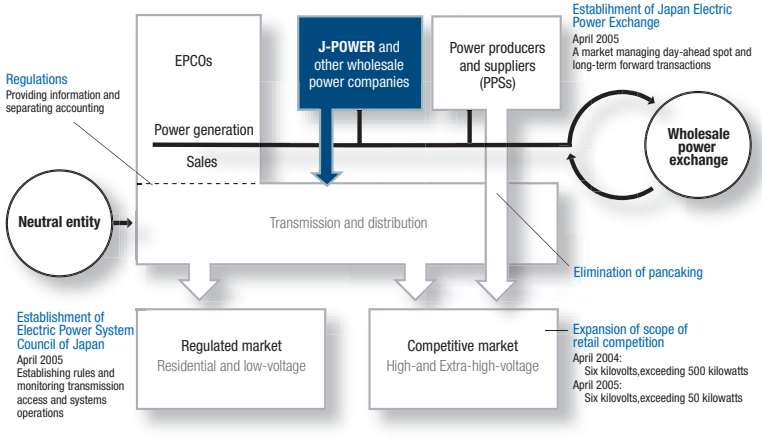
* Operations will commence at Mihama Seaside Power in October 2005

In April 2005, the Japan Electric Power Exchange and the Electric Power System Council of Japan began operations under new electric power business regulations, raising expectations for vigorous nationwide electric power transaction. As a wholesale power company, J-POWER plans to participate in deregulated markets.

In order to supply electricity generated from existing power facilities to wholesale markets, some revisions must be made to long-term contracts we have formed with EPCOs. As of June 30, 2005, we are engaged in negotiations to affect the necessary changes.

Since the new system is still in its infancy, we expect to be able to only supply a limited volume of electricity to the wholesale market in the near term.

Japan's Electric Power Industry Structure



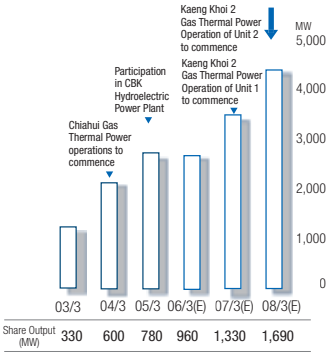
Overseas Operations

2. Overseas Power Generation Business

We are expanding our power generation operations, which have stood at the pinnacle of our core competence, into fast growing overseas power markets. With steady growth in earnings, we aim to nurture overseas power generation as the second pillar of our business.

Supported by our accumulated experience and network of professional connections, and having grown out of our consulting services on 248 projects in 60 countries and regions worldwide, we are now participating in a number of IPP operations, especially across Asia, where demand for electricity is expected to grow substantially in the future. In recent years, the IPP approach to developing power resources has gone mainstream, especially in light of a worldwide trend toward the privatization of power companies and deregulation of the electric power industry. To date we have participated in the operation of 12 IPP projects in five countries and regions with a combined capacity of approximately 2,800MW. By the end of March 2008, when two IPP projects currently under construction begin their expected commercial operations, the combined capacity should be as much as 4,300MW. Out of the above capacity, our net portion on a shareholder basis would be nearly 1,700MW, which compares to no less than 10% of the scale of our total power generation operations across Japan. Below, we introduce some of our recent projects.

Capacity Trends at Operational Overseas Generating Facilities



Kaeng Khoi 2 Gas-Fired Thermal Power Plant Project

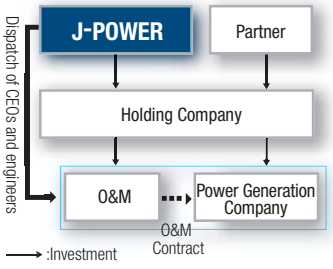
The Kaeng Khoi 2 Gas-Fired Thermal Power Plant Project, of which construction commenced at the end of 2004, stands out as one of the largest projects in Thailand. Located close to Bangkok, the power plant will have two combined cycle power generators with an output of 734MW each. For J-POWER, the scale of this project is larger than any of our previous overseas IPP projects. We are making steady progress toward commencing commercial operations of Unit 1 in March 2007 and Unit 2 in March 2008.

CBK Hydroelectric Power Project

The CBK Hydroelectric Power Project consists of three preexisting hydroelectric power plants (total capacity of 728MW) on Luzon Island in the Philippines. Our historical involvement in this project began with our providing technological cooperation services for Unit 3 and Unit 4 of the Kalayaan Pumped-Storage Power Plant, the principal plant of the project.

This project is memorable for us because it is the first case in which we have acquired a stand alone O&M company to handle whole plant operations in order to take a proactive stance on the project's O&M needs, in addition to our participation in the project company. By taking advantage of our accumulated experience and know-how, we expect to efficiently manage these power plants and expand earnings.

CBK Project Scheme



Beyond these projects, J-POWER has also been looking for opportunities to acquire and manage high-quality assets overseas. We have set our sights on developing projects in the massive China and the United States markets as well as our main market of Southeast Asia. In January 2005, we established a new business development company in Chicago to participate in the North American power market.

IPP Investment Projects
(In operation as of March 31, 2005)

The J-POWER Group has two business segments comprising the Electric Power Business and the Other Businesses that draw on the Group's management resources and expertise.

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

Segment Information

In the other electric power businesses, our subsidiaries and affiliates are engaged in wind power plants, the wholesale supply of electricity to EPCOs by IPPs, and the wholesale supply of electricity for PPSs. For more details, see the special feature on page 16.

The Other Businesses segment covers electric power-related and diversified businesses. The electric power-related businesses include designing, constructing, inspecting, maintaining and repairing power plants and other facilities, and supplying fuel for power plants, thereby contributing to the smooth and efficient performance of the electric power business. Our diversified businesses cover the overseas power business, waste-fueled power generation in Japan and other new fields, as well as domestic and overseas engineering and consulting.

THERMAL POWER

Characteristics and Strengths

Strong cost competitiveness is the key strength of our thermal power generation business, which stems from our focus on coal-fired thermal power generation. As a power source, fulfilling base demand for electricity, high load factor and low unit costs are the most attractive features of our thermal power plants. J-POWER has long maintained the number one share in coal-fired power generation capacity since becoming the first company in Japan to use overseas coal in a thermal power plant. J-POWER has also enjoyed substantial economies of scale by pioneering in building large-scale coal-fired power plants. As a fuel, coal is a natural resource found in abundance throughout the world. It is arguably the most economically stable fossil fuel available. Although the price of coal has risen over the past few years, the unit cost per calorie of coal has been considerably lower than that of crude oil or LNG. As a result, coal-fired power plants have retained their competitive advantage. These strengths contribute to the formation of attractive prices, and our long-term electricity supply contracts with EPCOs, which cover fair cost and fair return, generate synergetic effects for forming a stable earnings foundation.

J-POWER operates seven coal-fired power plants with a total capacity of 7,812MW, representing approximately 21% of the coal-fired power generation facilities in Japan. For fuel, J-POWER procures coal from several countries, mainly from Australia, based on long-term or yearly contracts.

Business Review and Outlook

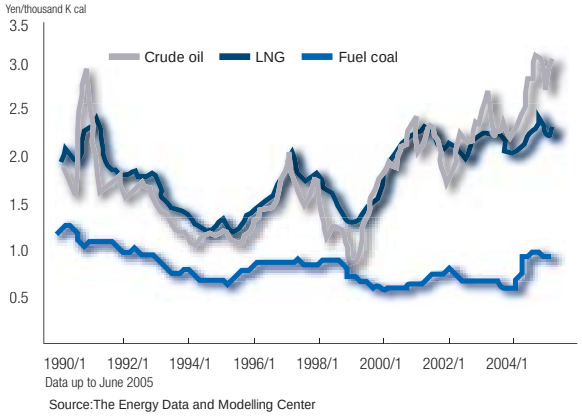
In the fiscal year ended March 31, 2005, electricity sales volume grew 2.9% to 49.3 billion kWh, reflecting continued high capacity utilization (load factor rose from 75% to 77%) at our power plants due to hot summer weather. Accordingly, operating revenues climbed 6.8% to ¥339.2 billion.

For the fiscal year ending March 31, 2006, we expect a reactionary decline to high capacity utilization in the previous fiscal year, and estimate electricity sales volume to decrease 14% year on year to 42.5 billion kWh. Amid expectations for a gradual decline in demand growth for electricity over the medium- and long-term, we believe it is important to enhance cost competitiveness and maintain high capacity utilization at our thermal power plants. Through an optimal level of maintenance, we are slowing the decline in thermal efficiency from aging and deterioration. We are also taking an inventive approach to coal procurement and continuing efforts to reduce costs. We believe these and other measures will increase the competitiveness of our existing power plants. From August 2005, we plan to begin construction of the Isogo New No. 2 Thermal Power Plant, which is scheduled to start operations in July 2009 in Kanagawa Prefec-

ture, with a capacity of 600MW. This project is moving forward as a future growth plan to become a source of revenues and earnings.

Coal-fired power plants have relatively higher emissions of CO_2 per unit of electricity produced than power plants that use LNG and other fossil fuels. Based on the Environmental Action Plan of the Electric Utility Industry which was adopted by 12 entities consisting of EPCOs and wholesale electric utilities, J-POWER works in collaboration with each company to address the issue of global warming. (See Page 28 for more information on Activities to Address Environmental Issues)

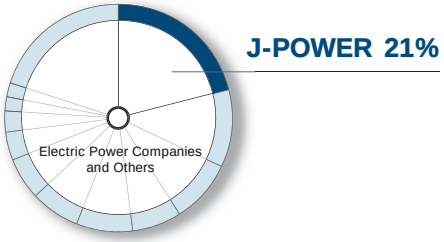
Calorific Unit Price by Fossil Fuel (Imports)



Source:The Energy Data and Modelling Center

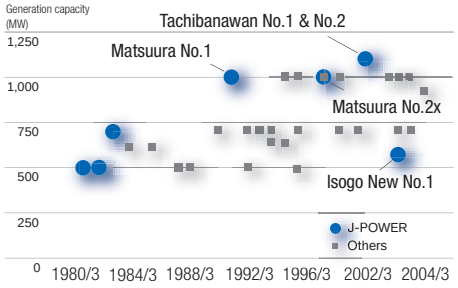
Share of Coal-Fired Power Generation Capacity

(As of March 31, 2005)



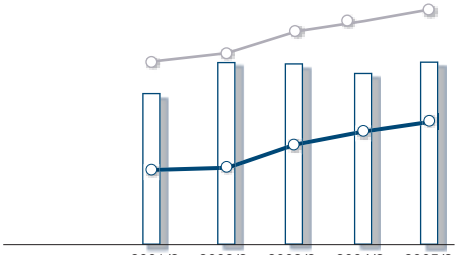
Source: Company and public sources

Large-Scale Coal-Fired Unit Capacity and First Year of Operation



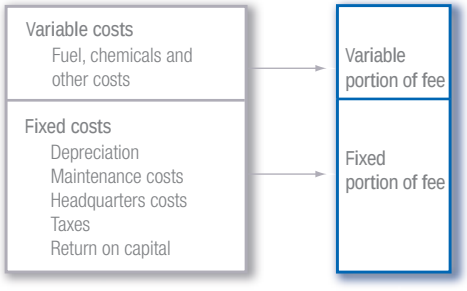
"Large-scale" defined as power plants with more than 500MW output.
Chart data up to March 31, 2005. Source: Company and public sources.

Thermal Power Sales and Load Factor



	2001/3	2002/3	2003/3	2004/3	2005/3
Power sales (Billion kW)	39.0	41.5	45.5	47.9	49.3
Operating revenues (Billions of yen)	281.1	339.9	335.4	317.7	339.2
Load factor (%)	64	66	71	75	77

J-POWER's Fee Structure for Thermal Power



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.

HYDROPOWER AND TRANSMISSION

Characteristics and Strengths

Hydroelectric power is an essential power source, particularly in Japan, for three main reasons. First, it is currently the only truly domestic energy source on a meaningful scale. Second, it is a clean energy source with virtually no fuel expenses, namely marginal costs. Finally, it has high operational flexibility, which is suitable for intra-day and intra-seasonal demand and supply balancing.

J-POWER has the advantage of high technological skills in developing hydroelectric power. Particularly for the construction of dams and large-scale underground structures, we possess top-class technologies in Japan. We have built and operated hydroelectric power plants for almost half a century, starting with the development of large-scale hydroelectric power plants represented by the Sakuma power plant, which started operations in 1956, and the development of pumped-storage hydroelectric power plants, which excel in adjusting output in response to demand peaks.

We currently operate 59 hydroelectric power plants throughout Japan, with a total capacity of 8,551MW that makes up nearly 20% of the total hydroelectric power generation facilities in Japan.

Considering the limited availability of sites suited to the development of large-scale hydroelectric power plants in Japan, we believe our strong market share and economies of scale in hydroelectric power generation will endure for the foreseeable future.

Our hydroelectric power plants generate a steady stream of earnings based on long-term electricity supply contracts with EPCOs. Roughly 80% of fees for conventional-type facilities and 100% of fees for pumped-storage-type facilities are fixed capacity charges.

Our transmission and substation facilities not only distribute electricity from our power stations to demand centers, but also play a central role in the total operation of Japan's power grid. We operate critical facilities that support the wide-area power interchange in Japan, such as extra-high-voltage transmission lines connecting Honshu with Hokkaido, Shikoku and Kyushu, as well as the Sakuma Frequency Converter Station, which was the first in Japan to enable transmission of electricity between the different frequencies of 50 Hertz in Eastern Japan and 60 Hertz in Western Japan.

Business Review and Outlook

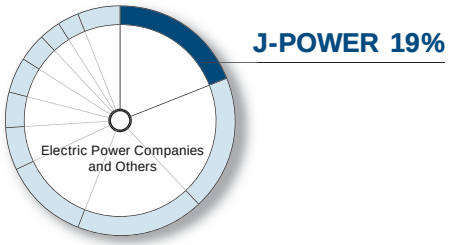
In the fiscal year ended March 31, 2005, electricity sales volume increased 3.0% from the previous fiscal year to 11.2 billion kWh, due to higher-than-average streamflow (the water supply rate rose from 109% to 118%, the historical average) and new facilities at the Okutadami and Otori Power Plants on line for a full fiscal year. Operating revenues in the hydroelectric power business grew 1.0% to ¥137.1 billion compared with the previous fiscal year.

In the fiscal year ending March 31, 2006, based on our average level of supply targets, we expect electricity sales volume to decline 13% to 9.7 billion kWh. Due to the limited number of sites suitable for the development of new hydroelectric power plants, it is important to improve profitability at existing power generation facilities. To this end, we are promoting measures to improve our capabilities to diagnose the remaining lifespan of facilities, improve maintenance and repair processes. Through these and other efforts, we are pursuing cost reductions while maintaining a high level of O&M, and at the same time, we are revamping existing hydroelectric power plants by upgrading their major equipment in order to increase power generation volume by enhancing power generation efficiency and to improve trustworthiness.

With regard to transmission and substation facilities, J-POWER has transmission lines extending a total length of 2,407 km and a total of eight substations and converter stations. Connecting regional utilities' service areas, J-POWER plays a critical role in the overall management of Japan's electric power grid system. In the fiscal year ended March 31, 2005, operating revenues from transmission service were ¥61.2 billion, a decrease of 3.5% from the previous fiscal year. Amid expectations for revitalizing the wide-area electricity exchange along with deregulation of the electric power industry, we believe our facilities will increase even further in importance.

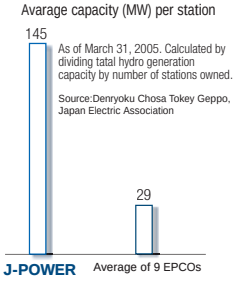
Share of Hydroelectric Power Generation Capacity

(As of March 31, 2005)

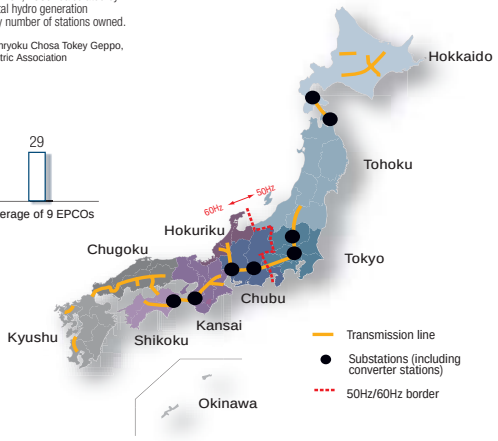


Source: Denryoku Chosa Tokey Geppo,Japan Electric Association

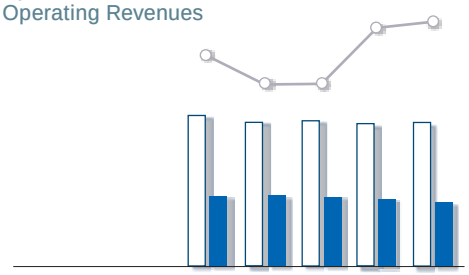
Average Generation Capacity per Hydroelectric Power Station



Transmission Facilities and Regional Utilities' Service Areas

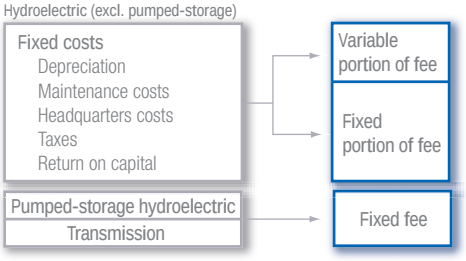


Hydroelectric Power Sales and Transmission Operating Revenues



	2001/3	2002/3	2003/3	2004/3	2005/3
Hydroelectric Power Sales (Billion kW)	9.9	8.9	8.9	10.9	11.2
Hydroelectric Operating Revenues (Billions of yen)	144.1	137.9	138.2	135.8	137.1
Transmission Operating Revenues (Billions of yen)	67.1	67.2	66.7	63.4	61.2

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 the hydroelectric fee is high, minimizing the impact of output fluctuations on sales. In addition, pumped-storage hydroelectric and transmission fees are all fixed. This approach generates stable cash flows for our revenues and earnings structure.

EXPANDING BUSINESS OPPORTUNITIES

OTHER ELECTRIC POWER BUSINESSES

Characteristics and Strengths

In response to the deregulation in the electric power industry, J-POWER is focusing efforts on new types of wholesale power businesses. Through its subsidiaries and affiliates, J-POWER is engaging in the wholesale supply of electricity to EPCOs by IPPs, the wholesale supply of electricity for PPSs, which are new entrants into the electricity retailing business, and wind power generation for EPCOs.

We have invested in and jointly operated three IPPs power plants with a total capacity of 522MW. For PPSs, we are developing three power plants along Tokyo Bay with a total capacity of 323MW, and plan to initiate operations at all three locations by October 2005. (See Page 16 for more information in the Special Feature) Our wind power generation facilities comprise seven power plants currently in operation and two under construction. Our wind power plants, with a total capacity of 211MW, are at the top of their class in Japan. These businesses are areas where we are able to apply our core competencies in power generation.

Business Review and Outlook

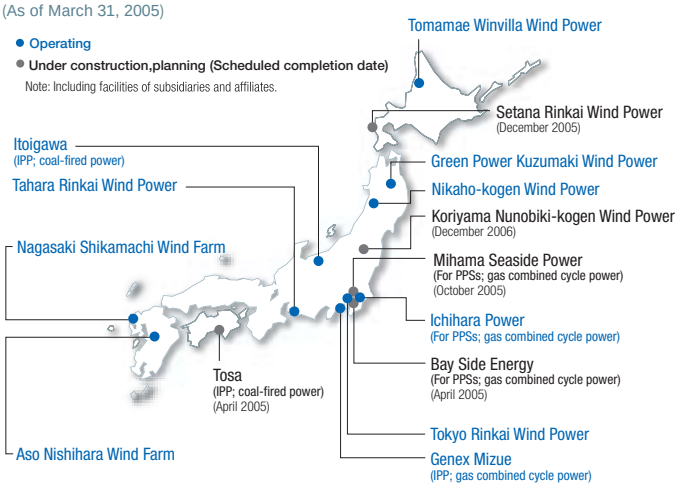
In the fiscal year ended March 31, 2005, we added one PPS-related power generation subsidiary and six wind power subsidiaries to the scope of consolidation. As a result, electricity sales volume amounted to 1.0 billion kWh, a considerable increase of 87% from the previous fiscal year. Operating revenues in the other electric power businesses climbed 94% to ¥8.7 billion.

In the fiscal year ending March 31, 2006, we estimate electricity sales volume to expand 59% year-on-year to 1.5 billion kWh, due to the start of operations at two power plants that supply electricity for PPSs and one wind power plant.

Although sales volume for PPSs is still limited in the domestic electric power retail market, we will explore the feasibility of new development while closely watching the need for new power sources and trading trends in the wholesale electricity market. In wind power generation, we are working toward a launch of a new development plan that entails the exploration of favorable sites and the reduction of construction costs.

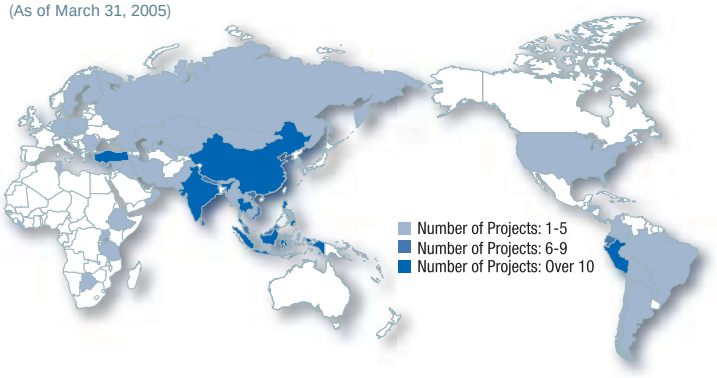
Other Electric Power Businesses

(As of March 31, 2005)



Overseas Consulting Business Results

(As of March 31, 2005)



OTHER BUSINESSES

Characteristics and Strengths

Electric Power-Related Businesses

This business mainly consists of complementary businesses related to the construction and operation of power plants as well as transmission and substation facilities, including designing, constructing, inspecting, maintaining and repairing power plants and other facilities, and supplying fuel for power plants. The characteristics of this business are that transactions among Group companies account for a large share, but also business is conducted outside of the Group including various products and services such as electric or telecommunication engineering works, marine transportation services and coal transactions. In such fields, our strengths are considered to be the highly reliable technologies and quality assurance accumulated through the construction and operation of power plants for J-POWER.

Diversified Businesses

This business cover overseas power generation business, PFI and PPP-type waste-fueled power generation in Japan and other new fields, as well as domestic and overseas engineering and consulting services. In particular, we are developing IPP operations primarily in Asia by fully deploying the know-how and trustworthiness that we have garnered through our power consulting services over the past 40 years. (See page 17 for more information in the Special Feature.)

Business Review and Outlook

For the fiscal year ended March 31, 2005, operating revenues slightly declined 1.1% year-on-year to ¥46.4 billion on account of a decline in completion of construction, despite an increase in coal sales. We will strengthen marketing to expand construction orders on hand and coal sales volume during the fiscal year ending March 31, 2006.

The overseas power generation business still has a limited contribution to operating revenues, because most of those business companies are equity method affiliates. Looking to acquire major portions in the future, we are concentrating on developing excellent projects. In the fiscal year ended March 31, 2005, there was a change in sites for a plan to develop power plants in Thailand, in which we have a 49% stake. This change led to investment loss on equity method approximately ¥1.3 billion from the depreciation of past development expenses. In the fiscal year ending March 31, 2006, we expect to record an equity method gain.

Facilities

(As of March 31, 2005)

Wholesale Electric Power Business

Facilities

- Hydroelectric power plant
- Thermal power plant
- Substation, frequency converter station, AC/DC converter station
- Transmission Line
- Substation of EPCOs

Under Construction and Planning

- Hydroelectric power plant
- Thermal power plant
- Nuclear power plant
- Transmission Line

Other Electric Power Businesses

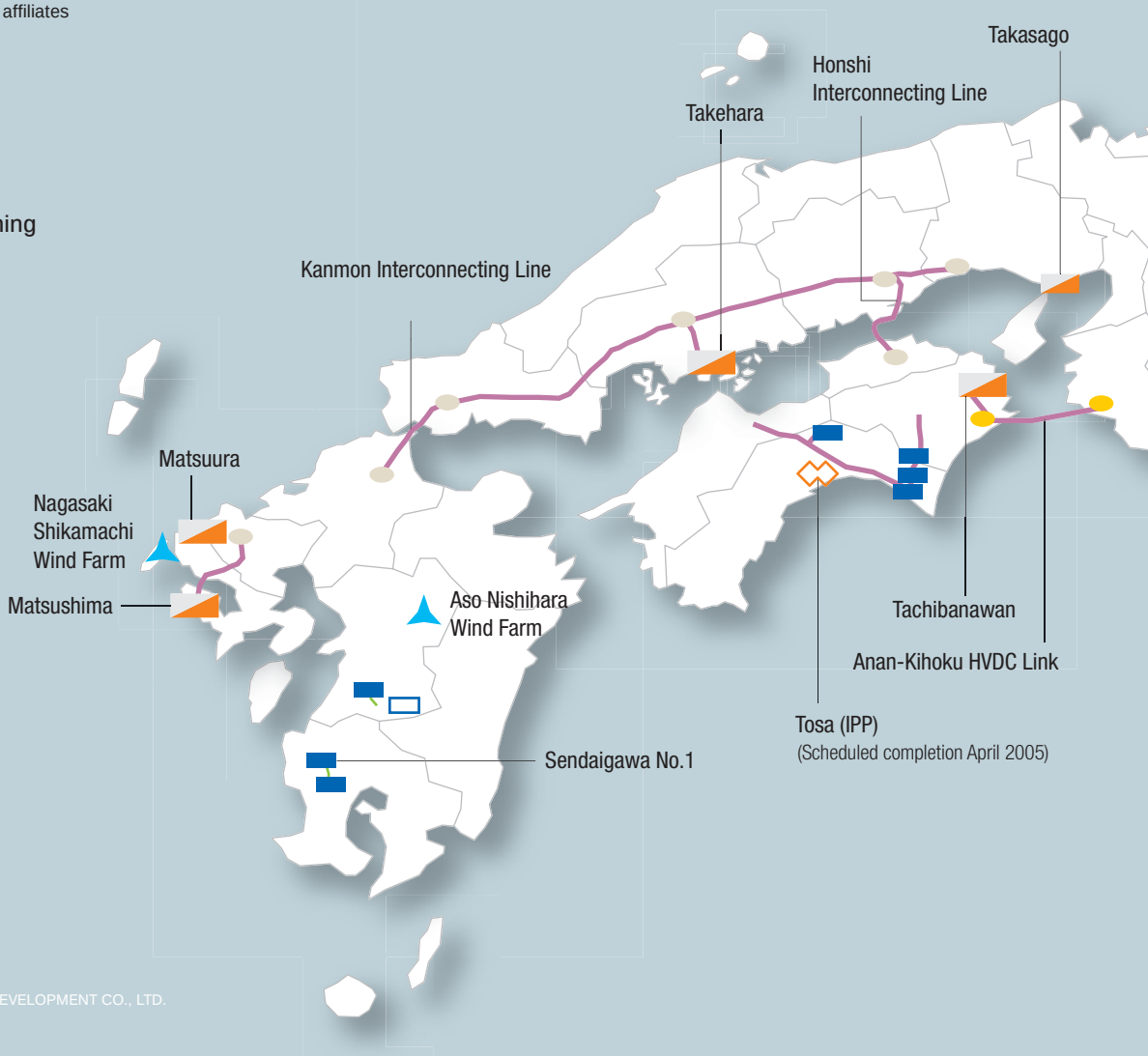
Note: Including facilities of subsidiaries and affiliates

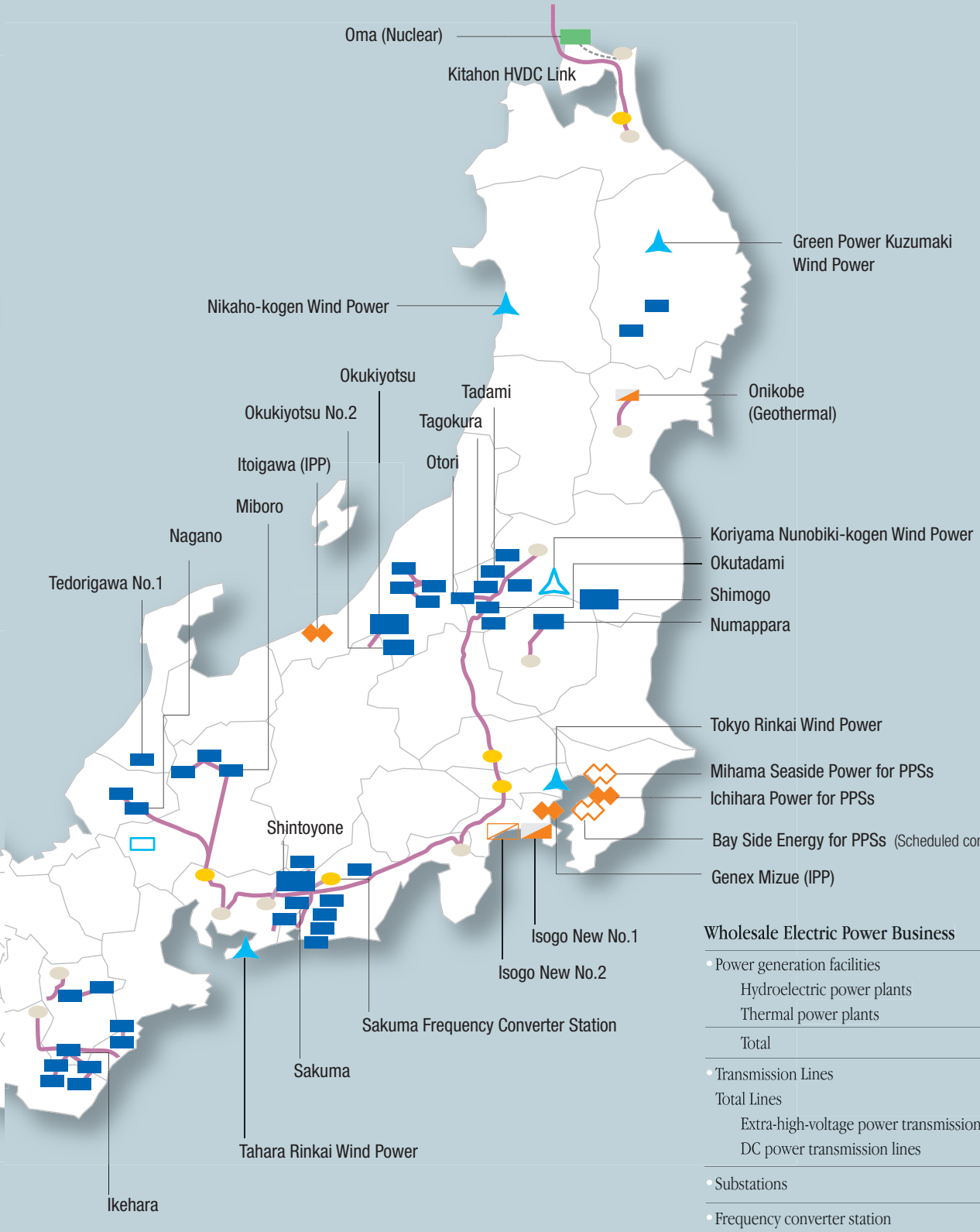
Facilities

- Wind power plant
- Thermal power plant

Under Construction and Planning

- Wind power plant
- Thermal power plant





Wholesale Electric Power Business

• Power generation facilities		
Hydroelectric power plants	59	8,550.5MW
Thermal power plants	8	7,824.5MW
Total	67	16,375.0MW
• Transmission Lines		
Total Lines		2,407.4km
Extra-high-voltage power transmission lines		1,973.1km
DC power transmission lines		267.2km
• Substations	3	4,292MVA
• Frequency converter station	1	300MW
• AC/DC converter stations	4	2,000MW

Other Electric Power Businesses

Generation facilities (maximum capacity)		
Wind power plants	7	132.6MW
IPPs	2	372.0MW
For PPSs	1	110.0MW
Total	10	614.6MW

Note: Including facilities of subsidiaries and affiliates

Research and Development

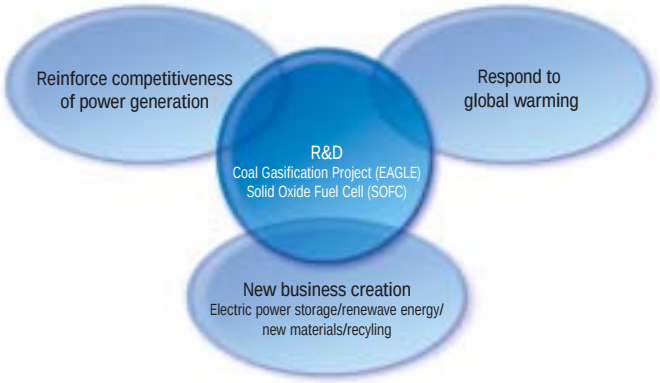
Since its establishment half a century ago, J-POWER has concentrated R&D initiatives on technological fields related to energy and the environment that leverage its accumulated technologies and expertise.

Our R&D activities are spearheaded by the Technology Development Center (in Kanagawa Prefecture), which plans strategies, conducts surveys and evaluations, the Chigasaki Research Institute (in Kanagawa Prefecture), which conducts research on the environment and electric power systems, and the Wakamatsu Research Institute (in Fukuoka Prefecture), which focuses research activities on high-efficiency power generation. These research facilities strategically coordinate the development of technologies for J-POWER.

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. We also engage in R&D to create new businesses related to the environment and energy resources.

R&D Initiatives

- Develop power generation technologies that take into account global environmental issues with our focus on the coal gasification pilot plant project (EAGLE)
- Aim to develop new types of power sources and materials that could lead to the creation of next-generation businesses



Joint Research with Prominent Researchers and Universities

We proactively form relationships with external research institutions and prominent researchers in an effort to find projects that lead to our future business development.

In commemoration of our 50th anniversary in 2002, we invited submissions of research ideas about energy and the environment, selected the ten best proposals and are pursuing them as joint research into advanced technologies. (FY2003-2008)

Applying for Patents on Intellectual Property

In the fiscal year ended March 31, 2005, we made 50 patent applications, of which 19 were approved. As of March 31, 2005, we held a total of 171 patents.

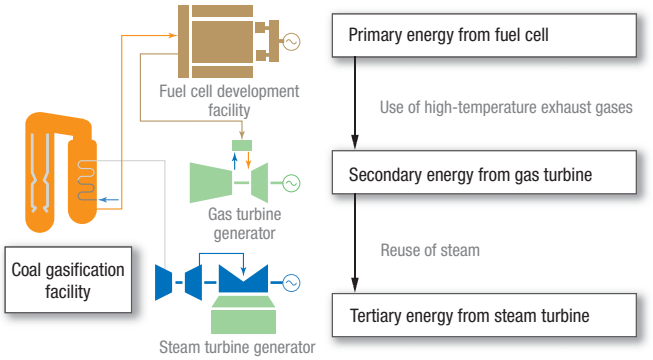
R&D Initiatives

Coal is a crucial energy resource for the future, but has relatively high CO_2 emissions when burned. As a way to handle this issue, we are developing the highly efficient coal-fired power generation system, "IGFC."

Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC) Technology

The IGFC generating system is made of a triple set of power generators based on fuel cells, gas turbines and steam turbines that use coal gasification technology. When the development is complete, power generation efficiencies of as high as 60% will be possible, and CO_2 emissions should fall 30% compared with existing coal-fired power generators. J-POWER is the world-leading developer of this advanced coal usage technology. Real-world examples of this technology are solid oxide fuel cell (SOFC) and EAGLE, our acronym for Coal Energy Application for Gas, Liquid and Electricity. While there are many issues to overcome, such as the development of inexpensive and highly efficient fuel cells, before IGFC is commercialized, J-POWER is steadily advancing the development of these technologies with an eye on their future mainstream application in coal-fired power plants.

IGFC Power System



Coal Energy Application for Gas, Liquid & Electricity (EAGLE)

To use coal as a raw material of gas for fuel cells in IGFC, the coal must be gasified and refined to remove dust and sulfur. We have built and operated an EAGLE pilot plant, through which we are conducting a five-year test program that ends in March 2007. This project has received subsidies from the Japanese government and the New Energy and Industrial Technology Development Organization (NEDO).

We aim to establish EAGLE technology, realize integrated gasification combined cycle (IGCC) technology, and create IGFC technology that uses fuel cells. Toward achieving this objective, we plan to implement tests by examining the feasibility of scaling up of our facilities, and expanding the types of coal that can be gasified.

Solid Oxide Fuel Cell (SOFC)

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 that convert heat from the combustion of fuels, because it transforms chemical energy directly into electrical energy, thus lowering losses and delivering high efficiency.

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

Activities to Address Environmental Issues

To minimize the impact of its business activities on the environment, J-POWER formulated its Environmental Policy in 2000 to lay the groundwork for environmental management, and has focused efforts on restricting emissions into the environment while emphasizing the reuse and recycling of resources. 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 considerations and enhanced economic value. These policies are outlined in the J-POWER Group Environmental Management Vision, which we created in 2004.

We are formulating the medium-term Action Program and launching specific efforts throughout the Group toward achieving targets based on our environmental vision.

J-POWER Group Environmental Management Vision

Basic Environmental Stance

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

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 and also to work toward our ultimate goal of achieving zero emissions through the recovery and fixation of CO_2.

Efforts Relating to Regional Environmental Issues

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

Ensuring Transparency and Reliability

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

Action Program

J-POWER Group Targets

Measures to Prevent Global Warming

Target:

We aim to reduce average CO_2 intensity in the fiscal year ending March 31, 2011 by around 10% from the level of the fiscal year ending March 31, 2003. The intensity is calculated by dividing CO_2 emissions from power plant operations by power sales volume for J-POWER Group members across the globe.

Action:

We will implement the following measures by combining them economically, taking cost-effectiveness on a global scale into account.

Category	Sustainability and improvement of energy efficiency:
Measures	•Maintain high-efficiency operation of power facilities •Adopt energy efficient equipment in case of renewing •Lower power plants' own use ratio through effective operation and management •Introduce high-efficiency technologies with new facilities
Category	Development of various types of power generation with less CO_2 emissions:
Measures	•Promote the development plan of Oma Nuclear Power Plant •Promote developments in renewable energy, gas combined cycle power generation and gas cogeneration systems
Category	Utilization of the Kyoto Mechanism:
Measures	•Procure emission reduction credits through Joint Implementation, CDM and Emission Trading
Category	Development, transfer and dissemination of technologies
Measures	•Establish technologies for use of biomass fuel <Continuously promote technological developments that reduce CO_2 emissions to power sales volume over the long term> Develop coal gasification technology and the Integrated coal Gasification Fuel cell Combined cycle technology (IGFC)

Formation of a Recycling-Based Society

Target:

We aim to achieve a recycling ratio of 97% across the J-POWER Group by the fiscal year ending March 31, 2011, toward our ultimate objective of zero industrial waste emissions.

Action:

•Promote the effective use of coal ash

•Reduce all types of industrial waste emitted from the maintenance and operation of power plants

Enhance Our Environmental Management Structure

Target:

We plan to introduce an environmental management system for the entire J-POWER Group by the fiscal year ending March 31, 2008.

Action:

•We aim to acquire ISO 14001 certification for all thermal power plants and four branches which administer hydroelectric power plants by the fiscal year ending March 31, 2006.

•We plan to implement an environmental management system for all consolidated subsidiaries by the fiscal year ending March 31, 2008.

In line with the objectives for each category above, our business divisions and Group companies create Segment Targets, raise medium-term issues particular to their own business activities, and take appropriate measures to achieve targets related to conserving energy in office buildings, saving resources, reducing emissions of SOx and NOx, and training employees about the environment

Note: The 2005 Environmental Management Report is available on our Web site: http://www.jpower.co.jp

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 system, and has 12 directors and 3 corporate auditors. The Board of Directors meets monthly in principle with Corporate Auditors in attendance. Additional meetings are also held as needed. The Executive Committee meets weekly in principle with all executive directors present to discuss matters addressed by the Board of Directors, and relevant to the overall administrative policy of J-POWER's management and important matters concerning management of the Company, thus enabling precise and prompt decision making and efficient management. The effectiveness of the Corporate Auditing function is also enhanced through the attendance of Corporate Auditors at the Executive Committee. Moreover, internal audits by the Internal Audit & Legal Office help maintain the smooth and appropriate administration of the Company.

J-POWER's corporate governance and internal control framework are illustrated in the diagram below.

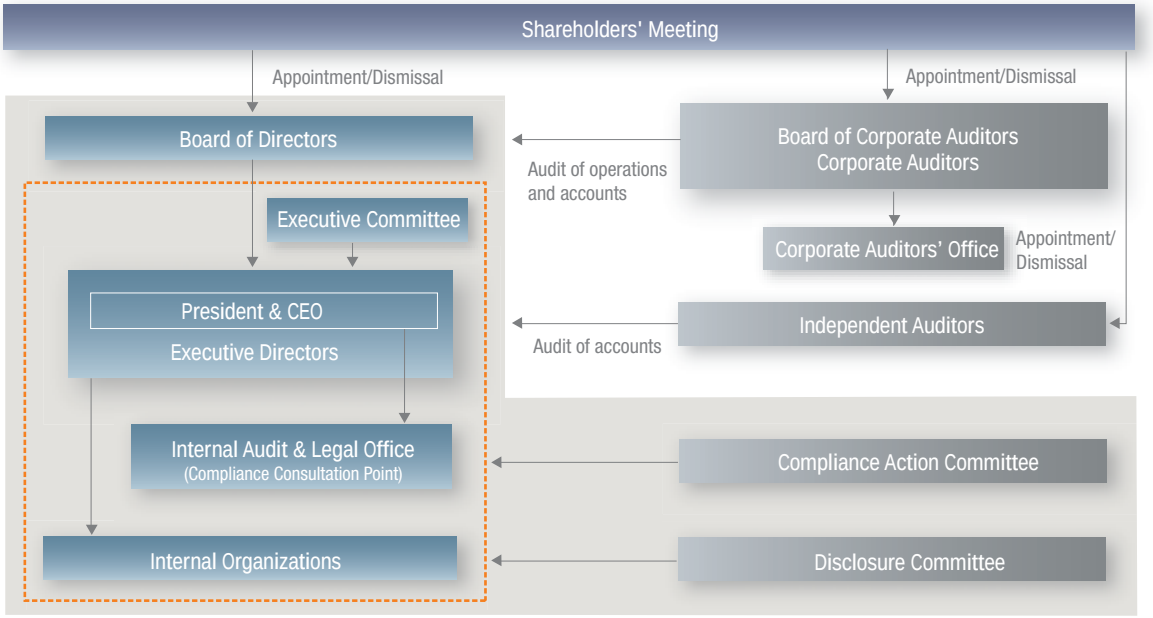
J-POWER has contracted Ernst & Young ShinNihon to provide auditing services in accordance with the Commercial Code Special Measures Law and the Securities and Exchange Law.

In an effort to improve the accountability and transparency of corporate activities, J-POWER has established a Disclosure Committee, which ensures the vigorous, fair and transparent disclosure of information about the Company. Additionally, to promote compliance activities, we have formulated the Compliance Code as specific behavior guidelines for managers and employees in daily business activities. We have also created the Compliance Action Committee, as an organization for examining measures to promote compliance activities across the Company, and we are swiftly responding to compliance issues and taking preventative steps. In addition, J-POWER has established the Compliance Consultation Point within the Internal Audit & Legal Office to serve as a venue for employees to seek advice on compliance issues they face.

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

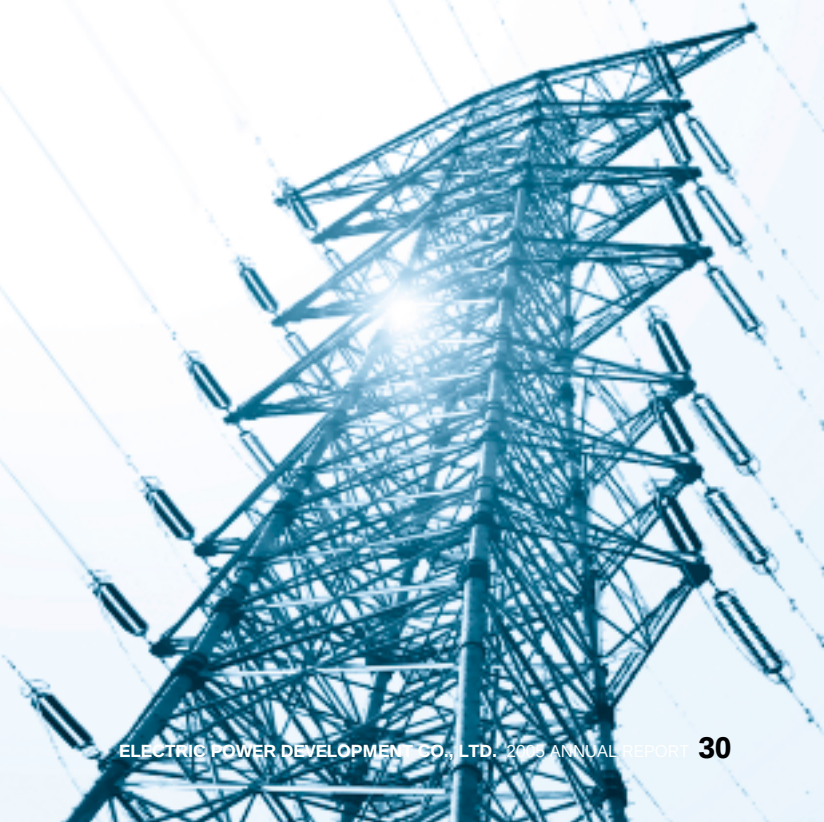
As a company that follows a corporate philosophy and compliance guidelines, J-POWER understands the crucial importance of protecting individual rights. Our internal rules have covered the appropriate handling of personal information by classifying it as confidential data to prevent information leaks. To make further improvements on this front, we formulated our Basic Policy on Personal Information on April 1, 2005, to bring our internal rules up to date. Specifically, we set up Reception Methods and Channels, created a register for the management, educated our directors and employees, published our Basic Policy on Personal Information and communicated directly to Group companies.

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
	2002	2003	2004	2005	2005
Operating revenues	593,343	584,122	569,854	594,375	5,534,733
Electric power	547,333	545,824	522,922	547,960	5,102,529
Other	46,010	38,297	46,931	46,414	432,203
Operating expenses	473,753	449,920	437,715	482,489	4,492,867
Electric power	421,816	407,131	386,463	431,678	4,019,727
Other	51,937	42,789	51,251	50,810	473,140
Operating income	119,590	134,201	132,138	111,885	1,041,865
Income before income taxes and minority interests	30,526	35,522	43,757	55,984	521,318
Net income	17,638	20,725	27,623	35,559	331,127
Total assets	2,314,720	2,195,897	2,076,107	2,021,655	18,825,362
Interest-bearing debt	2,007,487	1,893,902	1,592,908	1,498,010	13,949,259
Total shareholders' equity	152,304	168,301	359,645	391,327	3,643,980
Net cash provided by operating activities	200,708	167,368	179,948	172,637	1,607,575
Net cash used in investing activities	(77,248)	(11,030)	(64,507)	(60,586)	(564,171)
Free cash flow	123,460	156,338	115,441	112,051	1,043,403
Net cash used in financing activities	(125,572)	(117,709)	(147,516)	(111,798)	(1,041,051)
Depreciation	149,145	137,148	131,380	125,339	1,167,140
Capital expenditures	76,641	53,443	46,202	50,925	474,213
Net income per share (yen, U.S. dollars)	249.84	291.40	304.88	255.01	2.37
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)	2,157.29	2,381.71	2,590.0	2,818.04	26.24
Return on equity (%)	12.1	12.9	10.5	9.5	
Equity ratio (%)	6.6	7.7	17.3	19.4	
Number of shares outstanding (thousands)	70,600	70,600	138,808	138,808	
Number of employees	7,073	6,543	5,871	5,925	
Generation capacity (MW)					
Wholesale electric power business	16,085	16,085	16,375	16,375	
Hydroelectric	8,261	8,261	8,551	8,551	
Thermal	7,825	7,825	7,825	7,825	
Other electric power businesses	—	—	134	375	
Total	16,085	16,085	16,509	16,750	
Electric power sales (GWh)*					
Wholesale electric power business	50,403	54,429	58,787	60,517	
Hydroelectric	8,873	8,902	10,850	11,172	
Thermal	41,530	45,527	47,937	49,345	
Other electric power businesses	—	—	517	965	
Total	50,403	54,429	59,305	61,483	
Electric power revenues					
Wholesale electric power business	477,849	473,567	453,478	476,335	4,435,563
Hydroelectric	137,901	138,195	135,758	137,106	1,276,714
Thermal	339,947	335,371	317,719	339,228	3,158,848
Other electric power businesses	—	—	4,472	8,679	80,824
Transmission	67,183	66,739	63,398	61,194	569,833

* Pumped-storage hydroelectric power is not included.

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

Management Discussion and Analysis

Operating Revenues

During the fiscal year ended March 31, 2005, demand for electricity in Japan grew in both the industrial and consumer sectors for the first time in two years. Industrial demand increased at large-load customers, such as the mechanical, steel and chemical industries, reflecting the moderate economic recovery. Consumer demand also rose on account of higher air conditioning usage due to record-setting temperatures during the summer.

Under these circumstances, the J-POWER Group enjoyed a strong performance overall in the electric power business, our principal segment. In the fiscal year ended March 31, 2005, consolidated operating revenues totaled ¥594.4 billion, an increase of 4.3% from the previous year. A breakdown of operating revenues by business segment is as follows.

Electric Power Business

Electricity sales volume in the wholesale electric power business, from both hydroelectric and thermal power plants, rose 2.9% year on year to 60.5 billion kWh. In hydroelectric power, sales volume expanded 3.0% to 11.2 billion kWh with higher-than-average streamflow (the water supply rate increased from 109% in the previous year to 118%). Buoyed by steady demand, thermal electricity sales volume advanced 2.9% to 49.3 billion kWh. In the other electric power businesses, Ichihara Power Co., Ltd., Green Power Kuzumaki Co., Ltd. and five other wind power companies were newly added to the scope of consolidation, and electricity sales volume increased as a result. In all, sales volume in the electric power business increased 3.7% to 61.5 billion kWh.

Electric power operating revenues grew 4.8% to ¥548.0 billion. Despite lower transmission revenues as a result of the revision in charges, overall revenues increased due to the high load factor of thermal power plants, increasing fuel prices, the full-year operation of the expanded Okutadami and Otori Power Plants, which came on line in June 2003, as well as the addition of power generation subsidiaries to the scope of consolidation.

Other Businesses

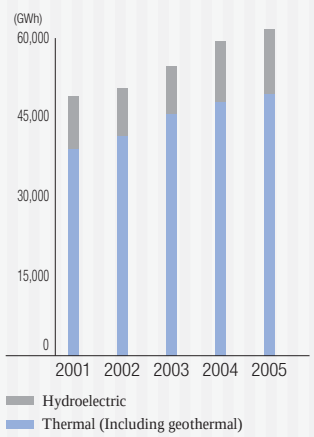
Operating revenues from other businesses declined 1.1% to ¥46.4 billion. Despite an increase in revenues from our coal sales business, sales decreased outside the Group due to the completion of external consigned projects at consolidated subsidiaries.

Operating Income and Expenses

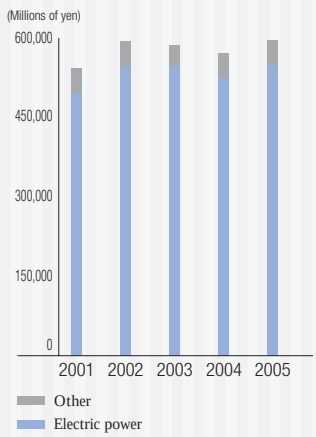
Operating expenses increased 10.2% compared to the previous year to ¥482.5 billion.

Operating expenses in the electric power business rose 11.7% to ¥431.7 billion. Despite a decline in personnel expenses as a result of attrition and retirement, and progress in fixed-rate depreciation, three factors pushed up expenses: increasing fuel costs from higher coal prices and high load factor of

Electricity Sales



Operating Revenues



thermal power plants; increasing repair expenses from periodic inspections; and the newly added power generation subsidiaries to the scope of consolidation. In the other businesses, operating expenses edged down 0.9% to ¥50.8 billion, due to a decline in the cost of sales along with lower external sales at consolidated subsidiaries. As a result, operating income fell 15.3% to ¥111.9 billion.

Other Income and Expenses

Despite an increase in dividend income, other income fell 4.6% to ¥3.9 billion on account of recording the amortization of prior development expenses as an investment loss on equity method in accordance with a change in overseas IPP development sites.

On the other hand, other expenses plummeted 36.1% to ¥58.7 billion, reflecting a sharp decline in interest expenses. Our efforts to pare down interest-bearing debt led to the decline overall, despite increasing interest payments from the prepayment of debt.

In addition, the early adoption of a new accounting standard for the impairment of fixed assets resulted in a loss on impairment of fixed assets of ¥1.9 billion recorded under Other, net.

Net Income

Income before income taxes and minority interests climbed 27.9% year on year to ¥56.0 billion.

After accounting for income taxes and tax adjustments, net income totaled ¥35.6 billion, an increase of 28.7% from the previous year.

Per Share Information

Net income per share was ¥255.01, compared to ¥304.88 in the previous year. This decline was attributable to increasing the average number of shares outstanding following a capital increase implemented in the third quarter of the previous fiscal year.

Dividends remained at ¥60 per share in the fiscal year ended March 31, 2005, with the approval of the general meeting of shareholders held in June 2005.

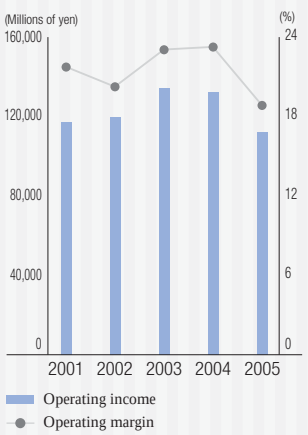
Financial Position and Liquidity

Financial Position

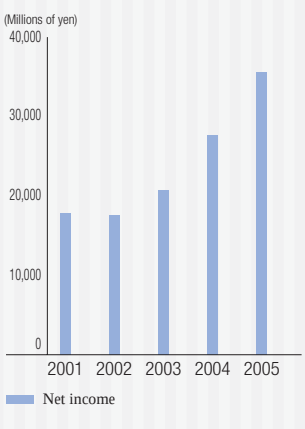
As of March 31, 2005, consolidated total assets were ¥2,021.7 billion, a decline of 2.6% from a year earlier, reflecting ongoing efforts to streamline assets.

Property, plant and equipment, net and investment and other assets totaled ¥1,890.0 billion, a decrease of 2.8% from the previous year. This decline was mainly due to depreciation, despite increasing assets from the addition of Ichihara Power Co., Ltd. and seven other subsidiaries to the

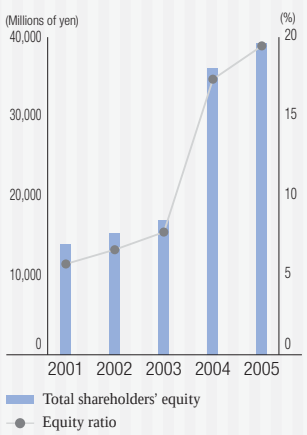
Operating Income, Operating Margin



Net Income



Total Shareholders' Equity, Equity Ratio



scope of consolidation, as well as increasing investment and other assets.

Total liabilities declined 5.1% from the end of the previous fiscal year to ¥1,629.1 billion. Interest-bearing debt was ¥1,498.0 billion, a decline of ¥94.9 billion, on account of aggressive efforts to repay high-interest debt ahead of schedule as a part of management's focus on reducing interest-bearing debt. Accordingly, the debt/equity (D/E) ratio improved from 4.4 times to 3.8 times.

As of March 31, 2005, shareholders' equity totaled ¥391.3 billion, up 8.8% from a year earlier on account of an increase in retained earnings.

As a result, the shareholders' equity ratio improved to 19.4% on March 31, 2005, compared to 17.3% a year ago. Shareholders' equity per share increased from ¥2,590.00 to ¥2,818.04.

Capital Expenditures

Capital expenditures have trended within operating cash flows over the past two years, due to the lack of major investment projects. In the fiscal year ended March 31, 2005, capital expenditures amounted to ¥50.9 billion and were mainly for the maintenance and upgrading of existing facilities. In the fiscal year ending March 31, 2006, J-POWER plans capital expenditures of ¥130.0 billion, reflecting the scheduled start of construction on the Isogo New No. 2 Thermal Power Plant and to prepare for the construction at the plant site of Oma Nuclear Power Plant, in addition to expenditures for the regular maintenance of facilities.

Cash Flows

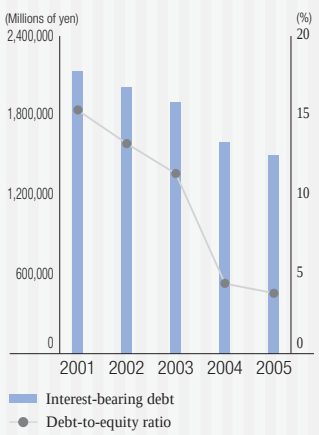
Net cash provided by operating activities was ¥172.6 billion, a decrease of ¥7.3 billion from the previous year. This decline was due to progress in fixed-rate depreciation, despite increasing operating revenues from the high load factor of thermal power plants.

Net cash used in investing activities amounted to ¥60.6 billion, down ¥3.9 billion from a year earlier. The largest use of cash was payments for purchase of property, plant and equipment, with an increase in construction costs at newly consolidated Ichihara Power Co., Ltd., while the amount of net cash used decreased due to proceeds from collections of investments and advances.

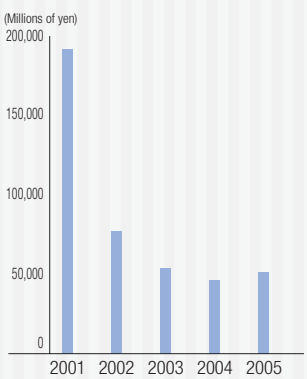
Net cash used in financing activities was ¥111.7 billion, down ¥35.7 billion from the end of the previous year. An increase in the redemption of bonds, including debt assumption was compensated for by decreasing repayment of short-term and long-term loans, and increasing proceeds from issuance of bonds and commercial paper. The absence of proceeds from the issuance of common stock was also a factor.

As a result of these activities, cash and cash equivalents at the end of the year increased ¥2.5 billion to ¥30.2 billion.

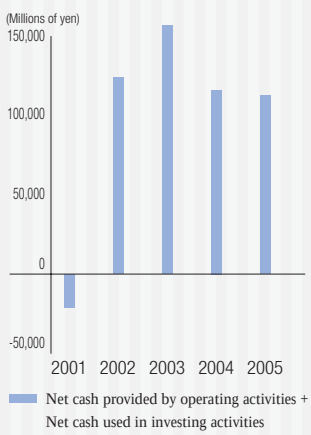
Interest-Bearing Debt, Debt-to-Equity Ratio



Capital Expenditures



Free Cash Flow



Risk Factors

Business Risks

J-POWER's financial standing, business performance, as well as current and future operations are subject to various risks, for which major considerations are outlined below. From the viewpoint of positively disclosing information to investors, J-POWER provides this information as a reference for investors to further their understanding of relevant business risks, even for matters that are not considered to be major risks.

(1) Impact of Deregulation of the Electric Power Industry on J-POWER's Electricity Fees

The majority of J-POWER's operating revenues are derived from fees charged for the wholesale power supply to the EPCOs in Japan. Amid advancements in deregulation for the retail supply of electricity, EPCOs have gradually lowered their retail electric power rates. Since wholesale electricity fees charged by J-POWER to the EPCOs are calculated on a fair cost plus fair return on capital basis, J-POWER is not directly affected by reductions in retail electricity rates . However, J-POWER has in the past been asked by EPCOs to reduce its wholesale electricity fees. If J-POWER significantly reduces its wholesale electricity fees in the future in line with deregulation, its business performance may be adversely affected.

In addition, the Japan Electric Power Exchange (JEPX), began wholesale power trading in April 2005. J-POWER is preparing to trade on wholesale power markets such as the JEPX. At this time, J-POWER does not expect wholesale power trading on exchanges to increase considerably over the short term. If the trading prices are used to set price benchmarks in the future, however, the wholesale electricity fees charged by J-POWER may be indirectly affected. In the event that the wholesale electricity fees in the bilateral contracts between J-POWER and the EPCOs are higher than price benchmarks, J-POWER's business performance may be adversely affected.

(2) Delay or Discontinuation of Our Current Power Plant Construction

In accordance with lower growth trends in electricity demand in recent years, EPCOs have postponed or suspended plans to build new power plants, and chosen to temporarily or permanently stop the operations at inefficient thermal power plants . Regarding the construction of power plants for the EPCOs, J-POWER has in the past postponed the start of operations or suspended plans for some power plants under agreements with companies scheduled to receive electricity. In the event that construction plans are suspended in the future due to significant changes in business conditions or other unforeseen circumstances, J-POWER's business performance may be adversely affected.

(3) Global Warming

J-POWER has a significant number of coal-fired thermal power plants that emit a relatively high amount of CO_2 per unit of power generated than power plants that use LNG and other fossil fuels. J-POWER has addressed the issue of global warming in Japan and overseas. In light of the Kyoto Protocol, which came into effect in February 2005 and defined targets for developed countries toward reducing emissions of greenhouse gasses, governments may introduce new regulations designed to achieve these greenhouse gas emissions reduction targets. In this event, J-POWER's business performance may be adversely affected.

(4) New Electric Power Businesses and New Business Fields

J-POWER makes concerted efforts in Japan and overseas to create new earnings foundations in new electric power businesses and new business fields. However, these businesses may not generate the level of revenues that J-POWER expects. Moreover, changes in our business plans or the suspension of operations incur related costs, which may adversely affect the business performance of J-POWER. Overseas businesses are exposed to foreign exchange risks as well as the risk of political instability (country risk).

(5)

Raising Capital Funds

J-POWER expects that it will procure substantial amounts of capital to build the Isogo New No. 2 Thermal Power Plant and the Oma Nuclear Power Plant, which are scheduled to start operations within ten years. In the event capital procurement is necessary, and J-POWER is unable to procure the necessary capital on acceptable terms or in a timely manner due to the conditions of the financial markets, the Company's credit rating and other factors at that time may adversely affect J-POWER's business development and profitability.

(6)

Construction Plans for the Oma Nuclear Power Plant

Construction of the Oma Nuclear Power Plant is to begin in August 2006 and start of operations is scheduled for March 2012. J-POWER is steadily progressing according to plan. If this plan changes owing to a significant change in business conditions or the emergence of unforeseen circumstances, however, J-POWER's business performance may be adversely affected. In addition, in the event that the public loses confidence in nuclear power generation because of a facility accident in Japan or overseas, J-POWER's construction plan may be affected in adverse ways.

Various risks accompany nuclear power generation, including risks related to the storage and handling of radioactive materials, as well as risks common to other types of power generation such as natural disasters and unforeseen accidents. J-POWER will strive to avoid and mitigate these risks after operations start. In the event that a risk emerges, however, J-POWER's business performance may be adversely affected.

(7)

Fuel for Coal-Fired Power Plants

J-POWER's coal-fired thermal power plants mainly use imported coal as fuel, and its fuel expenses are subject to changes in coal prices.

Coal prices are reflected in electricity fees for EPCOs on a cost basis. Although these fees are revised every two years, they are subject to annual revision if price changes are significant. As a consequence, changes in coal prices have a limited effect on J-POWER's business performance.

(8)

Natural Disasters and Unforeseen Accidents

In the event of a major accident that damages J-POWER's power plants, transmission and transformation facilities, or information systems that control the operation of these facilities due to natural disaster, human error, terrorism, an interruption in fuel supply or other unforeseen circumstances, J-POWER's operations may be hindered, the surrounding environment may be damaged, and the Company's business performance may be adversely affected.

(9)

Legal Regulations

J-POWER's main business is the wholesale electric power business, which is managed in accordance with the Electricity Utilities Industry Law. In addition, other aspects of J-POWER's operations are subject to the application of various laws and regulations. If J-POWER is unable to stringently observe these laws and regulations, or in the event of revisions to these laws and regulations, J-POWER's business management and performance may be adversely affected.

(10)

Concentration on a Limited Number of Customers

Sales to the EPCOs account for the majority of J-POWER's operating revenues. J-POWER believes that the EPCOs will remain its most important customers going forward. Accordingly, J-POWER's business performance may be adversely affected by changes in the EPCOs share of the retail electricity market in light of continuing deregulation.

Consolidated Balance Sheets

As of March 31, 2004 and 2005

Assets

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2005	2005
Property, plant and equipment, net	¥1,813,182	¥1,745,865	$16,257,241
Power plants (Notes 2, 3 and 4)	1,623,367	1,547,374	14,408,921
Other property, plant and equipment (Notes 2, 3 and 4)	28,982	27,877	259,592
Construction in progress (Note 2)	160,832	170,613	1,588,727
Investment and other assets	131,958	144,135	1,342,171
Long-term investments (Notes 2, 4 and 13)	86,081	95,031	884,921
Deferred tax assets (Notes 2 and 16)	44,270	46,150	429,747
Others	1,606	2,953	27,502
Current assets	130,967	131,654	1,225,949
Cash and bank deposits (Note 11)	27,804	30,351	282,630
Notes and accounts receivable, less allowance for doubtful accounts	49,705	52,125	485,388
Inventories (Note 2)	11,750	13,158	122,529
Others (Notes 2 and 16)	41,706	36,018	335,401
Total assets	¥2,076,107	¥2,021,655	$18,825,362

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)
	2004	2005	2005
Long-term liabilities	¥1,510,088	¥1,286,912	$11,983,540
Long-term debt, less current portion (Note 4)	1,454,867	1,231,100	11,463,831
Accrued employee retirement benefits (Notes 2 and 15)	49,546	45,729	425,823
Others (Note 16)	5,674	10,082	93,885
Current liabilities	205,165	340,405	3,169,803
Current portion of long-term debt and other (Note 4)	57,595	111,163	1,035,139
Short-term loans (Note 4)	40,466	50,750	472,584
Commercial paper (Note 4)	40,000	105,000	977,744
Income and other taxes payable	14,515	21,783	202,847
Others	52,587	51,706	481,486
Reserve for fluctuation in water levels (Note 2)	689	1,798	16,746
Contingent liabilities (Note 5)			
Total liabilities	1,715,943	1,629,115	15,170,089
Minority interests	519	1,212	11,292
Shareholders' equity (Notes 2 and 17)			
Common stock	152,449	152,449	1,419,588
Capital surplus	81,849	81,849	762,171
Retained earnings	123,213	152,121	1,416,531
Unrealized gain on other securities, net	3,738	6,207	57,806
Foreign currency translation adjustments	(1,605)	(1,299)	(12,103)
Treasury stock (Note 17)	—	(1)	(13)
Total shareholders' equity	359,645	391,327	3,643,980
Total liabilities, minority interests and shareholders' equity	¥2,076,107	¥2,021,655	$18,825,362

	Yen		U.S. dollars (Note 2)
Shareholders' equity per share (Note 2)	¥2,590.00	¥2,818.04	$26.24

Consolidated Statements of Income

For the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2003	2004	2005	2005
Operating revenues	¥584,122	¥569,854	¥594,375	$5,534,733
Electric power	545,824	522,922	547,960	5,102,529
Other	38,297	46,931	46,414	432,203
Operating expenses (Notes 2, 6, 7, 8 and 15)	449,920	437,715	482,489	4,492,867
Electric power	407,131	386,463	431,678	4,019,727
Other	42,789	51,251	50,810	473,140
Operating income	134,201	132,138	111,885	1,041,865
Other income (expenses), net (Notes 2 and 9)	(98,679)	(88,381)	(55,901)	(520,547)
Interest expenses	(87,136)	(83,519)	(50,881)	(473,805)
(Provision for) reversal of reserve for fluctuation in water levels	—	(689)	(1,108)	(10,324)
Other, net	(11,543)	(4,172)	(3,910)	(36,417)
Income before income taxes and minority interests	35,522	43,757	55,984	521,318
Income taxes (Notes 2 and 16)				
Current	20,850	16,222	22,909	213,329
Deferred	(6,480)	(309)	(2,511)	(23,389)
Minority interests	426	220	27	251
Net income	¥ 20,725	¥ 27,623	¥ 35,559	$ 331,127

	Yen			U.S. dollars (Note 2)
Amounts per share:				
Net income (Note 2)	¥291.40	¥304.88	¥255.01	$2.37
Cash dividends applicable to the year (Note 10)	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, 2003, 2004 and 2005

	Number of issued and outstanding common stock (thousands)	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on other securities, net	Foreign currency translation adjustments
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 subsidiaries' 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)
Net income				35,559		
Increase in earnings from the addition of consolidated subsidiaries				137		
Increase due to the addition of affiliates accounted for by the equity method				173		
Dividends				(5,410)		
Bonuses to directors and statutory auditors				(132)		
Decrease in earnings from the addition of consolidated subsidiaries				(1,420)		
Net change during the year					2,469	306
Balance at March 31, 2005	138,808	¥152,449	¥81,849	¥152,121	¥6,207	¥(1,299)

	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, 2004	$1,419,588	$762,171	$1,147,348	$34,812	$(14,953)
Net income			331,127		
Increase in earnings from the addition of consolidated subsidiaries			1,279		
Increase due to the addition of affiliates accounted for by the equity method			1,613		
Dividends			(50,382)		
Bonuses to directors and statutory auditors			(1,232)		
Decrease in earnings from the addition of consolidated subsidiaries			(13,223)		
Net change during the year				22,994	2,849
Balance at March 31, 2005	$1,419,588	$762,171	$1,416,531	$57,806	$(12,103)

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2003	2004	2005	2005
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 35,522	¥ 43,757	¥ 55,984	$ 521,318
Depreciation	137,148	131,380	125,339	1,167,140
Loss on impairment of fixed assets	—	—	1,959	18,241
Loss on disposal of property, plant and equipment	2,914	2,464	3,748	34,906
Loss on sale of property, plant and equipment	649	49	303	2,826
(Decrease) increase in accrued employee's retirement benefits	2,047	407	(3,817)	(35,545)
Increase in reserve for fluctuation in water levels	—	689	1,108	10,324
Interest and dividends	(1,268)	(1,707)	(2,087)	(19,440)
Interest expenses	87,136	83,519	50,881	473,805
(Increase) decrease in notes and accounts receivable	3,126	94	(2,874)	(26,766)
(Increase) decrease in inventories	1,142	(326)	(1,471)	(13,703)
Increase (decrease) in notes and accounts payable	(2,850)	4,406	1,151	10,727
Investment loss (profit) on equity method	(275)	(804)	1,311	12,211
Others	3,981	23,639	6,504	60,569
Subtotal	269,273	287,572	238,042	2,216,615
Interest and dividends received	1,140	1,323	1,857	17,298
Interest paid	(87,383)	(87,223)	(51,940)	(483,658)
Income taxes paid	(15,661)	(21,724)	(15,322)	(142,680)
Net cash provided by operating activities	167,368	179,948	172,637	1,607,575
Cash flows from investing activities:				
Payments for purchase of property, plant and equipment	(78,877)	(52,337)	(57,825)	(538,465)
Proceeds from contributions grants	3,958	3,124	4,386	40,846
Proceeds from sales of property, plant and equipment	101,775	258	543	5,057
Payments for investments and advances	(42,207)	(22,250)	(19,952)	(185,798)
Proceeds from collections of investments and advances	5,069	7,056	13,678	127,371
Proceeds from cash and cash equivalents due to inclusion in consolidation	—	—	8	78
Others	(749)	(359)	(1,424)	(13,262)
Net cash used in investing activities	(11,030)	(64,507)	(60,586)	(564,171)
Cash flows from financing activities:				
Proceeds from issuance of bonds	20,000	49,988	89,952	837,619
Redemption of bonds	(33,500)	(45,010)	(279,910)	(2,606,481)
Proceeds from long-term loans	246,256	166,035	73,600	685,356
Repayment of long-term loans	(306,020)	(499,603)	(64,497)	(600,594)
Proceeds from short-term loans	117,194	239,730	198,485	1,848,265
Repayment of short-term loans	(157,397)	(256,087)	(188,902)	(1,759,030)
Proceeds from issuance of commercial paper	—	83,998	348,994	3,249,781
Redemption of commercial paper	—	(44,000)	(284,000)	(2,644,566)
Issuance of common stock	—	163,115	—	—
Payments for purchase of consolidated subsidiary's equity	—	(1,439)	—	—
Dividends paid	(4,236)	(4,236)	(5,410)	(50,382)
Dividends paid to minority interests	(6)	(7)	(108)	(1,005)
Others	—	—	(1)	(13)
Net cash used in financing activities	(117,709)	(147,516)	(111,798)	(1,041,051)
Foreign currency translation adjustments on cash and cash equivalents	29	(184)	17	167
Net increase (decrease) in cash and cash equivalents	38,658	(32,260)	270	2,519
Cash and cash equivalents at beginning of year	21,128	59,787	27,673	257,696
Increase in cash from the addition of consolidated subsidiaries	—	147	2,276	21,200
Cash and cash equivalents at end of year (Notes 2 and 11)	¥ 59,787	¥ 27,673	¥ 30,221	$ 281,415

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

Notes to Consolidated Financial Statements

For the years ended March 31, 2003, 2004 and 2005

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

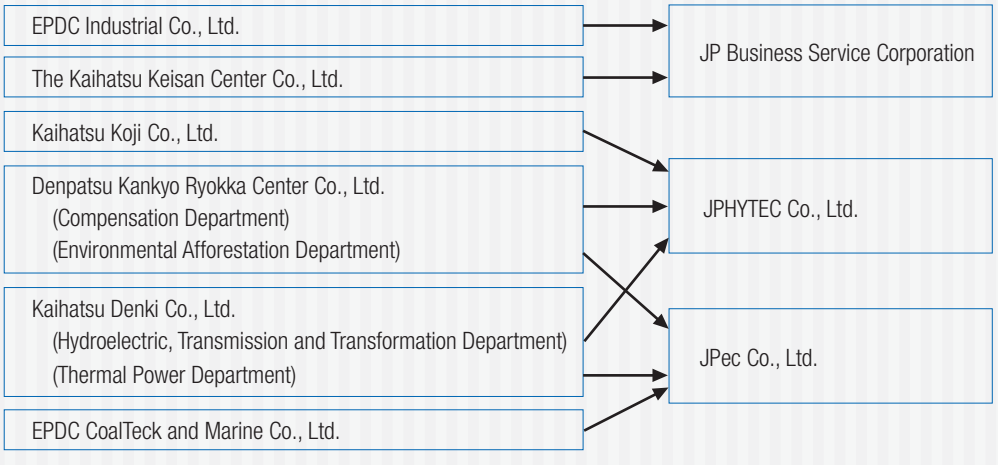
(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 18 significant subsidiaries controlled directly or indirectly by the Company. From the year ended March 31, 2005, Ichihara Power Co., Ltd. and six other companies, because of their importance to mid to long-range corporate strategy, and 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.

Also, through the purchase on July 27, 2004 of shares that had been held by Tomamae-cho, Dream-Up Tomamae Co., Ltd., which had been a non-equity-method affiliate, became a wholly-owned subsidiary and included in the scope of consolidation for the year ended March 31, 2005.

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

Denpatsu Holding Company Ltd., the consolidated subsidiary, was absorbed by and merged with the Company on April 1, 2004, and the main business companies were reorganized as follows.



Based on this reorganization, it was resolved on April 5, 2004 to dissolve the Denpatsu Kankyo Ryokka Center Co., Ltd., and liquidation was completed as of June 14, 2004.

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 J-POWER AUSTRALIA PTY. LTD. (Former: EPDC (Australia) Pty. Ltd.), 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 J-POWER AUSTRALIA PTY. LTD. (Former: 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)

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

From the year ended March 31, 2005, GENEX COMPANY, LIMITED and four other affiliates, 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, excluded GENEX COMPANY, LIMITED 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 employees retirement benefits

Accrued employees 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 being 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 and discount on bonds are fully amortized when incurred.

f. (Provision for) Reversal of reserve for fluctuations 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 reserve for fluctuations in water levels under "Ministerial Ordinance Concerning Reserve for Fluctuations 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.

g. 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, revenue 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.

h. 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.

i. 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 the derivatives for trading or speculative purposes.

The Company uses foreign currency forward contracts and foreign currency swaps to hedge foreign currency-denominated bonds and some foreign-currency-denominated debts, and uses interest swaps to hedge payments and receipts of principal and interest with respect to bonds and debts, and uses fuel price related swaps to hedge some transactions related to fuel purchases.

Based on our internal regulations relating to derivative transactions, derivatives are executed for the purpose of avoiding the risks of fluctuating interest rates, exchange rates, and fuel purchase prices, and our policy is not to perform speculative transactions.

To evaluate the effectiveness of our hedging strategy on a quarterly basis, by comparing cumulative changes in cash flow of hedging instruments with cumulative changes in hedged cash flow. Evaluation of the effectiveness of certain foreign-exchange contracts, currency swaps, and special interest-rate swaps that depend on allocation processing has been omitted.

j. 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 Electricity Utilities Industry Law.

k. 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.

l. 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.

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.

Changes to Accounting Policies

Accounting standards related to impairment losses on fixed assets

Accounting standards related to impairment losses on fixed assets ("Statement of Position on the Setting of Accounting Standards Related to Impairment Losses on Fixed Assets," (Business Accounting Council, August 9, 2002)) and "Application Guidelines for Accounting Standards Related to Impairment Losses on Fixed Assets," (Guideline No. 6 of Application Guidelines for Business Accounting Standards, October 31, 2003) became applicable to financial statements for the fiscal year ending March 31, 2004 (these accounting standards are mandatory from the fiscal year ending March 31, 2006), and, therefore, these accounting standards and guidelines have been applied from the fiscal year ending March 31, 2005. The effect of this change was to decrease income before income taxes and minority interests by ¥1,959 million ($18,241 thousand).

Please note that impairment losses comprising the cumulative total have been written off directly from the respective assets..

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.

Additional information

①The 2003 Law Revising Parts of the Local Tax Law (2003 Law No. 9) was promulgated on March 31, 2003, and the external standard taxation system was instituted with the business year that began April 1, 2004. Beginning with that fiscal year, in accordance with the "Operational Handling of Disclosures Regarding Pro Forma Standard Taxation Portions of Corporate Taxes in Profit/Loss Statements" (Corporate Accounting Standards Committee Operational Response Report No. 12, dated February 13, 2004), we recorded the discounted value-added and discounted capital of Enterprise tax, as "Operating expenses — Other."

As a result, "Operating expenses — Other" increased by ¥197 million ($1,838 thousand), causing a ¥197 million ($1,838 thousand) reduction in Operating income and Income before income taxes and minority interests.

②The wind-power facilities of Nikaho-kogen Wind Power Co., Ltd., Green Power Kuzumaki Co., Ltd., Nagasaki-Shikamachi Wind Power Co., Ltd., Green Power Aso Co., Ltd., J-Wind TAHARA Ltd. and Dream-Up Tomamae Co., Ltd., which were included as consolidated subsidiaries beginning in the year ended March 31, 2005, were reported as "Power plants — Hydroelectric power plants" under the Electric Utilities Industry Law.

(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 operation 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 shares of common stock excluding treasury 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 amount 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, 2005, which was ¥107.39 = US$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, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Hydroelectric power plants	¥ 506,703	¥ 499,017	$ 4,646,774
Thermal power plants	746,203	686,072	6,388,607
Internal combustion power generation facilities	—	10,071	93,781
Transmission facilities	289,771	276,661	2,576,226
Conversion facilities	43,795	41,605	387,424
Communication facilities	10,983	9,985	92,981
General facilities	25,909	23,961	223,124
Total	¥1,623,367	¥1,547,374	$14,408,921

Construction grants, which were deducted from the cost of property, plant and equipment as of March 31, 2004 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Construction grants	¥98,128	¥102,862	$957,839

Accumulated depreciation of property, plant and equipment as of March 31, 2004 and 2005, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Accumulated depreciation	¥1,905,775	¥2,013,443	$18,748,891

4.

Short-term loans and long-term debt

Short-term loans and long-term debt as of March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Loans from banks and Japanese government agencies, due on varying dates through 2020	¥ 738,157	¥ 833,169	$ 7,758,354
Interest rates:			
Long-term loans, excluding current portion 1.72% (average)			
Current portion of long-term loans 2.28% (average)			
Short-term loans 0.51% (average)			
Commercial paper 0.02% (average)			
Domestic bonds guaranteed by the Government of Japan, due on varying dates through 2011, 1.1% to 3.0%	536,120	355,870	3,313,809
Domestic bonds underwritten by the Government of Japan, due on varying dates through 2008, 2.0% to 4.7%	146,240	46,580	433,746
Domestic straight bonds, due on varying dates through 2024, 0.93% to 2.24%	70,000	160,000	1,489,896
French franc-dominated foreign bonds guaranteed by the Government of Japan, due in 2007, 5.63%	35,474	35,474	330,328
Euro-dominated foreign bonds guaranteed by the Government of Japan, due in 2006, 4.88%	28,917	28,917	269,272
Japanese yen-dominated foreign bonds guaranteed by the Government of Japan, due in 2010, 1.80%	38,000	38,000	353,850
Subtotal	1,592,908	1,498,010	13,949,259
Less current portion	(138,040)	(266,910)	(2,485,427)
Total	¥1,454,867	¥1,231,100	$11,463,831

The annual maturities of bonds and long-term debts subsequent to March 31, 2005, are summarized as follows:

Years ended March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 269,910	$ 2,485,427
2007	118,302	1,101,615
2008	176,060	1,639,450
2009	109,133	1,016,232
2010	133,441	1,242,591
2011 and thereafter	694,162	6,463,941
Total	¥1,498,010	$13,949,259

All of the Company's assets are subject to certain statutory liens as security for bonds. The outstanding amount of such bonds amounted to ¥824,751 million and ¥819,801 million ($7,633,869 thousand, including corporate bonds that were used to discharge certain debts through bond performance underwriting contracts) as of March 31, 2004 and 2005, respectively. Some long-term investments (¥125 million, $1,168 thousand) were used as collateral for loans to affiliated companies.

The book value of the Company's assets pledged as collateral for the debt of certain consolidated subsidiaries, which debt totaled ¥1,647 and ¥9,196 million ($85,637 thousand) as of March 31, 2004 and 2005, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Power plants	¥ —	¥8,812	$82,061
Other property, plant and equipment	3,616	3,685	34,321

5. Contingent liabilities

Contingent liabilities as of March 31, 2004 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Guarantees given for loans of other companies:			
Green Power Koriyama Nunobiki Co., Ltd.	¥ —	¥ 3,300	$ 30,729
TOSA POWER Inc.	—	3,195	29,751
Green Power Setana Co., Ltd.	—	950	8,846
Ecuador Resources Finance Ltd.	395	586	5,457
Roi-Et Green Co., Ltd.	315	289	2,699
Okutadami Kanko Co., Ltd.	273	251	2,341
Kanda Eco Plant Co., Ltd.	185	166	1,549
Kawagoe Cable Vision Co., Ltd.	222	129	1,209
JP Enterprise Corporation (Former: Kyoeki Ryokou Co., Ltd., effective May 1, 2004)	252	17	162
Green Power Kuzumaki Co., Ltd.	3,300	—	—
Dream-Up Tomamae Co., Ltd.	3,140	—	—
Nikaho-kogen Wind Power Co., Ltd.	1,093	—	—
Green Power Aso Co., Ltd.	950	—	—
Subtotal	10,127	8,886	82,746
Guarantees given in connection with housing loans to Company employees	6,589	5,823	54,230
Guarantees for electricity sales revenue of:			
Nikaho-kogen Wind Power Generation Co., Ltd.	252	—	—
Green Power Kuzumaki Co., Ltd.	54	—	—
Guarantee liability for performance guarantee insurance contract for PFI business			
EDOGAWA Water Service (Special-Purpose Company)	—	44	416
Debts assigned by the Company to certain banks under debt assumption agreements	50,120	274,960	2,560,387
Total	¥67,142	¥289,714	$2,697,781

6. Operating expenses

Operating expenses (electric power) for the years ended March 31, 2003, 2004 and 2005, are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Personnel expense	¥ 49,923	¥ 42,220	¥ 33,764	$ 314,411
Fuel cost	86,438	85,927	116,622	1,085,972
Repair expense	36,189	28,652	47,452	441,875
Consignment cost	25,126	26,193	34,000	316,607
Taxes and duties	23,312	23,984	24,974	232,562
Depreciation and amortization cost	134,043	128,395	122,016	1,136,202
Others	52,097	51,089	52,846	492,095
Total	¥407,131	¥386,463	¥431,678	$4,019,727

Selling, general and administration expenses included in operating expenses (electric power) for the years ended March 31, 2003, 2004 and 2005, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Personnel expense	¥33,758	¥31,614	¥24,177	$225,136
Fuel cost	—	—	—	—
Repair expense	1,013	836	1,402	13,060
Consignment cost	9,618	6,997	12,042	112,135
Taxes and duties	650	649	618	5,760
Depreciation and amortization cost	2,391	2,403	2,386	22,223
Others	15,350	13,692	16,671	155,246
Total	¥62,782	¥56,192	¥57,299	$533,564

7. Enterprise tax

Most of the enterprise tax of the Company and eight affiliates 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 ¥7,097 million, ¥6,845 million and ¥7,181 million ($66,870 thousand) for the years ended March 31, 2003, 2004 and 2005, respectively. Regarding the enterprise tax for consolidated subsidiaries, the discounted value-added and discounted capital are included in "Operating expenses — Other," and revenues are included in corporate income tax, excluding the eight consolidated subsidiaries that operate electric power businesses.

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, 2003, 2004 and 2005, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Research and development costs	¥6,333	¥6,752	¥6,381	$59,427

9. Loss on impairment of fixed assets

Our corporate group bases the grouping of our assets on the categories used in our management accounting, which maintains a continuous grasp of the balance of payments. In addition, idle assets for which no immediate use is foreseen are grouped individually, depreciated to their recoverable value, and the appropriate value reduction is booked as an impairment loss (¥1,782 million, $16,602 thousand) within the category of "Other expenses — Other" A breakdown shows ¥748 million ($6,973 thousand) for land, ¥1,002 million ($9,338 thousand) for buildings and structures, and ¥31 million ($290 thousand) for other.

The recoverable value of the idle assets concerned is measured according to their net sale value; assets slated for sale are recorded by their expected sale value, while other assets are appraised at a value reflecting their appropriate market pricing, rationally adjusted to reflect the tax on fixed assets.

Impairment losses outside this asset group are of minor importance, so we have omitted them.

10. 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, 2005, were approved at the general meeting of the shareholders held on June 29, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥60 [$0.56] per share)	¥8,328	$77,553
Directors' and statutory auditors' bonuses	50	471

11. 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, 2004 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Cash and bank deposits on the consolidated balance sheets	¥27,804	¥30,351	$282,630
Time deposits with a maturity of more than three months	(130)	(130)	(1,215)
Cash and cash equivalents on the consolidated statements of cash flows	¥27,673	¥30,221	$281,415

12. 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, 2004 and 2005, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2004			2005			2005		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Electric utility plant	¥ 8,638	¥4,578	¥4,059	¥ 8,370	¥5,862	¥2,508	$77,947	$54,593	$23,354
Others	2,269	1,251	1,018	2,079	1,076	1,002	19,361	10,022	9,339
Total	¥10,907	¥5,829	¥5,077	¥10,450	¥6,939	¥3,511	$97,309	$64,615	$32,694

Acquisition cost includes the imputed interest expense portion.

Future lease payments under finance leases as of March 31, 2004 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due within one year	¥2,215	¥2,054	$19,130
Due after one year	2,862	1,456	13,563
Total	¥5,077	¥3,511	$32,694

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

Lease payments (including accumulated depreciation) under finance leases were ¥2,360 million and ¥2,279 million ($21,225 thousand) as of March 31, 2004 and 2005, respectively. Depreciation expense is computed using by the straight-line method over the respective lease periods.

As a lessor

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2004 and 2005, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2004			2005			2005		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Others	¥75	¥46	¥28	¥75	¥50	¥24	$701	$472	$229

Future lease revenues under finance leases as of March 31, 2004 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due within one year	¥23	¥20	$194
Due after one year	42	28	262
Total	¥65	¥49	$457

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

Revenues under finance leases were ¥19 million and ¥21 million ($202 thousand), for the years ended March 31, 2004 and 2005, respectively.

Depreciation under finance leases was ¥13 million and ¥13 million ($130 thousand), for the years ended March 31, 2004 and 2005, respectively.

13. Marketable securities and investment securities

(1) Held-to-maturity securities for which market prices were available as of March 31, 2004 and 2005, were as follows:

Bonds: Market value more than balance sheet amount

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Balance sheet amount	¥6	¥—	$—
Market value	6	—	—
Unrealized gain	¥0	—	—

(2) Other securities for which market prices were available as of March 31, 2004 and 2005, were as follows:

a. Stocks: Balance sheet amount more than cost

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Cost	¥ 7,064	¥ 9,442	$ 87,931
Balance sheet amount	12,860	19,004	176,969
Unrealized gain	¥ 5,795	¥ 9,561	$ 89,037

b. Stocks: Balance sheet amount less than cost

2004	Millions of yen 2005	Thousands of U.S. dollars 2005
Cost	¥—	¥120	$1,117
Balance sheet amount	—	118	1,106
Unrealized loss	—	¥ (1)	$ (11)

c. Total:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Cost	¥ 7,064	¥ 9,562	$ 89,049
Balance sheet amount	12,860	19,123	178,075
Unrealized gain	¥ 5,795	¥ 9,560	$ 89,026

(3) Sale of other marketable securities as of March 31, 2004 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Sale value	¥—	¥404	$3,769
Capital gains	¥—	¥311	$2,902

(4) Non-marketable securities and investment securities stated at cost as of March 31, 2004 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Unlisted stock	¥17,084	¥17,031	$158,591
Unlisted foreign stock	2,138	1,401	13,046
Capital contribution	1,833	1,942	18,088
Foreign capital contribution	38	17	164
Others	1,135	1,258	11,722
Total	¥22,231	¥21,651	$201,614

(5) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity securities as of March 31, 2004 and 2005, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due in one year or less	¥6	¥—	$—
Due after one year through five years	—	—	—
Due after five years through ten years	—	—	—
Due after ten years	—	—	—

14. Derivatives

(1) Transaction status

a. Purpose and policy of transactions

The Company enters into forward foreign exchange contracts and currency swaps and enters into interest rate swaps fuel rate swaps.

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. Purpose of transactions, and policies regarding transactions

Derivative trading should only be based on actual liabilities stemming from transactions relating to actual demand, to avert risks related to foreign-currency-denominated liabilities and fluctuations in foreign-exchange rates, risks related in order to fluctuating interest rates, and risks related to fluctuating fuel purchase prices.

The company engages in derivatives trading aimed at hedging risk exposure. Hedges may cover corporate bonds, loans, some foreign-currency-denominated liabilities and some fuel-purchase transactions; hedging instruments may include derivatives based on foreign-currency-denominated debt securities, transactions based on special disposal of interest rate swaps, swaps based on fuel prices, aimed at lessening risks related to foreign exchange, interest rates and fuel purchases, so hedging should remain within the scale of the underlying instruments and liabilities.

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, 2004 and 2005, as all derivatives qualified for hedge accounting.

15. 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, 2004 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Retirement benefit obligation	¥(129,508)	¥(126,821)	$(1,180,941)
Plan assets at fair value	76,575	81,570	759,572
Unfunded retirement benefit obligation	(52,932)	(45,250)	(421,369)
Unrecognized actuarial loss	2,538	430	4,011
Unrecognized prior service cost	848	(909)	(8,465)
Accrued employees' retirement benefits	¥ (49,546)	¥ (45,729)	$ (425,823)

Retirement benefit expenses for the years ended March 31, 2003, 2004 and 2005, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Service cost	¥ 4,424	¥ 4,303	¥ 4,689	$ 43,668
Interest cost	2,918	2,962	2,477	23,073
Expected return on plan assets	(1,826)	(1,719)	(1,943)	(18,096)
Amortization of actuarial loss	8,942	4,145	227	2,122
Amortization of prior service cost	384	2,093	675	6,292
Additional severance payments, etc.	1,637	1,769	3,651	34,003
Total	¥16,480	¥13,555	¥ 9,779	$ 91,063

The principal assumptions used in determining the retirement benefit obligations and other components of the plans of the Company and its subsidiaries for the years ended March 31, 2003, 2004 and 2005, were as follows:

	2003	2004	2005
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 2.0%	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

16. 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 40–42%, respectively, for the Company and its consolidated subsidiaries engaged in the electric power business, other consolidated subsidiaries.

The significant components of deferred tax assets and liabilities as of March 31, 2004 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Deferred tax assets:			
Excess of retirement benefits	¥20,226	¥19,537	$181,931
Tax effect on elimination of unrealized gain on fixed-assets	14,466	14,424	134,320
Excess of depreciation of fixed assets	3,410	4,830	44,983
Excess of amortization of deferred charges for tax purposes	2,125	2,038	24,340
Amount assigned but not yet paid	—	2,613	18,985
Excess of reserve for fluctuations in water levels	—	647	6,028
Other	11,456	10,933	101,813
Total deferred tax assets	51,686	55,026	512,402
Deferred tax liabilities:			
Other	(2,728)	(4,107)	(38,248)
Total deferred tax liabilities	(2,728)	(4,107)	(38,248)
Net deferred tax assets	¥48,957	¥50,919	$474,154

Differences between effective and statutory tax rates at March 31, 2003, 2004 and 2005, were as follows:

	2003	2004	2005
Statutory tax rate	36.00%	—	—
Permanently non-deductible expenses (e.g. entertainments expenses)	1.35%	—	—
Permanently non-taxable income (e.g. dividend income)	(0.80%)	—	—
Difference in the taxation method of enterprise tax between the Company and its subsidiaries	2.03%	—	—
Reduction of deferred tax assets due to a change in the income tax rate	0.29%	—	—
Other	1.58%	—	—
Effective tax rate	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 and 2005.

17. Shareholders' equity

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 thereby increasing the Company's common stock account from ¥70,600 million to ¥152,449 million, and increase the Company's capital surplus to ¥81,849 million 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.

After that, on October 6, 2004, when the company was listed on the first section of the Tokyo Stock Exchange, the Fund sold its all of the shares, and so no longer belonged to the parent company. The Fund has already been dissolved.

Furthermore, the number of shares of treasury stock held by group companies and equity-method affiliates totals 481 shares.

18. Segment information

Information about business segments of the Company and its consolidated subsidiaries for the years ended March 31, 2003, 2004 and 2005, was as follows:

(1) Business Segments

	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

	Millions of yen				
	2005				
	Electric power	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 547,960	¥ 46,414	¥ 594,375	¥ —	¥ 594,375
Intersegment sales	1,388	207,569	208,958	(208,958)	—
Total sales	549,348	253,984	803,333	(208,958)	594,375
Operating expenses	450,078	241,957	692,036	(209,547)	482,489
Operating income	99,270	12,026	111,296	589	111,885
Assets	1,990,431	114,946	2,105,377	(83,722)	2,021,655
Depreciation	125,371	3,322	128,693	(3,354)	125,339
Loss on impairment of fixed assets	1,347	611	1,959	—	1,959
Capital expenditures	50,454	3,962	54,417	(3,492)	50,925

	Thousands of U.S. dollars				
	2005				
	Electric power	Other	Subtotal	Elimination	Consolidated
Sales to customers	$ 5,102,529	$ 432,203	$ 5,534,733	$ —	$ 5,534,733
Intersegment sales	12,927	1,932,858	1,945,786	(1,945,786)	—
Total sales	5,115,456	2,365,062	7,480,519	(1,945,786)	5,534,733
Operating expenses	4,191,066	2,253,075	6,444,141	(1,951,274)	4,492,867
Operating income	924,390	111,986	1,036,377	5,487	1,041,865
Assets	18,534,606	1,070,365	19,604,972	(779,609)	18,825,362
Depreciation	1,167,440	30,937	1,198,377	(31,237)	1,167,140
Loss on impairment of fixed assets	12,551	5,690	18,241	—	18,241
Capital expenditures	469,829	36,901	506,731	(32,517)	474,213

For the fiscal year ended March 31, 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 "Others" 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.

With the reorganization of the group on April 1, 2004, we have changed the details of the main products and business activities listed in the "other business" category for the fiscal year ended March 31, 2005.

The main products within each segment as of March 31, 2003 are as follows:

Electric power: Wholesale electricity

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

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.

The main products within each segment as of March 31, 2005 are as follows:

Electric power: Wholesale electricity, other electricity

Other: Planning, construction, inspection, maintenance, repair of electric power generation and electric power facilities, harbor transport of fuel and coal ash, development of coal mines, import and transport of coal, operation of welfare facilities etc., computer services, and engineering and consulting in the country and abroad.

(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 .

19. 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. 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.

20. Significant subsequent events

Capital investment in CBK project in the Republic of the Philippines

Our affiliate CBK Netherlands Holdings B.V. (our equity-method holding: 50%), in which we have invested through J-Power Investment Netherlands B.V. (a wholly-owned subsidiary), acquired in January 2005 a 50% interest in a hydroelectric power plant and pumped-storage hydroelectric power plant in the state of Laguna in the Republic of the Philippines; this made our company's equity stake in this project 25%. On April 22, 2005, we invested an additional $42 million (about ¥4.5 billion) in CBK Netherlands Holdings B.V. through J-Power Investment Netherlands B.V., so that CBK Netherlands Holdings B.V. could acquire the remaining 50% interest, raising our company's equity-method stake to 50%.

The power plant's main energy sources are two hydroelectric power plants with a total of five generators totaling 43.4 MW, and one pumped-storage hydroelectric power plant with four generators totaling 686.6 MW, for a total of nine generators and 728 MW capacity. The plant has concluded contracts to sell all of its electricity through 2025 to the National Power Corporation.

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, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years ended March 31, 2005, 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2005 in conformity with accounting principles generally accepted in Japan.

As described in Note 2, The Electric Power Development Co., Ltd. and consolidated subsidiaries adopted a new accounting standard for impairment accounting for fixed assets as early adoption of the standard was permitted from the fiscal year ended March 31, 2005.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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.

Ernst & Young ShinNihon

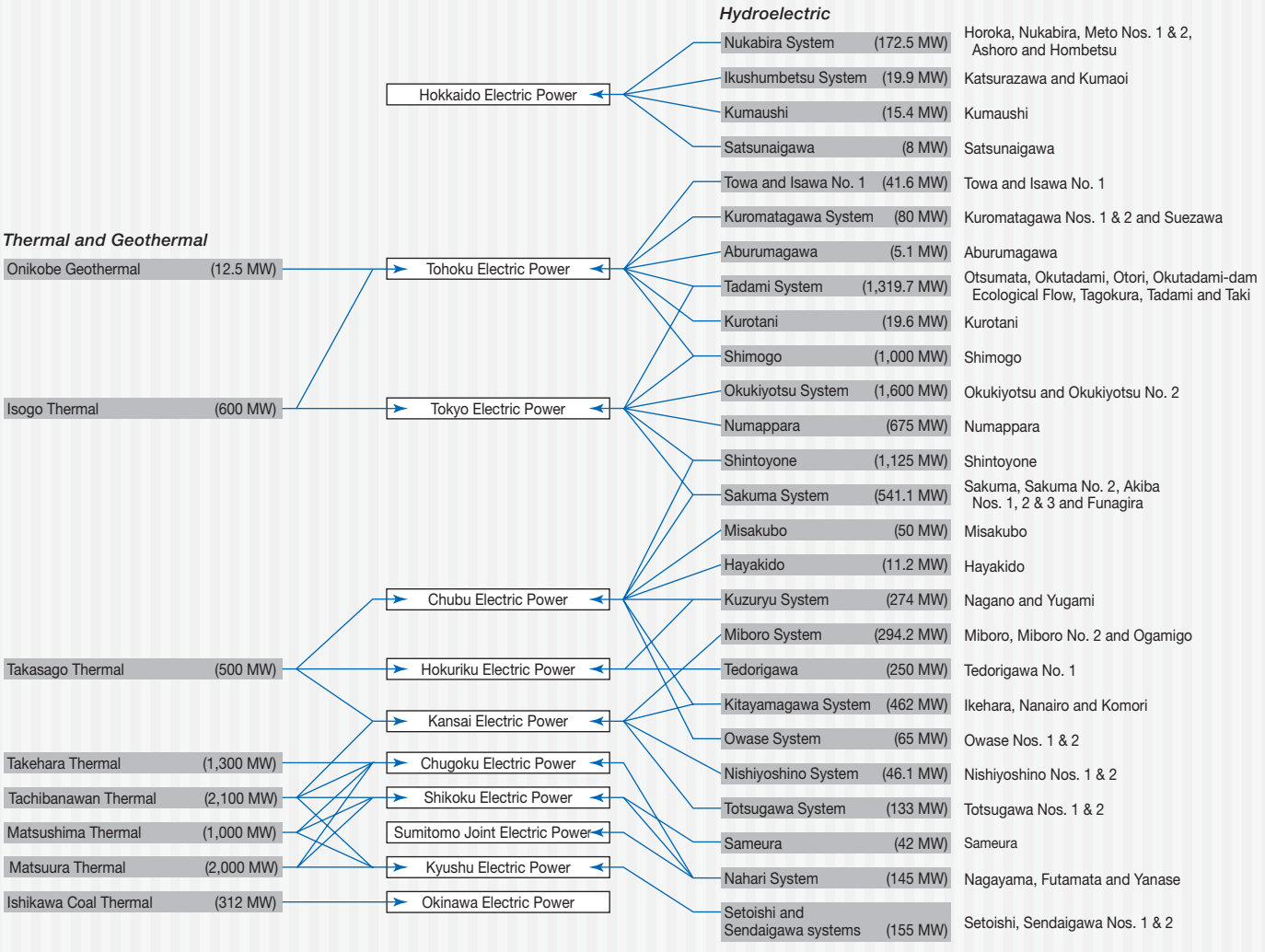
June 29, 2005

Customers by Facilities

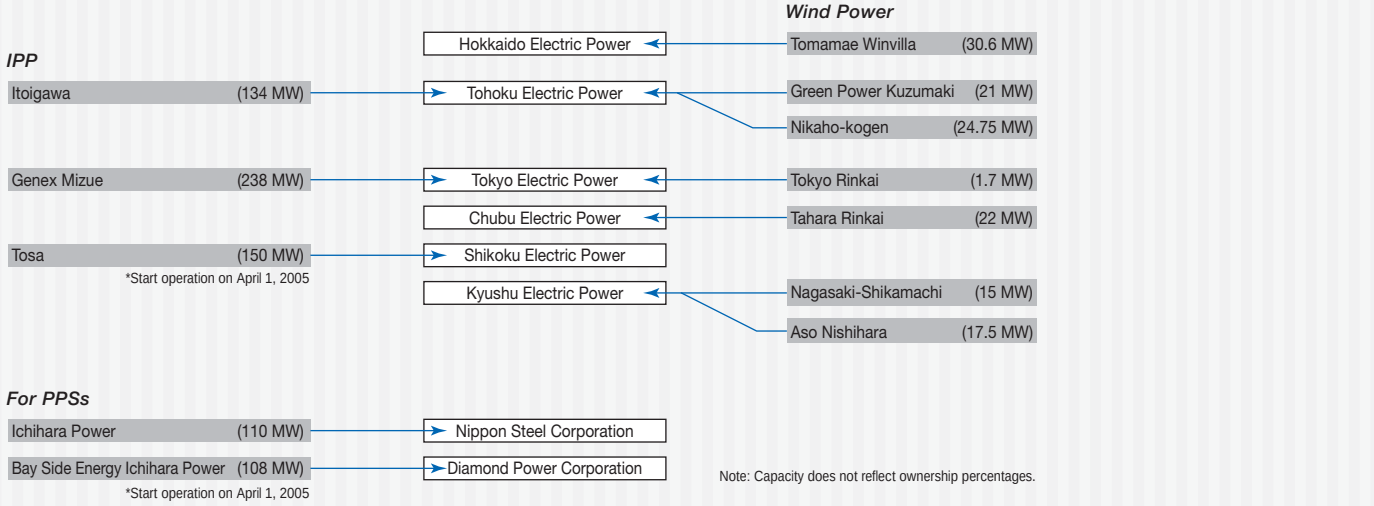
(As of March 31, 2005)

Wholesale Electric Power Business

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



Other Electric Power Businesses



Note: Capacity does not reflect ownership percentages.

Major Group Companies

(As of March 31, 2005)

	Company name	Capital (Millions of yen)	Equity stake (%)	Main businesses
Consolidated subsidiaries	Green Power Kuzumaki Co., Ltd.	490	100	Construction and operation of wind power plants
	Dream-Up Tomamae Co., Ltd.	10	100	Construction and operation of wind power plants
	Green Power Aso Co., Ltd.	490	81	Construction and operation of wind power plants
	ITOIGAWA POWER Inc.	1,006	80	Electric power supply
	Nagasaki-Shikamachi Wind Power Co., Ltd.	490	70	Construction and operation of wind power plants
	Nikaho-kogen Wind Power Co., Ltd.	100	67	Construction and operation of wind power plants
	J-Wind TAHARA Ltd.	245	66	Construction and operation of wind power plants
	Ichihara Power Co., Ltd.	490	60	Electric power supply
	JPOWER GENEX CAPITAL Co., Ltd.	570	100	Management of IPP projects
	Jpec Co., Ltd.	500	100	Construction, technical development, design, consulting, maintenance and research for thermal and nuclear power plants; unloading and transporting of coal to thermal power plants; sale of flied ash; shipping of coal for thermal power plants; research, construction and maintenance for environmental engineering; research and planning of environmental conservation
	JPHYTECH Co., Ltd.	500	100	Construction, technical development, design, consulting, maintenance and research for hydroelectric power plants, substations and transmission lines; surveying and compensation of construction sites; civil engineering, construction management and construction services
	Kaihatsu Denshi Gijutsu Co., Ltd.	110	100	Construction and maintenance of electronic and communications facilities
	EPDC CoalTech and Marine Co., Ltd.	20	100 (100)	Marine transportation of ash and flied ash from 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, exploration and development of, and investments in coal mines
	J-POWER AUSTRALIA PTY. LTD. (Australia)	10 (millions of A$)	100 (100)	Investments in coal mines in Australia
	JP Business Service Corporation	450	100	Operation of welfare facilities; facility maintenance; business process outsourcing; development of computer software
	J-Power Investment Netherlands B.V. (Netherlands)	50 (millions of €)	100	Management of overseas investments
Affiliates accounted for by the equity method	Gulf Electric Public Co., Ltd. (Thailand)	5,874 (millions of baht)	49	Holding company for thermal power generation companies
	Thaioil Power Co., Ltd. (Thailand)	2,810 (millions of baht)	19	Operation of gas cogeneration facilities
	SEC HoldCo, S.A. (Spain)	121 (thousands of €)	50 (50)	Operation of wind power generation facilities
	GENEX COMPANY, LIMITED	2,800	40 (40)	Electric power supply
	Chiahui Power Corporation (Taiwan)	4,300 (millions of NT$)	40 (40)	Operation of gas combined cycle power plants
	Gulf Power Generation Co., Ltd. (Thailand)	1,850 (millions of baht)	0 [100]	Construction and operation of thermal power plants
	Nong Khae Cogeneration Co., Ltd. (Thailand)	1,241 (millions of baht)	0 [100]	Operation of gas cogeneration facilities
	Samutprakarn Cogeneration Co., Ltd. (Thailand)	981 (millions of baht)	0 [100]	Operation of gas cogeneration facilities
	Gulf Cogeneration Co., Ltd. (Thailand)	850 (millions of baht)	0 [100]	Operation of gas cogeneration facilities
	Gulf Yala Green Co., Ltd. (Thailand)	200 (millions of baht)	0 [95]	Construction and operation of bio-mass power plants
	Independent Power (Thailand) Co., Ltd. (Thailand)	1,771 (millions of baht)	0 [56]	Operation of gas combined cycle power plants
	and four companies			

Note: The equity stake values in parentheses are indirect holding ratios, while those shown in brackets are the ratios held by closely-related party or parties in agreement.

Corporate Information

As of March 31, 2005

Investor Information

Corporate Name	Electric Power Development Co., Ltd.
Communication Name	J-POWER
Date of Establishment	Sep. 16, 1952
Headquarters Address	15-1, Ginza 6-Chome, Chuo-ku, Tokyo, 104-8165 Japan
Paid-in capital	¥152,449 ,600,000
Number of Shares Authorized	550,000,000
Number of Shares Outstanding	138,808,000
Number of Shareholders	62,465
Stock Exchange Listing	Tokyo
Independent Public Accountants	Ernst & Young ShinNihon
Transfer Agent	The Sumitomo Trust and Banking Company, Limited.

Directors and Corporate Auditors (As of July, 2005)

President
- Yoshihiko Nakagaki

Executive Vice Presidents
- Hisao Nakagami
- Katsuhiko Miyashita
- Shinichiro Ota
- Kiyoshi Sawabe

Executive Managing Directors
- Akinobu Yasumoto
- Masayoshi Kitamura
- Masashi Hatano

Executive Directors
- Akio Ushio
- Yasuo Maeda
- Kanji Shimada
- Yoshihiko Sakanashi

Senior Corporate Auditor
- Masayuki Hori

Corporate Auditors
- Takeshi Sone
- Yasuo Matsushita

Regional Network

Domestics
- Hokkaido Regional Headquarters
- Aomori Branch Office
- Tohoku Office
- East Regional Headquarters
- Chubu Regional Headquarters
- Hokuriku Office
- West Regional Headquarters
- Chugoku Office
- Shikoku Office
- Kyushu Office

Overseas
- Beijing Office (China)
- Washington Office (U.S.A.)
- Bangkok Office (Thailand)
- Kuala Lumpur Office (Malaysia)

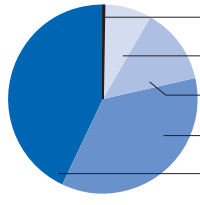
Major Shareholders

Name or Designation	Number of Shares Held (Thousands of Shares)	Percentage of the Total Shares Outstanding (%)
Morgan Stanley and Company, Inc.	14,940	10.76
The Master Trust Bank of Japan, Ltd. (Account in Trust)	6,484	4.67
Mizuho Corporate Bank, Ltd.	6,315	4.55
Japan Trustee Services Bank, Ltd. (Account in Trust)	5,359	3.86
Nippon Life Insurance Company	4,885	3.52
Daido Life Insurance Company	3,048	2.20
Sumitomo Mitsui Banking Corporation	2,129	1.53
Goldman Sachs International	1,939	1.40
The Chase Manhattan Bank, NA London, SL Omnibus Account	1,901	1.37
State Street Bank and Trust Company	1,898	1.37

* All shares in our company held by Morgan Stanley and Company, Inc. under that title are held on behalf of its clients in a custodial capacity.

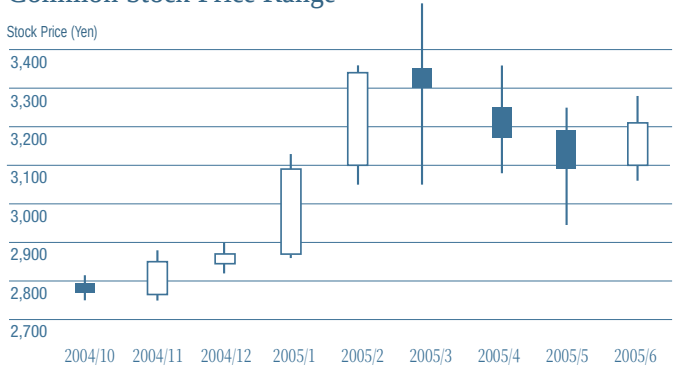
* It has been reported to us by means of a change report related to the report on large holdings dated March 8, 2005 and submitted by Schroder Investment Management (Japan) Limited that the total number of shares held by the investment management companies of the same group is 11,755,600 as of February 28, 2005, but this is not listed in the table above due to the fact that we cannot verify the actual holdings of the company.

Breakdown of Issued Shares by Type of Shareholders



Securities Companies	0.25%
Other Corporations	8.1%
Individuals and Others	13.08%
Overseas Investors	35.61%
Financial Institutions	42.96%

Common Stock Price Range



For further information, please contact:
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IR Group
TEL:+81-3-3546-2211 FAX:+81-3-3546-9531
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