Contents

Consolidated Financial Summary

For the years ended March 31

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

* Pumped-storage hydroelectric power is not included.

** The translation of the Japanese yen amounts into U.S. dollars uses the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2009, which was ¥98.23 = US$1.00.

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

Electricity Sales Volume and Operating Revenues

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

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

Electric Power Business

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

In thermal power, electricity sales volume declined 6.4% year on year to 49.1 billion kWh mainly due to lower capacity utilization at thermal power plants (the load factor decreased from 81% in the previous fiscal year to 76%, representing a decrease of 3.4 billion kWh). Operating revenues from thermal power rose ¥117.6 billion, or 34.3%, year on year to ¥460.3 billion, primarily as the result of increased unit sales prices accompanying higher fuel prices.

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

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

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

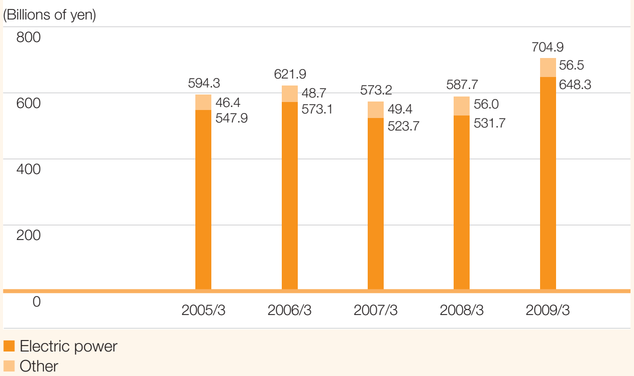
As a result, electricity sales volume in the overall electric power business declined 5.3% year on year to 59.1 billion kWh. Overall, operating revenues in the electric power business rose ¥116.4 billion, or 21.8%, year on year to ¥651.5 billion.

Electric Power-Related Businesses

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

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

OPERATING REVENUES (ELECTRIC POWER AND OTHER)



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

Other Businesses

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

Operating Expenses and Operating Income

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

Electric Power Business

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

Electric Power-Related Businesses

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

Other Businesses

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

Non-Operating Revenues and Expenses

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

Non-Operating Revenues

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

Non-Operating Expenses

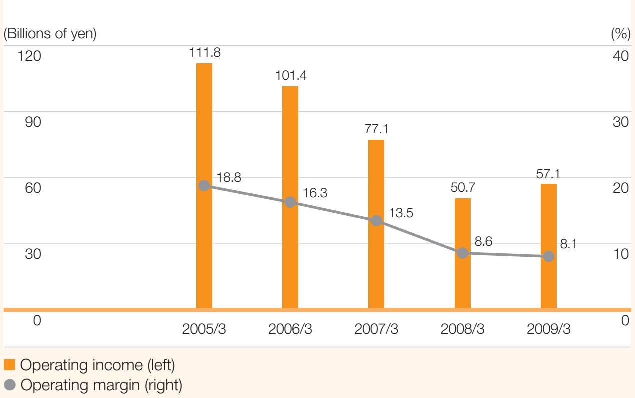
Non-operating expenses in fiscal 2008 increased ¥1.3 billion, or 4.8%, year on year to ¥30.7 billion.

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

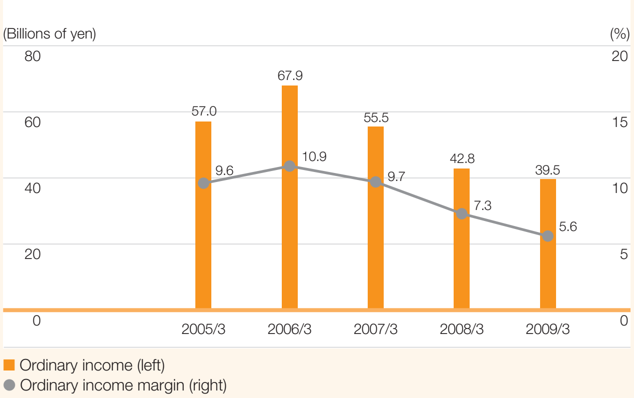
Net Income

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

OPERATING INCOME/OPERATING MARGIN



ORDINARY INCOME/ORDINARY INCOME MARGIN



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

Net Income per Share

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

Dividend Policy

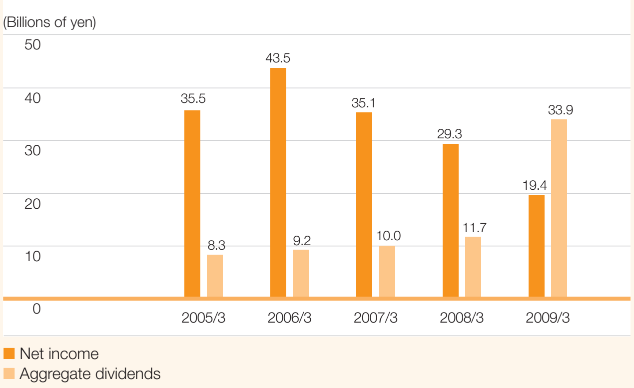
The most prominent characteristic of J-POWER's business is that we secure returns on our investments in power plants and other infrastructure through the long-term operation of these facilities utilizing our well-established enterprise management expertise, including the construction of power plants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

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

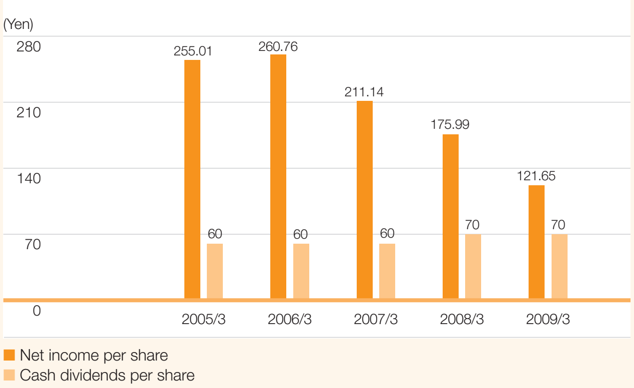
In fiscal 2007, J-POWER achieved all its 3-year management targets for the fiscal 2005-fiscal 2007 period, resulting in a sustainable and stable growth outlook over the medium to long-term. In light of a comprehensive consideration of factors such as achievement of our three-year management targets, future size of earnings, and the outlook for investments and financial position, we increased our annual dividend for fiscal 2007 from ¥60 per share to ¥70 per share.

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

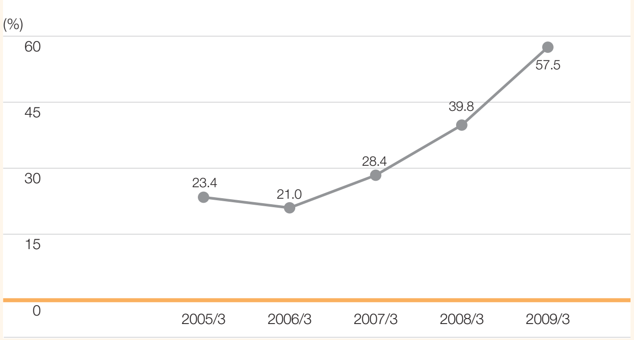
NET INCOME/AGGREGATE DIVIDENDS



NET INCOME PER SHARE/CASH DIVIDENDS PER SHARE



CONSOLIDATED DIVIDEND PAYOUT RATIO



Financial Position and Liquidity

Assets

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

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

* Includes investments and other assets of ¥211.9 billion

Liabilities

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

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

Net Assets and Shareholders' Equity*

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

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

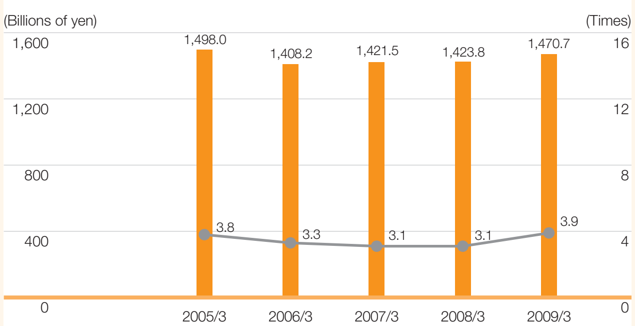
As a result, the shareholders' equity ratio decreased 4.2 percentage points from 23.2% a year earlier to 19.0% as of March 31, 2009.

Capital Expenditures

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

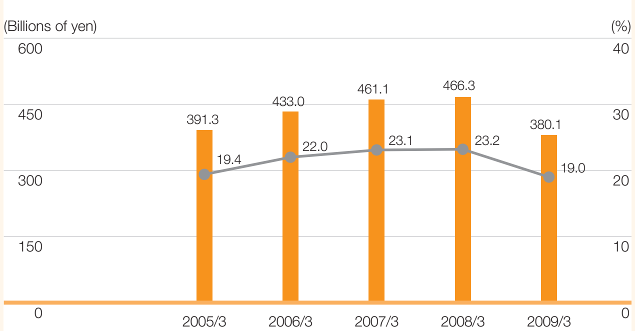
Capital expenditures in the electric power business increased ¥40.5 billion, or 35.7%, year on year to ¥154.0 billion. These capital expenditures were mainly for the Isogo New No. 2 Thermal Power Plant (output capacity of 600 MW, in Kanagawa Prefecture), and the Ohma Nuclear Power Plant (output capacity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

INTEREST-BEARING DEBT/DEBT-TO-EQUITY RATIO



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

TOTAL SHAREHOLDERS' EQUITY/SHAREHOLDERS' EQUITY RATIO



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

BREAKDOWN OF CAPITAL EXPENDITURES (FISCAL 2008)

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

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

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

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

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

Fund Procurement

J-POWER's financing needs are primarily related to capital expenditures for plant and equipment, and the overseas power generation business, as well as debt refinancing, and the Group adheres to a basic policy of fund procurement based on long-term funding. As a means of long-term fund procurement, we issue straight bonds in order to maintain a low-rate and stable fund procurement platform. The balance of outstanding straight bonds as of March 31, 2009 was ¥594.8 billion. Also we undertake short-term funding to raise operating funds as well as to enhance the flexibility of procurement options. In order to meet the needs for short-term funding, we are currently able to issue up to a total of ¥300.0 billion in commercial paper.

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

Cash Flow

Cash Flow from Operating Activities

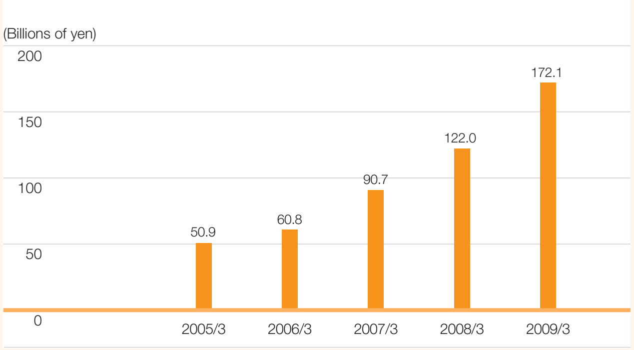
Net cash provided by operating activities was ¥158.6 billion, an increase of ¥22.3 billion, or 16.4%, from the previous fiscal year. This increase mainly reflected an increase in retained earnings from valuation losses on marketable securities, as well as the company's share of profits from the termination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

Cash Flow from Investing Activities

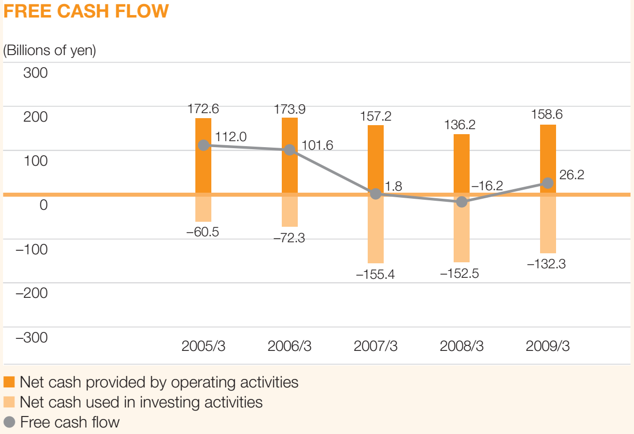
Net cash used in investing activities was ¥132.3 billion, ¥20.1 billion, or 13.2%, less than in the previous fiscal year. This mainly reflected compensation received in line with changes in the operating body for the Tokuyama Power Plant construction project. This factor outweighed increased cash outflows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

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

CAPITAL EXPENDITURES



CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES AND FREE CASH FLOW



Cash Flow from Financing Activities

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

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

Risk Factors

Business and Other Risks

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

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

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

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

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

Delay or Discontinuation of Our Current Power Plant Construction

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

Global Warming

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

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

Overseas Power Generation Business and Other Areas of New Business

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

Capital Funds

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

Ohma Nuclear Power Plant

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

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

Coal-Fired Thermal Power Plant Fuel

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

Natural Disasters and Accidents

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

Regulatory Requirements

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

Concentration on a Limited Number of Customers

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

Protection of Sensitive Information

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

Consolidated Balance Sheets

As of March 31, 2008 and 2009

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

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

	Yen		U.S. dollars (Note 2)
Shareholders' equity per share (Note 2)	¥2,800.18	**¥2,533.28**	**$25.79**

Consolidated Statements of Income

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

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

	Yen			U.S. dollars (Note 2)
Amounts per share:				
Net income (Note 2)	¥211.14	¥175.99	**¥121.65**	**$1.24**
Cash dividends applicable to the year (Note 14)	60.00	70.00	**70.00**	**0.71**

Consolidated Statements of Changes in Net Assets

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

Millions of yen

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

Thousands of U.S. dollars (Note 2)

	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	Minority interests	Total net assets
Balance at March 31, 2008	$1,551,965	$833,244	$2,341,771	$ (659)	$ 19,694	$(68,815)	$ 70,667	$17,670	$4,765,539
Net income			**198,083**						**198,083**
Dividends			**(127,166)**						**(127,166)**
Acquisition of treasury stock				**(643,346)**					**(643,346)**
Net change during the year					**(23,817)**	**4,828**	**(286,669)**	**2,529**	**(303,129)**
Balance at March 31, 2009	**$1,551,965**	**$833,244**	**$2,412,689**	**$(644,005)**	**$ (4,122)**	**$(63,987)**	**$(216,002)**	**$20,199**	**$3,889,981**

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

Consolidated Statements of Cash Flows

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

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

Notes to Consolidated Financial Statements

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

1. Basis of preparation of consolidated financial statements

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

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

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

2. Summary of significant accounting policies

(1) Principles of consolidation

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

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

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

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

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

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

PTY. LTD. and 30 other overseas subsidiaries is the end of December. The financial statements of these subsidiaries as of these dates are used for consolidation after necessary adjustments with regard to significant transactions incurred during the periods between their fiscal year-ends and that of the Company.

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

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

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

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

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

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

Affiliates which do not have a significant effect on consolidated net income and retained earnings as a whole are not accounted for by the equity method.

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

(3) Accounting policies

a. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Construction grants received from the Government of Japan and others are deducted from the cost of the related assets. Depreciation of major tangible assets is computed based on the estimated useful lives of the respective assets. The declining-balance method has been applied to buildings, structures and machinery and the straight-line method has been applied to other equipment. Major intangible assets are amortized based on the respective estimated useful lives of those assets using the straight-line method. Software costs for internal use are amortized based on the internally available period (normally, five years) using the straight-line method.

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

Starting with the fiscal year ended March 31, 2008, in line with the revision of Japan's Corporate Tax Law (Law for Partial Amendment of the Income Tax Law, etc. Law No. 6 of March 30, 2007 and Ordinance for Partial Amendment of the Corporate Tax Law Enforcement Ordinance, Ordinance No. 83 of March 30, 2007), accounting of assets acquired on or after April 1, 2007 are depreciated as provided for under the amended law. The resulting effect on income and expenses is slight. Assets acquired on or before March 31, 2007 are to be fully depreciated by the straight-line method for a period of five years from the following year of the completion up to the former allowable limit of depreciation. The adoption of this method resulted in an increase of ¥2,478 million in operating expenses for the current consolidated fiscal year, each segment amount of which is as follows: ¥2,388 million by Electric power business, ¥88 million by Electric power-related businesses and ¥1 million by Other businesses. Correspondingly, operating income, ordinary income, and income before income taxes and minority interests decreased by the same amounts respectively for the fiscal year ended March 31, 2008.

b. Investments

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

Money in trust for cash management purposes is also stated at market value.

c. Derivatives

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

d. Inventories

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

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

e. Allowance for doubtful account

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

f. Accrued employee retirement benefits

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

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

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

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

h. Foreign currency translation

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

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

i. Derivative financial instruments and hedge accounting

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

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

The Company uses foreign exchange forward contracts and foreign currency swaps to hedge payment of 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.

j. Capitalization of interest expenses

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

k. Accounting for consumption taxes

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

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

l. Income taxes

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

m. Cash equivalents

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

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

Accounting changes

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

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

② Accounting standards for lease transactions

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

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

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

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

④ Accounting standards for financial instruments

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

⑤ Accounting standards for directors’ bonuses

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

Reclassification

① Consolidated statements of cash flows

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

② Consolidated balance sheet

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

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

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

③ Consolidated balance sheet

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

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

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

Additional information

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

(4) Evaluation of assets and liabilities of consolidated subsidiaries

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

(5) Per share information

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

(6) U.S. dollar amounts

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2009, which was ¥98.23 = US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted, realized or settled in U.S. dollars at this or any other rate of exchange.

3. Property, plant and equipment

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Construction grants	¥106,031	**¥105,780**	**$1,076,862**

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

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Accumulated depreciation	¥2,332,884	**¥2,420,824**	**$24,644,447**

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

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

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Shares	¥76,444	**¥83,834**	**$853,454**

5. Inventories

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

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

6. Provisions

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

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

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

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

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

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

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

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

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

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

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

8. Contingent liabilities

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

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

9. Provision of reserves

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

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

10. Operating expenses

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

Total

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

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

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

11. Enterprise tax

Most of the enterprise taxes of the Company and 13 consolidated subsidiaries that operate electric power business are imposed on operating revenues, except for certain enterprise taxes imposed on taxable income. Enterprise tax on operating revenues was included in operating expenses (electric power) in the amount of ¥6,885 million, ¥6,989 million and ¥8,513 million (US$86,665 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively. Regarding the enterprise tax for consolidated subsidiaries, the discounted value-added and discounted capital are included in “Operating expenses—Other,” and revenues are included in corporate income tax, excluding the 13 consolidated subsidiaries that operate electric power business.

12. Research and development costs

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

Research and development costs included in general and administrative expenses for the years ended March 31, 2007, 2008 and 2009 were as follows:

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

13. Loss on impairment of fixed assets

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

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

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

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

14. Dividends from the surplus

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

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

15. Cash and cash equivalents

The reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2008 and 2009 was as follows:

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

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

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

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

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

16. Leases

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

As a lessee:

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

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

Acquisition cost includes the imputed interest expense portion.

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

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

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

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

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

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

As a lessor:

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

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

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

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

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

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

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

17. Marketable securities and investment securities

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

a. Stocks: Balance sheet amount more than cost

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

b. Stocks: Balance sheet amount less than cost

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

c. Total:

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

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

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

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

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

18. Derivatives

(1) Transaction status

a. Description of transactions

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

b. Purpose and policy of transactions

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

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

c. Description of risks regarding transactions

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

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

d. Risk management system

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

(2) Fair value

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

19. Employee retirement benefit plans

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

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

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

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

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

The principal assumptions used in determining the retirement benefit obligations and other components of the plans of the Company and its subsidiaries for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	**2009**
Method of allocation of estimated retirement benefits	Equally over the period	Equally over the period	**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 0.0%**
Amortization period of actuarial gain or loss	Mainly amortized by the declining-balance method over a period of two years	Mainly amortized by the declining-balance method over a period of two years	**Mainly amortized by the declining-balance method over a period of two years**
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**

20. Income tax

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

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

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

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

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

21. Shareholders' equity

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

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

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

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

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

22. Segment information

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

(1) Business segments

Millions of yen

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

Millions of yen

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

Millions of yen

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

Thousands of U.S. dollars

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

The main products within each segment were as follows:

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.

(2) Geographic segments

Since the proportion of the Company's business that is conducted in Japan accounts for more than 90% of the Company's total revenues and assets, geographic segment information is not presented.

(3) Overseas revenues

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

23. Related party transactions

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

24. Business combinations

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

25. Special-purpose company

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

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

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

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

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

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

26. Significant subsequent event

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

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Electric Power Development Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years ended March 31, 2009, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Electric Power Development Co., Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2009 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 & 2.

June 26, 2009

Ernst & Young ShinNihon LLC