

The background of the cover is a collage of images related to energy and the environment. It includes a large yellow flower in the top right, a dam in the middle left, a wind farm in the top right, a ladybug on a yellow flower in the bottom left, and an industrial facility with a tall chimney in the bottom left. The collage is set against a gradient of yellow and orange colors.

ANNUAL REPORT 2010

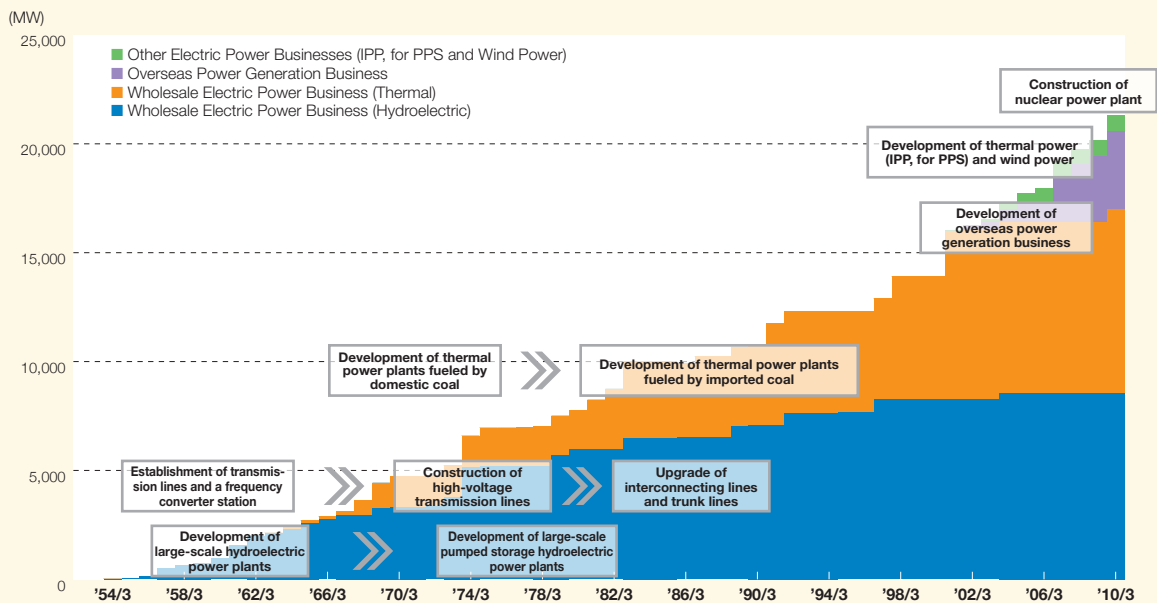
Harmonizing energy supply with the environment

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 in such areas as the overseas power generation business, which has strong growth potential, and the development of new sources of energy.

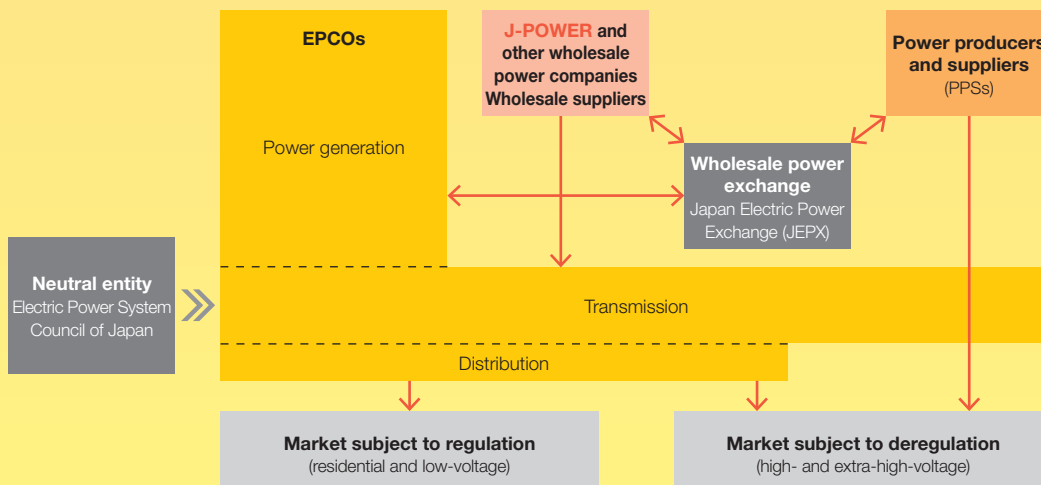
TRENDS IN THE J-POWER GROUP'S POWER GENERATION CAPACITY AND PRIORITY FIELDS



*Includes affiliates. Capacity for all facilities is multiplied by J-POWER's investment ratio (equity ratio).

JAPAN'S ELECTRIC POWER INDUSTRY STRUCTURE

(As of July 2010)



CONTENTS

MESSAGE	02
A CLOSE LOOK AT J-POWER	
— J-POWER's Businesses and Characteristics —.....	04
Map of J-POWER Business Development	06
Deregulation of Japan's Electric Power Industry/ Rate Structure for Domestic Wholesale Electric Power Business.....	08
BUSINESS HIGHLIGHTS	09
J-POWER'S PERFORMANCE AND TARGETS	10
AN INTERVIEW WITH PRESIDENT MASAYOSHI KITAMURA	12
“I want to reshape the J-POWER Group into a global energy company.”	
TOPICS	18
J-POWER's Coal-Fired Thermal Power Initiatives for Reducing CO₂ on a Global Scale	
■ Topic 1 Coal-Fired Thermal Power Generation in the World Today	18
■ Topic 2 J-POWER's Cutting-Edge Coal-Fired Thermal Power Plants and Innovative, Next-Generation Coal-Fired Power Technologies	20
SEGMENT OVERVIEW	24
Electric Power Business	
Wholesale Electric Power Business (Thermal Power)	25
Wholesale Electric Power Business (Hydroelectric Power and Power Transmission/Transformation)	26
Other Electric Power Business — IPP, for PPS and Wind Power —	27
Electric Power-Related Businesses	27
Other Businesses — Overseas Power Generation Business —	28
AIMING FOR SUSTAINABLE DEVELOPMENT OF SOCIETY AND THE J-POWER GROUP	29
Corporate Governance.....	29
Environmental Management.....	32
Relations With Communities, Society and Employees	33
DIRECTORS AND CORPORATE AUDITORS	34
FINANCIAL SECTION	36
Consolidated Financial Summary	36
Management's Discussion and Analysis	37
Consolidated Balance Sheets	44
Consolidated Statements of Income.....	46
Consolidated Statements of Changes in Net Assets.....	47
Consolidated Statements of Cash Flows.....	48
Notes to Consolidated Financial Statements	49
Report of Independent Auditors.....	70
MAJOR GROUP COMPANIES	71
CORPORATE INFORMATION	72

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.

PRESENTATION OF MONETARY AMOUNTS AND OTHER FIGURES

For monetary amounts and electric power sales, figures less than the indicated unit are rounded down. For other amounts, figures less than the indicated unit are rounded to the nearest unit unless otherwise mentioned.



MESSAGE



MASAYOSHI KITAMURA
President

The global economy has started to show some signs of recovery led by Asian demand, but uncertainty remains over the pace of recovery in Japan, Europe and the United States. Following the failure of the Copenhagen Conference, which was held at the end of 2009, to reach an effective agreement, debate on a new international climate change framework has added yet another layer of uncertainty. This debate will have a great impact on the world's long-term economic activities going forward. In this climate, electric power demand in Japan has finally put the worst behind it. However, there has been a drastic slump in power demand from the industrial sector since fiscal 2008. As a result, it will probably take a number of years for nationwide demand to return to fiscal 2007 levels.

In fiscal 2009, we commenced operations at Isogo New No. 2 Thermal Power Plant, a facility that achieves reduced environmental impact and enhanced energy efficiency at world-class levels. However, the J-POWER Group was impacted by falling power demand, as well as by lower capacity utilization at several thermal power plants due to equipment failures, and an accompanying increase in maintenance costs. Consequently, consolidated ordinary income fell short of our initial target, despite increasing in year-on-year terms.

Given these challenging business conditions, the J-POWER FY2010 Group Management Plan, which was drawn up in March 2010, establishes two key issues: "Ensure plant reliability and work to reinforce the business operating infrastructure," and "Address the transition to a low-carbon society from a long-term perspective." These priorities are essential to further solidifying our foundation and preparing for future challenges. We will reinforce the reliability and competitiveness of the wholesale electric power business and promote projects in

CORPORATE PHILOSOPHY

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

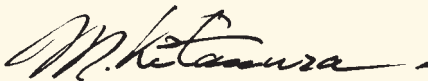
- **Sincerity and pride underlie all our corporate activities.**
- **We build community trust by harmonizing our operations with the environment.**
- **Profits are a growth source, and we share the benefits with society.**
- **We continuously refine our knowledge and technologies to be a leader in these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

Japan by developing new technologies and business models that anticipate changing trends toward a low-carbon society. We will also carry out these activities globally, primarily in Asia.

In fiscal 2010, we expect a sluggish pace of recovery in electric power demand both in Japan and overseas, an increase in maintenance costs to ensure the reliability of plant facilities, and upfront investment in research related to the development of high-efficiency coal-fired thermal power technology to assist in the shift to a low-carbon society. Based on these factors, we have no choice but to reduce our earnings target for fiscal 2010.

However, there is no change in J-POWER's overall direction. No matter how difficult the conditions we face, we are determined to stay true to our corporate philosophy—and the J-POWER Group's starting point—of “ensuring constant supplies of energy to contribute to the sustainable development of Japan and the rest of the world.” Guided by this philosophy, we will pursue steady, long-term growth by addressing our key issues one step at a time.

We look forward to the continued understanding and support of our shareholders and investors, as we endeavor to reach our goals.

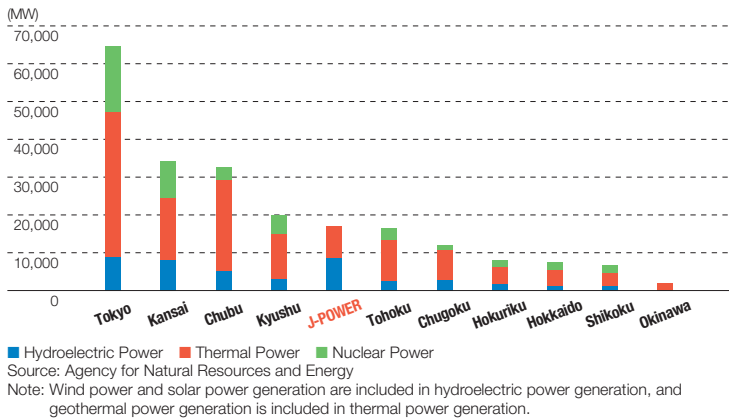


MASAYOSHI KITAMURA, *President*

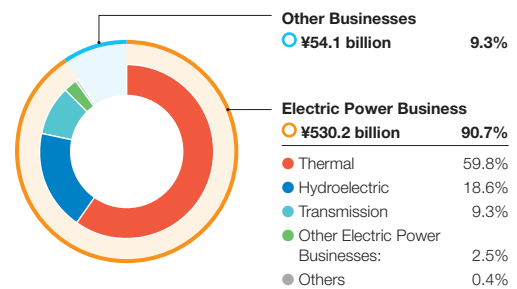
A CLOSE LOOK AT J-POWER —J-POWER's Businesses and Characteristics—

Our core business is the wholesale electric power business, where 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. In addition, we are engaged in operating wind power plants, the wholesale supply of electricity to EPCOs by IPPs, the wholesale supply of electricity to PPSs and the overseas power generation business.

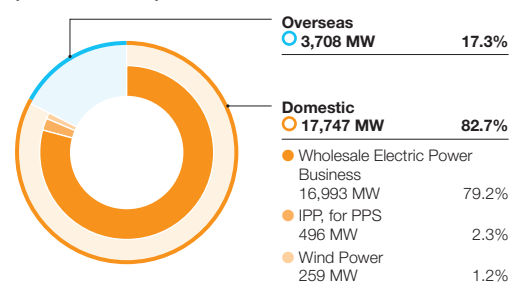
POWER GENERATING CAPACITY OF J-POWER (WHOLESALE ELECTRIC POWER BUSINESS) AND 10 ELECTRIC POWER COMPANIES (As of March 31, 2010)



COMPOSITION OF CONSOLIDATED OPERATING REVENUES (Fiscal 2009)



CONSOLIDATED POWER GENERATION CAPACITY (IN OPERATION) (As of June 30, 2010)



* Includes affiliates. Capacity for all facilities is multiplied by J-POWER's investment ratio (equity ratio).

Electric Power Business

■ Wholesale Electric Power Business (Thermal Power)

We specialize in coal-fired thermal power, and own a total of **8,412 MW** of coal-fired power generation facilities, the largest share in Japan. Our coal-fired facilities boast a high load factor and superior economic efficiency, fulfilling base demand for electricity, due to the lower cost per calorie of overseas coal compared with other fossil fuels. In addition, Isogo New No. 2 Thermal Power Plant commenced commercial operations in July 2009. This facility achieves the world's highest standard for both power generation efficiency and environmental performance as a coal-fired power plant.

■ Wholesale Electric Power Business (Hydroelectric Power)

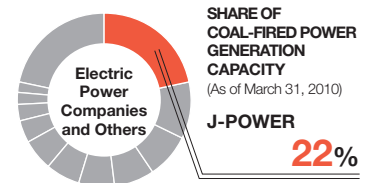
We have developed many large-scale hydroelectric power plants and now own facilities with a total capacity of **8,566 MW**, one of the largest in Japan. As these facilities are able to rapidly respond to changes in electricity demand, they are used mainly in the daytime, when demand is at its peak.

■ Power Transmission/Transformation

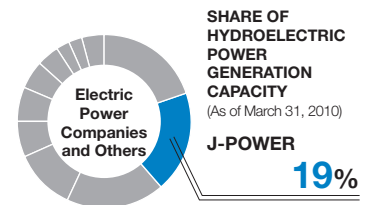
We own major transmission lines, such as those connecting Honshu with Hokkaido, Shikoku and Kyushu respectively (with a total length of 2,408 km). We also own a frequency converter station that links the different frequencies of Eastern and Western Japan. Through these facilities, we fulfill an important role in supporting Japan's power grid.

■ Other Electric Power Businesses

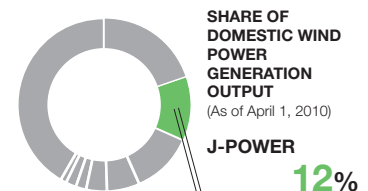
Our subsidiaries and affiliates are engaged in operating wind power plants, the wholesale supply of electricity to EPCOs by IPPs and the wholesale supply of electricity to PPSs. In terms of our owned capacity of wind power generation facilities, we command one of the largest shares of Japan's wind power market.



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



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



Source: Japanese Wind Power Association and materials from other wind power companies

Electric Power-Related Businesses

We operate businesses that complement and contribute to the smooth and efficient implementation of our electric power business. We conduct design, construction, and inspections, maintenance and repair of electric power facilities. We are also active in coal mine development and coal imports, as well as transportation and other related businesses which support the operations of our power generation facilities and power transmission and transforming facilities. These businesses are characterized by a large volume of intra-Group transactions.

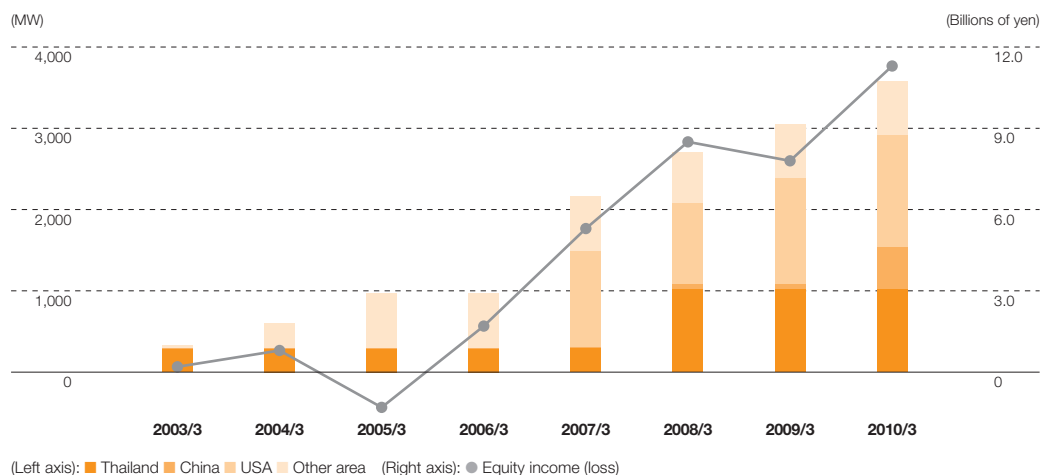


Other Businesses

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, domestic and overseas engineering and consulting, and the sale of coal.

In overseas business, we began conducting technological consulting services in the 1960s, and have executed a total of **312 projects** in 63 countries and regions (as of June 30, 2010). Also, we started developing the overseas power generation business in the late 1990s and now own power generation facilities in 6 countries and regions, mainly Thailand, the U.S. and China. These facilities have a total capacity of **3,708 MW**, which accounts for approximately 20% of our consolidated capacity (as of June 30, 2010, owned capacity basis). J-POWER is strengthening its hand overseas so as to develop the overseas power generation business into a second major area, next to the wholesale electric power business in Japan.

OWNED CAPACITY OF OVERSEAS POWER GENERATION PROJECTS/EQUITY INCOME (LOSS)



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).

* Change in reporting segments

From the first quarter of the fiscal year ending March 31, 2011, J-POWER has adopted the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17) and the Implementation Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Implementation Guidance No. 20).

As a result, J-POWER has changed its reporting segments to the following four segments. The "electric power business" segment is centered on the wholesale electric power business, but also includes the wind power generation business, wholesale electricity supply by IPPs to electric power companies, and wholesale electricity supply for PPSs conducted by J-POWER's subsidiaries and affiliates. The "electric power-related business" segment operates businesses that complement and contribute to the smooth and efficient implementation of our electric power business. The "Overseas Business" segment is engaged in overseas power generation and related businesses. The "Other Businesses" segment conducts coal sales and other operations utilizing the Group's management resources and know-how.

Map of J-POWER Business Development

Domestic Electric Power Business Facilities

(as of June 30, 2010)

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
- Nuclear power plant
- Transmission Line

Other Electric Power Businesses

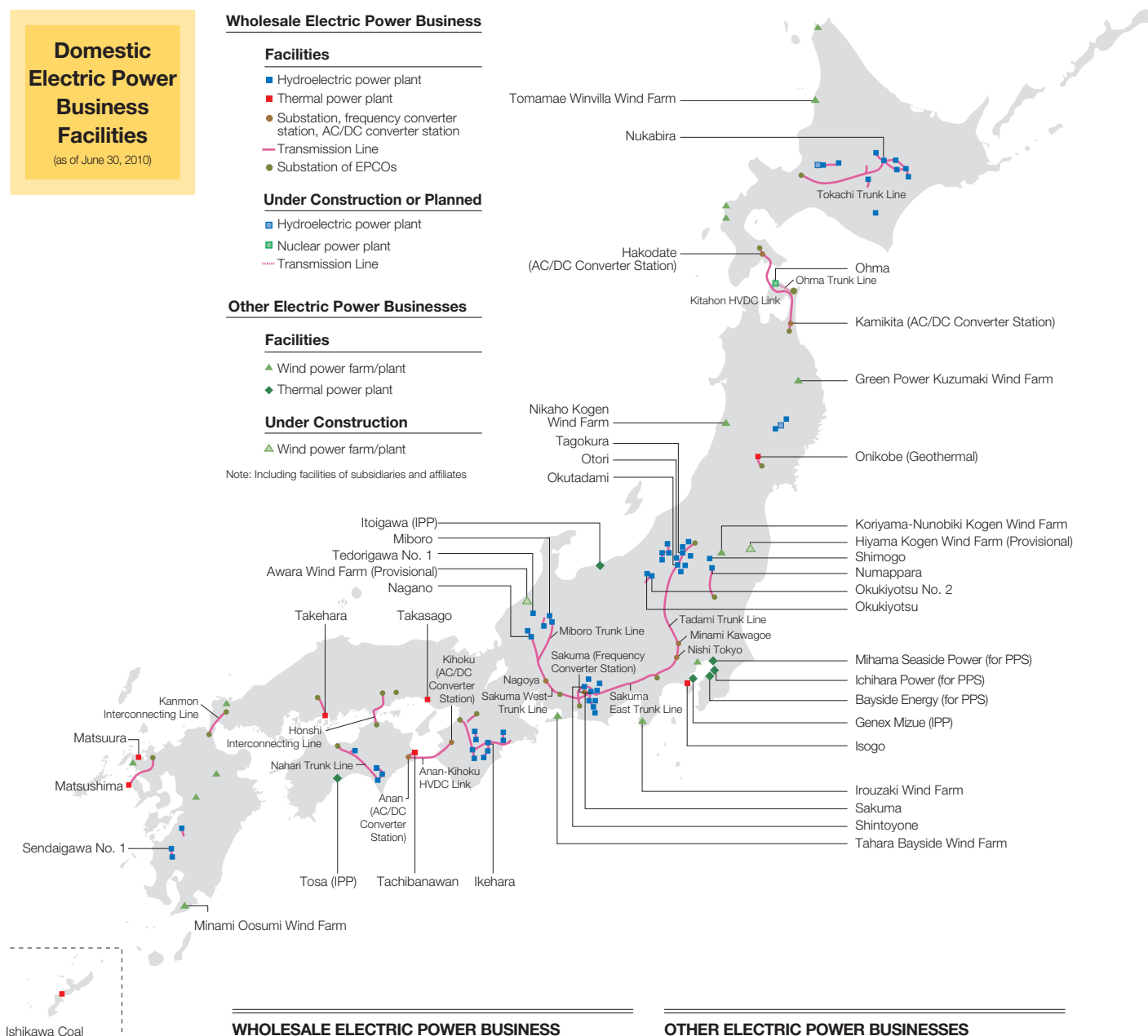
Facilities

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

Under Construction

- ▲ Wind power farm/plant

Note: Including facilities of subsidiaries and affiliates



WHOLESALE ELECTRIC POWER BUSINESS

Power generation facilities

Hydroelectric power plants	59	8,566 MW
Thermal power plants (including 1 geothermal plant)	8	8,427 MW
Total	67	16,993 MW

Transmission Lines (Total Lines)	2,407.7 km
Extra-high-voltage AC power transmission lines	1,973.4 km
DC power transmission lines	267.2 km

Substations	3	4,292 MVA
--------------------	----------	------------------

Frequency converter station	1	300 MW
------------------------------------	----------	---------------

AC/DC converter stations	4	2,000 MW
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Note: Including facilities of subsidiaries and affiliates (does not take proportion of equity holdings into account)

OTHER ELECTRIC POWER BUSINESSES

Generation facilities (maximum capacity)

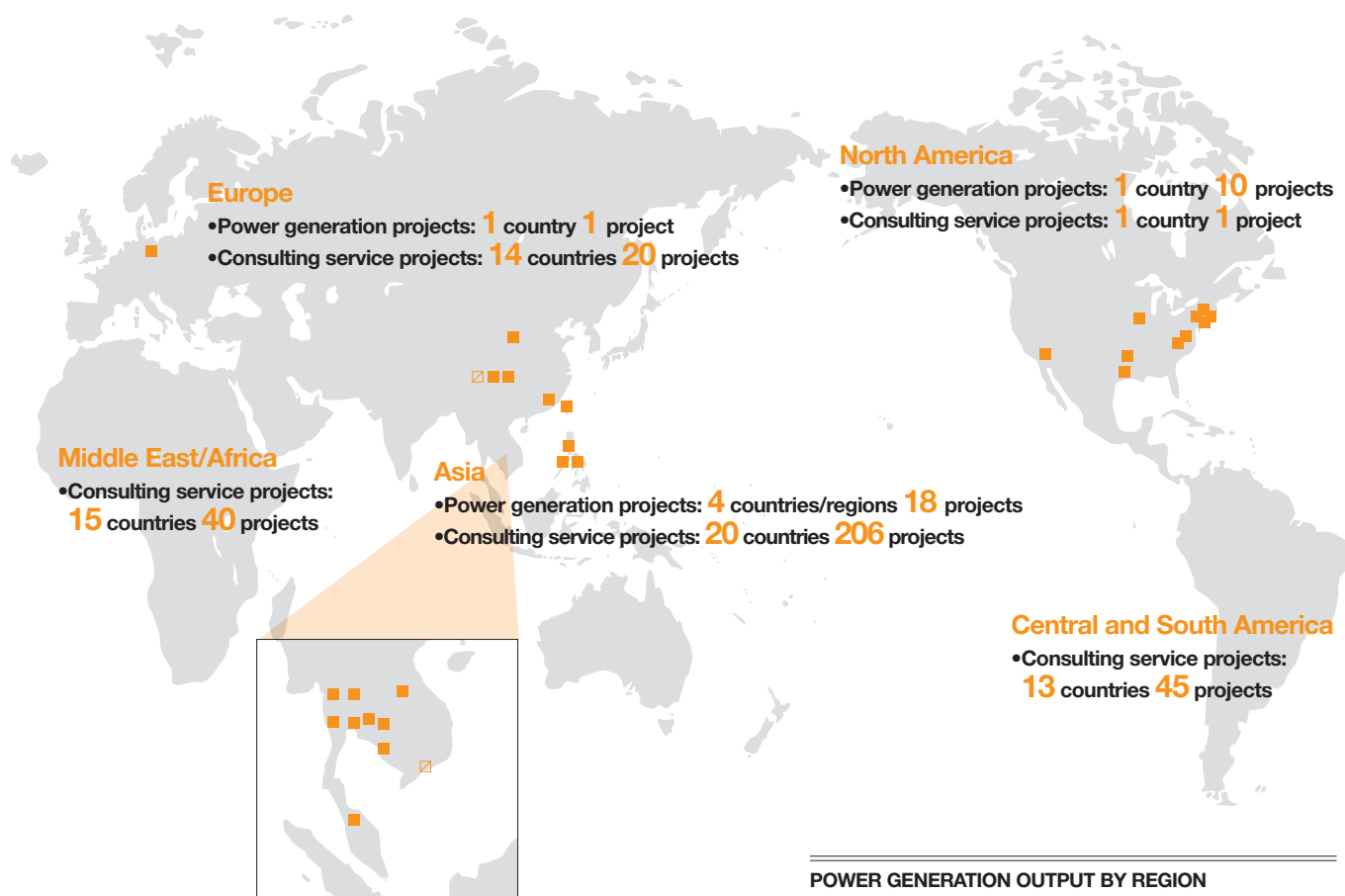
Wind power	16	305 MW
IPPs	3	522 MW
For PPSs	3	322 MW
Total	22	1,149 MW

Overseas Business Development

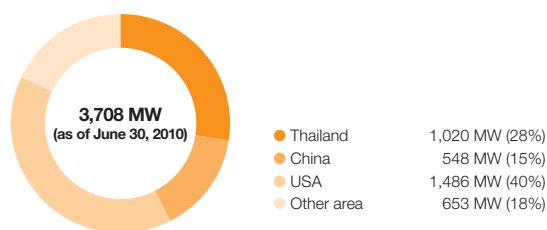
(as of June 30, 2010)

- Overseas Power Generation Business Performance (in operation) : **6** countries/regions **29** projects
- Overseas consulting service projects : **63** countries/regions **312** projects (cumulative)

[Overseas Power Generation Business]
 ■ In operation
 □ Under construction



POWER GENERATION OUTPUT BY REGION
(OWNED CAPACITY/IN OPERATION)



Deregulation of Japan's Electric Power Industry

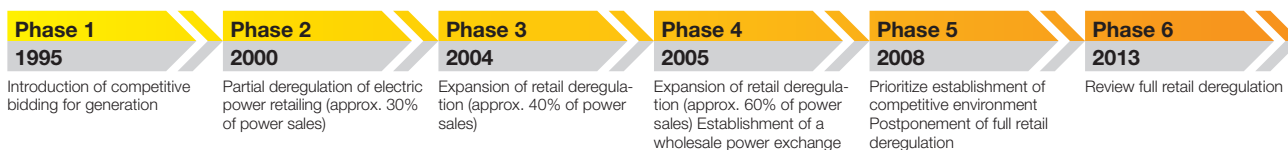
A Close Look at J-POWER

The deregulation of the electric power industry in Japan has created a new environment in which business enterprises other than electric power companies can participate in electricity wholesaling and retailing businesses.

In April 2005, the deregulation of the retail electricity sector was expanded to approximately 60% of the market and wholesale electricity transactions were commenced on the Japan Electric Power Exchange (JEPX).

Further reforms of the electric power industry have been under discussion since April 2007 by 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.

DEREGULATION OF JAPAN'S ELECTRIC POWER INDUSTRY



Rate Structure for Domestic Wholesale Electric Power Business

A Close Look at J-POWER

J-POWER calculates contract rates for the wholesale electric power business and its electric power transmission services on a fair assumed cost plus fair return on capital basis.

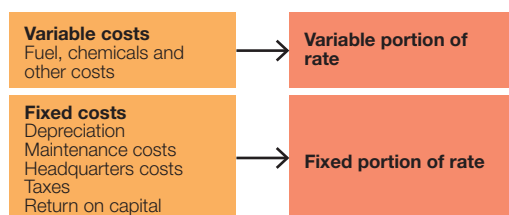
Individual rates are contracted with power companies and producers based on costs calculated by the plant or water system, for each type of plant. Our rate includes both a fixed and available portion.

Regarding contract rates for thermal power facilities, fuel costs and other variable costs comprise a high weighting of total costs, and maintenance and operating costs fluctuate greatly from year to year. We therefore adjust rates every two years (every year for the portion corresponding to coal costs if there are substantial price fluctuations). Variable costs such as fuel costs are incorporated into the variable portion of the rate, reflecting the amount of electricity supplied. Rates are also adjusted every quarter to offset the effects of actual fluctuations in fuel costs associated with exchange rates used in fuel procurement and with changes in heavy/light oil prices. The fixed portion of the rate consists of the fixed portion of expenses other than variable expenses. The fixed portion of the rate includes depreciation, return on capital, repair costs and other maintenance and operating costs. Unless otherwise impacted by an increase in

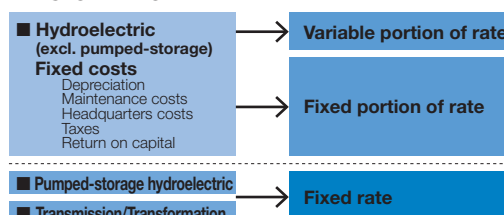
maintenance and operating costs or major investment in plant facilities, the fixed portion of the rate generally has been decreasing due to the progressive depreciation of facilities and reductions in expenses such as interest expense in recent years.

With regard to rates for hydroelectric power and transmission, substation facilities, depreciation, return on capital and other fixed costs comprise a large weighting of total costs, so contract rates are not subject to regular revision, which ensures long-term rate stability. Revisions may be conducted based on negotiations with electric power companies if substantial changes take place in economic conditions (interest rates, prices, etc.) or business conditions (deregulation, etc.). Contract rates for hydroelectric power facilities, excluding pumped storage, are comprised of a fixed portion of the rate, which accounts for approximately 80% of the contract rate and a variable portion of the rate reflecting the amount of electricity supplied, which accounts for the remaining approximately 20%. The 20% portion increases and decreases depending on water supply rates, but this does not have a substantial impact. Contract rates for pumped storage hydroelectric power and transmission are based entirely on the fixed portion of the rate.

THERMAL POWER



HYDROELECTRIC POWER AND TRANSMISSION/TRANSFORMATION



BUSINESS HIGHLIGHTS

(Period: April 2008 to June 2010)

Five Key Approaches

J-POWER is carrying out the following “Five Key Approaches” under a management plan covering the five-year period from fiscal 2008 to fiscal 2012.

1. Steady Growth in Power Generation Facilities

- | | | |
|-------------|-------------|---|
| May | 2008 | Began construction on the Ohma Nuclear Power Plant (1,383 MW) in Aomori Prefecture, J-POWER's first nuclear power plant |
| July | 2009 | Commenced operations at Isogo New No. 2 Thermal Power Plant (600 MW) in Kanagawa Prefecture |



External view of the Ohma Nuclear Power Plant (rendering)



Callide A Power Station

2. Technological Innovation and New Project Development

- | | | |
|-----------------|-------------|---|
| November | 2008 | The Japan-Australia joint demonstration project for coal-fired CCS technology using the OxyFuel method entered full-scale operation at the Callide Power Station in Australia. |
| July | 2009 | Established a new company, Osaki CoolGen Corporation, jointly with The Chugoku Electric Power Co., Inc. in order to undertake a large-scale demonstration test of oxygen-blown coal gasification combined cycle (IGCC) technology and CO ₂ separation and capture technology |

3. Enhancing the Value of Business Assets

- | | | |
|-----------------|-------------|--|
| February | 2010 | Increased output at Onikobe Geothermal Power Plant in Miyagi Prefecture from 12.5 MW to 15.0 MW and resumed operations |
| May | 2010 | Completed comprehensive upgrade work at Tagokura Power Plant No. 3 in Fukushima Prefecture to raise output from 390 MW to 395 MW, and resumed operations |



Upgrade of Tagokura Power Plant No. 3



Birchwood Coal-Fired Thermal Power Plant

4. Global Business Expansion

- | | | |
|-----------------|-------------|--|
| May | 2008 | Acquired equity interest in Birchwood Power Station in the U.S. (coal-fired, 242 MW) |
| June | 2009 | Acquired equity interest in two gas-fired power plants (160 MW) in Long Island, NY, USA |
| August | 2009 | Acquired equity interest in Gemeng International Energy Co., Ltd. in China, where coal-fired thermal power is the main power source |
| November | 2009 | Concluded power purchase agreement for seven SPP projects* in Thailand (gas-fired, total 780 MW) |
| June | 2010 | Commenced operations at Orange Grove Power Plant (gas-fired, 96 MW) in the U.S., J-POWER's first new greenfield development project in North America |

5. Power Generation as the Core of a Diversified Business

- | | | |
|---------------|-------------|---|
| August | 2008 | Agreed to acquire equity interest in the Narrabri Coal Project in Australia |
| March | 2009 | Started wastewater sludge fuel conversion business** at the Hiroshima City Seibu Water Resources Reclamation Center |
| April | 2010 | Commenced operations at Irouzaki Wind Farm (34 MW) in Shizuoka Prefecture |



Irouzaki Wind Farm

* The Small Power Producer Program was initiated by the government of Thailand in 1992 to promote (1) greater use of renewable and by-product energy, and (2) efforts to reduce oil imports and oil consumption.

** The integrated sewage sludge-based biofuels recycling project includes the construction of biofuel processing facilities and the processing of mixed combustion in our coal-fired power plants.

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)			Three-Year
Third Phase of the Restructure Plan				
Consolidated Data				
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
Depreciation	137,148	131,380	125,339	135,019
Capital expenditures	53,443	46,202	50,925	60,861

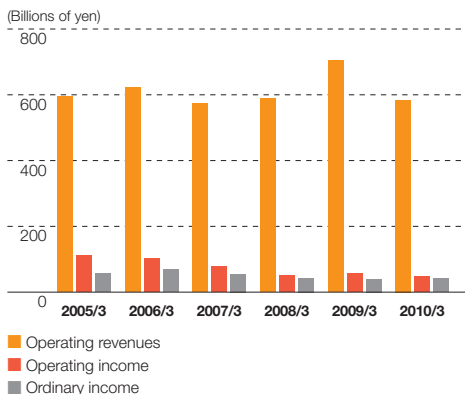
COMMENCEMENT OF OPERATIONS AT MAIN PROJECTS (PARTICIPATION*)

Domestic Electric Power Businesses (Wholesale Electric Power Business/ Businesses Addressing Deregulation)	• Isogo New No. 1	• Okutadami and Otori (hydro) (facility expansion, etc.)	• Ichihara Power (for PPS)	• Bayside Energy Ichihara (for PPS), Tosa (IPP), and Mihama Seaside Power (for PPS)
Diversified Businesses (Overseas Power Generation Business/ Diversified Businesses)	• Thailand Rayong (gas) • Tokyo Bayside (wind) • Omuta Waste-fueled Power Plant	• Genex Mizue (IPP)/ Itoigawa (IPP) • Taiwan Chiahui (gas) • Green Power Kuzumaki (wind)	• Philippines CBK (hydro) • Aso-Nishihara (wind), Nagasaki-Shikamachi (wind), Tahara Bayside (wind)	• Setana Seaside (wind)

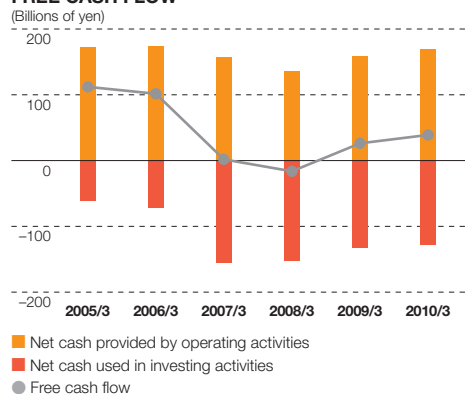
* Assuming participation in projects currently in operation (shown in blue print)

Consolidated Data

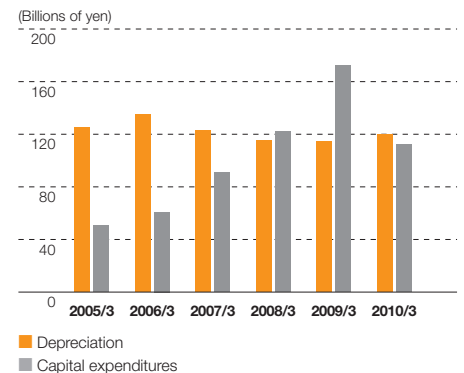
OPERATING REVENUES/OPERATING INCOME/ ORDINARY INCOME



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



DEPRECIATION/CAPITAL EXPENDITURES



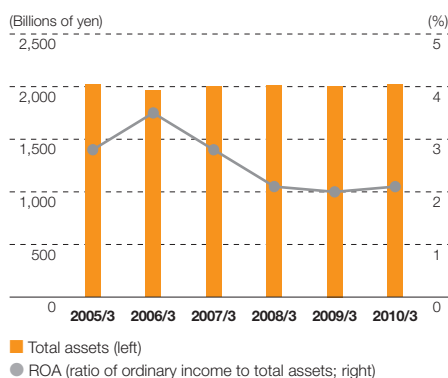
2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	
Management Targets			Group Management Plan Established Five-Year Targets				
Consolidated ordinary income: over ¥55 billion (3-year average)							
Consolidated shareholders' equity ratio: over 23% (March 31, 2008)							
Millions of yen							
573,277	587,780	704,936	584,484				
77,141	50,724	57,108	48,939				
55,513	42,873	39,599	41,694				
35,167	29,311	19,457	29,149				
462,654	468,118	382,112	414,981				
1,999,794	2,013,131	2,005,469	2,024,080				
157,241	136,252	158,628	169,148				
(155,407)	(152,518)	(132,350)	(129,504)				
1,834	(16,265)	26,278	39,643				
(2,168)	17,174	(29,615)	(30,351)				
7.9	6.3	4.6	7.4				
23.1	23.2	19.0	20.4				
2.8	2.1	2.0	2.1				
16,940	16,940	16,991	17,610				
60,329	62,469	59,148	57,238				
466,903	474,995	591,337	473,443				
55,184	54,934	55,414	54,402				
6,494	6,524	6,581	6,701				
123,083	115,021	114,669	120,313				
90,704	122,056	172,128	112,233				
			• Isogo New No. 2		• Ohma Trunk Line		
<ul style="list-style-type: none"> • U.S. Tenaska Frontier (gas) and Elwood Energy (gas) • Koriyama-Nunobiki Kogen (wind) 		<ul style="list-style-type: none"> • Thailand Kaeng Khoi #2 (gas) • U.S. Green Country (gas) • China Hanjiang (Xihe River hydro) • Omuta and Araoshi water services project 		<ul style="list-style-type: none"> • U.S. Birchwood (coal) • Poland Zajaczkowo (wind) 		<ul style="list-style-type: none"> • Gemeng International Energy Co., Ltd. in China (acquired interests), Hanjiang (Shuhe River hydro) • U.S. Long Island Edge-wood Energy (gas) and Shoreham Energy (petroleum) • Narumi Plant PFI Business 	
				<ul style="list-style-type: none"> • Irouzaki (wind), Awara (wind) (provisional), Hiyama Kogen (wind) (provisional) • U.S. Orange Grove Energy (gas) • Australia Clermont Coal Mine and Narrabri Coal Mine 		<ul style="list-style-type: none"> • SPP projects in Thailand • Hiroshima wastewater sludge fuel conversion business 	

Consolidated Ordinary Income:

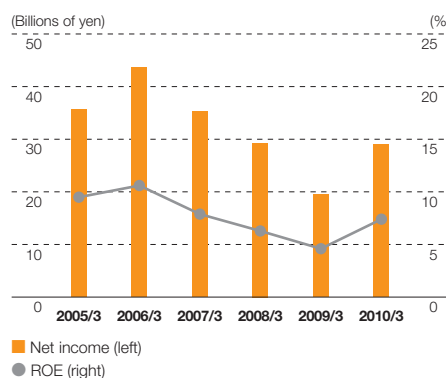
2011/3 **¥41 billion or more** >>> 2013/3 **¥60 billion***

*To be reviewed in the fiscal 2011 management plan

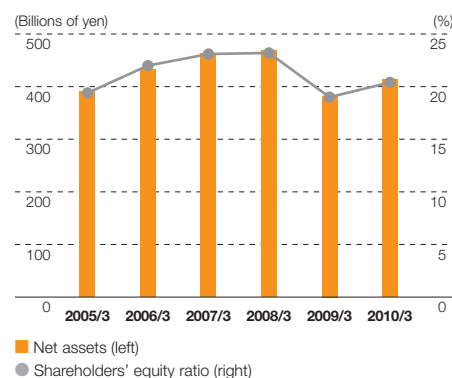
TOTAL ASSETS/ROA



NET INCOME/ROE



NET ASSETS/SHAREHOLDERS' EQUITY RATIO



AN INTERVIEW WITH PRESIDENT MASAYOSHI KITAMURA

The business environment surrounding the J-POWER Group is becoming increasingly uncertain and opaque in terms of worldwide power demand, anti-global warming measures and other factors.

In this business environment, we spoke with President Masayoshi Kitamura about how the J-POWER Group intends to achieve sustained growth based on its mission of “harmonizing energy supply with the environment.”



MASAYOSHI KITAMURA, *President*

Q1

How do you rate J-POWER's performance in fiscal 2009? Also, what progress have you made on the “Five Key Approaches” outlined in the five-year J-POWER Group management plan, which sets targets for fiscal 2012.

A1

What I must first say is that circumstances have arisen that were not initially envisioned, including a lower load factor caused by equipment failures at several thermal power plants in the first half and an accompanying increase in facility maintenance costs. I fear that these issues have inconvenienced our customers and other stakeholders and have been a source of concern for them. However,

the necessary repairs were performed and operations were steadily restored at these thermal power plants in the second half. Overall, electric power sales for the full year decreased 3.2% year on year. With regard to financial performance, consolidated operating revenues decreased 17.1% from the previous year, partly due to falling fuel prices. Despite a decrease in fuel costs, personnel expenses and other items, operating income declined by 14.3% due partially to lower capacity utilization at thermal power plants. By contrast, consolidated ordinary income increased 5.3%. This was due in

FIVE KEY APPROACHES: BUSINESS STRATEGIES AND INVESTMENT PLANS FOR ACHIEVING TARGETS (FY)

	2008–2012	2013–
Steady Growth in Power Generation Facilities		Isogo New No. 2, Ohma Nuclear Approx. ¥300 billion
Technological Innovation and New Project Development		Coal gasification technology and others
Enhancing the Value of Business Assets	In FY2008–2009, we invested approximately ¥340 billion.	Investment in existing plants Approx. ¥270 billion
Global Business Expansion		Overseas power generation business Approx. ¥250 billion (Amount of direct contribution: Approx. ¥90 billion)
Power Generation as the Core of a Diversified Business		Renewable energy/coal businesses, etc. Approx. ¥100 billion

* The amounts recorded are the amounts recorded in J-POWER's consolidated assets. Moreover, we plan to establish 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). The investment amount for fiscal 2008–2009 is an estimate, as of the end of the third quarter of fiscal 2009.

part to higher profits from investment in the overseas power generation business based on the equity method. Net income also increased by 49.8% compared to the previous fiscal year.

Fiscal 2009 marked the second year of the J-POWER Group management plan. We continued to make steady progress on the “Five Key Approaches” and to generate results. In terms of “Steady Growth in Power Generation Facilities,” we launched operations at the Isogo New No. 2 Thermal Power Plant in July and made good progress on construction of the Ohma Nuclear Power Plant ahead of its scheduled launch in November 2014. In terms of “Technological Innovation and New Project Development,” we partnered with The Chugoku Electric Power Co., Inc. to establish a new company, Osaki CoolGen Corporation, to undertake a large-scale demonstration project for oxygen-blown integrated gasification combined cycle (IGCC) technology and CO₂ separation and capture technology. In terms of “Enhancing the Value of Business Assets,” we completed comprehensive upgrade work on hydroelectric turbines at aging facilities such as Nukabira Power Plant. Progress was made on “Global Business Expansion” in the form of acquiring equity interests in two gas-fired power plants in Long Island in the United States and in Gemeng International Energy Co., Ltd. in China. We also steadily carried out initiatives for “Power Generation as the Core of a Diversified Business,” which included acquiring three additional wind farms in Japan and establishing two manufacturing companies for biomass fuels.

PROGRESS ON CONSTRUCTION OF OHMA NUCLEAR POWER PLANT

Construction work is proceeding steadily. We have initiated full-scale construction on the reactor building, turbine building and other main buildings, and are steadily assembling large equipment for each building at surrounding worksites.

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	: Enriched uranium and uranium-plutonium mixed oxide (MOX)
Start of commercial operations	: Planned for November 2014



Construction work (as of July 2010)

OHMA NUCLEAR POWER PLANT AND JAPAN'S PLUTHERMAL 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 CO₂ emissions during the power generation process.

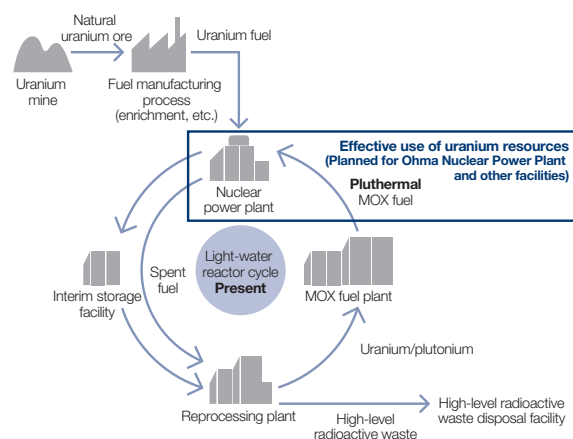
As Japan imports more than 90% of its energy resources from overseas, it is essential for us to promote the reuse of plutonium and uranium from spent fuels to maintain a stable supply of energy for the future.

Heading toward the establishment of this “nuclear fuel cycle,” the government is promoting “the pluthermal 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 pluthermal plan.

* MOX fuel for the initial operation cycle and first replacement is planned to be processed at an overseas MOX fuel plant.

Nuclear Fuel Cycle and the Pluthermal Plan



Q2

Based on the J-POWER Group's performance in fiscal 2009, what are the Group's management issues going forward?

A2

The first issue is to “ensure plant reliability and work to reinforce our business operating infrastructure.” Given the equipment failures that occurred in fiscal 2009, we must enhance diagnostic capabilities for existing facilities and do our utmost to implement preventive maintenance. Stable long-term operation of large-scale assets like power generation facilities and transformers is an essential part of fulfilling the responsibility of the J-POWER Group to ensure the stable supply of electric power; this will also lead to stable earnings. The same holds true overseas, where we are actively developing business. Working together with local staff and business partners, we are focusing on ensuring stable operations at facilities in our various projects, both existing and new.

The second issue is “to address the transition to a low-carbon society from a long-term perspective.” The debate surrounding an international climate change framework is currently adding another layer of uncertainty. Even with the ongoing uncertainty in business conditions, the J-POWER Group will further develop initiatives for transitioning to a low-carbon society, which have so far been implemented to realize our corporate philosophy. We will track, anticipate and respond to major trends in the movement toward a low-carbon society to establish a solid position for the Company and ensure its sustained development.

**Q3**

Why did you revise some of the management targets in your FY2010 Group Management Plan?

A3

In the FY2010 Group Management Plan, we revised our consolidated ordinary income target for fiscal 2010 from at least ¥50.0 billion to at least ¥41.0 billion. There were three major reasons. The first is ongoing uncertainty in the outlook for electric power demand. The second is the need to increase facilities maintenance expenditures in order to ensure the reliability of plant facilities, which is one of the issues I discussed previously. The third is to reinforce initiatives for transitioning to a low-carbon society, which is another issue I discussed earlier. Specifically, taking a long-term view, we have determined that now is the time to invest in research and development on technology for high-efficiency coal-fired power generation. And, we are planning to write-off CO₂ emissions credits to achieve the voluntary CO₂ reduction goal we set for fiscal 2010.

Given these factors, we determined that we must reduce the initial consolidated ordinary income target. Regarding the fiscal 2012 target of ¥60.0 billion, there are major uncertainties over the power demand outlook, social trends and trends in government policy related to the shift to low-carbon technologies, and other factors. Fiscal 2012 targets will therefore be reviewed in the fiscal 2011 management plan based on these factors and progress on initiatives in fiscal 2010. Our target for return on assets (ROA), which is used as a management

index, is also subject to review in the fiscal 2011 management plan. The numerical consolidated shareholders' equity ratio target has been retracted for now, but there is no change in the need for us to continuously improve our financial position going forward.

**FIVE-YEAR MANAGEMENT TARGETS
CONSOLIDATED ORDINARY INCOME**

FY2010: ¥41 billion or more → **FY2012: ¥60 billion**

* Reduced from prior target of ¥50 billion or more * Review targets in FY2011 Management Plan

Q4

Please discuss specific initiatives to address the transition to a low-carbon society from a long-term perspective—one of your management issues.

A4

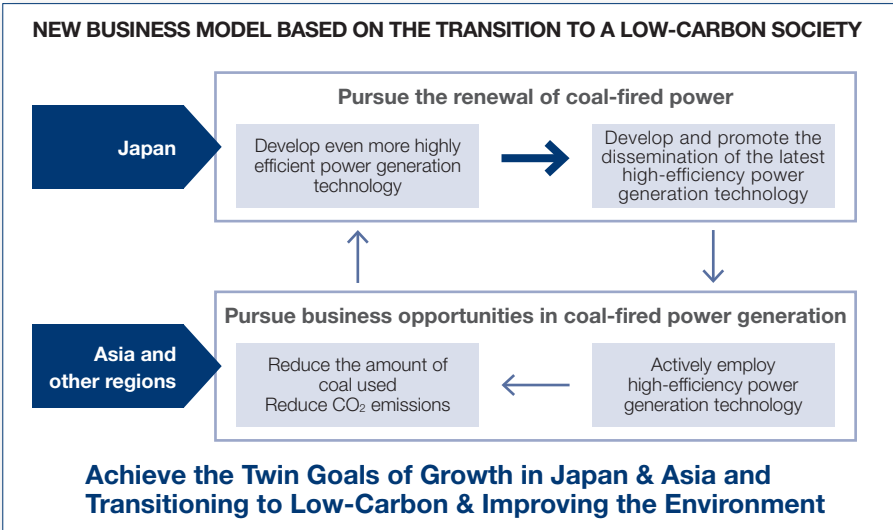
Our foremost initiative is to ensure that we complete the construction of the Ohma Nuclear Power Plant on schedule, and significantly enhance the share of non-fossil fuel-based power generation in our power portfolio.

Next, it is generally thought that a low-carbon society will be achieved by reducing the use of fossil fuels and shifting to renewable energies like solar power, wind power and biomass. However, the current reality is that countries throughout the world are still dependent on coal and other fossil fuels, so it will be extremely difficult to shift to renewable energies immediately. For this reason, as we make the transition to renewable energies, we must also work to use fossil fuels in a cleaner, more efficient manner.

J-POWER intends to remain focused on developing highly effective power generation technologies that allow coal—a fossil fuel with which we have ample operational experience and have gained substantial expertise—to be used highly efficiently. Over the long term, we aim to commercialize integrated coal gasification combined cycle technologies (IGCC), which use innovative technology to substantially raise power generation efficiency through the gasification of coal.

Ultimately, our goal is to achieve zero CO₂ emissions by incorporating carbon capture and storage (CCS) technology besides IGCC. (See page 20 for more detailed information.)

However, commercialization of these technologies will take a long period of time. Until that time, we will address the transition to low-carbon with our existing portfolio of facilities and technologies. That is to say, in terms of short-term and medium-term initiatives, we intend to upgrade aging thermal power facilities to cutting-edge facilities, effectively



utilize biomass fuels, raise the power output and capacity of hydropower facilities through comprehensive upgrades, and promote wind and geothermal power projects.

In addition, given that power demand is expected to increase in countries and regions where additional coal-fired power plants are planned to be built, such as China, India and Southeast Asia, we will deploy J-POWER's highly efficient coal-fired power generation technology in order to assist with economic development and the transition to low-carbon in each country.

Q5

How are your efforts to proactively develop overseas business progressing?

A5

We are currently working to further strengthen the overseas power generation business so as to develop it into a second major area that is able to drive earnings growth for the J-POWER Group as a whole.

The J-POWER Group conducts business operations in Japan and overseas, centering on the power generation business. The Japanese economy is in a mature phase marked by low economic growth and increased energy conservation. Therefore, pursuing major business growth in Japan will not be easy.

On the other hand, if we turn our gaze overseas, we find that there are still many countries and regions where a larger supply of power is required in step with rapid economic growth, including China, India and Southeast Asia. We have developed technologies and experience in the domestic electricity business, and have amassed expertise and human networks through technology consulting projects in over 60 countries and regions around the world. By taking full advantage of these strengths, we intend to play a part in supplying power to these countries and regions and lay the groundwork for the J-POWER Group's next phase of growth.

In fiscal 2009 steady progress was made on overseas initiatives. We acquired equity interests in two U.S. power plants, as discussed previously, and other assets. And in Thailand, seven SPP projects (combined output of 780 MW) in which we have a major share, signed a 25-year power purchase agreement with the Electricity Generating Authority of Thailand.



Orange Grove Power Plant in the United States

J-POWER has also worked to expand the scale of the overseas power generation business by acquiring equity interests in existing gas-fired power facilities. By leveraging the achievements of these activities, we will focus on new development projects (green-field projects) in which we are involved in all project stages, from

project planning to construction and operation. Of these projects, we will prioritize coal-fired thermal power plant projects that contribute to the transition to low-carbon through higher efficiency—an area where we can leverage our strengths. In terms of regions, we will actively develop projects in countries and regions such as Southeast Asia 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 and environmental performance.

Such greenfield projects carry more risk and take more time than acquiring existing facilities. However, the returns justify the amount of risk taken, which will allow us to raise our profitability as a company while simultaneously helping to bring about a low-carbon society. In fiscal 2009, we acquired an equity interest in China's Gemeng International Energy Co., Ltd. The Company's mainstay is coal-fired thermal power, so it will be possible to apply J-POWER's expertise in the area of operations and development in the future.

Q6

Finally, what is your long-term vision for J-POWER as president, and do you have any messages for shareholders and investors?

A6

I want to reshape the J-POWER Group into a global energy company.

Our main business is to generate power. We will not be altering this main business itself, but we recognize that the scope of this business changes with the times. I believe that technological prowess is the key to adapting to such changes and realizing sustained growth. Our plant facilities, which include high-efficiency coal-fired thermal power, hydropower and wind power, and our operational expertise constitute a storehouse of technology that has been amassed in the process of "harmonizing energy supply with the environment." By promoting technological innovation in various fields, we will combine various businesses related to electric power while fulfilling our responsibility to provide stable power supplies in order to become a truly global energy company.

In order to move closer to our goal, I believe that human resources responsible for this technology are our most important asset. Therefore, we believe that one important theme will be to develop a framework for the recruitment, training and revitalization of our human resources.

Based on our mission of "harmonizing energy supply with the environment," one defining characteristic of the J-POWER Group's business model is to recover investment in large-scale power facilities through stable long-term operations over the space of ten or twenty years. We intend to build relationships of trust with shareholders by steadily amassing power facility assets and appropriately distributing profits generated from these operations to them. We will maintain dividend payments at the level we have promised, and when we reach the stage at which we can confidently raise that level, we will consider doing so.

We appreciate your understanding of the nature of the J-POWER Group's business as investors and shareholders, and we thank you for your continued encouragement and support.



J-POWER's Coal-Fired Thermal Power Initiatives for Reducing CO₂ on a Global Scale

■ Topic 01

Coal-Fired Thermal Power Generation in the World Today

Coal-fired thermal power generation is the largest source of electric power in the world, accounting for approximately 40% of all power generated, while coal-fired thermal power produces around 30% of the world's carbon dioxide emissions. One of the keys to reducing CO₂ emissions on a global scale therefore is widespread conversion to a highly efficient form of coal-fired thermal power generation technology.

Coal is a major source of energy today and will continue to be in the future.

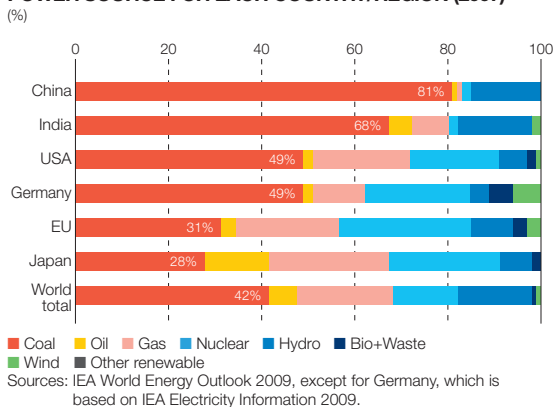
Coal deposits are extensive and dispersed broadly throughout the world. In terms of supply, it is the most stable and economical of all fossil fuels. Many countries around the world rely on coal as a primary power generation fuel source, including countries with high energy consumption. For example, China uses coal for approximately 80% of the power it generates, while in the United States the ratio is 50%. Even on a worldwide basis, coal is the most prevalent source of energy, accounting for roughly 40% of all electric power generated (Graph 1).

Coal-fired thermal power plants are only expected to increase in the years ahead (Graph 2). Coal-fired thermal power generation will remain an important energy

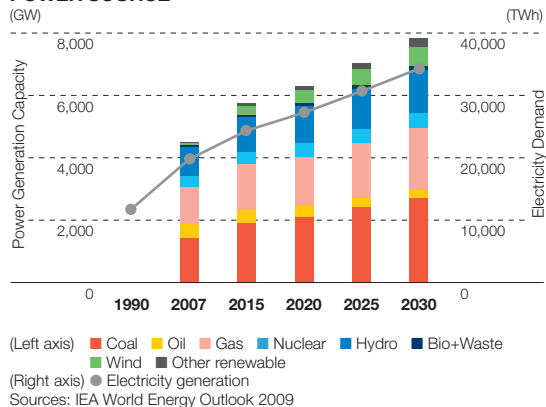
42%

Coal-fired thermal power accounts for 42% of electricity generated in the world, the largest share of any power source. (Graph 1)

(Graph 1) BREAKDOWN OF POWER GENERATION VOLUME BY POWER SOURCE FOR EACH COUNTRY/REGION (2007)



(Graph 2) ESTIMATED POWER GENERATION CAPACITY BY POWER SOURCE

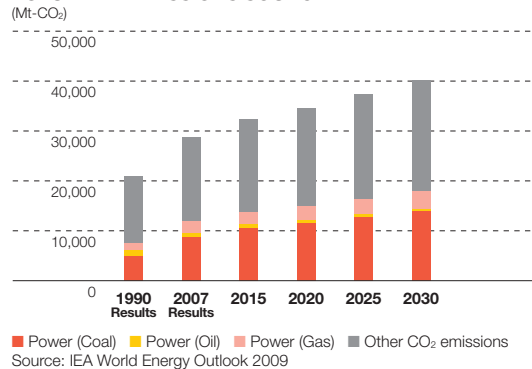


source for meeting ever increasing worldwide demand into the future.

At the same time, coal and other fossil fuels emit carbon dioxide, a greenhouse gas, during combustion. CO₂ given off by the world's coal-fired thermal power plants, accounts for roughly 30% of the world's energy-derived CO₂ emissions (Graph 3).

Coal use by emerging countries like China and India and developing countries is projected to increase by a substantial margin, so reducing CO₂ emissions from coal-fired thermal power generation is one of the keys to reducing the world's CO₂ emissions.

(Graph 3) ESTIMATED ENERGY-DERIVED CO₂ EMISSIONS VOLUME BY EMISSIONS SOURCE



Widespread conversion to high-efficiency coal-fired thermal power holds major significance for reduction of worldwide CO₂ emissions.

Increasing generating efficiency is an effective way to reduce CO₂ emissions from thermal power plants. Coal-fired thermal power from J-POWER, and Japan in general, utilizes a method that raises steam turbine pressure and temperature to extremely high levels called Ultra Super Critical levels, providing higher generating efficiency than plants in Europe and Asia (Graph 4). J-POWER is proud to be a leader in coal-fired thermal power. The Isogo New No. 2 Thermal Power Plant, which commenced operations in July 2009, achieves the highest generating efficiency of any coal-fired power plant in Japan. Generating power at a high efficiency correspondingly reduces the amount of coal used, which serves to reduce CO₂ emissions.

If the best performing coal-fired thermal power technologies in Japan were to be used at all of the world's newly built and existing coal-fired thermal power plants, it is estimated that they would reduce annual CO₂ emissions by 1.87 billion tons-CO₂ worldwide in 2030. Widespread conversion to this kind of high-efficiency technology thus holds major significance for the reduction of worldwide CO₂ emissions and the conservation of energy resources. This conversion will be highly

effective in reducing CO₂ emissions in Asia because coal-fired power generation facilities are projected to increase dramatically (Graph 5).

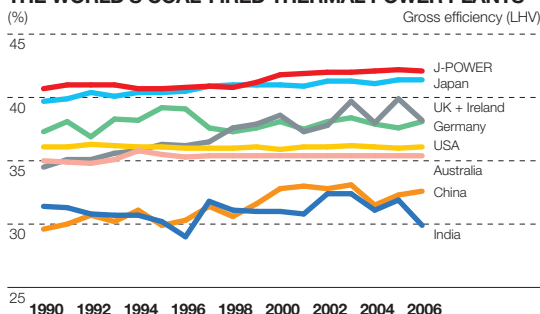
We will apply J-POWER's highly efficient coal-fired power generation technology not only in Japan, but also in countries and regions such as China, India and Southeast Asia, where the construction of additional coal-fired power generation facilities is expected in line with increases in power demand. In this manner, we intend to help drive economic growth while reducing CO₂ emissions volume in Japan and the rest of Asia.

-1.87 Billion Tons-CO₂

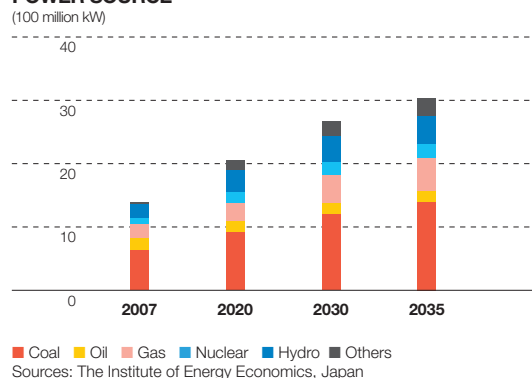
One estimate of the potential for reducing CO₂ emissions by introducing new technologies and enhancing operations at all of the world's coal-fired power plants shows that worldwide CO₂ emissions could be reduced by a total of 1.87 billion tons-CO₂ in 2030.

* Japan's total annual CO₂ emissions were 1.21 billion tons-CO₂ in fiscal 2008.

(Graph 4) TRENDS IN AVERAGE THERMAL EFFICIENCY OF THE WORLD'S COAL-FIRED THERMAL POWER PLANTS



(Graph 5) ESTIMATED ASIAN POWER PLANT CAPACITY BY POWER SOURCE



■ Topic 02

J-POWER's Cutting-Edge Coal-Fired Thermal Power Plants and Innovative, Next-Generation Coal-Fired Power Technologies

To raise the generating efficiency of coal-fired thermal power and convert to low-carbon, J-POWER is updating older thermal power plants, developing integrated coal gasification combined cycle (IGCC) and integrated coal gasification fuel cell combined cycle (IGFC) systems, and developing CO₂ separation and capture technology.

Overview of J-POWER initiatives

J-POWER is moving forward with various initiatives on the roadmap towards raising the generating efficiency of coal-fired thermal power and converting to low-carbon.

Currently, one key priority is upgrading older coal-fired thermal power plants. We are working to reduce CO₂ unit emissions by introducing Ultra Super Critical (USC) systems and other cutting-edge technologies and using combined combustion with biomass fuels.

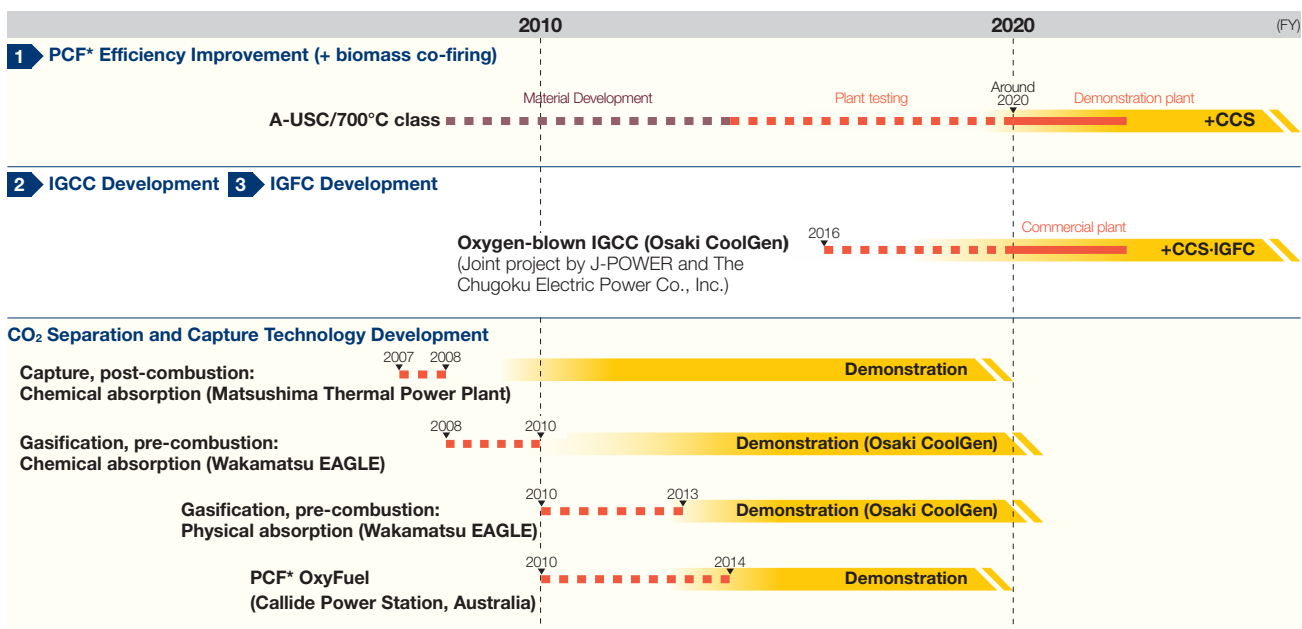
In terms of long-term initiatives for the future, we will be making oxygen-blown coal gasification technology feasible for practical application. Establishing this technology, which is expected to be the next generation of coal-fired thermal power generation, and

applying it with integrated coal gasification combined cycle (IGCC) and integrated coal gasification fuel cell combined cycle (IGFC) systems, will dramatically increase generating efficiency and make it possible to substantially reduce CO₂ emissions.

In addition, we are also developing Advanced-USC technology, which will further enhance the high-efficiency of the latest USC technology at this time.

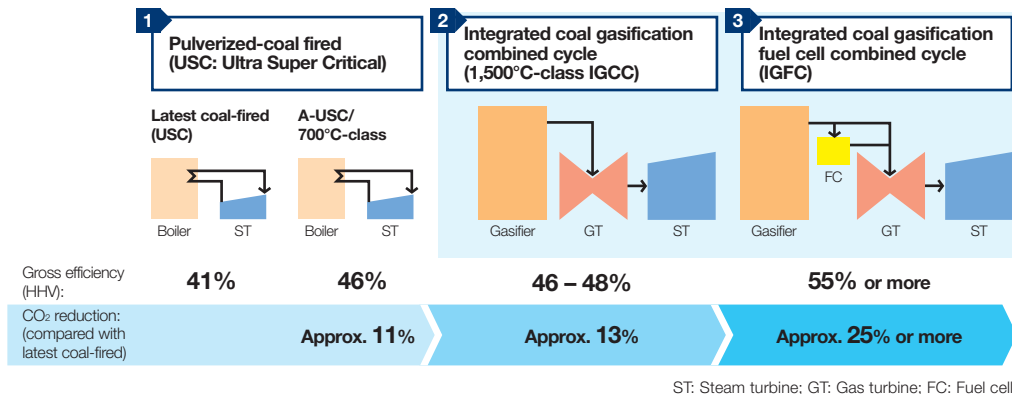
Ultimately, we will seek to bring about revolutionary, zero-emission coal-fired thermal power by combining these systems with CO₂ capture and storage (CCS) technologies.

DEVELOPMENT AND DEPLOYMENT ROADMAP FOR CLEAN COAL TECHNOLOGIES



*PCF: Pulverized Coal-Fired generation

COAL-FIRED POWER TECHNOLOGY FOR THE NEXT GENERATION



Ultra Super Critical (USC): USC technology is a type of technology for raising the efficiency of thermal power plants. Specifically, the USC range refers to a steam pressure of 24.1 MPa or greater with a steam temperature of 593°C or higher.

Integrated Coal Gasification Combined Cycle (IGCC) and Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC): Whereas pulverized coal-fired thermal power utilizes steam turbines only, both technologies are built on coal gasification and offer substantially improved power generating efficiency relative to pulverized-coal fired thermal power. IGCC power generation employs both gas and steam turbines. IGFC power generation adds another element, fuel cells, for a triply integrated power generation configuration.

■ **Specific J-POWER Initiatives**

1. Replacing the Isogo Thermal Power Plant

Replacing older thermal power plants with cutting-edge facilities

The Isogo Thermal Power Plant, located in Yokohama, originally had two units that produced 265 MW each. The plant was built in the late 1960s in accordance with the government's coal policy. As a power plant located in a major city, a pollution prevention agreement was inked with the City of Yokohama, the first such agreement in Japan; focus was placed on environmental measures from early on, measures that included installing flue-gas desulfurizers. For over thirty years, the plant has helped stabilize power supply in Yokohama and the Tokyo metropolitan area.

In 1996, a project was launched to replace the original plant with state-of-the-art coal-fired thermal facilities in order to comply with Yokohama's environmental improvement plan, raise the stability and reliability of power supply in the Tokyo metro area, and address aging facilities.

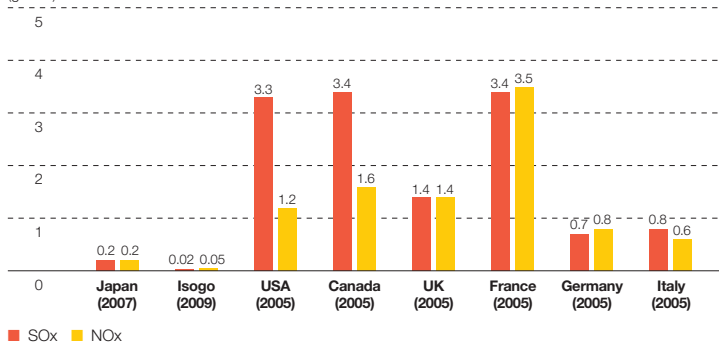
For J-POWER, the Isogo New Thermal Power Plant is the current model for coal-fired thermal power, bringing together various clean coal technologies. It provides the highest generating efficiency of any coal-fired thermal power plant in Japan by raising steam turbine pressure and temperature to extremely high levels, called Ultra Super Critical, or USC.

In replacing the power plant, J-POWER has signed a new pollution prevention agreement with the City of Yokohama in the form of an environmental protection agreement. The new agreement stipulates more stringent standards for SO_x, NO_x and other substances.



Isogo Thermal Power Plant (after replacement)

(Graph 6) INTERNATIONAL COMPARISON OF SO_x AND NO_x EMISSIONS PER UNIT OF COAL-FIRED THERMAL POWER GENERATION (g/kWh)



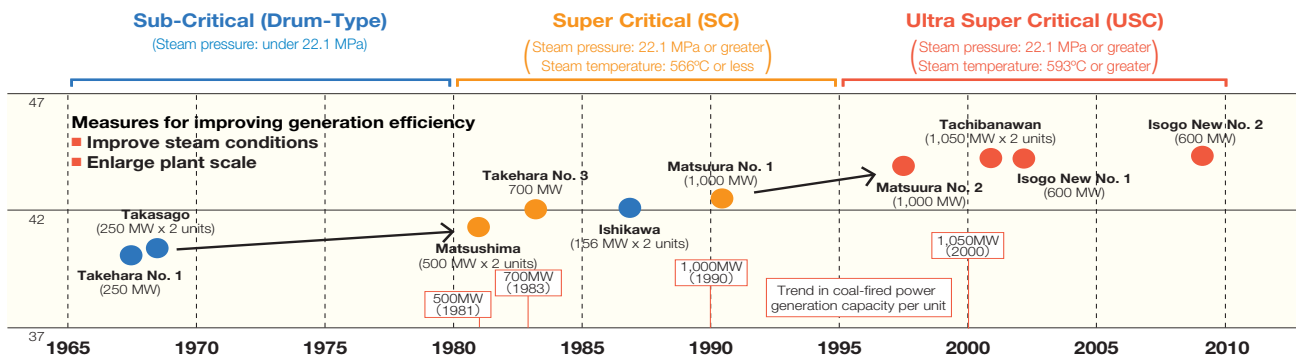
Source: The Federation of Electric Power Companies of Japan
 * 10 major Japanese EPCOs and J-POWER
 * Figures for Isogo are actual results for fiscal 2009.

Moreover, to maintain power supply stability, an unprecedented “build, scrap and build” approach was employed. The New Unit 1 (600 MW) was constructed while the original power facilities were still in operation (530 MW). When the New Unit 1 went online, the old facilities were shut down and removed. In their place the New Unit 2 was built. Construction began on the New Unit 1 in 1998 and operations were launched in 2002. The New Unit 2 broke ground in 2005 and went online in July 2009.

For our next project, we plan to replace Unit 1 (250 MW) and Unit 2 (350 MW) at the Takehara Thermal Power Plant, located in Takehara, Hiroshima Prefecture, with a new Unit 1 capable of producing 600 MW.

GENERATION EFFICIENCY OF J-POWER COAL-FIRED THERMAL POWER STATIONS

Designed Thermal Efficiency
(%, Gross efficiency, LHV basis)



■ Specific J-POWER Initiatives

2. Innovative High-Efficiency Coal-Fired Thermal Power Technologies and CO₂ Capture Technologies

Large-scale demonstration test of oxygen-blown coal gasification technology (joint test with Chugoku Electric) toward commercialization of IGCC

Two stages of pilot testing, called EAGLE Step I and EAGLE Step II, were conducted at the J-POWER Wakamatsu Research Institute in Kitakyushu, Fukuoka Prefecture. Step I, which ran from 2002 to 2006, involved conducting a pilot test on oxygen-blown coal gasification in order to facilitate development of an oxygen-blown coal gasifier and gas purification technologies. Step II was conducted from 2007 to 2009 and involved testing to establish CO₂ separation and capture technologies and expand applicable coal types.

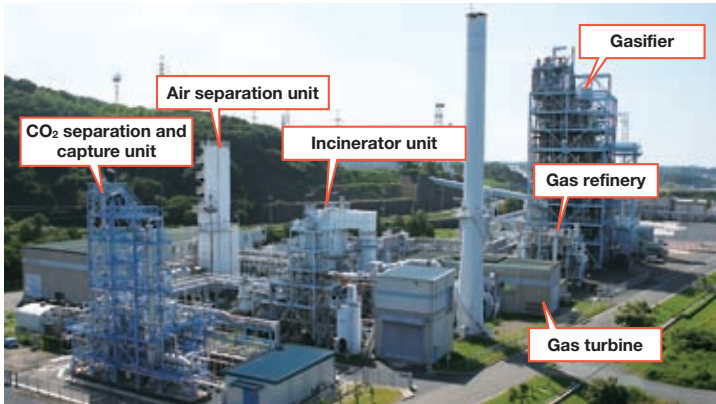
There are two methods of coal gasification: oxygen-blown and air-blown. With the oxygen-blown technique, the gas that is generated is composed of CO and H₂, which can be used for multiple purposes and CO₂ separation and capture is easier.

J-POWER is currently preparing a large-scale demonstration test that incorporates the results from the pilot tests for oxygen-blown coal gasification technology and CO₂ separation and capture technology. It will be run at Chugoku Electric's Osaki Power Station (located in Osakikamijima-cho, Toyota-gun, Hiroshima Prefecture). In July 2009, we established the Osaki CoolGen Corporation through a joint investment with Chugoku Electric.

This test will involve the construction of a demonstration plant with output on a scale of 170 MW (coal processing volume of approx. 1,100 tons/day), and it 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 on the application of cutting-edge CO₂ separation and capture technology, with a plan of conducting a large-scale demonstration project on CCS, as stipulated in Japan's national Cool

Gen Project. Environmental assessments started in August 2009, and plans call for construction to begin in 2013 with demonstration testing to get underway in 2017.



The EAGLE Pilot Test Facility



CO₂ separation and capture facility

Cool Gen Project

The Cool Gen Project is a plan proposed by the Clean Coal Subcommittee and 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, IGFC (aimed at ultimate coal-fired thermal power generation), and carbon dioxide capture and storage (CCS) technologies.

Development of CO₂ separation and capture technology

Surveys and trial projects for carbon capture and storage (CCS) are currently making headway around the world. CCS involves separating and capturing CO₂ given off by large-scale emission sources and storing it permanently underground or in the ocean. Of the three distinct elements comprising CCS—separation and capture, transport, and storage—J-POWER has focused most intently on the development of CO₂ separation and capture technologies. This is because we are able to leverage our operations and maintenance knowledge to design the technologies to be suitable for power plants and because CO₂ separation and capture is the most cost-intensive component of the entire CCS process.

J-POWER is engaged in the development of technologies for separating and capturing CO₂ from the gas produced by oxygen-blown coal gasification because we believe that this holds the most potential in terms of efficiency and other factors. Utilizing the EAGLE pilot testing facilities, in EAGLE Step II we are running demonstration tests on the chemical absorption method; we are planning demonstration tests on the physical absorption method over four years from fiscal 2010 to fiscal 2013.

We are also actively working to develop separation and capture technologies for combustion exhaust from

pulverized-coal-fired thermal power, currently the most common method of power generation from coal. We conducted pilot trials from 2007 to 2008 at our Matsushima Thermal Power Plant in collaboration with Mitsubishi Heavy Industries, using the chemical absorption method. Additionally, J-POWER is a participant in the Callide OxyFuel Project using the OxyFuel method, which is scheduled 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 be the world's first demonstration test of an integrated CCS and underground storage system at an existing power plant.



Test facilities for CO₂ separation and capture at the Matsushima Thermal Power Plant's Unit 2

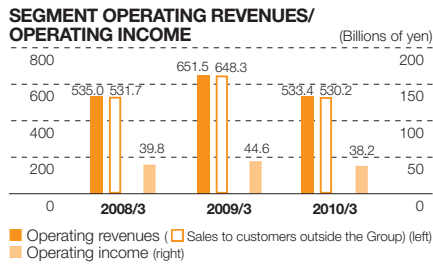


Callide A Power Station (Australia)

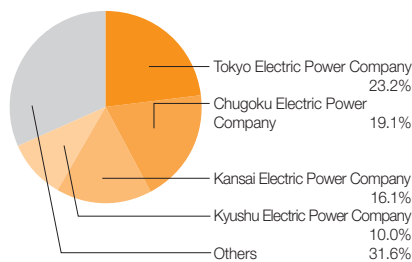
SEGMENT OVERVIEW

Business Highlights

ELECTRIC POWER BUSINESS



**PRINCIPAL CUSTOMERS OF ELECTRIC
POWER BUSINESS** (Fiscal 2009)



Wholesale Electric Power Business

Thermal Power

For the fiscal year ended March 31, 2010 (fiscal 2009), the load factor was 68%, falling short of our initial forecast of 76%. This was mainly due to the decline in electricity demand and lower capacity utilization caused by equipment failures, despite the start of operations at Isogo New No. 2 Thermal Power Plant in July. Electricity sales volume was 46.5 billion kWh, down 5% from the previous fiscal year, when the load factor was 76%. Operating revenues fell 24% year on year to ¥349.6 billion, primarily as a result of the decline in electricity sales volume, and decreased electricity rates accompanying lower fuel prices.

For fiscal 2010, we project a load factor of 71%. We anticipate a 5% year-on-year increase in electricity sales volume to 48.7 billion kWh.

Hydroelectric Power

In fiscal 2009, the water supply rate increased to 96% from the previous year's 88%. As a result, electricity sales volume rose by 10% year on year to 9.2 billion kWh. However, operating revenues declined by 2% year on year to ¥108.9 billion, primarily owing to rate revisions that took effect from September 2009.

For fiscal 2010, we are projecting electricity sales volume of 9.5 billion kWh based on an average water supply rate of 100%, as in normal years.

Power Transmission/Transformation

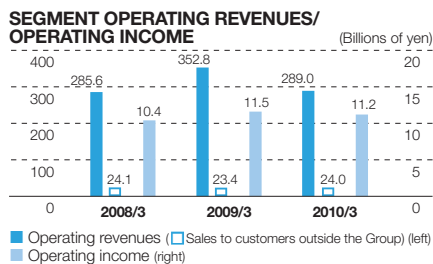
Operating revenues from power transmission/transformation in fiscal 2009 decreased by 1.8% year on year to ¥54.4 billion, partly due to rate revisions that took effect from September 2009.

Other Electric Power Businesses

In fiscal 2009, total electricity sales volume declined by 9% year on year to 1.4 billion kWh, mainly as a result of a lower load factor at thermal power plants of IPP and plants supplying to PPSs. In addition, operating revenues decreased by 26% year on year to ¥14.7 billion.

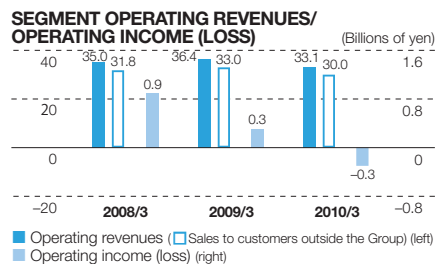
For fiscal 2010, J-POWER forecasts electricity sales volume of 1.5 billion kWh.

ELECTRIC POWER-RELATED BUSINESSES



In fiscal 2009, maintenance subsidiaries saw increased business volume due to construction related to the Isogo New No. 2 Thermal Power Plant, but revenue from coal sales by consolidated subsidiaries to J-POWER declined. As a result, operating revenues decreased 18% year on year to ¥289.0 billion and operating income declined 3% to ¥11.2 billion.

OTHER BUSINESSES



In fiscal 2009, operating revenues were ¥33.1 billion, a decrease of 9% year on year, mainly reflecting a drop in revenues from coal sales by J-POWER. This segment recorded an operating loss of ¥0.3 billion, deteriorating by ¥0.6 billion year on year in line with the drop in operating revenues and other factors.

* Forecasts for the fiscal year ending March 31, 2011 were announced on July 31, 2010.

*** Change in reporting segments**

From the first quarter of the fiscal year ending March 31, 2011, J-POWER has adopted the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17) and the Implementation Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Implementation Guidance No. 20). As a result, J-POWER has changed its reporting segments to the following four segments. The "electric power business" segment is centered on the wholesale electric power business, but also includes the wind power generation business, wholesale electricity supply by IPPs to electric power companies, and wholesale electricity supply for PPSs conducted by J-POWER's subsidiaries and affiliates. The "electric power-related business" segment operates businesses that complement and contribute to the smooth and efficient implementation of our electric power business. The "Overseas Business" segment is engaged in overseas power generation and related businesses. The "Other Businesses" segment conducts coal sales and other operations utilizing the Group's management resources and know-how.

ELECTRIC POWER BUSINESS

Wholesale Electric Power Business

Thermal Power

Overview

J-POWER's key strength in thermal power generation is our focus on coal-fired power generation, which has strong cost competitiveness and fulfills the base demand for electricity with a high load factor. We have long maintained the top 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 x 2 units). 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 combined with our long-term contracts with EPCOs, generate synergetic effects for a stable earnings foundation.

As of March 31, 2010, we operate seven coal-fired power plants with a total capacity of 8,412 MW, representing 22% of the coal-fired power generation facilities in Japan. For fuel, we procure coal from several countries, mainly Australia, based on long-term or yearly contracts. This coal is transported using our own fleet of transport vessels and other means.

With its exceptional supply stability and economic efficiency, coal-fired thermal power is our core operation, but this requires that we work to limit carbon dioxide emissions while maintaining both cost competitiveness and the reliability of plant facilities. Along with raising the competitiveness of existing power plants through coal procurement innovations and ongoing cost cutting efforts, we plan to conduct appropriate maintenance to limit declines in thermal efficiency and increases in facility-related issues caused by aging. While renovating aging power plants, we will continue to develop integrated coal gasification combined cycle (IGCC) and fuel cell combined (IGFC) systems and CO₂ separation and capture technologies in an effort to realize zero-emission coal-fired thermal power over the long term.



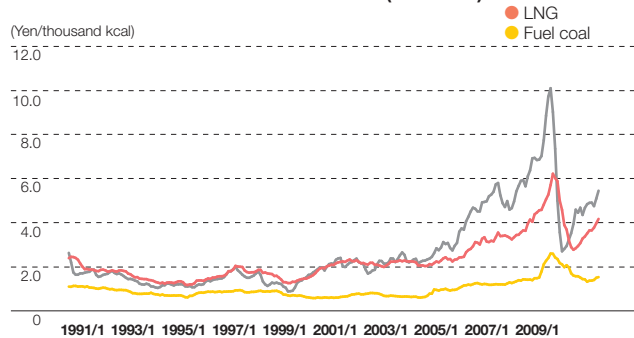
Tachibanawan Thermal Power Plant (Capacity 2,100 MW, Tokushima Prefecture)

THERMAL POWER SALES AND LOAD FACTOR



■ Power sales (Billion kWh) (Left axis)	54.0	48.0	52.4	49.1	46.5
■ Operating revenues (Billions of yen) (Right axis)	368.2	326.5	342.7	460.3	349.6
● Load factor (%)	84	75	81	76	68

CALORIFIC UNIT PRICE BY FOSSIL FUEL (IMPORTS)



Data charted up to May 31, 2010
Source: The Institute of Energy Economics, Japan

Wholesale Electric Power Business

Hydroelectric Power

Overview

Hydroelectric power is an essential power source, particularly in Japan, for three main reasons. First, it is currently Japan's 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 there are no CO₂ emissions. Finally, it offers outstanding flexibility 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 highly technological expertise in developing hydroelectric power and possessing 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 like the Sakuma Power Plant, which started operations in 1956, and the development of pumped-storage power plants, which excels in adjusting output in response to demand peaks. As of March 31, 2010, we operate 59 hydroelectric power plants throughout Japan, with a total capacity of 8,561 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.

While the aging of existing power plants continues, it is important to maintain and improve facility reliability and profitability at existing plants. To this end, we are simultaneously pursuing cost reductions and a high level of operations and management (O&M). At the same time, we are also implementing value-enhancing investments in 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.

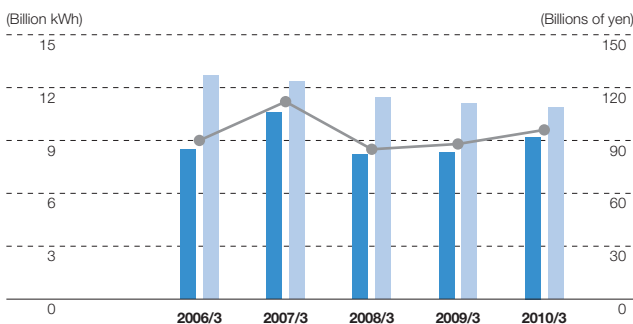
Power Transmission/Transformation

Overview

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). As wide-area power interchange increases in step with deregulation of Japan's power industry, J-POWER's transmission and substation facilities are set to take on greater importance going forward.

HYDROELECTRIC POWER SALES AND WATER SUPPLY RATE



Sakuma Power Plant (Capacity 350 MW, Shizuoka Prefecture)

ELECTRIC POWER BUSINESS

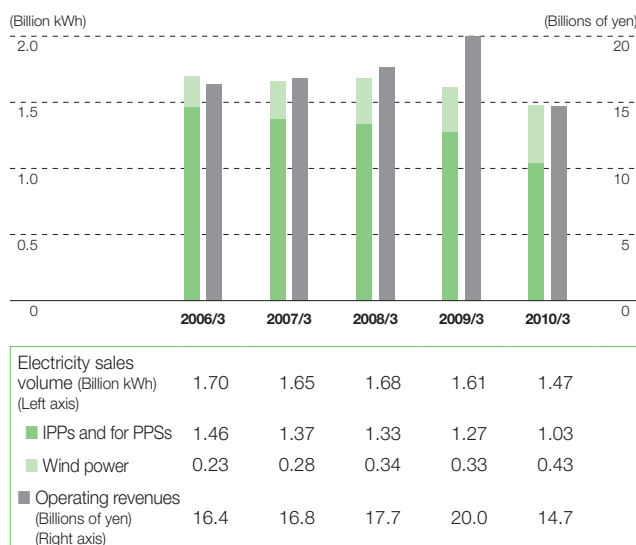
Other Electric Power Business — IPP, for PPS and Wind Power —

Overview

In response to the deregulation in the electric power industry, J-POWER is focusing efforts on new types of wholesale electricity businesses. In this process, J-POWER is leveraging expertise cultivated over many years in the wholesale electric power business in areas ranging from power plant site selection to design, construction management, maintenance and operations.

For example, through our subsidiaries and affiliates, we are engaged in the wholesale electricity supply for 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 for wholesale power exchanges. In addition, we are also engaged in wind power generation, which represents a source of clean and renewable energy. Currently, we operate a wind farm network with a total capacity of around 304 MW in Japan, making us one of the top wind power companies in Japan in terms of facilities.

ELECTRICITY SALES VOLUME: IPPs, FOR PPSs, AND WIND POWER



* Consolidated subsidiaries only

ELECTRICITY SUPPLY FACILITIES

(As of June 30, 2010)

Plant name	Capacity (kW)	Fuel type	Ownership	Completion date
(IPP)				
Genex Mizue	238,000	Gas Oil Residue	40%	June 2003* ¹
Itoigawa	134,000	Coal	80%	April 2003* ²
Tosa	150,000	Coal	45%	April 2005* ¹
Subtotal	522,000			
(Wholesale power for PPS)				
Ichihara Power	110,000	Gas	60%	October 2004
Bayside Energy	107,650	Gas	100%	April 2005
Mihama Seaside	104,770	Gas	50%	October 2005* ¹
Subtotal	322,420			

*¹ Denotes projects by companies accounted for by the equity method

*² Date of investment participation by J-POWER

WIND POWER FACILITIES

(As of June 30, 2010)

Plant name	Capacity (kW)	Ownership	Completion date
(In Operation)			
Tomamae Winvilla	30,600	100%	December 2000
Nikaho Kogen	24,750	67%	December 2001
Green Power Kuzumaki	21,000	100%	December 2003
Tahara Bayside	22,000	100%	March 2005
Koriyama-Nunobiki Kogen	65,980	100%	February 2007
Minami Oosumi	26,000	80%	March 2009*
Irouzaki	34,000	52%	April 2010
Nine other facilities	80,530		
Total	304,860		
(Under Construction)			
Hiyama Kogen (Provisional)	28,000		Planned for fiscal 2010
Awara (Provisional)	20,000		Planned for fiscal 2010

* Date of investment participation by J-POWER

ELECTRIC POWER-RELATED BUSINESSES

Overview

We operate businesses that complement and contribute to the smooth and efficient implementation of our electric power business. The businesses are broadly divided into three categories: Design, construction, inspection and maintenance of facilities; supply of fuel for power generation and materials, and services.

J-POWER'S PARTICIPATION IN COAL MINING PROJECTS

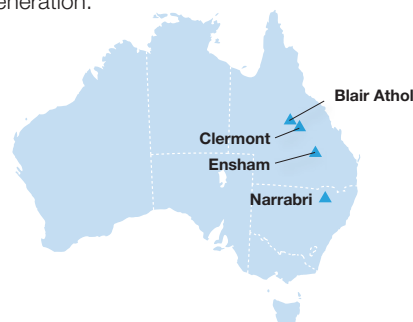
(As of June 30, 2010)

	Blair Athol	Ensham	Clermont	Narrabri
Location	Queensland	Queensland	Queensland	New South Wales
Loading port	Dalrymple Bay	Gladstone	Dalrymple Bay	Newcastle
Production volume	Approx. 6 million t/yr	Approx. 7 million t/yr	Approx. 12 million t/yr	Approx. 6 million t/yr
Investment ratio	10.0%	10.0%	15.0%	7.5%
Commercial production	1984	1993	2010	2010

* Investment through a subsidiary, J-POWER AUSTRALIA PTY. LTD.

* Production volume represents figures for peak production.

For the power generation facilities of our wholesale electric power business in Japan, J-POWER conducts maintenance in close partnership with its subsidiaries. In addition, through its subsidiaries, J-POWER has invested in four mines in Australia in order to ensure stable, long-term supplies of coal to fuel thermal power generation.



OTHER BUSINESSES — OVERSEAS POWER GENERATION BUSINESS —

Overview

Fully utilizing the Group's management resources and know-how, the J-POWER Group operates businesses that include overseas power generation, new power businesses in Japan, such as waste-fueled power generation and co-generation, environmental businesses, telecommunications business, domestic and overseas engineering and consulting operations, and the coal sales business.

To develop the overseas power generation business into a second major area 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 ¥110.0 billion as of June 30, 2010. As of the same date, J-POWER had 29 projects in operation in six countries and regions worldwide, bringing its overseas owned capacity to approximately 3,700 MW.

By actively working to develop new markets while steadily implementing projects already underway, we are gradually broadening investment targets and the scale of our investments.

In fiscal 2007, J-POWER held the winning bids in two large-scale, gas-fired thermal power projects (total of 3,200 MW)*¹ in Thailand. Going forward, we plan to secure a majority interest and take the lead in these two projects.

In China, we invested in Gemeng International Energy Co., Ltd. in August 2009, a company based in Shanxi Province, the country's largest coal-producing region. The investment marks the start of our future expansion in China through new businesses that leverage our coal-fired technologies. In the United States, operations were launched in June 2010 at the Orange Grove Power Plant, J-POWER's first new development project in North America, as we begin our transition from acquiring existing facilities to the next phase—the development of new projects.

Going forward we will also focus on harmonizing growth in Japan and Asia with conversion to low-carbon by promoting high-efficiency coal-fired power generation, mainly in Asia.

*¹ Samet Tai site and Nong Saeng site (For details, please see the table below.)
Nong Saeng site: Capacity 1,600 MW, planned for completion in 2014.

Regarding the IPP business at the Samet Tai site, in July 2010 the Thai government decided on a guideline to change the planned construction location for the power plant and make other changes.

J-POWER will carefully confirm the details of the decision and study the feasibility and economic potential of the project in the event of a change in the planned construction location.

J-POWER'S PARTICIPATION IN OVERSEAS POWER GENERATION PROJECTS

(As of June 30, 2010)

Country/region	Project Name	Electricity generation source	Output Capacity (MW)	Ownership	Participation Year	Validity of purchase agreement
■ In operation						
Thailand	Roi-Et	Biomass (Chaff)	10	24.7%	FY2000	21 years
	Rayong	Gas	112	20.0%	FY2000	21 years
	Thaioil Power	Gas	113	19.0%	FY2001	25 years
	Independent Power	Gas	700	10.6%	FY2001	25 years
	Gulf Cogeneration (Kaeng Khoi)	Gas	110	49.0%	FY2001	21 years
	Samutprakarn	Gas	117	49.0%	FY2002	21 years
	Nong Khae	Gas	120	49.0%	FY2002	21 years
	Yala	Biomass (rubber wood waste)	20	49.0%	FY2003	25 years
	Kaeng Khoi #2	Gas	1,468	49.0%	FY2004	25 years
USA	Tenaska Frontier	Gas	830	31.0%	FY2006	20 years
	Elwood Energy	Gas	1,350	25.0%	FY2006	Valid to 2012/2016/2017
	Green Country	Gas	795	50.0%	FY2007	20 years
	Birchwood	Coal	242	50.0%	FY2008	25 years
	Pinelawn	Gas	80	50.0%	FY2008	Valid to 2025
	Equus	Gas	48	50.0%	FY2008	Valid to 2017
	Fluvanna	Gas	885	15.0%	FY2008	Valid to 2024
	Edgewood	Gas	80	50.0%	FY2009	Valid to 2018
	Shoreham	Jet fuel	80	50.0%	FY2009	Valid to 2017
	Orange Grove	Gas	96	100.0%	FY2006	25 years
China	Tianshi	Coal waste	50	24.0%	FY2000	Renewed for 1 year* ¹
	Hanjiang (Xihe)	Hydroelectric	180	27.0%	FY2007	Renewed for 1 year* ¹
	Hanjiang (Shuhe)	Hydroelectric	184	27.0%	FY2007	Renewed for 1 year* ¹
	Gemeng	Mainly coal	4,350	7.0%	FY2009	—
	Xinchang	Coal	1,320	10.0%	FY2007	Renewed for 1 year* ¹
Taiwan	Chiahui	Gas	670	40.0%	FY2002	25 years
Philippines	CBK (3 projects)	Hydroelectric	728	50.0%	FY2004	25 years
Poland	Zajaczkowo	Wind	48	45.0%	FY2006	15 years
Total 29 projects in 6 countries/regions			14,786			
■ Under construction or planned						
Thailand	Samet Tai* ²	Gas	1,600	We plan to own the majority stake	FY2007	25 years
	Nong Saeng	Gas	1,600		FY2007	25 years
	Small Power Producers (7 projects)	Gas	780		FY2007	25 years
China	Hanjiang (Shuhe)	Hydroelectric	92	27.0%	FY2007	Renewed for 1 year* ¹
Vietnam	Nhon Trach 2	Gas	750	5.0%	FY2008	
Total 11 projects in 3 countries			4,822			

*¹ Although a Power Purchase Agreement is renewed every year, J-POWER makes other agreements with the power purchasers for continuous purchasing power during the operation.

*² Regarding the IPP business at the Samet Tai site, in July 2010 the Thai government decided on a guideline to change the planned construction location for the power plant and make other changes.

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.

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 believes that enhancing corporate governance and thoroughly implementing compliance procedures are 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 has a corporate governance framework where controls are effective through mutual checks and balances among directors who are highly knowledgeable of the Company's operations and manage the execution of business operations. There are also non-executive outside directors who take part in the management of J-POWER from an independent standpoint through participation in the Board of Directors and in other ways. Furthermore, J-POWER has corporate auditors who constantly monitor management, specifically the performance of directors' duties, through participation in the Board of Directors and other meetings. The corporate auditors, including outside corporate auditors, have a high level of experience in corporate management at some of Japan's most prominently listed companies, with experience in government financial policy and in other areas.

Furthermore, in March 2010, J-POWER designated four individuals, namely its outside director and three outside corporate auditors, as independent officers who have a high degree of independence and no potential conflicts of interest with general shareholders, pursuant to amendments to the Securities Listing Regulations of the Tokyo Stock Exchange.

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 the presence of outside directors and auditors. 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 related

to 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, 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 concerning their own business execution.

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, we established the J-POWER Advisory Board, which meets several times a year, to obtain multi-faceted objective advice and proposals from a panel of external experts to help raise corporate value, and ultimately lead to the enhancement of corporate governance. The J-POWER Advisory Board consists of four external members from outside the Company and internal members (the president and executive vice presidents). The external members are not required to be directly involved in the energy business, but are rather selected with an emphasis on their breadth of experience and insight. The external members actively provide their opinions on J-POWER's management status and business plans as well as major issues and other topics.

External Members

TAKAMITSU SAWA	(President, Shiga University; Professor, Ritsumeikan University Graduate School of Policy Science; Specially Appointed Professor, Kyoto University Institute of Economic Research)
NOBUHIKO SHIMA	(Journalist)
KEIICHIRO TAKAHARA	(Chairman of the Board, Unicharm Corporation)
MIEKO NISHIMIZU	(Former Vice President, World Bank; Senior Partner, Think Tank SophiaBank)

2. Risk Management

With regards 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 has adopted fully consolidated accounting. 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 operations within the corporate group. We also conduct

audits of our subsidiaries using 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, other important meetings of committees, and interviewing 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 schedules and exchange opinions regarding findings in order to ensure that the independent auditors' results are consistent with their own findings.

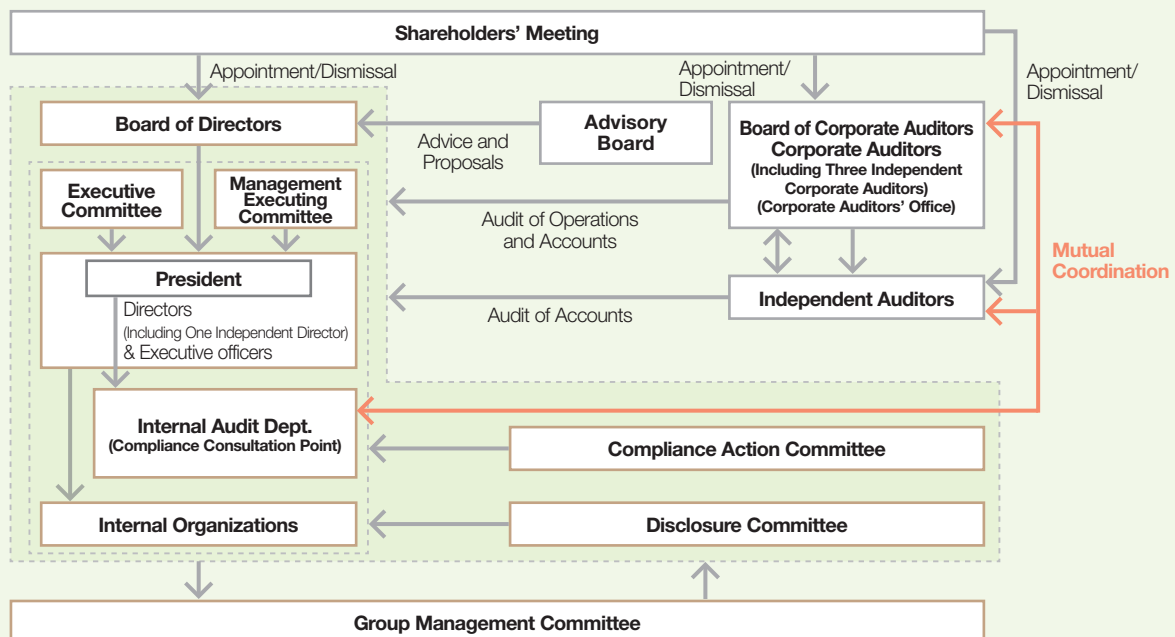
When auditing internal business units, corporate auditors liaise with the Internal Audit Department for each department's audit and with each subsidiary's auditors in the case of an audit of a subsidiary. The corporate auditors receive reports regarding findings in the course of conducting audits.

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

In regard to the internal control system over financial reporting of the Financial Instruments and Exchange Act, the J-POWER Group's Accounting & Finance Department and Internal Audit Department play a central role in establishing, operating and evaluating internal control systems.

CORPORATE GOVERNANCE FRAMEWORK AND INTERNAL CONTROL SYSTEM (as of July 1, 2010)



In fiscal 2009, evaluations of the development and operation of internal controls were conducted by management as in fiscal 2008 from the perspective of enforcing Company-wide internal controls, internal controls related to operational processes, and internal controls using IT based implementation standards laid out by Japan's Financial Services Agency. As a result, management determined that internal controls over financial reporting are effective. On June 23, 2010, J-POWER submitted an Internal Control Report containing the results of the evaluations by management to the director of the Kanto Local Finance Bureau, after the report was audited by an independent audit firm.

The J-POWER Group will continue working to enhance its internal control system, with the aim of 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 promotional 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 matching 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

J-POWER annually reviews its overseas business strategies taking into account investment scale, and geographic regions, and types of power.

Based on these policies and reviews, international business divisions, which are responsible for promoting overseas businesses, conduct feasibility studies from among a number of options as well as early-stage screenings in cooperation with business partners, and select projects to be developed. In this process, J-POWER carefully studies various factors including the countries' power industries and overall climate, the types of fuel, the creditworthiness of electric power off-takers, details of electric power sales contracts as well as the condition of its transmission infrastructure. Projects undertaken in this manner are subject to further organizational decisions through checks and deliberations at a number of stages based on investment evaluation guidelines determined by J-POWER.

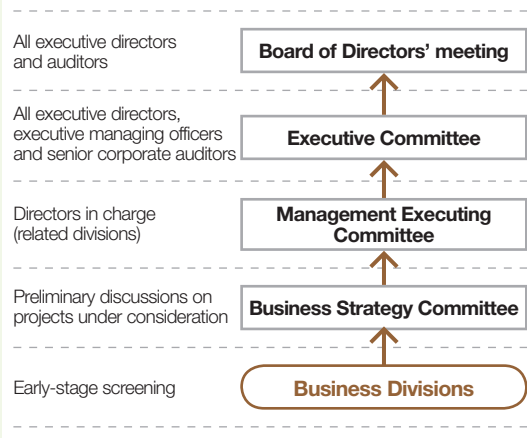
First, detailed studies are made by people in the planning, legal and finance divisions. Project-related risk factors and items for concern are pointed out, and issues for management discussion are organized.

Next, we hold a Management Executing Committee meeting attended by the president, related executive directors and executive officers, and issues are discussed at the management level. Decisions on projects that are subject to the decision-making authority of the president are made at the Management Executing Committee meeting. For other projects that must be approved at a higher level, further deliberations are held, with final decisions made by the Board of Directors through the Executive Committee, which is attended by all executive directors.

Specific investment decisions are made based on a comprehensive evaluation of criteria such as project duration, commercial and country risks for each project. The required return rate, reflecting capital cost, is then calculated for the specific project and compared with the projected internal rate of return. J-POWER uses project finance, in principle, as a source of funding. For this reason, J-POWER constantly strives to design business projects rationally in terms of both technology and finance. This process involves project reviews by lender financial institutions when projects are arranged.

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

Screening and Decision-Making Process of Investment in Overseas Businesses



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.

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 towards 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 rest of 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 CO₂ emissions per unit of electric power sold through an economically rational combination of measures, including maintenance and improvement of: the efficiency of energy use; development of low CO₂ emission power sources; development, transfer and dissemination 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 CO₂.

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 fostering good community relations.

Ensuring Transparency and Reliability

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

■ Action Program [Corporate Targets at a Glance]

Efforts Relating to Global Environmental Issues

CO ₂ emissions per unit of electric power sales	We will work to reduce the CO ₂ 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)	We will maintain thermal power plant efficiency at its current level (around 40%).
SF ₆ recovery rate	We will strive to improve the SF ₆ 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 fuel 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 unit of thermal power generation	Maintain SOx emissions per unit of thermal power generation at its current level (around 0.2 g/kWh)
NOx emissions per unit of thermal power generation	Maintain NOx emissions per unit 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-emission vehicles, etc.	We aim to achieve an ownership ratio of low-emission 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 CO₂ emissions account for roughly 3% of the total for Japan. Taking this fact very seriously, and recognizing our social responsibility as a leading coal-using company, we have positioned global environmental problems as one of our top management priorities. Accordingly, we strive to continuously reduce CO₂ 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 release no CO₂ emissions during power generation, through equipment upgrades and more efficient operations.

■ Development of low CO₂ emission power sources

We are developing power sources that release few CO₂ emissions, including nuclear, wind, and solar power. We are also actively working to effectively utilize biomass resources.

■ Development, transfer and diffusion of new technologies

We are advancing technology development to improve power generating efficiency through coal gasification and the capture of CO₂. Furthermore, in pursuit of the next generation of technology, we seek to become a leader in global coal-fired thermal power generation, while continuing to promote the transfer and diffusion of ultra-supercritical (USC) power generation technology.

■ Utilization of the Kyoto Mechanisms and other similar measures

Leveraging our own technologies and capital, we hope to contribute to effective CO₂ 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/JI Projects Developed with J-POWER Participation (Already Registered)

Country	Project	Details
Chile	Nestle Graneros Plant Fuel-Switching Project	Switch to natural gas in conjunction with renovation of facilities (CDM)
Chile	Metrogas Package Cogeneration Project	Introduction of cogeneration for improved energy-use efficiency (CDM)
Columbia	La Vuelta and La Herradura Hydroelectric Projects	Use of renewable energy sources (CDM)
Brazil	Aquarius Hydroelectric Project	Use of renewable energy sources (CDM)
Brazil	Caieiras Landfill Gas Emission-Reduction Project	Reducing greenhouse gas emissions by burning landfill gas (CDM)
China	Erdaoqiao Hydropower Project (Sichuan Province)	Use of renewable energy (CDM)
China	Taibai Guanyinxia Hydropower Station (Shaanxi Province)	Use of renewable energy (CDM)
China	Changzhou Panshi Cement Waste Heat Recovery for Power Generation Project (Jiangsu Province)	Waste heat recovery for power generation (CDM)
Hungary	Geothermal Well Gas Utilization Project in Hungary	Geothermal methane gas utilization (JI)

RELATIONS WITH COMMUNITIES, SOCIETY AND EMPLOYEES

Relations with Communities and Society

The J-POWER Group's corporate philosophy is "We build community trust by harmonizing our operations with the environment," and "Profits are a growth source, and we share the benefits with society." Under this philosophy, J-POWER is engaged in long-term social contribution activities as a good corporate citizen, with the aim of supporting the sound and sustainable development of society.

Together with Regions and Communities

J-POWER aspires to be a productive member of regions and communities by ensuring that individual employees remain good residents and that business sites of the J-POWER Group remain good corporate citizens of their respective regions and communities. Through activities that gain the trust and confidence of local citizens, J-POWER seeks to co-exist with various regions and grow together with communities. These activities include community activities to preserve the environment, including forest conservation, cleanup, and tree planting, as well as local events and cultural activities.

Aiming to "Harmonize Energy Supply with the Environment"

J-POWER has developed insight into the environment through its business activities over the years. Leveraging this knowledge, J-POWER conducts activities that instill an appreciation of energy and the environment, and lead to the development of technologies. These activities are pursued in collaboration with various people who seek to "harmonize energy supply with the environment." Through these activities, J-POWER seeks to contribute to the sustainable development of Japan and the rest of the world.

J-POWER provides support for hands-on educational programs on energy (an experiential learning project for ecology and energy/rice planting workshop using roof-top greenery facilities at offices), and 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 works to secure a diverse workforce in a steady manner by recruiting new graduates and experienced personnel, while seeking candidates from a broad range of fields and age segments. In addition, the Company has introduced a Career Development Program (CDP) as an efficient training plan for employees. The goals of the program are to equip all employees with a broad range of business knowledge and specialized expertise in multiple fields, while nurturing self-reliant professionals who can contribute to the achievement of the organization's goals from a broad perspective.

Energizing the Workforce and Enhancing Work Environments

J-POWER has established a system for ensuring a healthy work-life balance on the part of employees so that it can fully harness the strengths of its diverse workforce, irrespective of gender, age or other characteristics. The Company also operates an occupational safety and health management system within the Group. This serves to prevent workplace accidents and maintain and improve employee health.

DIRECTORS AND CORPORATE AUDITORS

(As of July 2010)



Chairman (Representative Director)
KIYOSHI SAWABE

- Company-wide compliance



President (Representative Director)
MASAYOSHI KITAMURA



Executive Vice President (Representative Director)
SHINICHIRO OTA

- Assistant to the president for businesses described below:
Corporate Planning & Administration Dept.;
Accounting & Finance Dept.;
Power Sales Dept.;
Power System Operation Dept.;
International Business Management Dept.; and
International Business Development Dept.
- Nuclear power business (matters under special assignment)
- Department Director of International Business (delegation of administrative works)



Executive Managing Director
MASAHARU FUJITOMI

- Technology Development Center
- Nuclear power business & global environmental problems (matters under special assignment)



Executive Managing Director
TOSHIFUMI WATANABE

- Accounting & Finance Dept.
- Power Sales Dept.
- Power System Operation Dept.
- Nuclear power business (matters under special assignment)
- Department Deputy Director of Nuclear Power Business (delegation of administrative works)
- Regional operations (central region)



Executive Director
SEIGO MIZUNUMA

- International Business Management Dept.
- International Business Development Dept.
- Department Deputy Director of International Business (delegation of administrative works)



Executive Director
JUNJI NAGASHIMA

- Nuclear Power Management Dept.
- Nuclear Power Construction Dept.
- Ohma General Management Dept.
- Department Deputy Director of Nuclear Power Business (delegation of administrative works)



Non-executive Director
GO KAJITANI*

* Outside Director



Executive Vice President (Representative Director)
YASUO MAEDA

- Assistant to the president for businesses described below:
Civil and Electrical Engineering Dept.;
Hydropower & Transmission System Dept.; and
Environment & Energy Business Dept.
- Thermal Power Engineering Business, Nuclear power business & international power business (matters under special assignment)
- Compliance and risk management (matters under special assignment)
- Regional operations (central region)



Executive Vice President (Representative Director)
YOSHIHIKO SAKANASHI

- Assistant to the president for businesses described below:
Secretarial Affairs & Public Relations Dept.;
Personnel & Employee Relations Dept.;
General Affairs Dept.;
Business Planning Dept.; and
Energy Business Dept.
- Regional operations (Central)



Executive Vice President (Representative Director)
MINORU HINO

- Assistant to the president for businesses described below:
Thermal Power Engineering Dept.;
Thermal Power Dept.;
Nuclear Power Management Dept.;
Nuclear Power Construction Dept.;
Ohma General Management Dept.; and
Technology Development Center
- Compliance and risk management (matters under special assignment)
- Department Director of Nuclear Power Business (delegation of administrative works)
- Regional operations (Central, east & west regions)



Executive Director
KIYOTAKA MURAMATSU

- Thermal Power Engineering Dept.
- Thermal Power Dept.
- Environment & Energy Business Dept.
- Regional operations (west region)



Executive Director
KUNIHARU TAKEMATA

- Corporate Planning & Administration Dept.
- Personnel & Employee Relations Dept.
- General Affairs Dept.



Executive Director
HIROTADA TANOU

- Civil and Electrical Engineering Dept.
- Hydropower & Transmission System Dept.
- Regional operations (east region)

Senior Corporate Auditors

KANJI SHIMADA
TAKASHI FUJIWARA*

Executive Managing Officers

KOSHIRO HAYASHI
FUMIYOSHI MATSUOKA
TAKESHI KATAHIRA

Corporate Auditors

MOTOHITO SUNAMICHI
MUTSUTAKE OTSUKA*
HIDEAKI MIYAHARA*

Executive Officers

AKIRA SAMATA
MASATO UCHIYAMA
SHUJI ETOH
ITARU NAKAMURA
YOSHIKI ONOI

HITOSHI MURAYAMA
TAKASHI INABA
AKIHITO URASHIMA
NAORI FUKUDA

* Outside Corporate Auditors

FINANCIAL SECTION

Consolidated Financial Summary

For the years ended March 31

	2006	2007	2008	2009	Millions of yen 2010	Thousands of U.S. dollars 2010
Operating revenues	621,933	573,277	587,780	704,936	584,484	6,282,077
Electric power	573,198	523,782	531,764	648,362	530,289	5,699,589
Other	48,734	49,494	56,016	56,574	54,194	582,488
Operating expenses	520,464	496,136	537,056	647,828	535,544	5,756,070
Electric power	469,720	444,463	477,869	588,808	478,644	5,144,505
Other	50,744	51,673	59,186	59,019	56,899	611,564
Operating income	101,469	77,141	50,724	57,108	48,939	526,007
Income before income taxes and minority interests	68,305	54,757	43,469	32,536	42,105	452,556
Net income	43,577	35,167	29,311	19,457	29,149	313,298
Total assets	1,964,667	1,999,794	2,013,131	2,005,469	2,024,080	21,754,953
Interest-bearing debt	1,408,232	1,421,542	1,423,878	1,470,748	1,452,515	15,611,729
Total net assets	433,028	462,654	468,118	382,112	414,981	4,460,252
Net cash provided by operating activities	173,954	157,241	136,252	158,628	169,148	1,818,015
Net cash used in investing activities	(72,326)	(155,407)	(152,518)	(132,350)	(129,504)	(1,391,922)
Free cash flow	101,628	1,834	(16,265)	26,278	39,643	426,092
Net cash provided by (used in) financing activities	(103,613)	(2,168)	17,174	(29,615)	(30,351)	(326,225)
Depreciation	135,019	123,083	115,021	114,669	120,313	1,293,134
Capital expenditures	60,861	90,704	122,056	172,128	112,233	1,206,289
Net income per share (yen, U.S. dollars)	260.76	211.14	175.99	121.65	194.26	2.09
Cash dividends per share (yen, U.S. dollars)	60	60	70	70	70	0.75
Shareholders' equity per share (yen, U.S. dollars)	2,598.90	2,768.95	2,800.18	2,533.28	2,750.20	29.56
Return on equity (%)	10.6	7.9	6.3	4.6	7.4	
Shareholders' equity ratio (%)	22.0	23.1	23.2	19.0	20.4	
Number of shares outstanding (thousands)	166,569	166,569	166,569	166,569	166,569	
Number of employees	5,868	6,494	6,524	6,581	6,701	
Generation capacity (MW)						
Wholesale electric power business	16,375	16,380	16,380	16,385	16,988	
Hydroelectric	8,551	8,556	8,556	8,561	8,561	
Thermal	7,825	7,825	7,825	7,825	8,427	
Other electric power businesses	495	560	560	606	623	
Total	16,870	16,940	16,940	16,991	17,610	
Electric power sales (GWh)						
Wholesale electric power business	62,626	58,672	60,786	57,532	55,760	
Hydroelectric	8,582	10,633	8,287	8,384	9,214	
Thermal	54,044	48,039	52,499	49,147	46,546	
Other electric power businesses	1,701	1,657	1,682	1,616	1,477	
Total	64,328	60,329	62,469	59,148	57,238	
Electric power revenues						
Wholesale electric power business	495,061	450,034	457,292	571,282	458,688	4,930,017
Hydroelectric	126,810	123,490	114,557	110,945	108,994	1,171,483
Thermal	368,250	326,543	342,734	460,336	349,693	3,758,579
Other electric power businesses	16,495	16,868	17,702	20,055	14,754	158,596
Transmission	58,255	55,184	54,934	55,414	54,402	584,723

* 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, 2010, which was ¥93.04 = 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, 2010 (fiscal 2009), overall demand for electricity in Japan decreased compared to the previous year. Factors included the largest ever decline in industrial demand and a decrease in air conditioning demand due to below-normal temperatures from July to September.

Consolidated operating revenues for fiscal 2009 totaled ¥584.4 billion, a decrease of ¥120.4 billion, or 17.1%, from the previous year. In the mainstay electric power business, revenues declined due to rate revisions in September 2009 for hydroelectric power and transmission. Electricity sales volume decreased due to a lower load factor for thermal power caused by falling demand and equipment failures, and unit sales prices for thermal power fell in connection with declining fuel prices. The following provides detailed information on electricity sales volume and operating revenues for each business segment.

Electric Power Business

In the wholesale electric power business, electricity sales volume for hydroelectric power increased 9.9% compared to the previous year to 9.2 billion kWh. Despite being a low-water year, the water supply rate was 96%, up from 88% last year, representing an increase of 800 million kWh. Operating revenues from hydroelectric power declined ¥1.9 million, or 1.8%, year on year to ¥108.9 billion due to the impact of rate revisions and other factors.

Electricity sales volume for thermal power dipped 5.3% from last year to 46.5 billion kWh as a result of lower electric power demand and lower capacity utilization

caused by equipment failures (the load factor declined from 76% to 68% for a decrease of 2.6 billion kWh).

Operating revenues decreased by ¥110.6 billion, or 24.0%, year on year to ¥349.6 billion, due to a drop in unit sales prices associated with decreased fuel prices.

As a result, in the wholesale electric power business, total electricity sales volume from both hydroelectric and thermal power plants decreased by 3.1% compared to the previous year to 55.7 billion kWh. Operating revenues declined by ¥112.5 billion, or 19.7%, year on year to ¥458.6 billion.

At the same time, operating revenues from the power transmission/transforming business declined 1.8% year on year to ¥54.4 billion. This business mainly involves the operation of transmission trunk lines linking regional service areas in Japan.

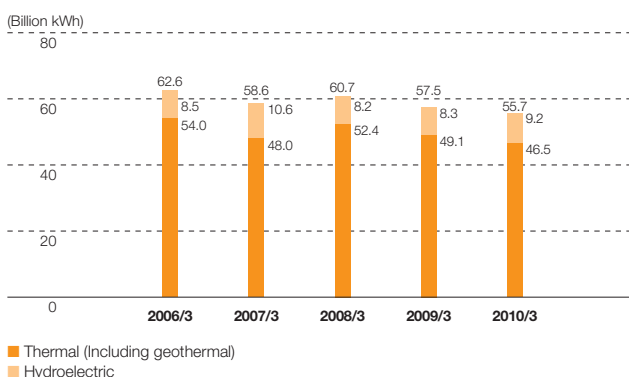
In the other electric power businesses, electricity sales volume declined 8.6% compared to the previous year to 1.4 billion kWh, due in part to a lower load factor at IPP and for PPS. Operating revenues fell ¥5.3 billion, or 26.4%, year on year to ¥14.7 billion.

As a result of these developments, electricity sales volume in the overall electric power business declined 3.2% from the previous year to 57.2 billion kWh. Overall, operating revenues in the electric power business, including internal sales, fell ¥118.0 billion, or 18.1%, year on year to ¥533.4 billion.

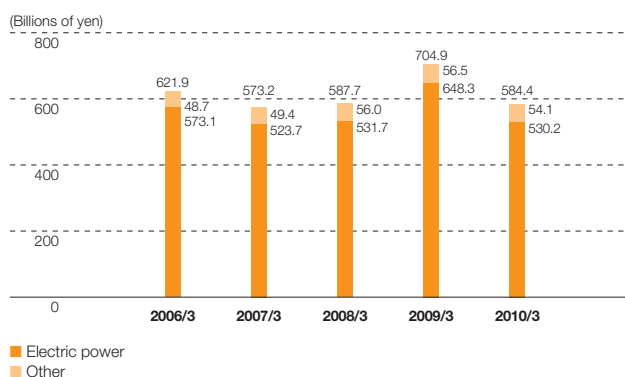
Electric Power-Related Businesses

In fiscal 2009, operating revenues decreased ¥63.8 billion, or 18.1%, year on year to ¥289.0 billion. There was increased revenue from new construction on the Isogo New No. 2 Thermal Power Plant, but lower revenue from coal sales by consolidated subsidiaries.

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



OPERATING REVENUES (ELECTRIC POWER AND OTHER)



Other Businesses

In fiscal 2009, operating revenues decreased ¥3.2 billion, or 9.0%, compared to the previous year to ¥33.1 billion, owing in part to lower revenues from coal sales by J-POWER.

Operating Expenses and Operating Income

In fiscal 2009, operating expenses declined ¥112.2 billion, or 17.3%, year on year to ¥535.5 billion. As a result, operating income declined by ¥8.1 billion, or 14.3%, year on year to ¥48.9 billion. The operating margin increased by 0.3% to 8.4%.

Electric Power Business

Despite lower fuel costs and other expenses, operating income declined ¥6.3 billion, or 14.2%, year on year to ¥38.2 billion due to lower operating revenues.

Electric Power-Related Businesses

Operating income decreased by ¥0.3 billion, or 3.1%, year on year to ¥11.2 billion, in line with lower operating revenues and other factors.

Other Businesses

Operating income declined ¥0.6 billion year on year due in part to lower operating revenues, resulting in an operating loss of ¥0.3 billion.

Non-Operating Revenues and Expenses

Net non-operating loss in fiscal 2009 improved by ¥10.2 billion compared to the previous year to ¥7.2 billion.

Non-Operating Revenues

Non-operating revenues in fiscal 2009 increased by ¥5.4 billion, or 41.0%, over the previous fiscal year to ¥18.7 billion, a result mainly attributable to equity-method earnings in the overseas power generation business and domestic power companies increasing from ¥7.4 billion to ¥11.7 billion.

Non-Operating Expenses

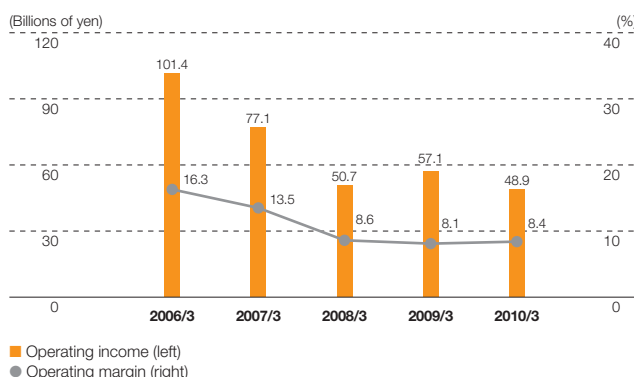
Non-operating expenses in fiscal 2009 decreased by ¥4.8 billion, or 15.6%, year on year to ¥25.9 billion owed in part to the absence of development site survey costs and other expenses written off the previous year.

As a result, ordinary income increased 5.3% year on year to ¥41.6 billion. The ordinary income margin was 7.1%, an improvement of 1.5 percentage points compared to the previous year.

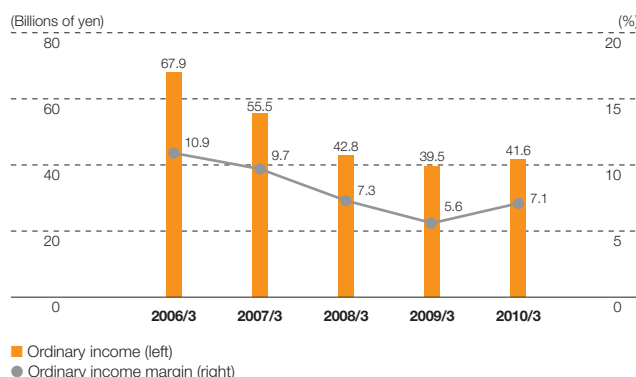
Net Income

Income before income taxes and minority interests, which is ordinary income plus reversal of reserve for fluctuation in water levels, increased ¥9.5 billion, or 29.4%, compared to the previous year to ¥42.1 billion. This was largely due to the absence of extraordinary income (a ¥12.1 billion distribution profit from the dissolution 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) and extraordinary loss (valuation losses of ¥19.6 billion from impairment associated with a

OPERATING INCOME/OPERATING MARGIN



ORDINARY INCOME/ORDINARY INCOME MARGIN



dramatic drop in the market value of shares and other securities) recorded the previous year. After accounting for income taxes of ¥13.1 billion and minority interests, net income increased by ¥9.6 billion, or 49.8%, compared to the previous year to ¥29.1 billion.

Net Income per Share

Net income per share was ¥194.26 in fiscal 2009, compared to ¥121.65 in the previous fiscal year.

Dividend Policy

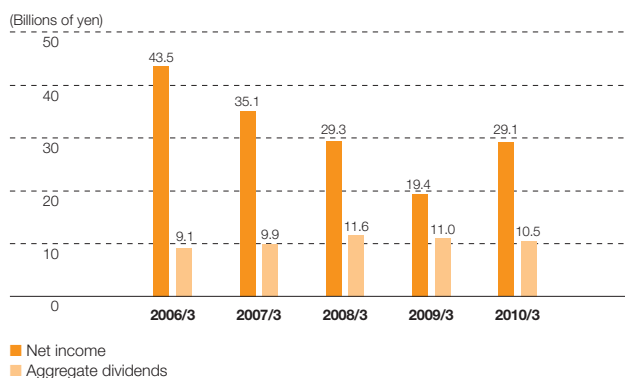
The most prominent characteristic of J-POWER's business is that we secure returns on our investments in power plants and other infrastructure through the long-term operation of these facilities utilizing our well-established enterprise management expertise, including the construction of power plants 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 we must further reinforce our financial position.

Our top priority for returning profit to shareholders is to maintain a stable dividend in line with the characteristics of our business. Through long-term initiatives, 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.

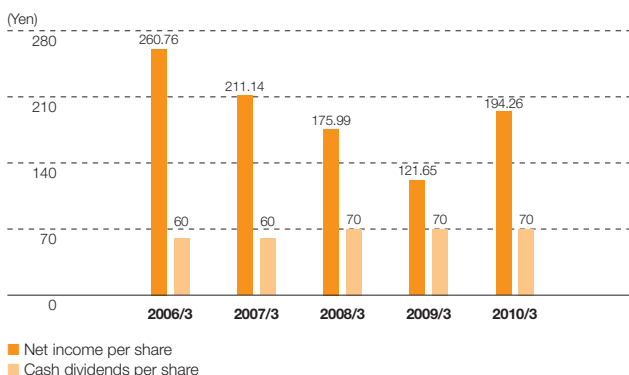
In fiscal 2009, the business environment was particularly challenging due to soft demand for electric power domestically and overseas, a lower load factor at thermal power plants due to equipment failures, and

mounting maintenance costs. However, J-POWER will work to ensure the reliability of its facilities and rigorously reinforce its business foundation to strengthen the competitiveness of its core business: wholesale electric power. We will also strive to bolster earnings power through the development of new businesses and other initiatives. Accordingly, from the standpoint of maintaining stable shareholder returns over the long term, we will pay a year-end dividend of ¥35 per share. When combined with the interim dividend of ¥35 per share, the total annual dividend payout is ¥70 per share. As a result, the consolidated payout ratio decreased 21.0 percentage points compared to the previous year to 36.0%. Consolidated dividend on equity was 2.5%, a year-on-year decrease of 0.1 of a percentage point.

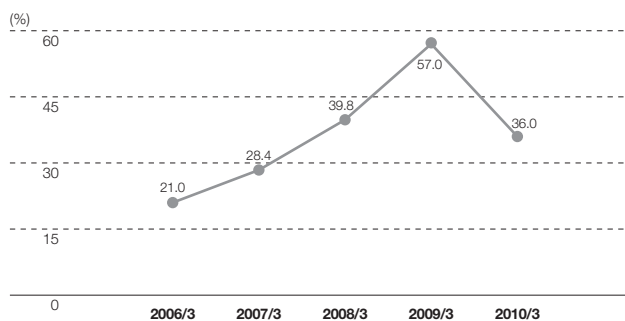
NET INCOME/AGGREGATE DIVIDENDS



NET INCOME PER SHARE/CASH DIVIDENDS PER SHARE



CONSOLIDATED DIVIDEND PAYOUT RATIO



Financial Position

Assets

As of March 31, 2010, total assets were ¥2,024.0 billion, an increase of ¥18.6 billion, or 0.9%, from a year earlier.

The value of noncurrent assets increased ¥36.6 billion, or 2.0%, year on year to ¥1,879.8 billion*. While a decrease was caused by ongoing depreciation of property, plant and equipment, there were increases from capital expenditures and long-term investment in the Ohma Nuclear Power Plant, Isogo New No. 2 Thermal Power Plant and other facilities.

*Includes investments and other assets of ¥255.1 billion.

Liabilities

As of March 31, 2010, total liabilities were ¥1,609.0 billion, a year-on-year decrease of ¥14.2 billion, or 0.9%.

Interest-bearing debt decreased ¥18.2 billion, or 1.2%, from a year earlier to ¥1,452.5 billion. The debt-equity ratio was 3.5, down from 3.9 at the previous fiscal year-end.

Net Assets and Shareholders' Equity*

Net assets as of March 31, 2010 were ¥414.9 billion, an increase of ¥32.8 billion, or 8.6%, from the previous fiscal year-end that was mainly due to recording net income for the term. Shareholders' equity increased ¥32.5 billion, or 8.6%, year on year to ¥412.6 billion.

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

As a result, the shareholders' equity ratio increased 1.4 percentage points from 19.0% the previous year-end to 20.4%.

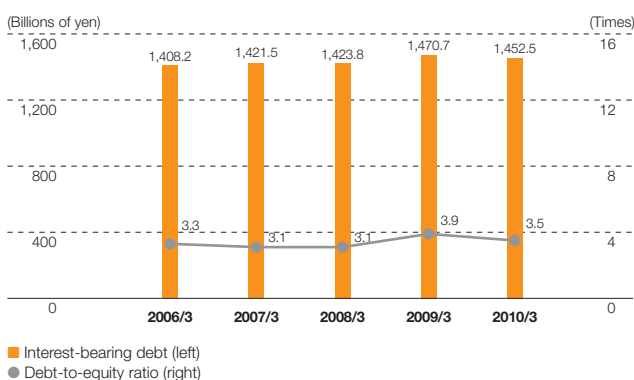
Capital Expenditures

Capital expenditures in fiscal 2009 declined ¥59.8 billion, or 34.8%, compared to the previous fiscal year to ¥112.2 billion.

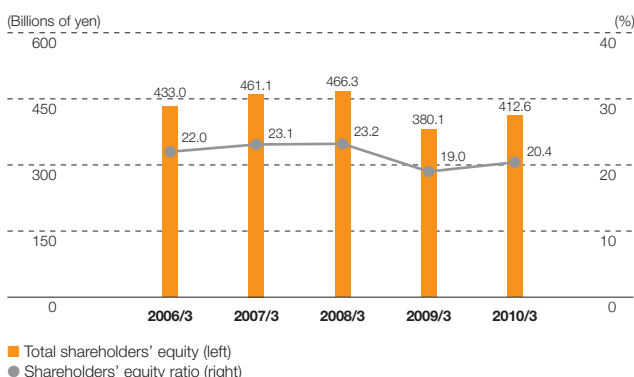
Capital expenditures in the electric power business decreased ¥47.3 billion, or 30.7%, year on year to ¥106.7 billion. These capital expenditures were mainly for the Isogo New No. 2 Thermal Power Plant (output capacity of 600 MW, in Kanagawa Prefecture) and the Ohma Nuclear Power Plant (output capacity of 1,383 MW, in Aomori Prefecture).

The Isogo New No. 2 Thermal Power Plant commenced operations in July 2009. It is an urban coal-fired thermal power plant that meets strict environmental standards and is an addition to the Isogo New No. 1

INTEREST-BEARING DEBT/DEBT-TO-EQUITY RATIO



TOTAL SHAREHOLDERS' EQUITY/SHAREHOLDERS' EQUITY RATIO



BREAKDOWN OF CAPITAL EXPENDITURES (FISCAL 2009)

Item	Capital expenditures (Billions of Yen)
Hydroelectric	11.8
Thermal	38.5
Nuclear	16.1
Electric Power Business	
New energy, etc.	9.3
Transmission/Transformation	14.5
Other	5.1
Nuclear fuel	11.0
Electric power business Total	106.7
Electric power-related businesses	2.5
Other businesses	6.0
Elimination	(3.0)
Grand Total	112.2

Note: The above monetary amounts do not include consumption tax.
Repair work on existing facilities in fiscal 2009 totaled ¥47.0 billion.

Thermal Power Plant (output capacity of 600 MW), which had already been in operation.

Looking ahead, J-POWER plans to continue making major capital expenditures on the Ohma Nuclear Power Plant. Construction on the plant, which began in May 2008, is currently underway. The plant is targeted to begin operations in November 2014.

Capital expenditures for the electric power business in fiscal 2010 are projected to increase by ¥200 million compared to fiscal 2009 to ¥106.9 billion. They will include investment to maintain and upgrade existing facilities and the abovementioned investment in new power plants.

Fund Procurement

J-POWER's financing needs are primarily related to capital expenditures for plant and equipment, 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, 2010 was ¥654.8 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 ¥169.1 billion, an increase of ¥10.5 billion, or 6.6%, from the previous fiscal year. While internal reserves decreased due in part to valuation losses on marketable securities, decreased inventories and other factors accounted for the result.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥129.5 billion, ¥2.8 billion, or 2.2%, less than in the previous fiscal year. This was mainly attributable to a decline in trust beneficiary rights acquired for trust assets such as land and buildings related to headquarters, despite a decline in compensation received due to a change in primary contractors for the planned Tokuyama Power Plant project.

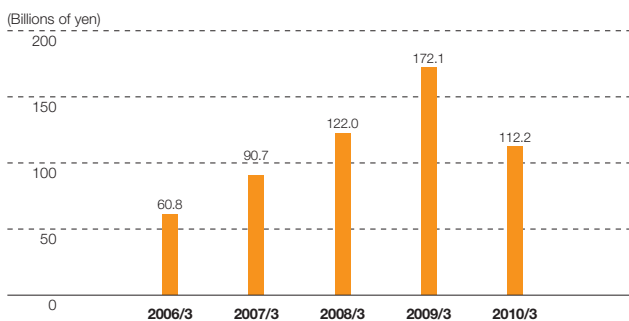
As a result of the foregoing, free cash flow was a positive ¥39.6 billion.

Cash Flow from Financing Activities

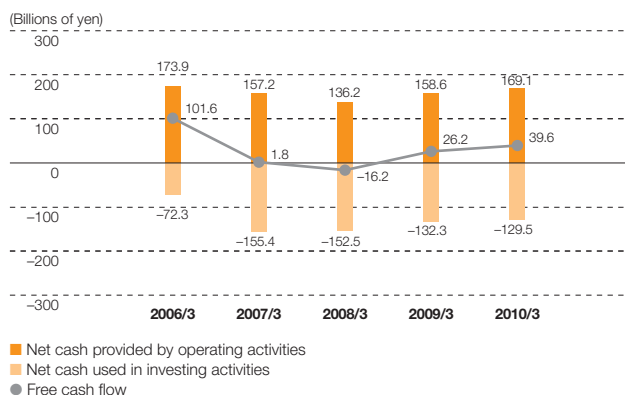
Net cash used in financing activities was ¥30.3 billion, an increase of ¥0.7 billion compared to the previous fiscal year. This mainly reflected lower proceeds from loans, which more than offset decreases in purchase of treasury stock and redemption of bonds.

As a result of these activities, cash and cash equivalents as of March 31, 2010 totaled ¥40.3 billion, a year-on-year increase of ¥10.7 billion, or 36.6%.

CAPITAL EXPENDITURES



CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES AND FREE CASH FLOW



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 23, 2010.

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, 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, there are various global warming mitigation policies currently under consideration. Consequently, if new regulations or other rules are introduced, this could potentially have a materially 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 materially 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 Ohma Nuclear Power Plant, which is 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 in the financial markets, the Company's credit situation, or other factors at that time, then this could potentially have a materially 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 authorization from the national authorities 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 a major disruption of 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 materially 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 of 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 materially 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 trends in demand for electric power in Japan.

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, 2009 and 2010

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2010	2010
Property, plant and equipment, net	¥1,631,219	¥1,624,688	\$17,462,262
Power plants (Notes 2, 3 and 7)	1,235,044	1,226,640	13,184,007
Other property, plant and equipment (Notes 2 and 3)	46,634	49,619	533,315
Construction in progress (Notes 2 and 7)	321,889	309,740	3,329,112
Nuclear fuel	27,650	38,688	415,826
Investments and other assets	211,923	255,115	2,741,995
Long-term investments (Notes 2, 4, 7 and 17)	150,332	195,414	2,100,329
Deferred tax assets (Notes 2 and 19)	58,711	57,207	614,868
Others, less allowance for doubtful accounts (Note 2)	2,880	2,493	26,798
Current assets	162,325	144,276	1,550,695
Cash and bank deposits (Notes 6 and 15)	27,628	38,749	416,478
Notes and accounts receivable, less allowance for doubtful accounts (Note 7)	50,012	47,000	505,166
Inventories (Notes 2 and 5)	43,110	25,717	276,413
Others (Notes 2 and 19)	41,574	32,809	352,637
Total Assets	¥2,005,469	¥2,024,080	\$21,754,953

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2010	2010
LIABILITIES			
Long-term liabilities	¥1,304,830	¥1,346,526	\$14,472,551
Long-term debt and lease obligations, less current portion (Note 7)	1,231,627	1,271,619	13,667,452
Accrued employee retirement benefits (Notes 2, 9 and 18)	51,931	57,855	621,832
Others (Notes 2, 6 and 18)	21,271	17,051	183,266
Current liabilities	317,379	261,837	2,814,250
Current portion of long-term debt and other (Note 7)	120,700	142,923	1,536,154
Short-term loans (Note 7)	9,098	13,327	143,245
Commercial paper (Note 7)	109,971	24,998	268,689
Income and other taxes payable	16,317	7,952	85,470
Others (Notes 2, 6 and 19)	61,291	72,635	780,690
Reserve for fluctuation in water levels (Note 2)	1,146	734	7,899
Contingent liabilities (Note 8)			
Total Liabilities	1,623,356	1,609,099	17,294,701
NET ASSETS			
Shareholders' equity (Note 20)	408,036	426,680	4,585,991
Common stock	152,449	152,449	1,638,538
Capital surplus	81,849	81,849	879,724
Retained earnings	236,998	255,643	2,747,677
Treasury stock	(63,260)	(63,262)	(679,949)
Valuation and translation adjustments	(27,908)	(14,003)	(150,511)
Unrealized gain on other securities, net (Note 2)	(404)	2,960	31,821
Deferred hedging gain and loss (Notes 2 and 17)	(6,285)	(3,747)	(40,273)
Foreign currency translation adjustments (Note 2)	(21,217)	(13,217)	(142,060)
Minority interests	1,984	2,304	24,772
Total Net assets (Note 2)	382,112	414,981	4,460,252
Total Liabilities and Net assets	¥2,005,469	¥2,024,080	\$21,754,953
		Yen	U.S. dollars (Note 2)
Shareholders' equity per share (Note 2)	¥2,533.28	¥2,750.20	\$29.56

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2009	2010	2010
Operating revenues	¥587,780	¥704,936	¥584,484	\$6,282,077
Electric power	531,764	648,362	530,289	5,699,589
Other	56,016	56,574	54,194	582,488
Operating expenses (Notes 2, 9, 10, 11, 12 and 18)	537,056	647,828	535,544	5,756,070
Electric power	477,869	588,808	478,644	5,144,505
Other	59,186	59,019	56,899	611,564
Operating income	50,724	57,108	48,939	526,007
Other income (expenses) (Notes 2, 13 and 24)	(7,255)	(24,572)	(6,833)	(73,450)
Interest expenses	(22,749)	(22,616)	(23,085)	(248,119)
Reversal of reserve for fluctuation in water levels	595	413	411	4,425
Unrealized loss on valuation of securities	–	(19,648)	–	–
Distribution by dissolution of anonymous association	–	12,170	–	–
Other, net	14,899	5,107	15,839	170,243
Income before income taxes and minority interests	43,469	32,536	42,105	452,556
Income taxes (Notes 2, 11 and 19)				
Current	15,962	17,928	11,270	121,130
Deferred	(1,829)	(4,945)	1,883	20,247
Minority interests	24	95	(197)	(2,119)
Net income	¥ 29,311	¥ 19,457	¥ 29,149	\$ 313,298
Amounts per share:			Yen	U.S. dollars (Note 2)
Net income (Note 2)	¥175.99	¥121.65	¥194.26	\$2.09
Cash dividends applicable to the year (Note 14)	70.00	70.00	70.00	0.75

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended March 31, 2008, 2009 and 2010

	Millions of yen									
	Number of shares issued of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock ^(*)	Unrealized gain (loss) on other securities, net	Deferred hedging gain and loss	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	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)
Balance at March 31, 2008	166,569	152,449	81,849	230,032	(64)	1,934	(6,759)	6,941	1,735	468,118
Net income				19,457						19,457
Dividends				(12,491)						(12,491)
Acquisition of treasury stock					(63,195)					(63,195)
Net change during the year						(2,339)	474	(28,159)	248	(29,776)
Balance at March 31, 2009	166,569	152,449	81,849	236,998	(63,260)	(404)	(6,285)	(21,217)	1,984	382,112
Net income				29,149						29,149
Dividends				(10,503)						(10,503)
Acquisition of treasury stock					(1)					(1)
Net change during the year						3,365	2,538	8,000	320	14,225
Balance at March 31, 2010	166,569	¥152,449	¥81,849	¥255,643	¥(63,262)	¥ 2,960	¥(3,747)	¥(13,217)	¥2,304	¥414,981

	Thousands of U.S. dollars (Note 2)									
	Common stock	Capital surplus	Retained earnings	Treasury stock ^(*)	Unrealized gain (loss) on other securities, net	Deferred hedging gain and loss	Foreign currency translation adjustments	Minority interests	Total net assets	
Balance at March 31, 2009	\$1,638,538	\$879,724	\$2,547,274	\$(679,930)	\$ (4,352)	\$(67,556)	\$(228,051)	\$21,326	\$4,106,973	
Net income			313,298						313,298	
Dividends			(112,895)						(112,895)	
Acquisition of treasury stock				(18)					(18)	
Net change during the year					36,174	27,283	85,991	3,445	152,894	
Balance at March 31, 2010	\$1,638,538	\$879,724	\$2,747,677	\$(679,949)	\$31,821	\$(40,273)	\$(142,060)	\$24,772	\$4,460,252	

(*1) Number of treasury stock as of March 31, 2010: 16,516,109 shares

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2009	2010	2010
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 43,469	¥ 32,536	¥ 42,105	\$ 452,556
Depreciation	115,021	114,669	120,313	1,293,134
Loss on impairment of fixed assets	267	439	384	4,131
Loss on disposal of property, plant and equipment	2,611	4,182	2,516	27,043
Increase in accrued employee retirement benefits	6,471	12,848	5,923	63,666
Decrease in reserve for fluctuation in water levels	(595)	(413)	(411)	(4,425)
Interest and dividends income	(2,780)	(2,666)	(1,987)	(21,359)
Interest expenses	22,749	22,616	23,085	248,119
(Increase) decrease in notes and accounts receivable	2,120	(6,040)	6,311	67,837
(Increase) decrease in inventories	(4,375)	(17,637)	17,645	189,650
Increase (decrease) in notes and accounts payable	4,027	(1,109)	7,034	75,610
Loss (gain) on sales of securities	(3,911)	2	(231)	(2,490)
Unrealized loss on valuation of securities	-	19,648	-	-
Investment income on equity method	(8,879)	(7,470)	(11,722)	(125,990)
Loss (gain) on sales of property, plant and equipment	(1,004)	38	(590)	(6,351)
Distribution by dissolution of anonymous association	-	(12,170)	-	-
Others	(6,398)	24,235	(10,205)	(109,686)
Subtotal	168,792	183,709	200,170	2,151,447
Interest and dividends received	3,370	15,368	5,845	62,832
Interest paid	(22,453)	(22,079)	(22,987)	(247,074)
Income taxes paid	(13,458)	(18,369)	(13,880)	(149,190)
Net cash provided by operating activities	136,252	158,628	169,148	1,818,015
Cash flows from investing activities:				
Payments for purchase of property, plant and equipment	(134,723)	(173,119)	(114,967)	(1,235,682)
Proceeds from contributions grants	7,509	8,619	9,962	107,081
Proceeds from sales of property, plant and equipment	1,552	58,657	1,860	19,997
Payments for investments and loans	(35,965)	(27,643)	(23,456)	(252,108)
Proceeds from collections of investments and loans	6,650	7,901	3,896	41,881
Payment for purchase of investments in subsidiaries, net of cash acquired (Note 15)	(1,280)	(2,611)	(495)	(5,321)
Proceeds from sale of subsidiary shares with a change in the scope of consolidation (Note 15)	8,064	-	-	-
Others	(4,325)	(4,154)	(6,305)	(67,772)
Net cash used in investing activities	(152,518)	(132,350)	(129,504)	(1,391,922)
Cash flows from financing activities:				
Proceeds from issuance of bonds	89,675	114,570	59,792	642,657
Redemption of bonds	(38,384)	(60,300)	-	-
Proceeds from long-term loans	114,864	9,803	122,794	1,319,797
Repayment of long-term loans	(135,532)	(41,287)	(121,555)	(1,306,488)
Proceeds from short-term loans	18,551	193,040	42,500	456,792
Repayment of short-term loans	(14,549)	(190,023)	(38,294)	(411,586)
Proceeds from issuance of commercial paper	586,322	639,380	475,905	5,115,066
Redemption of commercial paper	(594,000)	(619,000)	(561,000)	(6,029,664)
Proceeds from issuance of shares to minority shareholders	266	-	-	-
Purchase of treasury stock	-	(63,195)	-	-
Dividends paid	(9,989)	(12,499)	(10,503)	(112,895)
Dividends paid to minority interests	(42)	(20)	(2)	(30)
Others	(7)	(83)	11	125
Net cash provided by (used in) financing activities	17,174	(29,615)	(30,351)	(326,225)
Foreign currency translation adjustments on cash and cash equivalents				
	147	(2,764)	1,506	16,193
Net increase (decrease) in cash and cash equivalents	1,056	(6,101)	10,798	116,061
Cash and cash equivalents at beginning of the year	34,575	35,631	29,530	317,399
Cash and cash equivalents at end of the year (Notes 2 and 15)	¥ 35,631	¥ 29,530	¥ 40,329	\$ 433,460

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 2008, 2009 and 2010

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 84 subsidiaries controlled directly or indirectly by the Company (74 and 61 subsidiaries for the year ended March 31, 2009 and 2008, respectively).

WINDTECH OGUNI CORPORATION, Hamanasu Wind Power Co., Ltd., WINDTECH TAHARA CORPORATION, Miyazaki Wood Pellet CO., LTD. and J-POWER Orange Grove Operations, LLC, subsidiaries established by J-POWER and in which J-Power acquired equity interests, along with 5 other companies were newly included within the scope of consolidation in the current consolidated fiscal year.

J-Wind TOKIO Co., Ltd. an equity affiliate during last fiscal year, was also made a subsidiary through the acquisition of additional shares and is included in the scope of consolidation for the current consolidated fiscal year. J-POWER Birchwood Consolidation, L.P. was dissolved in a merger with J-POWER Birchwood Consolidation GP, LLC on March 24, 2009 and is therefore no longer a consolidated subsidiary. The name of the surviving company of the merger, J-POWER Birchwood Consolidation GP, LLC, was changed to J-Power Birchwood Consolidation, LLC on the same day.

A decision was made to dissolve JPOWER BUSINESS CAPITAL Co., Ltd. on March 31, 2010, but it was a consolidated subsidiary on that date so it falls within the scope of consolidation for the current consolidated fiscal year.

Jie Pawa Electric Power Development (Beijing) Limited, Green Power Awara Co., Ltd., J-Power Birchwood Consolidation GP, LLC and eleven other companies have been included in the scope of consolidation for the first time from the previous fiscal year. J-POWER INVESTMENT U.K. LIMITED was liquidated on December 2, 2008 and is no longer a consolidated subsidiary.

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.

All of the consolidated subsidiaries, except for J-POWER AUSTRALIA PTY. LTD. and 34 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 34 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.

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

69 affiliates which have a significant influence on the Company's operations are accounted for by the equity method (67 and 52 affiliates for the year ended March 31, 2008 and 2009, respectively).

Osaki CoolGen Corporation, Shaanxi Hanjiang Investment & Development Co., Ltd., and one other company have been included in equity affiliates for the current consolidated fiscal year and are companies that are important from the perspective of the medium- to long-term management strategy. J-Wind TOKIO Co., Ltd. ceased to be accounted for as an equity affiliate for the current consolidated fiscal year since it became a subsidiary with the acquisition of additional shares. J-Power Sound Partners, LLC and three other companies, which were either established or were companies in which an equity stake was acquired in February 2010, are currently affiliated companies as of March 31, 2010; however, these companies have not been included in the scope of equity accounting since the dates of their company fiscal year-ends and the date for determining consolidation differ.

From the year ended March 31, 2009, 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 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.

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 65 affiliates, excluded TOSA POWER Inc., Mihama Seaside Power Co., Ltd., Setouchi Power Corporation and Osaki CoolGen 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 fiscal year ended March 31, 2008, 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 year ended March 31, 2009, 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 year ended March 31, 2008, 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.

Expensing of actuarial differences is primarily accounted for under a two-year declining balance method for the consolidated fiscal year following the fiscal year in which they were incurred, and past service obligations are mainly accounted for under the straight line method over two years from the year in which the expense was incurred.

The company previously accounted for actuarial differences in expenses from the fiscal year during which they arose, but as of the consolidated fiscal year the method of accounting for expenses has been changed to expensing in the consolidated fiscal year following the year during which they arose.

Due to the fluctuations in stock prices in recent years, considerable depreciation expenses have been incurred for actuarial differences unforeseen at the time the budget was formulated. This has resulted in major differences in actual retirement benefit expenses versus the budgeted amount and has had a major impact on both budget management and operating results forecasts.

The change from the tax qualified retirement pension system to the defined benefit corporate pension system in March 2007 and the resulting increase in options for benefit pay-out methods has led to a more complex retirement benefit system. The company has also undertaken radical revisions such as relegating the task of actuarial pension calculation formerly performed in-house to an outside pension actuary in light of the modifications to the personnel and pension systems for the current consolidated fiscal year, from the perspective of ensuring that the pension benefit system is accurately and objectively reflected in the pension actuarial calculations. Since doing so means that it will take considerable time to ascertain the actual amount of the retirement benefit obligation compared to previously, the method of accounting has been changed to accounting for expenses in the consolidated fiscal year following the fiscal year during which the expense was incurred in order to meet the demand of timeliness of disclosure for the stock market.

This resulted in an increase of ¥3,440 million (US\$36,980 thousand) in operating expenses compared with the previous method of accounting and a corresponding decrease in operating income, ordinary income, and net income before taxes and other adjustments.

Please note that the impact on segment data by industry caused by the above-mentioned accounting policy is noted in each of the individual segment descriptions.

The Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (Corporate Accounting Standard No. 19, July 31, 2008) took effect from the current consolidated fiscal year. This accounting standard has caused no change in the retirement benefit obligation and therefore has no impact on profits.

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. Accounting standards for completed construction revenues and completed construction cost of goods sold

Up to the end of the current consolidated fiscal year, construction for which the degree of completion is ascertainable with certainty was accounted for according to the criterion of degree of completion (the method of apportioning costs for the estimated degree of completion for construction); other construction has been booked based on the completed contract method.

The Accounting Standard for Construction Contracts (Corporate Accounting Standard No. 15, December 27, 2007) and Implementation Guidance on the Accounting Standard for Construction Contracts (Corporate Accounting Standard Implementation Guidance No. 18, December 27, 2007) have come into effect from the current consolidated fiscal year as the accounting standards for revenues and income from contracted construction. Construction contracts concluded from the current consolidated fiscal year onward for which certain results can be confirmed will be accounted for according to the degree of completion (the method of apportioning costs for the estimated degree of completion for construction) for the portion completed by the end of the current consolidated fiscal year; other construction will be accounted for under the completed contract method. The impact arising from this change is minor.

i. 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.

j. Derivative financial instruments and hedge accounting

The Company utilizes derivative financial instruments, such as foreign exchange forward contracts, foreign currency swaps and interest rate swaps, to manage its exposure to fluctuations in foreign exchange and interest rates. The Company does not intend to utilize 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 principle 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 commodity-price-related swaps to hedge some transactions affected by fluctuations in commodity 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 commodity 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.

k. Capitalization of interest expenses

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

l. Accounting for consumption taxes

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

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

m. 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.

n. 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.

o. 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 previous 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.

Reclassification

① Consolidated statements of cash flows

The significance of "Unrealized loss on valuation of securities" within "Cash flows from operating activities" (¥54 million in the current consolidated fiscal year) and "Purchase of treasury stock" within "Cash flows from financing activities" (−¥1 million in the current consolidated fiscal year) has diminished so these categories have been included in "Others" in "Cash flows from operating activities" and "Cash flows from financing activities in the current consolidated fiscal year."

② Consolidated balance sheet

Wind power and geothermal power plants are being listed under "Renewable power production facilities" from the current consolidated fiscal year due to amendments to the Electric Utility Accounting Rules (Ministerial Ordinance Regarding Partial Revision of the Rules on Reporting Related to Electric Utilities, etc., Ministry of Economy, Trade, and Industry Ordinance No. 20, 2010).

The power plants mentioned above included "Hydroelectric power plants" of ¥23,387 million and "Thermal power plants" of ¥1,097 million in the previous consolidated fiscal year.

(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, 2010, which was ¥93.04 = 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, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Hydroelectric power plants	¥ 441,694	¥ 403,329	\$ 4,335,008
Thermal power plants	463,682	482,045	5,181,052
Internal combustion power generation facilities	12,906	11,764	126,445
Renewable power production facilities	–	24,334	261,549
Transmission facilities	217,723	207,948	2,235,043
Conversion facilities	36,615	35,089	377,146
Communication facilities	9,591	9,339	100,379
General facilities	52,830	52,789	567,381
Total	¥1,235,044	¥1,226,640	\$13,184,007

Construction grants, which were deducted from the cost of property, plant and equipment as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Construction grants	¥105,780	¥105,590	\$1,134,892

Accumulated depreciation of property, plant and equipment as of March 31, 2009 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Accumulated depreciation	¥2,420,824	¥2,529,298	\$27,185,066

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 2009 and March 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Shares	¥83,834	¥96,894	\$1,041,428

5. Inventories

Inventories at the end of March 2009 and the end of March 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Merchandise and finished goods	¥ 3,040	¥ 2,883	\$ 30,992
Work in process	104	1,915	20,591
Raw materials and supplies	39,966	20,918	224,828
Total	¥43,110	¥25,717	\$276,413

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 ¥1,812 million and ¥1,967 million (US\$21,143 thousand) as of March 31, 2009 and 2010, respectively.

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

Short-term loans, long-term debts and lease obligations as of March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Loans from banks and Japanese government agencies, due on varying dates through 2035	¥ 752,881	¥ 673,556	\$ 7,239,430
Interest rates:			
Long-term loans, excluding current portion	1.574% (average)		
Current portion of long-term loans	1.504% (average)		
Short-term loans	0.622% (average)		
Commercial paper	0.110% (average)		
Domestic bonds guaranteed by the Government of Japan, due on varying dates through 2011, 1.4% to 1.7%	85,000	85,000	913,585
Domestic straight bonds, due on varying dates through 2028, 0.93% to 2.24%	594,867	654,883	7,038,725
Euro yen-denominated foreign bonds guaranteed by the Government of Japan, due in 2010, 1.80%	38,000	38,000	408,426
Lease obligations	648	1,075	11,561
Subtotal	1,471,396	1,452,515	15,611,729
Less Current portion	(239,769)	(180,895)	(1,944,276)
Total	¥1,231,627	¥1,271,619	\$13,667,452

The annual maturities of bonds, long-term debts and lease obligations subsequent to March 31, 2010 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 180,895	\$ 1,944,276
2012	162,311	1,744,534
2013	162,618	1,747,829
2014	145,813	1,567,212
2015	147,774	1,588,287
2016 and thereafter	653,102	7,019,588
Total	¥1,452,515	\$15,611,729

All of the Company's assets are subject to certain statutory liens as security for bonds. The outstanding amount of such bonds amounted to ¥373,420 million and ¥233,000 million (US\$2,504,299 thousand, including corporate bonds that were used to discharge certain debts through bond performance underwriting contracts) as of March 31, 2009 and 2010, respectively. Some long-term investments amounted to ¥3,199 million and ¥3,019 million (US\$32,450 thousand) as of March 31, 2009 and 2010, respectively were used as collateral for loans to other companies.

Some long-term investments of consolidated subsidiaries amounted to ¥1,778 million and ¥1,785 million (US\$19,193 thousand) as of March 31, 2009 and 2010, 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 ¥14,640 million and ¥39,401 million (US\$423,485 thousand) as of March 31, 2009 and 2010, respectively, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Power plants	¥18,734	¥15,881	\$170,698
Construction in progress	5,064	9,682	104,067
Long-term investments	—	13,410	144,137
Cash and bank deposits	—	426	4,582

8. Contingent liabilities

Contingent liabilities as of March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Guarantees given for loans of companies below:			
GJP Holding Co., Ltd.	¥ 4,374	¥ 5,166	\$ 55,524
TOSA POWER Inc.	4,097	3,165	34,025
Zajaczkowo Windfarm Sp. zo.o.	2,383	2,970	31,929
Roi-Et Green Co., Ltd.	187	162	1,747
SAHARA COOLING Ltd	129	121	1,307
Okutadami Kanko Co., Ltd.	118	102	1,097
Kanda Eco Plant Co., Ltd.	90	71	767
Kawagoe Cable Vision Co., Ltd.	5	-	-
Subtotal	11,386	11,760	126,400
Guarantees given to certain banks of the below companies for performance bonds under power purchase agreements			
Power Generation Supply Co., Ltd.	6,200	5,562	59,785
Siam Energy Co., Ltd.	5,349	2,296	24,677
Combined Heat and Power Co., Ltd.	-	1,314	14,131
Industrial Cogen Co., Ltd.	-	1,314	14,131
RIL Cogeneration Co., Ltd.	-	1,314	14,131
Saraburi B Cogeneration Co., Ltd.	-	1,314	14,131
Saraburi A Cogeneration Co., Ltd.	-	1,314	14,131
Pathum Cogeneration Co., Ltd.	-	1,314	14,131
Chanchoengsao Cogeneration Co., Ltd.	-	1,314	14,131
Subtotal	11,549	17,061	183,380
Guarantees on revenues from electricity sales (using an incremental unit price structure)			
Nikaho-kogen Wind Power Co., Ltd.	-	479	5,150
Green Power Kuzumaki Co., Ltd.	-	451	4,851
Subtotal	-	930	10,001
Guarantees given in connection with housing loans to Company employees			
	4,731	4,227	45,439
Guarantee liability for performance guarantee insurance contract for PFI business			
EDOGAWA Water Service (Special-Purpose Company)	1	-	-
Debts assigned by the Company to certain banks under debt assumption agreements			
	210,420	70,000	752,364
Total	¥238,090	¥103,980	\$1,117,586

9. Provision of reserves

Provisions for the years ended March 31, 2008, 2009 and 2010, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Accrued employee retirement benefits	¥11,394	¥18,175	¥11,278	\$121,226

10. Operating expenses

Operating expenses (electric power) for the years ended March 31, 2008, 2009 and 2010, were summarized as follows:

Total

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Personnel expense	¥ 37,768	¥ 43,651	¥ 36,264	\$ 389,774
Fuel cost	191,579	264,397	178,048	1,913,673
Repair expense	30,403	51,476	44,480	478,074
Consignment cost	30,289	33,244	32,058	344,569
Taxes and duties	27,753	29,162	26,507	284,899
Depreciation and amortization cost	110,393	110,122	116,095	1,247,804
Others	49,681	56,752	45,190	485,710
Total	¥477,869	¥588,808	¥478,644	\$5,144,505

Selling, general and administrative expenses included in operating expenses (electric power) for the years ended March 31, 2008, 2009 and 2010, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Personnel expense	¥27,552	¥33,386	¥25,679	\$276,007
Fuel cost	—	—	—	—
Repair expense	1,212	1,716	1,505	16,183
Consignment cost	7,232	9,679	7,592	81,608
Taxes and duties	535	1,194	719	7,732
Depreciation and amortization cost	2,579	2,471	2,431	26,132
Others	15,724	17,937	11,034	118,594
Total	¥54,836	¥66,386	¥48,963	\$526,259

11. Enterprise tax

Most of the enterprise taxes of the Company and 16 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 ¥6,989 million, ¥8,513 million and ¥6,823 million (US\$73,338 thousand) for the years ended March 31, 2008, 2009 and 2010, 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 12 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, 2008, 2009 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Research and development costs	¥8,020	¥8,265	¥5,953	\$63,991

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, 2008, 2009 and 2010 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Buildings and structures	¥191	¥164	¥117	\$1,266
Land	69	145	196	2,109
Machinery	—	127	52	561
Others	6	1	18	193
Total	¥267	¥439	¥384	\$4,131

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, 2010, was approved at the general meeting of the shareholders held on June 22, 2010:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥35 (US\$0.38) per share)	¥5,251	\$56,447

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, 2009 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Cash and bank deposits on the consolidated balance sheets	¥27,628	¥38,749	\$416,478
Time deposits with a maturity of more than three months	(337)	(360)	(3,869)
Marketable securities with a redemption period of three months or less from the date of acquisition, included in the short-term investments account	2,240	1,940	20,851
Cash and cash equivalents on the consolidated statements of cash flows	¥29,530	¥40,329	\$433,460

In the previous 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
	2009
Property, plant and equipment, net, and investments and other assets	¥ 5,196
Current assets	335
Long-term liabilities	(2,058)
Current liabilities	(564)
Minority interests	(188)
Acquisition value of shares in newly consolidated subsidiaries	2,720
Cash and cash equivalents of newly consolidated subsidiaries	109
Deductions: payment for purchase of investments in subsidiaries, net of cash acquired	¥(2,611)

In the year ended March 31, 2008, 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, 2009 and 2010 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2010			2010		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Electric utility plant	¥ 988	¥ 563	¥ 424	¥ 989	¥ 748	¥ 241	\$10,635	\$ 8,042	\$ 2,593
Others	2,860	1,573	1,286	2,180	1,356	823	23,431	14,583	8,847
Total	¥3,848	¥2,137	¥1,711	¥3,169	¥2,105	¥1,064	\$34,067	\$22,626	\$11,441

Acquisition cost includes the imputed interest expense portion.

Future lease payments under finance leases as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥ 633	¥ 428	\$ 4,605
Due after one year	1,078	635	6,835
Total	¥1,711	¥1,064	\$11,441

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

Lease payments and depreciation expense under finance leases as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Lease payments	¥821	¥629	\$6,769
Depreciation expense	821	629	6,769

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, 2009 and 2010 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2010			2010		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Others	¥25	¥17	¥7	¥25	¥21	¥3	\$275	\$236	\$39

Future lease revenues under finance leases as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥ 6	¥12	\$137
Due after one year	8	10	117
Total	¥15	¥23	\$255

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

Revenues and depreciation expense under finance leases as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Revenues	¥8	¥14	\$153
Depreciation expense	6	6	74

17. Financial Instruments

(1) Status of financial instruments

a. Policy for financial instruments

The Company formulates funds procurement plans based on demand for funding of capital expenditures related to the wholesale electricity business, investment in the overseas power generation business, and other businesses. The requisite funds are then procured (mainly from the issue of bonds and loans from financial institutions). Funds temporarily in excess are invested in financial assets with a high degree of safety. The company also procures funds for short-term working capital through borrowings and the issue of commercial paper. Derivatives are used to avoid the risks noted below and it is corporate policy not to engage in speculative transactions.

b. Types of financial instruments and related risk

Notes and accounts receivable are operating receivables exposed to client credit risk. Marketable securities held as long-term investments are shares, etc. related to business or capital ties with the partner companies to the transactions and are exposed to the risk of fluctuation in market prices. Short-term investments consist primarily of domestic CDs (transferable deposits) and are exposed to bank credit risk.

Notes and accounts payable are operating liabilities and nearly all have a payment term of one year or less. Also included among operating liabilities are foreign currency transactions for fuel and other imports and these are exposed to currency fluctuation risk; however, part of this is hedged through the use of foreign exchange forward contracts. Loans and bonds are used mainly for the procurement of funds required for capital investment and carry redemption terms extending beyond the fiscal year settlement date, the longest being 19 years. Some of these have variable interest rates and are thus exposed to interest rate fluctuation risk; however, this is hedged through the use of derivatives transactions (interest rate swaps).

Derivatives transactions consist mainly of transactions involving foreign exchange forward contracts to hedge the risk of currency fluctuation accompanying operating receivables and payables denominated in foreign currencies, interest rate swaps designed to hedge the risk of interest rate fluctuations for loans and bonds, and commodity swaps designed to hedge the risk of fluctuation in commodity prices. Please see section "j. Derivative financial instruments and hedge accounting" under "4. Accounting policies" mentioned above for the hedging methods, hedging targets, hedging policies and methods for appraising hedging effectiveness, etc.

c. Risk management for financial instruments

Monitoring of credit risk (the risk that customers or counterparties may default)

The company manages credit risk by having each division monitor the due dates and balances of operating receivables for each transacting partner and by working concurrently to maintain a perpetual grasp of changes in the state of management, etc. for these companies in accordance with the Rules on Management of Sales, etc. Consolidated subsidiaries also follow the Rules on Management of Sales, etc. by managing business affairs in the same manner. Please note that credit risk is minimal for the wholesale electric power business since transactions are conducted mainly with the 10 electric power companies, which have high credit ratings.

Derivatives transactions are used to mitigate counter party risk and are only conducted with financial and other institutions bearing high credit ratings.

The largest amount of credit risk as of the consolidated fiscal year-end for the current period is shown in the value of financial assets exposed to credit risk on the consolidated balance sheet.

Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The company and some of its consolidated subsidiaries generally employ foreign exchange forward contracts to hedge the risk of currency fluctuations for foreign-denominated operating receivables and payables, as determined on a monthly basis, by currency. The company and some of its consolidated subsidiaries also employ interest rate swaps to avoid the risk of fluctuation in interest rates on loans and bonds. The company engages in commodity swaps to obviate the risk of fluctuation in commodity prices as well.

The board of directors sets the maximum limits for derivatives transactions by purpose, based on the Guidelines for Handling Derivatives Transactions. These transactions are handled within those confines and the Accounting & Finance Department verifies the balances with the contracting parties. Transaction results are reported to the board of directors every six months as a general rule (quarterly for new transactions). Consolidated subsidiaries also adhere to the corporate Guidelines for Handling Derivatives Transactions in managing derivatives.

Monitoring of liquidity risk (the risk that the Company may not be able to meet obligations on scheduled due dates)

The Accounting & Finance Department formulates and updates financing plans in a timely manner based on reports from the various departments and manages liquidity risk through issuance of commercial paper and other means.

d. Supplemental explanation of the estimated fair value of financial instruments

Market valuation of financial instruments includes not only values based on market prices, but also values calculated in a reasonable manner for instruments that do not have a market price. Calculation of such values incorporates factors that fluctuate so values may fluctuate with the employment of different underlying assumptions and other factors. Moreover, contract amounts of derivatives transactions in "(2) Estimated fair value of financial instruments" do not indicate the market risk related to the derivatives transactions, in and of themselves.

e. Concentration of credit risk

Eighty-three percent of the operating receivables as of the end of the current consolidated fiscal year are for the 10 electric power companies.

(2) Estimated fair value of financial instruments

The book values, fair value, and differences between these recorded on the consolidated balance sheet for the current consolidated fiscal period are as follows. Please note that instruments for which it is extremely difficult to ascertain a fair value are not included in the following table (Please see "b. Financial instruments for which it is extremely difficult to determine the fair value").

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Cash and bank deposits	¥ 38,749	¥ 38,749	¥ -	\$ 416,478	\$ 416,478	\$ -
Notes and accounts receivable	47,003	47,003	-	505,194	505,194	-
Short-term investments	2,253	2,253	-	24,224	24,224	-
Market securities and investment securities	31,251	31,251	-	335,889	335,889	-
Other marketable securities ¹	31,251	31,251	-	335,889	335,889	-
Total assets	119,257	119,257	-	1,281,786	1,281,786	-
Notes and accounts payable	14,804	14,804	-	159,117	159,117	-
Short-term loans	13,327	13,327	-	143,245	143,245	-
Commercial paper	24,998	24,998	-	268,689	268,689	-
Bonds ²	777,883	801,426	(23,543)	8,360,737	8,613,780	(253,042)
Long-term loans ²	635,230	645,838	(10,608)	6,827,494	6,941,513	(114,018)
Total liabilities	1,466,243	1,500,395	(34,151)	15,759,285	16,126,346	(367,061)
Derivatives transactions ³						
Transactions subject to hedge accounting	3,750	3,725	(24)	40,307	40,047	(260)
Total derivatives transactions	¥ 3,750	¥ 3,725	¥ (24)	\$ 40,307	\$ 40,047	\$ (260)

¹ Included in long-term investments on the consolidated balance sheet.

² Includes bonds and long-term loans due within one year.

³ Show the net amount of receivables and payables incurred for derivatives transactions. Please note that there are no results for derivatives not subject to hedge accounting.

a. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets:

① *Cash and bank deposits, notes and accounts receivable, and short-term investments (transferable deposits, etc.)*

Since these are settled within a short period of time, the fair value is nearly equivalent to the book value so the company relies on the book value.

② *Marketable securities and investment securities*

The fair value of these depends on the price of the shares, etc. on the exchange. The value booked and differences for the acquisition cost and depreciation cost on the consolidated balance sheet are as follows:

Instruments for which the amount booked on the consolidated balance sheet exceeds the acquisition cost or the depreciation cost

	Type	Millions of yen		Thousands of U.S. dollars
		2009	2010	2010
Acquisition cost or depreciation cost	Stocks	¥1,042	¥12,073	\$129,769
Amount booked on the consolidated balance sheet	Stocks	1,654	17,451	187,572
Unrealized gain		¥ 611	¥ 5,378	\$ 57,803

Instruments for which the amount booked on the consolidated balance sheet does not exceed the acquisition cost or depreciation cost

	Type	Millions of yen		Thousands of U.S. dollars
		2009	2010	2010
Acquisition cost or depreciation cost	Stocks	¥25,602	¥15,948	\$171,412
Amount booked on the balance sheet	Stocks	23,540	13,799	148,316
Unrealized loss		¥ (2,062)	¥ (2,148)	\$ (23,095)

Total

	Type	Millions of yen		Thousands of U.S. dollars
		2009	2010	2010
Acquisition cost or depreciation cost	Stocks	¥26,645	¥28,021	\$301,181
Amount booked on the balance sheet	Stocks	25,195	31,251	335,889
Unrealized gain (loss)		¥ (1,450)	¥ 3,229	\$ 34,708

Liabilities:

① *Notes and accounts payable, short-term loans, and commercial paper*

Since these are settled within a short period of time, the fair value is nearly equivalent to the book value so the company relies on the book value.

② *Bonds*

The fair value of bonds for the company is calculated by taking the current value of the sum of the principal and interest or, in cases subject to special handling with interest rate swaps, the total principle and interest with the interest rate swap combined, discounted by an interest rate which takes the time remaining on the bonds and the credit risk into consideration.

③ *Long-term loans*

The fair value of long-term loans is calculated by taking the current value of sum of the principle and interest or, in cases subject to special handling with interest rate swaps, the total principle and interest with the interest rate swaps combined, discounted by the assumed interest rate for an equivalent level of new borrowing.

Derivatives transactions:

① Transactions not subject to hedge accounting

No applicable transactions.

② Transactions subject to hedge accounting

The contract value as of the end of the consolidated fiscal year or the amount equivalent to principle specified in the contract is listed as follows by the hedging method for derivatives transactions subject to hedge accounting:

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Contract value, etc.			Contract value, etc.		
Total Value	Portion over 1 yr.	Fair value	Total Value	Portion over 1 yr.	Fair value	
(General settlement method)						
Foreign-currency-denominated debts and receivables						
Foreign exchange forward contracts transactions ⁴	¥ 3,297	¥ -	¥ 3,251	\$ 35,443	\$ -	\$ 34,951
Bonds and loans						
Interest rate swaps, pay/fixed, receive/floating ⁵	4,827	4,552	(225)	51,883	48,932	(2,424)
Commodity						
Commodity swaps, pay/fixed, receive/floating ⁵	36,932	38	646	396,958	410	6,951
Commodity swaps, pay/floating, receive/fixed ⁵	8,619	-	(1,294)	92,642	-	(13,911)
(Special interest rate swaps)						
Bonds and loans						
Interest rate swaps, pay/fixed, receive/floating ⁵	301,550	276,500	(⁶)	3,241,079	2,971,840	(⁶)
Interest rate swaps, pay/floating, receive/fixed ⁵	80,000	55,000	(⁶)	859,845	591,143	(⁶)
(Allocation of foreign exchange forward contracts, etc.)						
Foreign-currency-denominated debt and receivables						
Foreign exchange forward contracts transactions ⁴	1,371	-	1,347	14,740	-	14,479
Total	¥436,598	¥336,090	¥ 3,725	\$4,692,592	\$3,612,326	\$ 40,047

⁴ The fair value is calculated according to the forward exchange rate.

⁵ The fair value is calculated according to the price, etc. specified by the transacting financial institution.

⁶ Transactions subject to special interest rate swaps are settled as a combined sum with the long-term loan or bonds being hedged so the fair value is included in the fair value of the long-term loan or bonds in question.

b. Financial instruments for which it is extremely difficult to determine the fair value

Amount booked on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Unlisted stock (excluding stock sold on the OTC market)	¥17,097	¥17,212	\$185,001
Unlisted foreign stock	2,361	11,565	124,307
Capital contribution	1,618	1,493	16,056
Foreign capital contribution	323	9,706	104,325
Other	1,099	1,027	11,039

These do not have a fair value and estimation of future cash flows from these would incur substantial cost. Therefore, as instruments for which it would be extremely difficult to determine the fair value, they are not included in footnote 1. Please note that the shares of non-consolidated subsidiaries and affiliates have been omitted because they are listed under “6. Long-term investments in non-consolidated subsidiaries and affiliated companies.”

c. Redemption schedule for receivables and marketable with maturities at March 31, 2010

	Millions of yen	Thousands of U.S. dollars
	2010	2010
	Due in one year or less	Due in one year or less
Cash and bank deposits	¥38,749	\$416,478
Notes and accounts receivable	47,003	505,194
Short-term investments	2,253	24,224
Marketable securities and investment securities		
Other marketable securities with maturities	-	-
Total	¥88,006	\$945,896

d. Bonds, long-term loans, and other interest-bearing debt scheduled for repayment after consolidated fiscal year-end

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Short-term loans	Commercial paper	Bonds	Long-term loans	Short-term loans	Commercial paper	Bonds	Long-term loans
Due in one year or less	¥13,327	¥24,998	¥ 88,000	¥ 54,304	\$143,245	\$268,689	\$ 945,829	\$ 583,672
Due after one year through two years	-	-	35,000	127,016	-	-	376,182	1,365,186
Due after two years through three years	-	-	20,000	142,365	-	-	214,961	1,530,155
Due after three years through four years	-	-	59,998	85,624	-	-	644,868	920,295
Due after four years through five years	-	-	80,000	67,702	-	-	859,845	727,670
Due after five years	-	-	494,884	158,215	-	-	5,319,051	1,700,513

Additional information:

The Accounting Standard for Financial Instruments (Corporate Accounting Standard No. 10, March 10, 2008) and the Guidance on Disclosures of Fair Value of Financial Instruments (Corporate Accounting Standards, Implementation Guidance No. 19, March 10, 2008) took effect from the current consolidated fiscal year.

18. 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. 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, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Retirement benefit obligation	¥(130,559)	¥(131,497)	\$(1,413,341)
Plan assets at fair value	71,524	75,980	816,644
Unfunded retirement benefit obligation	(59,035)	(55,516)	(596,697)
Unrecognized actuarial loss	7,412	(2,041)	(21,943)
Unrecognized prior service cost	(309)	(296)	(3,191)
Accrued employee retirement benefits	¥ (51,931)	¥ (57,855)	\$ (621,832)

Retirement benefit expenses for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Service cost	¥ 5,046	¥ 5,048	¥ 5,279	\$ 56,747
Interest cost	2,497	2,509	2,518	27,072
Expected return on pension assets	(2,606)	(271)	(248)	(2,669)
Amortization of prior service cost	598	221	(12)	(135)
Amortization of actuarial gain or loss	6,107	10,941	4,180	44,930
Additional severance payments, etc.	1,601	1,455	270	2,909
Total	¥13,245	¥19,904	¥11,988	\$128,854

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, 2008, 2009 and 2010 were as follows:

	2008	2009	2010
Method of allocation of estimated retirement benefits	Equally over the period	Equally over the period	Equally over the period
Discount rate	Mainly 2.0%	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 3.0%	Mainly 0.0%	Mainly 0.0%
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	Mainly amortized by the declining-balance method over a period of two years from the consolidated fiscal year following the fiscal year incurred
Amortization period of prior service cost	Mainly amortized by the straight-line method over a period of two years	Mainly amortized by the straight-line method over a period of two years	Mainly amortized by the straight-line method over a period of two years

19. 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, 2009 and 2010 were as follows:

	2009	Millions of yen 2010	Thousands of U.S. dollars 2010
Deferred tax assets:			
Excess of accrued employee retirement benefits	¥22,974	¥ 25,192	\$ 270,773
Tax effect on elimination of unrealized gain on fixed assets	14,529	14,645	157,410
Excess of amortization of deferred charges for tax purposes	7,526	6,917	74,350
Excess of depreciation of fixed assets	2,706	2,765	29,721
Amount assigned but not yet paid	2,648	2,332	25,069
Excess of reserve for fluctuation in water levels	412	264	2,843
Other	24,372	24,894	267,573
Subtotal of deferred tax assets	75,170	77,013	827,742
Valuation allowance	(7,621)	(11,450)	(123,067)
Total deferred tax assets	67,549	65,562	704,674
Deferred tax liabilities:			
Other	(4,935)	(6,260)	(67,289)
Total deferred tax liabilities	(4,935)	(6,260)	(67,289)
Net deferred tax assets	¥62,613	¥ 59,302	\$ 637,385

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, 2009 and 2010 is as follows:

	2009	2010
Statutory tax rates (adjusted)	36.00%	36.00%
Investment profit/loss based on the equity method	(8.27%)	(10.02%)
Valuation allowance	10.54%	6.04%
Others	1.63%	(0.78%)
Contribution rate of corporate tax after application of tax effect accounting	39.90%	31.24%

20. 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.

21. Segment information

Information about business segments of the Company and its consolidated subsidiaries for the years ended March 31, 2008, 2009 and 2010 was as follows:

(1) Business Segments

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

	Millions of yen					
	2010					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 530,289	¥ 24,095	¥ 30,099	¥ 584,484	¥ –	¥ 584,484
Intersegment sales	3,149	264,928	3,067	271,146	(271,146)	–
Total sales	533,439	289,023	33,167	855,630	(271,146)	584,484
Operating expenses	495,144	277,816	33,468	806,430	(270,885)	535,544
Operating income	38,294	11,207	(301)	49,200	(260)	48,939
Assets	1,839,486	169,518	158,604	2,167,608	(143,528)	2,024,080
Depreciation	119,241	2,838	1,398	123,478	(3,164)	120,313
Loss on impairment of fixed assets	49	15	320	384	–	384
Capital expenditures	¥ 106,737	¥ 2,507	¥ 6,071	¥ 115,317	¥ (3,084)	¥ 112,233

	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	\$ 5,699,589	\$ 258,977	\$ 323,510	\$ 6,282,077	\$ -	\$ 6,282,077
Intersegment sales	33,855	2,847,471	32,972	2,914,299	(2,914,299)	-
Total sales	5,733,445	3,106,448	356,483	9,196,377	(2,914,299)	6,282,077
Operating expenses	5,321,848	2,985,994	359,721	8,667,565	(2,911,494)	5,756,070
Operating income	411,596	120,454	(3,238)	528,812	(2,804)	526,007
Assets	19,770,919	1,821,997	1,704,686	23,297,603	(1,542,649)	21,754,953
Depreciation	1,281,616	30,504	15,030	1,327,151	(34,017)	1,293,134
Loss on impairment of fixed assets	528	162	3,440	4,131	-	4,131
Capital expenditures	\$ 1,147,226	\$ 26,955	\$ 65,260	\$ 1,239,442	\$ (33,152)	\$ 1,206,289

The main products within each segment were as follows:

Electric Power Business:	Wholesale electric power business, other electric power businesses
Electric Power-related Businesses:	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, procurement and production of biomass fuel, operation of welfare facilities, and computer services, etc.
Other Businesses:	Investing in overseas power generation, waste-fueled power generation, co-generation, environmental businesses, telecommunications businesses, engineering and consulting in the country and abroad, and sales of coal, etc .

As indicated in "4. Accounting policies," the Company in the past reported actuarial differences as expenses in the year of their occurrence. However, as of the current consolidated fiscal year actuarial differences are to be charged to expenses from the following consolidated fiscal year. This change results in an increase of ¥3,440 million (US\$36,980 thousand) in operating expenses and a decrease in operating income of the same amount for the electricity business segment in the current consolidated fiscal year. This change has no effect on other segments.

(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.

22. Related party transactions

A key affiliate for the current consolidated fiscal year is Gulf Power Generation Co., Ltd. The abbreviated financials for this company are shown below:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Total current assets	¥27,234	\$292,720
Total fixed assets	70,814	761,119
Total current liabilities	10,212	109,761
Total long-term liabilities	47,924	515,090
Total net assets	39,912	428,987
Revenues	62,117	667,639
Net income before taxes	11,788	126,705
Net income	11,788	126,705

23. Business combinations

There were no significant matters to be recorded for the years ended March 31, 2008, 2009 and 2010.

24. 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 previous consolidated fiscal year are as follows:

	Outstanding trade balance or balance of the consolidated fiscal year ended in March 2009	Items	Main profit & loss
			Amount
	Millions of yen		Millions of yen
Property acquired	¥30,082	Distribution of profits	¥ 103
		Distribution by dissolution of anonymous association	¥12,170

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.

25. Significant subsequent event

There was no significant subsequent event for the years ended March 31, 2010.

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, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years ended March 31, 2010, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2, The Electric Power Development Co., Ltd. previously accounted for actuarial differences of accrued employee retirement benefits in expenses from the fiscal year during which they arose, but as of the fiscal year the method of accounting for expenses has been changed to expensing in the fiscal year following the year during which they arose.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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.

Ernst & Young ShinNihon LLC

June 23, 2010

MAJOR GROUP COMPANIES

(As of March 31, 2010)

Company name	Capital (Millions of yen)	Equity stake (%)	Main businesses
Electric Power Business			
Bay Side Energy Co., Ltd.	2,400	100	Electric power supply
WINDTECH OGUNI CORPORATION	685	100	Construction and operation of wind power plants
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
Hamanasu Windpower Co., Ltd.	271	100	Construction and operation of wind power plants
J-WIND TOKIO Co., Ltd.	250	100	Construction and operation of wind power plants
J-Wind TAHARA Co., Ltd.	245	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
WINDTECH TAHARA CORPORATION	33	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
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
Electric Power-Related Businesses			
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 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 Co., Inc.	177	100	Engineering of equipment for removal of atmospheric and water pollutants
KEC Corporation	110	100	Construction and maintenance of electronic and communications facilities
JP Design Co., Ltd.	20	100	Design, supervision, research and consulting services for electric power facilities and other general facilities
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.	35 (millions of A\$)	100	Investments in coal mine development projects in Australia
J-POWER RESOURCES Co., Ltd.	450	100	Import, sales and transport of coal
Miyazaki Wood Pellet Co., Ltd.	300	98	Management and maintenance of wood pellet production facilities, procurement of forest waste, etc.
JP Business Service Corporation	450	100	Operation of welfare facilities; facility maintenance; business process outsourcing; development of computer software
Other Businesses			
J-Power Investment Netherlands B.V.	72 (millions of \$)	100	Management of overseas investments
J-Power Consulting (China) Co., Ltd.	6.0 (millions of yuan)	100	Management of overseas investments, research and development activities, etc.
J-Power North America Holdings Co., Ltd.	1 (\$)	100	Management of overseas investments
J-POWER Holdings (Thailand) Co., Ltd.	10,209 (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, research and development activities, etc.
J-POWER USA Investment Co., Ltd.	32 (\$)	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.	47	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 40 other companies.

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

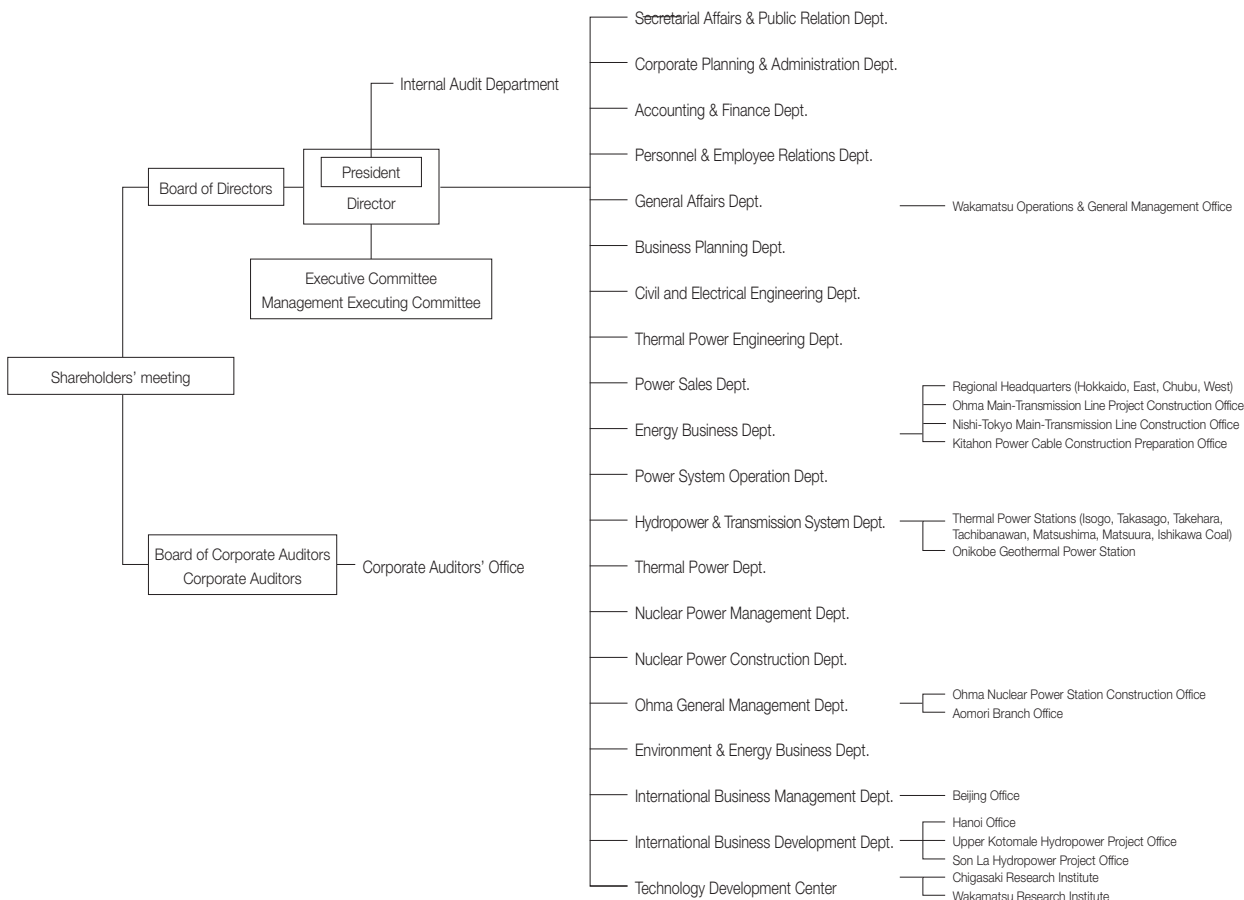
2. J-POWER has 84 consolidated subsidiaries, including the above major subsidiaries, as well as 69 equity-method affiliates.

CORPORATE INFORMATION

(As of March 31, 2010)

Corporate Name	Electric Power Development Co., Ltd.	Number of Shares Authorized	660,000,000
Communication Name	J-POWER	Number of Shares Outstanding	166,569,600
Date of Establishment	Sept. 16, 1952	Number of Shareholders	38,263
Headquarters Address	15-1, Ginza 6-chome, Chuo-ku, Tokyo 104-8165, Japan	Stock Exchange Listing	Tokyo
Paid-in Capital	¥152,449,600,000	Independent Public Accountants	Ernst & Young ShinNihon
		Transfer Agent	The Sumitomo Trust and Banking Co., Ltd.

Organization Chart



Main Subsidiaries

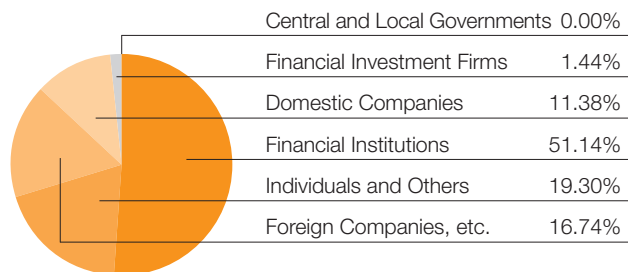
- J-POWER USA Development Co., Ltd.
- J-POWER Generation (Thailand) Co., Ltd.
- J-POWER Consulting (China) Co., Ltd.

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
Japan Trustee Services Bank, Ltd. (Trust Account)	8,456	5.08
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,276	4.97
Mizuho Corporate Bank, Ltd.	7,465	4.48
Sumitomo Mitsui Banking Corporation	4,295	2.58
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,140	2.49
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,470	2.08
J-POWER Employees Shareholding Association	3,276	1.97
Daido Life Insurance Company	3,103	1.86
National Mutual Insurance Federation of Agricultural Cooperatives	2,949	1.77

Note: In addition to above, J-POWER holds 16,516,109 shares.

Breakdown of Issued Shares by Type of Shareholders



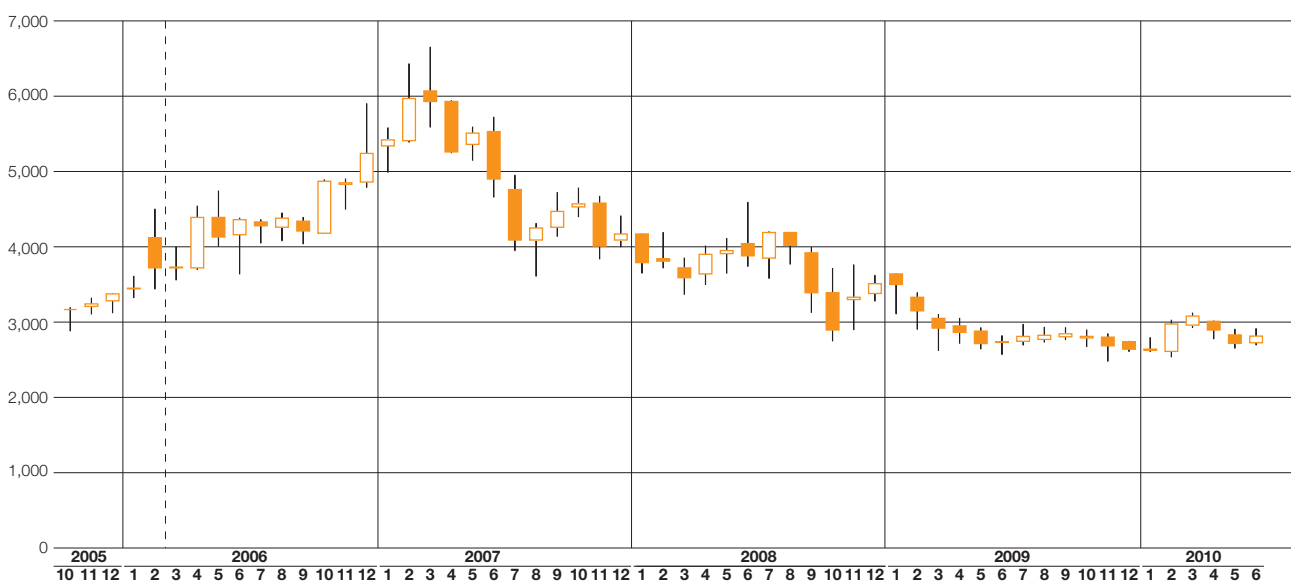
Note: Treasury stock of 16,516,109 shares is included in "Individuals and Others."

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.



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