

# ANNUAL REPORT 2009

Harmonizing energy supply with the environment

## 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.

## 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. Ever since, J-POWER, as a wholesale power company, has provided an economical and stable supply of electricity nationwide through Japan's major electric power companies (EPCOs), while constructing and operating a nationwide network of transmission trunk lines. In this manner, J-POWER has been contributing to the economic development of Japan and improvement in people's lives. In October 2004, J-POWER achieved complete privatization and was listed on the First Section of the Tokyo Stock Exchange.

Currently, J-POWER provides the wholesale supply of electricity through its hydroelectric and thermal power plants, and provides transmission services through its power transmission and transforming facilities. By harnessing its extensive technology and expertise, J-POWER is also expanding business by growing overseas operations and developing new sources of energy.

### DOMESTIC ELECTRIC POWER BUSINESSES

#### CORE BUSINESS

- **67** power plants throughout Japan, **7%**<sup>\*1</sup> share of domestic total output capacity

**THERMAL POWER:** Mainstay business accounting for 60% of sales

- Output capacity of coal-fired power plants: approx. **7,800** MW, No. **1** share in Japan (21%)
- Output capacity boosted to approx. **8,400** MW with the start of operations of the Isogo New No. 2 Thermal Power Plant in July 2009
- High load factor backed by strong cost competitiveness

**HYDROELECTRIC POWER:** Essential power source for meeting peak demand

- Output capacity: approx. **8,600** MW, No. **2** share in Japan (19%)

**POWER TRANSMISSION/TRANSFORMING:** Core infrastructure linking various regions

- Own major transmission lines (total lines: approx. **2,400** km), a frequency converter station and other facilities.

**NUCLEAR POWER GENERATION/The Ohma Nuclear Power Plant (under construction):**

Construction commenced in May 2008, with the start of operations planned for November 2014

- Also will contribute to Japan's "pluthermal" policy as full MOX-ABWR plant (**1,383** MW).

### BUSINESSES ADDRESSING DEREGULATION

- IPP plants: **522** MW, Wholesale power plants for PPS: **322** MW<sup>\*2</sup>
- Sales in the wholesale electricity market (since fiscal 2005)

### DIVERSIFIED BUSINESSES

#### OVERSEAS POWER GENERATION BUSINESS

Aim to establish as our "next major business domain" by expanding business scale and earnings contributions

- **23** projects in operation in **6** countries/regions<sup>\*3</sup>
- Overseas output capacity (equity basis) of approximately **3,100** MW<sup>\*3</sup>

#### NEW BUSINESSES

Create next-generation businesses in energy and environmental fields

- Renewable energy: wind power: capacity **256** MW (**12** locations in Japan)<sup>\*2</sup>
- Promote coal sales business

\*1 Excluding self-generation

\*2 Without considering the proportion of equity stakes

\*3 As of June 30, 2009 (all other information as of March 31, 2009)



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### 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 other uncertainties. Actual events and results may differ materially from those anticipated in these statements.

# J-POWER's Performance and Targets

	2003/3	2004/3	2005/3	2006/3
	(Listed on First Section of the Tokyo Stock Exchange Oct. 2004)			<b>Three-Year</b>
	<b>J-POWER</b>			»
	<b>Third Phase of the Restructure Plan</b>			
<b>Consolidated Data</b>				
Operating revenues	584,122	569,854	594,375	621,933
Operating income	134,201	132,138	111,885	101,469
Ordinary income	35,522	44,446	57,093	67,906
Net income	20,725	27,623	35,559	43,577
Total net assets	168,301	359,645	391,327	433,028
Total assets	2,195,897	2,076,107	2,021,655	1,964,667
Net cash provided by operating activities	167,368	179,948	172,637	173,954
Net cash used in investing activities	(11,030)	(64,507)	(60,586)	(72,326)
Free cash flow	156,338	115,441	112,051	101,628
Net cash provided by (used in) financing activities	(117,709)	(147,516)	(111,798)	(103,613)
Return on equity (%)	12.9	10.5	9.5	10.6
Shareholders' equity ratio (%)	7.7	17.3	19.4	22.0
Return on assets (ratio of ordinary income to total assets; %)	1.6	2.1	2.8	3.4
Generation capacity (MW)	16,085	16,509	16,750	16,870
Electric power sales (GWh)	54,429	59,305	61,483	64,328
Electric power revenues	473,567	457,951	485,014	511,556
Transmission	66,739	63,398	61,194	58,255
Number of employees	6,543	5,871	5,925	5,868

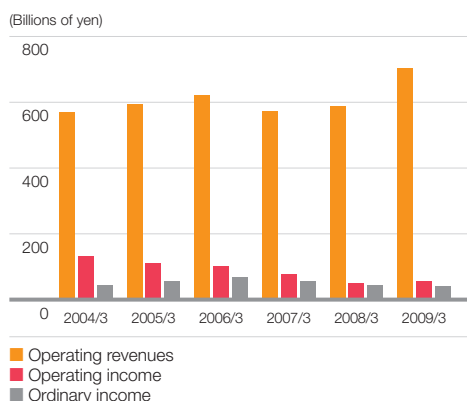
## Commencement of Operations at Main Projects (Participation\*)

<b>Domestic Electric Power Businesses (Core business/Businesses Addressing Deregulation)</b>	<ul style="list-style-type: none"> <li>• Isogo New No. 1 (coal)</li> </ul>	<ul style="list-style-type: none"> <li>• Okutadami and Otori (hydro) (facility expansion, etc.)</li> <li>• Genex Mizue (IPP)</li> <li>• Itoigawa (IPP)</li> </ul>	<ul style="list-style-type: none"> <li>• Ichihara Power (for PPS)</li> </ul>	<ul style="list-style-type: none"> <li>• Bayside Energy Ichihara (for PPS), Tosa (IPP), and Mihama Seaside Power (for PPS)</li> </ul>
<b>Diversified Businesses (Overseas Power Generation Businesses/ New Businesses)</b>	<ul style="list-style-type: none"> <li>• Thailand Rayong (gas)</li> <li>• Tokyo Bayside (wind)</li> <li>• Omuta Waste-fueled Power Plant</li> </ul>	<ul style="list-style-type: none"> <li>• Taiwan Chiahui (gas)</li> <li>• Green Power Kuzumaki (wind)</li> </ul>	<ul style="list-style-type: none"> <li>• Philippines CBK (hydro)</li> <li>• Aso-Nishihara (wind), Nagasaki-Shikamachi (wind), Tahara Bayside (wind)</li> </ul>	<ul style="list-style-type: none"> <li>• Setana Seaside (wind)</li> </ul>

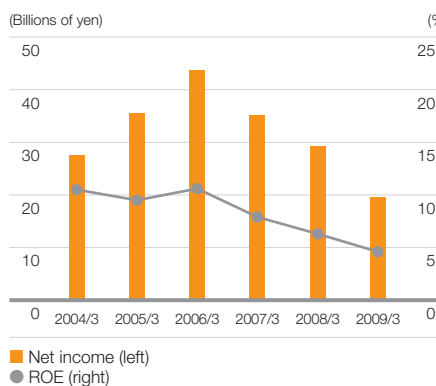
\* Assuming participation in projects currently in operation (shown in blue print)

## Consolidated Data

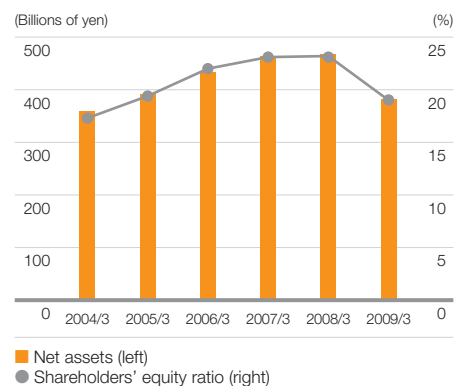
### OPERATING REVENUES/OPERATING INCOME/ ORDINARY INCOME



### NET INCOME/ROE



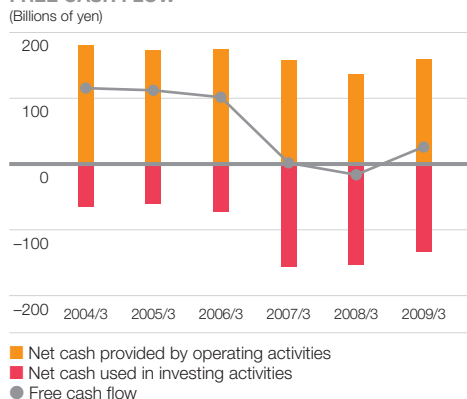
### NET ASSETS/SHAREHOLDERS' EQUITY RATIO



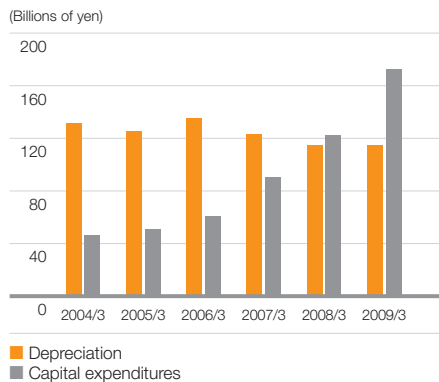


2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3
<b>Management Targets</b>		<b>FY2008 Group Management Plan</b>				
Consolidated ordinary income: over ¥55 billion (3-year average)		<b>Established New Five-Year Targets</b>				
Consolidated shareholders' equity ratio: over 23% (March 31, 2008)		Millions of yen				
573,277	587,780	<b>704,936</b>				
77,141	50,724	<b>57,108</b>				
55,513	42,873	<b>39,599</b>				
35,167	29,311	<b>19,457</b>				
462,654	468,118	<b>382,112</b>				
1,999,794	2,013,131	<b>2,005,469</b>				
157,241	136,252	<b>158,628</b>				
(155,407)	(152,518)	<b>(132,350)</b>				
1,834	(16,265)	<b>26,278</b>				
(2,168)	17,174	<b>(29,615)</b>				
7.9	6.3	<b>4.6</b>				
23.1	23.2	<b>19.0</b>				
2.8	2.1	<b>2.0</b>				
16,940	16,940	<b>16,991</b>				
60,329	62,469	<b>59,148</b>				
466,903	474,995	<b>591,337</b>				
55,184	54,934	<b>55,414</b>				
6,494	6,524	<b>6,581</b>				
		<p>2011/3</p> <p>2013/3</p> <p>Consolidated ordinary income over <b>¥50 billion</b> over <b>¥60 billion</b></p> <p>2009/3~2011/3</p> <p>2012/3~2013/3</p> <p>ROA (management index) <b>2.4%</b> <b>2.5%</b></p> <p>&lt;FIVE KEY APPROACHES —BUSINESS STRATEGY FOR ACHIEVING TARGETS&gt;</p> <ol style="list-style-type: none"> <li>1. Steady Growth in Power Generation Facilities</li> <li>2. New Project Development Using Innovative Technology</li> <li>3. Enhancing Value of Business Assets</li> <li>4. Global Business Expansion</li> <li>5. Power Generation as the Core of a Diversified Business</li> </ol>				
		<ul style="list-style-type: none"> <li>• Isogo New No. 2 (coal)</li> </ul>				
<ul style="list-style-type: none"> <li>• U.S. Tenaska Frontier (gas) and Elwood Energy (gas)</li> <li>• Koriyama-Nunobiki Kogen (wind)</li> </ul>	<ul style="list-style-type: none"> <li>• Thailand Kaeng Khoi #2 (gas)</li> <li>• U.S. Green Country (gas)</li> <li>• China Hanjiang (Xihe River hydro)</li> <li>• UAE District Cooling Project</li> <li>• Omuta and Araoshi water services project</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. Birchwood (coal)</li> <li>• Poland Zajaczkowo (wind)</li> <li>• Sarakitomanai Wind Farm, Yokichi no Sato Wind Park, and Minami Oosumi Wind Farm</li> <li>• U.S. Pinelawn Power (gas), Equus Power (gas) and Fluvanna Power (gas)</li> </ul>	<ul style="list-style-type: none"> <li>• China Xinchang 1 (coal) and Hanjiang (Shuhe River hydro)</li> <li>• Narumi Plant PFI Business</li> <li>• U.S. Edgewood Energy (gas) and Shoreham Energy (petroleum)</li> <li>• U.S. Orange Grove Energy (gas)</li> </ul>	<ul style="list-style-type: none"> <li>• China Xinchang 2 (coal)</li> <li>• Irozaki (wind)</li> <li>• Hiyama Kogen (wind) (provisional)</li> <li>• Vietnam Nhon Trach 2 Power Plant (gas)</li> </ul>	<ul style="list-style-type: none"> <li>• Nagato (wind)</li> <li>• Awara (wind) (provisional)</li> </ul>	<ul style="list-style-type: none"> <li>• Hiroshima wastewater sludge fuel conversion business</li> </ul>

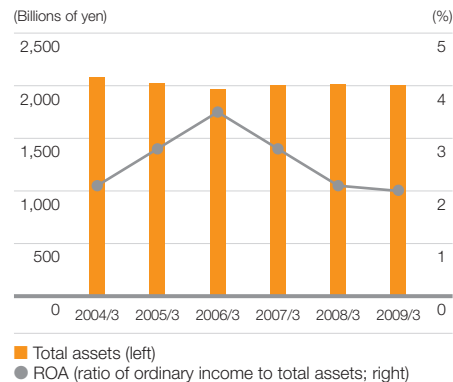
NET CASH PROVIDED BY OPERATING ACTIVITIES/  
NET CASH USED IN INVESTING ACTIVITIES/  
FREE CASH FLOW



DEPRECIATION/CAPITAL EXPENDITURES



TOTAL ASSETS/ROA



## Message



MASAYOSHI KITAMURA  
*President*

KIYOSHI SAWABE  
*Chairman*

### Preamble

**In June 2009, the J-POWER Group made a fresh start under a new management team. The main thrust of the change in management was to reinforce our corporate governance structure, primarily through the establishment of a chairman position and the appointment of an outside director, in addition to a change in the company president. However, management does not intend to alter the Group's management policy or the strategic direction of businesses as a result of these changes. We believe that our role as management remains unchanged—to steer the J-POWER Group towards sustained growth based on the Group's mission of "harmonizing energy supply with the environment."**

### Fiscal 2008 in Review

J-POWER is currently pursuing business activities under a management plan covering the five-year period from fiscal 2008 to fiscal 2012. Under the plan, we have been taking the following five key approaches: "Steady Growth in Power Generation Facilities," "New Project Development Using Innovative Technology," "Enhancing Value of Business Assets," "Global Business Expansion" and "Power Generation as the Core of a Diversified Business." In fiscal 2008, we made steady strides based on these approaches. Progress was highlighted by steady advances with the construction of the Isogo New No. 2 Thermal Power Plant and Ohma Nuclear Power Plant in Japan. Furthermore, in the overseas power

generation business, we took part in a coal-fired IPP project in the U.S., and commenced commercial operation of a wind power plant in Poland. Through these achievements, we were able to produce significant results around the world in the past fiscal year.

However, the business environment was extremely challenging. The onset of the global economic downturn from the second half of the fiscal year led to volatile exchange rate movements and weak stock prices, as well as to a sharp drop in electric power demand in Japan, particularly in demand for industrial use. The J-POWER Group's performance was by no means immune to these factors, and regrettably, our operating results fell short of our initial forecasts for the fiscal year.

#### FISCAL 2008 BUSINESS SUMMARY

CONSOLIDATED OPERATING REVENUES:  
**¥704.9** billion  
(up 19.9% year on year)

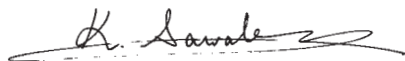
CONSOLIDATED ORDINARY INCOME:  
**¥39.5** billion  
(down 7.6% year on year)

CONSOLIDATED NET INCOME:  
**¥19.4** billion  
(down 33.6% year on year)

#### Issues and Measures Ahead

As a company engaged in the wholesaling of electric power generated mainly by coal-fired thermal power plants, J-POWER faces an increasingly challenging business given the accelerated shift to a low-carbon society, ongoing weakness in the global economy and other developments. To rise above these challenges and remain on course to steady long-term growth, J-POWER must boost its competitiveness with the view to generating steady earnings, while continuously improving its financial position so as to increase its risk buffer. With this in mind, we have revised the content of our "Five Key Approaches" based on two priorities set forth in our management plan for fiscal 2009. One is the need for "thorough strengthening of the corporate structure to enable us to adapt to changes in the environment and pursue stable growth," and the second is a "strong commitment to measures to combat global warming from a long-term perspective." Based on our five key approaches, we will raise the competitiveness of our core wholesale electric power business in Japan, while developing innovative technologies and business models in response to global warming. Building on this foundation of continuous innovation, we aim to develop a new electric power business on a global scale.

We look forward to the continued understanding and support of shareholders and other investors, as well as all other stakeholders, as the J-POWER Group endeavors to reach its goals.



KIYOSHI SAWABE, *Chairman*



MASAYOSHI KITAMURA, *President*

## Interview With President Masayoshi Kitamura



The J-POWER Group faces an increasingly challenging business environment, given the weak global economy and the accelerated shift to a low-carbon society. In this section, J-POWER's new president, Masayoshi Kitamura, explains how the J-POWER Group is working to achieve sustained growth in a difficult environment based on its mission of "harmonizing energy supply with the environment."

- QUESTION 01** Fiscal 2008 was the first year of the five-year J-POWER Group management plan. How much progress did you make with measures based on the "Five Key Approaches" of the plan? **>> see page 07**
- QUESTION 02** The J-POWER Group posted declines in consolidated ordinary income and consolidated net income for fiscal 2008. What is your assessment of current conditions, including the business environment? **>> see page 08**
- QUESTION 03** J-POWER has revised some of its five-year management targets in the fiscal 2009 management plan. Could you please explain the background to this change? **>> see page 09**
- QUESTION 04** You have positioned a "strong commitment to measures to combat global warming from a long-term perspective" as a key priority for fiscal 2009. Could you please elaborate? **>> see page 10**
- QUESTION 05** J-POWER is actively developing business overseas. Could you please explain your activities abroad? **>> see page 12**
- QUESTION 06** Finally, what is your personal vision for the J-POWER Group, and how will you reshape this group of companies through your leadership? **>> see page 13**



## QUESTION 01

**Fiscal 2008 was the first year of the five-year J-POWER Group management plan. How much progress did you make with measures based on the “Five Key Approaches” of the plan?**

## ANSWER 01

In fiscal 2008, the plan's first year, we made steady progress and strong achievements based on each of the “Five Key Approaches” to achieving sustained growth. In terms of **“Steady Growth in Power Generation Facilities,”** the Isogo New No. 2 Thermal Power Plant began trial operations as planned, ahead of the start of commercial operations in fiscal 2009. (Full-scale operations began July 15, 2009. Please see the Feature section beginning on page 14 for details.) Meanwhile, construction of the Ohma Nuclear Power Plant began in May 2008. We will continue to steadily advance construction work with the aim of starting commercial operations in 2014.



In terms of **“New Project Development Using Innovative Technology,”** we conducted preliminary studies on a demonstration project for integrated gasification combined cycle (IGCC) technology with The Chugoku Electric Power Co., Inc. Progress was also made with trials and research into carbon dioxide capture and storage (CCS) technology. Here, we launched a CCS demonstration project using the OxyFuel method at the

Callide A Power Station in Australia, in which J-POWER is a project participant.

In terms of **“Enhancing Value of Business Assets,”** we continued working to raise the reliability and economic efficiency of existing facilities, mainly by systematically conducting comprehensive upgrades of main machinery and equipment at aging large-scale hydroelectric power plants.

In terms of **“Global Business Expansion,”** we acquired new interests in IPP projects in the U.S. and Vietnam, while steadily pressing ahead with existing projects. (Please see Question 05 for further details.)

Finally, in terms of **“Power Generation as the Core of a Diversified Business,”** we steadily ramped up the generating capacity of our facilities with the launch of commercial operations at the Zajaczkowo Wind Power Plant in Poland and the acquisition of three existing wind farms in Japan, among other initiatives. The effective utilization of biomass resources was another key priority. Here, we have decided to move forward with plans for a wastewater sludge fuel conversion business in Hiroshima. (See page 11 for further details.)

## “Five Key Approaches”: Business Strategies and Investment

### Steady Growth in Power Generation Facilities

Began commercial operations at the Isogo New NO. 2 Thermal Power Plant in July 2009, and will steadily advance construction of the Ohma Nuclear Power Plant.

FY2008–FY2012

Approx. **¥300** billion

### New Project Development Using Innovative Technology

Upgrade aging coal-fired power plants over the medium term, while aiming for next-generation coal-fired thermal power generation through the development of innovative technologies over the long term.

### Enhancing Value of Business Assets

Enhance our ability to ensure a stable supply of electric power by making investments in upgrades and internalizing technologies.

Approx. **¥270** billion

### Global Business Expansion

Ensure stable operation of power plants currently in operation, and refine and expand business strategies for driving market expansion centered on Asia.

Approx. **¥250** billion\*

### Power Generation as the Core of a Diversified Business

Focus on reinforcing priority areas such as CO<sub>2</sub> emissions reduction businesses including those using wind power and biomass resources.

Approx. **¥100** billion

Note: The above figures were calculated on a consolidated asset basis (updated to fiscal 2009 version of investment plan).

\* J-POWER plans to use project financing for overseas projects, and this will limit J-POWER's exposure to an amount equivalent to project capital multiplied by our investment ratio (expected amount of direct contribution: about ¥90 billion).

## QUESTION 02

**The J-POWER Group posted declines in consolidated ordinary income and consolidated net income for fiscal 2008. What is your assessment of current conditions, including the business environment?**

### ANSWER 02

In fiscal 2008, earnings certainly dropped at the consolidated ordinary income and net income levels. However, weak stock prices triggered by the global economic downturn and the yen's appreciation against foreign currencies were primarily to blame. The J-POWER Group's businesses themselves performed steadily in Japan and other countries.

Operating revenues rose 19.9% year on year mainly due to an increase in unit sales prices at thermal power plants in Japan, while operating income increased 12.6% year on year, mainly as a result of lower fuel costs. However, ordinary income was down 7.6% year on year. This was mainly due to the absence in fiscal 2008 of a gain on the sale of a wind power generation company in Spain that was recorded in fiscal 2007, and a drop in equity-method earnings in the overseas power generation business principally reflecting the yen's appreciation. Net income decreased 33.6% year on year largely because of a loss on valuation of marketable securities in response to weak stock prices.

In the prevailing external environment, J-POWER faces a complex web of inter-related factors defined by three major themes. One is "increasing uncertainty in the markets," by which we mean the ongoing weakness in the global economy and volatility in resource prices. The second is "declining electricity demand in Japan," reflecting the nation's flagging economy and shrinking

population. The third is "global warming," for which society is making stronger calls for a solution. What's more, the susceptibility of the J-POWER Group's business activities and

performance to these factors is gradually increasing. Our corporate philosophy is "We aim to ensure constant supplies of energy to contribute to the sustainable development of Japan and the rest of the world." Under this philosophy, I'm keenly aware that the J-POWER Group must do more to strengthen its resilience to these changes in the business environment and build a corporate foundation for ensuring sustained growth. Accordingly, our fiscal 2009 management plan sets forth two key management priorities: one is the need for **"thorough strengthening of the corporate structure to enable us to adapt to changes in the environment and pursue stable growth,"** and the second is a **"strong commitment to measures to combat global warming from a long-term perspective."** Based on this plan, our current five-year management plan has been reformulated and repositioned. Guided by the plan, we will work to surmount the issues that lie before us on the road to long-term, stable growth.



### QUESTION 03

**J-POWER has revised some of its five-year management targets in the fiscal 2009 management plan. Could you please explain the background to this change?**

### ANSWER 03

The current five-year management plan, devised with fiscal 2008 as the first year, will reach an interim milestone in the third year, fiscal 2010. In the initial plan, numerical targets had been established for consolidated ordinary income and the consolidated shareholders' equity ratio for both fiscal 2010 and fiscal 2012, the final year.

However, we have now reduced the consolidated ordinary income target for fiscal 2010 from ¥55.0 billion to ¥50.0 billion. In terms of the background to this revision, after J-POWER's fiscal 2008 performance was impacted by exchange rate and share price movements, as well as the drop in electricity demand in Japan in line with the global economic downturn, we determined that the original forecast would no longer be achievable due to very little prospects for short-term improvement in these market conditions. Despite some lingering uncertainty about the business environment, we have not revised our current ordinary income target of ¥60.0 billion for fiscal 2012, and we will do our best to achieve it.

Turning to the shareholders' equity ratio, shareholders' equity declined significantly due to the acquisition of our own shares equivalent to 9.9% of the total number of outstanding shares, following the exercise of a stock purchase demand by a certain shareholder in October

2008. Factoring in worsening market conditions such as share prices and exchange rates as well, we have determined that it is no longer very meaningful

to maintain our initial shareholders' equity ratio target. Consequently, we have decided to retract this numerical target for the time being.

J-POWER is now in a "Facilities Formation Phase" in preparation for sustained growth, and plans to invest a total of nearly ¥1 trillion worldwide over the next five years. One priority for J-POWER's financial strategy remains unchanged: we must enhance our financial position and increase our risk buffer to ensure that we can raise funds in a stable manner on competitive terms to meet our huge demand for funds. Therefore, we will continue to focus on improving the shareholders' equity ratio going forward. Additionally, we will consider a wide range of options for utilizing the treasury stock we have acquired, based on a comprehensive range of factors such as the outlook for the business environment, J-POWER's financial position and future capital structure policies.



### Progress With Five-Year Management Targets

	Consolidated Ordinary Income	Consolidated Shareholders' Equity Ratio
2011/3	Over <b>¥50</b> billion Reduced from initial target of over ¥55 billion	Over <b>25%</b>
2013/3	Over <b>¥60</b> billion Maintained initial target	Over <b>26%</b>

Retracted numerical targets for now\*

\* Actual result as of March 31, 2009: 19%

### Management Index

Return on assets (ROA)      2009/3–2011/3    **2.4%**      2012/3–2013/3    **2.5%**

**QUESTION 04**

**You have positioned a “strong commitment to measures to combat global warming from a long-term perspective” as a key priority for fiscal 2009. Could you please elaborate?**

**ANSWER 04**

The J-POWER Group continuously strives to reduce CO<sub>2</sub> emissions to combat global warming through a combination of the following four measures: “Maintenance and improvement of the efficiency of energy use,” “Development of low CO<sub>2</sub> emission power sources,” “Development, transfer and diffusion of new technologies,” and “Utilization of the Kyoto Mechanisms.” However, as full-fledged international discussions begin on a medium- and long-term post-Kyoto framework, we will need to address even stronger calls for converting fossil-fuel derived power sources, including coal-fired thermal power generation, into low-carbon power sources. Recognizing this, we have adopted a **“strong commitment to measures to combat global warming from a long-term perspective”** as a key priority to address global warming, which requires a global and long-term solution. Accordingly, we have decided to clarify the roadmap and enhance our activities along the lines of different timeframes. Specifically, we will step up measures over short-, medium- and long-term horizons, as we closely monitor global developments such as technological advancement, new climate change frameworks and the introduction of new laws and regulations. Through these measures, we hope to seize on new business opportunities.

Over the short term, our first priority will be to press ahead with the Ohma Nuclear Power Plant project (1,383 MW), for which construction work is now under way.

Based on its large power output, the Ohma Nuclear Power Plant will be able to achieve a significant reduction in CO<sub>2</sub> emissions. In other areas, the development of renewable energy such as wind power is an active priority, along with the systematic acquisition of CO<sub>2</sub> emissions credits based on the Kyoto Mechanisms.

Over the long term, we aim to commercialize two groundbreaking technologies—IGCC and integrated coal gasification fuel cell combined cycle (IGFC) technologies. Ultimately, our goal is to achieve zero emissions of CO<sub>2</sub> by incorporating CCS technology. (Please see the article titled “Research and Development” on page 18 for details on these activities.)

However, the commercialization of these sorts of technologies will require a long timeframe. In the meantime, that is, over the medium term, we will pursue solutions based on today’s leading-edge technologies, such as by converting aging thermal power plants into high-efficiency facilities, making effective use of biomass fuels, and upgrading equipment and enhancing the operation of hydroelectric power plants. Specifically, we aim to raise the power generation efficiency of existing aging thermal power plants through facility replacements utilizing state-of-the-art ultra-supercritical (USC) power generation technology. In addition, we will promote the mixed combustion of biomass fuels with coal at existing coal-fired thermal power plants, which are uniquely positioned

**Commitment to Long-Term Global Warming Measures**

**Enhance activities along the lines of different timeframes (short, medium and long terms)**

**Present**

**Short term**

- Press ahead with the Ohma Nuclear Power Plant project
- Promote development of wind power and other forms of renewable energy
- Utilize the Kyoto Mechanisms’ emissions credits and domestic emissions credits



**Medium term**

- Convert aging thermal power plants into high-efficiency facilities
- Make effective use of biomass fuels
- Upgrade equipment and enhance the operation of hydroelectric power plants



**Long term**

- Substantially boost coal-fired thermal power generation efficiency through technological innovation
- Establish carbon dioxide capture and storage (CCS) technology

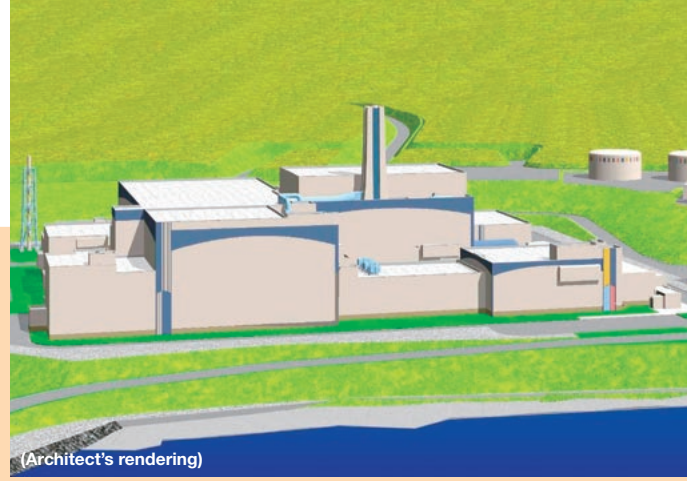
**Future**





**Overview of the Ohma Nuclear Power Plant (under construction)**

Location: Ohma-machi, Shimokita-gun, Aomori Prefecture  
 Capacity: 1,383 MW  
 Type of nuclear reactor: ABWR (Advanced Boiling Water Reactor)  
 Fuel: Low enriched uranium and uranium-plutonium mixed oxide (MOX)  
 Start of commercial operations: Planned for November 2014



(Architect's rendering)

**Ohma Nuclear Power Plant and Japan's Plutothermal Plan**

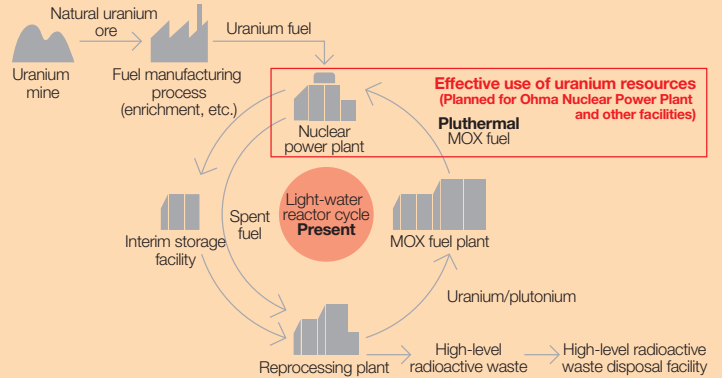
Nuclear power currently accounts for approximately 30% of all electricity generated in Japan. Nuclear power generation is thus playing an important role in ensuring the stable supply of electric power in Japan. It also has the advantage of producing no CO<sub>2</sub> emissions during the power generation process.

As Japan imports more than 90% of its energy resources from overseas, it is essential for us to promote the reuse of plutonium and uranium from spent fuels to maintain a stable supply of energy for the future.

Heading toward the establishment of this nuclear fuel cycle, the government is promoting the plutothermal plan in order to reuse plutonium as MOX fuel in light-water reactors.

J-POWER's Ohma Nuclear Power Plant, as a full MOX-AWBR in which every reactor core can be operated on MOX fuel alone, is able to use roughly 25% of the MOX fuel produced at sites in Japan. As such, the plant is expected to play a vital role in Japan's plutothermal plan.

**NUCLEAR FUEL CYCLE AND THE PLUTHERMAL PLAN**



**Effective Use of Biomass Fuels in Coal-Fired Thermal Power Generation**

J-POWER believes that the mixed combustion of biomass fuels with coal during the coal-fired thermal power generation process is the most effective technological means of utilizing Japan's biomass resources, including wastewater sludge, wood, and non-industrial waste, on a large scale and in an economically efficient manner. Going forward, J-POWER will work hard to effectively use biomass resources as part of the development of low CO<sub>2</sub> emission power sources by conducting a series of research studies into technologies for producing biomass fuels and combustion trials to raise the percentage of biomass resources burned with coal.

**Wood Biomass Fuel**

Long-term combustion trials have commenced from fiscal 2008 at the Matsuura Thermal Power Plant in Nagasaki Prefecture, aimed at the full-scale use of wood biomass fuel. (Trials are planned for completion in fiscal 2009.)

In fiscal 2008, J-POWER conducted mixed combustion of approximately 2,500 tons of wood biomass fuel with coal. In fiscal 2009, we have been conducting trials of simultaneous mixed combustion with wastewater sludge.



Wood biomass handling facility (Matsuura Thermal Power Plant)

**Wastewater Sludge Fuel**

From 2012, J-POWER will launch the operation of Japan's first wastewater sludge fuel conversion business using low-temperature carbonization technology at the Hiroshima City Seibu Water Resources Reclamation Center. This business will produce fuel from wastewater sludge, a biomass resource, and burn the fuel with coal at J-POWER's Takehara Thermal Power Plant in Hiroshima Prefecture.



Architect's rendering of wastewater sludge fuel conversion facility

**Carbonized Fuel From Non-Industrial Waste**

In collaboration with Saikai City in Nagasaki Prefecture, J-POWER is conducting research and testing into the possible use of alternative non-coal-based fuels, as well as developing technology for producing carbonized fuels derived from non-industrial waste.

\* NEDO (New Energy and Industrial Technology Development Organization) field test project on biomass and other untapped energy sources.

to utilize Japan's biomass resources on a large scale and in an economically efficient manner. This will entail making effective use of biomass fuels, particularly wood biomass from forest-thinning activities. (Please see the

article on page 11 for further details.) We are also enhancing hydroelectric power generation facilities and operations, and boosting their efficiency.

**QUESTION 05**

**J-POWER is actively developing business overseas. Could you please explain your activities abroad?**

**ANSWER 05**

One of the "Five Key Approaches" of our five-year management plan is "**Global Business Expansion.**"

J-POWER is strengthening its hand overseas so as to develop the overseas power generation business into a second pillar of earnings that can raise the earnings power of the entire J-POWER Group.

Even as growth in electricity demand in Japan weakens, there are many countries around the world that are projecting increased electricity demand, particularly China, India and Southeast Asian nations.

We have built up a wealth of technologies and experience through our wholesale electric power business in Japan, and have developed expertise, business contacts and organizations, and other assets through our technological consulting services in more than 60 countries and regions over nearly half a century. Taking full advantage of these strengths, we intend to play a part in supplying electricity, especially in the countries I

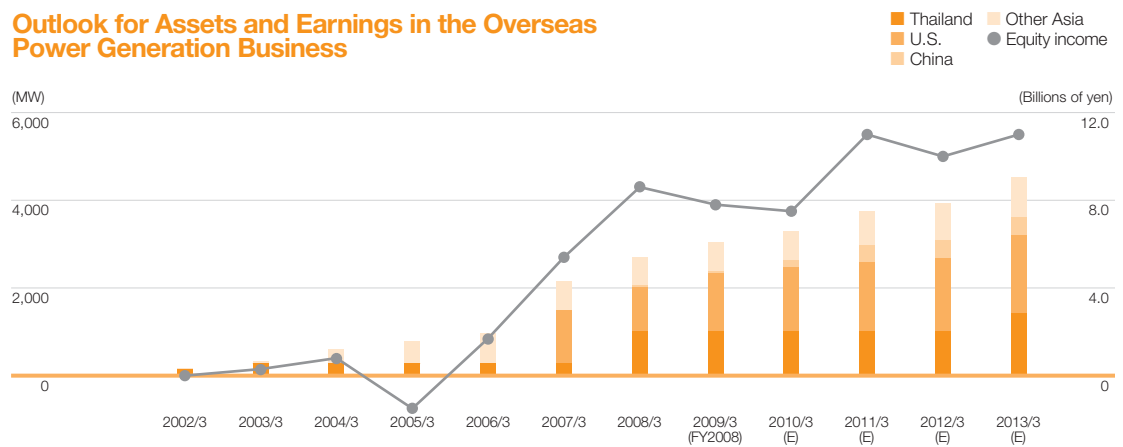
just mentioned, and lay the groundwork for the next phase of growth.

In particular, we take pride in being one of the world's top companies in high efficiency conversion and environmental protection technologies for coal-fired thermal power plants, and believe that these technologies give us a powerful edge in developing business overseas. We are looking to utilize J-POWER's clean coal technologies to help mitigate global warming in countries such as the U.S. and China, where coal-fired thermal power accounts for a large share of the national fuel source mix and where there is considerable room for improving power generation efficiency



**Birchwood Coal-Fired Thermal Power Plant (USA)**

**Outlook for Assets and Earnings in the Overseas Power Generation Business**



[Left axis] Owned capacity (in operation): Capacity reported at fiscal year-end calculated by multiplying total capacity of project by J-POWER's investment ratio (equity ratio).

[Right axis] Equity income: Amount reported for the fiscal year calculated by multiplying total project income by J-POWER's investment ratio (equity ratio).

and environmental performance. From medium- and long-term perspectives, we will work to capture these sorts of business opportunities.

In fiscal 2008, we acquired interests in four existing IPP projects, including our first coal-fired thermal power project in the U.S. at the Birchwood Coal-fired Thermal Power Plant (240 MW) in the U.S. In addition, we became a participant in the Nhon Trach 2 Power Plant (750 MW) in Vietnam. Although our stake in this project is small, the project represents significant progress with measures in this area because it marks our entry into a new market.

At present, earnings generated by overseas projects currently in operation have grown to account for

approximately 20% of consolidated ordinary income (fiscal 2008 result), and are expanding to a level commensurate with a second pillar of earnings. By driving further expansion, our next step will be to develop this business into a second core business alongside the wholesale electric power business in Japan, instead of just another pillar of earnings.

Given the global economic recession and equipment problems encountered in certain power plant projects, our present situation is not necessarily ideal. Nonetheless, we are determined to achieve our goals for the overseas power generation business over the space of five to ten years by overcoming obstacles one by one, while successively expanding into key markets and phasing in new business models.

#### QUESTION 06

**Finally, what is your personal vision for the J-POWER Group, and how will you reshape this group of companies through your leadership?**

#### ANSWER 06

I want to reshape the J-POWER Group into a global electric power company—an enterprise that provides services centered on electricity not only in Japan but in many other countries as well. Key to realizing this vision will be our technological prowess, especially technologies that help to solve the problem of global warming.

Our main business is to generate power, but we cannot do so without impacting the natural environment to some extent. Therefore, the J-POWER Group has constantly given thought to how best to tackle the challenge of ensuring a stable supply of energy while at the same time minimizing its environmental impact. The J-POWER Group's business activities have gone hand in hand with our history as a pioneer in "harmonizing energy supply with the environment" by driving technological innovation in clean coal technology and other areas.

I hope to further hone the technological prowess we have developed by uniting the frontier spirit of all J-POWER Group employees to realize our vision for "harmonizing energy supply with the environment" around the world.

We also intend to distribute the fruits of these achievements to stakeholders in an appropriate manner in recognition of their support, with the view to fulfilling their expectations and building trusting relationships. For shareholders, we intend to maintain the level of shareholder returns we have already committed to, and increase returns while striving for sustained growth in corporate value. Given the characteristics of the Company's business, where large-scale investments in power plants and other infrastructure are recovered through long-term operations, we intend to maintain our policy on shareholder returns going forward.

I invite each one of you to expect great things from the J-POWER Group as we seek to become a truly global electric power company.





Feature

# Replacement Activities Completed at Isogo Thermal

Under construction since 2005, the Isogo New No. 2 Thermal Power Plant commenced commercial operations on July 15, 2009. Together with the New No. 1 Plant, the city of Yokohama is now home to a cutting-edge coal-fired thermal power plant boasting a total power output of 1,200 MW.





# Power Plant

# 1

## Brief History of the Isogo Thermal Power Plant

The Isogo Thermal Power Plant (former No. 1 and No. 2 plants; 265 MW each) was built in the late 1960s in line with Japan's national coal policy. Given the power plant's location in a major city, J-POWER entered into Japan's first pollution prevention agreement with Yokohama, installed flue gas desulfurization equipment at an early stage, and implemented other environmental preservation measures. J-POWER has contributed in this way to the stable supply of electric power for the Tokyo metropolitan area, primarily Yokohama, over three decades.

Since 1996, J-POWER has been conducting a project designed to replace the plant's old facilities with cutting-edge coal-fired thermal power technologies in response to Yokohama's environmental improvement plans, enhance power supply stability and reliability particularly for the Tokyo metropolitan area and deal with the aging of plant facilities.

In order to maintain the supply of electric power, the former power plant facility (530 MW) remained in operation while the New No. 1 Plant (600 MW) was under construction. The old plant facility was then scrapped and dismantled once operation of the New No. 1 Plant commenced. Adopting an unprecedented "build, scrap and build" approach, the New No. 2 Plant was then built on the site of the old plant. In conjunction with the power plant replacement activities, J-POWER again signed a pollution prevention agreement with Yokohama, this time as an environmental preservation agreement. As part of this change, the Company has adopted even stricter SOx, NOx, and other emissions limits than in the earlier agreement.

Construction of the New No. 1 Thermal Power Plant began in 1998, and commercial operations commenced in 2002. With the start of commercial operations at the New No. 2 Thermal Power Plant, replacement activities for the Isogo Thermal Power Plant are now complete.

**Isogo Thermal Power Plant:  
operations launched in 1967**



**New No. 1 Plant:  
operations launched in 2002  
New No. 2 Plant:  
operations launched in July 2009**



### Three objectives

#### 1. Boost output

Capacity

**530** MW  
(265 MW x 2 units)



**1,200** MW  
(600 MW x 2 units)

#### 2. Enhance environmental performance

SOx

**60** ppm

NOx

**159** ppm

Soot and dust

**50** mg/m<sup>3</sup>N



New No. 1 Plant

**20** ppm

New No. 2 Plant

**10** ppm

**20** ppm

**13** ppm

**10** mg/m<sup>3</sup>N

**5** mg/m<sup>3</sup>N

#### 3. Improve efficiency

Steam condition

**Sub-Critical**



**Ultra Super Critical**

CO<sub>2</sub> emissions\*

**100**

**83**

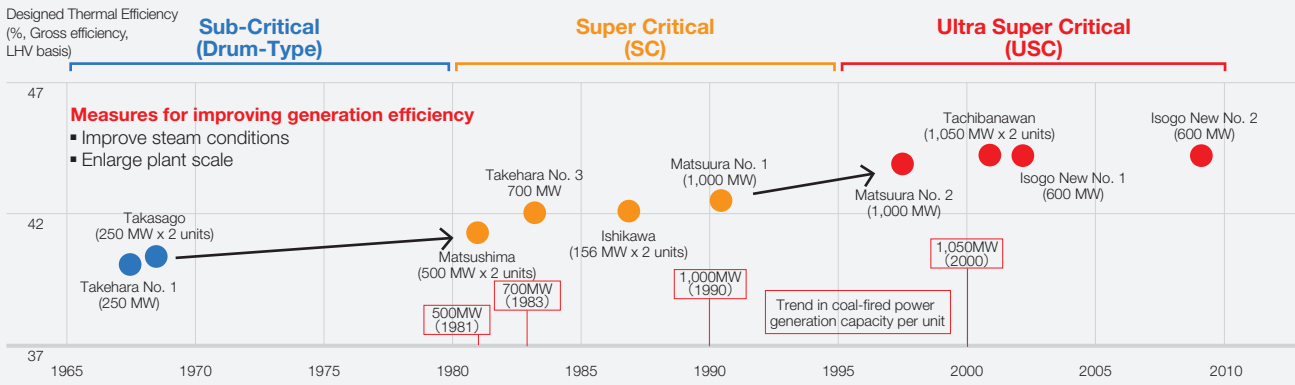
\* Comparison based on pre-replacement gross CO<sub>2</sub> emissions per kWh of 100.

# 2 Cutting-Edge Power Plant: Striving for High Power Generation Efficiency and Lower CO<sub>2</sub> Emissions

In Japan, steady strides have been made in technology development aimed at improving coal-fired thermal power generation efficiency, both to comply with tougher environmental regulations and achieve better economic performance. Ever since the days of the former Isogo Thermal Power Plant, J-POWER has taken the initiative to develop state-of-the-art technologies, proactively adopting the cutting-edge technologies of the day. Furthermore, the Company's dedication to plant maintenance and improvement over the years through proper operations, maintenance and control after operations commence, have resulted in high power generation efficiency for its coal-fired thermal power versus that in Europe and Asia.

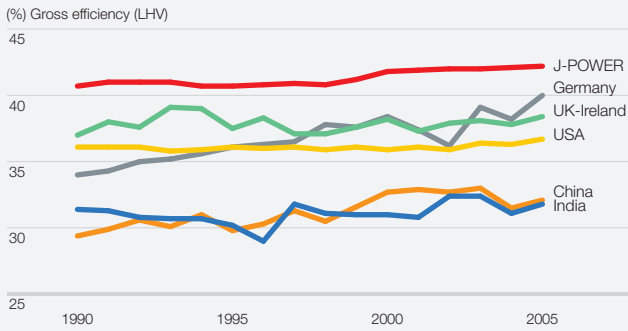
For J-POWER, the New Isogo Thermal Power Plant is the epitome of coal-fired thermal power built on an assortment of clean coal technologies. Using a method that raises the steam pressure and temperature of steam turbines to the Ultra Super Critical (USC) level, J-POWER has realized one of the highest levels of power generation efficiency for coal-fired thermal power in Japan. With the New No. 2 Plant, J-POWER has raised the efficiency bar further by boosting the reheat steam temperature 10°C higher than the New No. 1 Plant, to 620°C.

## Power Generation Efficiency at J-POWER



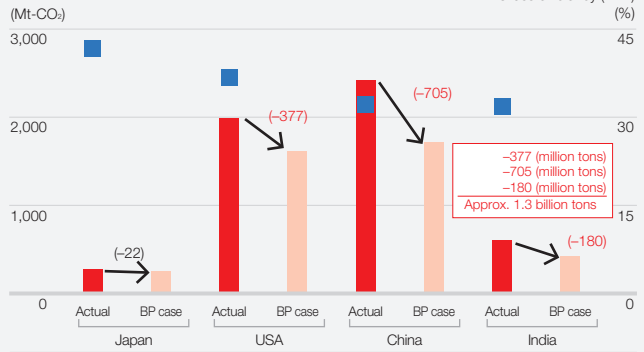
(Notes)  
 Sub-Critical, Drum-Type Boiler: Steam pressure is under 22.1 MPa.  
 Super Critical (SC): Steam pressure is 22.1 MPa or greater, with steam temperature 566°C or less.  
 Ultra Super Critical (USC): Refers specifically to SC-range steam pressure at temperatures exceeding 566°C.

## Trends of Thermal Efficiency in World's Coal-Fired Thermal Power Generation



Source: Ecofys Comparison of Power Efficiency on Grid Level 2008

## CO<sub>2</sub> Emissions from Coal-Fired Thermal Power and Potential for Reduction



■ CO<sub>2</sub> emissions (2005 result) ■ Gross efficiency (2005 result)

BP case: Calculation assuming application of best practice (highest efficiency from commercial power plant) from Japan  
 LHV: Lower Heating Value standard  
 Source: IEA World Energy Outlook 2007, Ecofys Comparison of Power Efficiency on Grid Level 2008

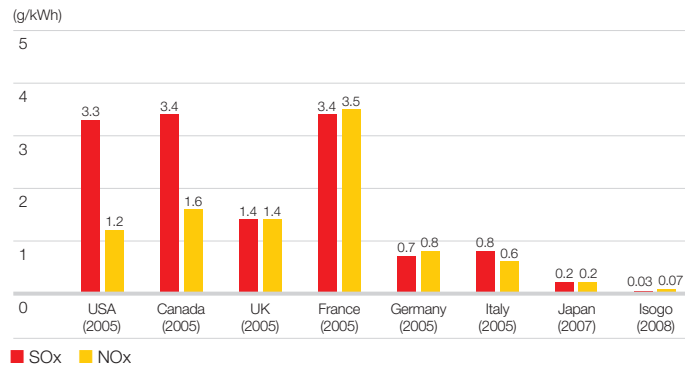
High-efficiency power generation is itself a means of curbing CO<sub>2</sub> emissions. J-POWER sees improved energy-use efficiency as a key element in its efforts to reduce CO<sub>2</sub> emissions. From this standpoint, the replacement of the Isogo Thermal Power Plant facilities is highly significant.

To illustrate, if major CO<sub>2</sub>-emitting countries like the United States, China and India were to apply the highest level of environmental performance found at thermal power plants in Japan, including that of the Isogo Thermal Power Plant, to all of their coal-fired thermal power plants, it is estimated that they could cut CO<sub>2</sub> emissions by a combined total of roughly 1.3 billion tons per year. This figure is equivalent to about 5% of the world's total CO<sub>2</sub> emissions, or around the same as Japan produces annually. Encouraging the transfer and diffusion of this technology will thus enable the Company to contribute substantially to preventing global warming, and represents an important business opportunity for J-POWER.

## Addressing Environmental Problems

The introduction of cutting-edge environmental technology at the Isogo New No. 1 Thermal Power Plant has greatly reduced the plant's environmental load, bringing SO<sub>x</sub> and NO<sub>x</sub> emission levels on a par with those of gas-fired thermal power plants. J-POWER is pushing forward with business development in this area, recognizing regional environmental measures of this kind as a field for leveraging its technology.

### INTERNATIONAL COMPARISON OF SO<sub>x</sub> AND NO<sub>x</sub> EMISSIONS PER VOLUME OF THERMAL POWER GENERATION



Source: The Federation of Electric Power Companies

\* Figures for Japan include combined data from 10 EPCOs and J-POWER.

\* Figures for Isogo are actual results for fiscal 2008.

## Developing Operations Using the ReACT Dry-Type Flue Gas Desulfurization-Denitrification System

The regenerative activated coke technology (ReACT) dry-type desulfurization-denitrification system continuously regenerates and recycles activated coke and removes such pollutants as SO<sub>x</sub>, NO<sub>x</sub>, and soot and dust from flue gas. In addition to using almost no water, another distinctive feature of the process is its high NO<sub>x</sub> removal capability even at low temperatures. The system is in operation at J-POWER's Takehara Thermal Power Plant Unit 2 and at its Isogo New No. 1 and New No. 2 Thermal Power Plants.

J-POWER subsidiary J-POWER EnTech Inc. provides ReACT engineering services. It has delivered ReACT systems to J-POWER's Isogo New No. 2 Thermal Power Plant and to the Wakayama Steel Works of Sumitomo Metal Industries, Ltd. Going forward, J-POWER EnTech aims to continue efforts to capture opportunities to deliver ReACT systems to power plants, steel plants and other entities both in Japan and abroad.

The activated coke used in the system is sourced from JM Activated Coke, Inc., a joint venture between J-POWER and NIPPON COKE & ENGINEERING CO., LTD. that supplies coke to J-POWER and other consumers in and outside of Japan.



Dry-type desulfurization system at Isogo New No. 2 Thermal Power Plant

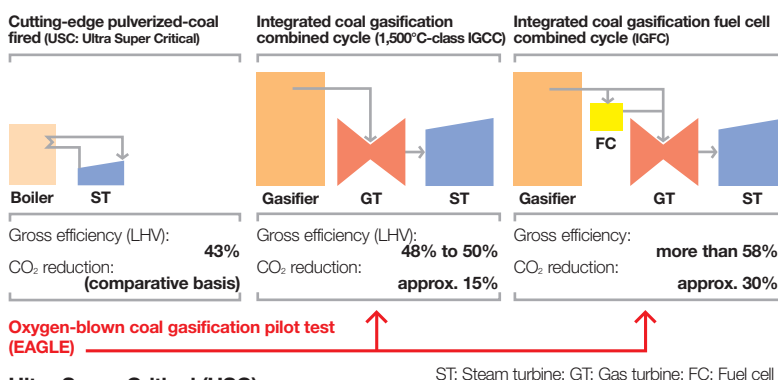
# Research and Development Realizing Next-Generation Coal-Fired Thermal Power

Aiming to raise power generation efficiency and develop low carbon operations in coal-fired thermal power generation, J-POWER is pressing ahead with activities specified along different timeframes. As a long-term initiative for the future, we are working to achieve the practical application of oxygen-blown coal gasification technology, which is anticipated to become vital to next-generation coal-fired thermal power generation.

By establishing the technology and applying it to integrated coal gasification combined cycle (IGCC) and integrated coal gasification fuel cell combined (IGFC) systems, we will be able to dramatically boost power generation efficiency while sharply reducing CO<sub>2</sub> emissions.

Ultimately, we intend to combine these systems with carbon dioxide capture and storage (CCS) technology to realize groundbreaking, zero-emissions coal-fired power generation.

## Coal-Fired Power Technology for the Next Generation



### Ultra Super Critical (USC)

USC technology raises the steam pressure and temperature of steam turbines above that of conventional supercritical steam turbines (pressure: 246 kg/cm<sup>2</sup>; temperature: 566°C) in order to enhance the efficiency of thermal power plants.

### Integrated Coal Gasification Combined Cycle (IGCC) and Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC)

Both technologies are built on coal gasification and offer substantially improved power generating efficiency relative to pulverized-coal fired thermal power. Whereas pulverized-coal fired thermal power utilizes steam turbines only, IGCC power generation employs both gas and steam turbines. IGFC power generation adds another element, fuel cells, for a triply integrated power generation configuration.

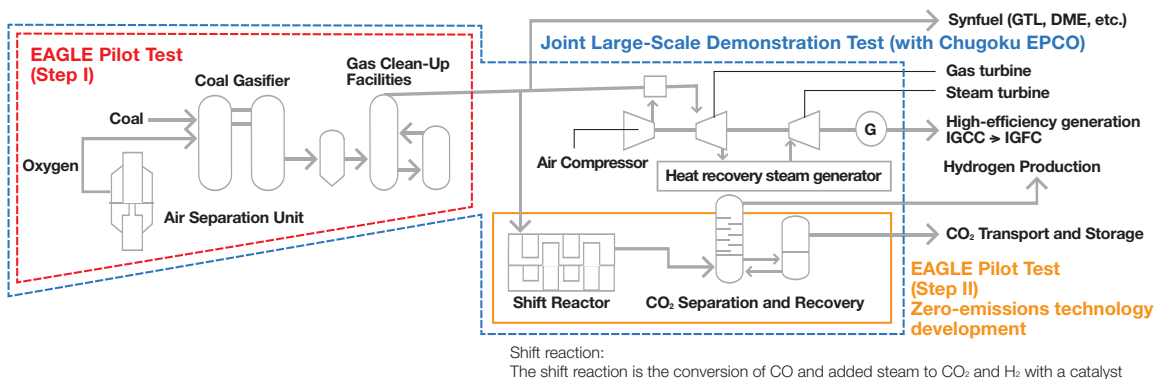
## Joint Large-Scale Demonstration Test of Oxygen-Blown Coal Gasification Technology (With Chugoku EPCO)

### Towards the Commercial Use of IGCC

J-POWER has conducted pilot tests of oxygen-blown coal gasification at its Wakamatsu Research Institute since 2002, with the aim of developing both a gasifier based on this technology and gas clean-up technology (EAGLE—Step I 2002–2006). In addition, we currently continue to implement testing with the dual aims of developing CO<sub>2</sub> separation and capture technology, and expanding the number of coal types suitable for gasification (EAGLE—Step II 2007–2009).

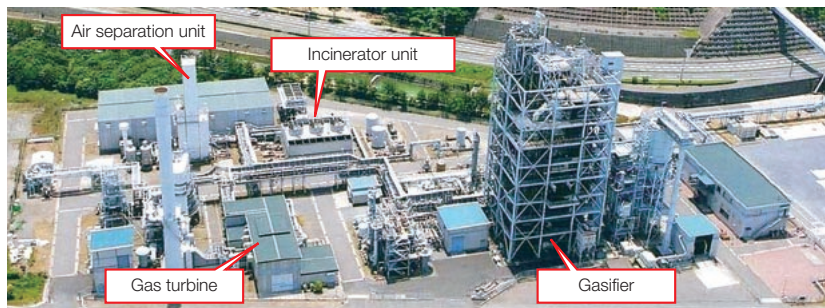
Based on the success of these pilot tests, namely our accomplishment in terms of developing oxygen-blown coal gasification technology and CO<sub>2</sub> separation and recovery technology, we are now preparing for a large-scale demonstration test on the premises of the Osaki Power Plant (Osakikamijima-cho, Toyota-gun, Hiroshima Prefecture) of The Chugoku Electric Power Co., Inc. in collaboration with Chugoku Electric Power.

## Overview of R&D in Clean Coal Technologies at J-POWER





# Projects Through Innovative Technology



**EAGLE pilot-scale testing facilities**



**CO<sub>2</sub> separation and recovery facility**

In July 2009, J-POWER and Chugoku Electric Power established a new company, Osaki CoolGen Corporation, as a joint investment to efficiently carry out the demonstration test.

This test will involve the construction of a demonstration plant with an output on a scale of 170 MW-class (coal processing volume of approx. 1,100 tons/day), and will investigate the reliability, economic efficiency, operability and other features of power generation based on oxygen-blown integrated coal gasification combined cycle (IGCC) technology. In parallel, we intend to perform trials for the application of cutting-edge CO<sub>2</sub> capture and storage (CCS) technology, with the view to conducting a large-scale demonstration project concerning CCS, as stipulated in Japan's national Cool Gen Project.

We aim to commence environmental assessments from August 2009, with plans to start construction in 2013 and demonstration testing in 2017.

## **Cool Gen Project**

The Cool Gen Project is a plan proposed by the Clean Coal Subcommittee, Mining Committee of the Advisory Committee for Natural Resources and Energy of Japan's Ministry of Economy Trade and Industry (METI). The plan calls for promoting experimental research projects aimed at realizing "zero-emissions coal-fired thermal power generation" through a combination of IGCC, IGCF (aimed at ultimate coal-fired thermal power generation), and carbon dioxide capture and storage (CCS) technologies.

## **Carbon Dioxide Capture and Storage (CCS) Technology**

### ***Working to Achieve Zero Emissions of CO<sub>2</sub>***

At present, surveys and plans to conduct trials around CCS, whereby CO<sub>2</sub> from large-scale emission sources is separated and recovered for capture and permanent storage underground or in the ocean, are moving forward most notably in Japan and Europe. Of the three distinct elements comprising CCS—separation and capture, transport and storage—J-POWER has focused most intently on the development of CO<sub>2</sub> separation and capture technologies. This decision reflects our view that aligning "separation and capture" functions with power plant design is a critical path, as well as our recognition that CO<sub>2</sub> separation and capture is the most cost-intensive component of the entire CCS process.

As part of EAGLE—Step II, J-POWER is conducting pilot testing of CO<sub>2</sub> separation and capture technology for gases derived from oxygen-blown coal gasification, considered the most promising future technology in this area particularly in terms of efficiency. In parallel, we are actively working to develop similar technologies for combustion exhaust from pulverized-coal fired (PCF) thermal power, currently the most common method of power generation from coal.

## **CO<sub>2</sub> Separation and Capture at PCF Plants**

PCF is currently the most widely used method of power generation in systems fueled by coal, and the separation and capture of CO<sub>2</sub> from combustion exhaust is likely to become common in the future.

At J-POWER's Matsushima Thermal Power Plant, J-POWER conducted pilot trials (from 2007 to 2008) in collaboration with Mitsubishi Heavy Industries, Ltd. regarding the chemical absorption method.

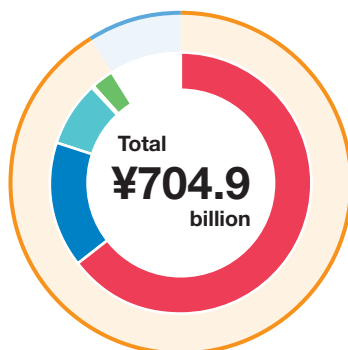
Additionally, J-POWER is a participant in the Callide OxyFuel Project using the OxyFuel method, a project planned to be held at the Callide A Power Station in Queensland, Australia. This joint demonstration project between Japan and Australia, planned to run from 2010 to 2014, will carry out the world's first demonstration test of an integrated CCS and underground storage system at an existing power plant.

**(From left)**  
**Equipment for demonstrating CO<sub>2</sub> separation and recovery at the Matsushima Thermal Power Plant, Unit 2**  
**Callide A Power Station (Australia)**



## Segment Overview

Composition of Consolidated Operating Revenues for Fiscal Year Ended March 31, 2009 (Fiscal 2008)



**Electric Power Business**  
¥648.3 billion **92.0%**

**Wholesale Electric Power Business**

■ **Thermal:**  
¥460.3 billion **65.3%**

■ **Hydroelectric:**  
¥110.9 billion **15.7%**

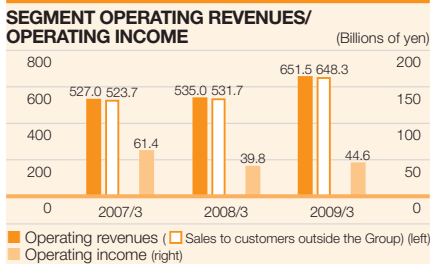
■ **Transmission:**  
¥55.4 billion **7.9%**

■ **Others:**  
¥1.6 billion **0.2%**

■ **Other Electric Power Businesses:**  
¥20.0 billion **2.8%**

**Other Businesses**  
¥56.5 billion **8.0%**

### Electric Power Business



We supply electricity to Japan's 10 major electric power companies (EPCOs) through our hydroelectric and thermal power plants.

Through our power transmission and transforming facilities, we also provide transmission services to nine EPCOs, excluding The Okinawa Electric Power Co., Inc.

In addition, we are engaged in operating wind power plants, the wholesale supply of electricity to EPCOs by IPPs and the wholesale supply of electricity to PPSs.

### Wholesale Electric Power Business Thermal Power

We specialize in coal-fired thermal power, and own a total of 7,812 MW of coal-fired power generation facilities, the largest share in Japan. Our coal-fired facilities boast a high load factor, fulfilling base demand for electricity and superior economic efficiency, due to the lower cost per calorie of overseas coal compared with other fossil fuels.

### Wholesale Electric Power Business Hydroelectric Power

We have developed several large-scale hydroelectric power plants and now own hydroelectric power-generating facilities with a total capacity of 8,556 MW. As these facilities are able to rapidly respond to changes in electricity demand, they are primarily used in the daytime, when demand is at its peak.

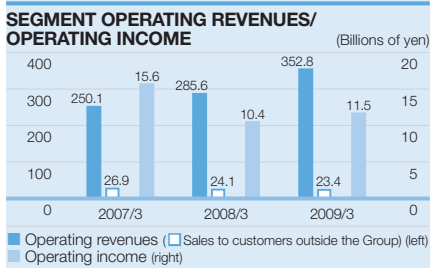
### Power Transmission/Transforming

We own major transmission lines, such as those connecting Honshu with Hokkaido, Shikoku and Kyushu respectively (with a total length of 2,408 km). We also own a frequency converter station that links the different frequencies of Eastern and Western Japan.

### Other Electric Power Businesses

Our subsidiaries and affiliates are engaged in operating wind power plants, the wholesale supply of electricity to EPCOs by IPPs and the wholesale supply of electricity to PPSs.

### Electric Power-Related Businesses



We operate businesses that complement and contribute to the smooth and efficient implementation of our Electric Power Business.

#### Design, Construction and Maintenance of Facilities

Design, construction, and inspection, maintenance and repair of electric power facilities such as power plants; port operations related to fuel and coal ash

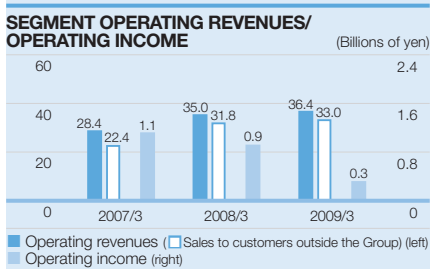
#### Supply of Fuel for Power Generation and Materials

Coal mine development, coal imports and transportation

#### Services

Management of welfare facilities; computing services and others

### Other Businesses



Fully utilizing the group's management resources and know-how, we operate businesses that include overseas power generation, new power businesses in Japan, such as waste-fueled power generation and co-generation, environmental businesses, the telecommunications business, and domestic and overseas engineering and consulting.

## Business Review in Fiscal 2008 and Outlook

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In the fiscal year ended March 31, 2009 (fiscal 2008), the load factor was 76%, falling short of our initial forecast of 80%, and down from 81% in the previous fiscal year, mainly due to a rapid decline in electricity demand for industrial use from the fall. Electricity sales volume decreased by 6% year on year to 49.1 billion kWh, while operating revenues increased by 34% year on year to ¥460.3 billion, primarily as the result of increased unit sales prices accompanying higher fuel prices.

For fiscal 2009, we forecast a load factor at 76% and an electricity sales volume of 52.2 billion kWh.

To keep coal-fired power, which offers advantages of supply stability and economic efficiency, at the core of our business operations, we believe that it is important to enhance both cost competitiveness and facility reliability, while striving to curb CO<sub>2</sub> emissions from our plants. In addition to enhancing the competitiveness of existing power plants through an innovative approach to coal procurement and continuing efforts to reduce operation costs, we will also conduct an optimal level of maintenance to prevent the decline of thermal efficiency from aging and deterioration. Moreover, we steadily pressed ahead with the test operation of the Isogo New No. 2 Thermal Power Plant (600 MW and commenced operations in July 2009), which will become a new source of earnings.

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In fiscal 2008, water flow remained low as in the previous fiscal year, with the water supply rate increasing to 88% from the previous year's 85%. As a result, electricity sales volume rose by 1% year on year to 8.3 billion kWh. In addition, operating revenues declined by 3% year on year to ¥110.9 billion, primarily owing to the rate revisions that took effect from September 2007.

For fiscal 2009, we are projecting electricity sales volume of 9.5 billion kWh based on an average water supply rate of 100%.

While aging of the existing power plants continues, it is important to maintain and improve facility reliability and profitability at existing plants. To this end, we are promoting measures to improve our capabilities to diagnose the remaining service lifespan of facilities as well as to improve the maintenance and repair processes. Through such efforts, we are pursuing cost reductions and a high level of Operations Management (O&M). At the same time we are also implementing value-enhancing investments to existing plants such as the comprehensive upgrade of major equipment, aiming to increase power generation volume by boosting generation efficiency and to improve facility reliability.

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Operating revenues in fiscal 2008 increased by 1% year on year to ¥55.4 billion, partly due to the rate revisions that took effect from September 2007.

Covering regional utilities' service areas, we play an important role in the overall management of Japan's electricity supply. We believe that the importance of our facilities will continue to grow prominently, as power distribution across wider areas becomes increasingly prevalent mainly due to the progressive deregulation of the electricity industry.

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In fiscal 2008, total electricity sales volume declined by 4% year on year to 1.6 billion kWh, mainly as a result of lower capacity utilization rates for PPS. In addition, operating revenues increased by 13% year on year to ¥20.0 billion.

For fiscal 2009, J-POWER expects electricity sales volume to remain mostly the same as the previous year at 1.6 billion kWh.

In wind power generation, we are aiming for a capacity of around 500 MW for both Japan and overseas over the medium term, from the standpoint of curbing CO<sub>2</sub> emissions.

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Operating revenues increased by 24% year on year to ¥352.8 billion, primarily owing to higher revenues from a consolidated subsidiary in the coal sales business, as well as higher business volume at maintenance subsidiaries accompanying an increase in periodic facility inspections during the fiscal year. Operating income rose by 11% to ¥11.5 billion mainly due to the increase in operating revenues.

The majority of business in this segment is accounted for by intra-Group transactions such as maintenance and coal transportation for our plants. Operating revenues from sales to customers outside the Group amounted to ¥23.4 billion, accounting for 7% of overall operating revenues in this segment.

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In fiscal 2008, operating revenues rose by 4% year on year to ¥36.4 billion, atop higher coal sales revenues. Meanwhile, operating income decreased by ¥0.5 billion to ¥0.3 billion, primarily owing to a higher cost of sales.

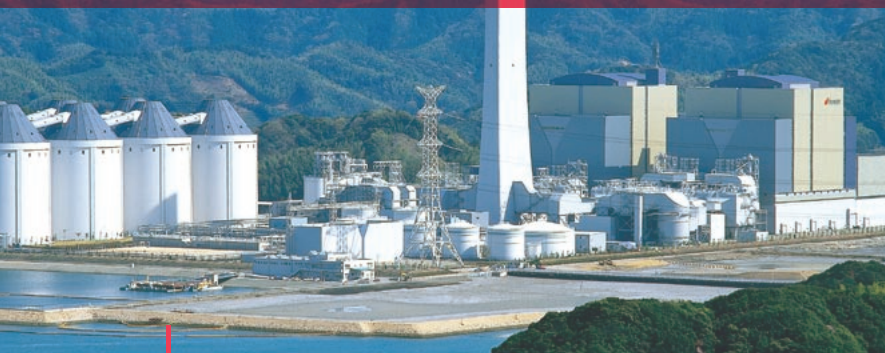
Going forward, J-POWER will continue strengthening its initiatives in areas outside of the Group, including the sales of coal.

As for the Overseas Power Generation Business, the majority of its profits have been recorded as investment profits on an equity-method basis so far. Looking ahead, we will work to steadily implement projects currently under way, while taking steps to enhance our business strategies.

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# Electric Power Business—Characteristics and Strengths

Wholesale Electric Power Business  
Thermal Power



Tachibanawan Thermal Power Plant (Tokushima Prefecture)

J-POWER's key strength in thermal power generation is our focus on coal-fired power generation, which has strong cost competitiveness and fulfills base demand for electricity with a high load factor. We have 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

(Matsushima Thermal Power Plant, Nagasaki Prefecture; Maximum capacity: 500 MW x2). We have also enjoyed substantial economies of scale by pioneering the building of large-scale coal-fired power plants. Coal is a natural resource found in abundance throughout the world and is arguably the most economically stable fossil fuel available. This has become even more noticeable in light of the significant volatility in oil prices in recent times. These strengths contribute to the formation of attractive rates, and our long-term contracts with EPCOs, generate synergetic effects for forming a stable earnings foundation.

As of March 31, 2009, we operate seven coal-fired power plants with a total capacity of 7,812 MW, representing 21% of the coal-fired power generation facilities in Japan. For fuel, we procure coal from several countries, mainly from Australia, based on long-term or yearly contracts.

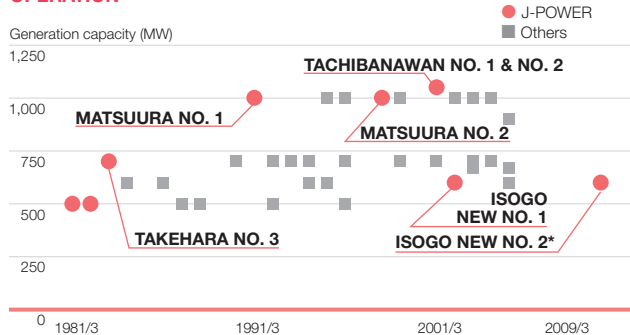
## SHARE OF COAL-FIRED POWER GENERATION CAPACITY

(As of March 31, 2009)



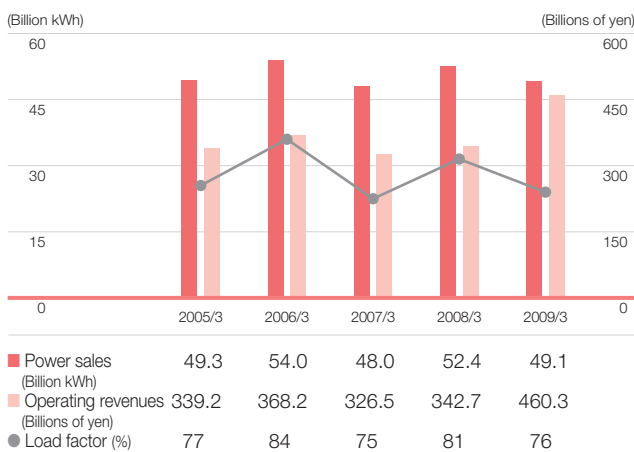
Source: Prepared by J-POWER based on reports issued by the Agency for Natural Resources and Energy.

## LARGE-SCALE COAL-FIRED UNIT CAPACITY AND FIRST YEAR OF OPERATION



\*"Large-scale" defined as power plants with more than 500 MW output. Chart data up to March 31, 2009 (except for Isogo New No. 2\*). Source: Agency for Natural Resources and Energy

## THERMAL POWER SALES AND LOAD FACTOR



## CALORIFIC UNIT PRICE BY FOSSIL FUEL (IMPORTS)

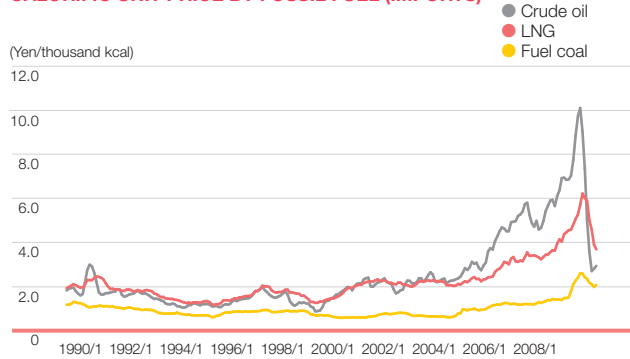
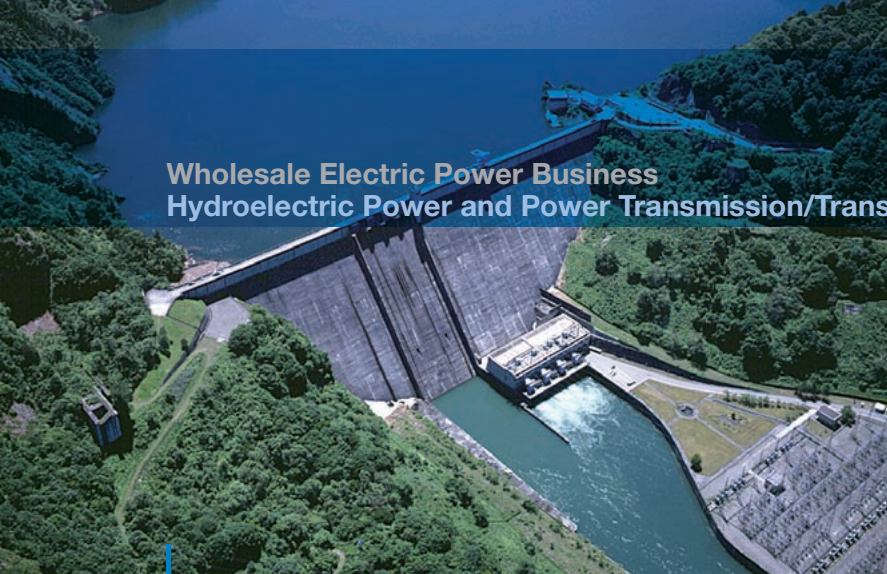


Chart data up to March 31, 2009  
Source: The Energy Data and Modelling Center



## Wholesale Electric Power Business Hydroelectric Power and Power Transmission/Transforming



Tagokura Power Plant (Fukushima Prefecture)

### Hydroelectric Power

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, and offers many benefits in terms of environmental issues, especially because of no CO<sub>2</sub> emissions. Finally, it offers outstanding flexibility in terms of the ability to adjust output to demand levels, which is suitable for intra-day and intra-seasonal demand and supply balancing.

J-POWER has the advantage of high technological expertise in developing hydroelectric power and possesses the most advanced technologies available in Japan, particularly for the construction of dams and large-scale underground structures. 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 power plants, which

excel in adjusting output in response to demand peaks. As of March 31, 2009, we operate 59 hydroelectric power plants throughout Japan, with a total capacity of 8,556 MW, comprising 19% 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 contracts with EPCOs. Most of the rates for conventional-type facilities and 100% of the rates for pumped-storage-type facilities are fixed rates.

### Transmission and Transforming Facilities

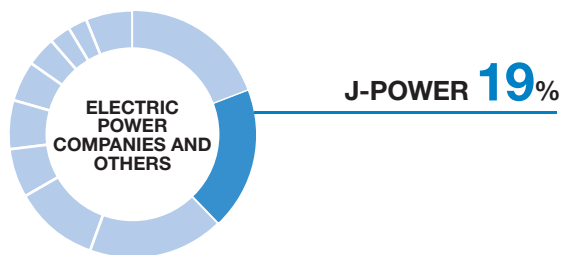
J-POWER's transmission and substation facilities not only distribute electricity from our power plants to demand centers, but also play a huge role in the total operation of Japan's power grid. In particular, we operate critical facilities that support the wide-area power interchange in Japan, such as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



Sakuma Frequency Converter Station (Shizuoka Prefecture)

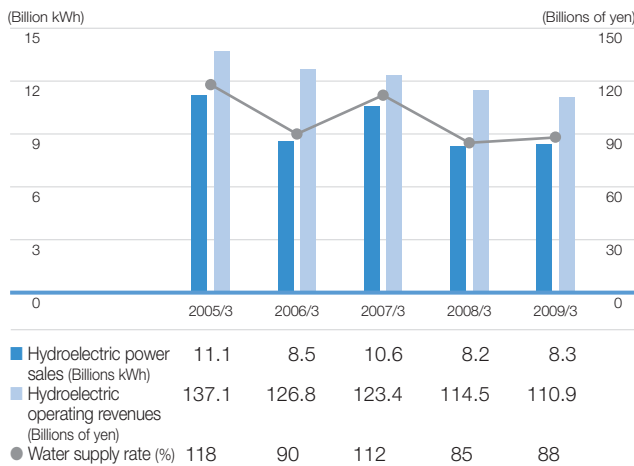
### SHARE OF HYDROELECTRIC POWER GENERATION CAPACITY

(As of March 31, 2009)

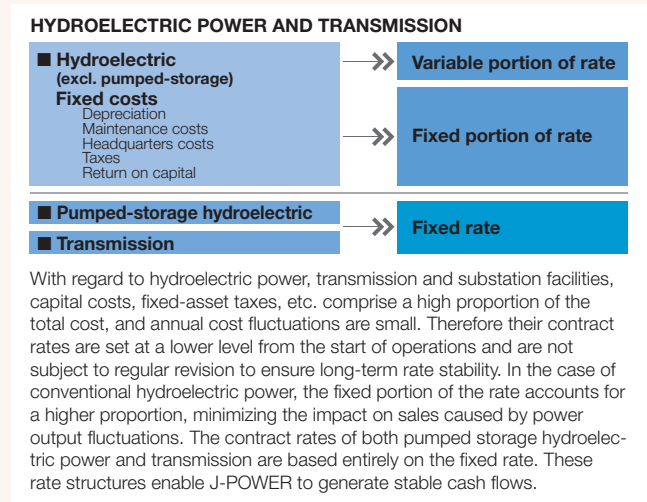
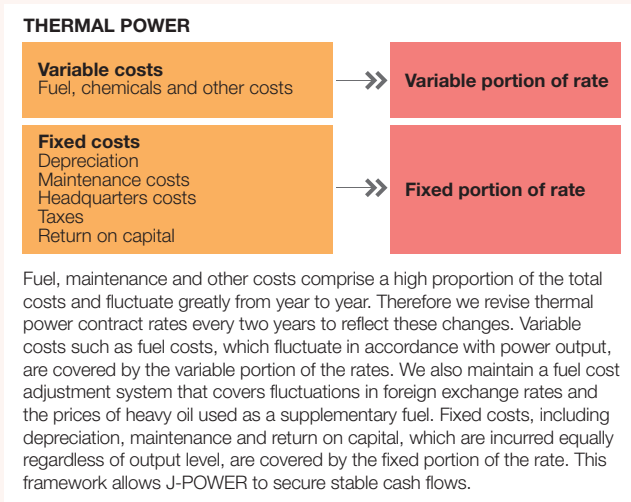


Source: Reports issued by Agency for Natural Resources and Energy.

### HYDROELECTRIC POWER SALES AND WATER SUPPLY RATE



### J-POWER's Rate Structure



### Deregulation of the Electric Power Industry and J-POWER's Response

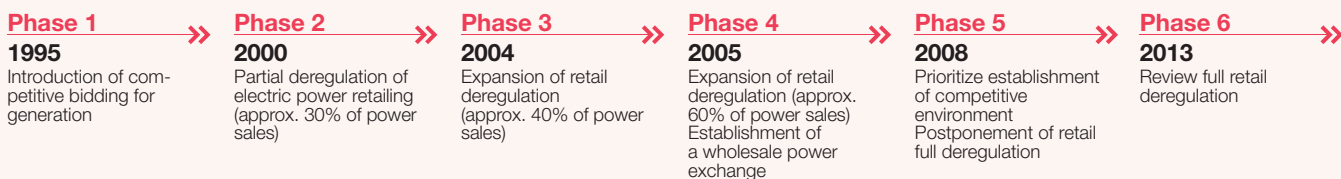
The deregulation of the electric power industry in Japan has created a new environment in which business enterprises other than electric power companies (EPCOs) can participate in electricity wholesaling and retailing businesses. Since April 2005, the deregulation of the retail electricity sector was expanded to approximately 60% of the market, and wholesale electricity transactions were commenced in the Japan Electric Power Exchange (JEPX).

Though the deregulation has had the effect of increasing competition and applying downward pressure on prices, J-POWER considers the deregulation to be a positive change toward expanding its business opportunities from a long-term perspective. We also recognize that it is essential for us to vigorously respond to these changes, and we are promoting the following sorts of initiatives to achieve stable growth.

- We are developing new types of wholesale electricity businesses such as the IPP business and the electricity supply business for PPSs (See page 25, Other Electric Power Businesses).
- We have commenced sales of electricity to the wholesale markets such as JEPX by utilizing a part of existing generation capacity.

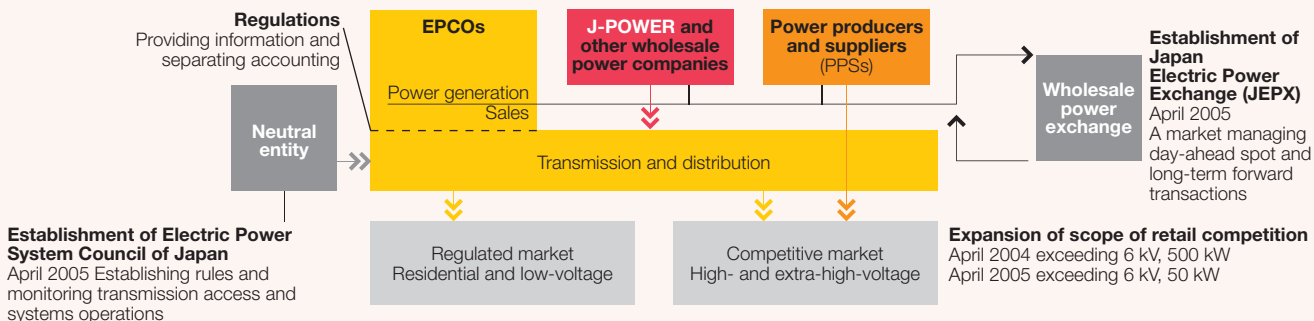
Further reforms of the electric power industry have been under discussion since April 2007 in the Power Business Subcommittee of the Advisory Committee for Natural Resources and Energy. The subcommittee has decided to first implement industry reforms designed to establish a competitive environment within the existing scope of retail deregulation. Further expansion of retail deregulation is planned for review in 2013. While monitoring carefully the trends toward deregulation and responding flexibly to changes in the business environment, we aim to expand business opportunities by making use of new options created by the deregulation.

#### DEREGULATION OF JAPAN'S ELECTRIC POWER INDUSTRY



#### JAPAN'S ELECTRIC POWER INDUSTRY STRUCTURE

(As of June 2009)



## Other Electric Power Businesses IPP, for PPS and Wind Power



Koriyama-Nunobiki Kogen Wind Farm (Fukushima Prefecture)

In response to the deregulation in the electric power industry, J-POWER is focusing efforts on new types of wholesale electricity businesses. Through our subsidiaries

and affiliates, we are engaging in the wholesale electricity supply to EPCOs by IPPs (Independent Power Producers), as well as the wholesale electricity supply for PPSs (Power Producers and Suppliers), which are new entrants into the electricity retailing business, and wind power generation.

As of March 31, 2009, we are operating three power plants as IPPs with a total capacity of 522 MW, and three power plants for PPSs with a total capacity of 322 MW. Our wind power generation facilities comprise 12 farms/plants currently in operation as of March 31, 2009, with a total capacity of 256 MW, representing a top-ranked capacity in Japan. These businesses are areas where we are able to apply our core competencies in the power generation business.

### FACILITIES OF OTHER ELECTRIC POWER BUSINESSES

(As of March 31, 2009)

Note: Including facilities of subsidiaries and affiliates.

#### (IN OPERATION)

##### WIND POWER

	Capacity (kW)	Ownership	Completion date
1 Tomamae Winvilla*1	30,600	100%	December 2000
2 Nikaho Kogen*1	24,750	67%	December 2001
3 Tokyo Bayside	1,700	50%	March 2003
4 Green Power Kuzumaki*1	21,000	100%	December 2003
5 Nagasaki-Shikamachi*1	15,000	70%	February 2005
6 Aso-Nishihara*1	17,500	81%	February 2005
7 Tahara Bayside*1	22,000	66%	March 2005
8 Setana Seaside*1	12,000	100%	December 2005
9 Koriyama-Nunobiki Kogen*1	65,980	100%	February 2007
10 Sarakitomanai Wind Farm*1	14,850	49%	March 2009*2
11 Yokihi no Sato Wind Park*1	4,500	90%	March 2009*2
12 Minami Oosumi Wind Farm*1	26,000	80%	March 2009*2
<b>Subtotal</b>	<b>255,880</b>		

##### ELECTRICITY SUPPLY

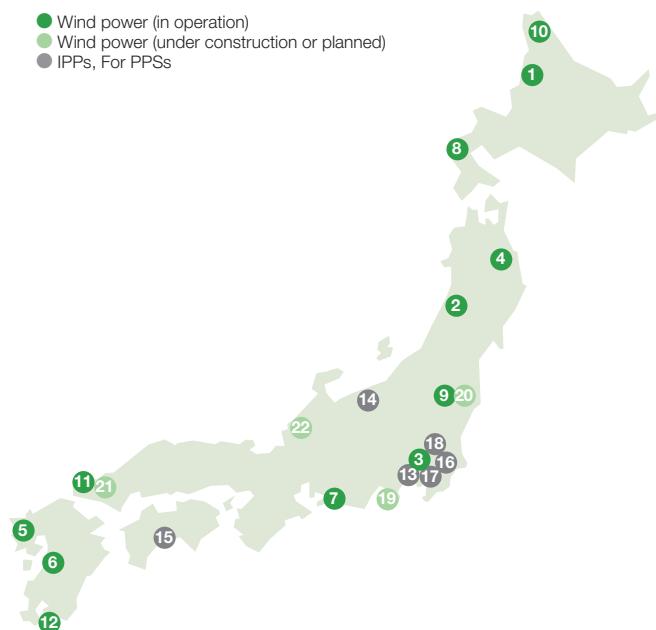
	Capacity (kW)	Fuel type	Ownership	Completion date
<b>IPP</b>				
13 Genex Mizue	238,000	Gas Oil Residue	40%	June 2003
14 Itoigawa*1	134,000	Coal	80%	April 2003*2
15 Tosa	150,000	Coal	45%	April 2005
<b>Subtotal</b>	<b>522,000</b>			

##### Wholesale power for PPS

16 Ichihara Power*1	110,000	Gas	60%	October 2004
17 Bayside Energy*1	107,650	Gas	100%	April 2005
18 Mihama Seaside	104,770	Gas	50%	October 2005
<b>Subtotal</b>	<b>322,420</b>			

**Total of Other Electric Power Businesses 1,100,300**

- Wind power (in operation)
- Wind power (under construction or planned)
- IPPs, For PPSs



#### (UNDER CONSTRUCTION OR PLANNED)

Plant name (provisional)	Capacity (kW)	Start of operations
19 Irozaki Wind Farm	34,000	Planned for 2010
20 Hiyama Kogen Wind Farm	28,000	Planned for 2010
21 Nagato Wind Farm	38,000	Planned for 2011
22 Awara Wind Farm	20,000	Planned for 2011
<b>Total</b>	<b>120,000</b>	

\*1 Denotes projects within the scope of consolidation \*2 Limited J-POWER participation

# Electric Power Business Facilities

(As of March 31, 2009)

## Wholesale Electric Power Business

Power generation facilities		
Hydroelectric power plants	59	8,561 MW
Thermal power plants (including 1 geothermal plant)	8	7,825 MW
<b>Total</b>	<b>67</b>	<b>16,385 MW</b>
Transmission Lines		
Total Lines		2,407.7 km
Extra-high-voltage power transmission lines		1,973.4 km
DC power transmission lines		267.2 km
Substations		
Substations	3	4,292 MVA
Frequency converter station	1	300 MW
AC/DC converter stations	4	2,000 MW

## Other Electric Power Businesses

Generation facilities (maximum capacity)		
Wind power	12	256 MW
IPPs	3	522 MW
For PPSs	3	322 MW
<b>Total</b>	<b>18</b>	<b>1,100 MW</b>

Note: Including facilities of subsidiaries and affiliates (does not take proportion of equity holdings into account)

## Main Facilities

### 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 or Planned

- Hydroelectric power plant
- Thermal power plant
- Nuclear power plant
- ..... Transmission line

### Other Electric Power Businesses

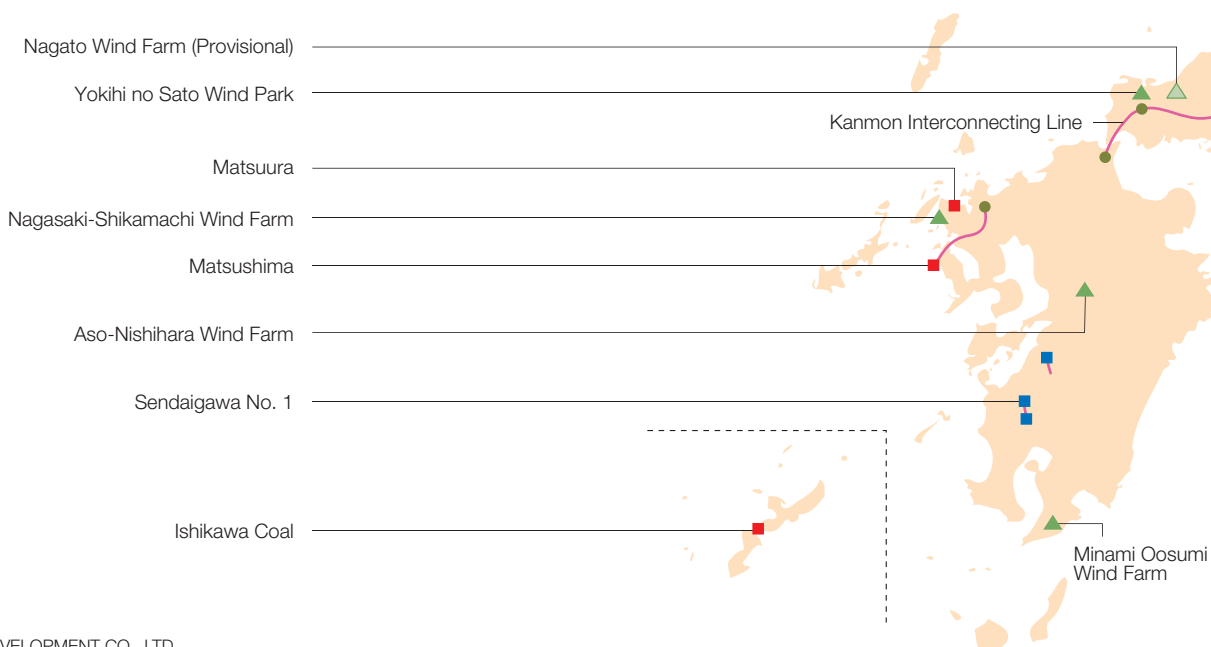
Note: Including facilities of subsidiaries and affiliates

#### Facilities

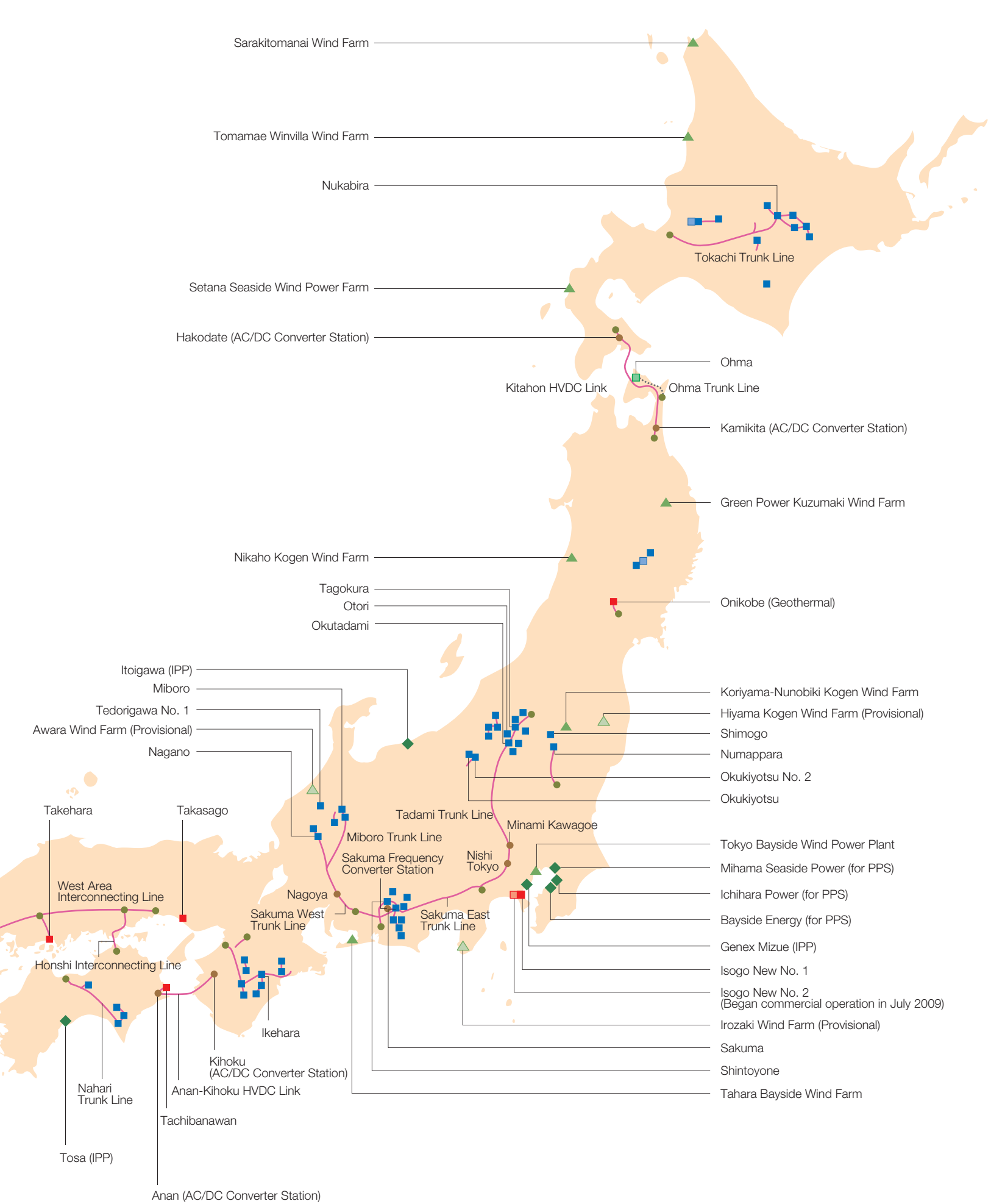
- ▲ Wind power farm/plant
- ◆ Thermal power plant

#### Under Construction or Planned

- ▲ Wind power farm/plant









# Overseas Power Generation Business



**Kaeng Khoi #2 (Thailand)**

To develop the overseas power generation business into a second core operation behind the wholesale electric power business in Japan, J-POWER is carefully screening and promoting projects in the priority markets of Southeast Asia centered on Thailand, the United States, and China. Total investment in the overseas power generation business was roughly ¥90 billion as of June 30, 2009. As of the same date, J-POWER had 23 projects in operation in six countries and regions worldwide, lifting its overseas owned capacity to approximately 3,100 MW.

Now that we have gained experience through

business projects, we are gradually broadening investment targets as well as the scale of our investment. In fiscal 2007, J-POWER held the winning bids in two large-scale, gas-fired thermal power projects (total of 3,200 MW)<sup>\*1</sup> in Thailand. Going forward, we plan to secure a majority interest and take the lead in these two projects.

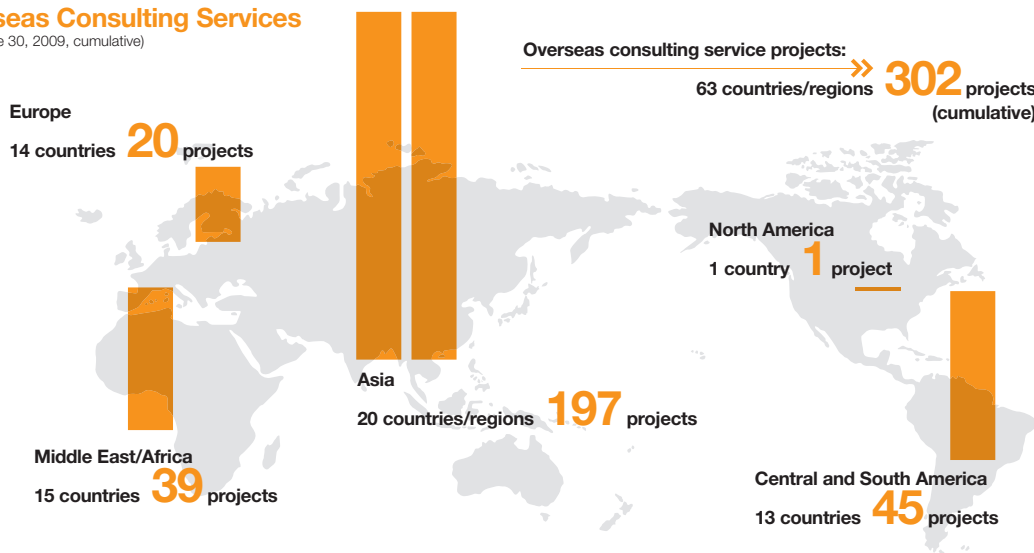
Returns have also risen steadily thanks to proper investment management (refer to column below). As a result, J-POWER posted overseas equity income of approximately ¥7.8 billion for the fiscal year ended March 31, 2009.

J-POWER is planning investment outlays<sup>\*2</sup> of around ¥250 billion while pursuing five-year management targets. This investment should expand the Company's overseas owned capacity (projects in operation) by roughly 1.5 times the current level to around 4,500 MW in the fiscal year ending March 31, 2013. Meanwhile equity income is expected to reach ¥10 billion in the fiscal year ending March 31, 2011, and J-POWER expects to maintain and expand this level of earnings through stable operations at existing projects and the accumulation of new projects.

<sup>\*1</sup> Samet Tai site: 1,600 MW output; operations scheduled to commence in 2013. Nong Saeng site: 1,600 MW output; operations scheduled to commence in 2014.  
<sup>\*2</sup> J-POWER's exposure is limited to an amount equal to the amount of capital invested in the project, multiplied by the investment ratio (amount of planned direct contribution estimated at roughly ¥90 billion).

## Overseas Consulting Services

(As of June 30, 2009, cumulative)



### [Project Organization, Evaluation and Management]

J-POWER carefully studies various factors when weighing participation in new projects. These include the countries' power industries and overall climate, the types of fuel, the reliability of electric power sales contracts and creditworthiness of its off-taker, as well as the condition of its transmission infrastructure. Project financing is used for such projects, in principle. In the process of organizing projects premised on risk sharing, J-POWER always strives to ensure rational business arrangements from both a technological and financing standpoint and is reviewed by financial institutions that will act as lenders for the project.

Evaluation of individual projects is based on internal investment assessment guidelines with final decisions made following a multifaceted review by all relevant internal divisions. Specifically, areas such as the project duration and commercial and country risks are comprehensively evaluated for each project on an individual basis. The required return rate, reflecting capital cost, is then calculated for the specific project, along with a comparison of the projected internal rate of return, to decide whether or not to proceed with the investment.<sup>\*3</sup>

Once joined, projects are subject to periodic monitoring. J-POWER also screens the status of each individual project, particularly aspects such as changes in capacity utilization and profitability.

<sup>\*3</sup> See "Decision-making Process and Management in Overseas Businesses" on page 32 for more information regarding the internal screening process.

## Overseas Power Generation Projects

(As of June 30, 2009)

### Projects in Operation

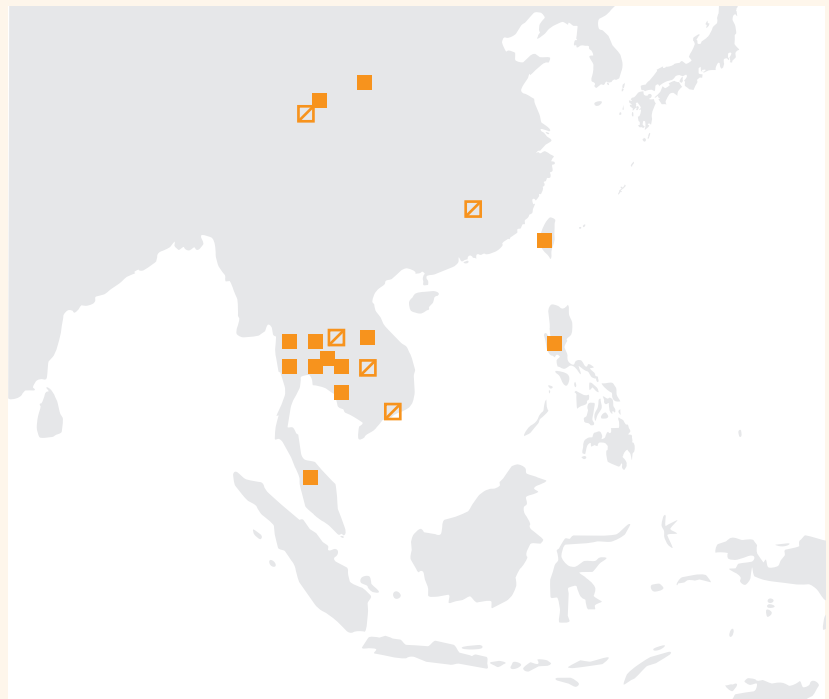
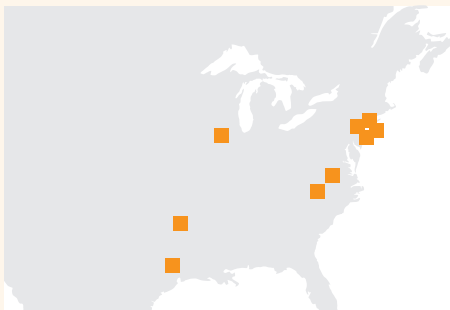
Country/Region	Project Name	Electricity Generation Source
USA	Tenaska Frontier	Gas (Combined Cycle)
	Elwood Energy	Gas (Simple Cycle)
	Green Country	Gas (Combined Cycle)
	Birchwood	Coal
	Pinelawn	Gas (Combined cycle)
	Equus	Gas (Simple cycle)
	Fluvanna	Gas (Combined cycle)
	Edgewood	Gas (Simple cycle)
	Shoreham	Petroleum (Simple cycle)
	Philippines	CBK
China	Tianshi	Coal Waste
	Hanjiang (Xihe)	Hydroelectric
Thailand	Roi-Et	Biomass (Chaff)
	Rayong	Gas (Combined Cycle)
	Thaioil Power	Gas (Combined Cycle)
	Independent Power	Gas (Combined Cycle)
	Gulf Cogeneration (Kaeng Khoi)	Gas (Combined Cycle)
	Samutprakarn	Gas (Combined Cycle)
	Nong Khae	Gas (Combined Cycle)
	Yala	Biomass
Kaeng Khoi #2	(Rubber Wood Waste) Gas (Combined Cycle)	
Taiwan	Chiahui	Gas (Combined Cycle)
Poland	Zajaczkowo	Wind Power
<b>Total 23 projects in 6 countries/regions</b>		

### Projects Under Construction

Country/Region	Project Name	Electricity Generation Source
Thailand	Samet Tai	Gas (Combined cycle)
	Nong Saeng	Gas (Combined cycle)
China	Hanjiang (Shuhe)	Hydroelectric
	Xinchang	Coal
Vietnam	Nhon Trach 2	Gas (Combined cycle)
<b>Total 5 projects in 3 countries/regions</b>		

## Overseas Power Generation Network Development

■ In operation  
 ☒ Under construction



# Aiming for Sustainable Development of Society and the J-POWER Group

The J-POWER Group aims to achieve sustainable growth while contributing to the sustainable development of society.

By advancing its energy business with a focus on “harmonizing energy supply with the environment,” the J-POWER Group conducts its business endeavors with the goal of contributing to a more abundant, safe and comfortable everyday life.

## 30 Corporate Governance

## 33 Environmental Management

## 34 Relations with Communities, Society and Employees



\* Please refer to the Sustainability Report 2009 for more details regarding these initiatives. The report may also be found on the Group's website: <http://www.jpowers.co.jp/english>

## Corporate Governance

### Basic Philosophy

Under its corporate philosophy of “ensuring constant supplies of energy to contribute to the sustainable development of Japan and the rest of the world,” J-POWER recognizes enhancing corporate governance and thoroughly implementing compliance procedures as key management issues. By accomplishing this dual objective, we will ensure long-term corporate development, enhance corporate value and gain a greater level of trust from our stakeholders.

### Corporate Governance Framework

J-POWER strives to continuously enhance corporate governance through both the Board of Directors, where controls are effective through mutual checks and balances among directors who are highly knowledgeable of the Company's operations, and the Board of Corporate Auditors, which is made up of highly experienced corporate auditors who monitor management from an independent perspective.

Furthermore, from June 2009, aiming to strengthen the supervisory functions of the Board of Directors, J-POWER established a chairman position that mainly emphasizes the supervisory functions of directors, while appointing one outside director to participate in management decision-making from an independent standpoint as a non-executive director.

### 1. Directors' Business Execution Structure

Under the J-POWER Group Corporate Philosophy, directors take the initiative in displaying an honest and fair attitude based on a firm, law-abiding spirit and sense of ethics in accordance with the “J-POWER Group Corporate Conduct Rules.” At the same time, they are endeavoring to instill such an attitude in all J-POWER employees.

The Board of Directors meets monthly in principle, but also on an as-needed basis, with all directors and corporate auditors, including outside directors and auditors present. The Executive Committee normally meets every week, with all executive directors, executive managing officers and full-time corporate auditors present. This committee discusses matters that need to be brought to the attention of the Board of Directors, as well as important matters relevant to the overall administrative policy and management of the Company that are part of the executive duties of the president based on policies approved by the Board of Directors. Furthermore, we hold Management Executing Committee meetings twice per month, in principle. These meetings are attended by the president and executive vice presidents, directors and executive officers from areas related to the matters under discussion, as well as full-time corporate auditors, to discuss important matters concerning the management of each division. By distributing functions among the Board of Directors, the Executive Committee and the Management Executing Committee, as well as introducing an executive officer system, we have established a management system in which executive directors and executive officers share duties. By clarifying management's responsibility and authority in this manner, we enable precise and prompt decision-making and efficient management.

Executive directors make regular reports regarding the performance of their duties to the Board of Directors and the Executive Committee, as well as on an as-needed basis. In accordance with relevant laws and regulations, and company regulations, the minutes of meetings are prepared and managed appropriately. Other documents on the status of the performance of directors' duties are properly prepared, stored and managed in accordance with company regulations.

In addition to these supervisory and monitoring functions, in order to ensure that operations are conducted in an appropriate manner, we have established an Internal Audit Department to conduct internal audits from an independent standpoint from other business units. Moreover, each business unit regularly conducts self-audits.

Regarding the disclosure of information outside the Company, in an effort to improve the accountability and transparency of our corporate activities, we have established a Disclosure Committee, chaired by the president, which ensures that the disclosure of the Company's information is vigorous, fair and transparent.

Furthermore, in September 2008, we established the J-POWER Advisory Board to obtain from a panel of external experts multifaceted and objective advice and proposals that help to raise corporate value, and ultimately lead to the enhancement of corporate governance.

## 2. Risk Management

With regard to potential risks in its corporate activities, J-POWER conducts mutual supervision in its decision-making process, holds discussions in various meetings and committees, and develops its risk management framework on a routine basis in accordance with company regulations. Taking these initiatives demonstrates that we are fully aware of such risks, have adopted thorough measures to avert them and endeavor to minimize any impact from them.

## 3. Group Governance

The J-POWER Group shifted to fully consolidated accounting from the fiscal year ended March 31, 2007. We recognize the increasing importance of consolidated business results in terms of the comprehensive strength of the Group and aim to clarify the role of each Group company and increase value based on a system of specialization.

With regard to the administration of subsidiaries, our basic policy calls for Group-wide development in accordance with the Group's management plan. In addition to the administration of subsidiaries based on company regulations, we have set up a Group Management Committee to enhance the appropriateness of

## Corporate Governance and Internal Control Framework (As of July 1, 2009)



operations within the corporate group. We also conduct audits of our subsidiaries by corporate auditors and the Internal Audit Department. In this manner, we are working to ensure proper operations at all J-POWER Group companies.

## 4. Audits by Corporate Auditors

J-POWER's corporate auditors supervise the directors in the execution of their business operations by attending Board of Directors' meetings and other important meetings or committees and interviewing the Board of Directors. In addition, corporate auditors implement accounting audits and audit each of our departments and main subsidiaries.

In the course of accounting audits, corporate auditors liaise with independent auditors to coordinate each other's auditing schedule and exchange opinions regarding findings, in order to ensure that the independent auditors' results are consistent with their own findings.

When auditing internal business units, corporate auditors liaise with the Internal Audit Department on each department's audit and with each subsidiary's auditors in the case of an audit of a subsidiary, receiving reports regarding findings in the course of conducting audits.

Regarding support staff for corporate auditors, we have established a Corporate Auditors' Office, which is an independent organization outside of the directors' chain of command. Full-time specialist staff members support the audits of corporate auditors.

## 5. Response to Internal Control and Reporting System

The J-POWER Group has been working to establish an internal control system over financial reporting. From April 2008, the J-POWER Group has begun operating the internal control and reporting system of the Financial Instruments and Exchange Act, after completing the process of ensuring transparency (through the preparation of

documentation) and establishing regulations for identifying risks that could affect financial reporting for the entire group as a whole and clarifying controls for each risk.

In regard to the evaluation of internal control by management, the Internal Audit Department, J-POWER's internal auditing division, played a lead role in conducting evaluations of the development of internal controls in the first half of fiscal 2008 and the operation of internal controls in the second half of the fiscal year. Evaluations were conducted from the perspective of enforcing Company-wide internal controls, internal controls related to operational processes, and internal controls using IT based on implementation standards laid out by Japan's Financial Services Agency. As a result, these evaluations recognized no material deficiencies in the internal control system. On June 30, 2009, J-POWER submitted an Internal Control Report containing the findings of the evaluations by management to the authorities. Going forward, efforts will continue to be made to enhance internal control systems throughout the J-POWER Group, with the view to ensuring the reliability of financial reporting.

### Thorough Compliance

Based on the J-POWER Group Corporate Philosophy, we have formulated basic guidelines for behavior in line with compliance and business ethics principles that must be observed in the course of conducting business operations. The J-POWER Compliance Code sets forth basic principles for compliance, while the J-POWER Group Corporate Conduct Rules lays down more

concrete decision-making guidelines for actions taken by individual employees, including members of management, when conducting business activities.

Furthermore, to ensure that the purport of these principles is realized in a sustainable and effective manner, Company-wide compliance is overseen by the chairman, and as a promotion framework, J-POWER has appointed a director in charge of compliance who implements promotion operations and assists the chairman and president in this regard. In addition, the Compliance Action Committee, chaired by the chairman, has been established to discuss and evaluate the implementation status of Company-wide compliance promotion measures, and to address issues related to compliance breaches. Under this committee, the Company has also set up a Compliance Promotion Headquarters led by an executive vice president to implement compliance promotion-related operations in a rapid and appropriate manner. At major operating bases, such as offices and thermal power plants, J-POWER has also established On-site Compliance Committees, to carry out compliance activities matched to the characteristics of each location. Additionally, a Compliance Consulting Point has been established at the Internal Audit Department and at an external law firm as a consulting hotline in the event that employees face compliance issues. We are working to entrench a strong awareness of compliance in our corporate culture by fostering cooperation and collaboration among these internal organizations and operating bases, while dividing duties and responsibilities among them.

### Decision-Making Process and Management in Overseas Businesses

In advancing its overseas business strategies, J-POWER annually reviews investment scale, and policies regarding geographic regions, project status, and types of power, as well as personnel assignments and overseas operating bases.

Based on these policies and reviews, the International Business Division, which is responsible for promoting overseas businesses, conducts feasibility studies from among a number of options as well as early-stage screenings in cooperation with business partners. In this way, the International Business Division selects specific projects for the Company to pursue.

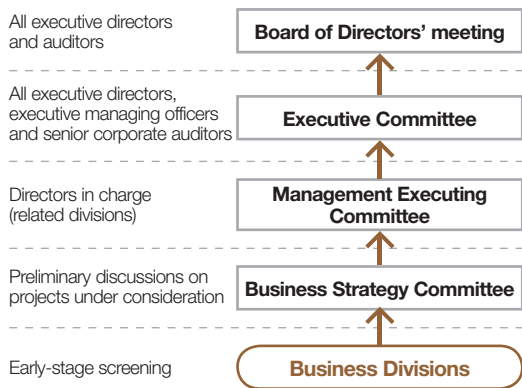
Projects undertaken in this manner are subject to further organizational decisions through checks and deliberations at a number of stages. First, detailed studies are made by people in the planning, legal and finance divisions. Risk factors and items for concern are pointed out and organized as issues for management discussion. Management Executing Committee attended by the President, related executive directors and executive officers are held to discuss these issues. Depending on details of the projects, we determine which projects to undertake at this stage, based on internal decision-making guidelines. Further deliberations are held for projects that cannot be determined at Management Executing Committee, with final decisions made by the Board of Directors through the Executive Committee, which is attended by all executive directors.

Projects begun following organizational decisions are monitored regularly. We make every effort to maintain a firm grasp of the status of projects and to discover and address problems rapidly. Similar processes are also followed when the Group undertakes new businesses in Japan.

### Setting of Stock Purchasing Guidelines

To provide further incentive for management to work to reflect the perspective of shareholders in business operations and to raise long-term shareholder value, in 2006, J-POWER established guidelines for the purchase of shares by directors and executive officers. In accordance with these guidelines, they have purchased J-POWER shares monthly through the Directors' Shareholding Society.

### Screening and Decision-Making Process of Investment in Overseas Businesses





## Environmental Management

Based on its corporate philosophy of “harmonizing energy supply with the environment,” the J-POWER Group practices environmental management that simultaneously aims to improve both environmental friendliness and economic value in order to contribute further to the development of a sustainable society.

Pursuant to the Basic Policy for the J-POWER Group’s Environmental Management Vision, which was established in 2004, J-POWER has formulated an Action Program setting out mid- and long-term goals, and is now working toward those objectives.

### The J-POWER Group’s Environmental Management Vision (Overview)

#### BASIC 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.

#### BASIC POLICY

##### Efforts relating to global environmental issues

In accordance with the principles of the United Nations Framework Convention on Climate Change (FCCC), we will address issues relating to climate change on a global scale in a cost-effective manner. We will continue to reduce CO<sub>2</sub> emissions per unit of electric power sales through an economically reasonable combination of measures, including maintenance and improvement of the efficiency of energy use; development of low CO<sub>2</sub> emission power sources; development, transfer and diffusion of new technologies; and utilization of the Kyoto Mechanisms. Furthermore, we will continue to work toward our ultimate goal of achieving zero emissions through the capture and storage of CO<sub>2</sub>.

##### Efforts relating to local 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 we will foster 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 communications with stakeholders.

#### ACTION PROGRAM [Corporate Objectives at a Glance]

##### Efforts Relating to Global Environmental Issues

CO <sub>2</sub> emissions per unit of electric power sales	We will work to reduce the CO <sub>2</sub> emissions per volume of electric power sales in the power generation business worldwide by around 10% in fiscal 2010 compared with the fiscal 2002 level.
Total thermal energy efficiency (HHV, Gross Efficiency—LLV)	We will maintain thermal power plant efficiency at its current level (around 40%).
SF6 recovery rate	We will strive to improve the SF6 recovery rate [recovery rate of at least 97% when inspecting equipment] [recovery rate of at least 99% when removing equipment].
Office electricity consumption	We will work to reduce office electricity consumption in fiscal 2010 by at least 4% compared with fiscal 2006 (an improvement of at least 1% from the prior fiscal year).
Office fuel consumption	We will work to reduce office electricity consumption in fiscal 2010 by at least 4% compared with fiscal 2006 (an improvement of at least 1% from the prior fiscal year).

##### Efforts Relating to Local Environmental Issues

SOx emissions per volume of thermal power generation	Maintain SOx emissions per volume of thermal power generation at its current level (around 0.2 g/kWh)
NOx emissions per volume of thermal power generation	Maintain NOx emissions per volume of thermal power generation at its current level (around 0.5 g/kWh)
Recycling rate for industrial waste	We will strive to achieve a recycling rate of 97% by the end of fiscal 2010, with the aim of attaining zero industrial waste emissions.
Recycling rate for waste paper	We aim to achieve a recycling rate of at least 85% for waste paper included in ordinary waste by the end of fiscal 2010 (an improvement of at least 1% from the prior fiscal year).
Procurement ratio for recycled copier paper	We aim to achieve a green procurement ratio for copier paper of at least 99% by the end of fiscal 2010 (an improvement of at least 1% from the prior fiscal year).
Green procurement ratio for office supplies (stationery)	We aim to achieve a green procurement ratio for office supplies (stationery) of at least 80% by the end of fiscal 2010.
Ownership ratio of low-pollution vehicles, etc.	We aim to achieve an ownership ratio of low-pollution vehicles, etc., of at least 90% by the end of fiscal 2010.

##### Ensuring Transparency and Reliability

Enhancing environmental management	We will strive to continuously improve our environmental management systems (EMS).
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## Countering Global Warming—Four Measures by the J-POWER Group

The J-POWER Group's domestic CO<sub>2</sub> emissions account for roughly 3% of the total for Japan. Taking this fact very seriously, and recognizing our social responsibility as a leading coal-user company, we have positioned global environmental problems as one of our top management priorities. Accordingly, we strive to continuously reduce CO<sub>2</sub> emissions per unit of electric power sales by consistently implementing an optimal combination of the four measures below over short-, medium- and long-term timeframes.

■ Maintenance and improvement of the efficiency of energy use

We are working to raise the efficiency of thermal power plants, while improving the power generation efficiency of hydroelectric plants, which generate no CO<sub>2</sub> emissions, through equipment upgrades and more efficient operations.

■ Development of low CO<sub>2</sub> emission power sources

We are working to develop power sources that emit little or no CO<sub>2</sub>, such as nuclear, wind, solar, and biomass derived from organic matter.

■ Development, transfer and diffusion of new technologies

We are advancing technology development to improve power generating efficiency through coal gasification and the capture of CO<sub>2</sub>. In pursuit of the next generation of technology, we seek to become a leader in global coal-fired thermal power generation.

■ Utilization of the Kyoto Mechanisms

Leveraging our own technologies and capital, we hope to contribute to effective CO<sub>2</sub> reduction on a global scale by, among other means, utilizing CDM and other Kyoto Mechanisms. These mechanisms allow emissions reductions achieved by greenhouse gas reduction projects conducted in other countries to count towards Japan's own emissions reductions.

### CDM Executive Board—Registered Projects Developed with J-POWER Participation

Country	Project	Details
Chile	Nestle Graneros Plant Fuel-Switching Project	Switch to natural gas in conjunction with renovation of facilities
Chile	Metrogas Package Cogeneration Project	Introduction of cogeneration for improved energy-use efficiency
Columbia	La Vuelta and La Herradura Hydroelectric Projects	Use of renewable energy sources
Brazil	Aquarius Hydroelectric Project	Use of renewable energy sources
Brazil	Caieiras Landfill Gas Emission-Reduction Project	Reducing greenhouse gas emissions by burning landfill gas
China	Erdaoqiao Hydropower Project	Use of renewable energy

## Relations with Communities, Society and Employees

### Relations with Communities and Society

Through its primary business activities, the J-POWER Group aims to contribute to the realization of sustainable societies on both a local community and global level. In pursuit of this objective, the Group is engaged in a diverse range of initiatives in Japan and overseas.

#### Together with Regions and Communities

Individual employees and business sites of the J-POWER Group gain the trust and confidence of local citizens as good residents and through good corporate citizenship, respectively, by taking part in community activities to preserve the environment, including forest conservation, cleanup, and tree planting, as well as in local events and cultural activities.

#### Aiming to “Harmonize Energy Supply With the Environment”

In order to raise awareness throughout society regarding “harmonizing energy supply with the environment,” J-POWER provides support for hands-on educational programs, holds outdoor nature workshops and conducts scientific seminars.

#### Activities as a Global Citizen

J-POWER works to contribute to the development of international society by leveraging the experience and networks gained through more than 50 years of business in various areas of the world, conducting activities rooted in local communities overseas.

### Building Safe, Healthy and Productive Workplaces

The J-POWER Group places the utmost priority on preventing workplace accidents and ensuring compliance, while showing respect for the character and individuality of employees, as it strives to create an organization where employees can constantly embrace new challenges with a high level of motivation.

#### Ensuring and Nurturing a Diversified Workforce

J-POWER strives to maintain a stable, diversified workforce through such means as the recruitment of new graduates and experienced workers. The Company also actively works to nurture its workforce mainly by offering programs for employees to hone the practical skills and abilities needed to address changes and growth in business opportunities, as well as programs designed to maintain and enhance technical expertise.

#### Energizing the Workforce and Enhancing Work Environments (Promoting Balanced Work Lifestyles)

J-POWER is working to develop workplaces where its employees, who specialize in a wide range of fields and cover many different age groups, can succeed on the job by demonstrating their skills and abilities to the fullest. This is being achieved primarily by enhancing work environments and personnel systems so as to maximize the Company's diversified workforce and values.

## Financial Section

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# Consolidated Financial Summary

For the years ended March 31

	Millions of yen					Thousands of U.S. dollars	
	2005	2006	2007	2008	2009	2009	
Operating revenues	594,375	621,933	573,277	587,780	<b>704,936</b>	<b>7,176,389</b>	
Electric power	547,960	573,198	523,782	531,764	<b>648,362</b>	<b>6,600,452</b>	
Other	46,414	48,734	49,494	56,016	<b>56,574</b>	<b>575,937</b>	
Operating expenses	482,489	520,464	496,136	537,056	<b>647,828</b>	<b>6,595,014</b>	
Electric power	431,678	469,720	444,463	477,869	<b>588,808</b>	<b>5,994,180</b>	
Other	50,810	50,744	51,673	59,186	<b>59,019</b>	<b>600,834</b>	
Operating income	111,885	101,469	77,141	50,724	<b>57,108</b>	<b>581,374</b>	
Income before income taxes and minority interests	55,984	68,305	54,757	43,469	<b>32,536</b>	<b>331,225</b>	
Net income	35,559	43,577	35,167	29,311	<b>19,457</b>	<b>198,083</b>	
Total assets	2,021,655	1,964,667	1,999,794	2,013,131	<b>2,005,469</b>	<b>20,416,059</b>	
Interest-bearing debt	1,498,010	1,408,232	1,421,542	1,423,878	<b>1,470,748</b>	<b>14,972,493</b>	
Total net assets	391,327	433,028	462,654	468,118	<b>382,112</b>	<b>3,889,981</b>	
Net cash provided by operating activities	172,637	173,954	157,241	136,252	<b>158,628</b>	<b>1,614,867</b>	
Net cash used in investing activities	(60,586)	(72,326)	(155,407)	(152,518)	<b>(132,350)</b>	<b>(1,347,348)</b>	
Free cash flow	112,051	101,628	1,834	(16,265)	<b>26,278</b>	<b>267,519</b>	
Net cash provided by (used in) financing activities	(111,798)	(103,613)	(2,168)	17,174	<b>(29,615)</b>	<b>(301,490)</b>	
Depreciation	125,339	135,019	123,083	115,021	<b>114,669</b>	<b>1,167,362</b>	
Capital expenditures	50,925	60,861	90,704	122,056	<b>172,128</b>	<b>1,752,297</b>	
Net income per share (yen, U.S. dollars)	255.01	260.76	211.14	175.99	<b>121.65</b>	<b>1.24</b>	
Cash dividends per share (yen, U.S. dollars)	60	60	60	70	<b>70</b>	<b>0.71</b>	
Shareholders' equity per share (yen, U.S. dollars)	2,818.04	2,598.90	2,768.95	2,800.18	<b>2,533.28</b>	<b>25.79</b>	
Return on equity (%)	9.5	10.6	7.9	6.3	<b>4.6</b>		
Shareholders' equity ratio (%)	19.4	22.0	23.1	23.2	<b>19.0</b>		
Number of shares outstanding (thousands)	138,808	166,569	166,569	166,569	<b>166,569</b>		
Number of employees	5,925	5,868	6,494	6,524	<b>6,581</b>		
Generation capacity (MW)							
Wholesale electric power business	16,375	16,375	16,380	16,380	<b>16,385</b>		
Hydroelectric	8,551	8,551	8,556	8,556	<b>8,561</b>		
Thermal	7,825	7,825	7,825	7,825	<b>7,825</b>		
Other electric power businesses	375	495	560	560	<b>606</b>		
Total	16,750	16,870	16,940	16,940	<b>16,991</b>		
Electric power sales (GWh)							
Wholesale electric power business	60,517	62,626	58,672	60,786	<b>57,532</b>		
Hydroelectric	11,172	8,582	10,633	8,287	<b>8,384</b>		
Thermal	49,344	54,044	48,039	52,499	<b>49,147</b>		
Other electric power businesses	965	1,701	1,657	1,682	<b>1,616</b>		
Total	61,483	64,328	60,329	62,469	<b>59,148</b>		
Electric power revenues							
Wholesale electric power business	476,335	495,061	450,034	457,292	<b>571,282</b>	<b>5,815,759</b>	
Hydroelectric	137,106	126,810	123,490	114,557	<b>110,945</b>	<b>1,129,441</b>	
Thermal	339,228	368,250	326,543	342,734	<b>460,336</b>	<b>4,686,308</b>	
Other electric power businesses	8,679	16,495	16,868	17,702	<b>20,055</b>	<b>204,164</b>	
Transmission	61,194	58,255	55,184	54,934	<b>55,414</b>	<b>564,125</b>	

\* Pumped-storage hydroelectric power is not included.

\*\* 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, 2009, which was ¥98.23 = US\$1.00.

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

# Management's Discussion and Analysis

## Electricity Sales Volume and Operating Revenues

During the fiscal year ended March 31, 2009 (fiscal 2008), overall demand for electricity in Japan declined from that of the previous fiscal year. This downturn primarily reflected a rapid drop in demand from the industrial sector from the fall of 2008.

Under these conditions, consolidated operating revenues totaled ¥704.9 billion, up ¥117.1 billion, or 19.9%, from the previous fiscal year. This was mainly owing to an increase in unit sales prices for thermal power accompanying higher fuel prices. Operating revenues were partly offset, however, by decreases due to contract rate reductions for hydroelectric power and transmission in force since September 2007, as well as declines in electricity sales volume stemming from lower capacity utilization rates for thermal power. The following is a breakdown of electricity sales volume and operating revenues by business segment.

### Electric Power Business

In the wholesale electric power business, electricity sales volume from hydroelectric power plants increased 1.2% year on year to 8.3 billion kWh. While sales volume suffered, as in the previous fiscal year, from the effects of low water flow, the water supply rate was up from 85% to 88%, representing an increase of 0.1 billion kWh. Due to the impact of rate reductions, operating revenues from hydroelectric power decreased ¥3.6 billion, or 3.2%, year on year to ¥110.9 billion.

In thermal power, electricity sales volume declined 6.4% year on year to 49.1 billion kWh mainly due to lower capacity utilization at thermal power plants (the load factor decreased from 81% in the previous fiscal

year to 76%, representing a decrease of 3.4 billion kWh). Operating revenues from thermal power rose ¥117.6 billion, or 34.3%, year on year to ¥460.3 billion, primarily as the result of increased unit sales prices accompanying higher fuel prices.

As a result, in the wholesale electric power business, total electricity sales volume from both hydroelectric and thermal power plants decreased 5.4% year on year to 57.5 billion kWh. On the same basis, operating revenues were up ¥113.9 billion, or 24.9%, year on year at ¥571.2 billion.

Meanwhile, operating revenues from the power transmission/transforming business rose 0.9% year on year to ¥55.4 billion. The power transmission/transforming business mainly involves the operation of transmission trunk lines linking regional service areas in Japan.

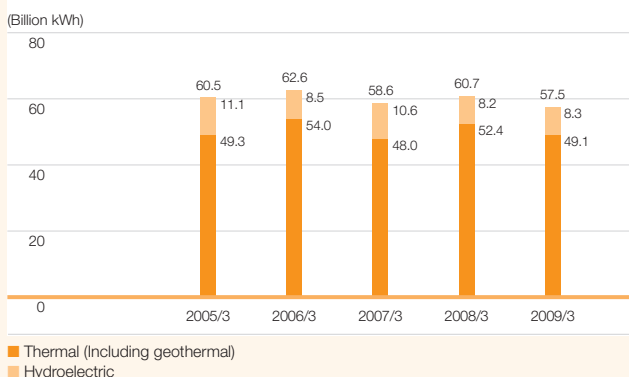
In the other electric power businesses, electricity sales volume declined 3.9% year on year to 1.6 billion kWh, mainly as a result of lower capacity utilization rates for PPS. Operating revenues increased ¥2.3 billion, or 13.3%, year on year to ¥20.0 billion.

As a result, electricity sales volume in the overall electric power business declined 5.3% year on year to 59.1 billion kWh. Overall, operating revenues in the electric power business rose ¥116.4 billion, or 21.8%, year on year to ¥651.5 billion.

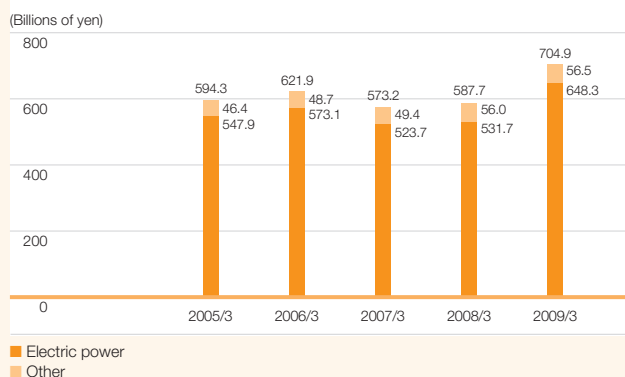
### Electric Power-Related Businesses

In fiscal 2008, operating revenues increased ¥67.2 billion, or 23.5%, year on year to ¥352.8 billion, primarily owing to higher revenues from a consolidated subsidiary in the coal sales business, as well as revenue growth from an increase in periodic facility inspections during the fiscal year.

**ELECTRICITY SALES IN WHOLESALE ELECTRIC POWER BUSINESS (THERMAL AND HYDROELECTRIC)**



**OPERATING REVENUES (ELECTRIC POWER AND OTHER)**



\* Other includes sales to customers outside the Group in Electric Power-Related and Other businesses



### Other Businesses

In fiscal 2008, operating revenues rose ¥1.4 billion, or 4.1%, year on year to ¥36.4 billion, atop higher sales to customers outside the Group at consolidated subsidiaries.

### Operating Expenses and Operating Income

In fiscal 2008, operating expenses rose ¥110.7 billion, or 20.6%, year on year to ¥647.8 billion. As a result, operating income increased ¥6.3 billion, or 12.6%, year on year to ¥57.1 billion. The operating margin deteriorated by 0.5 of a percentage point to 8.1%.

### Electric Power Business

Operating income rose ¥4.7 billion, or 11.8%, year on year to ¥44.6 billion. The main reason for this increase was higher operating revenues, which overcame an increase of ¥21.0 billion in repair expenses mainly accompanying periodic inspections at thermal power plants, a rise in fuel costs of ¥72.8 billion stemming from a rise in coal prices, and a rise in personnel expenses of ¥5.8 billion owing to the calculation of retirement benefit obligations.

### Electric Power-Related Businesses

Operating income increased ¥1.1 billion, or 11.2%, year on year to ¥11.5 billion, reflecting higher operating revenues.

### Other Businesses

Operating income was down ¥0.5 billion, or 60.0%, from the previous fiscal year at ¥0.3 billion, due mainly to an increase in cost of sales.

### Non-Operating Revenues and Expenses

Net non-operating expenses increased by ¥9.6 billion from the previous fiscal year to ¥17.5 billion in fiscal 2008.

### Non-Operating Revenues

Non-operating revenues declined ¥8.2 billion, or 38.3%, year on year to ¥13.2 billion. This was mainly the result of the absence in fiscal 2008 of proceeds from the sale of a wind power generation company in Spain recorded in the previous fiscal year. Of this amount, equity-method earnings in the overseas power generation business declined from ¥8.6 billion in the previous fiscal year to ¥7.8 billion in fiscal 2008, largely due to the yen's rapid appreciation.

### Non-Operating Expenses

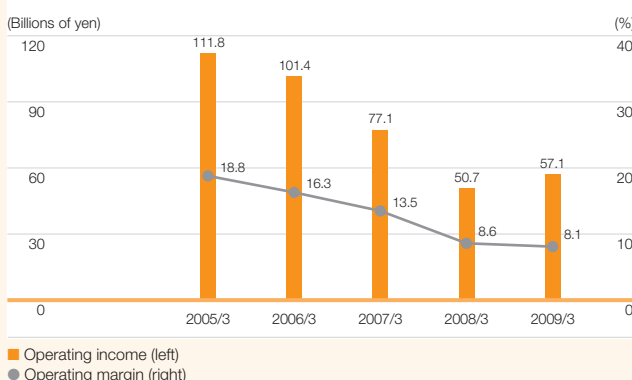
Non-operating expenses in fiscal 2008 increased ¥1.3 billion, or 4.8%, year on year to ¥30.7 billion.

As a result, ordinary income declined 7.6% year on year to ¥39.5 billion. The ordinary income margin deteriorated by 1.7 percentage points to 5.6%.

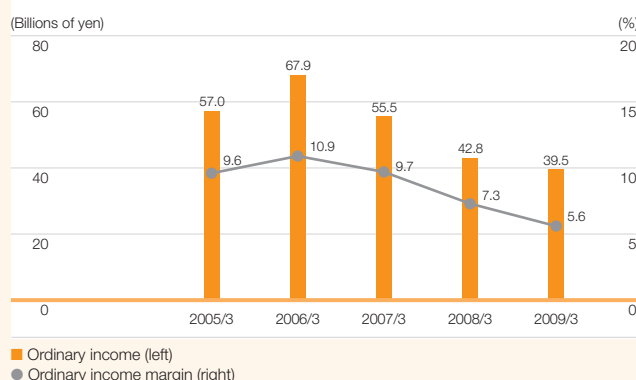
### Net Income

In addition to the above, the company recorded as extraordinary income ¥12.1 billion as its share of profits from the termination of an anonymous association accompanying the acquisition of trust beneficiary interests in land and buildings pertaining to the company's headquarters held as trust assets. Similarly, the company booked an extraordinary loss, namely valuation losses in the form of a loss on valuation of marketable securities of ¥19.6 billion from impairment-related

#### OPERATING INCOME/OPERATING MARGIN



#### ORDINARY INCOME/ORDINARY INCOME MARGIN



losses accompanying a dramatic drop in the market values of shares. Accordingly, income before income taxes and minority interests declined ¥10.9 billion, or 25.2%, year on year, to ¥32.5 billion. After accounting for income taxes of ¥12.9 billion and minority interests, net income declined ¥9.8 billion, or 33.6%, year on year to ¥19.4 billion.

### Net Income per Share

Net income per share was ¥121.65 in fiscal 2008, compared to ¥175.99 in the previous fiscal year.

### Dividend Policy

The most prominent characteristic of J-POWER's business is that we secure returns on our investments in power plants and other infrastructure through the long-term operation of these facilities utilizing our well-established enterprise management expertise, including the construction of power plants and other infrastructure. J-POWER will continue to allocate an appropriate level of internal reserves to business investments aimed at new growth, while increasing equity capital based on the recognition that it must further reinforce its financial position.

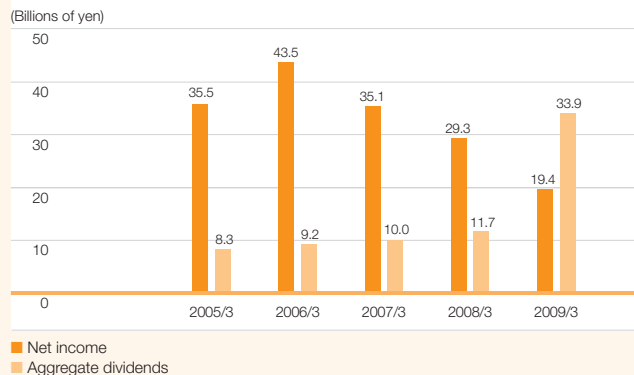
Our top priority for returning profit to shareholders is to maintain a stable dividend in line with the characteristics of our business. We will also work to enhance returns to shareholders in step with efforts to raise corporate value and achieve further growth in a sustainable manner.

In fiscal 2007, J-POWER achieved all its 3-year management targets for the fiscal 2005-fiscal 2007 period, resulting in a sustainable and stable growth outlook over the medium to long-term. In light of a comprehensive consideration of factors such as achievement

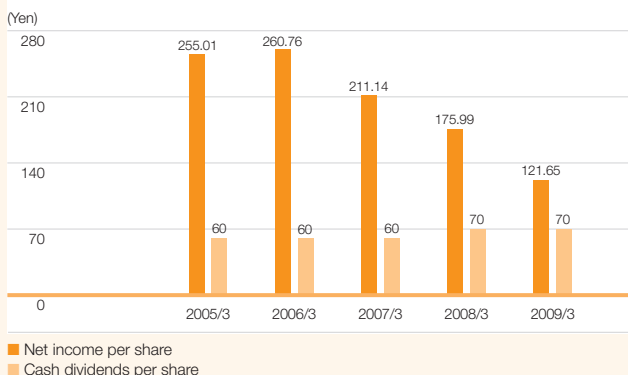
of our three-year management targets, future size of earnings, and the outlook for investments and financial position, we increased our annual dividend for fiscal 2007 from ¥60 per share to ¥70 per share.

In fiscal 2008, stock market weakness triggered by the global economic downturn and other factors resulted in an adverse operating environment. Nevertheless, we are committed to strengthening the competitiveness of our core operation, the wholesale electric power business, going forward, and will strive to enhance earnings power through the development of new businesses, among other means. Accordingly, from the standpoint of long-term stability in the return of profits to shareholders, the company decided to combine a year-end dividend of ¥35 per share and an interim dividend of ¥35 per share, for a total annual dividend of ¥70 per share. As a result, the consolidated payout ratio increased 17.7 percentage points to 57.5%. Consolidated dividend on equity was 2.6%, an increase of 0.1 of a percentage point from the previous fiscal year.

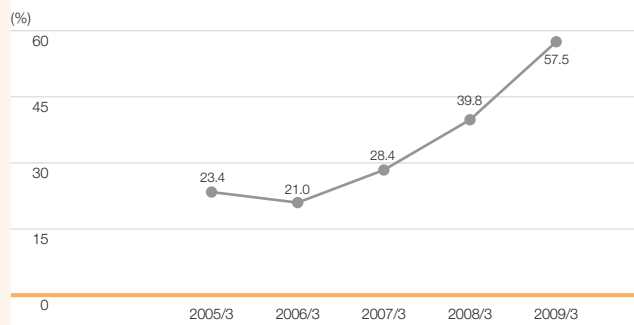
### NET INCOME/AGGREGATE DIVIDENDS



### NET INCOME PER SHARE/CASH DIVIDENDS PER SHARE



### CONSOLIDATED DIVIDEND PAYOUT RATIO



## Financial Position and Liquidity

### Assets

As of March 31, 2009, total assets were ¥2,005.4 billion, a decrease of ¥7.6 billion, or 0.4%, from a year earlier.

The value of property, plant and equipment, net declined ¥21.2 billion, or 1.1%, from a year ago to ¥1,843.1 billion.\* This outcome resulted from a decrease due to ongoing depreciation of property, plant and equipment and changes in the operating body for the Tokuyama Power Plant construction project. These factors offset capital expenditures for new construction at the Ohma Nuclear Power Plant and the Isogo New No. 2 Thermal Power Plant, as well as the acquisition of land and buildings pertaining to the company's headquarters.

\* Includes investments and other assets of ¥211.9 billion

### Liabilities

As of March 31, 2009, total liabilities were ¥1,623.3 billion, an increase of ¥78.3 billion, or 5.1%, from a year earlier. This increase was due in part to the issue of corporate bonds in order to raise funds for investments in Japan and overseas.

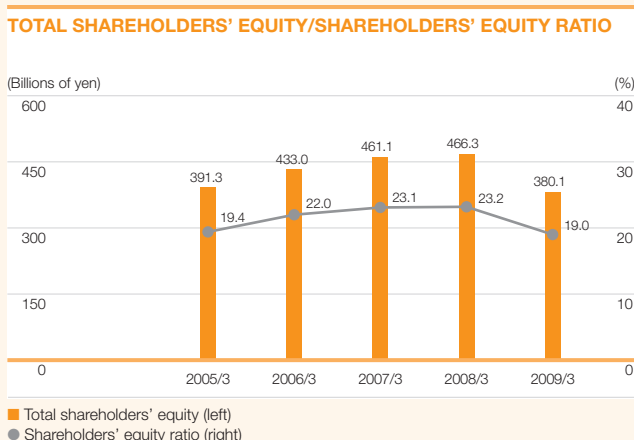
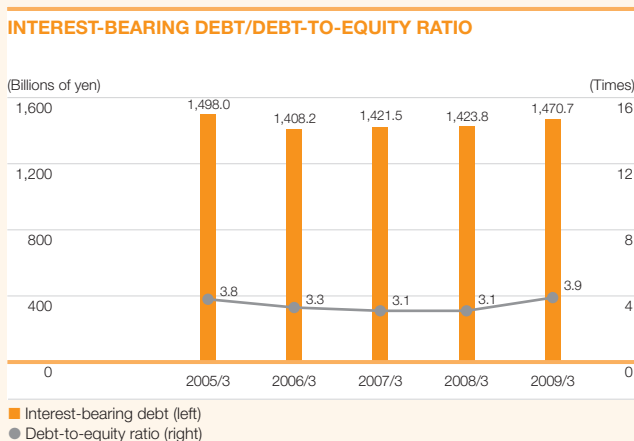
Interest-bearing debt increased ¥46.8 billion, or 3.3%, from a year ago to ¥1,470.7 billion. The debt-equity ratio was 3.9, increasing from 3.1 at the previous fiscal year-end.

### Net Assets and Shareholders' Equity\*

Net assets as of March 31, 2009 were ¥382.1 billion, down ¥86.0 billion, or 18.4%, from a year earlier, mainly due to the acquisition of treasury stock. Shareholders' equity declined ¥86.2 billion, or 18.5%, from a year earlier to ¥380.1 billion.

\* Net assets – minority interests – share subscription rights (equivalent to shareholders' equity until fiscal 2005)

As a result, the shareholders' equity ratio decreased 4.2 percentage points from 23.2% a year earlier to 19.0% as of March 31, 2009.



### Capital Expenditures

Capital expenditures rose ¥50.0 billion, or 41.0%, to ¥172.1 billion. In recent years, capital expenditures have remained within the scope of cash flows from operating activities.

Capital expenditures in the electric power business increased ¥40.5 billion, or 35.7%, year on year to ¥154.0 billion. These capital expenditures were mainly for the Isogo New No. 2 Thermal Power Plant (output capacity of 600 MW, in Kanagawa Prefecture), and the Ohma Nuclear Power Plant (output capacity of 1,383 MW, in Aomori Prefecture).

### BREAKDOWN OF CAPITAL EXPENDITURES (FISCAL 2008)

Item	Capital expenditures (Billions of Yen)
Hydroelectric	15.1
Thermal	44.1
Nuclear	25.2
Electric Power Business	
Transmission/Transforming	18.3
Other	33.9
Nuclear fuel	17.2
Electric power business total	154.0
Electric Power-Related Businesses	13.1
Other Businesses	4.8
Elimination	(0)
<b>Total</b>	<b>172.1</b>

Note: The above monetary amounts do not include consumption tax.  
Repair work on existing facilities in fiscal 2008 totaled ¥75.7 billion.

Looking ahead, J-POWER's major plans for capital expenditures continue to include the Isogo New No. 2 Thermal Power Plant and the Ohma Nuclear Power Plant. Plans call for developing the former into an urban coal-fired thermal power plant passing stringent environmental standards, along with the Isogo No. 1 Thermal Power Plant (output capacity of 600 MW). Operations at the Isogo New No. 2 Thermal Power Plant are slated to commence in 2009 (Commenced operations in July 2009). With the start of construction of the Ohma Nuclear Power Plant in May 2008, and construction work still under way, capital expenditures are expected to increase until the commencement of operations at both the Isogo New No. 2 Thermal Power Plant and the Ohma Nuclear Power Plant.

Regarding the construction plan of the Tokuyama Power Plant (output capacity of 153 MW, general hydro-electric power, in Gifu Prefecture), on October 10, 2008, J-POWER transferred responsibilities as the operating body of the power plant to Chubu Electric Power Co., Inc.

For fiscal 2009, we are forecasting total capital expenditures of ¥132.3 billion in the electric power business, primarily reflecting investment in the maintenance and upgrading of existing facilities, as well as the two new power plants mentioned above.

### Fund Procurement

J-POWER's financing needs are primarily related to capital expenditures for plant and equipment, and the overseas power generation business, as well as debt refinancing, and the Group adheres to a basic policy of fund procurement based on long-term funding. As a means of long-term fund procurement, we issue straight bonds in order to maintain a low-rate and stable fund procurement platform. The balance of outstanding

straight bonds as of March 31, 2009 was ¥594.8 billion. Also we undertake short-term funding to raise operating funds as well as to enhance the flexibility of procurement options. In order to meet the needs for short-term funding, we are currently able to issue up to a total of ¥300.0 billion in commercial paper.

In addition to these measures, we implement both short and long-term funding through an extensive business relationship with banking institutions.

### Cash Flow

#### Cash Flow from Operating Activities

Net cash provided by operating activities was ¥158.6 billion, an increase of ¥22.3 billion, or 16.4%, from the previous fiscal year. This increase mainly reflected an increase in retained earnings from valuation losses on marketable securities, as well as the company's share of profits from the termination of an anonymous association accompanying the acquisition of trust beneficiary interests in land and buildings pertaining to the company's headquarters held as trust assets.

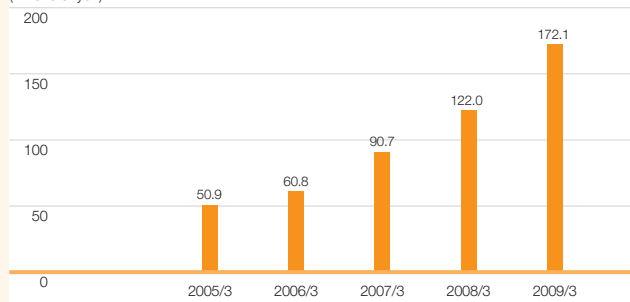
#### Cash Flow from Investing Activities

Net cash used in investing activities was ¥132.3 billion, ¥20.1 billion, or 13.2%, less than in the previous fiscal year. This mainly reflected compensation received in line with changes in the operating body for the Tokuyama Power Plant construction project. This factor outweighed increased cash outflows for new construction related to the Isogo New No. 2 Thermal Power Plant and the acquisition of trust beneficiary interests in land and buildings pertaining to the company's headquarters held as trust assets.

As a result of the foregoing, free cash flow was a positive ¥26.2 billion.

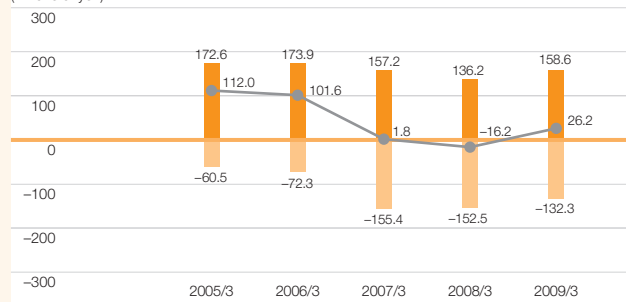
### CAPITAL EXPENDITURES

(Billions of yen)



### CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES AND FREE CASH FLOW

(Billions of yen)



■ Net cash provided by operating activities  
 ■ Net cash used in investing activities  
 ● Free cash flow



### **Cash Flow from Financing Activities**

Net cash used in financing activities was ¥29.6 billion, a change of ¥46.7 billion from net cash provided in the previous fiscal year. This mainly reflected the acquisition of treasury stock.

As a result of these activities, cash and cash equivalents as of March 31, 2009 totaled ¥29.5 billion, down ¥6.1 billion, or 17.1%, from a year earlier.

### **Risk Factors**

#### **Business and Other Risks**

This section discusses the main potential risks related to J-POWER's financial position, business results, current and future business operations, as well as other matters. From the perspective of actively disclosing information to investors, this section also provides information to help investors understand business and other risks that the company does not necessarily consider significant. Statements about future matters are based on judgments as of June 30, 2009.

#### **Impact of Industry Reforms in the Electric Power Business on J-POWER's Wholesale Electricity Rates and Business**

J-POWER derives most of its operating revenues from wholesale power supply to Japan's 10 electric power companies (EPCOs). Amid intensifying competition driven by industry reforms in the electric power business, the EPCOs have reduced their retail electricity rates.

However, because our contract rates are calculated on a fair cost plus fair return on capital basis, we are not directly affected by the reduction in retail electricity rates. Nevertheless, EPCOs have been calling for a reduction in our contract rates, and it is possible that declines in retail electricity rates and intensifying competition could lead to stronger calls for the company to lower its contract rates. Accordingly, a significant reduction in our contract rates going forward could potentially have a material adverse effect on the results of our operations.

Wholesale power trading on the Japan Electric Power Exchange commenced in April 2005. J-POWER is currently trading in the wholesale power markets. Although we do not expect a large amount of electricity to be traded on the exchange in the near term, an increase in the importance of exchange-traded power prices as a price indicator could potentially have an indirect effect on our rate levels. If the rates set in contracts between J-POWER and EPCOs are higher than price indicators, this could potentially have a material adverse effect on the results of our operations.

#### **Delay or Discontinuation of Our Current Power Plant Construction**

Slacking growth in electricity demand in recent years has prompted EPCOs to postpone or cancel new power plant development and to shut down inefficient thermal power plants on a long-term or permanent basis. In some cases, we have also postponed the start of commercial operations or canceled the planned construction of power plants to supply EPCOs based on consultations with our EPCO clients. The cancellation of construction plans as a result of declining demand for electric power and other major changes in the operating environment or unforeseen circumstances could potentially have a material adverse effect on the results of our operations.

#### **Global Warming**

J-POWER has a large number of coal-fired thermal power plants, which emit relatively high amounts of carbon dioxide with respect to power output compared to power plants that use LNG and other fossil fuels. Accordingly, we have taken various initiatives to combat global warming both in Japan and overseas.

These efforts notwithstanding, if the Japanese government establishes new regulations to achieve the greenhouse gas emission reduction targets in the Kyoto Protocol, which sets reduction targets for advanced countries and came into force in February 2005, this could potentially have a material adverse effect on the results of our operations.

#### **Overseas Power Generation Business and Other Areas of New Business**

J-POWER is pursuing new initiatives in the overseas power generation business and new electric power businesses in Japan, with the aim of creating new profit sources. However, these businesses may not generate the level of profits that we anticipate, due to unforeseeable circumstances, including a major change in operating conditions, weakening demand, and changes in regulations. Moreover, changes in our business plans or the suspension of operations prompted by these circumstances could result in related expenses that could potentially have a material adverse effect on the results of our operations. Overseas businesses also entail foreign exchange risk as well as country risk based on political instability and other factors.

## Capital Funds

J-POWER expects it will need to raise a large amount of funds to build the Isogo New No. 2 Thermal Power Plant and the Ohma Nuclear Power Plant, which are scheduled to commence operations during the next ten years, as well as for refinancing outstanding debt, investments in the overseas power generation business and other purposes. If we are unable to raise the required funds on acceptable terms and in a timely manner due to the prevailing conditions on the financial markets, the company's credit situation, or other factors at that time, then this could potentially have a material adverse effect on our business development and profitability.

## Ohma Nuclear Power Plant

J-POWER has commenced construction of the Ohma Nuclear Power Plant (in Aomori Prefecture; capacity of 1,383 MW) after receiving from the national authorities authorization for a license to install a nuclear reactor in April 2008 and approval of the first application for construction plans for the first phase of construction in May. From the standpoint of conducting construction efficiently with safety as the foremost priority, J-POWER is closely examining the details of construction plans and construction processes. Although it is the intention of J-POWER to continue carrying out the project as planned, any changes to the plan as a result of drastic changes in operating conditions, the occurrence of unforeseen events, or other factors could potentially affect the business performance of the company. In addition, the plan may be affected to a certain extent in the event of an accident involving a facility either in Japan or elsewhere, which could erode society's confidence in nuclear power generation.

Nuclear power generation involves various risks, such as those associated with the storage and handling of radioactive materials, as well as those common to all types of power generation facilities, such as natural disasters and unforeseen accidents. J-POWER intends to ensure that these risks will be avoided or minimized after operation has commenced. However, in the event that any of these risks do materialize, it could adversely affect the business performance of the company.

## Coal-Fired Thermal Power Plant Fuel

J-POWER's coal-fired thermal power plants use imported coal as their main source of fuel, and fuel costs are affected by price fluctuations for imported coal, supply and demand dynamics for transport vessels, and problems with the facilities or operations of fuel suppliers, among other factors. Fuel prices are reflected in our electricity rates for EPCOs on a cost basis. These rates

are generally revised every two years, though they are subject to annual revision if costs change significantly. As a result, fluctuations in coal prices have a limited impact on earnings. However, following a revision to wholesale electricity rates, if coal prices rise sharply before the next revision, there will be a delay before the rise in fuel prices are reflected in electricity rates. This could have a temporary adverse impact on the business performance of the Company.

## Natural Disasters and Accidents

Should a natural disaster, human error, terrorist activity, fuel supply stoppage, or other unforeseen circumstance result in major disruption at one of J-POWER's power plants, transmission or substation facilities, or with the information systems that control operations at these facilities, this could potentially hamper our business operations and consequently have a material adverse effect on the surrounding environment as well as the results of our operations.

## Regulatory Requirements

J-POWER's mainstay wholesale electric power business is subject to regulations in the Electricity Utilities Industry Law. In addition to this law, our business operations are subject to a variety of other laws. If we are unable to comply with these laws and regulations, or if these laws and regulations are revised, this could potentially have a material adverse effect on our business operations and earnings.

## Concentration on a Limited Number of Customers

Sales to EPCOs account for the majority of J-POWER's operating revenues. We expect EPCOs to remain our most important customers going forward, and accordingly, our earnings could potentially be affected by EPCOs' market share trends in the retail electricity market, as well as by other trends, including a sharp decline in demand for electric power in Japan due to the recent global economic downturn.

## Protection of Sensitive Information

J-POWER holds a large amount of important information that must be kept confidential, including personal information. J-POWER controls this information carefully by implementing information security measures, employee training programs and through other means. However, a leak of sensitive information outside the company could adversely affect J-POWER's reputation and business performance.

# Consolidated Balance Sheets

As of March 31, 2008 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
<b>Property, plant and equipment, net</b>	¥1,643,507	<b>¥1,631,219</b>	<b>\$16,606,125</b>
Power plants (Notes 2, 3 and 7)	1,265,497	<b>1,235,044</b>	<b>12,572,989</b>
Other property, plant and equipment (Notes 2 and 3)	40,270	<b>46,634</b>	<b>474,744</b>
Construction in progress (Notes 2 and 7)	327,429	<b>321,889</b>	<b>3,276,899</b>
Nuclear fuel	10,310	<b>27,650</b>	<b>281,492</b>
<b>Investments and other assets</b>	220,866	<b>211,923</b>	<b>2,157,425</b>
Long-term investments (Notes 2, 4, 7 and 17)	165,015	<b>150,332</b>	<b>1,530,415</b>
Deferred tax assets (Notes 2 and 20)	51,777	<b>58,711</b>	<b>597,690</b>
Others, less allowance for doubtful accounts (Note 2)	4,073	<b>2,880</b>	<b>29,319</b>
<b>Current assets</b>	148,756	<b>162,325</b>	<b>1,652,507</b>
Cash and bank deposits (Note 15)	33,961	<b>27,628</b>	<b>281,261</b>
Notes and accounts receivable, less allowance for doubtful accounts (Note 7)	44,573	<b>50,012</b>	<b>509,132</b>
Inventories (Notes 2 and 5)	25,329	<b>43,110</b>	<b>438,873</b>
Others (Notes 2 and 20)	44,892	<b>41,574</b>	<b>423,240</b>
<b>Total Assets</b>	¥2,013,131	<b>¥2,005,469</b>	<b>\$20,416,059</b>

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>	¥1,276,354	¥1,304,830	\$13,283,421
Long-term debt and lease obligations, less current portion (Note 7)	1,227,398	1,231,627	12,538,202
Accrued employee retirement benefits (Notes 2, 9 and 19)	39,083	51,931	528,675
Others (Notes 2, 6 and 20)	9,872	21,271	216,544
<b>Current liabilities</b>	267,097	317,379	3,230,982
Current portion of long-term debt and other (Note 7)	101,565	120,700	1,228,758
Short-term loans (Note 7)	6,126	9,098	92,621
Commercial paper (Note 7)	88,949	109,971	1,119,526
Income and other taxes payable	11,407	16,317	166,113
Others (Notes 2, 6 and 20)	59,048	61,291	623,962
<b>Reserve for fluctuation in water levels</b> (Note 2)	1,560	1,146	11,673
<b>Contingent liabilities</b> (Note 8)			
<b>Total Liabilities</b>	1,545,012	1,623,356	16,526,078
<b>NET ASSETS</b>			
<b>Shareholders' equity</b> (Note 21)	464,266	408,036	4,153,893
Common stock	152,449	152,449	1,551,965
Capital surplus	81,849	81,849	833,244
Retained earnings	230,032	236,998	2,412,689
Treasury stock	(64)	(63,260)	(644,005)
<b>Valuation and translation adjustments</b>	2,116	(27,908)	(284,112)
Unrealized gain on other securities, net (Note 2)	1,934	(404)	(4,122)
Deferred hedging gain and loss (Notes 2 and 18)	(6,759)	(6,285)	(63,987)
Foreign currency translation adjustments (Note 2)	6,941	(21,217)	(216,002)
<b>Minority interests</b>	1,735	1,984	20,199
<b>Total Net assets</b> (Note 2)	468,118	382,112	3,889,981
<b>Total Liabilities and Net assets</b>	¥2,013,131	¥2,005,469	\$20,416,059
<b>Shareholders' equity per share</b> (Note 2)			
	¥2,800.18	¥2,533.28	\$25.79

## Consolidated Statements of Income

For the years ended March 31, 2007, 2008 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2008	2009	2009
<b>Operating revenues</b>	¥573,277	¥587,780	<b>¥704,936</b>	<b>\$7,176,389</b>
Electric power	523,782	531,764	<b>648,362</b>	<b>6,600,452</b>
Other	49,494	56,016	<b>56,574</b>	<b>575,937</b>
<b>Operating expenses</b> (Notes 2, 9, 10, 11, 12 and 19)	496,136	537,056	<b>647,828</b>	<b>6,595,014</b>
Electric power	444,463	477,869	<b>588,808</b>	<b>5,994,180</b>
Other	51,673	59,186	<b>59,019</b>	<b>600,834</b>
<b>Operating income</b>	77,141	50,724	<b>57,108</b>	<b>581,374</b>
<b>Other income (expenses)</b> (Notes 2, 13 and 25)	(22,384)	(7,255)	<b>(24,572)</b>	<b>(250,149)</b>
Interest expenses	(22,585)	(22,749)	<b>(22,616)</b>	<b>(230,243)</b>
(Provision for) Reversal of reserve for fluctuation in water levels	(756)	595	<b>413</b>	<b>4,211</b>
Unrealized loss on valuation of securities	–	–	<b>(19,648)</b>	<b>(200,020)</b>
Distribution by dissolution of anonymous association	–	–	<b>12,170</b>	<b>123,902</b>
Other, net	957	14,899	<b>5,107</b>	<b>52,000</b>
<b>Income before income taxes and minority interests</b>	54,757	43,469	<b>32,536</b>	<b>331,225</b>
<b>Income taxes</b> (Notes 2, 11 and 20)				
Current	18,461	15,962	<b>17,928</b>	<b>182,512</b>
Deferred	1,431	(1,829)	<b>(4,945)</b>	<b>(50,343)</b>
<b>Minority interests</b>	(302)	24	<b>95</b>	<b>973</b>
<b>Net income</b>	¥ 35,167	¥ 29,311	<b>¥ 19,457</b>	<b>\$ 198,083</b>
<b>Amounts per share:</b>			Yen	U.S. dollars (Note 2)
Net income (Note 2)	¥211.14	¥175.99	<b>¥121.65</b>	<b>\$1.24</b>
Cash dividends applicable to the year (Note 14)	60.00	70.00	<b>70.00</b>	<b>0.71</b>



# Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2007, 2008 and 2009

Millions of yen

	Number of shares issued of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock <sup>(1)</sup>	Unrealized gain (loss) on other securities, net	Deferred hedging gain and loss	Foreign currency translation adjustments	Minority interests	Total net assets
<b>Balance at March 31, 2006</b>	166,569	¥152,449	¥81,849	¥182,760	¥ (17)	¥ 14,050	¥ -	¥ 1,935	¥1,206	¥434,234
Net income				35,167						35,167
Dividends				(9,993)						(9,993)
Bonuses to directors and statutory auditors				(161)						(161)
Increase in earnings from the addition of consolidated subsidiaries				4,533						4,533
Decrease in earnings from the addition of consolidated subsidiaries				(1,671)						(1,671)
Increase due to the addition of affiliates accounted for the equity method				66						66
Decrease due to the addition of affiliates accounted for the equity method				(6)						(6)
Increase resulting from decrease of consolidated subsidiaries				19						19
Acquisition of treasury stock					(39)					(39)
Net change during the year						220	(4,131)	4,155	261	506
<b>Balance at March 31, 2007</b>	166,569	152,449	81,849	210,713	(56)	14,271	(4,131)	6,090	1,468	462,654
Net income				29,311						29,311
Dividends				(9,993)						(9,993)
Acquisition of treasury stock					(7)					(7)
Net change during the year						(12,336)	(2,628)	851	267	(13,846)
<b>Balance at March 31, 2008</b>	166,569	152,449	81,849	230,032	(64)	1,934	(6,759)	6,941	1,735	468,118
Net income				<b>19,457</b>						<b>19,457</b>
Dividends				<b>(12,491)</b>						<b>(12,491)</b>
Acquisition of treasury stock					<b>(63,195)</b>					<b>(63,195)</b>
Net change during the year						<b>(2,339)</b>	<b>474</b>	<b>(28,159)</b>	<b>248</b>	<b>(29,776)</b>
<b>Balance at March 31, 2009</b>	<b>166,569</b>	<b>¥152,449</b>	<b>¥81,849</b>	<b>¥236,998</b>	<b>¥(63,260)</b>	<b>¥ (404)</b>	<b>¥(6,285)</b>	<b>¥(21,217)</b>	<b>¥1,984</b>	<b>¥382,112</b>

Thousands of U.S. dollars (Note 2)

	Common stock	Capital surplus	Retained earnings	Treasury stock <sup>(1)</sup>	Unrealized gain (loss) on other securities, net	Deferred hedging gain and loss	Foreign currency translation adjustments	Minority interests	Total net assets
<b>Balance at March 31, 2008</b>	\$1,551,965	\$833,244	\$2,341,771	\$ (659)	\$ 19,694	\$(68,815)	\$ 70,667	\$17,670	\$4,765,539
Net income			<b>198,083</b>						<b>198,083</b>
Dividends			<b>(127,166)</b>						<b>(127,166)</b>
Acquisition of treasury stock				<b>(643,346)</b>					<b>(643,346)</b>
Net change during the year					<b>(23,817)</b>	<b>4,828</b>	<b>(286,669)</b>	<b>2,529</b>	<b>(303,129)</b>
<b>Balance at March 31, 2009</b>	<b>\$1,551,965</b>	<b>\$833,244</b>	<b>\$2,412,689</b>	<b>\$(644,005)</b>	<b>\$ (4,122)</b>	<b>\$(63,987)</b>	<b>\$(216,002)</b>	<b>\$20,199</b>	<b>\$3,889,981</b>

(\*1) Number of treasury stock as of March 31, 2009: 16,515,474 shares

# Consolidated Statements of Cash Flows

For the years ended March 31, 2007, 2008 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2008	2009	2009
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥ 54,757	¥ 43,469	¥ 32,536	\$ 331,225
Depreciation	123,083	115,021	114,669	1,167,362
Loss on impairment of fixed assets	347	267	439	4,472
Loss on disposal of property, plant and equipment	2,710	2,611	4,182	42,578
Increase (decrease) in accrued employee retirement benefits	(4,076)	6,471	12,848	130,801
Increase (decrease) in reserve for fluctuation in water levels	756	(595)	(413)	(4,211)
Interest and dividends income	(2,284)	(2,780)	(2,666)	(27,148)
Interest expenses	22,585	22,749	22,616	230,243
(Increase) decrease in notes and accounts receivable	11,383	2,120	(6,040)	(61,497)
Increase in inventories	(2,205)	(4,375)	(17,637)	(179,551)
Increase (decrease) in notes and accounts payable	2,295	4,027	(1,109)	(11,291)
Loss (gain) on sales of securities	-	(3,911)	2	22
Unrealized loss on valuation of securities	-	-	19,648	200,020
Investment income on equity method	(5,560)	(8,879)	(7,470)	(76,049)
Loss (gain) on sales of property, plant and equipment	(379)	(1,004)	38	394
Distribution by dissolution of anonymous association	-	-	(12,170)	(123,902)
Others	2,250	(6,398)	24,235	246,725
Subtotal	205,665	168,792	183,709	1,870,193
Interest and dividends received	2,661	3,370	15,368	156,453
Interest paid	(21,934)	(22,453)	(22,079)	(224,776)
Income taxes paid	(29,151)	(13,458)	(18,369)	(187,003)
Net cash provided by operating activities	157,241	136,252	158,628	1,614,867
<b>Cash flows from investing activities:</b>				
Payments for purchase of property, plant and equipment	(95,889)	(134,723)	(173,119)	(1,762,389)
Proceeds from contributions grants	8,383	7,509	8,619	87,747
Proceeds from sales of property, plant and equipment	1,520	1,552	58,657	597,147
Payments for investments and loans	(70,345)	(35,965)	(27,643)	(281,419)
Proceeds from collections of investments and loans	3,484	6,650	7,901	80,443
Payment for purchase of investments				
in subsidiaries, net of cash acquired (Note 15)	-	(1,280)	(2,611)	(26,585)
Proceeds from purchase of investments				
in subsidiaries, net of cash acquired	24	-	-	-
Proceeds from sale of subsidiary shares with a change				
in the scope of consolidation (Note 15)	-	8,064	-	-
Others	(2,585)	(4,325)	(4,154)	(42,292)
Net cash used in investing activities	(155,407)	(152,518)	(132,350)	(1,347,348)
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of bonds	89,636	89,675	114,570	1,166,348
Redemption of bonds	(59,067)	(38,384)	(60,300)	(613,865)
Proceeds from long-term loans	62,811	114,864	9,803	99,800
Repayment of long-term loans	(47,749)	(135,532)	(41,287)	(420,310)
Proceeds from short-term loans	22,084	18,551	193,040	1,965,183
Repayment of short-term loans	(44,436)	(14,549)	(190,023)	(1,934,475)
Proceeds from issuance of commercial paper	416,666	586,322	639,380	6,509,013
Redemption of commercial paper	(432,000)	(594,000)	(619,000)	(6,301,537)
Proceeds from issuance of shares to minority shareholders	-	266	-	-
Purchase of treasury stock	-	-	(63,195)	(643,345)
Dividends paid	(9,989)	(9,989)	(12,499)	(127,243)
Dividends paid to minority interests	(84)	(42)	(20)	(205)
Others	(39)	(7)	(83)	(854)
Net cash provided by (used in) financing activities	(2,168)	17,174	(29,615)	(301,490)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>				
	331	147	(2,764)	(28,139)
<b>Net increase (decrease) in cash and cash equivalents</b>	(3)	1,056	(6,101)	(62,110)
<b>Cash and cash equivalents at beginning of the year</b>	28,874	34,575	35,631	362,740
<b>Increase in cash from the addition of consolidated subsidiaries</b>	5,704	-	-	-
<b>Cash and cash equivalents at end of the year (Notes 2 and 15)</b>	¥ 34,575	¥ 35,631	¥ 29,530	\$ 300,629

# Notes to Consolidated Financial Statements

For the years ended March 31, 2007, 2008 and 2009

## 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, or the Financial Instruments and Exchange Law of Japan, 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 regarding application and disclosure requirements of accounting principles and practices generally accepted in the United States of America and International Financial Reporting Standards.

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 down. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

## 2. Summary of significant accounting policies

### (1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 74 subsidiaries controlled directly or indirectly by the Company (61 and 55 subsidiaries for the year ended March 31, 2008 and 2007, respectively).

Jie Pawa Electric Power Development (Beijing) Limited, Green Power Awara Co., Ltd. and J-POWER Birchwood Consolidation GP, LLC, subsidiaries established by J-POWER and in which J-Power acquired equity interests, along with 11 other companies were newly included within the scope of consolidation in the current consolidated fiscal year.

J-POWER INVESTMENT U.K. LIMITED ceased to be considered a consolidated subsidiary with the completion of the liquidation of that company as of December 2, 2008. On March 24, 2009 J-POWER Birchwood Consolidation, L.P. merged with J-POWER Birchwood Consolidation GP, LLC and was dissolved. However, it has been included within the scope of consolidation because its fiscal year-end is December 31, 2008. Also on March 24, 2009, surviving company J-POWER Birchwood Consolidation GP, LLC changed its name to J-POWER Birchwood Consolidation, LLC.

From the year ended March 31, 2008, J-Wind IROUZAKI Co., Ltd., Green Power TOKIWA Co., Ltd., and J-POWER USA Generation GP, LLC along with 17 other companies were newly included within the scope of consolidation. Kaihatsu Hiryou Hanbai Co., Ltd. and two other companies ceased to be consolidated subsidiaries due to mergers. Green Service Co., Ltd. also ceased to be a consolidated subsidiary following the completion of liquidation as of February 29, 2008. Furthermore, a total of 10 subsidiaries including a special subsidiary, J-POWER Frontier, L.P., and five other subsidiaries as well as J-POWER Elwood Consolidation, LLC and three other subsidiaries were transferred to J-POWER USA Generation, L.P., a 50/50 limited partnership of the Company and John Hancock Life Insurance Company, and thereby ceased to be consolidated subsidiaries due to a reduction in the Company's equity stake in those companies.

Recognizing the added importance of consolidated results to the Group, the Company has undertaken a full-scope consolidation of its subsidiaries beginning with the year ended March 31, 2007, that includes a total of 36 companies, 25 of which were non-consolidated subsidiaries until the end of the year ended March 31, 2006. These also include J-POWER USA Investment Co., Ltd., which was established along with seven other companies with the equity acquisition of the Tenaska Frontier power plant in the U.S. in May 2006, Kaihatsu Hiryou Hanbai Co., Ltd., which became a subsidiary when the operations were bought out in September 2006, J-POWER Holdings (Thailand) Co., Ltd., and one other company which were established in September 2006. Additionally, Epure Co., Ltd. ceased to be a consolidated subsidiary starting the year ended March 31, 2007 when the shares were transferred on March 30, 2007.

All of the consolidated subsidiaries, except for J-POWER AUSTRALIA PTY. LTD. and 30 other overseas subsidiaries, have the same fiscal year as that of the Company. The fiscal year-end of each of J-POWER AUSTRALIA

PTY. LTD. and 30 other overseas subsidiaries is the end of December. The financial statements of these 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.

In the current consolidated fiscal year, ITOIGAWA POWER Inc. changed its fiscal year-end from the end of February to the end of March. Because of this change, the accounting period for that company for the current fiscal year is 13 months.

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

67 affiliates which have a significant influence on the Company's operations are accounted for by the equity method (52 and 32 affiliates for the year ended March 31, 2008 and 2007, respectively).

In the current consolidated fiscal year, Birchwood Power Partners, L.P. and J-POWER East Coast Consolidation, LLC along with 14 other companies were included in the affiliated companies accounted for under the equity method as important companies in the Company's mid- and long-term management strategy. In addition, the liquidation of JS Gijutsu Service Corporation was completed on April 29, 2008 and therefore ceased to be included in affiliates accounted for under the equity method.

From the year ended March 31, 2008, 21 companies were included in the affiliated companies accounted for under the equity method as important companies in the Company's mid- and long-term management strategy: Zajaczkowo Windfarm Sp. zo.o.; J-POWER USA Generation, L.P. and nine other companies; J-POWER Frontier, L.P. and five other companies as well as J-POWER Elwood Consolidation, LLC and three other companies which ceased to be accounted for as consolidated subsidiaries due to a decrease in the Company's equity stake in those companies. Furthermore, SEC HoldCo, S.A. was sold in June 2007 and is therefore no longer included as an affiliate accounted for under the equity method.

From the year ended March 31, 2007, the Company has added a total of seven companies as equity method affiliates to its group: J-Wind TOKIO Co. Ltd., Setouchi Power Corporation, ShanXi TianShi Power Generation Co., Ltd., EGCO Green Energy Co., Ltd., Roi-Et Green Co., Ltd., Tenaska Frontier Partners, Ltd. and one other company, in recognition of their strategic business importance in the mid to long-term. Note that with the completion of its liquidation on November 8, 2006, Trang Biomass Co., Ltd. has been excluded effective from the year ended March 31, 2007.

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 63 affiliates, excluded TOSA POWER Inc., Mihama Seaside Power Co., Ltd., J-Wind TOKIO Co., Ltd. and Setouchi Power Corporation, which were accounted for using the equity method, have different fiscal year-ends from that of the Company. Accordingly, their financial statements as of their respective fiscal closing dates are used in consolidation.

## **(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. 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.

Following a review of the accounting of depreciable assets in light of revisions to the Corporate Tax Law, the Company has made changes to the useful lives of assets effective as of the current consolidated fiscal year. The effect of this on the profits and losses of the year ended March 31, 2009 was negligible.

Starting with the fiscal year ended March 31, 2008, in line with the revision of Japan's Corporate Tax Law (Law for Partial Amendment of the Income Tax Law, etc. Law No. 6 of March 30, 2007 and Ordinance for Partial Amendment of the Corporate Tax Law Enforcement Ordinance, Ordinance No. 83 of March 30, 2007), accounting of assets acquired on or after April 1, 2007 are depreciated as provided for under the amended law. The resulting effect on income and expenses is slight. Assets acquired on or before March 31, 2007 are to be fully depreciated by the straight-line method for a period of five years from the following year of the completion up to the former

allowable limit of depreciation. The adoption of this method resulted in an increase of ¥2,478 million in operating expenses for the current consolidated fiscal year, each segment amount of which is as follows: ¥2,388 million by Electric power business, ¥88 million by Electric power-related businesses and ¥1 million by Other businesses. Correspondingly, operating income, ordinary income, and income before income taxes and minority interests decreased by the same amounts respectively for the fiscal year ended March 31, 2008.

#### ***b. Investments***

Available-for-sale 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 net assets. Available-for-sale 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.

#### ***c. Derivatives***

Derivative instruments are stated at fair value, and hedge accounting is applied to those instruments which fulfill hedge conditions.

#### ***d. Inventories***

Coal and general inventories are stated at cost determined by the monthly average method (book values on the balance sheet are written down on the basis of decline in profitability) and specialty goods are stated at cost determined by the identified cost method.

Effective from the current consolidated fiscal year, the Company has adopted the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Statement No. 9, July 5, 2006). The effect of this on the profits and losses of the year ended March 31, 2009 was negligible. Until the previous consolidated fiscal year, coal and general inventories were stated at cost determined by the monthly average method and specialty goods were stated at cost determined by the identified cost method.

#### ***e. Allowance for doubtful account***

To provide for doubtful accounts in account receivables and other claimed receivables, we consider general receivables on the basis of past bad debt results and specific receivables in danger of falling into default on the basis of their individual recoverability, and we post the anticipated irrecoverable amounts accordingly.

#### ***f. Accrued employee retirement benefits***

Accrued employee retirement benefits have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension 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.

#### ***g. (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.

#### ***h. Foreign currency translation***

Foreign-currency-denominated monetary receivables and payables are translated into yen at the exchange rate prevailing as of each fiscal year-end, and the conversion differences are processed as gains or losses. 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 the foreign currency translation adjustments account under net assets.

The components of shareholders' equity are translated at historical exchange rates.



### ***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.

All derivatives of the Company are used for hedge purposes, and are principally accounted for under deferral hedge accounting.

The Company uses foreign exchange forward contracts and foreign currency swaps to hedge payment of principal and interest with respect to foreign-currency-denominated bonds and loans, and some foreign-currency-denominated debts and receivables, and uses interest rate swaps to hedge payments of principal and interest with respect to bonds and loans, and uses fuel-price-related swaps to hedge some transactions affected by fluctuations in fuel prices.

Based on its 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 its policy is not to perform speculative transactions.

The Company evaluates hedge effectiveness on a quarterly basis or a per transaction 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 forward contracts, foreign 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. Income taxes***

Income taxes comprise corporate income tax, inhabitant tax and enterprise tax, except for the one imposed on the sales of the Company. Most of the enterprise tax imposed on the Company is imposed on sales and such enterprise tax is included in operating expenses (electric power) in the Company's 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.

### ***m. 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 maturity periods of three months or less which are easily convertible into cash and present insignificant risk of changes in value.

## ***n. Other significant issues for the preparation of consolidated financial statements***

### **Accounting changes**

#### ① Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective the fiscal year ended March 31, 2009, the Company applies “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standard Board of Japan Practical Issues Task Force No.18, May 17, 2006). This change has no impact on profit and loss.

#### ② Accounting standards for lease transactions

In the past, finance lease transactions other than those which were deemed to transfer ownership of the leased property to the lessee were accounted for on a basis similar to ordinary lease transactions but as of the current consolidated fiscal year, the Company has adopted “Accounting Standard for Lease Transactions” (First Subcommittee of the Business Accounting Council, June 17, 1993; Accounting Standards Board of Japan Statement No.13, revised March 30, 2007), and “Guidance on Accounting Standard for Lease Transactions” (The Japanese Institute of Certified Public Accountants, January 18, 1994; Accounting Standards Board of Japan, Guidance No.16, revised March 30, 2007) and finance lease transactions are accounted for on the basis of ordinary sales transactions. Moreover, finance lease transactions other than those deemed to transfer property rights under lease contracts signed on or before to March 31, 2008 will continue to be accounted for according to procedures for ordinary lease transactions. This change has no impact on profit and loss.

#### ③ Accounting standards for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Company has adopted the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board Statement No. 5, December 9, 2005) and the “Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet” (Guidance No. 8 of Application Guidelines for Business Accounting Standards, December 9, 2005).

The equivalent amount of the total shareholders' equity of the fiscal year ended March 31, 2007 regulated formerly was ¥465,317 million.

#### ④ Accounting standards for financial instruments

Effective from the year ended March 31, 2007, the Company has adopted the “Accounting Standards for Financial Instruments” (Accounting Standards Board Statement No. 10, Final Revision: August 11, 2006) and the “Practical Guidelines for Financial Instrument Accounting” (Corporate Accounting Standards No. 14, Final Revision: October 20, 2006). The effect of this on the profits and losses of the year ended March 31, 2007 was negligible.

#### ⑤ Accounting standards for directors' bonuses

Effective from the year ended March 31, 2007, the Company has adopted the “Accounting Standards for Directors' Bonuses” (Accounting Standards Board Statement No. 4, November 29, 2005). The effect of this on the profits and losses of the year ended March 31, 2007 was negligible.

### **Reclassification**

#### ① Consolidated statements of cash flows

Due to the added importance of “Loss on valuation of securities,” included in “Others” in “Cash flows from operating activities” ¥1,624 million, and “Purchase of treasury stock,” included in “Others” in “Cash flows from financing activities” (¥7 million) in the previous consolidated financial year, these have been entered separately in the current consolidated financial year.

#### ② Consolidated balance sheet

In line with the revision of the accounting regulations under the Electricity Utilities Industry Law (the Ministerial Ordinance No. 22, 2008 of the Ministry of Economy, Trade and Industry), from the previous consolidated fiscal year, emission credit-related expenses previously included under “Long-term investments” were included under “General facilities” and “Construction in progress.”

In the previous consolidated fiscal year, emission credit-related expenses included in “General facilities” and “Construction in progress” amounted to ¥1,748 million and ¥1,506 million, respectively.

Furthermore, emission credit-related expenses included in “Long-term investments” in the consolidated fiscal year ended March 31, 2007, amounted to ¥2,296 million.

### ③ Consolidated balance sheet

In line with the revision of guidelines for the presentation of the consolidated balance sheet, from the previous consolidated fiscal year, negotiable deposits issued by domestic corporations previously presented under “Cash and bank deposits” were presented under “Other current assets.”

Accordingly, negotiable deposits issued by domestic corporations in the previous consolidated fiscal year amounting to ¥2,000 million were included in “Other current assets.”

Furthermore, negotiable deposits issued by domestic corporations included in “Cash and bank deposits” in the consolidated fiscal year ended March 31, 2007, amounted to ¥2,500 million.

#### Additional information

The wind-power facilities of consolidated subsidiaries 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., Dream-Up Tomamae Co., Ltd., Green Power Setana Co., Ltd., Green Power Koriyama-Nunobiki Co., Ltd., Sarakitomanai Wind Power Co., Ltd., Yuya Wind Power Co., Ltd., and Minami Kyushu Wind Power Co., Ltd. were reported as “Power plants—Hydroelectric power plants” under the Electric Utilities Industry Law.

#### (4) Evaluation of assets and liabilities of consolidated subsidiaries

The fair value method is used across the board for evaluating the assets and liabilities of consolidated subsidiaries.

#### (5) 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, which are convertible into shares of common stock.

#### (6) U.S. dollar amounts

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2009, which was ¥98.23 = 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

Book value of “power plants,” less construction grants and accumulated depreciation, as of March 31, 2008 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Hydroelectric power plants	¥ 450,635	¥ 441,694	\$ 4,496,528
Thermal power plants	504,468	463,682	4,720,378
Internal combustion power generation facilities	14,141	12,906	131,391
Transmission facilities	229,312	217,723	2,216,467
Conversion facilities	34,310	36,615	372,755
Communication facilities	9,289	9,591	97,642
General facilities	23,339	52,830	537,824
Total	¥1,265,497	¥1,235,044	\$12,572,989

Construction grants, which were deducted from the cost of property, plant and equipment as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Construction grants	¥106,031	<b>¥105,780</b>	<b>\$1,076,862</b>

Accumulated depreciation of property, plant and equipment as of March 31, 2008 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Accumulated depreciation	¥2,332,884	<b>¥2,420,824</b>	<b>\$24,644,447</b>

#### 4. Long-term investments in non-consolidated subsidiaries and affiliated companies

Long-term investments in non-consolidated subsidiaries and affiliated companies at the end of March 2008 and March 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Shares	¥76,444	<b>¥83,834</b>	<b>\$853,454</b>

#### 5. Inventories

Inventories at the end of March 2008 and the end of March 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Merchandise and finished goods		<b>¥ 3,040</b>	<b>\$ 30,948</b>
Work in process		<b>104</b>	<b>1,061</b>
Raw materials and supplies		<b>39,966</b>	<b>406,864</b>
Total		<b>¥43,110</b>	<b>\$438,873</b>

#### 6. Provisions

Provisions for coal mine recovery and provisions for directors' bonuses stated by subsidiaries are stated as "Other" under "Provisions." Such provisions amounted to ¥1,108 million and ¥1,812 million (US\$18,448 thousand) as of March 31, 2008 and 2009, respectively.

## 7. Short-term loans, long-term debts and lease obligations

Short-term loans, long-term debts and lease obligations as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Loans from banks and Japanese government agencies, due on varying dates through 2035	¥ 760,675	¥ 752,881	\$ 7,664,475
Interest rates:			
Long-term loans, excluding current portion	1.733% (average)		
Current portion of long-term loans	1.357% (average)		
Short-term loans	0.766% (average)		
Commercial paper	0.330% (average)		
Domestic bonds guaranteed by the Government of Japan, due on varying dates through 2011, 1.4% to 1.7%	145,300	85,000	865,316
Domestic straight bonds, due on varying dates through 2028, 0.93% to 2.24%	479,903	594,867	6,055,863
Euro yen-denominated foreign bonds guaranteed by the Government of Japan, due in 2010, 1.80%	38,000	38,000	386,847
Lease obligations	–	648	6,597
Subtotal	1,423,878	1,471,396	14,979,100
Less Current portion	(196,479)	(239,769)	(2,440,897)
Total	¥1,227,398	¥1,231,627	\$12,538,202

The annual maturities of bonds, long-term debts and lease obligations subsequent to March 31, 2009 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 239,769	\$ 2,440,897
2011	139,521	1,420,352
2012	91,449	930,973
2013	147,794	1,504,571
2014	145,962	1,485,929
2015 and thereafter	706,899	7,196,374
Total	¥1,471,396	\$14,979,100

All of the Company's assets are subject to certain statutory liens as security for bonds. The outstanding amount of such bonds amounted to ¥523,970 million and ¥373,420 million (US\$3,801,486 thousand, including corporate bonds that were used to discharge certain debts through bond performance underwriting contracts) as of March 31, 2008 and 2009, respectively. Some long-term investments amounted to ¥3,222 million and ¥3,199 million (US\$32,573 thousand) as of March 31, 2008 and 2009, respectively, and some accounts receivables amounted to ¥265 million (US\$2,700 thousand) as of March 31, 2009 and were used as collateral for loans to other companies.

Some long-term investments of consolidated subsidiaries amounted to ¥1,945 million and ¥1,778 million (US\$18,100 thousand) as of March 31, 2008 and 2009, respectively, and were used as collateral for loans to other companies.

The book value of the Company's assets pledged as collateral for the debt of certain consolidated subsidiaries, which totaled ¥9,681 million and ¥14,640 million (US\$149,042 thousand) as of March 31, 2008 and 2009, respectively, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Power plants	¥15,238	¥18,734	\$190,721
Construction in progress	–	5,064	51,553



In addition to the above, during the previous consolidated fiscal year, Orange Grove Energy, L.P. provided all of its assets, rights, property rights, and interests as collateral for loans amounting to ¥3,671 million from financial institutions. In addition, J-POWER Orange Grove Consolidation, L.P., which is a consolidated subsidiary of the Company, also provided a guarantee for these loans.

## 8. Contingent liabilities

Contingent liabilities as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Guarantees given for loans of companies below:			
TOSA POWER Inc.	¥ 3,870	¥ 4,097	\$ 41,715
Zajackowo Windfarm Sp. zo.o.	3,722	2,383	24,261
Roi-Et Green Co., Ltd.	214	187	1,910
SAHARA COOLING Ltd	–	129	1,319
Okutadami Kanko Co., Ltd.	164	118	1,206
Kanda Eco Plant Co., Ltd.	109	90	920
Kawagoe Cable Vision Co., Ltd.	23	5	52
Subtotal	8,105	7,012	71,387
Guarantees given in connection with housing loans to			
Company employees	5,248	4,731	48,172
Guarantee liability for performance guarantee			
insurance contract for PFI business	3	1	17
EDOGAWA Water Service (Special-Purpose Company)			
Guarantee liability for payment of construction work			
Zajackowo Windfarm Sp. zo.o.	65	–	–
Debts assigned by the Company to certain banks			
under debt assumption agreements	300,670	210,420	2,142,115
Total	¥314,092	¥222,166	\$2,261,693

## 9. Provision of reserves

Provisions for the years ended March 31, 2007, 2008 and 2009, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Accrued employee retirement benefits	¥740	¥11,394	¥18,175	\$185,032

## 10. Operating expenses

Operating expenses (electric power) for the years ended March 31, 2007, 2008 and 2009, were summarized as follows:

Total

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Personnel expense	¥ 27,235	¥ 37,768	¥ 43,651	\$ 444,380
Fuel cost	149,865	191,579	264,397	2,691,615
Repair expense	41,175	30,403	51,476	524,044
Consignment cost	31,785	30,289	33,244	338,432
Taxes and duties	28,566	27,753	29,162	296,883
Depreciation and amortization cost	118,588	110,393	110,122	1,121,068
Others	47,246	49,681	56,752	577,754
Total	¥444,463	¥477,869	¥588,808	\$5,994,180

Selling, general and administrative expenses included in operating expenses (electric power) for the years ended March 31, 2007, 2008 and 2009, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Personnel expense	¥17,369	¥27,552	<b>¥33,386</b>	<b>\$339,879</b>
Fuel cost	—	—	—	—
Repair expense	1,360	1,212	<b>1,716</b>	<b>17,475</b>
Consignment cost	8,185	7,232	<b>9,679</b>	<b>98,537</b>
Taxes and duties	501	535	<b>1,194</b>	<b>12,161</b>
Depreciation and amortization cost	2,201	2,579	<b>2,471</b>	<b>25,158</b>
Others	14,989	15,724	<b>17,937</b>	<b>182,610</b>
Total	¥44,607	¥54,836	<b>¥66,386</b>	<b>\$675,823</b>

## 11. Enterprise tax

Most of the enterprise taxes of the Company and 13 consolidated subsidiaries that operate electric power business are 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 ¥6,885 million, ¥6,989 million and ¥8,513 million (US\$86,665 thousand) for the years ended March 31, 2007, 2008 and 2009, 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 13 consolidated subsidiaries that operate electric power business.

## 12. 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, 2007, 2008 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Research and development costs	¥6,415	¥8,020	<b>¥8,265</b>	<b>\$84,147</b>

## 13. Loss on impairment of fixed assets

The Company and subsidiaries base the grouping of their assets on the categories used in their management accounting, which maintains a continuous grasp of the balance of payments. In addition, idle assets for which no immediate use is foreseen and others are grouped individually, depreciated to their recoverable value, and the appropriate value reduction is booked as an impairment loss within the category of “Other expenses—Other.” Loss on impairment of fixed assets for the years ended March 31, 2007, 2008 and 2009 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Buildings and structures	¥ —	¥191	<b>¥164</b>	<b>\$1,677</b>
Land	25	69	<b>145</b>	<b>1,482</b>
Machinery	172	—	<b>127</b>	<b>1,299</b>
Others	149	6	<b>1</b>	<b>12</b>
Total	¥347	¥267	<b>¥439</b>	<b>\$4,472</b>

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 they are omitted.

## 14. Dividends from the surplus

The following dividend from the surplus of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2009, was approved at the general meeting of the shareholders held on June 25, 2009:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥35 (US\$0.36) per share)	<b>¥5,251</b>	<b>\$53,465</b>

## 15. 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, 2008 and 2009 was as follows:

	2008	Millions of yen 2009	Thousands of U.S. dollars 2009
Cash and bank deposits on the consolidated balance sheets	¥33,961	<b>¥27,628</b>	<b>\$281,261</b>
Time deposits with a maturity of more than three months	(329)	<b>(337)</b>	<b>(3,435)</b>
Short-term investments included in other current assets	2,000	<b>2,240</b>	<b>22,803</b>
Cash and cash equivalents on the consolidated statements of cash flows	¥35,631	<b>¥29,530</b>	<b>\$300,629</b>

In the current consolidated fiscal year, the correlation between the breakdown of assets and liabilities of J-POWER accompanying the new consolidation of wind power company Sarakitomanai Wind Power Co., Ltd. and two other companies through the acquisition of shares in those companies, and expenditures for the acquisition of shares in the subsidiaries accompanying the change in the scope of consolidation is as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net, and investments and other assets	<b>¥ 5,196</b>	<b>\$ 52,896</b>
Current assets	<b>335</b>	<b>3,418</b>
Long-term liabilities	<b>(2,058)</b>	<b>(20,961)</b>
Current liabilities	<b>(564)</b>	<b>(5,745)</b>
Minority interests	<b>(188)</b>	<b>(1,913)</b>
Acquisition value of shares in newly consolidated subsidiaries	<b>2,720</b>	<b>27,695</b>
Cash and cash equivalents of newly consolidated subsidiaries	<b>109</b>	<b>1,109</b>
Deductions: payment for purchase of investments in subsidiaries, net of cash acquired	<b>¥(2,611)</b>	<b>\$ (26,585)</b>

In the previous consolidated fiscal year, the correlation of the breakdown in assets and liabilities of J-POWER Frontier, L.P. and nine other companies, which decreased due to the sale of shares, and proceeds from the sale of shares of subsidiaries with a change in the scope of consolidation, are as follows:

	Millions of yen 2008
Property, plant and equipment, net, and investments and other assets	¥ 18,761
Long-term liabilities	(24,296)
Others	3,738
Cash and cash equivalents of companies that are no longer consolidated subsidiaries	(1,796)
Proceeds from sale of shares in companies that are no longer consolidated subsidiaries	9,860
Deductions: proceeds from sale of subsidiary shares with a change in the scope of consolidation	¥ 8,064

## 16. Leases

Finance lease transactions other than those deemed to transfer property rights under lease contracts signed on or before to March 31, 2008.

As a lessee:

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2008 and 2009 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2008			2009			2009		
	Acquisition Cost	Accumulated depreciation	Net leased property	Acquisition Cost	Accumulated depreciation	Net leased property	Acquisition Cost	Accumulated depreciation	Net leased property
Electric utility plant	¥1,408	¥ 765	¥ 642	¥ 988	¥ 563	¥ 424	\$10,063	\$ 5,741	\$ 4,322
Others	3,324	1,462	1,862	2,860	1,573	1,286	29,119	16,017	13,101
<b>Total</b>	<b>¥4,732</b>	<b>¥2,227</b>	<b>¥2,505</b>	<b>¥3,848</b>	<b>¥2,137</b>	<b>¥1,711</b>	<b>\$39,182</b>	<b>\$21,758</b>	<b>\$17,423</b>

Acquisition cost includes the imputed interest expense portion.

Future lease payments under finance leases as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Due within one year	¥ 818	¥ 633	\$ 6,446
Due after one year	1,686	1,078	10,976
<b>Total</b>	<b>¥2,505</b>	<b>¥1,711</b>	<b>\$17,423</b>

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

Lease payments and depreciation expense under finance leases as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Lease payments	¥955	¥821	\$8,364
Depreciation expense	955	821	8,364

Depreciation expense is computed using the straight-line method over the respective lease periods.

As a lessor:

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2008 and 2009 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2008			2009			2009		
	Acquisition Cost	Accumulated depreciation	Net leased property	Acquisition Cost	Accumulated depreciation	Net leased property	Acquisition Cost	Accumulated depreciation	Net leased property
Others	¥28	¥16	¥11	¥25	¥17	¥7	\$258	\$182	\$75

Future lease revenues under finance leases as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Due within one year	¥ 7	¥ 6	\$ 69
Due after one year	12	8	90
Total	¥19	¥15	\$159

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

Revenues and depreciation expense under finance leases as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Revenues	¥10	¥8	\$87
Depreciation expense	6	6	67

## 17. Marketable securities and investment securities

### (1) Other securities for which market prices were available as of March 31, 2008 and 2009 were as follows:

a. Stocks: Balance sheet amount more than cost

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Costs	¥11,438	¥1,042	\$10,615
Balance sheet amount	21,389	1,654	16,842
Unrealized gain	¥ 9,950	¥ 611	\$ 6,226

b. Stocks: Balance sheet amount less than cost

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Costs	¥34,823	¥25,602	\$260,643
Balance sheet amount	26,940	23,540	239,649
Unrealized loss	¥ (7,883)	¥ (2,062)	\$ (20,993)

c. Total:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Costs	¥46,261	¥26,645	\$271,259
Balance sheet amount	48,329	25,195	256,492
Unrealized gain (loss)	¥ 2,067	¥ (1,450)	\$ (14,766)



## (2) Sale of other marketable securities as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Sale value	¥13,139	¥ 6	\$ 61
Capital gains	3,911	-	-
Loss on sale	¥ -	¥(2)	\$(22)

## (3) Non-marketable securities and investment securities stated at cost as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Unlisted stock	¥17,098	¥17,097	\$174,057
Unlisted foreign stock	2,110	2,361	24,045
Capital contribution	2,468	1,618	16,474
Foreign capital contribution	328	323	3,289
Others	1,351	1,099	11,195
Total	¥23,357	¥22,500	\$229,062

## 18. Derivatives

### (1) Transaction status

#### a. Description of transactions

The derivative transactions that are used are foreign exchange forward contracts, foreign currency swap transactions, interest rate swap transactions and fuel-price-related swap transactions.

#### b. Purpose and policy of transactions

As a policy, the Company utilizes derivatives solely to hedge foreign-currency-denominated credit and debt risk, foreign currency exchange risk, interest rate risk on financial debt and fuel price fluctuation risk to its underlying assets and liabilities and does not execute speculative derivatives dealings.

The Company applies hedge accounting for derivatives. Hedged items are bonds, loans, some foreign-denominated credit and debt and some transactions affected by fluctuations in fuel prices. Hedging instruments are derivative transactions assigned to foreign-currency-denominated credit and debt, swaps related to fuel prices, and transactions utilized as specially processed interest rate swaps. Hedging activities are performed to the extent of the underlying liabilities in order to reduce foreign exchange, interest rate and fuel price fluctuation risks.

#### c. Description of risks 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 to fluctuating interest rates, and risks related to fluctuating fuel 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.

#### d. Risk management system

Derivatives transactions are managed in accordance with the Company's internal rules governing, among others, trading authorities, trading limits and reporting among other things.

## (2) Fair value

There were no derivatives for which the fair value should be disclosed as of March 31, 2008 and 2009, as all derivatives qualified for hedge accounting.

## 19. Employee retirement benefit plans

The Company and certain of its domestic consolidated subsidiaries have defined benefit plans, including defined benefit corporate pension plans, tax-qualified pension plans and lump sum retirement benefit plans. Note that starting with the year ended March 31, 2007, with the exception of a consolidated subsidiary, the Company is transitioning from tax-qualified pension plans to defined benefit corporate pension plans. Severance payments in addition to the amounts actuarially calculated under lump sum retirement benefit plans are sometimes paid to employees upon retirement.

Retirement benefit obligations as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Retirement benefit obligation	¥(129,983)	<b>¥(130,559)</b>	<b>\$(1,329,122)</b>
Plan assets at fair value	87,385	<b>71,524</b>	<b>728,134</b>
Unfunded retirement benefit obligation	(42,597)	<b>(59,035)</b>	<b>(600,988)</b>
Unrecognized actuarial loss	3,602	<b>7,412</b>	<b>75,463</b>
Unrecognized prior service cost	(88)	<b>(309)</b>	<b>(3,150)</b>
Accrued employees' retirement benefits	¥ (39,083)	<b>¥ (51,931)</b>	<b>\$ (528,675)</b>

Retirement benefit expenses for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Service cost	¥ 4,959	¥ 5,046	<b>¥ 5,048</b>	<b>\$ 51,393</b>
Interest cost	2,481	2,497	<b>2,509</b>	<b>25,543</b>
Expected return on pension assets	(2,573)	(2,606)	<b>(271)</b>	<b>(2,760)</b>
Amortization of prior service cost	221	598	<b>221</b>	<b>2,251</b>
Amortization of actuarial gain or loss	(4,170)	6,107	<b>10,941</b>	<b>111,390</b>
Additional severance payments, etc.	1,150	1,601	<b>1,455</b>	<b>14,815</b>
Total	¥ 2,068	¥13,245	<b>¥19,904</b>	<b>\$202,633</b>

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, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
Method of allocation of estimated retirement benefits	Equally over the period	Equally over the period	<b>Equally over the period</b>
Discount rate	Mainly 2.0%	Mainly 2.0%	<b>Mainly 2.0%</b>
Expected rate of return on plan assets	Mainly 3.0%	Mainly 3.0%	<b>Mainly 0.0%</b>
Amortization period of actuarial gain or 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	<b>Mainly amortized by the declining-balance method over a period of two years</b>
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	<b>Mainly amortized by the straight-line method over a period of two years</b>

## 20. Income tax

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, and other consolidated subsidiaries.

The significant components of deferred tax assets and liabilities as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of
	2008	2009	U.S. dollars
			2009
Deferred tax assets:			
Excess of retirement benefits	¥18,278	<b>¥22,974</b>	<b>\$233,886</b>
Tax effect on elimination of unrealized gain on fixed assets	14,737	<b>14,529</b>	<b>147,911</b>
Excess of amortization of deferred charges for tax purposes	6,738	<b>7,526</b>	<b>76,617</b>
Excess of depreciation of fixed assets	2,640	<b>2,706</b>	<b>27,552</b>
Amount assigned but not yet paid	2,649	<b>2,648</b>	<b>26,965</b>
Excess of reserve for fluctuations in water levels	561	<b>412</b>	<b>4,202</b>
Other	19,041	<b>24,372</b>	<b>248,115</b>
Subtotal of deferred tax assets	64,648	<b>75,170</b>	<b>765,251</b>
Valuation allowance	(4,415)	<b>(7,621)</b>	<b>(77,588)</b>
Total deferred tax assets	60,232	<b>67,549</b>	<b>687,663</b>
Deferred tax liabilities:			
Other	(4,263)	<b>(4,935)</b>	<b>(50,248)</b>
Total deferred tax liabilities	(4,263)	<b>(4,935)</b>	<b>(50,248)</b>
Net deferred tax assets	¥55,969	<b>¥62,613</b>	<b>\$637,414</b>

The breakdown of the main items which caused the difference in the statutory tax rate and the contribution rate of corporate tax after the application of tax effect accounting in the years ended March 31, 2008 and 2009 is as follows:

	2008	2009
Statutory tax rates	36.00%	<b>36.00%</b>
(adjusted)		
Investment profit/loss based on the equity method	(7.35%)	<b>(8.27%)</b>
Valuation allowance	2.76%	<b>10.54%</b>
Others	1.10%	<b>1.63%</b>
Contribution rate of corporate tax after application of tax effect accounting	32.51%	<b>39.90%</b>

## 21. Shareholders' equity

The corporate law provides that an amount equal to at least 10% of the amount to be disbursed as dividends, or the total of the additional paid-in capital and the legal reserves from 25% of the common stock, whichever is less, be deducted and appropriated into the additional paid-in capital or legal reserve.

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

The limit allowed for dividends (potential dividend amount) is calculated as set forth in the Company's individual financial statements in accordance with the corporate law.

The additional paid-in capital and the legal reserves are not included with the potential dividend amount, but under the corporate law, they can be switched to the potential dividend amount by a resolution at the general meeting of shareholders.

The basic guideline is that the Company's surplus funds are distributed twice per year as an interim dividend by a resolution of the board of directors and a term-end dividend by resolution of the general meeting of shareholders.

## 22. Segment information

Information about business segments of the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2008 and 2009 was as follows:

### (1) Business segments

	Millions of yen					
	2007					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 523,782	¥ 26,996	¥22,497	¥ 573,277	¥ –	¥ 573,277
Intersegment sales	3,217	223,149	5,993	232,360	(232,360)	–
Total sales	527,000	250,146	28,491	805,638	(232,360)	573,277
Operating expenses	465,563	234,541	27,334	727,440	(231,304)	496,136
Operating income	61,436	15,604	1,156	78,198	(1,056)	77,141
Assets	1,946,707	137,495	64,273	2,148,475	(148,680)	1,999,794
Depreciation	121,853	3,387	963	126,205	(3,121)	123,083
Loss on impairment of fixed assets	–	347	–	347	–	347
Capital expenditures	¥ 90,378	¥ 5,470	¥ 542	¥ 96,391	¥ (5,687)	¥ 90,704

	Millions of yen					
	2008					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 531,764	¥ 24,185	¥31,831	¥ 587,780	¥ –	¥ 587,780
Intersegment sales	3,260	261,435	3,181	267,878	(267,878)	–
Total sales	535,024	285,621	35,013	855,659	(267,878)	587,780
Operating expenses	495,126	275,217	34,112	804,456	(267,399)	537,056
Operating income	39,897	10,403	900	51,202	(478)	50,724
Assets	1,968,051	151,193	87,667	2,206,912	(193,780)	2,013,131
Depreciation	113,468	3,573	1,061	118,103	(3,082)	115,021
Loss on impairment of fixed assets	–	267	–	267	–	267
Capital expenditures	¥ 113,566	¥ 7,125	¥ 5,457	¥ 126,149	¥ (4,093)	¥ 122,056

	Millions of yen					
	2009					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	<b>¥ 648,362</b>	<b>¥ 23,488</b>	<b>¥ 33,085</b>	<b>¥ 704,936</b>	<b>¥ –</b>	<b>¥ 704,936</b>
Intersegment sales	<b>3,153</b>	<b>329,388</b>	<b>3,349</b>	<b>335,891</b>	<b>(335,891)</b>	<b>–</b>
Total sales	<b>651,515</b>	<b>352,877</b>	<b>36,434</b>	<b>1,040,827</b>	<b>(335,891)</b>	<b>704,936</b>
Operating expenses	<b>606,905</b>	<b>341,307</b>	<b>36,074</b>	<b>984,287</b>	<b>(336,458)</b>	<b>647,828</b>
Operating income	<b>44,610</b>	<b>11,569</b>	<b>360</b>	<b>56,540</b>	<b>567</b>	<b>57,108</b>
Assets	<b>1,862,964</b>	<b>165,582</b>	<b>139,416</b>	<b>2,167,963</b>	<b>(162,494)</b>	<b>2,005,469</b>
Depreciation	<b>113,112</b>	<b>3,406</b>	<b>1,174</b>	<b>117,693</b>	<b>(3,023)</b>	<b>114,669</b>
Loss on impairment of fixed assets	<b>111</b>	<b>327</b>	<b>–</b>	<b>439</b>	<b>–</b>	<b>439</b>
Capital expenditures	<b>¥ 154,096</b>	<b>¥ 13,170</b>	<b>¥ 4,897</b>	<b>¥ 172,164</b>	<b>¥ (36)</b>	<b>¥ 172,128</b>

	2009					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	\$ 6,600,452	\$ 239,117	\$ 336,819	\$ 7,176,389	\$ -	\$ 7,176,389
Intersegment sales	32,102	3,353,237	34,095	3,419,435	(3,419,435)	-
Total sales	6,632,555	3,592,354	370,915	10,595,825	(3,419,435)	7,176,389
Operating expenses	6,178,411	3,474,573	367,243	10,020,228	(3,425,213)	6,595,014
Operating income	454,143	117,781	3,671	575,596	5,778	581,374
Assets	18,965,332	1,685,660	1,419,290	22,070,283	(1,654,223)	20,416,059
Depreciation	1,151,511	34,677	11,953	1,198,142	(30,779)	1,167,362
Loss on impairment of fixed assets	1,133	3,338	-	4,472	-	4,472
Capital expenditures	\$ 1,568,732	\$ 134,076	\$ 49,857	\$ 1,752,666	\$ (369)	\$ 1,752,297

The main products within each segment were as follows:

<b>Electric Power Business:</b>	Wholesale electric power business, other electric power businesses
<b>Electric Power-related Businesses:</b>	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., and computer services.
<b>Other Businesses:</b>	Investing in overseas power generation, waste-fueled power generation, co-generation, environmental businesses, telecommunications businesses, 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.

## 23. Related party transactions

There were no significant related party transactions for the years ended March 31, 2007, 2008 and 2009.



## 24. Business combinations

There were no significant matters to be recorded for the years ended March 31, 2007, 2008 and 2009.

## 25. Special-purpose company

In September 2001, the Company securitized its real estate holdings by placing the building and land of its headquarters in trust, and selling the trust beneficiary interests arising from the entrustment to a special-purpose company. In securitizing these assets, the Company used a limited stock company as the special-purpose company. The content of the real estate securitization is the same as for general securitization of real estate.

In February 2008, a decision was made to purchase the trust beneficiary interests from the special-purpose company, and these interests were transferred in August 2008. As a result, the anonymous association, which was the operator of the special-purpose company, generated ¥12,170 million (US\$123,902 thousand) in profits and was dissolved in September 2008. Accompanying the dissolution, the Company, which was the investor in the anonymous association, received these profits as a distribution of profits of the anonymous association and recovered the investment capital, etc., in full from the anonymous association in October 2008.

As of March 31, 2009, there were no special-purpose companies with an outstanding transaction balance.

The Company's transactions with the special-purpose company during the current consolidated fiscal year are as follows:

	Outstanding trade balance or balance of the consolidated fiscal year ended in March 2009		Items	Main profit & loss	
	Millions of yen	Thousands of U.S. dollars		Amount	
				Millions of yen	Thousands of U.S. dollars
Property acquired	¥30,082	\$306,241	Distribution of profits	¥ 103	\$ 1,052
			Distribution by dissolution of anonymous association	¥12,170	\$123,902

Note: Property acquired is stated under power plants. The distribution of profits and distribution by dissolution of anonymous association relating to the investment in the anonymous association is stated under other income.

## 26. Significant subsequent event

There was no significant subsequent event for the years ended March 31, 2009.

## Report of Independent Auditors

### **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, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years ended March 31, 2009, 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2009 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 1 & 2.

June 26, 2009

*Ernst & Young Shin N:kon LLC*

# Major Group Companies

(As of March 31, 2009)

Company name	Capital (Millions of yen)	Equity stake (%)	Main businesses
<b>Electric Power Business</b>			
Bay Side Energy Co., Ltd.	2,400	100	Electric power supply
Green Power Kuzumaki Co., Ltd.	490	100	Construction and operation of wind power plants
Green Power Awara Co., Ltd.	310	100	Construction and operation of wind power plants
Green Power Setana Co., Ltd.	100	100	Construction and operation of wind power plants
Green Power Koriyama Nunobiki Co., Ltd.	100	100	Construction and operation of wind power plants
Dream-Up Tomamae Co., Ltd.	10	100	Construction and operation of wind power plants
Green Power TOKIWA Co., Ltd.	250	95	Construction and operation of wind power plants
Yuya Wind Power Co., Ltd.	10	90	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
Minami Kyushu Wind Power Co., Ltd.	20	80	Construction and operation of wind power plants
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 Co., Ltd.	245	66	Construction and operation of wind power plants
Ichihara Power Co., Ltd.	600	60	Electric power supply
J-Wind IROUZAKI Co., Ltd.	200	52	Construction and operation of wind power plants
Sarakitomanai Wind Power Co., Ltd.	30	49	Construction and operation of wind power plants
<b>Electric Power-Related Businesses</b>			
JPOWER GENEX CAPITAL Co., Ltd.	100	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 fly 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
J-POWER EnTech Inc.	120	100	Engineering of equipment for removal of atmospheric and water pollutants
KEC Corporation	110	100	Construction and maintenance of electronic and communications facilities
KDC Engineering Co., Ltd.	20	100	Design and construction management of electric power facilities; engineering and construction
EPDC CoalTech and Marine Co., Ltd.	20	100 (100)	Marine transportation of ash and fly ash from thermal power plants
J-POWER AUSTRALIA PTY. LTD.	21 (millions of A\$)	100	Investments in overseas coal mines
J-POWER RESOURCES Co., Ltd.	450	100	Import, sales and transport of coal
JP Business Service Corporation	450	100	Operation of welfare facilities; facility maintenance; business process outsourcing; development of computer software
<b>Other Businesses</b>			
J-POWER Investment Netherlands B.V.	70 (millions of \$)	100	Management of overseas investments
J-POWER Consulting (China) Co., Ltd.	6.0 (millions of yuan)	100	Management of overseas investments
J-POWER North America Holdings Co., Ltd.	1 (\$)	100	Management of overseas investments
J-POWER Holdings (Thailand) Co., Ltd.	10,174 (millions of baht)	100 (100)	Management of overseas investments
J-POWER Generation (Thailand) Co., Ltd.	39 (millions of baht)	100 (100)	Management of overseas investments
J-POWER USA Investment Co., Ltd.	29 (\$)	100 (100)	Management of overseas investments
J-POWER USA Development Co., Ltd.	1 (\$)	100 (100)	Research and development and overseas investments
Omuta Plant Service Co., Ltd.	50	100	Operation and maintenance of waste-fueled power generation plant
FWM Investment Co., Ltd.	100	51	Investment and management for the purpose of implementing the water service business
Fresh Water Miike Co., Ltd.	48	51 (51)	Water service business and ancillary water service businesses
Japan Network Engineering Co., Ltd.	50	100	Telecommunications; operation and maintenance of telecommunications facilities
KAIHATSU HIRYO Co., Ltd.	450	100	Production of fertilizer using ash

And 35 other companies.

Notes: 1. Figures in parentheses in the equity stake column represent the indirect shareholding component of the Company's equity stake.

2. J-POWER has 74 consolidated subsidiaries, including the above major subsidiaries, as well as 67 equity-method affiliates.

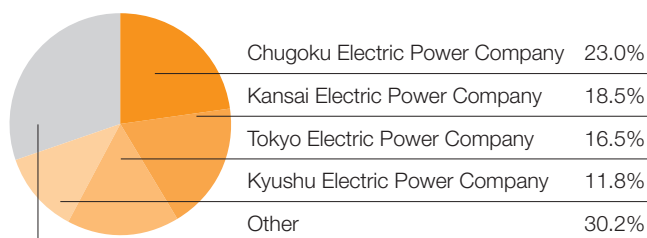
3. In accordance with a resolution by the Board of Directors on July 31, 2008, J-POWER succeeded to the overseas coal mine investment management business and the electronic coal trading market operation business of wholly owned subsidiary J-POWER RESOURCES Co., Ltd. via a corporate divestiture with an effective date of October 1, 2008.

## Corporate Information

(As of March 31, 2009)

Corporate Name	Electric Power Development Co., Ltd.
Communication Name	J-POWER
Date of Establishment	Sept. 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	660,000,000
Number of Shares Outstanding	166,569,600
Number of Shareholders	38,566
Stock Exchange Listing	Tokyo
Independent Public Accountants	Ernst & Young ShinNihon
Transfer Agent	The Sumitomo Trust and Banking Company, Limited

### Principal Customers of J-POWER's Electric Power Business (Fiscal 2008)



Note: Breakdown of J-POWER's electric power operating revenues by customer.

### Directors and Corporate Auditors (As of July 2009)

Chairman (Representative Director) Kiyoshi Sawabe	Executive Directors Seigou Mizunuma Kiyotaka Muramatsu Kuniharu Takemata Hirotsada Tanou Gou Kajitani
President (Representative Director) Masayoshi Kitamura	Senior Corporate Auditors Kanji Shimada Takashi Fujiwara
Executive Vice Presidents (Representative Directors) Shinichiro Ota Masashi Hatano Yasuo Maeda Yoshihiko Sakanashi	Corporate Auditors Motohito Sunamichi Mutsutake Otsuka Hideaki Miyahara
Executive Managing Directors Minoru Hino Masaharu Fujitomi Toshifumi Watanabe	

Note: Executive Director Gou Kajitani is an outside director. Senior Corporate Auditor Takashi Fujiwara, and Corporate Auditors Mutsutake Otsuka and Hideaki Miyahara are outside corporate auditors.

### Regional Network

#### Domestic

Hokkaido Regional Headquarters  
Sendai Office  
East Regional Headquarters  
Chubu Regional Headquarters  
Hokuriku Office  
West Regional Headquarters  
Chugoku Office  
Takamatsu Office  
Fukuoka Office

#### Main Overseas Offices and Subsidiaries

Washington Office (U.S.A.)  
Beijing Office (China)  
Hanoi Office (Vietnam)  
J-POWER USA Development Co., Ltd. (U.S.A.)  
J-POWER Generation (Thailand) Co., Ltd. (Thailand)  
J-POWER Consulting (China) Co., Ltd. (China)

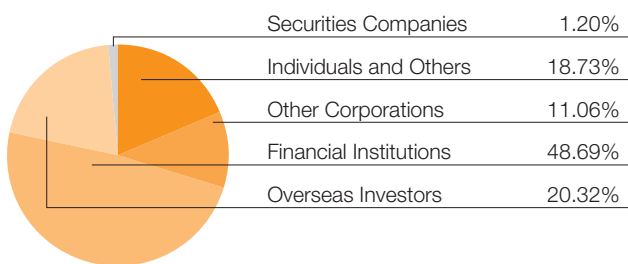
**For further information, please contact:**  
**Electric Power Development Co., Ltd.**  
**IR Group**  
**TEL: +81-3-3546-2211**  
**FAX: +81-3-3546-9531**  
**E-mail: investors@jpower.co.jp**

## Major Shareholders

Name or Designation	Number of Shares Held (Thousands of Shares)	Percentage of Total Shares Outstanding (%)
Nippon Life Insurance Company	9,120	5.48
Mizuho Corporate Bank, Ltd.	8,269	4.96
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	8,069	4.84
Japan Trustee Services Bank, Ltd. (Trust Account)	7,324	4.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,264	3.76
Sumitomo Mitsui Banking Corporation	4,295	2.58
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,140	2.49
Daido Life Insurance Company	3,658	2.20
CGML-IPB TOKYO CLIENT SECS A/C	3,066	1.84
J-POWER Employees Shareholding Association	2,776	1.67

Note: In addition to the above, J-POWER holds 16,515,474 shares of treasury stock.

## Breakdown of Issued Shares by Type of Shareholders



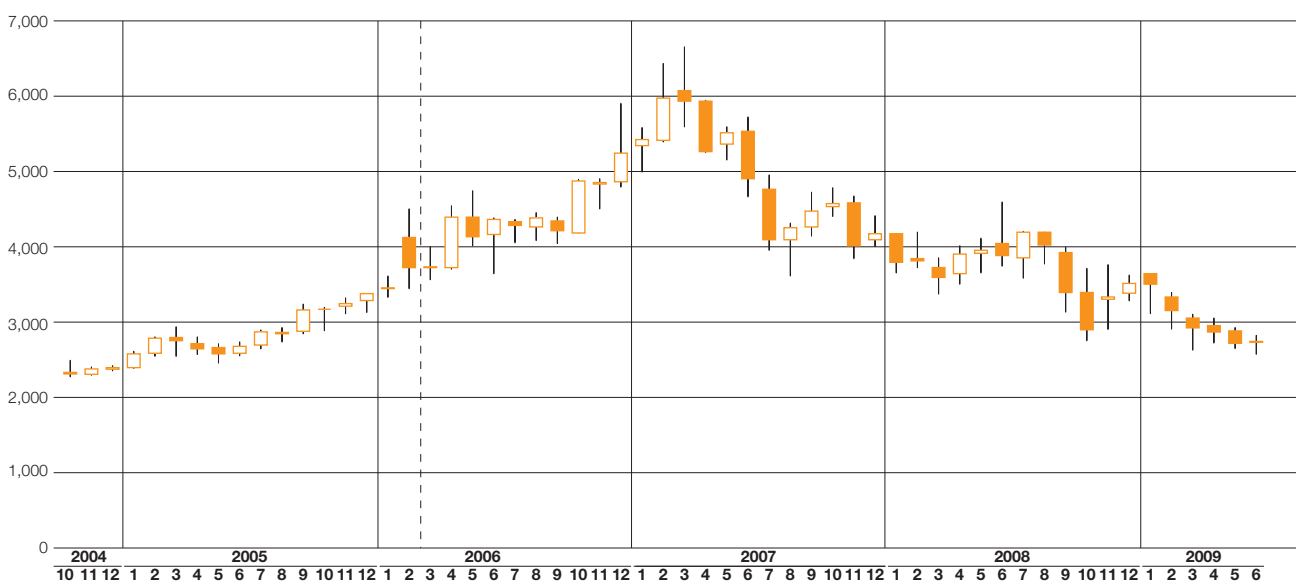
Note: Treasury stock of 16,515,474 shares is included in individuals and others.

## Corporate Bonds and Ratings

	Long-Term	Short-Term
Rating and Investment Information, Inc. (R&I)	AA+	a-1+
Japan Credit Rating Agency, Ltd. (JCR)	AAA	—
Standard & Poor's (S&P)	AA	—
Moody's	Aa2	—

## Common Stock Price Range

Stock Price (Yen)



Note: Stock prices before the 1.2-for-1 stock split that was conducted on March 1, 2006 have been adjusted to the post-split prices.





Electric Power Development Co., Ltd.

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<http://www.jppower.co.jp>



This annual report was printed entirely on FSC-certified paper using soy-based ink and a waterless printing process.

## Correction of Annual Report 2009

The section "8. Contingent liabilities" on page 57 has been corrected as follows:

### (Before correction)

#### 8. Contingent liabilities

Contingent liabilities as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Guarantees given for loans of companies below:			
TOSA POWER Inc.	¥3,870	¥4,097	\$41,715
Zajaczkowo Windfarm Sp. zo.o.	3,722	2,383	24,261
Roi-Et Green Co., Ltd.	214	187	1,910
SAHARA COOLING Ltd	-	129	1,319
Okutadami Kanko Co., Ltd.	164	118	1,206
Kanda Eco Plant Co., Ltd.	109	90	920
Kawagoe Cable Vision Co., Ltd.	23	5	52
Subtotal	8,105	7,012	71,387
Guarantees given in connection with housing loans to			
Company employees	5,248	4,731	48,172
Guarantee liability for performance guarantee insurance			
contract for PFI business			
EDOGAWA Water Service (Special-Purpose Company)	3	1	17
Guarantee liability for payment of construction work			
Zajaczkowo Windfarm Sp. zo.o.	65	-	-
Debts assigned by the Company to certain banks under			
debt assumption agreements			
	300,670	210,420	2,142,115
Total	¥314,092	¥222,166	\$2,261,693

**(After correction)**

Corrected information is underlined.

**8. Contingent liabilities**

Contingent liabilities as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Guarantees given for loans of companies below:			
<u>GJP Holding Co., Ltd.</u>	¥ -	<u>¥4,374</u>	<u>\$44,534</u>
TOSA POWER Inc.	3,870	<u>4,097</u>	<u>41,715</u>
Zajackowo Windfarm Sp. zo.o.	3,722	<u>2,383</u>	<u>24,261</u>
Roi-Et Green Co., Ltd.	214	<u>187</u>	<u>1,910</u>
SAHARA COOLING Ltd	-	<u>129</u>	<u>1,319</u>
Okutadami Kanko Co., Ltd.	164	<u>118</u>	<u>1,206</u>
Kanda Eco Plant Co., Ltd.	109	<u>90</u>	<u>920</u>
Kawagoe Cable Vision Co., Ltd.	23	<u>5</u>	<u>52</u>
Subtotal	8,105	<u>11,386</u>	<u>115,921</u>
<u>Guarantees given to certain banks of the below companies for performance bonds under power purchase agreements</u>			
<u>Power Generation Supply Co., Ltd.</u>	-	<u>6,200</u>	<u>63,120</u>
<u>Siam Energy Co., Ltd.</u>	-	<u>5,349</u>	<u>54,456</u>
<u>Subtotal</u>	-	<u>11,549</u>	<u>117,576</u>
Guarantees given in connection with housing loans to Company employees	5,248	<u>4,731</u>	<u>48,172</u>
Guarantee liability for performance guarantee insurance contract for PFI business			
EDOGAWA Water Service (Special-Purpose Company)	3	<u>1</u>	<u>17</u>
Guarantee liability for payment of construction work			
Zajackowo Windfarm Sp. zo.o.	65	-	-
Debts assigned by the Company to certain banks under debt assumption agreements	300,670	<u>210,420</u>	<u>2,142,115</u>
Total	¥314,092	<u>¥238,090</u>	<u>\$2,423,804</u>

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