FINANCIAL SECTION

Consolidated Financial Summary

For the years ended March 31

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

* Pumped-storage hydroelectric power is not included.

** The translation of the Japanese yen amounts into U.S. dollars uses the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2010, which was ¥93.04 = US$1.00.

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

Electricity Sales Volume and Operating Revenues

During the fiscal year ended March 31, 2010 (fiscal 2009), overall demand for electricity in Japan decreased compared to the previous year. Factors included the largest ever decline in industrial demand and a decrease in air conditioning demand due to below-normal temperatures from July to September.

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

Electric Power Business

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

Electricity sales volume for thermal power dipped 5.3% from last year to 46.5 billion kWh as a result of lower electric power demand and lower capacity utilization caused by equipment failures (the load factor declined from 76% to 68% for a decrease of 2.6 billion kWh). Operating revenues decreased by ¥110.6 billion, or 24.0%, year on year to ¥349.6 billion, due to a drop in unit sales prices associated with decreased fuel prices.

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

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

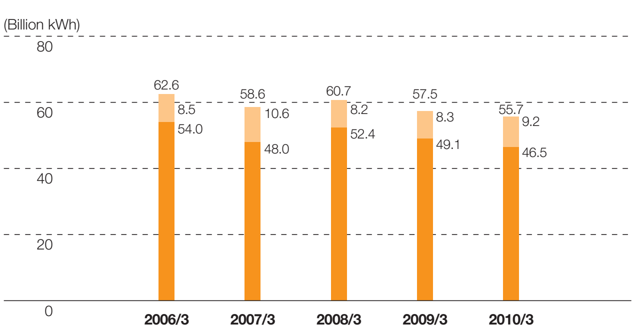
In the other electric power businesses, electricity sales volume declined 8.6% compared to the previous year to 1.4 billion kWh, due in part to a lower load factor at IPP and for PPS. Operating revenues fell ¥5.3 billion, or 26.4%, year on year to ¥14.7 billion.

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

Electric Power-Related Businesses

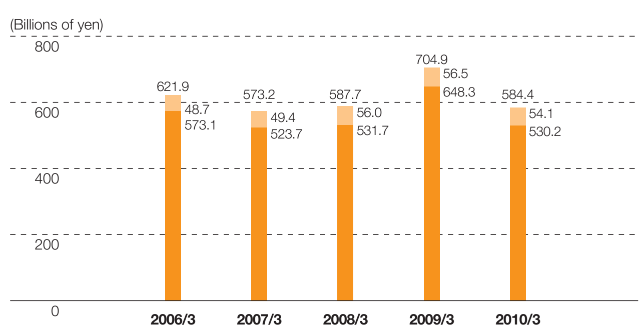
In fiscal 2009, operating revenues decreased ¥63.8 billion, or 18.1%, year on year to ¥289.0 billion. There was increased revenue from new construction on the Isogo New No. 2 Thermal Power Plant, but lower revenue from coal sales by consolidated subsidiaries.

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



■ Thermal (Including geothermal)
■ Hydroelectric

OPERATING REVENUES (ELECTRIC POWER AND OTHER)



■ Electric power
■ Other

* Operating revenues for "Other" include sales to customers outside the Group in Electric Power-Related and Other businesses

Other Businesses

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

Operating Expenses and Operating Income

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

Electric Power Business

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

Electric Power-Related Businesses

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

Other Businesses

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

Non-Operating Revenues and Expenses

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

Non-Operating Revenues

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

Non-Operating Expenses

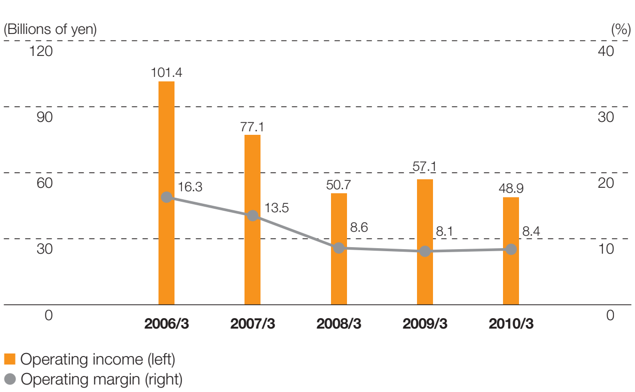
Non-operating expenses in fiscal 2009 decreased by ¥4.8 billion, or 15.6%, year on year to ¥25.9 billion owed in part to the absence of development site survey costs and other expenses written off the previous year.

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

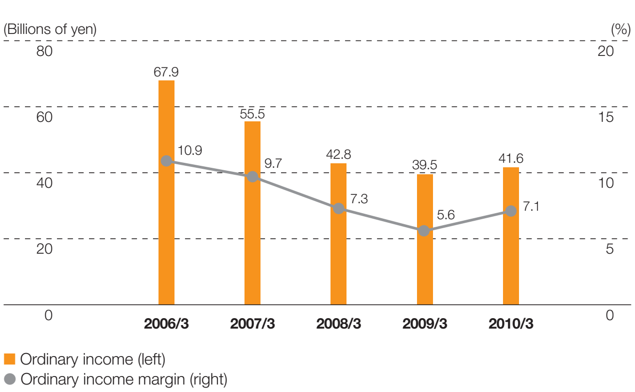
Net Income

Income before income taxes and minority interests, which is ordinary income plus reversal of reserve for fluctuation in water levels, increased ¥9.5 billion, or 29.4%, compared to the previous year to ¥42.1 billion. This was largely due to the absence of extraordinary income (a ¥12.1 billion distribution profit from the dissolution of an anonymous association accompanying the acquisition of trust beneficiary interests in land and buildings pertaining to the Company's headquarters held as trust assets) and extraordinary loss (valuation losses of ¥19.6 billion from impairment associated with a

OPERATING INCOME/OPERATING MARGIN



ORDINARY INCOME/ORDINARY INCOME MARGIN



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

Net Income per Share

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

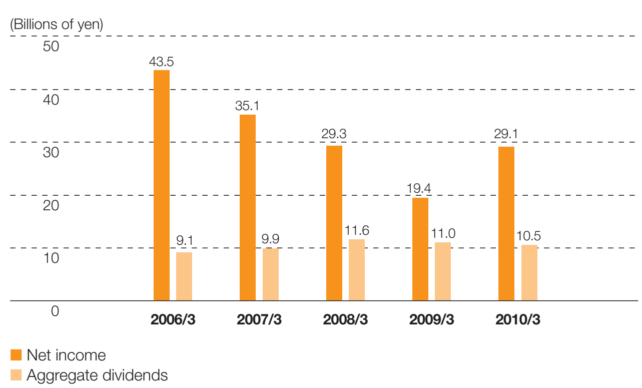
Dividend Policy

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

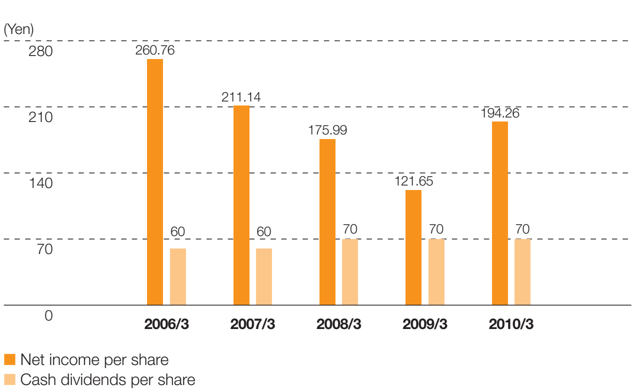
Our top priority for returning profit to shareholders is to maintain a stable dividend in line with the characteristics of our business. Through long-term initiatives, we will also work to enhance returns to shareholders in step with efforts to raise corporate value and achieve further growth in a sustainable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

In fiscal 2009, the business environment was particularly challenging due to soft demand for electric power domestically and overseas, a lower load factor at thermal power plants due to equipment failures, and mounting maintenance costs. However, J-POWER will work to ensure the reliability of its facilities and rigorously reinforce its business foundation to strengthen the competitiveness of its core business: wholesale electric power. We will also strive to bolster earnings power through the development of new businesses and other initiatives. Accordingly, from the standpoint of maintaining stable shareholder returns over the long term, we will pay a year-end dividend of ¥35 per share. When combined with the interim dividend of ¥35 per share, the total annual dividend payout is ¥70 per share. As a result, the consolidated payout ratio decreased 21.0 percentage points compared to the previous year to 36.0%. Consolidated dividend on equity was 2.5%, a year-on-year decrease of 0.1 of a percentage point.

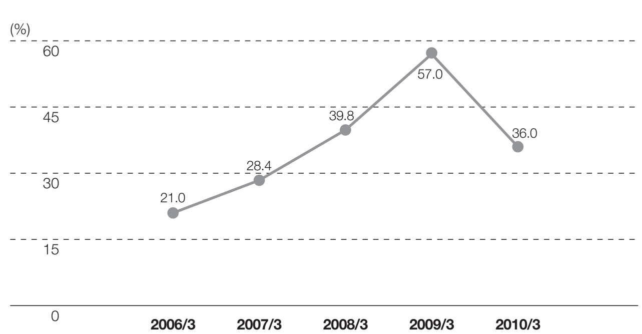
NET INCOME/AGGREGATE DIVIDENDS



NET INCOME PER SHARE/CASH DIVIDENDS PER SHARE



CONSOLIDATED DIVIDEND PAYOUT RATIO



Financial Position

Assets

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

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

*Includes investments and other assets of ¥255.1 billion.

Liabilities

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

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

Net Assets and Shareholders' Equity*

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

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

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

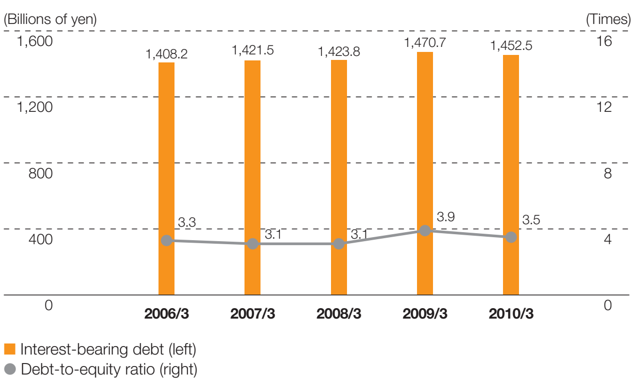
Capital Expenditures

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

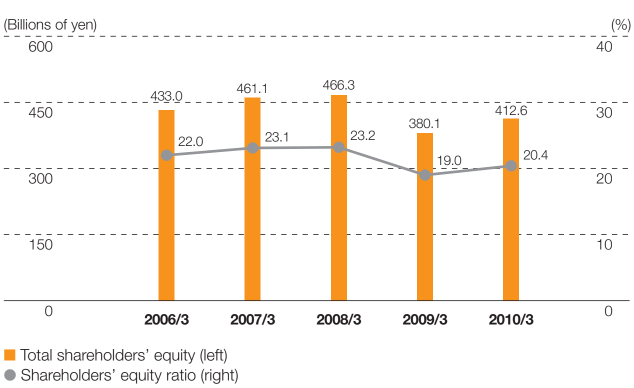
Capital expenditures in the electric power business decreased ¥47.3 billion, or 30.7%, year on year to ¥106.7 billion. These capital expenditures were mainly for the Isogo New No. 2 Thermal Power Plant (output capacity of 600 MW, in Kanagawa Prefecture) and the Ohma Nuclear Power Plant (output capacity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

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

INTEREST-BEARING DEBT/DEBT-TO-EQUITY RATIO



TOTAL SHAREHOLDERS' EQUITY/SHAREHOLDERS' EQUITY RATIO



BREAKDOWN OF CAPITAL EXPENDITURES (FISCAL 2009)

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

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

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

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

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

Fund Procurement

J-POWER's financing needs are primarily related to capital expenditures for plant and equipment, the overseas power generation business, as well as debt refinancing, and the Group adheres to a basic policy of fund procurement based on long-term funding.

As a means of long-term fund procurement, we issue straight bonds in order to maintain a low-rate and stable fund procurement platform. The balance of outstanding straight bonds as of March 31, 2010 was ¥654.8 billion. Also, we undertake short-term funding to raise operating funds as well as to enhance the flexibility of procurement options. In order to meet the needs for short-term funding, we are currently able to issue up to a total of ¥300.0 billion in commercial paper.

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

Cash Flow

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥169.1 billion, an increase of ¥10.5 billion, or 6.6%, from the previous fiscal year. While internal reserves decreased due in part to valuation losses on marketable securities, decreased inventories and other factors accounted for the result.

Cash Flow from Investing Activities

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

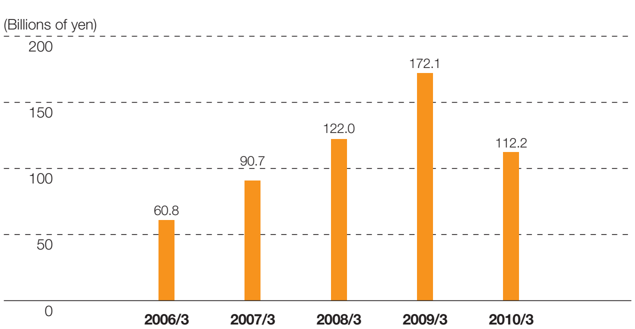
As a result of the foregoing, free cash flow was a positive ¥39.6 billion.

Cash Flow from Financing Activities

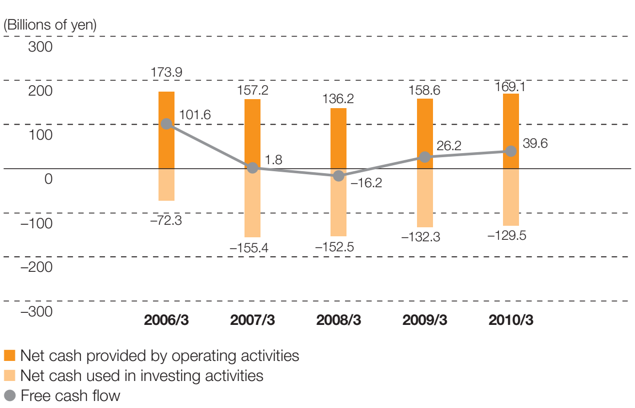
Net cash used in financing activities was ¥30.3 billion, an increase of ¥0.7 billion compared to the previous fiscal year. This mainly reflected lower proceeds from loans, which more than offset decreases in purchase of treasury stock and redemption of bonds.

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

CAPITAL EXPENDITURES



CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES AND FREE CASH FLOW



Risk Factors

Business and Other Risks

This section discusses the main potential risks related to J-POWER's financial position, business results, current and future business operations, as well as other matters. From the perspective of actively disclosing information to investors, this section also provides information to help investors understand business and other risks that the Company does not necessarily consider significant. Statements about future matters are based on judgments as of June 23, 2010.

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

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

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

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

Delay or Discontinuation of Our Current Power Plant Construction

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

Global Warming

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

These efforts notwithstanding, there are various global warming mitigation policies currently under consideration. Consequently, if new regulations or other rules are introduced, this could potentially have a materially adverse effect on the results of our operations.

Overseas Power Generation Business and Other Areas of New Business

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

Capital Funds

J-POWER expects it will need to raise a large amount of funds to build the Ohma Nuclear Power Plant, which is scheduled to commence operations during the next ten years, as well as for refinancing outstanding debt, investments in the overseas power generation business and other purposes. If we are unable to raise the required funds on acceptable terms and in a timely manner due to the prevailing conditions in the financial markets, the Company's credit situation, or other factors at that time, then this could potentially have a materially adverse effect on our business development and profitability.

Ohma Nuclear Power Plant

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

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

Coal-Fired Thermal Power Plant Fuel

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

Natural Disasters and Accidents

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

Regulatory Requirements

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

Concentration on a Limited Number of Customers

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

Protection of Sensitive Information

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

CONSOLIDATED BALANCE SHEETS

As of March 31, 2009 and 2010

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

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

		Yen	U.S. dollars (Note 2)
Shareholders' equity per share (Note 2)	¥2,533.28	**¥2,750.20**	**$29.56**

CONSOLIDATED STATEMENTS OF INCOME

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

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

			Yen	U.S. dollars (Note 2)
Amounts per share:				
Net income (Note 2)	¥175.99	¥121.65	**¥194.26**	**$2.09**
Cash dividends applicable to the year (Note 14)	70.00	70.00	**70.00**	**0.75**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

		Millions of yen								
	Number of shares issued of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock[*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, 2007	166,569	¥152,449	¥81,849	¥210,713	¥ (56)	¥14,271	¥(4,131)	¥ 6,090	¥1,468	¥462,654
Net income				29,311						29,311
Dividends				(9,993)						(9,993)
Acquisition of treasury stock					(7)					(7)
Net change during the year						(12,336)	(2,628)	851	267	(13,846)
Balance at March 31, 2008	166,569	152,449	81,849	230,032	(64)	1,934	(6,759)	6,941	1,735	468,118
Net income				19,457						19,457
Dividends				(12,491)						(12,491)
Acquisition of treasury stock					(63,195)					(63,195)
Net change during the year						(2,339)	474	(28,159)	248	(29,776)
Balance at March 31, 2009	166,569	152,449	81,849	236,998	(63,260)	(404)	(6,285)	(21,217)	1,984	382,112
Net income				**29,149**						**29,149**
Dividends				**(10,503)**						**(10,503)**
Acquisition of treasury stock					**(1)**					**(1)**
Net change during the year						**3,365**	**2,538**	**8,000**	**320**	**14,225**
Balance at March 31, 2010	**166,569**	**¥152,449**	**¥81,849**	**¥255,643**	**¥(63,262)**	**¥ 2,960**	**¥(3,747)**	**¥(13,217)**	**¥2,304**	**¥414,981**

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Basis of preparation of consolidated financial statements

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

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

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

2. Summary of significant accounting policies

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 84 subsidiaries controlled directly or indirectly by the Company (74 and 61 subsidiaries for the year ended March 31, 2009 and 2008, respectively).

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

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

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

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

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

All of the consolidated subsidiaries, except for J-POWER AUSTRALIA PTY. LTD. and 34 other overseas subsidiaries, have the same fiscal year as that of the Company. The fiscal year-end of each of J-POWER AUSTRALIA PTY. LTD. and 34 other overseas subsidiaries is the end of December. The financial statements of these subsidiaries as of these dates are used for consolidation after necessary adjustments with regard to significant transactions incurred during the periods between their fiscal year-ends and that of the Company.

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

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

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

From the year ended March 31, 2009, Birchwood Power Partners, L.P. and J-POWER East Coast Consolidation, LLC along with 14 other companies were included in the affiliated companies accounted for under the equity method as important companies in Company's mid- and long-term management strategy. In addition, the liquidation of JS Gijutsu Service Corporation was completed on April 29, 2008 and therefore ceased to be included in affiliates accounted for under the equity method.

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

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

The above-mentioned 65 affiliates, excluded TOSA POWER Inc., Mihama Seaside Power Co., Ltd., Setouchi Power Corporation and Osaki CoolGen Corporation, which were accounted for using the equity method, have different fiscal year-ends from that of the Company. Accordingly, their financial statements as of their respective fiscal closing dates are used in consolidation.

(3) Accounting policies

a. Property, plant and equipment and depreciation

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

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

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

b. Investments

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

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

c. Derivatives

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

d. Inventories

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

Effective from the year ended March 31, 2009, the Company has adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9, July 5, 2006). The effect of this on the profits and losses of the year ended March 31, 2009 was negligible. Until the year ended March 31, 2008, coal and general inventories were stated at cost determined by the monthly average method and specialty goods were stated at cost determined by the identified cost method.

e. Allowance for doubtful account

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

f. Accrued employee retirement benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

i. Foreign currency translation

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

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

j. Derivative financial instruments and hedge accounting

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

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

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

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

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

k. Capitalization of interest expenses

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

l. Accounting for consumption taxes

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

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

m. Income taxes

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

n. Cash equivalents

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

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

Accounting changes

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

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

② *Accounting standards for lease transactions*

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

Reclassification

① *Consolidated statements of cash flows*

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

② *Consolidated balance sheet*

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

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

(4) Evaluation of assets and liabilities of consolidated subsidiaries

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

(5) Per share information

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

(6) U.S. dollar amounts

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2010, which was ¥93.04 = US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted, realized or settled in U.S. dollars at this or any other rate of exchange.

3. Property, plant and equipment

Book value of "power plants," less construction grants and accumulated depreciation, as of March 31, 2009 and 2010, were as follows:

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

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

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

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

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

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

Long-term investments in non-consolidated subsidiaries and affiliated companies at the end of March 2009 and March 2010 were as follows:

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

5. Inventories

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

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

6. Provisions

Provisions for coal mine recovery and provisions for directors' bonuses stated by subsidiaries are stated as "Other" under "Provisions." Such provisions amounted to ¥1,812 million and ¥1,967 million (US$21,143 thousand) as of March 31, 2009 and 2010, respectively.

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

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

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

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

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

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

Some long-term investments of consolidated subsidiaries amounted to ¥1,778 million and ¥1,785 million (US$19,193 thousand) as of March 31, 2009 and 2010, respectively, and were used as collateral for loans to other companies.

The book value of the Company's assets pledged as collateral for the debt of certain consolidated subsidiaries, which totaled ¥14,640 million and ¥39,401 million (US$423,485 thousand) as of March 31, 2009 and 2010, respectively, was as follows:

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

8. Contingent liabilities

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

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

9. Provision of reserves

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

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

10. Operating expenses

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

Total

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

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

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

11. Enterprise tax

Most of the enterprise taxes of the Company and 16 consolidated subsidiaries that operate electric power business are imposed on operating revenues, except for certain enterprise taxes imposed on taxable income. Enterprise tax on operating revenues was included in operating expenses (electric power) in the amount of ¥6,989 million, ¥8,513 million and ¥6,823 million (US$73,338 thousand) for the years ended March 31, 2008, 2009 and 2010, respectively. Regarding the enterprise tax for consolidated subsidiaries, the discounted value-added and discounted capital are included in "Operating expenses—Other," and revenues are included in corporate income tax, excluding the 12 consolidated subsidiaries that operate electric power business.

12. Research and development costs

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

Research and development costs included in general and administrative expenses for the years ended March 31, 2008, 2009 and 2010 were as follows:

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

13. Loss on impairment of fixed assets

The Company and subsidiaries base the grouping of their assets on the categories used in their management accounting, which maintains a continuous grasp of the balance of payments. In addition, idle assets for which no immediate use is foreseen and others are grouped individually, depreciated to their recoverable value, and the appropriate value reduction is booked as an impairment loss within the category of "Other expenses—Other." Loss on impairment of fixed assets for the years ended March 31, 2008, 2009 and 2010 was as follows:

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

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

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

14. Dividends from the surplus

The following dividend from the surplus of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010, was approved at the general meeting of the shareholders held on June 22, 2010:

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

15. Cash and cash equivalents

The reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2009 and 2010 was as follows:

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

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

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

In the year ended March 31, 2008, the correlation of the breakdown in assets and liabilities of J-POWER Frontier, L.P. and nine other companies, which decreased due to the sale of shares, and proceeds from the sale of shares of subsidiaries with a change in the scope of consolidation, are as follows:

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

16. Leases

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

As a lessee:

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2009 and 2010 were as follows:

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

Acquisition cost includes the imputed interest expense portion.

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

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

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

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

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

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

As a lessor:

Acquisition cost, accumulated depreciation and net leased property as of March 31, 2009 and 2010 were as follows:

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

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

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

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

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

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

17. Financial Instruments

(1) Status of financial instruments

a. Policy for financial instruments

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

b. Types of financial instruments and related risk

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

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

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

c. Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

e. Concentration of credit risk

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

(2) Estimated fair value of financial instruments

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

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

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

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

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

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

Assets:

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

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

② *Marketable securities and investment securities*

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

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

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

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

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

Total

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

Liabilities:

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

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

② *Bonds*

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

③ *Long-term loans*

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

Derivatives transactions:

① *Transactions not subject to hedge accounting*

No applicable transactions.

② *Transactions subject to hedge accounting*

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

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

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

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

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

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

Amount booked on the consolidated balance sheet

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

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

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

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

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

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

Additional information:

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

18. Employee retirement benefit plans

The Company and certain of its domestic consolidated subsidiaries have defined benefit plans, including defined benefit corporate pension plans, tax-qualified pension plans and lump sum retirement benefit plans. Severance payments in addition to the amounts actuarially calculated under lump sum retirement benefit plans are sometimes paid to employees upon retirement.

Retirement benefit obligations as of March 31, 2009 and 2010 were as follows:

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

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

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

The principal assumptions used in determining the retirement benefit obligations and other components of the plans of the Company and its subsidiaries for the years ended March 31, 2008, 2009 and 2010 were as follows:

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

19. Income tax

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

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2010 were as follows:

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

The breakdown of the main items which caused the difference in the statutory tax rate and the contribution rate of corporate tax after the application of tax effect accounting in the years ended March 31, 2009 and 2010 is as follows:

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

20. Shareholders' equity

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

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

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

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

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

21. Segment information

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

(1) Business Segments

Millions of yen

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

Millions of yen

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

Millions of yen

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

					Thousands of U.S. dollars	
						2010
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	**$ 5,699,589**	**$ 258,977**	**$ 323,510**	**$ 6,282,077**	**$ –**	**$ 6,282,077**
Intersegment sales	**33,855**	**2,847,471**	**32,972**	**2,914,299**	**(2,914,299)**	**–**
Total sales	**5,733,445**	**3,106,448**	**356,483**	**9,196,377**	**(2,914,299)**	**6,282,077**
Operating expenses	**5,321,848**	**2,985,994**	**359,721**	**8,667,565**	**(2,911,494)**	**5,756,070**
Operating income	**411,596**	**120,454**	**(3,238)**	**528,812**	**(2,804)**	**526,007**
Assets	**19,770,919**	**1,821,997**	**1,704,686**	**23,297,603**	**(1,542,649)**	**21,754,953**
Depreciation	**1,281,616**	**30,504**	**15,030**	**1,327,151**	**(34,017)**	**1,293,134**
Loss on impairment of fixed assets	**528**	**162**	**3,440**	**4,131**	**–**	**4,131**
Capital expenditures	**$ 1,147,226**	**$ 26,955**	**$ 65,260**	**$ 1,239,442**	**$ (33,152)**	**$ 1,206,289**

The main products within each segment were as follows:

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

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

(2) Geographic Segments

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

(3) Overseas Revenues

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

22. Related party transactions

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

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

23. Business combinations

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

24. Special-purpose company

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

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

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

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

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

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

25. Significant subsequent event

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

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of Electric Power Development Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years ended March 31, 2010, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Electric Power Development Co., Ltd. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1&2.

Ernst & Young ShinNihon LLC

June 23, 2010