Contents

Consolidated Financial Summary

For the years ended March 31

				Millions of yen		Thousands of U.S. dollars
	2004	2005	2006	2007	**2008**	**2008**
Operating revenues	569,854	594,375	621,933	573,277	**587,780**	**5,866,661**
Electric power	522,922	547,960	573,198	523,782	**531,764**	**5,307,557**
Other	46,931	46,414	48,734	49,494	**56,016**	**559,104**
Operating expenses	437,715	482,489	520,464	496,136	**537,056**	**5,360,379**
Electric power	386,463	431,678	469,720	444,463	**477,869**	**4,769,633**
Other	51,251	50,810	50,744	51,673	**59,186**	**590,745**
Operating income	132,138	111,885	101,469	77,141	**50,724**	**506,281**
Income before income taxes and minority interests	43,757	55,984	68,305	54,757	**43,469**	**433,868**
Net income	27,623	35,559	43,577	35,167	**29,311**	**292,561**
Total assets	2,076,107	2,021,655	1,964,667	1,999,794	**2,013,131**	**20,093,137**
Interest-bearing debt	1,592,908	1,498,010	1,408,232	1,421,542	**1,423,878**	**14,211,779**
Total net assets	359,645	391,327	433,028	462,654	**468,118**	**4,672,312**
Net cash provided by operating activities	179,948	172,637	173,954	157,241	**136,252**	**1,359,937**
Net cash used in investing activities	(64,507)	(60,586)	(72,326)	(155,407)	**(152,518)**	**(1,522,288)**
Free cash flow	115,441	112,051	101,628	1,834	**(16,265)**	**(162,351)**
Net cash provided by (used in) financing activities	(147,516)	(111,798)	(103,613)	(2,168)	**17,174**	**171,423**
Depreciation	131,380	125,339	135,019	123,083	**115,021**	**1,148,029**
Capital expenditures	46,202	50,925	60,861	90,704	**122,056**	**1,218,246**
Net income per share (yen, U.S. dollars)	304.88	255.01	260.76	211.14	**175.99**	**1.76**
Cash dividends per share (yen, U.S. dollars)	60	60	60	60	**70**	**0.70**
Shareholders' equity per share (yen, U.S. dollars)	2,590.00	2,818.04	2,598.90	2,768.95	**2,800.18**	**27.95**
Return on equity (%)	10.5	9.5	10.6	7.9	**6.3**	
Shareholders' equity ratio (%)	17.3	19.4	22.0	23.1	**23.2**	
Number of shares outstanding (thousands)	138,808	138,808	166,569	166,569	**166,569**	
Number of employees	5,871	5,925	5,868	6,494	**6,524**	
Generation capacity (MW)						
Wholesale electric power business	16,375	16,375	16,375	16,380	**16,380**	
Hydroelectric	8,551	8,551	8,551	8,556	**8,556**	
Thermal	7,825	7,825	7,825	7,825	**7,825**	
Other electric power businesses	134	375	495	560	**560**	
Total	16,509	16,750	16,870	16,940	**16,940**	
Electric power sales (GWh)						
Wholesale electric power business	58,787	60,517	62,626	58,672	**60,786**	
Hydroelectric	10,850	11,172	8,582	10,633	**8,287**	
Thermal	47,936	49,344	54,044	48,039	**52,499**	
Other electric power businesses	517	965	1,701	1,657	**1,682**	
Total	59,305	61,482	64,328	60,329	**62,469**	
Electric power revenues						
Wholesale electric power business	453,478	476,335	495,061	450,034	**457,292**	**4,564,253**
Hydroelectric	135,758	137,106	126,810	123,490	**114,557**	**1,143,403**
Thermal	317,719	339,228	368,250	326,543	**342,734**	**3,420,849**
Other electric power businesses	4,472	8,679	16,495	16,868	**17,702**	**176,694**
Transmission	63,398	61,194	58,255	55,184	**54,934**	**548,307**

* 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, 2008, which was ¥100.19 = US$1.00.

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

Electricity Sales Volume and Operating Revenues

During the fiscal year ended March 31, 2008 (fiscal 2007), overall demand for electricity in Japan surpassed that of the previous fiscal year. The increased demand was supported by robust air conditioning and heating demand prompted by a heat wave and severe winter, as well as continued steady growth in large-load demand in the industrial sector.

Under these conditions, consolidated operating revenues totaled ¥587.8 billion, up ¥14.5 billion, or 2.5%, from the previous fiscal year. This was mainly owing to high capacity utilization at thermal power plants, although operating revenues were partly reduced by low water flow at hydroelectric power plants and the impact of contract rate reductions for hydroelectric power and transmission in force since September 2007. The following is a breakdown of electricity sales volume and operating revenues by business segment.

Electric Power Business

In the wholesale electric power business, electricity sales volume from hydroelectric power plants declined 22.1% year on year to 8.3 billion kWh, mainly due to low water flow, following high water flow in the previous fiscal year (the water supply rate was down from 112% to 85%, representing a decrease of 2.4 billion kWh). Compounded by the impact of rate reductions, operating revenues from hydroelectric power decreased ¥8.9 billion, or 7.2%, year on year to ¥114.6 billion.

In thermal power, electricity sales volume rose 9.3% year on year to 52.5 billion kWh mainly due to higher capacity utilization at thermal power plants reflecting fewer periodic inspections (the load factor increased from 75% in the previous fiscal year to 81%, representing an increase of 4.5 billion kWh). Operating revenues from thermal power rose ¥16.2 billion, or 5.0%, year on year to ¥342.7 billion.

As a result, in the wholesale electric power business, total electricity sales volume from both hydroelectric and thermal power plants increased 3.6% year on year to 60.8 billion kWh. On the same basis, operating revenues were up ¥7.3 billion, or 1.6%, year on year at ¥457.3 billion.

Meanwhile, operating revenues from the power transmission/transforming business declined 0.5% year on year to ¥54.9 billion, partly due to the effect of rate reductions. The power transmission/transforming business mainly involves the operation of transmission trunk lines linking regional service areas in Japan.

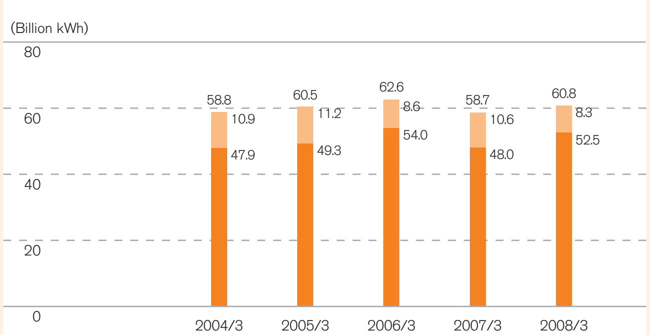
In the other electric power businesses, electricity sales volume rose 1.5% year on year to 1.7 billion kWh, mainly as a result of the start of full-year operations at Koriyama-Nunobiki Kogen Wind Farm. In addition, operating revenues increased ¥0.8 billion, or 4.9%, year on year to ¥17.7 billion.

As a result, electricity sales volume in the overall electric power business rose 3.6% year on year to 62.5 billion kWh. Overall, operating revenues in the electric power business rose ¥8.0 billion, or 1.5%, year on year to ¥535.0 billion.

Electric Power-related Businesses

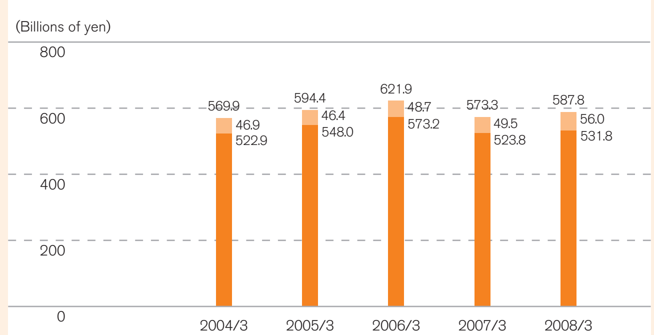
In fiscal 2007, operating revenues increased ¥35.5 billion, or 14.2%, year on year to ¥285.6 billion, primarily owing to higher revenues in the coal sales business, which outweighed a drop in revenues due to fewer periodic facility inspections during the fiscal year.

Electricity Sales in Wholesale Electric Power Business (Thermal and Hydroelectric)



Thermal (Including geothermal)
Hydroelectric

Operating Revenues (Electric Power and Other)



Electric power
Other

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

Other Businesses

In fiscal 2007, operating revenues rose ¥6.5 billion, or 22.9%, year on year to ¥35.0 billion, atop higher sales to customers outside the Group at consolidated subsidiaries.

Operating Expenses and Operating Income

In fiscal 2007, operating expenses rose ¥40.9 billion, or 8.2%, year on year to ¥537.1 billion. As a result, operating income decreased ¥26.4 billion, or 34.2%, year on year to ¥50.7 billion. The operating margin deteriorated by 4.9 percentage points from 13.5% in the previous fiscal year to 8.6%.

Electric Power Business

Operating income declined ¥21.5 billion, or 35.1%, year on year to ¥39.9 billion. The main reasons for this decrease were a rise in personnel expenses owing to the calculation of retirement benefit obligations, a rise in fuel costs of ¥41.7 billion stemming mainly from higher capacity utilization at thermal power plants, and a rise in coal prices. This was despite higher operating revenues, a decrease of ¥10.8 billion in repair expenses accompanying fewer periodic inspections at thermal power plants, and an ¥8.2 billion decrease in depreciation costs.

Electric Power-related Businesses

Operating income decreased ¥5.2 billion, or 33.3%, year on year to ¥10.4 billion, despite higher operating revenues. The decrease was mainly due to reduced business volume at maintenance subsidiaries.

Other Businesses

Operating income was down ¥0.3 billion, or 22.1%, from the previous fiscal year at ¥0.9 billion, despite higher operating revenues. The main reason for the decrease was an increase in cost of sales.

Non-Operating Revenues and Expenses

Net non-operating expenses improved by ¥13.8 billion from the previous fiscal year to ¥7.9 billion in fiscal 2007.

Non-Operating Revenues

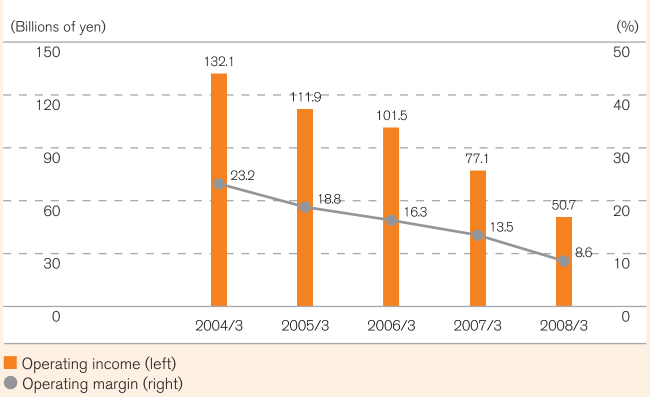
Non-operating revenues rose ¥8.5 billion, or 65.6%, year on year to ¥21.5 billion. This was mainly the result of the sale of a wind power generation company in Spain and an increase in investment gains in equity-method affiliates, primarily in the overseas power generation business. Of this amount, equity-method earnings in the overseas power generation business rose from ¥5.4 billion in the previous fiscal year to ¥8.6 billion in fiscal 2007.

Non-Operating Expenses

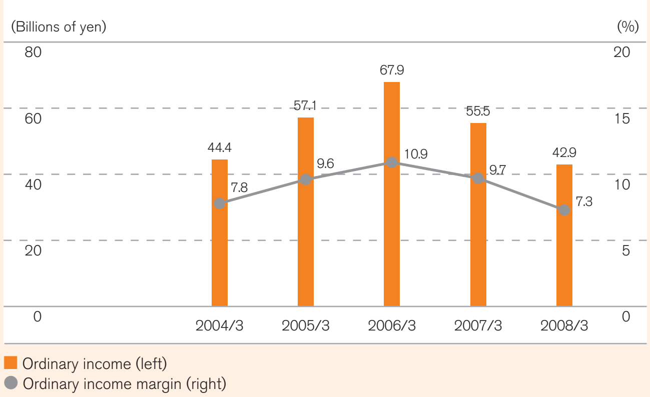
Non-operating expenses decreased ¥5.2 billion, or 15.1%, year on year to ¥29.4 billion, mainly reflecting the absence of the write-off of a development base recorded in the previous fiscal year.

Ordinary income declined 22.8% year on year to ¥42.9 billion. The ordinary income margin deteriorated by 2.4 percentage points from 9.7% in the previous fiscal year to 7.3%.

Operating Income/Operating Margin



Ordinary Income/Ordinary Income Margin



Net Income

In addition to the above, there was a ¥0.6 billion reversal of reserve for fluctuation in water levels due to low water flow. As a result, income before income taxes and minority interests, which is the sum of ordinary income and the reversal of reserve for fluctuation in water levels, dropped ¥11.3 billion, or 20.6%, year on year to ¥43.5 billion. After accounting for income taxes of ¥14.1 billion and minority interests, net income declined ¥5.9 billion, or 16.7%, year on year to ¥29.3 billion.

Net Income per Share

Net income per share was ¥175.99 in fiscal 2007, compared to ¥211.14 in the previous fiscal year.

Dividend Policy

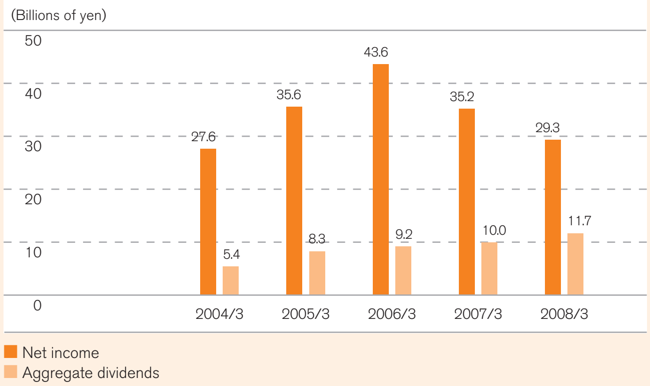
The most prominent characteristic of J-POWER's business is that we secure returns on our investments in power plants and other infrastructure through the long-term operation of these facilities utilizing our well-established enterprise management expertise, including the construction of power plants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

Our top priority for returning profit to shareholders is to maintain a stable dividend in line with the characteristics of our business. We will also work to enhance returns to shareholders in step with further growth.

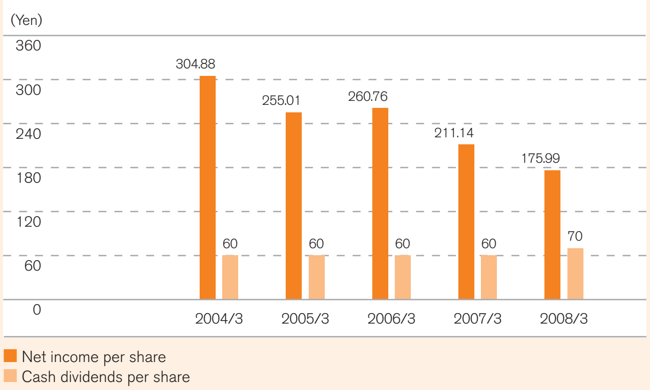
In fiscal 2007, J-POWER achieved all its 3-year management targets for the fiscal 2005-fiscal 2007 period in terms of average consolidated ordinary income and the consolidated shareholders' equity ratio. In this process, we have built new businesses such as the overseas power generation business on the foundation of earnings from the wholesale electric power business. These new businesses have dramatically improved the J-POWER Group's earnings capabilities at the consolidated level. Despite a challenging short-term outlook, we therefore foresee sustained, stable growth over the medium and long terms.

In light of the above, as well as a comprehensive consideration of factors such as achievement of our three-year management targets, future size of earnings, and the outlook for investments and financial position, we paid an annual dividend of ¥70 per share for fiscal 2007, combining a year-end dividend of ¥40 per share and an interim dividend of

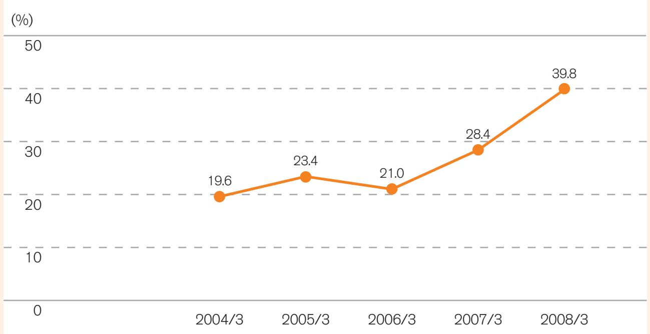
Net Income/Aggregate Dividends



Net Income per Share/Cash Dividends per Share



Consolidated Dividend Payout Ratio



¥30 per share. As a result, the consolidated payout ratio increased 11.4 percentage points from 28.4% in the previous fiscal year to 39.8%. Consolidated dividend on equity was 2.5%, an increase of 0.3 of a percentage point from 2.2% in the previous fiscal year.

Financial Position and Liquidity

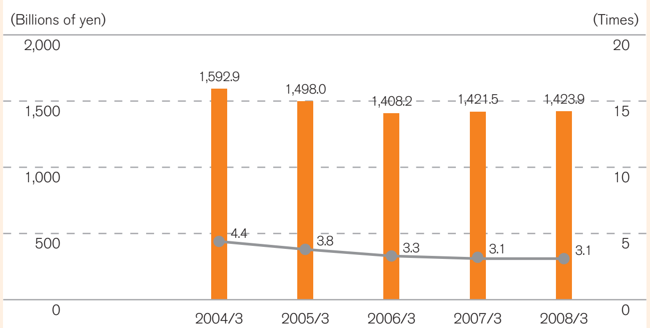
Assets

As of March 31, 2008, total assets were ¥2,013.1 billion, an increase of ¥13.3 billion, or 0.7%, from a year earlier.

The value of property, plant and equipment, net rose ¥2.6 billion, or 0.1%, from a year ago to ¥1,864.4 billion,* despite a decrease due to ongoing depreciation of property, plant and equipment in the electric power business. This was mainly due to an increase in construction in progress stemming from capital expenditures for construction at the Isogo New No. 2 Power Plant and the Ohma Nuclear Power Plant. In fiscal 2007, based on the progression of plans for the Ohma Nuclear Power Plant, J-POWER procured uranium ore and recorded this under "nuclear fuel."

* Includes investments and other assets of ¥220.9 billion

Interest-Bearing Debt/Debt-to-Equity Ratio



■ Interest-bearing debt (left)
● Debt-to-equity ratio (right)

Liabilities

As of March 31, 2008, total liabilities were ¥1,545.0 billion, an increase of ¥7.9 billion, or 0.5%, from a year earlier. This increase was due in part to the issue of corporate bonds in order to raise funds for investments in Japan and overseas. Interest-bearing debt increased ¥2.3 billion, or 0.2%, from a year ago to ¥1,423.9 billion. The debt-equity ratio was 3.1, the same level as the previous fiscal year-end.

*Net Assets and Shareholders' Equity**

Net assets as of March 31, 2008 were ¥468.1 billion, up ¥5.5 billion, or 1.2%, from a year earlier.

Shareholders' equity rose ¥5.2 billion, or 1.1%, from a year earlier to ¥466.4 billion, mainly due to an increase in retained earnings.

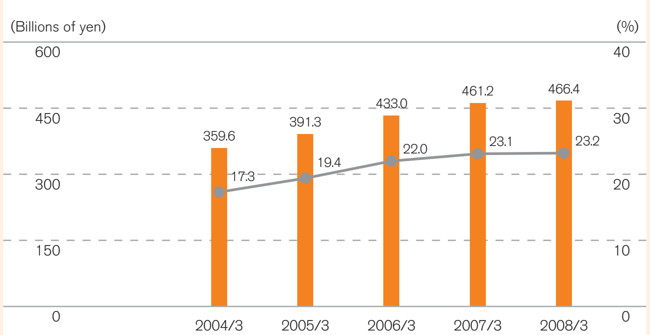
* Net assets – minority interests – share subscription rights (equivalent to shareholders' equity until fiscal 2005)

As a result, the shareholders' equity ratio climbed 0.1 of a percentage point from 23.1% a year earlier to 23.2% as of March 31, 2008.

Capital Expenditures

Capital expenditures rose ¥31.4 billion, or 34.6%, to ¥122.1 billion. In recent years, capital expenditures have remained within the scope of cash flows from operating activities. Capital expenditures in the electric power business increased

Total Shareholders' Equity/Shareholders' Equity Ratio



■ Total shareholders' equity (left)
● Shareholders' equity ratio (right)

Breakdown of Capital Expenditures (Fiscal 2007)

	Item	Capital expenditures (Billions of Yen)
Electric Power Business	Hydroelectric	18.4
	Thermal	30.2
	Nuclear	40.5
	Transmission/Transforming	10.1
	Other	4.3
	Nuclear fuel	10.0
	Electric power business total	113.6
Electric Power-related Businesses		7.1
Other Businesses		5.5
Elimination		–4.1
Total		122.1

Note: The above monetary amounts do not include consumption tax.
Repair work on existing facilities in fiscal 2007 totaled ¥32.9 billion.

¥23.2 billion, or 25.7%, year on year to ¥113.6 billion. These capital expenditures were mainly for the Isogo No. 2 Thermal Power Plant (output capacity of 600 MW, in Kanagawa Prefecture), and the Ohma Nuclear Power Plant (output capacity of 1,383 MW, in Aomori Prefecture).

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

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

For fiscal 2008, we are forecasting total capital expenditures of ¥177.1 billion in the electric power business, primarily reflecting investment in the maintenance and upgrading of existing facilities, as well as the two new power plants mentioned above.

Fund Procurement

J-POWER's financing needs are primarily related to capital expenditures for plant and equipment, and the overseas power generation business, as well as debt refinancing, and the Group adheres to a basic policy of fund procurement based on long-term funding. As a means of long-term fund procurement, we issue straight bonds in order to maintain a low-rate and stable fund procurement platform. The balance of outstanding straight bonds as of March 31, 2008 was ¥479.9 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 ¥200.0 billion in commercial paper.

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

Cash Flow

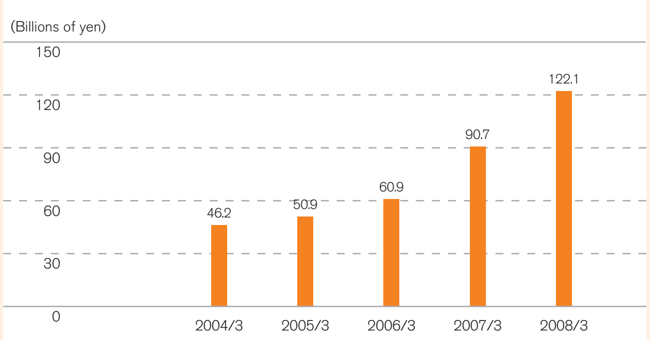
Cash Flow from Operating Activities

Net cash provided by operating activities was ¥136.3 billion, a decrease of ¥21.0 billion, or 13.3%, from the previous fiscal year. This decrease reflected a decline in retained earnings resulting from lower depreciation expenses and other items, despite an increase in accrued employees' retirement benefits, among other factors.

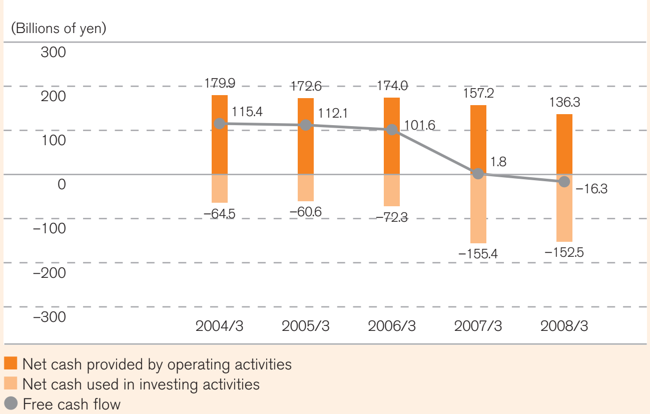
Cash Flow from Investing Activities

Net cash used in investing activities was ¥152.5 billion, ¥2.9 billion, or 1.9%, less than in the previous fiscal year. This mainly reflected a decrease in financing for the overseas

Capital Expenditures



Cash Flows from Operating and Investing Activities and Free Cash Flow



power generation business and other operations, and proceeds from the sale of a wind power generation company in Spain, despite additional construction-related expenditures at the Ohma Nuclear Power Plant, among other things.

As a result of the foregoing, free cash flow was negative ¥16.3 billion.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥17.2 billion, a change of ¥19.3 billion from net cash used in the previous fiscal year. This mainly reflected a drop in the redemption of corporate bonds.

As a result of these activities, cash and cash equivalents as of March 31, 2008 totaled ¥35.6 billion, up ¥1.1 billion, or 3.1%, from a year earlier.

Risk Factors

Business and Other Risks

This section discusses the main potential risks related to J-POWER's financial position, business results, current and future business operations, as well as other matters. From the perspective of actively disclosing information to investors, this section also provides information to help investors understand business and other risks that the Company does not necessarily consider significant. Statements about future matters are based on judgments as of June 30, 2008.

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

J-POWER derives most of its operating revenues from wholesale power supply to Japan's 10 electric power companies (EPCOs). Amid intensifying competition driven by industry reforms in the electric power business, the EPCOs have 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 intensifying competition 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 has prompted EPCOs to postpone or cancel new power plant development and to shut down inefficient thermal power plants on a long-term or permanent basis. In some cases, we have also postponed the start of commercial operations or canceled the planned construction of power plants to supply EPCOs based on consultations with our EPCO clients. The cancellation of construction plans as a result of 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 various 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.

Overseas Power Generation Business and Other Areas of New Business

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

Capital Funds

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

Ohma Nuclear Power Plant

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

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

Coal-Fired Thermal Power Plant Fuel

J-POWER's coal-fired thermal power plants use imported coal as their main source of fuel, and fuel costs are affected by price fluctuations for imported coal, supply and demand dynamics for transport vessels, and problems with the facilities or operations of fuel suppliers, among other factors. Fuel prices are reflected in our electricity rates for EPCOs on a cost basis. These rates are generally revised every two years, though they are subject to annual revision if costs change significantly. As a result, fluctuations in coal prices have a limited impact on earnings. However, following a revision to wholesale electricity rates, if coal prices rise sharply before the next revision, there will be a delay before the rise in fuel prices are reflected in electricity rates. This could have a temporary adverse impact on the business performance of the Company.

Natural Disasters and Accidents

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

Regulatory Requirements

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

Concentration on a Limited Number of Customers

Sales to EPCOs account for the majority of J-POWER's operating revenues. We expect EPCOs to remain our most important customers going forward, and accordingly, our earnings could potentially be affected by EPCOs' market share trends in the retail electricity market.

Protection of Sensitive Information

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

Consolidated Balance Sheets

As of March 31, 2007 and 2008

ASSETS	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars (Note 2) 2008
Property, plant and equipment, net	¥1,634,387	**¥1,643,507**	**$16,403,912**
Power plants (Notes 2, 3 and 4)	1,351,994	**1,265,497**	**12,630,972**
Other property, plant and equipment (Notes 2, 3 and 4)	33,682	**40,270**	**401,940**
Construction in progress (Note 2)	248,710	**327,429**	**3,268,088**
Nuclear fuel	–	**10,310**	**102,910**
Investments and other assets	227,430	**220,866**	**2,204,480**
Long-term investments (Notes 2, 4 and 13)	180,325	**165,015**	**1,647,026**
Deferred tax assets (Notes 2 and 16)	43,094	**51,777**	**516,795**
Others, less allowance for doubtful accounts	4,009	**4,073**	**40,659**
Current assets	137,976	**148,756**	**1,484,745**
Cash and bank deposits (Note 11)	35,029	**33,961**	**338,970**
Notes and accounts receivable, less allowance for doubtful accounts (Note 4)	47,150	**44,573**	**444,887**
Inventories (Note 2)	20,783	**25,329**	**252,815**
Others (Notes 2 and 16)	35,013	**44,892**	**448,071**
Total Assets	¥1,999,794	**¥2,013,131**	**$20,093,137**

LIABILITIES AND NET ASSETS	Millions of yen 2007	2008	Thousands of U.S. dollars (Note 2) 2008
Long-term liabilities	¥1,193,139	**¥1,276,354**	**$12,739,337**
Long-term debt, less current portion (Note 4)	1,149,845	**1,227,398**	**12,250,712**
Accrued employee retirement benefits (Notes 2 and 15)	32,611	**39,083**	**390,090**
Others (Note 16)	10,683	**9,872**	**98,534**
Current liabilities	341,844	**267,097**	**2,665,913**
Current portion of long-term debt and other (Note 4)	173,638	**101,565**	**1,013,733**
Short-term loans (Note 4)	2,115	**6,126**	**61,146**
Commercial paper (Note 4)	95,944	**88,949**	**887,811**
Income and other taxes payable	8,752	**11,407**	**113,859**
Others (Note 16)	61,393	**59,048**	**589,362**
Reserve for fluctuation in water levels (Note 2)	2,155	**1,560**	**15,574**
Contingent liabilities (Note 5)			
Total Liabilities	1,537,140	**1,545,012**	**15,420,825**
Shareholders' equity (Note 17)	444,956	**464,266**	**4,633,862**
Common stock	152,449	**152,449**	**1,521,604**
Capital surplus	81,849	**81,849**	**816,943**
Retained earnings	210,713	**230,032**	**2,295,960**
Treasury stock	(56)	**(64)**	**(646)**
Valuation and translation adjustments	16,230	**2,116**	**21,124**
Unrealized gain on other securities, net (Note 2)	14,271	**1,934**	**19,309**
Deferred hedging gain and loss (Notes 2 and 14)	(4,131)	**(6,759)**	**(67,469)**
Foreign currency translation adjustments (Note 2)	6,090	**6,941**	**69,284**
Minority interests	1,468	**1,735**	**17,325**
Total Net assets (Note 2)	462,654	**468,118**	**4,672,312**
Total Liabilities and Net assets	¥1,999,794	**¥2,013,131**	**$20,093,137**

	Yen		U.S. dollars (Note 2)
Shareholders' equity per share (Note 2)	¥2,768.95	**¥2,800.18**	**$27.95**

Consolidated Statements of Income

For the years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2006	2007	**2008**	**2008**
Operating revenues	¥621,933	¥573,277	**¥587,780**	**$5,866,661**
Electric power	573,198	523,782	**531,764**	**5,307,557**
Other	48,734	49,494	**56,016**	**559,104**
Operating expenses (Notes 2, 6, 7, 8 and 15)	520,464	496,136	**537,056**	**5,360,379**
Electric power	469,720	444,463	**477,869**	**4,769,633**
Other	50,744	51,673	**59,186**	**590,745**
Operating income	101,469	77,141	**50,724**	**506,281**
Other income (expenses) (Notes 2, 9 and 21)	(33,163)	(22,384)	**(7,255)**	**(72,413)**
Interest expenses	(35,732)	(22,585)	**(22,749)**	**(227,063)**
(Provision for) Reversal of reserve for fluctuation in water levels	399	(756)	**595**	**5,941**
Other, net	2,170	957	**14,899**	**148,708**
Income before income taxes and minority interests	68,305	54,757	**43,469**	**433,868**
Income taxes (Notes 2 and 16)				
Current	26,151	18,461	**15,962**	**159,325**
Deferred	(1,488)	1,431	**(1,829)**	**(18,264)**
Minority interests	65	(302)	**24**	**245**
Net income	¥ 43,577	¥ 35,167	**¥ 29,311**	**$ 292,561**

	Yen			U.S. dollars (Note 2)
Amounts per share:				
Net income (Note 2)	¥260.76	¥211.14	**¥175.99**	**$1.76**
Cash dividends applicable to the year (Note 10)	60.00	60.00	**70.00**	**0.70**

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2006, 2007 and 2008

	Number of shares issued and outstanding of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock (*1)	Unrealized gain (loss) on other securities, net	Deferred hedging gain and loss	Foreign currency translation adjustments
		Millions of yen						
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 the equity method				187				
Decrease due to the addition of affiliates accounted for 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 the equity method				66				
Decrease due to the addition of affiliates accounted for 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
Net income				**29,311**				
Dividends				**(9,993)**				
Acquisition of treasury stock					**(7)**			
Net change during the year						**(12,336)**	**(2,628)**	**851**
Balance at March 31, 2008	**166,569**	**¥152,449**	**¥81,849**	**¥230,032**	**¥(64)**	**¥ 1,934**	**¥(6,759)**	**¥ 6,941**

	Common stock	Capital surplus	Retained earnings	Treasury stock (*2)	Unrealized gain (loss) on other securities, net	Deferred hedging gain and loss	Foreign currency translation adjustments
	Thousands of U.S. dollars (Note 2)						
Balance at March 31, 2007	$1,521,604	$816,943	$2,103,142	$(568)	$ 142,441	$(41,234)	$60,785
Net income			**292,561**				
Dividends			**(99,743)**				
Acquisition of treasury stock				**(77)**			
Net change during the year					**(123,132)**	**(26,234)**	**8,498**
Balance at March 31, 2008	**$1,521,604**	**$816,943**	**$2,295,960**	**$(646)**	**$ 19,309**	**$(67,469)**	**$69,284**

(*1) Number of treasury stock as of March 31, 2008: 15,171 shares

Consolidated Statements of Cash Flows

For the years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2006	2007	**2008**	**2008**
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 68,305	¥ 54,757	**¥ 43,469**	**$ 433,868**
Depreciation	135,019	123,083	**115,021**	**1,148,029**
Loss on impairment of fixed assets	729	347	**267**	**2,671**
Loss on disposal of property, plant and equipment	2,735	2,710	**2,611**	**26,066**
(Decrease) increase in accrued employee retirement benefits	(9,495)	(4,076)	**6,471**	**64,594**
(Decrease) increase in reserve for fluctuation in water levels	(399)	756	**(595)**	**(5,941)**
Interest and dividends income	(2,649)	(2,284)	**(2,780)**	**(27,755)**
Interest expenses	35,732	22,585	**22,749**	**227,063**
(Increase) decrease in notes and accounts receivable	(3,244)	11,383	**2,120**	**21,165**
Increase in inventories	(5,080)	(2,205)	**(4,375)**	**(43,674)**
(Decrease) increase in notes and accounts payable	(1,810)	2,295	**4,027**	**40,193**
Gain on sales of securities	–	–	**(3,911)**	**(39,040)**
Investment income on equity method	(2,042)	(5,560)	**(8,879)**	**(88,625)**
Loss on sale of property, plant and equipment	(167)	(379)	**(1,004)**	**(10,026)**
Others	15,987	2,250	**(6,398)**	**(63,860)**
Subtotal	233,621	205,665	**168,792**	**1,684,728**
Interest and dividends received	2,606	2,661	**3,370**	**33,641**
Interest paid	(36,472)	(21,934)	**(22,453)**	**(224,105)**
Income taxes paid	(25,800)	(29,151)	**(13,458)**	**(134,327)**
Net cash provided by operating activities	173,954	157,241	**136,252**	**1,359,937**
Cash flows from investing activities:				
Payments for purchase of property, plant and equipment	(68,449)	(95,889)	**(134,723)**	**(1,344,680)**
Proceeds from constructions grants	7,881	8,383	**7,509**	**74,951**
Proceeds from sales of property, plant and equipment	1,396	1,520	**1,552**	**15,499**
Payments for investments and loans	(14,180)	(70,345)	**(35,965)**	**(358,972)**
Proceeds from collections of investments and loans	2,931	3,484	**6,650**	**66,379**
Payment for purchase of investments in subsidiaries, net of cash acquired	–	–	**(1,280)**	**(12,781)**
Proceeds from purchase of investments in subsidiaries, net of cash acquired	–	24	**–**	**–**
Proceeds from sale of subsidiary shares with a change in the scope of consolidation (Note 11)	–	–	**8,064**	**80,491**
Others	(1,905)	(2,585)	**(4,325)**	**(43,176)**
Net cash used in investing activities	(72,326)	(155,407)	**(152,518)**	**(1,522,288)**
Cash flows from financing activities:				
Proceeds from issuance of bonds	149,360	89,636	**89,675**	**895,050**
Redemption of bonds	(234,090)	(59,067)	**(38,384)**	**(383,112)**
Proceeds from long-term loans	131,587	62,811	**114,864**	**1,146,463**
Repayment of long-term loans	(117,473)	(47,749)	**(135,532)**	**(1,352,754)**
Proceeds from short-term loans	128,547	22,084	**18,551**	**185,167**
Repayment of short-term loans	(154,964)	(44,436)	**(14,549)**	**(145,217)**
Proceeds from issuance of commercial paper	580,977	416,666	**586,322**	**5,852,105**
Redemption of commercial paper	(575,000)	(432,000)	**(594,000)**	**(5,928,735)**
Proceeds from issuance of shares to minority shareholders	–	–	**266**	**2,654**
Dividends paid	(12,472)	(9,989)	**(9,989)**	**(99,701)**
Dividends paid to minority interests	(71)	(84)	**(42)**	**(419)**
Others	(15)	(39)	**(7)**	**(76)**
Net cash provided by (used in) financing activities	(103,613)	(2,168)	**17,174**	**171,423**
Foreign currency translation adjustments on cash and cash equivalents	291	331	**147**	**1,472**
Net (decrease) increase in cash and cash equivalents	(1,693)	(3)	**1,056**	**10,544**
Cash and cash equivalents at beginning of the year	30,221	28,874	**34,575**	**345,099**
Increase in cash from the addition of consolidated subsidiaries	346	5,704	**–**	**–**
Cash and cash equivalents at end of the year (Notes 2 and 11)	¥ 28,874	¥ 34,575	**¥ 35,631**	**$ 355,643**

Notes to Consolidated Financial Statements

For the years ended March 31, 2006, 2007 and 2008

1. Basis of preparation of consolidated financial statements

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

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

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

2. Summary of significant accounting policies

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 61 subsidiaries controlled directly or indirectly by the Company.

J-Wind IROUZAKI Co., Ltd., Green Power TOKIWA Co., Ltd., and J-POWER USA Generation GP, LLC along with 17 other companies were newly included within the scope of consolidation in the current consolidated fiscal year.

Kaihatsu Hiryo Hanbai Co., Ltd. and two other companies ceased to be consolidated subsidiaries due to mergers. Green Service Co., Ltd. also ceased to be a consolidated subsidiary following the completion of liquidation as of February 29, 2008. Furthermore, a total of 10 subsidiaries including a special subsidiary, J-POWER Frontier, L.P., and five other subsidiaries as well as J-POWER Elwood Consolidation, LLC and three other subsidiaries were transferred to J-POWER USA Generation, L.P., a 50/50 limited partnership of the Company and John Hancock Life Insurance Company, and thereby ceased to be consolidated subsidiaries due to a reduction in the Company's equity stake in those companies. J-POWER Consulting (China) Co., Ltd., which was established in February 2008, became a subsidiary of the Company as of March 31, 2008 but was not included within the scope of consolidation due to its fiscal closing date being different from the consolidated closing date. Although a decision was made to dissolve J-POWER INVESTMENT U.K. LIMITED on January 15, 2008, it has been included within the scope of consolidated subsidiaries in the current consolidated fiscal year since it was a subsidiary as of March 31, 2008.

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

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

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 J-POWER AUSTRALIA PTY. LTD. and 21 other overseas subsidiaries, have the same fiscal year as that of the Company.

The fiscal year-end of ITOIGAWA POWER Inc. is the end of February, and the fiscal year-end of each of J-POWER AUSTRALIA PTY. LTD. and 21 other overseas subsidiaries is the end of December. The financial statements of these subsidiaries as of these dates are used for consolidation after necessary adjustments with regard to significant transactions incurred during the periods between their fiscal year-ends and that of the Company.

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

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

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

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

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

From the year ended March 31, 2006, TOSA POWER Inc., Mihama Seaside Power Co., Ltd. and 10 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 48 affiliates, excluded TOSA POWER Inc., Mihama Seaside Power Co., Ltd., J-Wind TOKIO Co., Ltd. and Setouchi Power Corporation, which were accounted for using the equity method, have different fiscal year-ends from that of the Company. Accordingly, their financial statements as of their respective fiscal closing dates are used in consolidation. Note also that the fiscal year-end of GENEX Co., Ltd matched the consolidated closing date through the year ended March 31, 2006, but the change in accounting period for the year ended March 31, 2007 caused its fiscal closing date to differ from the consolidated fiscal year-end.

(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.

Starting with the current consolidated fiscal year, in line with the revision of Japan's Corporate Tax Law (Law for Partial Amendment of the Income Tax Law, etc. Law No. 6 of March 30, 2007 and Ordinance for Partial Amendment of the Corporate Tax Law Enforcement Ordinance, Ordinance No. 83 of March 30, 2007), accounting of assets acquired on or after April 1, 2007 are depreciated as provided for under the amended law. The resulting effect on income and expenses is slight. Assets acquired on or before March 31, 2007 are to be fully depreciated by the straight-line method for a period of five years from the following year of the completion up to the former allowable limit of depreciation. The adoption of this method resulted in an increase of ¥2,478 million in operating expenses for the current consolidated fiscal year, each segment amount of which is as follows: ¥2,388 million by Electric power business, ¥88 million by Electric power-related businesses and ¥1 million by Other businesses. Correspondingly, operating income, ordinary income, and income before income taxes and minority interests decreased by the same amounts respectively for the current consolidated fiscal year.

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 increased ¥14,255 million, and operating income, ordinary income and income before income taxes and minority interests decreased the same amount, respectively, for the year ended March 31, 2006.

b. Investments

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

c. Inventories

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

d. Allowance for doubtful accounts

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

e. Accrued employee retirement benefits

Accrued employee retirement benefits have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension assets as of each fiscal year-end.

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

f. Deferred charges

Through the year ended March 31, 2006, bond and stock issuance expenses and discounts on bonds were fully amortized as deferred charges 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 "Accounting Changes" ② on page 55).

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

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

h. Foreign currency translation

Foreign-currency-denominated monetary receivables and payables are translated into yen at the exchange rate prevailing as of each fiscal year-end, and the conversion differences are processed as gains or losses. The assets, liabilities, revenue and expenses of an overseas consolidated subsidiary are translated into yen at the exchange rate in effect at each fiscal year-end and the resulting translation differences are presented as the foreign currency translation adjustments account under net assets.

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

i. 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.

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

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

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

The Company evaluates hedge effectiveness on a quarterly basis or a per transaction basis by comparing cumulative changes in cash flow of hedging instruments with cumulative changes in hedged cash flow. Evaluation of the effectiveness of certain foreign exchange forward contracts, foreign currency swaps, and special interest rate swaps that depend on allocation processing has been omitted.

k. Capitalization of interest expenses

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

l. Accounting for consumption taxes

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

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

m. Income taxes

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

n. Cash equivalents

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

o. Other significant issues for the preparation of consolidated financial statements

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.

Accounting changes

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 of the fiscal year ended March 31, 2007 regulated formerly was ¥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 of the year ended March 31, 2007 was negligible.

③ Accounting standards for directors' bonuses

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

Reclassification

① Consolidated balance sheet

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

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

Furthermore, emission credit-related expenses included in "Long-term investments" in the previous consolidated fiscal year amounted to ¥2,296 million.

② Consolidated balance sheet

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

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

Furthermore, negotiable deposits issued by domestic corporations included in "Cash and bank deposits" in the previous consolidated fiscal year amounted to ¥2,500 million.

Additional information

The wind-power facilities of consolidated subsidiaries Nikaho-kogen Wind Power Co. Ltd., Green Power Kuzumaki Co. Ltd., Nagasaki-Shikamachi Wind Power Co. Ltd., Green Power Aso Co. Ltd., J-Wind TAHARA Co., Ltd. and Dream-Up Tomamae Co. Ltd., Green Power Setana Co., Ltd. and Green Power Koriyama-Nunobiki Co., Ltd. were reported as "Power plants – Hydroelectric power plants" under the Electric Utilities Industry Law.

(4) Per share information

Net income per share is calculated based on the weighted average number of shares of common stock excluding treasury stock during the fiscal year. Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share is not disclosed as there are no outstanding securities, such as convertible bonds or warrants, which are convertible into shares of common stock.

(5) U.S. dollar amounts

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2008, which was ¥100.19 = US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted, realized or settled in U.S. dollars at this or any other rate of exchange.

3. Property, plant and equipment

Book value of "power plants," less construction grants and accumulated depreciation, as of March 31, 2007 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Hydroelectric power plants	¥ 469,750	**¥ 450,635**	**$ 4,497,805**
Thermal power plants	555,959	**504,468**	**5,031,114**
Internal combustion power generation facilities	15,471	**14,141**	**141,146**
Transmission facilities	242,675	**229,312**	**2,288,779**
Conversion facilities	36,581	**34,310**	**342,454**
Communication facilities	9,626	**9,289**	**92,716**
General facilities	21,928	**23,339**	**232,955**
Total	¥1,351,994	**¥1,265,497**	**$12,630,972**

Construction grants, which were deducted from the cost of property, plant and equipment as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Construction grants	¥106,030	**¥106,031**	**$1,058,302**

Accumulated depreciation of property, plant and equipment as of March 31, 2007 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Accumulated depreciation	¥2,238,682	**¥2,332,884**	**$23,284,606**

4. Short-term loans and long-term debts

Short-term loans and long-term debts as of March 31, 2007 and 2008 consisted of the following:

		Millions of yen		Thousands of U.S. dollars
		2007	**2008**	**2008**
Loans from banks and Japanese government agencies, due on varying dates through 2035		¥ 809,929	**¥ 760,675**	**$ 7,592,325**
Interest rates:				
Long-term loans, excluding current portion	1.644% (average)			
Current portion of long-term loans	2.098% (average)			
Short-term loans	0.943% (average)			
Commercial paper	0.630% (average)			
Domestic bonds guaranteed by the Government of Japan, due on varying dates through 2011, 1.1% to 1.7%		145,300	**145,300**	**1,450,244**
Domestic bonds underwritten by the Government of Japan, due on varying dates through 2007		2,910	**–**	**–**
Domestic straight bonds, due on varying dates through 2025, 0.93% to 2.24%		389,929	**479,903**	**4,789,929**
French franc-denominated foreign bonds guaranteed by the Government of Japan, due in 2007		35,474	**–**	**–**
Euro yen-denominated foreign bonds guaranteed by the Government of Japan, due in 2010, 1.80%		38,000	**38,000**	**379,279**
Subtotal		1,421,542	**1,423,878**	**14,211,779**
Less Current portion		(271,697)	**(196,479)**	**(1,961,066)**
Total		¥1,149,845	**¥1,227,398**	**$12,250,712**

The annual maturities of bonds and long-term debts subsequent to March 31, 2008 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 196,479	$ 1,961,066
2010	120,041	1,198,137
2011	142,284	1,420,146
2012	90,876	907,043
2013	147,248	1,469,696
2014 and thereafter	726,947	7,255,689
Total	¥1,423,878	$14,211,779

All of the Company's assets are subject to certain statutory liens as security for bonds. The outstanding amount of such bonds amounted to ¥623,054 million and ¥523,970 million (US$5,229,763 thousand, including corporate bonds that were used to discharge certain debts through bond performance underwriting contracts) as of March 31, 2007 and 2008, respectively. Some long-term investments amounted to ¥1,833 million and ¥3,222 million (US$32,164 thousand) as of March 31, 2007 and 2008, respectively, and some accounts receivables amounted to ¥225 million (US$2,249 thousand) as of March 31, 2008 and were used as collateral for loans to other companies.

Some long-term investments of consolidated subsidiaries amounted to ¥1,120 million and ¥1,945 million (US$19,414 thousand) as of March 31, 2007 and 2008, respectively, and were used as collateral for loans to other companies.

The book value of the Company's assets pledged as collateral for the debt of certain consolidated subsidiaries, which totaled ¥6,553 million and ¥9,681 million (US$96,626 thousand) as of March 31, 2007 and 2008, respectively, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Power plants	¥9,453	**¥15,238**	**$152,093**
Other property, plant and equipment	336	**–**	**–**

In addition to the above, during the current consolidated fiscal year, Orange Grove Energy, L.P. provided all of its assets, rights, property rights, and interests as collateral for loans amounting to ¥3,671 million (US$36,640 thousand) from financial institutions. In addition, J-POWER Orange Grove Consolidation, L.P., which is a consolidated subsidiary of the Company, also provided a guarantee for these loans. Furthermore, during the previous consolidated fiscal year, J-POWER Frontier Capital, L.P. provided interests which it has in U.S. Tenaska Frontier Partners as collateral for loans amounting to ¥22,035 million from financial institutions; J-POWER Frontier Partners, L.P. and three other companies, which are consolidated subsidiaries of the Company, have also guaranteed these loans.

5. Contingent liabilities

Contingent liabilities as of March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Guarantees given for loans of companies below:			
TOSA POWER Inc.	¥ 4,301	**¥ 3,870**	**$ 38,635**
Zajaczkowo Windfarm Sp. zo.o.	–	**3,722**	**37,152**
Roi-Et Green Co., Ltd.	239	**214**	**2,139**
Okutadami Kanko Co., Ltd.	187	**164**	**1,645**
Kanda Eco Plant Co., Ltd.	128	**109**	**1,092**
Kawagoe Cable Vision Co., Ltd.	43	**23**	**232**
Daiichi Chuo Kisen Kaisha	80	**–**	**–**
Subtotal	4,981	**8,105**	**80,898**
Guarantees given in connection with housing loans to Company employees	5,288	**5,248**	**52,389**
Guarantee liability for performance guarantee insurance contract for PFI business			
EDOGAWA Water Service (Special-Purpose Company)	44	**3**	**30**
Guarantee liability for payment of construction work			
Zajaczkowo Windfarm Sp. zo.o.	–	**65**	**650**
Debts assigned by the Company to certain banks under debt assumption agreements	361,370	**300,670**	**3,000,998**
Total	¥371,684	**¥314,092**	**$3,134,967**

6. Operating expenses

Operating expenses (electric power) for the years ended March 31, 2006, 2007 and 2008, were summarized as follows:

Total

	Millions of yen			Thousands of U.S. dollars
	2006	2007	**2008**	**2008**
Personnel expense	¥ 21,273	¥ 27,235	**¥ 37,768**	**$ 376,967**
Fuel cost	160,823	149,865	**191,579**	**1,912,162**
Repair expense	38,712	41,175	**30,403**	**303,456**
Consignment cost	31,418	31,785	**30,289**	**302,325**
Taxes and duties	29,959	28,566	**27,753**	**277,010**
Depreciation and amortization cost	131,511	118,588	**110,393**	**1,101,837**
Others	56,022	47,246	**49,681**	**495,873**
Total	¥469,720	¥444,463	**¥477,869**	**$4,769,633**

Selling, general and administration expenses included in operating expenses (electric power) for the years ended March 31, 2006, 2007 and 2008, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2007	**2008**	**2008**
Personnel expense	¥11,438	¥17,369	**¥27,552**	**$275,006**
Fuel cost	–	–	**–**	**–**
Repair expense	1,073	1,360	**1,212**	**12,097**
Consignment cost	9,326	8,185	**7,232**	**72,185**
Taxes and duties	561	501	**535**	**5,344**
Depreciation and amortization cost	2,630	2,201	**2,579**	**25,742**
Others	13,413	14,989	**15,724**	**156,950**
Total	¥38,443	¥44,607	**¥54,836**	**$547,326**

7. Enterprise tax

Most of the enterprise taxes of the Company and 13 consolidated subsidiaries that operate electric power business are imposed on operating revenues, except for certain enterprise taxes imposed on taxable income. Enterprise tax on operating revenues was included in operating expenses (electric power) in the amount of ¥7,501 million, ¥6,885 million and ¥6,989 million (US$69,760 thousand) for the years ended March 31, 2006, 2007 and 2008, respectively. Regarding the enterprise tax for consolidated subsidiaries, the discounted value-added and discounted capital are included in "Operating expenses – Other," and revenues are included in corporate income tax, excluding the 13 consolidated subsidiaries that operate electric power business.

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, 2006, 2007 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2007	**2008**	**2008**
Research and development costs	¥6,803	¥6,415	**¥8,020**	**$80,050**

9. Loss on impairment of fixed assets

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

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Buildings and structures	¥ –	**¥191**	**$1,907**
Machinery	172	**–**	**–**
Others	175	**76**	**763**
Total	¥347	**¥267**	**$2,671**

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

Impairment losses outside this asset group are of minor importance, so they are omitted.

10. Subsequent events

The following dividend from the surplus of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, was approved at the general meeting of the shareholders held on June 26, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥40 (US$0.40) per share)	**¥6,662**	**$66,495**

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, 2007 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Cash and bank deposits on the consolidated balance sheets	¥35,029	**¥33,961**	**$338,970**
Time deposits with a maturity of more than three months	(453)	**(329)**	**(3,289)**
Short-term investments included in other current assets	–	**2,000**	**19,962**
Cash and cash equivalents on the consolidated statements of cash flows	¥34,575	**¥35,631**	**$355,643**

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

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	**¥ 18,761**	**$ 187,259**
Long-term liabilities	**(24,296)**	**(242,507)**
Others	**3,738**	**37,318**
Cash and cash equivalents of companies that are no longer consolidated subsidiaries	**(1,796)**	**(17,929)**
Proceeds from sale of shares in companies that are no longer consolidated subsidiaries	**9,860**	**98,421**
Deductions: proceeds from sale of subsidiary shares with a change in the scope of consolidation	**¥ 8,064**	**$ 80,491**

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, 2007 and 2008 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2007			**2008**			**2008**		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Electric utility plant	¥1,640	¥ 907	¥ 733	**¥1,408**	**¥ 765**	**¥ 642**	**$14,054**	**$ 7,636**	**$ 6,417**
Others	3,137	1,275	1,862	**3,324**	**1,462**	**1,862**	**33,180**	**14,595**	**18,585**
Total	¥4,777	¥2,182	¥2,595	**¥4,732**	**¥2,227**	**¥2,505**	**$47,235**	**$22,232**	**$25,003**

Acquisition cost includes the imputed interest expense portion.

Future lease payments under finance leases as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Due within one year	¥ 830	**¥ 818**	**$ 8,173**
Due after one year	1,764	**1,686**	**16,829**
Total	¥2,595	**¥2,505**	**$25,003**

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

Lease payments and depreciation expense under finance leases as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Lease payments	¥1,300	**¥955**	**$9,541**
Depreciation expense	1,300	**955**	**9,541**

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

As a lessor:

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2007 and 2008 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2007			2008			2008		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Others	¥35	¥21	¥14	**¥28**	**¥16**	**¥11**	**$279**	**$164**	**$115**

Future lease revenues under finance leases as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Due within one year	¥ 8	**¥ 7**	**$ 76**
Due after one year	12	**12**	**121**
Total	¥21	**¥19**	**$197**

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

Revenues and depreciation expense under finance leases as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Revenues	¥14	**¥10**	**$101**
Depreciation expense	5	**6**	**68**

13. Marketable securities and investment securities

(1) Other securities for which market prices were available as of March 31, 2007 and 2008 were as follows:

a. Stocks: Balance sheet amount more than cost

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Cost	¥21,370	**¥11,438**	**$114,167**
Balance sheet amount	42,355	**21,389**	**213,485**
Unrealized gain	¥20,984	**¥ 9,950**	**$ 99,317**

b. Stocks: Balance sheet amount less than cost

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Cost	¥9,497	**¥34,823**	**$347,572**
Balance sheet amount	9,188	**26,940**	**268,889**
Unrealized loss	¥ (308)	**¥ (7,883)**	**$ (78,683)**

c. Total:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Cost	¥30,868	**¥46,261**	**$461,739**
Balance sheet amount	51,544	**48,329**	**482,374**
Unrealized gain	¥20,675	**¥ 2,067**	**$ 20,634**

(2) Sale of other marketable securities as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Sale value	–	**¥13,139**	**$131,148**
Capital gains	–	**3,911**	**39,040**
Loss on sale	–	**–**	**–**

(3) Non-marketable securities and investment securities stated at cost as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Unlisted stock	¥17,108	**¥17,098**	**$170,663**
Unlisted foreign stock	2,710	**2,110**	**21,065**
Capital contribution	2,469	**2,468**	**24,640**
Foreign capital contribution	338	**328**	**3,282**
Others	1,372	**1,351**	**13,484**
Total	¥24,000	**¥23,357**	**$233,136**

14. Derivatives

(1) Transaction status

a. Description of transactions

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

b. Purpose and policy of transactions

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

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

c. Description of risks regarding transactions

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

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

d. Risk management system

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

(2) Fair value

There were no derivatives for which the fair value should be disclosed as of March 31, 2007 and 2008, as all derivatives qualified for hedge accounting.

15. Employee retirement benefit plans

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

Retirement benefit obligations as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Retirement benefit obligation	¥(129,366)	**¥(129,983)**	**$(1,297,365)**
Plan assets at fair value	98,559	**87,385**	**872,197**
Unfunded retirement benefit obligation	(30,807)	**(42,597)**	**(425,167)**
Unrecognized actuarial loss	(2,313)	**3,602**	**35,958**
Unrecognized prior service cost	509	**(88)**	**(881)**
Accrued employees' retirement benefits	¥ (32,611)	**¥ (39,083)**	**$ (390,090)**

Retirement benefit expenses for the years ended March 31, 2006, 2007 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2007	**2008**	**2008**
Service cost	¥ 4,618	¥ 4,959	**¥ 5,046**	**$ 50,370**
Interest cost	2,467	2,481	**2,497**	**24,932**
Expected return on pension assets	(2,097)	(2,573)	**(2,606)**	**(26,011)**
Amortization of prior service cost	(136)	221	**598**	**5,969**
Amortization of actuarial gain or loss	(8,920)	(4,170)	**6,107**	**60,956**
Additional severance payments, etc.	1,291	1,150	**1,601**	**15,989**
Total	¥(2,775)	¥ 2,068	**¥13,245**	**$132,206**

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, 2006, 2007 and 2008 were as follows:

	2006	2007	**2008**
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 actuarial gain or loss	Mainly amortized by the declining-balance method over a period of two years	Mainly amortized by the declining-balance method over a period of two years	**Mainly amortized by the declining-balance method over a period of two years**
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, and other consolidated subsidiaries.

The significant components of deferred tax assets and liabilities as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Deferred tax assets:			
Excess of retirement benefits	¥15,939	**¥18,278**	**$182,442**
Tax effect on elimination of unrealized gain on fixed assets	14,694	**14,737**	**147,096**
Excess of amortization of deferred charges for tax purposes	4,781	**2,649**	**26,446**
Excess of depreciation of fixed assets	4,712	**6,738**	**67,253**
Amount assigned but not yet paid	2,755	**2,640**	**26,357**
Excess of reserve for fluctuations in water levels	776	**561**	**5,606**
Other	16,373	**19,041**	**190,052**
Subtotal of deferred tax assets	60,033	**64,648**	**645,256**
Valuation allowance	(3,053)	**(4,415)**	**(44,075)**
Total deferred tax assets	56,980	**60,232**	**601,181**
Deferred tax liabilities:			
Other	(9,746)	**(4,263)**	**(42,552)**
Total deferred tax liabilities	(9,746)	**(4,263)**	**(42,552)**
Net deferred tax assets	¥47,234	**¥55,969**	**$558,629**

The breakdown of the main items which caused the difference in the statutory tax rate and the contribution rate of corporate tax after the application of tax effect accounting in the current consolidated fiscal year is as follows:

Statutory tax rates	36.00%
(adjusted)	
Investment profit/loss based on the equity method	(7.35%)
Valuation allowance	2.76%
Others	1.10%
Contribution rate of corporate tax after application of tax effect accounting	32.51%

17. Shareholders' equity

The corporate law being applied starting in 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 (which was 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 made 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 are distributed twice per year as an interim dividend by a resolution of the board of directors and a term-end dividend by resolution of the general meeting of shareholders.

18. Segment information

Information about business segments of the Company and its consolidated subsidiaries for the years ended March 31, 2006, 2007 and 2008 was as follows:

(1) Business Segments

	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

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

	Thousands of U.S. dollars					
	2008					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	**$ 5,307,557**	**$ 241,393**	**$317,710**	**$ 5,866,661**	**$ –**	**$ 5,866,661**
Intersegment sales	**32,542**	**2,609,401**	**31,759**	**2,673,703**	**(2,673,703)**	**–**
Total sales	**5,340,100**	**2,850,795**	**349,469**	**8,540,365**	**(2,673,703)**	**5,866,661**
Operating expenses	**4,941,877**	**2,746,952**	**340,476**	**8,029,307**	**(2,668,927)**	**5,360,379**
Operating income	**398,222**	**103,842**	**8,992**	**511,058**	**(4,776)**	**506,281**
Assets	**19,643,191**	**1,509,066**	**875,011**	**22,027,269**	**(1,934,131)**	**20,093,137**
Depreciation	**1,132,532**	**35,663**	**10,597**	**1,178,793**	**(30,764)**	**1,148,029**
Loss on impairment of fixed assets	**–**	**2,671**	**–**	**2,671**	**–**	**2,671**
Capital expenditures	**$ 1,133,513**	**$ 71,115**	**$ 54,476**	**$ 1,259,105**	**$ (40,859)**	**$ 1,218,246**

The main products within each segment as of March 31, 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 Japan and abroad.

Starting in 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 clarifies 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 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, 2006, 2007 and 2008.

20. Business combinations

There were no significant matters to be recorded for the years ended March 31, 2006, 2007 and 2008.

21. Special-purpose company

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

The Company signed an anonymous association agreement with this special-purpose company and under the agreement holds the capital, etc. In February 2008, a decision was made to purchase the trust beneficiary interests from the special-purpose company, and these interests are to be transferred in August 2008. As a result, the anonymous association, which is the operator of the special-purpose company, is expected to generate about ¥12.2 billion (US$121 million) in profits and to be dissolved. Accompanying the dissolution, the Company, which is the investor in the anonymous association, will receive these profits as a distribution of profits of the anonymous association and is expected to recover the investment capital, etc., in full from the anonymous association. Therefore, as of March 2008, we do not believe that there will be any possibility of an encumbrance of losses in the future.

On March 31, 2008, there was one special-purpose company with an outstanding trade balance and on the most recent fiscal closing date, total assets of this special-purpose company amounted to ¥19,326 million (US$192,909 thousand) and total liabilities ¥16,822 million (US$167,909 thousand). It should be noted that the Company has no investment with voting rights in this special-purpose company nor does it provide this company with staff or directors.

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

	Outstanding trade balance or balance of the consolidated fiscal year ended in March 2008		Main profit & loss		
				Amount	
	Millions of yen	Thousands of U.S. dollars	Items	Millions of yen	Thousands of U.S. dollars
Investment of the anonymous association	¥1,000	$ 9,981	Profit distribution	¥352	$3,513
Outstanding distribution of the anonymous association	1,491	14,889			

Note: The anonymous association's investment and outstanding distribution are balances as of March 31, 2008. The profit distribution relating to the Investment of the anonymous association is recorded under non-operating revenues.

22. Significant subsequent event

(Equity injection for the acquisition of an interest in Birchwood Power Partners, L.P.)

The Company executed a Share Purchase Agreement through the Company's wholly owned subsidiary, J-POWER North America Holdings Co., Ltd., on December 18, 2007 to acquire (in two phases) a 50% interest in a coal-fired power station located in King George County, Virginia from GE Energy Financial Services. As part of the above-mentioned acquisition, the Company established J-POWER Birchwood, L.P., J-POWER Birchwood Capital, L.P. and five other companies on April 7, 2008 as the Company's wholly-owned subsidiaries through J-POWER North America Holdings Co., Ltd. and made an equity injection of approx. US$60 million (equivalent to approx. ¥6 billion) to J-POWER North America Holdings Co., Ltd. on April 24, 2008.

J-POWER Birchwood Capital, L.P. entered into a non-recourse loan financing of US$80 million (equivalent to approx. ¥8 billion) for this acquisition. Together with the non-recourse loan financing, J-POWER Birchwood Capital, L.P. established a non-recourse letter of credit facility of US$9.8 million (equivalent to approx. ¥1 billion) on May 8, 2008.

Birchwood Power Partners, L.P. is a 242MW coal-fired power station. It sells its output to Virginia Electric and Power Company, which supplies electric power mainly in Virginia and the northeast area of North Carolina.

Report of Independent Auditors

The Board of Directors
Electric Power Development Co., Ltd.

We have audited the accompanying consolidated balance sheets of Electric Power Development Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years ended March 31, 2008, 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 2008, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2008 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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 Notes 1 and 2.

June 27, 2008

Ernst & Young ShinNihon