

(Summary English translation)

## Financial Statements (Unaudited)

(for the Year Ended March 31, 2007)

May 11, 2007

Electric Power Development Co., Ltd. (J-POWER)

Address : 15-1, Ginza 6-chome, Chuo-ku, Tokyo

Listed Exchange : Tokyo Stock Exchange 1<sup>st</sup> Section

Code No. : 9 5 1 3

( U R L http://www.jpowers.co.jp/ )

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### 1. Consolidated Business Performance (From April 1, 2006 to March 31, 2007)

#### (1) Consolidated Results of Operations

(Rounded down to the nearest million yen)

	Operating Revenues	Operating Income	Ordinary Income	Net Income
	(million yen) (%)	(million yen) (%)	(million yen) (%)	(million yen) (%)
Year ended Mar.31, 2007	573,277 (Δ 7.8)	77,141 (Δ24.0)	55,513 (Δ18.2)	35,167 (Δ19.3)
Year ended Mar.31, 2006	621,933 ( 4.6)	101,469 (Δ 9.3)	67,906 ( 18.9)	43,577 ( 22.5)

	Net Income per Share	Fully Diluted Net Income per Share	Net Income/ Shareholder's Equity	Ordinary Income / Total Assets	Ordinary Income / Operating Revenues
	(yen)	(yen)	(%)	(%)	(%)
Year ended Mar.31, 2007	211.14	—	7.9	2.8	13.5
Year ended Mar.31, 2006	260.76	—	10.6	3.4	16.3

(Reference)

①Investment profit and loss in the equity method :

Year ended Mar.31, 2007 : 5,560 million yen Year ended Mar.31, 2006 : 2,042 million yen

②Figures in brackets are changes in percentage from the previous periods.

#### (2) Consolidated Financial Position

(Rounded down to the nearest million yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(million yen)	(million yen)	(%)	(yen)
Year ended Mar.31, 2007	1,999,794	462,654	23.1	2,768.95
Year ended Mar.31, 2006	1,964,667	433,028	22.0	2,598.90

(Reference)

Shareholder's equity : Year ended Mar.31, 2007 : 461,186 million yen Year ended Mar.31, 2006 : — million yen

#### (3) Consolidated Statements of Cash Flows

(Rounded down to the nearest million yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of period
	(million yen)	(million yen)	(million yen)	(million yen)
Year ended Mar.31, 2007	157,241	Δ155,407	Δ 2,168	34,575
Year ended Mar.31, 2006	173,954	Δ 72,326	Δ103,613	28,874

## 2. Dividends

	Annual cash Dividends per Share			Annual Dividends	Payout Ratio (Consolidated)	Dividends/ Net Assets (Consolidated)
	Interim	Year-end	Annual			
	(yen)	(yen)	(yen)	(million yen)	(%)	(%)
Year ended Mar.31, 2006	30.00	30.00	60.00	9,161	23.0	2.2
Year ended Mar.31, 2007	30.00	30.00	60.00	9,993	28.4	2.2
Year ending Mar.31, 2008 (forecast)	30.00	30.00	60.00		27.0	

## 3. Forecasts Consolidated Results for the Year Ending March 31, 2008 (From April 1, 2007 to March 31, 2008)

	Operating Revenues	Operating Income	Ordinary Income	Net Income	Net Income per Share
	(million yen) (%)	(million yen) (%)	(million yen) (%)	(million yen) (%)	(yen)
Six months ending Sep.30,2007	283,000 ( 2.2)	41,000 (Δ 7.0)	38,000 ( 2.0)	25,000 ( 5.8)	150.08
Year ending Mar.31, 2008	568,000 (Δ 0.9)	71,000 (Δ 8.0)	55,000 (Δ 0.9)	37,000 ( 5.2)	222.12

### Forward-Looking Statements

The earnings forecasts above are based on various estimates and assumptions. Accordingly, there can be no assurance or guarantee that the future estimated figures mentioned here will actually be achieved.

## 4. Other

- (1) Principal subsidiaries subject to changes during fiscal 2006 (changes of specific subsidiaries coming along with changes in the scope of consolidation) : None
- (2) Changes in accounting policies, procedures, and labeling method etc. regarding preparation of consolidated financial statements
- ① Changes due to revisions of accounting policies etc. : Yes
- ② Changes except ① : None
- (3) Number of shares outstanding
- ① Number of shares outstanding :
- Year ended Mar.31, 2007 : 166,569,600 shares      Year ended Mar.31, 2006 : 166,569,600 shares
- ② Number of treasury stock :
- Year ended Mar.31, 2007 : 13,506 shares      Year ended Mar.31, 2006 : 4,908 shares

### 【Reference】

#### 1. Non-Consolidated Business Performance (From April 1, 2006 to March 31, 2007)

##### (1) Non-Consolidated Results of Operations (Rounded down to the nearest million yen)

	Operating Revenues	Operating Income	Ordinary Income	Net Income
	(million yen) (%)	(million yen) (%)	(million yen) (%)	(million yen) (%)
Year ended Mar.31, 2007	517,273 (Δ 8.6)	60,840 (Δ29.2)	37,540 (Δ26.7)	23,897 (Δ28.4)
Year ended Mar.31, 2006	566,016 ( 3.5)	85,974 (Δ12.9)	51,234 ( 8.1)	33,382 ( 6.8)

	Net Income per Share	Fully Diluted Net Income per Share
	(yen)	(yen)
Year ended Mar.31, 2007	143.48	—
Year ended Mar.31, 2006	200.08	—

## (2) Non-Consolidated Financial Position

(Rounded down to the nearest million yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(million yen)	(million yen)	(%)	(yen)
Year ended Mar.31, 2007	1,893,678	411,789	21.7	2,472.38
Year ended Mar.31, 2006	1,888,333	398,717	21.1	2,393.44

(Reference)

Shareholder's equity : Year ended Mar.31, 2007 : 411,789 million yen      Year ended Mar.31, 2006 : — million yen

## 3. Forecasts Non-Consolidated Results for the Year Ending March 31, 2008 (From April 1, 2007 to March 31, 2008)

	Operating Revenues	Operating Income	Ordinary Income	Net Income	Net Income per Share
	(million yen) (%)	(million yen) (%)	(million yen) (%)	(million yen) (%)	(yen)
Six months ending Sep.30,2007	259,000 ( 2.1)	41,000 ( 9.9)	34,000 ( 11.2)	23,000 ( 14.4)	138.08
Year ending Mar.31, 2008	509,000 (△ 1.6)	62,000 ( 1.9)	40,000 ( 6.6)	26,000 ( 8.8)	156.09

## Forward-Looking Statements

The earnings forecasts above are based on various estimates and assumptions. Accordingly, there can be no assurance or guarantee that the future estimated figures mentioned here will actually be achieved.

# 1. Operating Results

## (1) Analysis of Operating Results

### ① Electric Power Sales Volume

The demand for electric power in Japan during the current consolidated fiscal year showed a drop in demand for heating due to the effects of a record-breaking warm winter, but reflecting an overall recovery in the economy, large-load power for industrial demand and others led to results higher than the previous period, while demand for electricity overall slightly exceeded that of the previous period.

Electricity sales volume for our wholesale power business in the current consolidated fiscal year saw an increase of 23.9% to 10.6 billion kWh on the hydroelectric power, boosted by a plentiful water supply in the current consolidated fiscal year (water flow rates grew from 90% to 112%) compared to the drought of the previous year, while thermal electric production was down 11.1% from the previous consolidated fiscal year, to 48.0 billion kWh, affected by a reduction in capacity utilization due to scheduled testing. As a result, overall electric power sales volume for the current consolidated fiscal year, combining hydroelectric and thermal power, saw a 6.3% drop from the previous consolidated fiscal period, to 58.6 billion kWh.

While additional capacity was provided due to full year operations at Green Power Setana Co., Ltd., and the start of operations at Green Power Koriyama Nunobiki Co., Ltd. (February, 2007), the volume of electric power sales at our other electric power businesses was down 2.6% from the previous consolidated fiscal year, to 1.7 billion kWh, partly due to a drop in capacity utilization in our IPP and PPS operations, and production in the electric business overall fell 6.2% from the previous consolidated fiscal year, to 60.3 billion kWh.

### ② Overview of Income and Expenditures

While sales (operating revenues) in the current consolidated fiscal year down 7.8% from the previous consolidated fiscal year, to 573.3 billion yen, due to revised rates effective from October 2005 for hydropower and transmission contracts in our wholesale business as well as a lower operating levels at thermal power plants due to periodic inspections, non-operating revenue increased 70.8% to 13.0 billion yen over the previous consolidated fiscal year, boosted by a large increase in equity method profits from overseas operations, but ordinary revenues were still down 6.9% over the previous consolidated fiscal year, to 586.3 billion yen.

On the other hand, operating expenses were also lower, due in part to lower fuel costs due to a reduction in capacity utilization at thermal power plants and lower depreciation expenses, dropping 4.7% over the previous consolidated fiscal year to 496.1 billion yen. Non-operating expenses, meanwhile, fell 15.9% compared to the previous consolidated fiscal year to 34.7 billion yen, in part because of lower interest payments, for total operating expenses that were 5.5% lower than the previous consolidated fiscal year, at 530.8 billion yen.

As a result, ordinary income was down 18.2% from the previous consolidated fiscal year, to 55.5 billion yen, and after provision for a drought reserve resulting from high water flows, current period net income fell 19.3% in comparison to the previous consolidated fiscal year, to 35.2 billion yen.

Our overview of income and expenditures by business segment for the current consolidated fiscal year (before the elimination of internal transactions between segments) is summarized below.

#### (Electric Power Business)

Due to a reduction in capacity utilization resulting from periodic inspections at thermal power plants in our wholesale power business, sale was down 8.3% from the previous consolidated fiscal year, to 527.0 billion yen. While we saw a reduction in depreciation costs, and a lowering of fuel costs due to lower operating levels at our thermal power plants, the drop in sales, the

increase in repair expenses incurred for the periodic inspections at thermal power plants, and an increase in personnel expense related to pension benefit liabilities, brought operating income down 29.4% over the previous consolidated fiscal year, to 61.4 billion yen.

(Electric Power Related Businesses)

With the addition of revenues from subsidiaries newly consolidated in the current fiscal year, operating revenues increased 4.1% from the previous consolidated fiscal year to 250.1 billion yen. Cost reductions at consolidated subsidiaries also helped deliver an increase of 16.3% in operating income over the previous consolidated fiscal year, to 15.6 billion yen.

(Other Businesses)

With the addition of revenues from subsidiaries newly consolidated in the current fiscal year, operating revenues increased 68.9% from the previous consolidated fiscal year to 28.5 billion yen. Operating income, boosted by the increase in revenues, was 0.8 billion yen above the previous consolidated fiscal year, at 1.2 billion yen.

③ Outlook for the March, 2008 Period

For electric power sales volume, hydroelectric power sales are expected to decrease 9.2% over the March, 2007 period, to 9.7 billion kWh, while thermal electric power sales are forecast to increase 0.4% over the same period, to 48.2 billion kWh.

For sales on a consolidated basis, the company forecasts 0.9% decline from the March, 2007 period, to 568.0 billion yen, while sales for J-Power alone is seen falling 1.6% over the March, 2007 period, to 509.0 billion yen. At the same time, the outlook for ordinary income on a consolidated basis is expected to drop 0.9% from the March, 2007 period to 55.0 billion yen, while for J-Power alone they are forecast to increase 6.6%, to 40.0 billion yen, over the March, 2007 period.

**(2) Analysis of Financial Standing**

① Condition of Assets, Liabilities, and Net Assets

While fixed assets declined in value as a result of depreciation, capital investment for construction at the Isogo New No. 2 Thermal Power Plant and the Ohma Nuclear Power Plant brought an increase in assets from the end of the previous consolidated fiscal year of 33.9 billion yen, bringing them to a total of 1.8618 trillion yen. With the addition of current assets to this, total assets increased 35.1 billion yen over the end of the previous consolidated fiscal year, to 1.9998 trillion yen.

Liabilities, on the other hand, rose 6.7 billion yen over the end of the previous consolidated fiscal year due in part to an issuance of corporate bonds, bringing total liabilities for the end of the current consolidated fiscal year to 1.5371 trillion yen. Of this amount, interest-bearing debt rose 13.3 billion yen from the end of the previous consolidated fiscal year, to 1.4215 trillion yen.

Further, total net assets at the end of the current consolidated fiscal year increased by 28.4 billion yen(\*) over the end of the previous consolidated fiscal year, to 462.7 billion yen.

\* Note: Due to a change in the way net assets are presented on the balance sheet, the increase in total net assets is now compared against the combined value of shareholder's equity and minority interests at the end of the previous consolidated fiscal year.

② Status of Consolidated Cash Flows

The balance of cash and cash equivalents at the end of the current consolidated fiscal year included 157.2 billion yen in cash receipts from operating activities, with acquisition of fixed assets and other investment activities totaling 155.4 billion yen, financial activities representing an outflow of 2.2 billion yen, a year-end balance from the previous consolidated fiscal year of 28.9 billion yen and, an increase of 5.7 billion yen due to a change in the scope of consolidation, for a balance at the end of the current consolidated fiscal year of 34.6 billion yen.

(Cash flow from operating activities)

Net cash from operating activities was 157.2 billion yen, down 16.7 billion yen from the previous consolidated fiscal year, reflecting a downturn in accounts and other factors, and a reduction of internal reserves including depreciation expenses.

(Cash flow from investing activities)

Net cash for investment activities totaled 155.4 billion yen, up 83.1 billion yen from the previous consolidated fiscal year due to increased construction related expenditures at the Ohma Nuclear Power Plant, and the acquisition of a stake in the Tenaska Frontier Power Plant in the United States.

(Cash flow from financing activities)

While reflecting a reduction in borrowing, net cash used in financing activities was down 101.4 billion yen over the previous consolidated fiscal year, to 2.2 billion yen, due to a reduction in the redemption of corporate bonds.

③ Trends in Cash Flow Indicators

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal2006	Fiscal2007
Equity ratio	7.7%	17.3%	19.4%	22.0%	23.1%
Market value-based equity ratio	—	—	22.7%	31.6%	49.4%
Debt repayment period	11.3 years	8.9 years	8.7 years	8.1 years	9.0 years
Interest coverage ratio	1.9	2.1	3.3	4.8	7.2

Notes: Equity ratio: Net assets / Total assets

Equity ratio at market value: Total shares at market value / Total assets

Debt repayment period: Interest-bearing liabilities / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

\* Each indicator is calculated using financial figures on a consolidated basis.

\* Interest-bearing liabilities include corporate bonds and long-term loans (both include those maturing within one year), as well as short-term loans and commercial paper. In addition, the calculation of interest payments is based on the amount of interest paid in accordance with the consolidated statement of cash flow.

\* The market value-based equity ratio prior to the fiscal year ended March 31, 2004 has been omitted, due to the listing of the company's shares on the Tokyo Stock Exchange on October 6, 2004.

**(3) Basic Policy Regarding Distribution of Profits; Current and Following Period Dividends**

Our business is based on our underlying ability to manage the long term development of power plants and other facilities. It is most characterized by investments in plants and other infrastructure, and in recovering that investment through the long-term operation of those facilities. We recognize the need to continue to strengthen our financial condition, while continuing to apply our internal reserves to appropriate business investments that target new growth, and we will continue our efforts to enhance shareholder equity.

Regarding returns to you, our shareholders, we will continue to place the highest priority on a stable dividend within the unique characteristics of our business, and through our long-term efforts, build sustainable growth in corporate value, using the fruits of that growth to further enhance returns.

For the current consolidated fiscal year, we expect to pay a period-end dividend of 30 yen per share, which, with the interim dividend, will bring the dividend for the year to 60 yen per share.

For the fiscal 2007 year, we expect to bring the dividend for the year to 60 yen per share (including the interim dividend, 30 yen per share).

#### **(4)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 and 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 at the time of this report's publication on May 11, 2007.

##### ①Impact of Electric Power Deregulation on J-POWER's Prices and Business

J-POWER derives most of its operating revenues from wholesale power supply to Japan's 10 EPCOs. Amid deregulation in the retail power sector, the EPCOs have been reducing their retail electricity rates. However, because our fees 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 fees, and if further deregulation results in a significant reduction in our fees, it 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 fee levels. If the fees set in agreements between J-POWER and EPCOs are higher than price indicators, this could potentially have a material adverse effect on the results of our operations.

##### ②Delay or Discontinue of Our Current Power Plant Construction

Lower 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. We have also postponed the start of commercial operations or cancelled 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 major changes in the operating environment or unforeseen circumstances could potentially have a material adverse effect on our results of operations.

##### ③Global 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. We have taken several initiatives to tackle combat global warming both in Japan and overseas, but if the Japanese government establishes new regulations to achieve the greenhouse gas emission reduction targets in the Kyoto Protocol, which sets reduction targets for advanced countries and came into force in February 2005, this could potentially have a material adverse effect on our results of operations.

##### ④New Electric Power Businesses and New Areas of Business

J-POWER is pursuing new initiatives both in Japan and overseas with the aim of creating new profit sources in new electric power businesses and new areas of business. However, these businesses may not generate the level of profits that we anticipate. Moreover, changes in our business plans or the suspension of operations could result in related expenses that could potentially have a material adverse effect on our results of operations. Overseas businesses also entail foreign exchange risk as well as country risk based on political instability and other factors.

##### ⑤Raising Capital Funds

J-POWER expects it will need to raise a large amount of funds to build the Isogo New No. 2 thermal power plant and the Ohma nuclear power plant, which are scheduled to commence

operations during the next ten years. If we are unable to raise the required funds on acceptable terms and in a timely manner due to the condition of financial markets, the company's credit situation, or other factors at that time, then this could potentially have a material adverse effect on our business development and profitability.

⑥ Ohma Nuclear Power Plant Construction Project

J-POWER is currently undergoing government safety inspections preparatory to the start of construction of the Ohma Nuclear Power Plant (in Aomori Prefecture; scheduled to commence commercial operation in March 2012 with a capacity of 1,383,000 kW). Although it is the intention of J-POWER to carry 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 the confidence of society 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.

⑦ 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. Coal prices are reflected in our electricity fees for EPCOs on a cost basis. These fees 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.

⑧ Natural Disasters and Accidents

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

⑨ Regulatory Requirements

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

⑩ Concentrated 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.



## 2. Corporate Group

The J-POWER Group is comprised of J-POWER (Electric Power Development Co., Ltd.), 59 subsidiaries, and 48 affiliated companies (as of March 31, 2007). Its business comprises of “Electric Power Business” as the main business. “Electric power-related businesses” which complement and contribute to the smooth and efficient implementation of the electric power business and “Other Businesses” which utilize the management resources and expertise of the J-POWER Group.

Starting with the current accounting period, as part of our efforts to enhance the disclosure of information, we have reorganized the electric power business and other businesses, the two existing segments, into the three segments of electric power business, Electric power-related businesses, and Other Businesses.

There were no significant changes in businesses operated by the J-POWER Group during current accounting period. (ended March 31, 2007).

The following three business segments are consistent with the business segment classifications in the section titled Segment Information.

### **Electric Power**

J-POWER is engaged in a wholesale power business involving the supply of electricity to Japan’s ten EPCOs, the regional general electric utilities that supply electricity to general retail customers, from the hydroelectric, thermal and other types of power plants owned by the company. In addition, we are engaged in power consignment, which involves providing transmission and transformation facilities that J-POWER owns to nine EPCOs, the exception being Okinawa Electric Power Co., Inc. The main features of each type of facility are as follows.

**Hydroelectric generation:** Following the Company’s establishment, we developed large-scale hydroelectric power plants. We own hydroelectric power generation facilities with a total generation capacity of 8,556MW. These facilities are capable of handling changes in power demand rapidly. Consequently, they are used primarily during the daytime when there is an increase in power demand.

**Thermal generation:** We specialize in coal-fired thermal power, and own the largest coal-fired thermal power facilities in Japan, with a total generation capacity of 7,824MW. Due to the low cost per calorie of foreign coal relative to other fossil fuels and to its being used as the resource that supports the primary portion of power demand, we can say that facility usage efficiency is high and that it this is a highly economical source of electricity.

**Transmission:** We own trunk transmission lines (with a total length of 2,408 kilometers) that link the supply regions of the 9 EPCOs. These include lines between Hokkaido and Honshu, Honshu and Shikoku, and Honshu and Kyushu. We also own frequency converter station that links areas with differing frequencies Eastern and Western Japan.

In addition, J-POWER’s subsidiaries and affiliated companies are engaged in wind power generation, the wholesale supply of electric power to EPCOs by independent power producers, or IPPs, and the wholesale supply of electric power to companies that supply electricity to power producers and suppliers, or PSSs.

Principal subsidiaries:

Bay Side Energy Co., Ltd., Green Power Kuzumaki Co., Ltd., Green Power Setana Co., Ltd., Green Power Koriyama Nunobiki Co., Ltd., Dream-Up Tomamae Co., Ltd., Green Power Aso Co., Ltd., ITOIGAWA POWER Inc., Nagasaki-Shikamachi Wind Power Co., Ltd., Nikaho-kogen Wind Power Co., Ltd., J-Wind TAHARA Ltd., and Ichihara Power Co., Ltd.,

### **Electric power-related businesses**

We are engaged in businesses that complement the electric power business and contribute to its smooth and efficient implementation.

Design, construction, and maintenance of facilities

Design, construction, inspection and maintenance, and repair of electric power facilities such as power plants, as well as port operation relating to fuel and coal ash

Fuel for power generation and materials supply

Coal mine development, coal importation and transportation

Services

Management of welfare facilities, computing services, etc.

Principal subsidiaries:

JPec Co., Ltd., JPHYTEC Co., Ltd., Kaihatsu Denshi Gijutsu Co., Ltd., EPDC CoalTech and Marine Co., Ltd., Kaihatsu Sekkei Consultant Co., Ltd., J-POWER RESOURCES Co., Ltd., J-POWER AUSTRALIA PTY. LTD., JP Business Service Corporation, and J-POWER EnTech Co.,Inc.

### **Other Businesses**

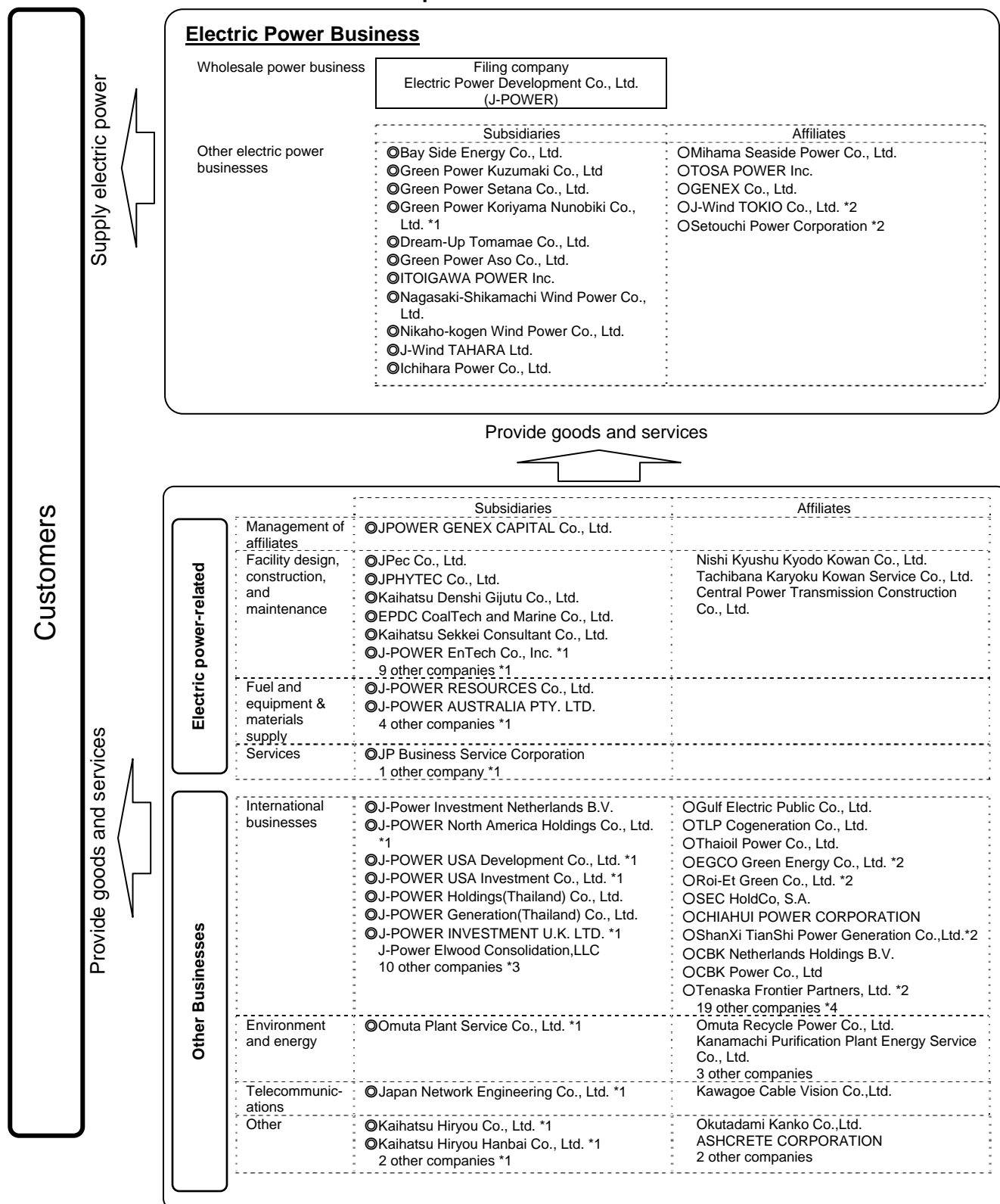
Utilizing the group's management resources and expertise, J-POWER Group is engaged in the business of investing in overseas power generation, new power businesses in Japan such as waste-fueled power generation and co-generation, environmental businesses, telecommunications businesses, and domestic and overseas engineering and consulting.

Principal subsidiaries:

Japan Network Engineering Co., Ltd., J-Power Investment Netherlands B.V., J-POWER North America Holdings Co., Ltd., and J-POWER USA Investment Co., Ltd.

The following diagram illustrates the business structure of the J-POWER Group.

## Business Structure of J-POWER Group



◎ Consolidated subsidiary ○ Equity method affiliate No indicator: Non-equity method affiliate

Note: Companies that operate businesses in several business segments are listed in their main business segment.

\*1 The company has been included in the scope of consolidation from the current accounting period. Consequently, from the current accounting period, all subsidiaries are included in the scope of consolidation.

\*2 The equity-method has been applied to the company from of the current accounting period.

\*3 Included in the 10 other companies are 7 consolidated subsidiaries.

\*4 19 other international business affiliates will be 16 equity method affiliates. (This includes one equity method affiliate starting with the current accounting period).

Changes in related companies for the current consolidated fiscal year are as follows.

(Electric power Business)

Green Power Koriyama Nunobiki Co., Ltd., a non-consolidated subsidiary in the previous consolidated fiscal year, was included as a consolidated subsidiary beginning with the current consolidated fiscal year. Further, in recognition of their strategic importance in the mid to long-term, J-Wind Tokyo Co., Ltd., previously a non-equity method affiliated company, and Setouchi Power Corporation, formed in August, 2006, have been added to our affiliated companies under the equity method.

(Electric Power- related Businesses)

J-POWER EnTech Co., Inc., a non-consolidated subsidiary in the previous consolidated fiscal year, was included as a consolidated subsidiary, along with 14 other companies. Note that, due to a change in our equity stake as of March 19, 2007, Vestech Service Corporation has not been considered as an affiliate effective the current consolidated fiscal year.

(Other Businesses)

Total of 20 companies were added as consolidated subsidiaries, including: J-POWER North America Holdings Co., Ltd., which was a non-consolidated subsidiary in the previous consolidated fiscal year, and 8 other companies; J-POWER USA Investment Co., Ltd., which was formed through our acquisition of a stake in the Tenaska Frontier power plant in the U.S. in May, 2006, and 7 other companies; Kaihatsu Hiryou Hanbai Co.,Ltd., which was made a subsidiary through an acquisition in September, 2006, and J-Power Holdings(Thailand) Co., Ltd., which was formed in September, 2006, and 1 other company.

Note that with the transfer of our shares on March 30, 2007, Epure Co., Ltd. has been excluded from the scope of consolidation effective the current consolidated fiscal year.

Also, while J-Power Elwood Consolidation, LLC, formed in January, 2007, and 3 other companies are subsidiaries of the company as of March 31, 2007, they will be included as consolidated subsidiaries effective with the first quarter of the next fiscal year, in March of 2008 since the fiscal closing dates for these four companies differ from the consolidated closing date.

Further, in recognition of their strategic importance over the mid to long-term, 5 other companies have been included as affiliates under the equity method, including ShanXi TianShi Power Generation Co., Ltd., EGCO Green Energy Co., Ltd., Roi-Et Green Co., Ltd., Tenaska Frontier Partners, Ltd., and 1 other company.

Regarding Elwood Energy LLC and one other company, as well as Zajaczkowo Windfarm Sp.zo.o., all three companies are listed as our affiliates as of March 31, 2007, they will be included as affiliates under the equity method effective with the first quarter of the next fiscal year, in March of 2008 since their fiscal closing dates differ from the consolidated closing date.

Finally, with the completion of its liquidation on November 8, 2006, Trang Biomass Co., Ltd. has been excluded effective the current consolidated fiscal year.

### 3. Management Policies

#### (1) Basic Management Policies

Underlying our efforts is our corporate philosophy “to aim to ensure constant supplies of energy to contribute to the sustainable development of Japan and the rest of the world. “

As the business environment becomes increasingly challenging in the wake of structural reform in the electric power industry, J-POWER is pursuing stable growth in our domestic electric power business and striving for steady development in our overseas power generation business as well as new businesses to make J-POWER a company whose steady growth is attractive to its stakeholders.

J-POWER is committed to ethical and transparent management, to increasing our corporate value, and to meeting the expectations of our diverse stakeholders by pursuing the goals stated above.

#### (2) Business Environment and Current Challenges

##### ① Non-Compliance Issues

Since November 2006, the company has received various orders and requests for investigation into the possible existence of defects in required procedures, manipulation of generating plant data and other issues from both central and local governments, in response to which we established an Inspection and Investigations Management Task Force under the auspices of our Company-Wide Compliance Committee. At the same time, we established sub-groups in each of our hydropower and thermal power divisions, and conducted inspections and further investigation under the advice and appraisal of outside experts. As a result, we found that there were indeed cases of mishandling in our hydropower and thermal power divisions, including manipulation of data and defects in required procedures, and we were served by the relevant government agencies with severe warnings and orders to revise our safety regulations.

Further, we received official guidance from Japan Coast Guard regarding three specific incidents representing infringement of environmental laws concerning marine pollution and other areas (incidents took place at: Ohma Nuclear Power Project Construction Preparation Office, the Isogo Thermal Power Station, and Takehara Thermal Power Station).

We would like to offer our deepest apologies, once again, for causing such enormous trouble with these non-compliance issues, which damaged the trust between us and not only our shareholders, but the public at large as well. We take the situation very seriously, and upon the most sincere reflection, implemented cuts in directors' compensation and other steps in terms of management responsibility. With these steps in place, we would like to work to regain the public trust, and assure prevention of any recurrence of such incidents, by strengthening compliance, establishing and effectively managing internal control systems, and implementing changes to our corporate culture and the attitude of our employees,

##### ② Environment in which the J-Power Group Operates

Regarding the environment surrounding our business today, while conditions for competition in a free market continue to move forward, growth in the domestic market for electric power is lower, and as the world prepares to address global environmental issues with the start of the first commitment period of the Kyoto Protocol in 2008, signs of major changes ahead are apparent.

Given these circumstances, we have established our "2007. J-Power Group Management Plan," based on the efforts outlined in sections “a” through “e”, below, and as a group plan to work toward maximization of consolidated corporate value.

##### a) Steady growth in power generation facilities

J-Power currently holds domestic power generation capacity of about 17 million kW and transmission facilities, and strives to provide a stable supply of electric power. In addition, we are

preparing new facilities, in the form of the Isogo New No. 2 thermal power plant (located in Kanagawa Prefecture, and scheduled to start commercial operation in July, 2009, with a capacity of 600,000 kW), for which construction will began in 2005, and the Ohma nuclear power plant (located in Aomori Prefecture, and scheduled to start commercial operation in March, 2012, with a capacity of 1,383,000 kW), for which we are currently undergoing government safety inspections prior to start of construction in 2007. For these large-scale capital projects, construction will proceed with a primary emphasis on safety, while we strive to adhere closely to construction schedules and restrain construction costs.

b) New Project Development with Technology Innovation

As the owner of many coal-fired power generation plants, J-Power is increasingly under pressure to take real measures to address the issue of global warming, and the question of how to continue to utilize coal resources is a significant issue in terms of the harmonization of energy and the environment.

Regarding the development of coal gasification power generation technology for the reduction of CO<sub>2</sub>, we have completed pilot testing in 2006, and will begin zero emissions testing in 2007 to assume CO<sub>2</sub> recovery a main purpose. We will also undertake a large-scale proof of project in collaboration with Chugoku Electric Power Company. Further, in the future, we expect to begin adapting to other technologies, including the growing use of synthetic fuels, and hybrid power technology that combines fuel cells with integrated coal gasification fuel cells (IGFC). These efforts will be tied to the realization of our other projects to replace existing thermal power sources.

c) Enhancing the Value of Business assets

Regarding our wholesale power enterprise, which is the largest pillar of J-Power's business, we believe that raising the efficiency of our assets in existing plants is at the foundation of our efforts to raise overall corporate value, and we are working to invest in renewing aging facilities as we improve their efficiency and lower costs.

Among these, we aim to improve value in our power generation facilities by investing in plant improvements, including management of maintenance operations and one-time renewal of primary equipment. For power transmission facilities, recognizing the importance of this infrastructure to the overall power business, we are working to ensure fairness and transparency, while appropriately operating and maintaining that infrastructure.

By these efforts, we hope to improve management efficiency and build growth by raising the economic efficiency and reliability of our facilities, as well as their environmental capabilities, greatly strengthening our sales, which are focused on wholesale delivery to power companies, and building the competitiveness of our existing power sources for the long term.

d) Global Business expansion

In the overseas power generation business, using the technology, human resources, and networks we have built in each country through our overseas technical assistance, we are participating in 17 IPPs in 7 countries, focused in Asia, where high growth in demand for electrical power is expected, of which 16 (totaling about 5,750,000 kW) are already in operation.

Moving forward, while managing risk appropriately, we will continue strengthening sales and management infrastructure, combining use of our engineering business in dry desulphurization and other environmental technology and the coal sales business to create new revenue growth that can serve as a second core business of our enterprise.

e) Power generation as the core of a diversified business

While power generation is the core competence of the J-Power Group, we are also working to diversity our business. On the environmental side, we are developing renewable energy sources, including wind power (12 power generation facilities in operation domestically and abroad, with one facility under construction, for a total of 320,000 kW) and power generation from waste, and

overseas, we are working on development projects that will help realize the flexible measures (JI, CDM\*, etc.) incorporated in the Kyoto Protocols.

Further, in response to the deregulation of the electric power market, we are working on efforts to supply wholesale electricity to EPCOs through IPPs (Independent Power Producers) (3 projects/520,000 kW), and supplying wholesale electricity to PPSs (Power Producers and Suppliers) (3 projects/320,000 kW), in addition to conducting transactions on the Japan Electric Power Exchange, which began operations in 2005.

Going forward, using our capability to procure and transport coal, we plan to further expand our current coal sales business, and we will continue our efforts in non-power generation areas, including the PFI scheme-based water supply business and dry desulphurization engineering.

\* The Joint Implementation is a mechanism that allows advanced countries to jointly implement projects to reduce emissions, or remove carbon from the atmosphere and for the investing countries to earn credits from the emission reductions to help achieve their numerical targets.

\* The Clean Development Mechanism allows advanced and developing countries to jointly implement projects to reduce greenhouse gases in the developing country and for the advanced country to earn credits for a portion of the reductions achieved.

### ③ Management Targets

As presented in sections “a” through “e”, above, we aim to achieve our management targets by using thoroughgoing management efficiencies to enhance our earning power, and focusing business expansion on areas of growth.

We do not consider 23% to be a final goal for consolidated equity ratio, and will continue to work for even further improvements.

- Consolidated Operating Profits:  
Greater than 55 billion yen (three-year average between FY 2005-2007)
- Consolidated equity Ratio:  
Greater than 23% (As of the end of FY 2007)

### (3) Matters Related to the Parent Company

J-POWER does not have a parent company.

## CONSOLIDATED BALANCE SHEET

(Unit: millions of yen)

	As of Mar. 31, 2007	As of Mar. 31, 2006	Increase / decrease
<b>(Assets)</b>			
<b>Property, Plant and Equipment</b>	1,861,818	1,827,868	33,949
<b>Power plants</b>	1,351,994	1,438,443	△ 86,449
Hydroelectric power production facilities	469,750	481,068	△ 11,317
Thermal power production facilities	555,959	613,349	△ 57,389
Internal combustion power generation facilities	15,471	16,931	△ 1,459
Transmission facilities	242,675	257,253	△ 14,577
Transformation facilities	36,581	38,605	△ 2,023
Communication facilities	9,626	9,170	455
General facilities	21,928	22,065	△ 136
<b>Other property, plant &amp; equipment</b>	33,682	28,336	5,345
<b>Construction in progress</b>	248,710	199,524	49,186
<b>Investments and other assets</b>	227,430	161,564	65,866
Long-term investments	180,325	114,600	65,725
Deferred tax assets	43,094	42,944	149
Other investments	4,223	4,018	204
Allowance for doubtful accounts	△ 213	△ 0	△ 213
<b>Current assets</b>	137,976	136,798	1,177
Cash and bank deposits	35,029	28,961	6,067
Notes and accounts receivable	47,204	56,484	△ 9,279
Short-term investments	376	1,556	△ 1,179
Inventories	20,783	18,160	2,623
Deferred tax assets	5,421	5,635	△ 213
Other current assets	29,214	25,999	3,214
Allowance for doubtful accounts	△ 53	—	△ 53
<b>Total Assets</b>	1,999,794	1,964,667	35,127

(Note) Figures less than one million yen have been rounded off.



(Unit: millions of yen)

	As of Mar. 31, 2007	As of Mar. 31, 2006	Increase / decrease
(Liabilities and Net Assets)			
Long-term liabilities	1,193,139	1,215,033	△ 21,893
Bond	573,229	521,684	51,545
Long-term loans	576,615	644,340	△ 67,724
Accrued employee retirement benefits	32,611	36,233	△ 3,621
Other allowances	474	417	56
Deferred tax liabilities	1,260	602	657
Other long-term liabilities	8,948	11,756	△ 2,807
Current liabilities	341,844	313,999	27,844
Current portion of long-term debt and other	173,638	106,772	66,866
Short-term loans	2,115	24,436	△ 22,320
Commercial paper	95,944	111,000	△ 15,055
Notes and accounts payable	13,248	9,936	3,311
Income and other taxes payable	8,752	20,867	△ 12,114
Other allowances	528	273	254
Other current liabilities	47,616	40,713	6,903
Reserves under special laws	2,155	1,399	756
Reserve for fluctuation in water levels	2,155	1,399	756
<b>Total liabilities</b>	<b>1,537,140</b>	<b>1,530,432</b>	<b>6,707</b>
(Net Assets)			
Shareholders' equity	444,956	—	444,956
Common stock	152,449	—	152,449
Capital surplus	81,849	—	81,849
Retained earnings	210,713	—	210,713
Treasury stock	△ 56	—	△ 56
Valuation and translation adjustments	16,230	—	16,230
Unrealized gain on other securities	14,271	—	14,271
Deferred hedging gain or loss	△ 4,131	—	△ 4,131
Foreign currency translation adjustments	6,090	—	6,090
Minority interests	1,468	—	1,468
<b>Total net assets</b>	<b>462,654</b>	<b>—</b>	<b>462,654</b>
(Minority interests)			
Minority interests	—	1,206	△ 1,206
(Shareholders' equity)			
Common stock	—	152,449	△ 152,449
Capital surplus	—	81,849	△ 81,849
Retained earnings	—	182,760	△ 182,760
Unrealized gain on other securities	—	14,050	△ 14,050
Foreign currency translation adjustments	—	1,935	△ 1,935
Treasury stock	—	△ 17	17
<b>Total shareholders' equity</b>	<b>—</b>	<b>433,028</b>	<b>△ 433,028</b>
<b>Total Liabilities and Net Assets</b>	<b>1,999,794</b>	<b>1,964,667</b>	<b>35,127</b>

(Note) Figures less than one million yen have been rounded off.

## CONSOLIDATED STATEMENTS OF INCOME

(Unit: millions of yen)

	Year ended Mar. 31, 2007	Year ended Mar. 31, 2006	Increase / decrease
(Revenues)			
Operating revenues	573,277	621,933	△ 48,655
Electric power	523,782	573,198	△ 49,415
Other	49,494	48,734	760
Non-operating revenues	13,011	7,620	5,391
Dividend income	1,384	1,937	△ 552
Interest income	899	711	187
Equity income of affiliates	5,560	2,042	3,517
Other	5,167	2,928	2,239
Total Ordinary Revenues	586,289	629,553	△ 43,264
(Expenses)			
Operating expenses	496,136	520,464	△ 24,328
Electric power	444,463	469,720	△ 25,257
Other	51,673	50,744	929
( Operating income )	( 77,141 )	( 101,469 )	( △ 24,327 )
Non-operating expenses	34,639	41,182	△ 6,543
Interest expenses	22,585	35,732	△ 13,147
Other	12,054	5,449	6,604
Total Ordinary Expenses	530,775	561,646	△ 30,871
Ordinary income	55,513	67,906	△ 12,392
(Provision for) reversal of reserve for fluctuation in water levels	756	△ 399	1,155
Income before income taxes and minority interests	54,757	68,305	△ 13,548
Income taxes - current	18,461	26,151	△ 7,690
Income taxes - deferred	1,431	△ 1,488	2,919
Minority interests or losses	△ 302	65	△ 368
Net income	35,167	43,577	△ 8,409

(Note) Figures less than one million yen have been rounded off.

### Consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2006 to March 31, 2007)

(Unit: millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	152,449	81,849	182,760	△ 17	417,042
Changes during the period					
Dividends on retained earnings	—	—	△ 9,993	—	△ 9,993
Bonuses to directors and statutory auditors	—	—	△ 161	—	△ 161
Net income	—	—	35,167	—	35,167
Increase in retained earnings due to increase in consolidated subsidiaries	—	—	4,533	—	4,533
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	△ 1,671	—	△ 1,671
Increase due to the addition of affiliates accounted for by the equity method	—	—	66	—	66
Decrease due to the addition of affiliates accounted for by the equity method	—	—	△ 6	—	△ 6
Increase resulting from decrease of consolidated subsidiaries	—	—	19	—	19
Acquisition of treasury stock	—	—	—	△ 39	△ 39
Changes in items other than shareholders' equity (net)	—	—	—	—	—
Total	—	—	27,953	△ 39	27,913
Balance at March 31, 2007	152,449	81,849	210,713	△ 56	444,956

(Unit: millions of yen)

	Valuation and translation adjustments				Minority interests	Total Net Assets
	Unrealized gain on other securities	Deferred hedging gain or loss	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2006	14,050	—	1,935	15,985	1,206	434,234
Changes during the period						
Dividends on retained earnings	—	—	—	—	—	△ 9,993
Bonuses to directors and statutory auditors	—	—	—	—	—	△ 161
Net income	—	—	—	—	—	35,167
Increase in retained earnings due to increase in consolidated subsidiaries	—	—	—	—	—	4,533
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	—	—	—	△ 1,671
Increase due to the addition of affiliates accounted for by the equity method	—	—	—	—	—	66
Decrease due to the addition of affiliates accounted for by the equity method	—	—	—	—	—	△ 6
Increase resulting from decrease of consolidated subsidiaries	—	—	—	—	—	19
Acquisition of treasury stock	—	—	—	—	—	△ 39
Changes in items other than shareholders' equity (net)	220	△ 4,131	4,155	244	261	506
Total	220	△ 4,131	4,155	244	261	28,419
Balance at March 31, 2007	14,271	△ 4,131	6,090	16,230	1,468	462,654

(Note) Figures less than one million yen have been rounded off.

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(Unit: millions of yen)

	Year ended Mar. 31, 2006
<b>(Capital surplus)</b>	
Capital surplus at beginning of year	81,849
Capital surplus at end of period	81,849
<b>(Retained earnings)</b>	
Retained earnings at beginning of year	152,121
Increase in retained earnings	43,764
Net income	43,577
Increase due to the addition of affiliates accounted for by the equity method	187
Decrease in retained earnings	13,125
Dividends	12,492
Bonuses to directors and statutory auditors	162
Decrease in retained earnings due to increase in consolidated subsidiaries	400
Decrease due to the addition of affiliates accounted for by the equity method	69
Retained earnings at end of period	182,760

(Note) Figures less than one million yen have been rounded off.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unit: millions of yen)

	Year ended Mar. 31, 2007	Year ended Mar. 31, 2006	Increase / Decrease
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	54,757	68,305	△ 13,548
Depreciation	123,083	135,019	△ 11,935
Loss on impairment of fixed assets	347	729	△ 381
Loss on disposal of property, plant and equipment	2,710	2,735	△ 25
(Decrease) in accrued employee's retirement benefits	△ 4,076	△ 9,495	5,419
(Decrease) increase in reserve for fluctuation in water levels	756	△ 399	1,155
Interest and dividends	△ 2,284	△ 2,649	365
Interest expenses	22,585	35,732	△ 13,147
(Increase) decrease in notes and accounts receivable	11,383	△ 3,244	14,627
(Increase) in inventories	△ 2,205	△ 5,080	2,875
(Decrease) increase in notes and accounts payable	2,295	△ 1,810	4,106
Investment (profit) on equity method	△ 5,560	△ 2,042	△ 3,517
Profit from sale of fixed asset	△ 379	△ 167	△ 212
Others	2,250	15,987	△ 13,736
Sub-total	205,665	233,621	△ 27,955
Interest and dividends received	2,661	2,606	55
Interest paid	△ 21,934	△ 36,472	14,537
Income taxes paid	△ 29,151	△ 25,800	△ 3,350
Net cash provided by operating activities	157,241	173,954	△ 16,713
<b>Cash flows from investing activities:</b>			
Payments for purchase of property, plant and equipment	△ 95,889	△ 68,449	△ 27,440
Proceeds from constructions grants	8,383	7,881	502
Proceeds from sales of property, plant and equipment	1,520	1,396	124
Payments for investments and advances	△ 70,345	△ 14,180	△ 56,165
Proceeds from collections of investments and advances	3,484	2,931	552
Proceeds from cash and cash equivalents due to inclusion in consolidation	24	—	24
Others	△ 2,585	△ 1,905	△ 679
Net cash used in investing activities	△ 155,407	△ 72,326	△ 83,080
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of bonds	89,636	149,360	△ 59,724
Redemption of bonds	△ 59,067	△ 234,090	175,022
Proceeds from long-term loans	62,811	131,587	△ 68,776
Repayment of long-term loans	△ 47,749	△ 117,473	69,723
Proceeds from short-term loans	22,084	128,547	△ 106,462
Repayment of short-term loans	△ 44,436	△ 154,964	110,528
Proceeds from issuance of commercial paper	416,666	580,977	△ 164,311
Redemption of commercial paper	△ 432,000	△ 575,000	143,000
Dividends paid	△ 9,989	△ 12,472	2,482
Dividends paid to minority interests	△ 84	△ 71	△ 12
Others	△ 39	△ 15	△ 24
Net cash used in financing activities	△ 2,168	△ 103,613	101,445
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	331	291	39
<b>Net (decrease) in cash and cash equivalents</b>	△ 3	△ 1,693	1,690
<b>Cash and cash equivalents at beginning of year</b>	28,874	30,221	△ 1,346
<b>Increase in cash from the addition of consolidated subsidiaries</b>	5,704	346	5,357
<b>Cash and cash equivalents at end of the period</b>	34,575	28,874	5,701

(Note) Figures less than one million yen have been rounded off.

## Segment Information

### (1) Business Segments

[Year ended Mar.31,2007]

(Unit: millions of yen)

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

[Year ended Mar.31,2006]

(Unit: millions of yen)

	Electric Power	Other Businesses	Subtotal	Eliminations	Consolidated
I Operating revenues					
Sales					
(1) Sales to customers	573,198	48,734	621,933	—	621,933
(2) Intersegment sales					
Sales and transfers	1,390	206,240	207,630	(207,630)	—
Total sales	574,589	254,974	829,564	(207,630)	621,933
Operating expenses	487,531	241,176	728,708	(208,244)	520,464
Operating income	87,057	13,797	100,855	613	101,469
II Assets, depreciation, impairment losses and capital expenditures					
Assets	1,935,719	144,493	2,080,213	(115,546)	1,964,667
Depreciation	134,747	3,507	138,255	(3,235)	135,019
Impairment losses	729	—	729	—	729
Capital expenditures	55,125	8,441	63,567	(2,705)	60,861

(Change in business segmentation method)

Starting with the current accounting period, we have separated “Electric Power-Related Business” segment out of “Other Businesses” segment and it resulted into the three segments of “Electric Power”, “Electric Power-Related Business”, and “Other Businesses”.

This will clarify the scale of operations of the separately disclosed “Electric Power-Related Business”, and we have decided to increase the availability of segment information by business category by enhancing the information we disclose.

Classifying the segment information by business category for the previous consolidated period and the previous fiscal year according to the business segmentation method used in the current accounting period yields the following results.

[Year ended Mar.31,2006]

(Unit: millions of yen)

	Electric Power	Electric power-related	Other Businesses	Subtotal	Eliminations	Consolidated
I Operating revenues						
Sales						
(1) Sales to customers	573,198	31,975	16,758	621,933	—	621,933
(2) Intersegment sales						
Sales and transfers	1,390	208,418	106	209,915	(209,915)	—
Total sales	574,589	240,394	16,864	831,848	(209,915)	621,933
Operating expenses	487,531	226,976	16,484	730,992	(210,528)	520,464
Operating income	87,057	13,418	379	100,855	613	101,469
II Assets, depreciation, impairment losses and capital expenditures						
Assets	1,935,719	121,696	22,797	2,080,213	(115,546)	1,964,667
Depreciation	134,747	3,415	92	138,255	(3,235)	135,019
Impairment losses	729	—	—	729	—	729
Capital expenditures	55,125	6,930	1,510	63,567	(2,705)	60,861

(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, 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.

## Revenues and Expenses (Consolidated)

(Unit: millions of yen)

	Year ended Mar.31,2007 (A)	Year ended Mar.31,2006 (B)	(A) – (B)	(A / B)
	million yen	million yen	million yen	%
Operating revenues	573,277	621,933	△ 48,655	92.2
Electric power operating revenues	523,782	573,198	△ 49,415	91.4
Electric power sales to other companies	466,903	511,556	△ 44,653	91.3
Wholesale power business	450,034	495,061	△ 45,026	90.9
Hydro	123,490	126,810	△ 3,319	97.4
Thermal	326,543	368,250	△ 41,707	88.7
Other electric power businesses	16,868	16,495	373	102.3
Transmission revenues	55,184	58,255	△ 3,071	94.7
Other electricity revenues	1,694	3,386	△ 1,691	50.0
Other operating revenues	49,494	48,734	760	101.6
Non-operating revenues	13,011	7,620	5,391	170.8
Dividend income	1,384	1,937	△ 552	71.5
Interest income	899	711	187	126.4
Equity income of affiliates	5,560	2,042	3,517	272.2
Other	5,167	2,928	2,239	176.5
Total Ordinary Revenues	586,289	629,553	△ 43,264	93.1
Operating expenses	496,136	520,464	△ 24,328	95.3
Electric power operating expenses	444,463	469,720	△ 25,257	94.6
Personnel expenses	27,235	21,273	5,962	128.0
Fuel cost	149,865	160,823	△ 10,958	93.2
Repair expense	41,175	38,712	2,463	106.4
Consignment cost	31,785	31,418	367	101.2
Taxes and duties	28,566	29,959	△ 1,393	95.3
Depreciation and amortization cost	118,588	131,511	△ 12,922	90.2
Other	47,246	56,022	△ 8,776	84.3
Other operating expenses	51,673	50,744	929	101.8
Non-operating expenses	34,639	41,182	△ 6,543	84.1
Financial expenses	22,585	35,732	△ 13,147	63.2
Other	12,054	5,449	6,604	221.2
Total Ordinary Expenses	530,775	561,646	△ 30,871	94.5
Ordinary income	55,513	67,906	△ 12,392	81.8
(Provision for)reversal of reserve for fluctuation in water level	756	△ 399	1,155	—
Income before income taxes and minority interests	54,757	68,305	△ 13,548	80.2
Income taxes—current	18,461	26,151	△ 7,690	70.6
Income taxes – deferred	1,431	△ 1,488	2,919	—
Minority interests or losses	△ 302	65	△ 368	—
Net Income	35,167	43,577	△ 8,409	80.7

(Note) Figures less than one million yen have been rounded off.



## [Appendix 2]

## (1) Generation capacity

(Units: thousand kW)

	Year ended Mar. 31, 2007 (A)	Year ended Mar. 31, 2006 (B)	(A)-(B)
Wholesale power business	16,380	16,375	5
Hydroelectric	8,556	8,551	5
Thermal	7,824	7,824	—
Other electric power businesses(1)	561	495	66
Total	16,941	16,870	71

\* (1) Operated by IPP(ITOIGAWA POWER Inc.), PPS(Ichihara Power Co., Ltd., Bay Side Energy Co., Ltd.), Wind Power(Nikaho-kogen Wind Power Co., Ltd., Green Power Kuzumaki Co., Ltd., Nagasaki-shikamachi Wind Power Co., Ltd., Green Power Aso Co., Ltd., J-Wind TAHARA Ltd., Dream-Up Tomamae Co., Ltd., Green Power Setana Co., Ltd.,and Green Power Koriyama Nunobiki Co., Ltd. )

## (2) Electricity sales and revenues

(Units: million kWh, million yen)

	Year ended Mar. 31, 2007 (A)		Year ended Mar. 31, 2006 (B)		(A)-(B)	
	Electricity sales	Electricity and transmission revenues	Electricity sales	Electricity and transmission revenues	Electricity sales	Electricity and transmission revenues
Wholesale power business	58,672	450,034	62,627	495,061	△3,954	△45,026
Hydroelectric	10,633	123,490	8,583	126,810	2,050	△3,319
Thermal	48,039	326,543	54,044	368,250	△6,004	△41,707
Other electric power businesses(1)	1,657	16,868	1,701	16,495	△44	373
Subtotal	60,329	466,903	64,328	511,556	△3,998	△44,653
Transmission	—	55,184	—	58,255	—	△3,071
Total	60,329	522,088	64,328	569,812	△3,998	△47,724

\* (1) Operated by IPP(ITOIGAWA POWER Inc.), PPS(Ichihara Power Co., Ltd., Bay Side Energy Co., Ltd.), Wind Power(Nikaho-kogen Wind Power Co., Ltd., Green Power Kuzumaki Co., Ltd., Nagasaki-shikamachi Wind Power Co., Ltd., Green Power Aso Co., Ltd., J-Wind TAHARA Ltd., Dream-Up Tomamae Co., Ltd., Green Power Setana Co., Ltd.,and Green Power Koriyama Nunobiki Co., Ltd. )

## (3) Result of water supply rate

(Units: %)

	Year ended Mar. 31, 2007 (A)	Year ended Mar. 31, 2006 (B)	(A)-(B)
Water supply rate	112	90	22

**NON-CONSOLIDATED BALANCE SHEET**

(Unit: millions of yen)

	As of Mar.31,2007	As of Mar. 31, 2006	Increase / decrease
(Assets)			
Property, Plant and Equipment	1,802,277	1,791,860	10,417
Power plants	1,338,430	1,428,485	△ 90,054
Hydroelectric power production facilities	458,977	475,920	△ 16,942
Thermal power production facilities	562,071	619,059	△ 56,988
Transmission facilities	246,578	261,139	△ 14,560
Transformation facilities	37,819	39,744	△ 1,924
Communication facilities	10,423	9,919	503
General facilities	22,559	22,701	△ 142
Incidental business-related property, plant & equipment	1,825	493	1,332
Non-operating property, plant & equipment	626	917	△ 291
Construction in progress	251,250	200,807	50,442
Investments and other assets	210,144	161,155	48,988
Long-term investments	77,343	56,109	21,234
Long-term investments in affiliated Companies	106,808	78,577	28,231
Long-term prepaid expenses	2,678	3,017	△ 338
Deferred tax assets	23,759	23,796	△ 37
Allowance for doubtful accounts	△ 446	△ 344	△ 101
Current assets	91,400	96,473	△ 5,073
Cash and bank deposits	5,008	6,501	△ 1,492
Acceptance receivable	—	3	△ 3
Accounts receivable	41,661	51,244	△ 9,582
Accrued income	5,424	5,721	△ 297
Inventories	18,439	16,471	1,968
Prepaid expenses	1,125	1,228	△ 103
Short-term loans to affiliated Companies	6,521	5,124	1,397
Deferred tax assets	3,232	3,801	△ 569
Other current assets	10,005	6,376	3,628
Allowance for doubtful accounts	△ 17	—	△ 17
<b>Total assets</b>	<b>1,893,678</b>	<b>1,888,333</b>	<b>5,344</b>

(Note) Figures less than one million yen have been rounded off.

(Unit: millions of yen)

	As of Mar.31,2007	As of Mar. 31, 2006	Increase / decrease
<b>(Liabilities)</b>			
<b>Long-term liabilities</b>	<b>1,136,290</b>	<b>1,182,685</b>	<b>△ 46,394</b>
Bond	573,229	521,684	51,545
Long-term loans	533,539	625,039	△ 91,499
Long-term accrued liabilities	4	961	△ 957
Long-term accrued liabilities in affiliated companies	17	—	17
Accrued employee retirement benefits	21,543	25,089	△ 3,545
Other long-term liabilities	7,955	9,910	△ 1,955
<b>Current liabilities</b>	<b>343,441</b>	<b>305,531</b>	<b>37,909</b>
Current portion of long-term debt and other	170,884	103,954	66,929
Short-term loans	2,000	23,000	△ 21,000
Commercial paper	95,944	111,000	△ 15,055
Accounts payable	3,713	3,495	217
Accrued accounts	12,219	4,254	7,965
Accrued expenses	10,643	9,961	682
Income and other taxes payable	4,404	16,699	△ 12,294
Deposits received	389	229	160
Short-term debt to affiliated companies	41,041	30,099	10,942
Advances received	334	413	△ 79
Other current liabilities	1,865	2,424	△ 558
Reserves under special laws	2,155	1,399	756
Reserve for fluctuation in water levels	2,155	1,399	756
<b>Total liabilities</b>	<b>1,481,888</b>	<b>1,489,616</b>	<b>△ 7,728</b>
<b>(Net Assets)</b>			
<b>Shareholders' equity</b>	<b>398,912</b>	<b>—</b>	<b>398,912</b>
Common stock	152,449	—	152,449
Capital surplus	81,852	—	81,852
Additional paid-in capital	81,852	—	81,852
Retained earnings	164,667	—	164,667
Legal reserve	6,029	—	6,029
Other retained earnings	158,638	—	158,638
Reserve for special disaster	38	—	38
Exchange-fluctuation preparation reserve	1,960	—	1,960
General reserve	117,861	—	117,861
Retained earnings carried forward	38,778	—	38,778
Treasury stock	△ 56	—	△ 56
Valuation and translation adjustments	12,877	—	12,877
Unrealized gain on other securities	12,761	—	12,761
Deferred hedging gain or loss	116	—	116
<b>Total net assets</b>	<b>411,789</b>	<b>—</b>	<b>411,789</b>
<b>(Shareholders' equity)</b>			
<b>Common stock</b>	<b>—</b>	<b>152,449</b>	<b>△ 152,449</b>
<b>Capital surplus</b>	<b>—</b>	<b>81,852</b>	<b>△ 81,852</b>
Additional paid-in capital	—	81,852	△ 81,852
<b>Retained earnings</b>	<b>—</b>	<b>150,819</b>	<b>△ 150,819</b>
Legal reserve	—	6,029	△ 6,029
Voluntary reserve	—	94,897	△ 94,897
Reserve for loss from overseas investment, etc.	—	56	△ 56
Reserve for special disaster	—	19	△ 19
Exchange-fluctuation preparation reserve	—	1,960	△ 1,960
General reserve	—	92,861	△ 92,861
Unappropriated retained earnings at the end of the term	—	49,892	△ 49,892
Unrealized gain on securities	—	13,613	△ 13,613
Treasury stock	—	△ 17	17
<b>Total shareholders' equity</b>	<b>—</b>	<b>398,717</b>	<b>△ 398,717</b>
<b>Total Liabilities and Net Assets</b>	<b>1,893,678</b>	<b>1,888,333</b>	<b>5,344</b>

(Note) Figures less than one million yen have been rounded off.

**NON-CONSOLIDATED PROFIT AND LOSS STATEMENT**

(Unit: millions of yen)

	Year ended Mar. 31, 2007	Year ended Mar. 31, 2006	Increase / decrease
<b>Ordinary revenues</b>			
Operating revenues	517,273	566,016	△ 48,743
Electric power	510,248	558,306	△ 48,058
Electric power sales to other companies	450,034	495,061	△ 45,026
Transmission revenues	55,184	58,255	△ 3,071
Other electricity revenues	5,029	4,989	39
Incidental business revenues	7,024	7,709	△ 685
Consulting business	2,801	4,152	△ 1,351
Coal sales business	3,582	3,209	372
Other incidental business	640	347	293
Non-operating revenues	8,386	5,218	3,168
Financial revenues	4,521	3,327	1,194
Dividend income	3,586	2,521	1,064
Interest income	935	806	129
Non-business revenues	3,865	1,890	1,974
Gain on sale of fixed assets	370	111	259
Other	3,494	1,779	1,715
<b>Total ordinary revenues</b>	<b>525,659</b>	<b>571,234</b>	<b>△ 45,574</b>
<b>Ordinary expenses</b>			
Operating expenses	456,433	480,041	△ 23,608
Electric power	450,203	473,056	△ 22,852
Hydroelectric power production expenses	63,728	69,844	△ 6,115
Thermal power production expenses	290,013	308,191	△ 18,177
Power purchased from other companies	433	81	352
Transmission expenses	30,502	35,250	△ 4,748
Transformation expenses	6,595	6,737	△ 141
Selling expenses	1,237	1,439	△ 202
Communication expenses	6,191	5,655	536
General and administrative expenses	44,837	38,571	6,266
Enterprise tax	6,662	7,285	△ 622
Incidental business expenses	6,229	6,985	△ 755
Consulting business	2,081	3,568	△ 1,486
Coal sales business	3,410	2,998	411
Other incidental business	737	417	320
( Operating income )	( 60,840 )	( 85,974 )	( △ 25,134 )
Non-operating expenses	31,686	39,958	△ 8,271
Financial expenses	21,565	35,737	△ 14,172
Interest expenses	21,276	35,088	△ 13,812
Amortization of stock issue expenses	—	10	△ 10
Bond issue expenses	288	—	288
Amortization of bond issue expenses	—	590	△ 590
Amortization of bond issue discount	—	49	△ 49
Non-business expenses	10,121	4,220	5,900
Loss on sale of fixed assets	4	126	△ 121
Other	10,117	4,094	6,022
<b>Total ordinary expenses</b>	<b>488,119</b>	<b>520,000</b>	<b>△ 31,880</b>
<b>Ordinary income</b>	<b>37,540</b>	<b>51,234</b>	<b>△ 13,694</b>
(Provision for) reversal of reserve for fluctuation in water levels	756	△ 399	1,155
<b>Income before income taxes</b>	<b>36,783</b>	<b>51,633</b>	<b>△ 14,850</b>
Income taxes - current	11,865	20,143	△ 8,278
Income taxes - deferred	1,020	△ 1,892	2,913
<b>Net income</b>	<b>23,897</b>	<b>33,382</b>	<b>△ 9,485</b>
Retained earnings brought from previous term	—	20,673	△ 20,673
Interim dividends	—	4,164	△ 4,164
Unappropriated retained earnings	—	49,892	△ 49,892

(Note) Figures less than one million yen have been rounded off.

## Non-Consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2006 to March 31, 2007)

(Unit: millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	152,449	81,852	150,819	△ 17	385,103
Changes during the period					
Dividends on retained earnings	—	—	△ 9,993	—	△ 9,993
Bonuses to directors and statutory auditors	—	—	△ 55	—	△ 55
Net income	—	—	23,897	—	23,897
Acquisition of treasury stock	—	—	—	△ 39	△ 39
Changes in items other than shareholders' equity (net)	—	—	—	—	—
Total	—	—	13,848	△ 39	13,808
Balance at March 31, 2007	152,449	81,852	164,667	△ 56	398,912

(Unit: millions of yen)

	Valuation and translation adjustments			Total Net Assets
	Unrealized gain on other securities	Deferred hedging gain or loss	Total valuation and translation adjustments	
Balance at March 31, 2006	13,613	—	13,613	398,717
Changes during the period				
Dividends on retained earnings	—	—	—	△ 9,993
Bonuses to directors and statutory auditors	—	—	—	△ 55
Net income	—	—	—	23,897
Acquisition of treasury stock	—	—	—	△ 39
Changes in items other than shareholders' equity (net)	△ 852	116	△ 736	△ 736
Total	△ 852	116	△ 736	13,072
Balance at March 31, 2007	12,761	116	12,877	411,789

(Note) Figures less than one million yen have been rounded off.

## Revenues and Expenses (Non-Consolidated)

	Year ended	Year ended	(A) - (B)	(A/B)	Percentage of total	
	Mar.31,2007	Mar.31,2006			(A)	(B)
	(A)	(B)	million yen	million yen	million yen	%
Ordinary revenues						
Operating revenues	517,273	566,016	△48,743	91.4	98.4	99.1
Electric power sales to other companies	450,034	495,061	△45,026	90.9	85.6	86.7
Hydro	123,490	126,810	△ 3,319	97.4	23.5	22.2
Thermal	326,543	368,250	△41,707	88.7	62.1	64.5
Transmission revenues	55,184	58,255	△ 3,071	94.7	10.5	10.2
Other electricity revenues	5,029	4,989	39	100.8	1.0	0.9
Incidental business revenues	7,024	7,709	△ 685	91.1	1.3	1.3
Non-operating revenues	8,386	5,218	3,168	160.7	1.6	0.9
Total	525,659	571,234	△45,574	92.0	100.0	100.0
Ordinary expenses						
Operating expenses	456,433	480,041	△23,608	95.1	93.5	92.3
Personnel expenses	27,180	21,489	5,690	126.5	5.5	4.1
Fuel cost	144,053	155,977	△11,923	92.4	29.5	30.0
Repair expense	46,477	42,565	3,911	109.2	9.5	8.2
Taxes and duties	27,800	29,366	△ 1,565	94.7	5.7	5.6
Depreciation and amortization cost	117,973	130,844	△12,870	90.2	24.2	25.2
Other	86,717	92,812	△ 6,095	93.4	17.8	17.9
Incidental business expenses	6,229	6,985	△ 755	89.2	1.3	1.3
Non-operating expenses	31,686	39,958	△ 8,271	79.3	6.5	7.7
Financial expenses	21,565	35,737	△ 14,172	60.3	4.4	6.9
Other	10,121	4,220	5,900	239.8	2.1	0.8
Total	488,119	520,000	△31,880	93.9	100.0	100.0
Ordinary income	37,540	51,234	△ 13,694	73.3		
(Provision for) reversal of reserve for fluctuation in water levels	756	△399	1,155	-		
Income before income taxes	36,783	51,633	△ 14,850	71.2		
Income taxes	12,886	18,250	△ 5,364	70.6		
current	11,865	20,143	△ 8,278	58.9		
deferred	1,020	△1,892	2,913	-		
Net Income	23,897	33,382	△ 9,485	71.6		

(Note) Figures less than one million yen have been rounded off.

## [Appendix 2]

## (1) Generation capacity

(Units : thousand kW)

	Year ended Mar.31, 2007 (A)	Year ended Mar.31, 2006 (B)	(A)-(B)
Hydroelectric	8,556	8,551	5
Thermal	7,824	7,824	—
Total	16,380	16,375	5

## (2) Electricity sales and revenues

(Units: million kWh, million yen)

	Year ended Mar.31, 2007 (A)		Year ended Mar.31, 2006 (B)		(A)-(B)	
	Electricity sales	Electricity and transmission revenues	Electricity sales	Electricity and transmission revenues	Electricity sales	Electricity and transmission revenues
Hydroelectric	10,633	123,490	8,583	126,810	2,050	△ 3,319
Thermal	48,039	326,543	54,044	368,250	△ 6,004	△41,707
Subtotal	58,672	450,034	62,627	495,061	△ 3,954	△45,026
Transmission	—	55,184	—	58,255	—	△ 3,071
Total	58,672	505,219	62,627	553,316	△ 3,954	△48,097

## (3) Results of water supply rate

(Units: %)

	Year ended Mar.31, 2007 (A)	Year ended Mar.31, 2006 (B)	(A)-(B)
Water supply rate	112	90	22