Financial Section

CONTENTS

Consolidated Financial Summary

For the years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2003	2004	2005	2006	2007	2007
Operating revenues	584,122	569,854	594,375	621,933	573,277	4,856,226
Electric power	545,824	522,922	547,960	573,198	523,782	4,436,956
Other	38,297	46,931	46,414	48,734	49,494	419,270
Operating expenses	449,920	437,715	482,489	520,464	496,136	4,202,762
Electric power	407,131	386,463	431,678	469,720	444,463	3,765,041
Other	42,789	51,251	50,810	50,744	51,673	437,721
Operating income	134,201	132,138	111,885	101,469	77,141	653,463
Income before income taxes and minority interests	35,522	43,757	55,984	68,305	54,757	463,848
Net income	20,725	27,623	35,559	43,577	35,167	297,900
Total assets	2,195,897	2,076,107	2,021,655	1,964,667	1,999,794	16,940,234
Interest-bearing debt	1,893,902	1,592,908	1,498,010	1,408,232	1,421,542	12,041,871
Total net assets	168,301	359,645	391,327	433,028	462,654	3,919,141
Net cash provided by operating activities	167,368	179,948	172,637	173,954	157,241	1,331,991
Net cash used in investing activities	(11,030)	(64,507)	(60,586)	(72,326)	(155,407)	(1,316,452)
Free cash flow***	156,338	115,441	112,051	101,628	1,834	15,538
Net cash used in financing activities	(117,709)	(147,516)	(111,798)	(103,613)	(2,168)	(18,368)
Depreciation	137,148	131,380	125,339	135,019	123,083	1,042,641
Capital expenditures	53,443	46,202	50,925	60,861	90,704	768,353
Net income per share (yen, U.S. dollars)	291.40	304.88	255.01	260.76	211.14	1.79
Cash dividends per share (yen, U.S. dollars)	60.00	60.00	60.00	60.00	60	0.51
Shareholders' equity per share (yen, U.S. dollars)	2,381.71	2,590.00	2,818.04	2,598.90	2,768.95	23.46
Return on equity (%)	12.9	10.5	9.5	10.6	7.9	
Equity ratio (%)	7.7	17.3	19.4	22.0	23.1	
Number of shares outstanding (thousands)	70,600	138,808	138,808	166,569	166,569	
Number of employees	6,543	5,871	5,925	5,868	6,494	
Generation capacity (MW)						
Wholesale electric power business	16,085	16,375	16,375	16,375	16,380	
Hydroelectric	8,261	8,551	8,551	8,551	8,556	
Thermal	7,825	7,825	7,825	7,825	7,825	
Other electric power businesses	—	134	375	495	561	
Total	16,085	16,509	16,750	16,870	16,941	
Electric power sales (GWh)						
Wholesale electric power business	54,429	58,787	60,517	62,627	58,672	
Hydroelectric*	8,902	10,850	11,172	8,583	10,633	
Thermal	45,527	47,937	49,345	54,044	48,039	
Other electric power businesses	—	517	965	1,701	1,657	
Total	54,429	59,305	61,483	64,328	60,329	
Electric power revenues						
Wholesale electric power business	473,567	453,478	476,335	495,061	450,034	3812,237
Hydroelectric	138,195	135,758	137,106	126,810	123,490	1,046,090
Thermal	335,371	317,719	339,228	368,250	326,543	2,766,147
Other electric power businesses	—	4,472	8,679	16,495	16,868	142,896
Transmission	66,739	63,398	61,194	58,255	55,184	467,468

* 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, 2007, which was ¥118.05=US$1.00

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

Operating Revenues

During the fiscal year ended March 31, 2007 (fiscal 2006), overall demand for electricity in Japan narrowly surpassed that of the previous fiscal year. The increased demand was supported by large-load demand in the industrial sector, reflecting the upward trend in the Japanese economy, while offsetting reduced heating-related demand during the record-setting mild winter.

Under these conditions, consolidated operating revenues totaled ¥573.3 billion, down 7.8% from the previous fiscal year. This was mainly owing to the full-year impact of the contract rate reductions of hydroelectric power and transmission, as well as a decline in capacity utilization in the thermal power plants due to periodic inspections. A breakdown of operating revenues by business segment follows.

Electric Power Business

Electricity sales volume in the "Wholesale electric power business," from both hydroelectric and thermal power plants, declined 6.3% year on year to 58.6 billion kWh. In hydroelectric power, sales volume climbed 23.9% to 10.6 billion kWh, owing to higher water flow compared with the previous fiscal year (the water supply rate was up from 90% in the previous fiscal year to 112%). On the other hand, thermal electricity sales declined 11.1% to 48.0 billion kWh due mainly to a decreased load factor at power plants caused by periodic inspections.

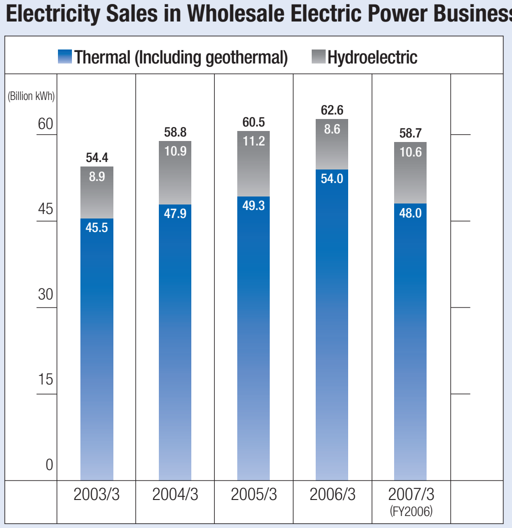
In the "Other electric power businesses," electricity sales volume declined 2.6% compared with the previous fiscal year to 1.7 billion kWh. Although full-year operation of Green Power Setana Co., Ltd. and the start of operations at Green Power Koriyama Nunobiki Co., Ltd. in February 2007 were positive contributing factors, the decline reflected lower capacity utilization of the thermal power plants in the IPP business and wholesale business for PPS. As a result, electricity sales volume in the overall electric power business decreased 6.2% to 60.3 billion kWh.

Overall, operating revenues in the electric power business fell 8.3% year on year to ¥527.0 billion, reflecting the abovementioned rate reductions of hydroelectric power and transmission, as well as the decrease in capacity utilization of thermal power caused by periodic inspections.

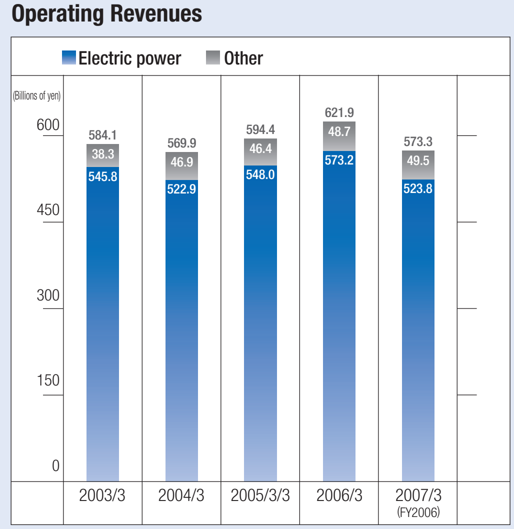
Electric Power-Related Businesses

Operating revenues from electric power-related businesses increased 4.1% year on year to ¥250.1 billion owing to the addition of revenues from newly consolidated subsidiaries.

Electricity Sales in Wholesale Electric Power Business



Operating Revenues



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

Other Businesses

Operating revenues from other businesses increased 68.9% year on year to ¥28.5 billion as a result of the addition of revenues from newly consolidated subsidiaries.

Operating Expenses and Operating Income

In fiscal 2006, operating expenses declined 4.7% year on year to ¥496.1 billion, and operating income decreased 24% to ¥77.1 billion.

Electric Power Business

Operating income declined 29.4% year on year to ¥61.4 billion. Although depreciation costs decreased ¥12.9 billion and fuel costs dropped ¥11.0 billion because of lower capacity utilization of thermal power, operating revenues also declined. In addition, periodic inspections in the thermal power operations led to an increase of ¥2.5 billion in repair expenses, and personnel expenses climbed ¥6.0 billion owing to the calculation of retirement benefit obligation.

Electric Power-Related Businesses

Operating income increased 16.3% year on year to ¥15.6 billion because of cost reductions at consolidated subsidiaries and other factors.

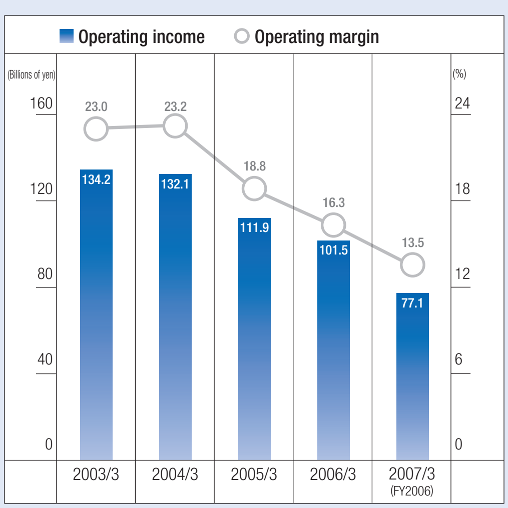
Other Businesses

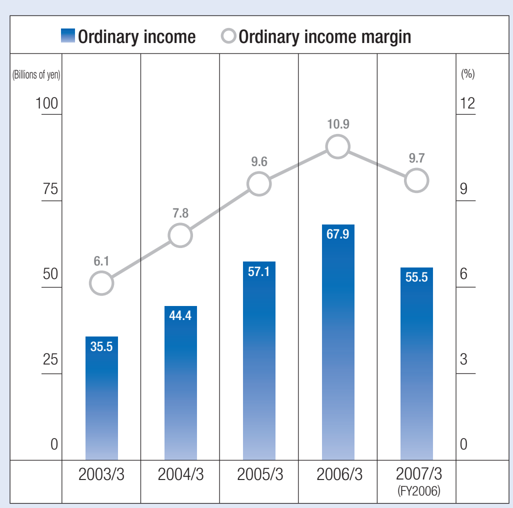
Operating income increased ¥0.8 billion year on year to ¥1.2 billion, owing primarily to an increase in operating revenues.

Non-Operating Revenues and Expenses

Non-Operating Revenues

Non-operating revenues jumped 70.8% year on year to ¥13.0 billion due to a substantial increase of ¥3.5 billion in investment gains in equity-method affiliates, primarily in the overseas power generation business.





Non-Operating Expenses

Non-operating expenses decreased 15.9% year on year to ¥34.6 billion, primarily because we did not make early repayments of debt, leading to a decrease of ¥13.1 billion in interest expenses.

As a result, ordinary income declined 18.2% year on year to ¥55.5 billion.

Net Income

In addition to the above, ¥0.8 billion was added to our "reserve for fluctuation in water levels" due to high water flow. As a result, income before income taxes and minority interests decreased 19.8% year on year to ¥54.8 billion. After accounting for income taxes and tax adjustments, net income declined 19.3% year on year to ¥35.2 billion.

Per Share Information and Dividend Policy

Net Income Per Share

Net income per share decreased to ¥211.14, compared to ¥260.76 in fiscal 2005.

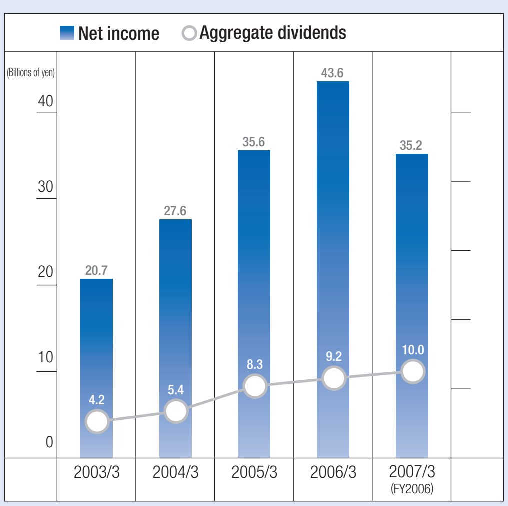
Dividend Policy

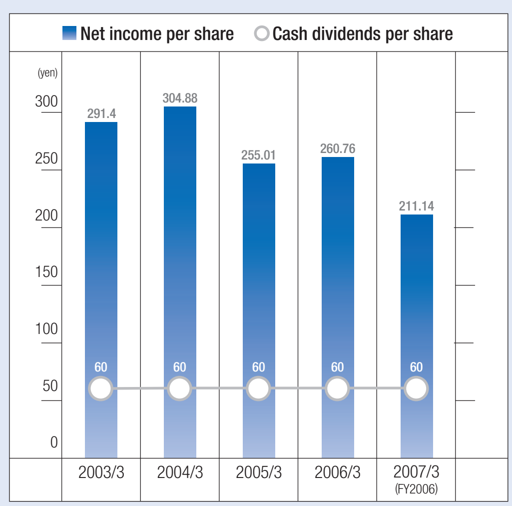
The most prominent characteristic of J-POWER's business is that we secure returns on our investments in power plants and other infrastructure through the long term operations of these facilities utilizing our well-established enterprise management expertise, including the construction of power plants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

In light of such business characteristics, with respect to profit distribution to shareholders, we place the utmost importance on continuing to pay dividends at a stable level. We continually work to maximize corporate value through long-term initiatives, aiming to enhance future profit distribution through achievement of future growth.

In keeping with this basic dividend policy, we implemented payments of ¥30 per share for both the interim and year-end dividends in fiscal 2006. As a result, the payout ratio became 41.8% and dividend on equity 2.5%.

With regard to internal reserves, we will continue to make capital investments in Japan and overseas with the aim of enhancing the quality and quantity of our business assets.





Financial Position and Liquidity

Financial Position

Assets

As of March 31, 2007, total assets were ¥1,999.8 billion, an increase of 1.8% from a year earlier.

In spite of the decrease due to ongoing depreciation, the value of property, plant and equipment increased 1.9% to ¥1,861.8 billion year on year as a result of capital expenditures at the Isogo New No. 2 Thermal Power Plant and the Ohma Nuclear Power Plant.

Liabilities

As of March 31, 2007, total liabilities edged up 0.4% year on year to ¥1,537.1 billion, due in part to the issue of corporate bonds in order to raise funds for investments in Japan and overseas. Net interest-bearing debt increased 0.9% year on year to ¥1,421.5 billion.

Shareholders' Equity*

Shareholders' equity as of March 31, 2007 amounted to ¥461.2 billion, up 6.5% from a year earlier.

*Net assets - minority interests - share subscription rights.

As a result, the equity ratio climbed from 22.0% a year earlier to 23.1% as of March 31, 2007.

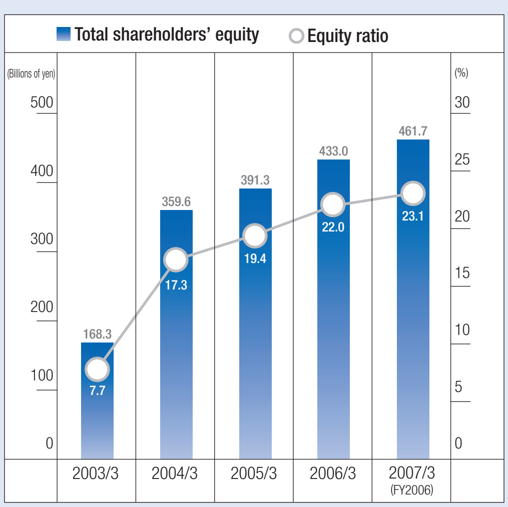
Capital Expenditures

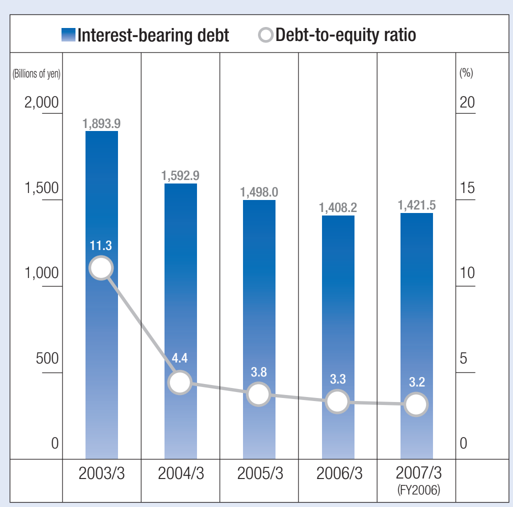
Capital expenditures for fiscal 2006 remained within the scope of cash flows from operating activities as in the previous fiscal year. Capital expenditures in the electric power business surged 64% year on year to ¥90.4 billion.

Looking ahead, J-POWER's major plans for capital expenditures include the Isogo New No. 2 Thermal Power Plant (output capacity of 600 MW, in Kanagawa Prefecture), which is scheduled to commence operations in fiscal 2009, and the Ohma Nuclear Power Plant (output capacity of 1,383 MW, in Aomori Prefecture), which is scheduled to commence operations in fiscal 2011.

Regarding the construction plan of the Tokuyama Power Plant (output capacity of 153 MW, general hydro-electric power, in Gifu Prefecture), J-POWER has reached an agreement with Chubu Electric Power Co., Inc. that following completion of the Tokuyama Dam (scheduled in fiscal 2007), the required procedures will be taken and the operating body of the power plant shall be transferred from J-POWER to Chubu Electric Power.

As we started construction of the Isogo New No. 2 Thermal Power Plant in the previous fiscal year, capital expenditures are expected to increase until the commencement of operations at the Ohma Nuclear Power Plant, which is undergoing government safety inspections to pave the way for construction scheduled to commence in fiscal 2007.





*Debt-to-equity ratio=Interest-bearing debt÷Total shareholders' equity

For fiscal 2007, we are forecasting total capital expenditures of ¥146.2 billion in the electric power business, primarily reflecting investment in the maintenance and upgrading of existing facilities, as well as the two new power plants mentioned above.

Fund Procurement

J-POWER's financing needs are primarily related to capital expenditures and 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, 2007 was ¥389.9 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 ¥200 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 from operating activities was ¥157.2 billion, a decrease of ¥16.7 billion compared to the previous fiscal year. This decrease reflected a decline in retained earnings resulting from lower depreciation expenses and other items, in spite of the decrease in accounts receivable and other factors.

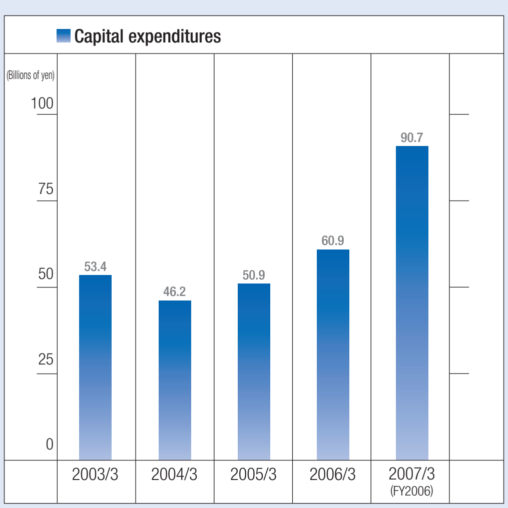
Cash flow from investing activities

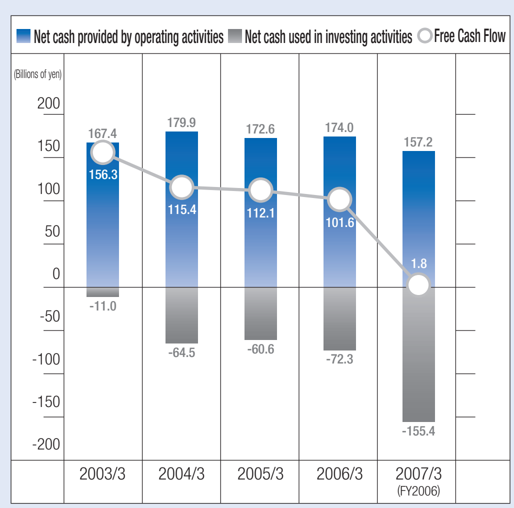
Net cash used in investing activities amounted to ¥155.4 billion, a year-on-year increase of ¥83.1 billion. This increase reflected, among other things, additional construction-related expenditures at the Ohma Nuclear Power Plant, the acquisition of interest in the Tenaska Frontier Power Plant in the United States and other items.

Cash flow from financing activities

Net cash used in financing activities amounted to ¥2.2 billion, a year on year decrease of ¥101.4 billion. Although the amount of borrowings declined, the decrease also reflected a drop in the redemption of corporate bonds.

As a result of these activities, and after taking into account an increase of ¥5.7 billion from changes in the scope of consolidation, cash and cash equivalents as of March 31, 2007 totaled ¥34.6 billion, up ¥5.7 billion from the balance of ¥28.9 billion as of March 31, 2006.





*Free Cash Flow=Net Cash used in investing activities+Net Cash provided by operating activities

Business and Other Risks

This section discusses the main potential risks related to J-POWER's financial position, business results, current and future business operations, as well as other matters. From the perspective of actively disclosing information to investors, this section also provides information to help investors understand business and other risks that the Company does not necessarily consider significant. Statements about future matters are based on judgments as of June 30, 2007.

Impact of Electric Power Deregulation 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 deregulation in the retail power sector, the EPCOs have been reducing 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 if further deregulation results in a significant reduction in our contract rates, 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 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 cancelation of construction plans as a result of 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. We have taken several initiatives to 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 the results of our operations.

New 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 the results of our operations. Overseas businesses also entail foreign exchange risk as well as country risk based on political instability and other factors.

Raising 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 prevailing conditions on the financial markets, the company's credit situation, or other factors at that time, then this could potentially have a material adverse effect on our business development and profitability.

Ohma Nuclear Power Plant Construction Project

J-POWER is currently undergoing the evaluation for nuclear reactor approval by the national authorities, prior to the commencement 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 MW). 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 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. Coal 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.

Natural Disasters and Accidents

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

Regulatory Requirements

J-POWER operates its mainstay wholesale electric 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.

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.

Consolidated Balance Sheets

As of March 31, 2006 and 2007

Assets

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
Property, plant and equipment, net	¥1,666,304	¥1,634,387	$13,844,878
Power plants (Notes 2, 3 and 4)	1,438,443	1,351,994	11,452,724
Other property, plant and equipment (Notes 2, 3 and 4)	28,336	33,682	285,327
Construction in progress (Note 2)	199,524	248,710	2,106,827
Investment and other assets	161,564	227,430	1,926,559
Long-term investments (Notes 2, 4 and 13)	114,600	180,325	1,527,537
Deferred tax assets (Notes 2 and 16)	42,944	43,094	365,053
Others	4,018	4,009	33,968
Current assets	136,798	137,976	1,168,797
Cash and bank deposits (Note 11)	28,961	35,029	296,734
Notes and accounts receivable, less allowance for doubtful accounts	56,484	47,150	399,413
Inventories (Note 2)	18,160	20,783	176,054
Others (Notes 2 and 16)	33,192	35,013	296,595
Total Assets	¥1,964,667	¥1,999,794	$16,940,234

Liabilities, Minority Interests and Net Assets

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
Long-term liabilities	¥1,215,033	¥1,193,139	$10,107,073
Long-term debt, less current portion (Note 4)	1,166,024	1,149,845	9,740,323
Accrued employee retirement benefits (Notes 2 and 15)	36,233	32,611	276,250
Others (Note 16)	12,776	10,683	90,498
Current liabilities	313,999	341,844	2,895,758
Current portion of long-term debt and other (Note 4)	106,772	173,638	1,470,887
Short-term loans (Note 4)	24,436	2,115	17,921
Commercial paper (Note 4)	111,000	95,944	812,746
Income and other taxes payable	20,867	8,752	74,141
Others	50,924	61,393	520,062
Reserve for fluctuation in water levels (Note 2)	1,399	2,155	18,261
Contingent liabilities (Note 5)			
Total Liabilities	1,530,432	1,537,140	13,021,092
Minority interests	1,206	—	—
Shareholders' equity (Notes 2 and 17)			
Common stock	152,449	—	—
Capital surplus	81,849	—	—
Retained earnings	182,760	—	—
Unrealized gain on other securities, net (Note 2)	14,050	—	—
Foreign currency translation adjustments (Note 2)	1,935	—	—
Treasury stock	(17)	—	—
Total Shareholders' equity	433,028	—	—
Total Liabilities, Minority interests and Shareholders' equity	1,964,667	—	—
Shareholders' equity			
Common stock	—	152,449	1,291,398
Capital surplus	—	81,849	693,346
Retained earnings	—	210,713	1,784,954
Treasury stock	—	(56)	(482)
Total Shareholders' equity	—	444,956	3,769,217
Valuation and translation adjustments			
Unrealized gain on other securities, net (Note 2)	—	14,271	120,891
Deferred hedging gain and loss (Notes 2 and 17)	—	(4,131)	(34,996)
Foreign currency translation adjustments (Note 2)	—	6,090	51,589
Valuation and translation adjustments	—	16,230	137,484
Minority interests	—	1,468	12,439
Total Net assets (Notes 2 and 14)	—	462,654	3,919,141
Total Liabilities, Minority interests and Net assets	—	¥1,999,794	$16,940,234

	Yen		U.S. dollars (Note 2)
Shareholders' equity per share (Note 2)	¥2,598.90	¥2,768.95	$23.46

Consolidated Statements of Income

For the years ended March 31, 2005, 2006 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2005	2006	2007	2007
Operating revenues	¥594,375	¥621,933	¥573,277	$4,856,226
Electric power	547,960	573,198	523,782	4,436,956
Other	46,414	48,734	49,494	419,270
Operating expenses (Notes 2, 6, 7, 8 and 15)	482,489	520,464	496,136	4,202,762
Electric power	431,678	469,720	444,463	3,765,041
Other	50,810	50,744	51,673	437,721
Operating income	111,885	101,469	77,141	653,463
Other income (expenses), net (Notes 2 and 9)	(55,901)	(33,163)	(22,384)	(189,615)
Interest expenses	(50,881)	(35,732)	(22,585)	(191,317)
(Provision for) Reversal of reserve for fluctuation in water levels	(1,108)	399	(756)	(6,409)
Other, net	(3,910)	2,170	957	8,110
Income before income taxes and minority interests	55,984	68,305	54,757	463,848
Income taxes (Notes 2 and 16)				
Current	22,909	26,151	18,461	156,387
Deferred	(2,511)	(1,488)	1,431	12,126
Minority interests	27	65	(302)	(2,565)
Net income	¥35,559	¥43,577	¥35,167	$297,900

	Yen			U.S.dollars (Note 2)
Amounts per share;				
Net income (Note 2)	¥255.01	¥260.76	¥211.14	$1.79
Cash dividends applicable to the year (Note 10)	60.00	60.00	60.00	0.51

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2005, 2006 and 2007

	Millions of yen							
	Number of issued and outstanding 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
Balance at March 31, 2004	138,808	¥152,449	¥81,849	¥123,213		¥3,738		¥(1,605)
Net income				35,559				
Dividends *				(5,410)				
Bonuses to directors and statutory auditors *				(132)				
Increase in earnings from the addition of consolidated subsidiaries				137				
Decrease in earnings from the addition of consolidated subsidiaries				(1,420)				
Increase due to the addition of affiliates accounted for by the equity method				173				
Acquisition of treasury stock					(1)			
Net change during the year						2,469		306
Balance at March 31, 2005	138,808	152,449	81,849	152,121	(1)	6,207		(1,299)
Stock split	27,761							
Net income				43,577				
Dividends *				(12,492)				
Bonuses to directors and statutory auditors *				(162)				
Decrease in earnings from the addition of consolidated subsidiaries				(400)				
Increase due to the addition of affiliates accounted for by the equity method				187				
Decrease due to the addition of affiliates accounted for by the equity method				(69)				
Acquisition of treasury stock					(16)			
Net change during the year						7,842		3,234
Balance at March 31, 2006	166,569	152,449	81,849	182,760	(17)	14,050		1,935
Net income				35,167				
Dividends *				(9,993)				
Bonuses to directors and statutory auditors *				(161)				
Increase in earnings from the addition of consolidated subsidiaries				4,533				
Decrease in earnings from the addition of 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)			
Net change during the year						220	(4,131)	4,155
Balance at March 31, 2007	166,569	¥152,449	¥81,849	¥210,713	¥ (56)	¥14,271	¥(4,131)	¥6,090

	Thousands of U.S. dollars (Notes 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
Balance at March 31, 2006	$1,291,398	$693,346	$1,548,162	$(145)	$119,021		$16,391
Net income			297,900				
Dividends *			(84,656)				
Bonuses to directors and statutory auditors *			(1,369)				
Increase in earnings from the addition of consolidated subsidiaries			38,404				
Decrease in earnings from the addition of consolidated subsidiaries			(14,156)				
Increase due to the addition of affiliates accounted for by the equity method			564				
Decrease due to the addition of affiliates accounted for by the equity method			(55)				
Increase resulting from decrease of consolidated subsidiaries			161				
Acquisition of treasury stock				(337)			
Net change during the year					1,870	(34,996)	35,197
Balance at March 31, 2007	$1,291,398	$693,346	$1,784,954	$(482)	$120,891	$(34,996)	$51,589

*Items approved as distribution of surplus at the general meeting of shareholders held in each fiscal year.

Consolidated Statements of Cash Flows

For the years ended March 31, 2005, 2006 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2005	2006	2007	2007
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 55,984	¥ 68,305	¥54,757	$463,848
Depreciation	125,339	135,019	123,083	1,042,641
Loss on impairment of fixed assets	1,959	729	347	2,946
Loss on disposal of property, plant and equipment	3,748	2,735	2,710	22,961
(Decrease) increase in accrued employee's retirement benefits	(3,817)	(9,495)	(4,076)	(34,532)
(Decrease) increase in reserve for fluctuation in water levels	1,108	(399)	756	6,409
Interest and dividends	(2,087)	(2,649)	(2,284)	(19,348)
Interest expenses	50,881	35,732	22,585	191,317
(Increase) decrease in notes and accounts receivable	(2,874)	(3,244)	11,383	96,431
(Increase) in inventories	(1,471)	(5,080)	(2,205)	(18,681)
(Decrease) increase in notes and accounts payable	1,151	(1,810)	2,295	19,449
Investment (profit) loss on equity method	1,311	(2,042)	(5,560)	(47,099)
Profit (loss) on sale of property, plant and equipment	303	(167)	(379)	(3,215)
Others	6,504	15,987	2,250	19,065
Subtotal	238,042	233,621	205,665	1,742,192
Interest and dividends received	1,857	2,606	2,661	22,546
Interest paid	(51,940)	(36,472)	(21,934)	(185,809)
Income taxes paid	(15,322)	(25,800)	(29,151)	(246,938)
Net cash provided by operating activities	172,637	173,954	157,241	1,331,991
Cash flows from investing activities:				
Payments for purchase of property, plant and equipment	(57,825)	(68,449)	(95,889)	(812,280)
Proceeds from contributions grants	4,386	7,881	8,383	71,017
Proceeds from sales of property, plant and equipment	543	1,396	1,520	12,880
Payments for investments and advances	(19,952)	(14,180)	(70,345)	(595,893)
Proceeds from collections of investments and advances	13,678	2,931	3,484	29,514
Proceeds from cash and cash equivalents due to inclusion in consolidation	8	—	24	210
Others	(1,424)	(1,905)	(2,585)	(21,901)
Net cash used in investing activities	(60,586)	(72,326)	(155,407)	(1,316,452)
Cash flows from financing activities:				
Proceeds from issuance of bonds	89,952	149,360	89,636	759,306
Redemption of bonds	(279,910)	(234,090)	(59,067)	(500,357)
Proceeds from long-term loans	73,600	131,587	62,811	532,075
Repayment of long-term loans	(64,497)	(117,473)	(47,749)	(404,487)
Proceeds from short-term loans	198,485	128,547	22,084	187,079
Repayment of short-term loans	(188,902)	(154,964)	(44,436)	(376,418)
Proceeds from issuance of commercial paper	348,994	580,977	416,666	3,529,575
Redemption of commercial paper	(284,000)	(575,000)	(432,000)	(3,659,466)
Issuance of common stock	—	—	—	—
Payments for purchase of consolidated subsidiary's equity	—	—	—	—
Dividends paid	(5,410)	(12,472)	(9,989)	(84,623)
Dividends paid to minority interests	(108)	(71)	(84)	(716)
Others	(1)	(15)	(39)	(334)
Net cash used in financing activities	(111,798)	(103,613)	(2,168)	(18,368)
Foreign currency translation adjustments on cash and cash equivalents	17	291	331	2,804
Net (decrease) increase in cash and cash equivalents	270	(1,693)	(3)	(26)
Cash and cash equivalents at beginning of year	27,673	30,221	28,874	244,594
Increase in cash from the addition of consolidated subsidiaries	2,276	346	5,704	48,319
Cash and cash equivalents at end of year (Note 2 and 11)	¥30,221	¥28,874	¥34,575	$ 292,888

Notes to Consolidated Financial Statements

For the years ended March 31, 2005, 2006 and 2007

1.

Basis of preparation of consolidated financial statements

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

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

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

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

2.

Summary of significant accounting policies

(1) Principles of consolidation

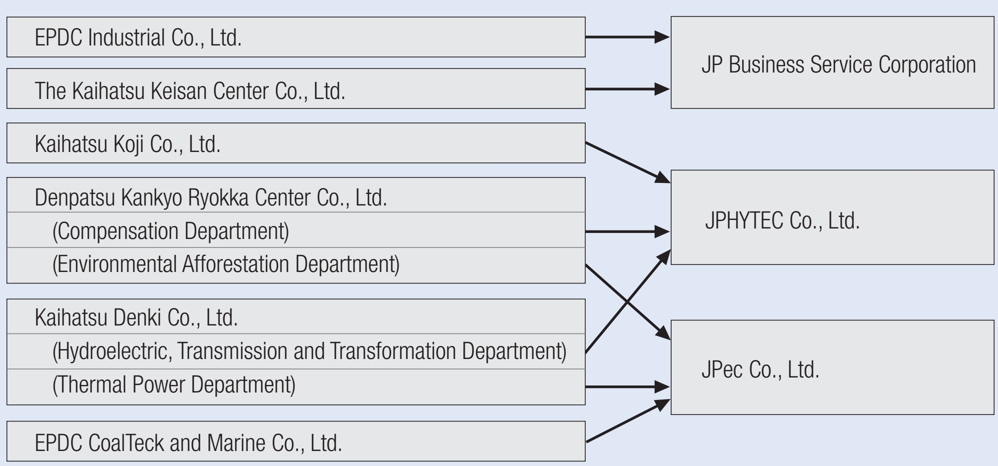
The accompanying consolidated financial statements include the accounts of the Company and its 55 subsidiaries controlled directly or indirectly by the Company.

Recognizing the added importance of consolidated results to the Group, the Company has undertaken a full-scope consolidation of its subsidiaries beginning with the year ended March 31, 2007, that includes a total of 36 companies, 25 of which were non-consolidated subsidiaries until the end of the year ended March 31, 2006. These also include J-POWER USA Investment Co., Ltd., which was established along with 7 other companies with the equity acquisition of the Tenaska Frontier power plant in the US in May 2006, Kaihatu Hiryou Hanbai Co., Ltd., which became a subsidiary when the operations were bought out in September 2006, J-POWER Holdings (Thailand) Co., Ltd., and one other company which were established in September 2006. Additionally, Epure Co., Ltd. ceased to be a consolidated subsidiary starting the year ended March 31, 2007 when the shares were transferred on March 30, 2007. J-POWER Elwood Consolidation, LLC, and 3 other companies which were established in January 2007, were subsidiaries of the Company as of March 31, 2007. Due to the fiscal closing dates of those 4 companies being different from the consolidated closing date, they are not included in the scope of consolidation.

From the year ended March 31, 2006, Bay Side Energy Co., Ltd. and Green Power Setana Co., Ltd., from the year ended March 31, 2005, Ichihara Power Co., Ltd. and 6 other companies, have been included in the scope of consolidation because of their importance to mid to long-range corporate strategy.

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

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



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

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

All of the consolidated subsidiaries, except for ITOIGAWA POWER, Inc., a domestic subsidiary, and overseas subsidiaries J-POWER AUSTRALIA PTY. LTD. and 16 other companies have the same fiscal year as that of the Company.

The fiscal closing date of ITOIGAWA POWER, Inc. is the end of February, and the fiscal closing date of each of J-POWER AUSTRALIA PTY. LTD. and 16 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 closing dates and that of the Company.

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

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

Note that beginning with the year ended March 31, 2007, the Company has added a total of 7 companies as equity method affiliates to its group, including J-Wind TOKIO Co. Ltd., Setouchi Power Corporation, ShanXi TianShi Power Generation Co., Ltd., EGCO Green Energy Co., Ltd., Roi-Et Green Co., Ltd., Tenaska Frontier Partners, Ltd. and one other company in recognition of its business strategic importance in the mid to long-term.

Note also that with the completion of its liquidation on November 8, 2006, Trang Biomass Co., Ltd. has been excluded effective with the year ended March 31, 2007.

Additionally, regarding Elwood Energy LLC and one other company, as well as Zajaczkowo Windfarm Sp.zo.o., these 3 companies are listed as the Company's affiliates as of March 31, 2007, they will be included as affiliates under the equity method effective with the year ending March 31, 2008 since their fiscal closing dates differ from the consolidated closing date.

From the year ended March 31, 2006, TOSA POWER Inc., Mihama Seaside Power Co., Ltd. and 10 other affiliates, from the year ended March 31, 2005, GENEX Co., Ltd and 4 other affiliates, have been accounted for by 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 28 affiliates, excluded TOSA POWER Inc., Mihama Seaside Power Co., Ltd., J-Wind TOKIO Co., Ltd. and Setouchi Power Corporation, which were accounted for using the equity method, have different fiscal closing dates from that of the Company. Accordingly, their financial statements as of their respective fiscal closing dates are used in consolidation. Note also that the fiscal closing date of GENEX Co., Ltd matched the consolidated closing date through the year ended March 31, 2006, but the change in accounting period with the year ended March 31, 2007 caused their fiscal closing dates to differ from the consolidated closing date.

(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.

b. Changes in depreciation methods for major depreciation assets

Starting with the year ended March 31, 2006, the Company changed from the straight-line method to the declining-balance method for the depreciation of the property, plant and equipment (except for environmental protection equipment) of the Matsuura and Tachibanawan thermal power plants.

In view of the operating environment at the time of the commencement of operations of both thermal plants, it was necessary to apply a method of depreciation that was consistent with the method of calculation of the individual cost rates of both plants. Therefore, the straight-line method had been applied at the above thermal power plant facilities, which was different from the method applied at other plants.

With the establishment of the Japan Electric Power Exchange in April 2005 and the clear formation of electric power wholesale prices, there have been even stronger demand to further lower wholesale electric rates, and relative to the time when the depreciation method above was first established, changes have occurred in conditions relating to the calculation of the Company's wholesale rates. In view of these circumstances, the Company decided to bring both power plants in line with other power plants by changing the method of depreciation of both thermal power plants to the straight-line method.

It is believed that this change in depreciation method will contribute to stronger finances through the early recovery of investment capital.

As a result of this change, in comparison with calculations applying the previous depreciation method, electric power operating expenses for the year ended March 31, 2006 increased ¥14,255 million and operating income and income before income taxes and minority interests decreased the same amount respectively.

c. Investments

Other securities with market value are stated at market value on the balance sheet date. Cost of sold securities is stated using the moving average method. The differences between the acquisition costs and the carrying values of securities are recognized in unrealized gain (loss) on securities. Unrealized gain (loss) on securities, net of applicable income taxes, is charged to net assets. Other securities without market value are stated at cost determined by the moving average method. Money in trust for cash management purposes is also stated at market value.

d. Inventories

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

e. Accrued employees retirement benefits

Accrued employees retirement benefits have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of each fiscal closing date.

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

f. Deferred charges

Through the year ended March 31, 2006, bond and stock issuance expenses and discounts on bonds were fully depreciated as carryover assets during the term in which they were incurred. Starting with the year ended March 31, 2007, however, the Company is processing bond issuance expenses as they are incurred and using the amortized cost method for bond discounts in accordance with changes in accounting standards related to financial instruments (see "Changes to Accounting Policies" ②below).

g. (Provision for) Reversal of reserve for fluctuations in water levels

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

h. Foreign currency translation

Foreign currency-denominated monetary receivables and payables are translated into yen at the exchange rate prevailing as of each fiscal closing date, 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 closing date and the resulting translation differences are presented as the foreign currency translation adjustment account under net assets (through the end of the year ended March 31, 2006, minority interests and shareholders' equity).

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

i. Leases

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

j. Derivative financial instruments and hedge accounting

The Company utilizes derivative financial instruments, such as foreign exchange forward contracts, foreign currency swaps and interest rate swaps, to manage its exposure to fluctuations in foreign exchange and interest rates. The Company does not intend to utilize the derivatives for trading or speculative purposes.

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

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

To evaluate the effectiveness of its hedging strategy 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 contracts, 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.Other significant issues for the preparation of consolidated financial statements

Per share information

Effective March 1, 2006, the Company carried out a 1.2-for-1 stock split. The per-share information for the year ended March 31, 2006 is calculated based on the assumption that said stock split was carried out at the beginning of the year ended March 31, 2006.

Changes to Accounting Policies

① Accounting standards for presentation of net assets in the balance sheet

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

The equivalent amount of the total shareholders’ equity regulated formerly is ¥465,317 million.

② Accounting standards for financial instruments

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

③ Accounting standards for director’s bonuses

Effective from the year ended March 31, 2007, the Company has adopted the “Accounting Standards for Director’s Bonuses” (Accounting Standards Board Statement No. 4, November 29, 2005). The effect of this on the profits and losses has been very slight.

④ Accounting standards related to impairment losses on fixed assets (“Statement of Position on the Setting of Accounting Standards Related to Impairment Losses on Fixed Assets” (Business Accounting Council, August 9, 2002)) and “Application Guidelines for Accounting Standards Related to Impairment Losses on Fixed Assets” (Guideline No. 6 of Application Guidelines for Business Accounting Standards, October 31, 2003) became applicable to financial statements for the year ended March 31, 2004 (these accounting standards are mandatory from the year ended March 31, 2006), and therefore, these accounting standards and guidelines have been applied from the year ended March 31, 2005.

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

Additional information

① The 2003 Law Revising Parts of the Local Tax Law (2003 Law No. 9) was promulgated on March 31, 2003, and the external standard taxation system was instituted with the business year that began April 1, 2004. Beginning with the year ended March 31, 2005, in accordance with the "Operational Handling of Disclosures Regarding Pro Forma Standard Taxation Portions of Corporate Taxes in Profit/Loss Statements" (Corporate Accounting Standards Committee Operational Response Report No. 12, dated February 13, 2004), the Company recorded the discounted value-added and discounted capital of Enterprise tax, as "Operating expenses - Other".

② The wind-power facilities of Nikaho-kogen Wind Power Co. Ltd., Green Power Kuzumaki Co. Ltd., Nagasaki-Shikamachi Wind Power Co. Ltd., Green Power Aso Co. Ltd., J-Wind TAHARA Ltd. and Dream-Up Tomamae Co. Ltd., which were included with the consolidated subsidiaries beginning in the year ended March 31, 2005, Green Power Setana Co., Ltd, which was included with the consolidated subsidiaries beginning in the year ended March 31, 2006, and Green Power Koriyama Nunobiki Co., Ltd., which was included with the consolidated subsidiaries starting with the year ended March 31, 2007, were reported as "Power plants - Hydroelectric power plants" under the Electric Utilities Industry Law.

(4) Income taxes

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

(5) Cash equivalents

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

(6) 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, those are convertible into shares of common stock.

(7) U.S. dollar amounts

The translation of Japanese yen amounts into U.S. dollar amount is included solely for the convenience of the reader, using the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 30, 2007, which was ¥118.05 = US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted, realized or settled in U.S. dollars at this or any other rate of exchange.

3. Property, plant and equipment

Power plants, less construction grants and accumulated depreciation, as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Hydroelectric power plants	¥481,068	¥469,750	$3,979,253
Thermal power plants	613,349	555,959	4,709,526
Internal combustion power generation facilities	16,931	15,471	131,059
Transmission facilities	257,253	242,675	2,055,697
Conversion facilities	38,605	36,581	309,884
Communication facilities	9,170	9,626	81,543
General facilities	22,065	21,928	185,759
Total	¥1,438,443	¥1,351,994	$11,452,724

Construction grants, which were deducted from the cost of property, plant and equipment as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Construction grants	¥103,631	¥106,030	$898,178

Accumulated depreciation of property, plant and equipment as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Accumulated depreciation	¥2,130,163	¥2,238,682	$18,963,847

4. Short-term loans and long-term debt

Short-term loans and long-term debt as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Loans from banks and Japanese government agencies, due on varying dates through 2023	¥ 827,480	¥ 809,929	$ 6,860,902
Interest rates:			
Long-term loans, excluding current portion 1.91% (average)			
Current portion of long-term loans 0.96% (average)			
Short-term loans 0.74% (average)			
Commercial paper 0.60% (average)			
Domestic bonds guaranteed by the Government of Japan, due on varying dates through 2011, 1.1% to 2.7%	175,450	145,300	1,230,834
Domestic bonds underwritten by the Government of Japan, due on varying dates through 2007, 2.00%	2,910	2,910	24,650
Domestic straight bonds, due on varying dates through 2025, 0.93% to 2.24%	300,000	389,929	3,303,086
French franc-denominated foreign bonds guaranteed by the Government of Japan, due in 2007, 5.63%	35,474	35,474	300,500
Euro-denominated foreign bonds guaranteed by the Government of Japan, due in 2006, 4.88%	28,917	0	0
Euro yen-denominated foreign bonds guaranteed by the Government of Japan, due in 2010, 1.80%	38,000	38,000	321,897
Subtotal	1,408,232	1,421,542	12,041,871
Less Current portion	(242,207)	(271,697)	(2,301,547)
Total	¥1,166,024	¥1,149,845	$9,740,323

The annual maturities of bonds and long-term debts subsequent to March 31, 2007, are summarized as follows:

Years ended March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 271,697	$ 2,301,547
2009	101,546	860,200
2010	72,344	612,829
2011	127,460	1,079,713
2012	90,902	770,036
2013 and thereafter	757,591	6,417,544
Total	¥1,421,542	$12,041,871

All of the Company's assets are subject to certain statutory liens as security for bonds. The outstanding amount of such bonds amounted to ¥726,081 million and ¥623,054 million ($5,277,882 thousand, including corporate bonds that were used to discharge certain debts through bond performance underwriting contracts) as of March 31, 2006 and 2007, respectively. Some long-term investments used as collateral for loans to affiliated companies were ¥142 million and ¥1,833 million ($15,527 thousand) as of March 31, 2006 and 2007 respectively.

The book value of the Company's assets pledged as collateral for the debt of certain consolidated subsidiaries, which debt totaled ¥7,343 million and ¥6,553 million ($55,512 thousand) as of March 31, 2006 and 2007, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Power plants	¥10,059	¥9,453	$80,083
Other property, plant and equipment	857	336	2,854

5. Contingent liabilities

Contingent liabilities as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Guarantees given for loans of other companies:			
TOSA POWER Inc.	¥ 4,731	¥ 4,301	$ 36,434
Green Power Koriyama Nunobiki Co., Ltd.	4,300	—	—
Ecuador Resources Finance Ltd.	738	—	—
Roi-Et Green Co., Ltd.	264	239	2,029
Okutadami Kanko Co., Ltd.	230	187	1,590
Kanda Eco Plant Co., Ltd.	147	128	1,088
Kawagoe Cable Vision Co., Ltd.	64	43	372
Daiichi Chuo Kisen Kaisha	—	80	684
Subtotal	10,477	4,981	42,200
Guarantees given in connection with housing loans to Company employees	5,471	5,288	44,798
Guarantee liability for performance guarantee insurance contract for PFI business EDOGAWA Water Service (Special-Purpose Company)	44	44	378
Debts assigned by the Company to certain banks under debt assumption agreements	405,330	361,370	3,061,160
Total	¥ 421,323	¥371,684	$ 3,148,538

6.

Operating expenses

Operating expenses (electric power) for the years ended March 31, 2005, 2006 and 2007, were summarized as follows:

Total	Millions of yen			Thousands of U.S. dollars
	2005	2006	2007	2007
Personnel expense	¥33,764	¥21,273	¥27,235	$230,713
Fuel cost	116,622	160,823	149,865	1,269,505
Repair expense	47,452	38,712	41,175	348,798
Consignment cost	34,000	31,418	31,785	269,257
Taxes and duties	24,974	29,959	28,566	241,982
Depreciation and amortization cost	122,016	131,511	118,588	1,004,563
Others	52,846	56,022	47,246	400,221
Total	¥431,678	¥469,720	¥444,463	$3,765,041

Selling, general and administration expenses included in operating expenses (electric power) for the years ended March 31, 2005, 2006 and 2007, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2006	2007	2007
Personnel expense	¥24,177	¥11,438	¥17,369	$147,140
Fuel cost	—	—	—	—
Repair expense	1,402	1,073	1,360	11,525
Consignment cost	12,042	9,326	8,185	69,338
Taxes and duties	618	561	501	4,245
Depreciation and amortization cost	2,386	2,630	2,201	18,647
Others	16,671	13,413	14,989	126,973
Total	¥57,299	¥38,443	¥44,607	$377,869

7.

Enterprise tax

Most of the enterprise taxes of the Company and 11 affiliates 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 ¥7,181 million, ¥7,501 million and ¥6,885 million ($58,325 thousand) for the years ended March 31, 2005, 2006 and 2007, 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 11 consolidated subsidiaries that operate electric power business.

8.

Research and development costs

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

Research and development costs included in general and administrative expenses for the years ended March 31, 2005, 2006 and 2007, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2006	2007	2007
Research and development costs	¥6,381	¥6,803	¥6,415	$54,345

9.

Loss on impairment of fixed assets

The Company's group bases the grouping of its assets on the categories used in its 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, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Land	¥179	¥ —	$ —
Buildings and structures	548	—	—
Machinery	—	172	1,457
Other	2	175	1,489
Total	¥729	¥347	$2,946

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

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

10.

Subsequent events

The following dividend from surplus of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved at the general meeting of the shareholders held on June 27, 2007:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥30 ($0.25) per share)	¥4,996	$42,326

11.

Cash and cash equivalents

The reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Cash and bank deposits on the consolidated balance sheets	¥28,961	¥35,029	$296,734
Time deposits with a maturity of more than three months	(87)	(453)	(3,845)
Cash and cash equivalents on the consolidated statements of cash flows	¥28,874	¥34,575	$292,888

12.

Leases

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

As a lessee:

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2006 and 2007, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2006			2007			2007		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Electric utility plant	¥7,729	¥6,659	¥1,070	¥1,640	¥907	¥733	$13,895	$7,685	$6,210
Others	2,938	1,089	1,849	3,137	1,275	1,862	26,576	10,803	15,773
Total	¥10,667	¥7,748	¥2,919	¥4,777	¥2,182	¥2,595	$40,472	$18,489	$21,983

Acquisition cost includes the imputed interest expense portion.

Future lease payments under finance leases as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Due within one year	¥1,134	¥830	$7,037
Due after one year	1,785	1,764	14,946
Total	¥2,919	¥2,595	$21,983

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

Lease payments (including accumulated depreciation) under finance leases were ¥2,310 million and ¥1,300 million ($11,013 thousand) as of March 31, 2006 and 2007, respectively. Depreciation expense is computed using by the straight-line method over the respective lease periods.

As a lessor:

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2006 and 2007, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2006			2007			2007		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Others	¥82	¥59	¥23	¥35	¥21	¥14	$300	$179	$121

Future lease revenues under finance leases as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Due within one year	¥20	¥8	$75
Due after one year	19	12	107
Total	¥39	¥21	$182

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

Revenues under finance leases were ¥23 million and ¥14 million ($122 thousand), for the years ended March 31, 2006 and 2007, respectively.

Depreciation under finance leases was ¥14 million and ¥5 million ($45 thousand), for the years ended March 31, 2006 and 2007, respectively.

13. Marketable securities and investment securities

(1) Other securities for which market prices were available as of March 31, 2006 and 2007, were as follows:

a. Stocks: Balance sheet amount more than cost

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Cost	¥9,422	¥21,370	$181,031
Balance sheet amount	31,243	42,355	358,792
Unrealized gain	¥21,820	¥20,984	$177,760

b. Stocks: Balance sheet amount less than cost

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Cost	¥120	¥9,497	$80,452
Balance sheet amount	69	9,188	77,837
Unrealized loss	¥ (50)	¥ (308)	$ (2,615)

c. Total:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Cost	¥9,542	¥30,868	$261,483
Balance sheet amount	31,313	51,544	436,629
Unrealized gain	¥21,770	¥20,675	$175,145

(2) Sale of other marketable securities as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Sale value	¥34	—	—
Capital gains	8	—	—
Loss on sale	¥299	—	—

(3) Non-marketable securities and investment securities stated at cost as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Unlisted stock	¥17,558	¥17,108	$144,930
Unlisted foreign stock	1,518	2,710	22,961
Capital contribution	2,468	2,469	20,919
Foreign capital contribution	388	338	2,870
Others	1,263	1,372	11,625
Total	¥23,197	¥24,000	$203,307

14. Derivatives

(1) Transaction status

a. Description of transactions

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

b. Purpose and policy of transactions

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

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

c. Description of risks regarding transactions

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

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

d. Risk management system

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

(2) Fair value

There are no derivatives for which the fair value should be disclosed as of March 31, 2006 and 2007, as all derivatives qualified for hedge accounting.

The Company and certain of its domestic consolidated subsidiaries have defined benefit plans, including defined benefit

15.

Employee retirement benefit plans

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

Retirement benefit obligation as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Retirement benefit obligation	¥(127,847)	¥(129,366)	$(1,095,862)
Plan assets at fair value	97,217	98,559	834,895
Unfunded retirement benefit obligation	(30,630)	(30,807)	(260,967)
Unrecognized actuarial loss	(4,825)	(2,313)	(19,601)
Unrecognized prior service cost	(776)	509	4,317
Accrued employees' retirement benefits	¥ (36,233)	¥ (32,611)	$ (276,250)

Retirement benefit expenses for the years ended March 31, 2005, 2006 and 2007, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2006	2007	2007
Service cost	¥ 4,689	¥ 4,618	¥ 4,959	$42,014
Interest cost	2,477	2,467	2,481	21,017
Expected return on plan assets	(1,943)	(2,097)	(2,573)	(21,798)
Amortization of prior service cost	675	(136)	221	1,873
Amortization of actuarial loss	227	(8,920)	(4,170)	(35,325)
Additional severance payments, etc.	3,651	1,291	1,150	9,744
Total	¥ 9,779	¥(2,775)	¥ 2,068	$17,526

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, 2005, 2006 and 2007, were as follows:

	2005	2006	2007
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 3.0%	Mainly 3.0%
Amortization period of unrecognized actuarial loss	Mainly amortized by the declining-balance method over a period of two years	Mainly amortized by the declining-balance method over a period of two years	Mainly amortized by the declining-balance method over a period of two years
Amortization period of prior service cost	Mainly amortized by the straight-line method over a period of two years	Mainly amortized by the straight-line method over a period of two years	Mainly amortized by the straight-line method over a period of two years

16.

Tax effect accounting

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporate income tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in statutory tax rates of approximately 36% and 40-42%, respectively for the Company and its consolidated subsidiaries engaged in the electric power business, other consolidated subsidiaries.

The significant components of deferred tax assets and liabilities as of March 31, 2006 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Deferred tax assets:			
Excess of retirement benefits	¥17,190	¥15,939	$135,023
Tax effect on elimination of unrealized gain on fixed-assets	14,069	14,694	124,477
Excess of amortization of deferred charges for tax purposes	5,171	4,781	40,505
Excess of depreciation of fixed assets	4,896	4,712	39,920
Amount assigned but not yet paid	2,558	2,755	23,341
Excess of reserve for fluctuations in water levels	503	776	6,573
Other	13,575	16,373	138,702
Subtotal deferred tax assets	57,964	60,033	508,546
Valuation allowance	(1,021)	(3,053)	(25,864)
Total deferred tax assets	56,942	56,980	482,681
Deferred tax liabilities:			
Other	(8,965)	(9,746)	(82,559)
Total deferred tax liabilities	(8,965)	(9,746)	(82,559)
Net deferred tax assets	¥47,977	¥47,234	$400,122

17.

Shareholders' equity

The corporate law being applied starting with the year ended March 31, 2007 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.

Furthermore, under the commercial code (had been superseded by the New Corporate Law executed on May 1, 2006), which was applied through the end of the year ended March 31, 2006, it was provided that an amount equal to at least 10% of the amounts to be disbursed as dividends be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account.

The 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.

Note that under the previous commercial code, the switch to the potential dividend amount could only be may by a resolution at the general meeting of shareholders when the total amount of the additional paid-in capital and the legal reserves exceeded 25% of the common stock account.

The basic guideline is that the Company's surplus funds be 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.

18. Segment information

Information about business segments of the Company and its consolidated subsidiaries for the years ended March 31, 2005, 2006 and 2007, was as follows:

(1) Business Segments

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

	Millions of yen				
	2006				
	Electric power	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥573,198	¥48,734	¥621,933	¥ —	¥621,933
Intersegment sales	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
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
Loss on impairment of fixed assets	729	—	729	—	729
Capital expenditures	55,125	8,441	63,567	(2,705)	60,861

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

	Thousands of U.S. dollars					
	2007					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	$4,436,956	$228,690	$190,579	$4,856,226	$ —	$4,856,226
Intersegment sales	27,256	1,890,297	50,771	1,968,325	(1,968,325)	—
Total sales	4,464,212	2,118,988	241,351	6,824,552	(1,968,325)	4,856,226
Operating expenses	3,943,786	1,986,800	231,550	6,162,137	(1,959,374)	4,202,762
Operating income	520,426	132,187	9,800	662,414	(8,950)	653,463
Assets	16,490,531	1,164,720	544,457	18,199,709	(1,259,474)	16,940,234
Depreciation	1,032,221	28,698	8,165	1,069,084	(26,443)	1,042,641
Loss on impairment of fixed assets	—	2,946	—	2,946	—	2,946
Capital expenditures	765,595	46,337	4,595	816,528	(48,175)	768,353

The main products within each segment as of March 31, 2005, and 2006 were as follows:

Electric Power Business: Wholesale electric power business, other electric power businesses

Other 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, operation of welfare facilities etc., computer services, and engineering and consulting in the country and abroad.

Starting with the year ended March 31, 2007, the business segments were changed from the traditional two: “Electric Power Business” and “Other Businesses” to three: “Electric Power Business”, “Electric Power-related Businesses” and “Other Businesses”. This will clarify the scale of operations of the separately disclosed “Electric Power-related Businesses” that complements the “Electric Power Business” and contributes to its smooth and efficient implementation. Also, by filling out the information being disclosed, the Company improved the usefulness of the segment information by type of operations. The names of the principal products belonging to each segment are 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, operation of welfare facilities etc. and computer services.

Other Businesses: Investing in overseas power generation, waste-fueled power generation, co-generation, environmental businesses, telecommunications businesses, and engineering and consulting in the country and abroad.

Furthermore, the segment type information for the operations in the year ended March 31, 2006 are shown below, grouped according to the business segments used in the year ended March 31, 2007.

	Millions of yen					
	2006					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 573,198	¥ 31,975	¥ 16,758	¥ 621,933	¥ —	¥ 621,933
Intersegment sales	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
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
Loss on impairment of fixed assets	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 and assets, geographic segment information is not presented.

(3) Overseas revenues

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

19. Related party transactions

There were no significant related-party transactions for the years ended March 31, 2005, 2006 and 2007.

20. Significant subsequent events

(1) Establishment of a limited partnership with John Hancock Life Insurance and transfer of ownership of electric power plants in North America.

On May 24, 2007, the Company entered into a limited partnership agreement with John Hancock Life Insurance Company ("Hancock"), headquartered in Boston, Massachusetts, to establish a 50/50 limited partnership J-POWER USA Generation, L.P. ("Generation") for the purpose of promoting IPP business in the US. The Company owns 50% interest in Generation through its subsidiary J-POWER North America Holdings Co., Ltd. and its sub-subsidiaries J-POWER USA Investment Co., Ltd. ("I-Co") and J-POWER USA Generation GP, LLC. The 62% interest in Tenaska Frontier Partners, Ltd. and 49.9% interest in Elwood Energy LLC, which the Company had held through I-Co, were transferred to Generation for US$80 million (approximately ¥9.5 billion). As a result, the Company holds 31% and 24.95% interest in these companies respectively. The Company expects to record very minor profit relating to this transfer of the interests.

(2) Sale of wind generation operations in Spain

On June 15, 2007, the Company entered into an agreement to sell to BABCOCK & BROWN WIND PARTNERS LIMITED, the shares of a Wind farm business in Spain "SEC HoldCo, S.A.", which the Company invested in (50% share) through J-Power Investment Netherlands B.V. ("Netherlands") , the Company's 100% owned overseas investment corporation in the Netherlands. The amount from the sale of Netherlands' shares was approximately €30 million (approximately ¥4.9 billion) and the profit was approximately €21 million (approximately ¥3.5 billion).

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Electric Power Development Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years ended March 31, 2007, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2007 in conformity with accounting principles generally accepted in Japan.

As described in Note 20 "Significant subsequent event", the Company entered into an agreement to sell the shares of a wind farm business in Spain, which has an effect on the consolidated financial position and the consolidated results of operation after March 31, 2007.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 28, 2007