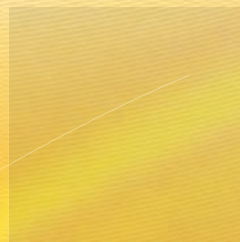


ANNUAL REPORT 2008

Harmonizing Energy Supply with the Environment



J-POWER's Profile

J-POWER (Electric Power Development Co., Ltd.) was established in 1952 through a government initiative to increase the supply of electricity in Japan. Ever since, J-POWER, as a wholesale power company, has provided an economical and stable supply of electricity nationwide through Japan's major electric power companies (EPCOs), while constructing and operating a nationwide network of transmission trunk lines. In this manner, J-POWER has been contributing to the economic development of Japan and improvement in people's lives. In October 2004, J-POWER achieved complete privatization and was listed on the First Section of the Tokyo Stock Exchange.

Currently, J-POWER provides the wholesale supply of electricity through its hydroelectric and thermal power plants, and provides transmission services through its power transmission and transforming facilities. By harnessing its extensive technology and expertise, J-POWER is also expanding business by growing overseas operations and developing new sources of energy.

Domestic Electric Power Businesses

Core business

■ **67** power plants throughout Japan, **7%***1 share of domestic total output capacity

Thermal power: Mainstay business accounting for 60% of sales

■ Output capacity of coal-fired power plants: approx. **7,800 MW**,
No. **1** share in Japan (21%)

■ High load factor backed by strong cost competitiveness

Hydroelectric power: Essential power source for meeting peak demand

■ Output capacity: approx. **8,600 MW**, No. **2** share in Japan (19%)

Power transmission/Transforming: Core infrastructure linking various regions

■ Own major transmission lines (total lines: approx. **2,400 km**), a frequency converter station and other facilities.

Nuclear power generation/The Ohma Nuclear Power Plant (under construction):

Construction commenced in May 2008, following authorization of license to install a nuclear reactor in April 2008

■ Also will contribute to Japan's "pluthermal" policy as full MOX-ABWR plant (**1,383 MW**).

Businesses addressing deregulation

■ IPP plants: **520 MW**, Wholesale power plants for PPS: **320 MW****

■ Sales in the wholesale electricity market (since fiscal 2005)

Diversified Businesses

Overseas power generation business

Aim to establish as our "next major business domain" by expanding business scale and earnings contributions

■ **17** projects in operation in **5** countries/regions**

■ Overseas output capacity (equity basis) of approximately **2,800 MW****

New businesses

Create next-generation businesses in energy and environmental fields

■ Renewable energy: wind power:

capacity **211 MW** (**9** locations in Japan)**

■ Promote coal sales business

*1 Excluding self-generation

*2 Without considering the proportion of equity stakes

*3 As of June 30, 2008 (all other information as of March 31, 2008)

Corporate Philosophy

We aim to ensure constant supplies of energy to contribute to the sustainable development of Japan and the rest of the world.

- Sincerity and pride underlie all our corporate activities.
- We build community trust by harmonizing our operations with the environment.
- Profits are a growth source, and we share the benefits with society.
- We continuously refine our knowledge and technologies to be a leader in these areas.
- We meet the challenges of tomorrow by harnessing our unique skills and enthusiasm.



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New Project Development Using Innovative Technology**
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Forward-Looking Statements

Statements in this annual report, other than those of historical fact, are forward-looking statements about the future performance of J-POWER that are based on management's assumptions and beliefs in light of information currently available, and involve both known and unknown risks and other uncertainties. Actual events and results may differ materially from those anticipated in these statements.



J-POWER's Performance and Targets

	2003/3	2004/3	2005/3
(Listed on First Section of the Tokyo Stock Exchange Oct. 2004)			
J-POWER Third Phase of the Restructure Plan			
Consolidated Data			
Operating revenues	584,122	569,854	594,375
Operating income	134,201	132,138	111,885
Ordinary income	35,522	44,446	57,093
Net income	20,725	27,623	35,559
Total net assets	168,301	359,645	391,327
Total assets	2,195,897	2,076,107	2,021,655
Net cash provided by operating activities	167,368	179,948	172,637
Net cash used in investing activities	(11,030)	(64,507)	(60,586)
Free cash flow	156,338	115,441	112,051
Net cash provided by (used in) financing activities	(117,709)	(147,516)	(111,798)
Return on equity (%)	12.9	10.5	9.5
Shareholders' equity ratio (%)	7.7	17.3	19.4
Return on assets (ratio of ordinary income to total assets; %)	1.6	2.1	2.8
Generation capacity (MW)	16,085	16,509	16,750
Electric power sales (GWh)	54,429	59,305	61,483
Electric power revenues	473,567	457,951	485,014
Transmission	66,739	63,398	61,194
Number of employees	6,543	5,871	5,925

Commencement of operations at main projects (participation*)

Domestic Electric Power Businesses (Core business/Businesses addressing deregulation)

- Isogo New No. 1 (coal)
- Okutadami and Otori (hydro) (facility expansion, etc.)
- Genex Mizue (IPP)
- Itoigawa (IPP)
- Ichihara Power (for PPS)

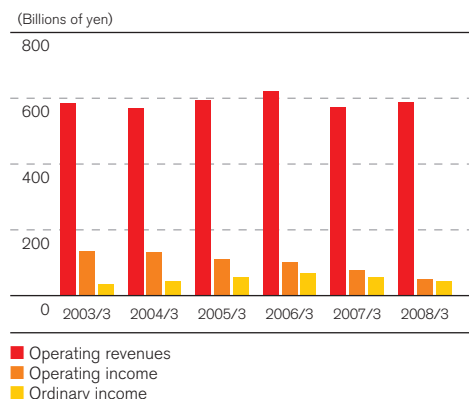
Diversified Businesses (Overseas power generation businesses/New businesses)

- Thailand Rayong (gas)
- Taiwan Chiahui (gas)
- Philippines CBK (hydro)
- Tokyo Bayside (wind)
- Green Power Kuzumaki (wind)
- Aso-Nishihara (wind), Nagasaki-Shikamachi (wind), Tahara Bayside (wind)
- Omuta Waste-fueled Power Plant

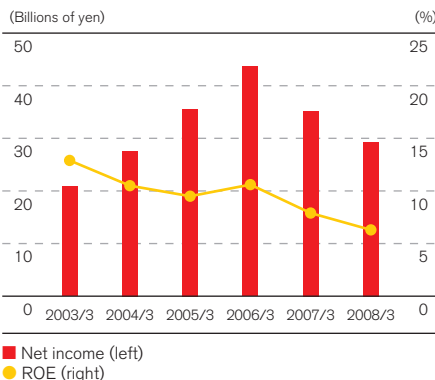
* Assuming participation in projects currently in operation (shown in blue print)

Consolidated Data

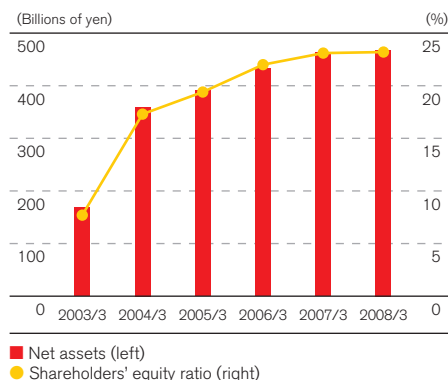
Operating Revenues/Operating Income/ Ordinary Income



Net Income/ROE



Net Assets/Shareholders' Equity Ratio



2006/3 2007/3 **2008/3** 2009/3 2010/3 2011/3 2012/3 2013/3

Three-year Management Targets

Consolidated ordinary income: over ¥55 billion (3-year average)
 Consolidated shareholders' equity ratio: over 23% (March 31, 2008)

FY2008 Group Management Plan Established New Five-year Targets

Millions of Yen

621,933	573,277	587,780
101,469	77,141	50,724
67,906	55,513	42,873
43,577	35,167	29,311
433,028	462,654	468,118
1,964,667	1,999,794	2,013,131
173,954	157,241	136,252
(72,326)	(155,407)	(152,518)
101,628	1,834	(16,265)
(103,613)	(2,168)	17,174
10.6	7.9	6.3
22.0	23.1	23.2
3.4	2.8	2.1
16,870	16,940	16,940
64,328	60,329	62,469
511,556	466,903	474,995
58,255	55,184	54,934
5,868	6,494	6,524

2011/3

Consolidated ordinary income over **¥55 billion**

Consolidated shareholders' equity ratio over **25%**

2013/3

Consolidated ordinary income over **¥60 billion**

Consolidated shareholders' equity ratio over **26%**

ROA (management index)

2009/3-2011/3

2.4%

2012/3-2013/3

2.5%

• Bayside Energy Ichihara (for PPS), Tosa (IPP), and Mihama Seaside Power (for PPS)

• Isogo New No. 2 (coal)

• Ohma Nuclear Power Plant

• Setana Seaside (wind)

• U.S. Tenaska Frontier (gas) and Elwood Energy (gas)
 • Koriyama-Nunobiki Kogen (wind)

• Thailand Kaeng Khoi #2 (gas)
 • U.S. Green Country (gas)
 • China Hanjiang (Xihe River hydro)
 • UAE District Cooling Project
 • Omuta and Araoshi water services project

• U.S. Birchwood (coal)
 • Poland Zajaczkowo (wind)

• China Xinchang 1 (coal) and Hanjiang (Shuhe River hydro)
 • Narumi Plant PFI Business

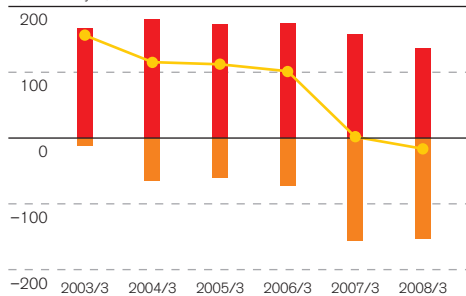
• China Xinchang 2 (coal)
 • Irozaki (wind)
 • Hiyama Kogen (wind) (provisional)

• Nagato (wind)
 • Awara (wind) (provisional)

• Thailand Samet Tai district (gas)

Net Cash Provided by Operating Activities/ Net Cash Used in Investing Activities/ Free Cash Flow

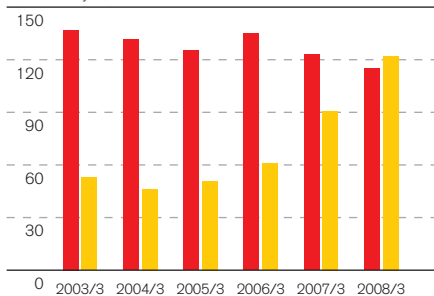
(Billions of yen)



■ Net cash provided by operating activities
 ■ Net cash used in investing activities
 ● Free cash flow

Depreciation/Capital Expenditures

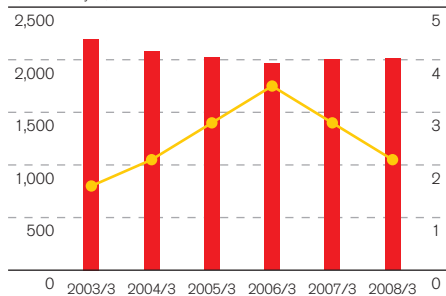
(Billions of yen)



■ Depreciation
 ■ Capital expenditures

Total Assets/ROA

(Billions of yen)



■ Total assets (left)
 ● ROA (ratio of ordinary income to total assets; right)

The J-POWER Group aims to achieve sustainable growth by developing businesses worldwide guided by its mission of “harmonizing energy supply with the environment.” At the same time, we are actively working to help mitigate global warming by developing innovative technologies.



Solid Record of Steady Growth as a Private Enterprise with Achievement of Three-year Management Targets

Four years will soon elapse since our public listing and full privatization, which we achieved based on J-POWER's firm conviction that privatization was vital to its future. During this time, we have improved our profitability, strengthened our financial position and taken other steps to lay a strong foundation for steady growth. Fiscal 2007, the year ended March 31, 2008, was a milestone year, which demonstrated our achievements as a private enterprise. It also marked the final year for our three-year management targets set in April 2005.

In terms of fiscal 2007 consolidated performance, operating revenues rose 2.5% year on year, reflecting higher capacity utilization at our thermal power plants. Turning to earnings, however, in a challenging management environment mainly due to surging coal prices, procurement costs for coal were driven up by the large-scale congestion at loading ports in Australia, the impact of torrential rain on operations at Australian coal mines, and various other factors. Furthermore, the investment performance of our retirement pension assets as of the fiscal year-end was impacted by tumbling stock

prices. These and other factors reduced ordinary income by 22.8% year on year.

Despite this performance, in fiscal 2007, we managed to achieve both of our management targets for the three-year period from fiscal 2005 to fiscal 2007: average consolidated ordinary income of more than ¥55 billion over the three-year period and a consolidated shareholders' equity ratio of over 23% at the end of fiscal 2007. During the three-year period, we worked on two fronts to achieve these targets. One was to provide a stable supply of hydroelectric and thermal power. Another was to drive earnings growth from new businesses such as the overseas power generation business, building on our foundation of earnings from the wholesale electric power business in Japan.

Since privatization, we have made steady business progress. Construction of the Isogo New No. 2 Thermal Power Plant is on schedule, and construction of the Ohma Nuclear Power Plant is also now underway. Renewable energy plants, especially wind power generation, are also increasing in number.

Fiscal 2007 Business Summary

Consolidated operating revenues: ¥587.8 billion (up 2.5% year on year)
 Consolidated ordinary income: ¥42.9 billion (down 22.8% year on year)
 Consolidated net income: ¥29.3 billion (down 16.7% year on year)

Three-year Management Targets and Results

Consolidated ordinary income	Consolidated shareholders' equity ratio
Target: Over ¥55 billion (Average for fiscal 2005 through fiscal 2007)	Target: Over 23% (March 31, 2008)
Result: ¥55.4 billion	Result: 23.2%

In the field of technological development, we have begun a field trial project ahead of commercialization for oxygen-blown coal gasification technology (the EAGLE Project), following successful pilot tests. This technology is expected to play a key role in addressing the global warming issue. Overseas, our IPP businesses in Thailand and elsewhere in Southeast Asia, the United States, and China are steadily producing results.

In this manner, we have diversified our businesses in markets around the world by building on the foundation of our core wholesale electric power business in Japan while leveraging our strengths. As a result, we have steadily expanded the size of our business and have strengthened our earnings power since privatization. We also have improved our financial position following steady increases in shareholders' equity. Overall, the J-POWER Group is in the process of building a powerful operating base as a private enterprise.

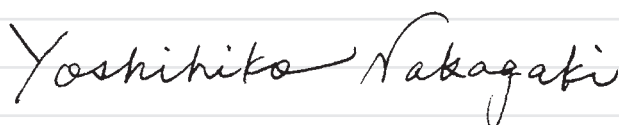
Converting Changes into Opportunities and Aiming for Steady Growth from a Long-term Perspective

The management environment surrounding the electric power business is becoming increasingly challenging and uncertain, due to heightened public demand for addressing global warming, slower growth in domestic electricity demand, and tighter supplies of resources. Faced with this situation, I intend to convert the changes before us into opportunities for sustained growth. Driving this process will be the Company's core competencies, namely its track record of more than half a century in business and technological innovation.

To this end, we announced the new J-POWER Group management plan in spring 2008. Under this plan, we have set new five-year management targets for consolidated ordinary income and consolidated shareholders' equity ratio. At the same time, we will use return on assets (ROA; consolidated ordinary income basis) as a new management index for monitoring the profitability of our assets. In terms of concrete measures to achieve these targets, and index following on from the previous fiscal year, we are stepping up our pursuit of the following five key approaches: "Steady Growth in Power Generation Facilities," "New Project Development Using Innovative Technology," "Enhancing Value of Business Assets," "Global Business Expansion" and "Power Generation as the Core of a Diversified Business." At the same time, guided by our mission of "harmonizing energy supply with the environment," we will work hard to achieve sustained growth and advancement by attaining our new management targets.

Furthermore, due to the characteristics of our business, where large-scale investments in power plants and other infrastructure are recovered through long-term operation, management must have a long-term outlook of 30 years to 50 years into the future. In this regard, we intend to fulfill the expectations and earn the trust of all our stakeholders by maximizing corporate value through ongoing, long-term efforts, and by returning the fruits of our efforts to shareholders, customers, employees, local communities and all other valued stakeholders who support the J-POWER Group.

My aspiration is to lead the way in making J-POWER a highly value-added company that can contribute to the sustainable development of Japan and the rest of the world by drawing on the strengths of its track record of business activities and technological innovation in the energy and environmental fields. Your continued understanding and support for the J-POWER Group will be essential to reaching this goal.



Yoshihiko Nakagaki, President

Interview with President Yoshihiko Nakagaki

In fiscal 2007, the year ended March 31, 2008, J-POWER successfully achieved its business targets for the three-year period from fiscal 2005 to fiscal 2007, including consolidated ordinary income of more than ¥55 billion (three-year average) and a consolidated shareholders' equity ratio of more than 23% as of the fiscal year-end. How do you rate this progress?

The three years from fiscal 2005 to fiscal 2007 marked a period for us to make our first steps following our public listing. Accordingly, we made every effort to achieve our targets, namely improved earnings power and a stronger financial position, amid massive changes in the external management environment. As a result, though earnings were impacted mainly by soaring coal procurement costs during the plan's final fiscal year, consolidated ordinary income rose from ¥44.4 billion prior to our listing (i.e., in fiscal 2003), to an average of ¥55.4 billion for the three-year period. This outcome reflected progressive improvement in J-POWER's profit-generating capabilities, most notably steady contributions to profits from the overseas power generation business.

Our consolidated shareholders' equity ratio as of March 31, 2008 was 23.2%. This was a substantial improvement on the 17.3% we recorded at the end of fiscal 2003. J-POWER has entered a "Facilities Formation Phase" in preparation for future growth. Therefore, we must continue to strengthen our financial position in order to enhance our resilience to changes in the business environment and operational risks and to maintain stable fund procurement. Devising ways to simultaneously make large investments and strengthen our financial position is a pressing issue for J-POWER, and one that we are making steady progress in addressing.

What specific initiatives did J-POWER pursue during the three-year period?

Our first initiative was to strengthen supply stability and sales activities in the domestic electric power business. To retain and improve our quality and price competitiveness, we worked to maintain the reliability of our facilities and enhance their efficiency. These efforts

resulted in high capacity utilization at our existing facilities, which contributed to supply stability and transformed them into sources of improved earnings for J-POWER. We also made progress diversifying our

sales activities, which included the start of trading in the wholesale electric power market and other new initiatives.

The development of new sources of electric power was our second initiative. Alongside the construction of the Isogo New No. 2 Thermal Power Plant, which is on schedule, construction of the Ohma Nuclear Power Plant began in May 2008 after we received authorization to install a nuclear reactor following a strict

safety screening process.

A third initiative we pursued was technological innovation. Because coal-fired power generation is a key business for J-POWER, we recognize that we have a vital responsibility and role to play in addressing the problem of global warming. Oxygen-blown coal gasification technology is the centerpiece of our long-term efforts to develop technologies for utilizing coal more efficiently and in a sustainable manner as a clean energy source. We saw definite signs of progress in this area during the three-year period that ended in fiscal 2007. (See the "Feature" section beginning on page 18 for further details.)

Turning to the fourth initiative, we steadily expanded business both in and outside of Japan. In the overseas power generation business, we built a steady track record in Southeast Asia, specifically Thailand, as well as in the United States and China, which we view as key markets. Our goal is to groom this business into a second core business for J-POWER. (See page 12 for further details.) In Japan, we worked to expand a diverse array of businesses, such as the wind-power generation business.

J-POWER launched a new five-year management plan in fiscal 2008. Under the plan, J-POWER has established two management targets (consolidated ordinary income and consolidated shareholders' equity ratio) and a new management index (return on assets (ROA)). What is the rationale and background behind these benchmarks?

We have adopted a plan covering five years, rather than three years as before, in order to measure our growth performance over a longer space of time. The latest plan will thus end in fiscal 2012. We have, however, set interim objectives for fiscal 2010,

three years into the plan.

In addition to the two management targets we have pursued in previous plans, we have adopted return on assets, or ROA (consolidated ordinary income basis), as a key management index.

FY2008 Group Management Plan

<Changes in Management Environment and Issues>

Issue of Global Warming

- As the first commitment period of the Kyoto Protocol approaches, efforts to prevent global warming are becoming mainstream practice internationally.
- Discussions addressing the “post Kyoto” framework are accelerating.
- Technological innovation and new ideas are needed to establish new coal-fired thermal power facilities and replace existing ones.

Outlook for Power Supply and Demand

- Growth in domestic electric power demand is expected to remain at no more than 1% on an annual basis. Maximum growth in electric power generation is also projected to remain at the same level.
- Therefore, to maintain capacity utilization in a low-growth market environment, reliability of all electric power facilities and cost competitiveness are all the more important.

Increasing Uncertainty

- Growing cost uncertainty due to increase in coal price volatility in the wake of changes in world resource supply and demand conditions
- Disruptions in planned load factor due to natural disasters and other power supply issues
- Volatilities will increase on both the revenue side and procurement side, especially in coal market

In recognition of past initiatives, as well as global warming and other changes in its business environment, the J-POWER Group aims to realize **“harmonizing energy supply with the environment”** and achieve sustainable growth. We seek to make further advancements through the following measures:

- **Steady formation of facilities in Japan and overseas, with technological innovation**
- **Improvement in the reliability and economic efficiency of existing power facilities**
- **Establishment of a business and financial structure which will enhance resilience to risk**

<New Targets in Light of Management Issues>

Management Targets		2011/3		2013/3
Consolidated Ordinary Income	Over	¥55 billion	Over	¥60 billion
Consolidated Shareholders' Equity Ratio	Over	25%	Over	26%
Management Index		2009/3–2011/3		2012/3–2013/3
Return on assets (ROA)		2.4%		2.5%

Achieve Management Targets to Realize Sustainable Growth

<Five Key Approaches—Business Strategy for Achieving Targets>

Steady Growth in Power Generation Facilities

Isogo New No. 2 Thermal Power Plant: Achieving world-class thermal efficiency with the latest in coal-firing technology in order to contribute to the stable supply of electric power
Ohma Nuclear Power Plant: J-POWER's first nuclear power plant, fulfilling an important role in the nuclear fuel cycle in Japan

New Project Development Using Innovative Technology

Aim for zero emissions of CO₂ through innovation centered on development of oxygen-blown coal gasification technology
Addressing global warming involves technological challenges that will provide seeds for new projects

Enhancing Value of Business Assets

Secure infrastructure reliability, making supply stability the top priority; promote improvement in economic and environmental performance through efficient O&M management
Comprehensively update hydroelectric power plants and successively pursue construction projects aimed at refurbishing aging thermal power plants

Global Business Expansion

Expand profitability of overseas power generation business to establish as a second core business
Enhance project management and development frameworks to operate effectively in existing projects and promote new projects

Power Generation as the Core of a Diversified Business

Participate in mining projects and promote coal sales and other coal-related businesses
Pursue engineering businesses, PFI/PPP-based businesses and other opportunities in wind power and other environmental businesses

This management index was established with the aim of checking and reviewing asset profitability during our current "Facilities Formation Phase."

We continue to position consolidated ordinary income, one of our management targets, as a metric for growth. By bringing the Isogo New No. 2 Thermal Power Plant and other new facilities online, we aim to lift consolidated ordinary income to more than ¥55 billion in fiscal 2010, and to more than ¥60 billion in fiscal 2012, the management plan's final year. For our other management target, our objective is to achieve a consolidated shareholders' equity ratio of more than 25% and 26%, respectively, over the same timeframe. We recognize that balance sheet management will be an important issue during the "Facilities Formation Phase," from the perspective of enhancing our resilience to risk and maintaining fund procurement stability. Therefore, we have continued to set management targets in this area.

Meeting these targets will by no means be an easy feat. We intend to work towards achieving them through steady growth and progress with a long-term perspective in mind.

Responding to Changes in the Management Environment

Where global warming is concerned, as we enter the first five-year commitment period of the Kyoto Protocol, concerted efforts are now under way across the globe to reduce greenhouse gas emissions. We recognize that J-POWER has both a significant responsibility and role to play in addressing global warming given that coal-fired thermal power accounts for more than 80% of our

electricity sales. Personally, I'm optimistic about the changes in our business environment. To date, J-POWER has developed highly efficient coal-fired thermal power generation and environmental technologies, as well as expertise and knowledge in power plant operations. By harnessing these technologies and our expertise, we aim to capitalize on new opportunities to help solve the problem of global warming and generate new earnings.

Growth in electric power demand in Japan, meanwhile, is expected to remain slow at around 1% on an annual basis over the next decade. Although large growth in the market is unlikely at this point, we will nonetheless work diligently to capitalize on this limited growth to grow our own businesses. We intend to do this by maintaining the reliability and economic efficiency of existing facilities and bringing new power generation facilities such as the Isogo New No. 2 Thermal Power Plant and the Ohma Nuclear Power Plant online. In parallel, we will focus more on the development of new businesses and aggressively developing operations overseas, with the view to achieving substantial growth going forward.

Reflecting on today's soaring resource prices, there is increasing uncertainty surrounding the future of all resources, in terms of volume as well as price. Even if we take a long-term approach, it is widely believed that demand will outstrip the supply of conventional energy resources. Given this climate, we are implementing measures such as diversifying coal procurement sources, stabilizing transport costs and acquiring coal mining interests in order to ensure continued operational stability at thermal power plants, which are highly competitive in terms of price.

Five Key Approaches to Achieving New Growth

1. Steady growth in power generation facilities

Construction of Isogo New No. 2, Ohma Nuclear Power Plant and Ohma Trunk Line

2. New project development using innovative technology

Coal gasification, fuel cells and CCS*1

3. Enhancing value of business assets

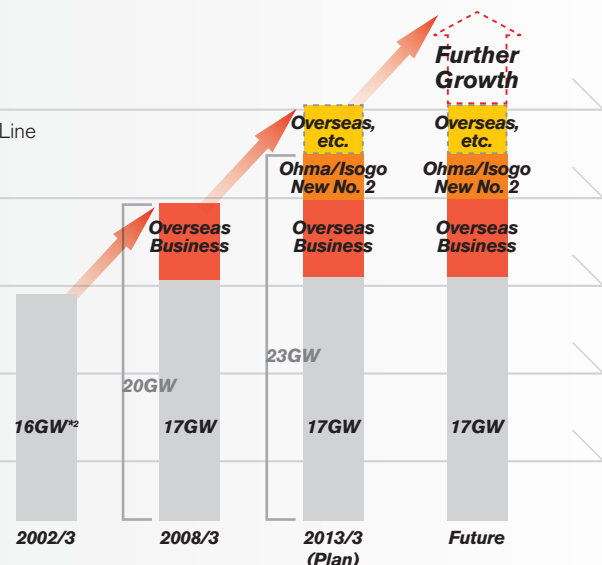
Existing hydro, thermal and transmission/transformer facilities

4. Global business expansion

Ramp up revenues of overseas power generation projects

5. Power generation as the core of a diversified business

Renewable energy, coal business, others



*1 CO₂ Capture and Storage

*2 1 GW = 1 million kW

Could you please tell us more about the “Five Key Approaches” discussed in your management plan?

(1) Steady Growth in Power Generation Facilities

We are engaged in two major construction projects: the Isogo New No. 2 Thermal Power Plant and the Ohma Nuclear Power Plant. We plan to invest approximately ¥340 billion in these projects over a span of five years. The earnings generated from these projects, as well as the new technologies and know-how we acquire in the process, will support J-POWER's growth going forward.

The Isogo New No. 2 Thermal Power Plant was designed as an urban coal-fired thermal power plant with a groundbreaking level of environmental performance. In addition to boasting one of the highest levels of power generation efficiency in the world, the plant has low sulfur oxide (SOx) and nitrogen oxide (NOx) emissions on a par with gas-fired thermal power thanks to the latest environmental technologies. The Isogo New No. 1 Thermal Power Plant (600 MW



Overview of the Isogo New No. 2 Thermal Power Plant (under construction)

Location: Yokohama City, Kanagawa Prefecture
Capacity: 600 MW
Fuel: Coal

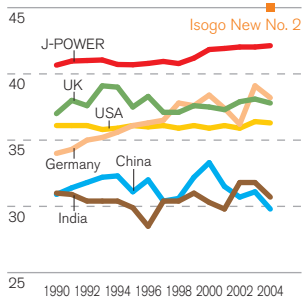
Isogo Thermal Power Plant Replacement Activities (upgrade construction)

The Isogo Thermal Power Plant (former No. 1 and No. 2 plants) was built in the late 1960s in line with Japan's national coal policy. Given the power plant's location in a major city, J-POWER entered into Japan's first pollution prevention agreement with Yokohama, installed flue gas desulfurization equipment at an early stage, and implemented other environmental preservation measures. J-POWER has worked hard in this way to ensure a stable supply of electric power from the plant for over three decades.

Since 1996, J-POWER has been conducting a project designed to replace the plant's old facilities with cutting-edge coal-fired thermal power technologies in response to Yokohama's environmental improvement plans. Efforts have also focused on enhancing power supply stability and reliability particularly for the Tokyo metropolitan area and on dealing with the aging of plant facilities.

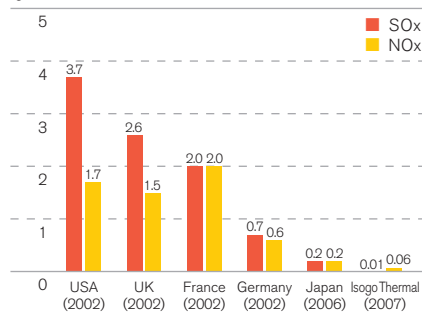
Construction of the New No. 1 Thermal Power Plant began in 1998, and commercial operations commenced in 2002. The New No. 2 Thermal Power Plant has been under construction since 2005, with commercial operations planned for July 2009.

Trends of Thermal Efficiency in World's Coal-Fired Thermal Power Generation



Source: Ecofys Comparison of Power Efficiency on Grid Level 2007

International Comparison of SOx and NOx Emissions per Volume of Thermal Power Generation



Source: The Federation of Electric Power Companies
* Figures for Japan include combined data from 10 EPCOs and J-POWER; figures for Isogo Thermal represent fiscal 2007 results.

Investment Plans to Achieve Sustainable Growth

	2009/3-2013/3	2014/3-
Steady Growth in Power Generation Facilities	Isogo New No. 2, Ohma Nuclear Approx. ¥340 billion	Further enhancement of domestic assets
New Project Development Using Innovative Technology	Development of coal gasification technology, others	Technical innovation + Planning = New Project Generation
Enhancing Value of Business Assets	Investment in existing plants Approx. ¥270 billion	New efforts to enhance value
Global Business Expansion	Overseas power generation business Approx. ¥270 billion*	Further efforts to develop as “next major business domain”
Power Generation as the Core of a Diversified Business	Renewable energy/ coal business, others Approx. ¥100 billion	New opportunities in response to changing environment

Note: The above figures were calculated on a consolidated asset basis.

* J-POWER plans to use project financing for overseas projects, and this will limit J-POWER's exposure to an amount equivalent to project capital multiplied by our investment ratio (expected amount of direct contribution: about ¥100 billion).

output) has been in operation since 2002, with the New No. 2 plant (also 600 MW output) scheduled to come onstream in July 2009.

Meanwhile, the Ohma Nuclear Power Plant project is the realization of an aspiration J-POWER has held for over 30 years since 1976. In 2004, we applied for a license to install a nuclear reactor, and thereafter were subject to safety screening by the national authorities. In April 2008, we received authorization for the license to install a nuclear reactor from the Minister of Economy, Trade and Industry, and initiated plant construction in the following May. We expect this project to become more than just an important future earnings stream. By complementing our expertise in conventional hydroelectric, thermal and renewable energies with new experience and know-how in nuclear power, the project will expand our horizons in terms of business and

technology, and become a cornerstone of our long-term development. Additionally, for a company like J-POWER, which relies heavily on coal-fired thermal power, nuclear power is also important from a carbon risk management standpoint since virtually no carbon dioxide emissions are produced during the power generation process. Moreover, the plant features an Advanced Boiling Water Reactor (ABWR) that will utilize plutonium-uranium mixed oxide (MOX) fuel in the reactor core. This project is thus expected to contribute to Japan's energy security by enabling us to fulfill a prominent role in the nuclear fuel cycle through the operation of a full MOX-ABWR plant.

Going forward, we will give top priority to safety as we strive to build a nuclear power plant that earns the confidence of local community residents and all other stakeholders.



(Architect's rendering)

Overview of the Ohma Nuclear Power Plant (under construction)

Location:	Ohma-machi, Aomori Prefecture
Capacity:	1,383 MW
Type of nuclear reactor:	ABWR (Advanced Boiling Water Reactor)
Fuel:	Low enriched uranium and uranium-plutonium mixed oxide (MOX)

Background of J-POWER's Nuclear Power Plant Development

J-POWER has engaged in various surveys and studies on the development of nuclear power since 1954. From 1969, we began collaborating on design and planning, construction, and operation of the Fugen Advanced Thermal Reactor (ATR) developed by the Power Reactor and Nuclear Fuel Development Corporation (an independent administrative institution, now named the Japan Atomic Energy Agency), for the future development of nuclear power plants. Based on our accumulated nuclear power generation technologies and know-how, we are working on the Ohma project, our first nuclear power project. With the support of the government and electric power companies (EPCOs), we will continue to give top priority to ensuring safety and reliability as we steadily implement the project going forward.

Ohma Nuclear Power Plant and Japan's Pluthermal Plan

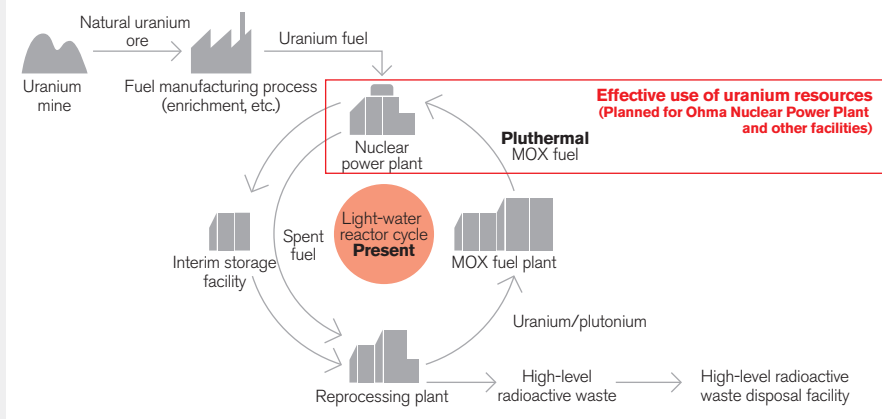
Nuclear power currently accounts for approximately 30% of all electricity generated in Japan. Nuclear power generation is thus playing an important role in ensuring the stable supply of electric power in Japan. It also has the advantage of producing no CO₂ emissions during the power generation process.

As Japan imports more than 90% of its energy resources from overseas, it is essential for us to promote the reuse of plutonium and uranium from spent fuels to maintain a stable supply of energy for the future.

Heading toward the establishment of this nuclear fuel cycle, the government is promoting the pluthermal plan in order to reuse plutonium as MOX fuel in light-water reactors.

Japan's pluthermal plan aims to implement pluthermal power operations at 16 to 18 reactors by 2010. J-POWER's Ohma Nuclear Power Plant, as a full MOX-ABWR in which every reactor core can be operated on MOX fuel alone, is able to use roughly 25% of the MOX fuel produced at sites in Japan. As such, the plant is expected to play a vital role in Japan's pluthermal plan.

Nuclear Fuel Cycle and the Pluthermal Plan



(2) New Project Development Using Innovative Technology

One extremely important issue in addressing global warming is the need to lower the carbon dioxide emissions produced by coal-fired thermal power generation. Through technological innovation, J-POWER is developing next-generation coal-fired thermal power technologies that will meet this requirement and spark the creation of future projects. Oxygen-blown coal gasification has emerged as one such key technology that is expected to dramatically enhance power generating efficiency. As a result of five years of pilot testing through the EAGLE Project, we have verified the high reliability of oxygen-blown coal gasification facilities. Building on these results, we are currently collaborating with The Chugoku Electric Power Co., Inc. on a large-scale



EAGLE pilot-scale testing facilities
(Wakamatsu Research Institute, Fukuoka Prefecture)

demonstration project that is set to make us the first in Japan to commercialize this technology.

In addition, by harnessing the strengths of oxygen-blown coal-gasification technologies, we are conducting carbon dioxide separation and capture trials using EAGLE plant facilities. J-POWER is also engaged in long-term technological development aimed at achieving “zero emissions” of carbon dioxide through participation in a field trial project concerning Carbon Dioxide Capture and Storage (CCS) technology for existing coal-fired thermal power plants, among other innovative initiatives.

By working to quickly establish these technologies, for which there are high expectations worldwide, and developing them horizontally in Japan and overseas, we hope to contribute to global warming countermeasures and effective resource utilization on a global scale. (See the “Feature” section beginning on page 18 for further details.)

(3) Enhancing Value of Business Assets

In Japan, J-POWER currently operates 67 domestic power plants with a total output capacity of 16,380 MW in its wholesale electric power business, and owns some 2,400 km of transmission trunk lines, as well as transformer facilities and frequency converter stations. These facilities generate approximately 90% of J-POWER's income and are the basis of its profit-generating capabilities. Maintaining and improving the reliability and economic

Upgrade Construction Plans for Major Existing Facilities



Tagokura Power Plant
(Fukushima Prefecture)



Takasago Thermal Power Plant
(Hyogo Prefecture)



Kitahon Linkage Facilities and Hakodate AC/DC Converter Station
(Hokkaido)

		Hydroelectric power	Thermal power	Transmission/Transforming
Project		Tagokura Power Plant Comprehensive upgrade construction	Takasago Thermal Power Plant Refurbishment (Large-scale upgrade) construction	Kitahon Linkage Facilities (Hokkaido, Aomori Prefecture) Replacement of Control Protection Equipment
Key points		Boost efficiency/output through comprehensive upgrades (weighted average efficiency: approx. 3%; output ^{*1} : from 95 MW to 100 MW)	Improve reliability through concentrated upgrades to main facilities	Maintain and increase reliability; improve operational efficiency in ways that enhance convenience for users ^{*2}
Schedule	2007/3	Unit No. 4 construction completed		
	2009/3	Unit No. 2 construction completed Unit No. 3 construction scheduled to commence	Unit No. 2 construction scheduled for completion	Completed
	2011/3	Unit No. 1 construction scheduled to commence	Unit No. 1 construction scheduled for completion	

*1 Per power-generation unit

*2 To be accomplished by resolving current minimum flow constraints (operating constraints during flow times when facility capacity is 10% or less)

efficiency of these facilities, while ensuring stable long-term facility operations, are thus key priorities. To this end, we are making appropriate facility renovations and upgrades and establishing management systems for achieving more efficient facility maintenance and operations. In hydroelectric power, for example, we have chosen to conduct comprehensive upgrades of main machinery and equipment such as hydraulic turbines and power generators. In addition to improving facility reliability, we aim to increase electric power volume and output by boosting efficiency. Similarly, where thermal power plants are concerned, we have opted to upgrade equipment such as boiler tubes and transformers to enhance the economic efficiency and reliability of our facilities over their entire lifecycle. To accomplish this, we plan to invest roughly ¥270 billion over a period of 5 years.

The high efficiency and improved environmental performance that these initiatives are designed to achieve will also contribute to addressing the problem of global warming while allowing more effective resource utilization.



Comprehensive upgrade of main machinery and equipment at Tagokura Power Plant

(4) Global Business Expansion

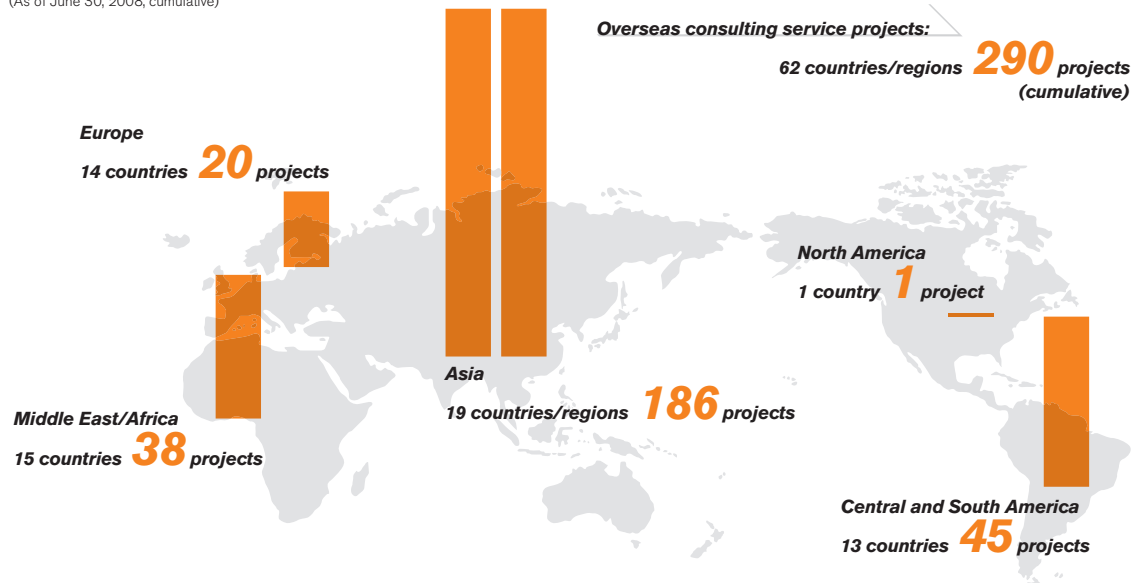
For about half a century, J-POWER has provided technological consulting services in over 60 countries/regions worldwide. These consulting services include construction supervision for power generation and transmission projects. Leveraging the expertise and networks of business contacts and organizations in each country gained in this process, J-POWER has been operating an overseas power generation business (investment-based independent power producer (IPP) business) since some 10 years ago. While growth in domestic demand for electric power is slowing, demand is booming in overseas markets. Therefore, overseas markets are where we can realize new growth by taking full advantage of our strengths, including the technological capabilities we have honed in the domestic power generation business, as well as our overseas experience and expertise. With this in mind, we are carefully selecting and promoting projects in the key markets of Southeast Asia, specifically Thailand, the U.S. and China, with the goal of developing the overseas power generation business into J-POWER's next major business domain. (Please see "Project Organization, Evaluation and Management" on page 14 of this report.)

Initially, because the IPP business was a new business format for J-POWER, we started out by making relatively small investments in order to circumvent risk. Now that we have gained experience through business projects, we are gradually broadening investment targets as well as the scale of our investment.

In Thailand, where J-POWER has offered consulting services on numerous projects, we have harnessed our experience to take

Overseas Consulting Services

(As of June 30, 2008, cumulative)

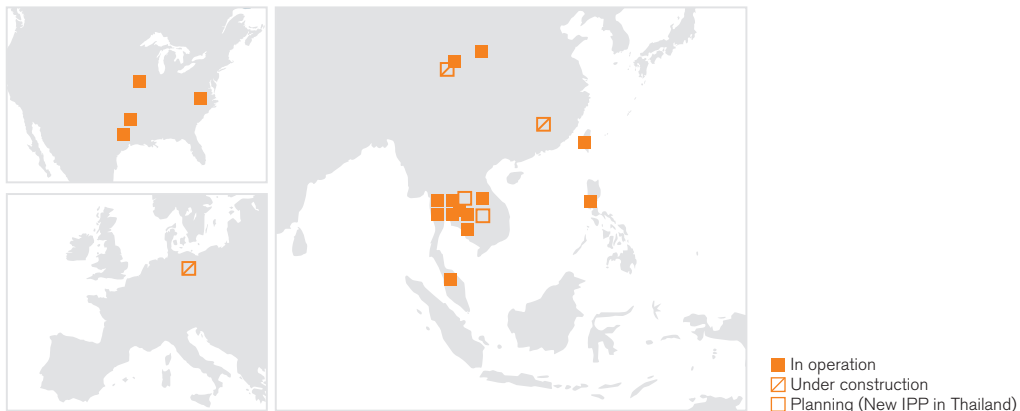


the lead in expanding operations in the country. A key turning point for J-POWER came in fiscal 2004, when we took part in what became Thailand's largest IPP business, the Kaeng Khoi #2 Gas-Fired Thermal Power Plant Project (1,468 MW). J-POWER assumed a leading role from the construction stages in promoting the project, where operations commenced in fiscal 2007.

Other important developments in the overseas power generation business have also emerged since fiscal 2007. J-POWER held the winning bids in two large-scale, gas-fired thermal power



Overseas Business Development



Overseas Power Generation Projects

(As of June 30, 2008)

Projects in Operation

Country/Region	Project Name	Electricity Generation Source
USA	Tenaska Frontier	Gas (Combined Cycle)
	Elwood Energy	Gas (Simple Cycle)
	Green Country	Gas (Combined Cycle)
	Birchwood	Coal
Philippines	CBK	Hydroelectric
China	Tianshi	Coal Waste
	Hanjiang (Xihe)	Hydroelectric
Thailand	Roi-Et	Biomass (Chaff)
	Rayong	Gas (Combined Cycle)
	Thaioil Power	Gas (Combined Cycle)
	Independent Power	Gas (Combined Cycle)
	Gulf Cogeneration (Kaeng Khoi)	Gas (Combined Cycle)
	Samutprakarn	Gas (Combined Cycle)
	Nong Khae	Gas (Combined Cycle)
	Yala	Biomass (Rubber Wood Waste)
Kaeng Khoi #2	Gas (Combined Cycle)	
Taiwan	Chiahui	Gas (Combined Cycle)

Total 17 projects in 5 countries/regions

Projects Under Construction

Country/Region	Project Name	Electricity Generation Source
China	Hanjiang (Shuhe)	Hydroelectric
	Xinchang	Coal
Poland	Zajaczkowo	Wind Power

Total 3 projects in 2 countries/regions

New IPP Projects Planned for Thailand

Samet Tai site	Nong Saeng site
Location: Samet Tai district, Chachoengsao province	Location: Nong Saeng district, Saraburi province
Output: 1,600 MW (800 MW x 2 units)	Output: 1,600 MW (800 MW x 2 units)
Commencement of operations: 2012 (planned)	Commencement of operations: 2014 (planned)

projects (total of 3,200 MW) in the first new power generation plant bidding held in Thailand in 13 years. Based on our long-standing business experience in the country, we plan to secure a majority interest and take the lead in these two projects.

With the Xinchang Coal-fired Thermal Power Plant (1,320 MW) in China and the Birchwood Coal-fired Thermal Power Plant (242 MW) in the U.S., we successively participated in long-sought overseas coal-fired thermal power projects. Coal-fired thermal power is a field that plays to our strengths since we

are one of the world's top companies in this area. Although global warming is a concern, we aim to convert this challenge into business opportunities that will enable us to showcase our environmental technologies and expertise in conducting efficient plant operations.

J-POWER will continue steady construction and operations at its 20 ongoing projects in 6 overseas countries and regions as of June 30, 2008, while successively capitalizing on new business opportunities around the world.

Overseas Power Generation Business

(1) Project Organization, Evaluation and Management

J-POWER carefully studies various factors when weighing participation in new projects. These include the countries' power industries and overall climate, the types of fuel, the reliability of electric power sales contracts and creditworthiness of its off-taker, as well as the condition of its transmission infrastructure. Project financing is used for such projects, in principle. In the process of organizing projects premised on risk sharing, J-POWER always strives to ensure rational business arrangements from both a technological and financing standpoint and is reviewed by financial institutions that will act as lenders for the project.

Evaluation of individual projects is based on internal investment assessment guidelines* with final decisions made following a multi-faceted review by all relevant internal divisions. Specifically, areas such as the project duration and commercial and country risks are comprehensively evaluated for each project on an individual basis. The required return rate is then calculated for the specific project, along with a comparison of the projected internal rate of return, to decide whether or not to proceed with the investment*

Once joined, projects are subject to periodic monitoring. J-POWER also screens the status of each individual project, particularly aspects such as changes in capacity utilization and profitability.

* See "Decision-making Process and Management in Overseas Businesses" on page 34 for more information.

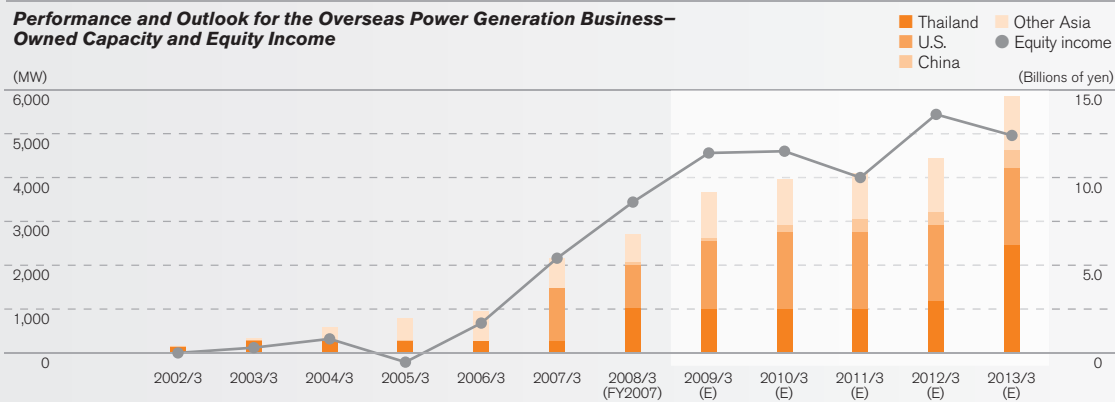
(2) Investment Scale and Prospects for Earnings Contributions

Total investment in the overseas power generation business was roughly ¥70 billion as of March 31, 2008 (end of fiscal 2007), with J-POWER's overseas owned capacity increasing to around 2,700 MW. Returns have also risen steadily thanks to proper investment management. As a result, J-POWER posted overseas equity income of approximately ¥8.6 billion for the fiscal year ended March 31, 2008.

J-POWER is planning investment outlays* of around ¥270 billion over the next five years. This investment should more than double the Company's current overseas owned capacity to 6,000 MW in the fiscal year ending March 31, 2013. Meanwhile, during this period, in the fiscal year ending March 31, 2009 equity income is expected to surpass ¥10 billion, primarily reflecting anticipated equity income contributions from the Kaeng Khoi #2 Gas-Fired Thermal Power Plant. J-POWER expects to maintain this level of earnings through stable operations at existing projects and the accumulation of new projects. Beyond the fiscal year ending March 31, 2014, earnings should receive a further boost from contributions from large-scale projects in Thailand, assuming that operations commence as scheduled.

* J-POWER's exposure is limited to an amount equal to the amount of capital invested in the project, multiplied by the investment ratio (amount of planned direct contribution estimated at ¥100 billion).

Performance and Outlook for the Overseas Power Generation Business—Owned Capacity and Equity Income



[Left axis] Owned capacity (in operation): Capacity reported at fiscal year-end calculated by multiplying total capacity of project by J-POWER's investment ratio (equity ratio).

[Right axis] Equity income: Amount reported for the fiscal year calculated by multiplying total project income by J-POWER's investment ratio (equity ratio). J-POWER's investment ratio in new projects in Thailand is 70%.

(5) Power Generation as the Core of a Diversified Business

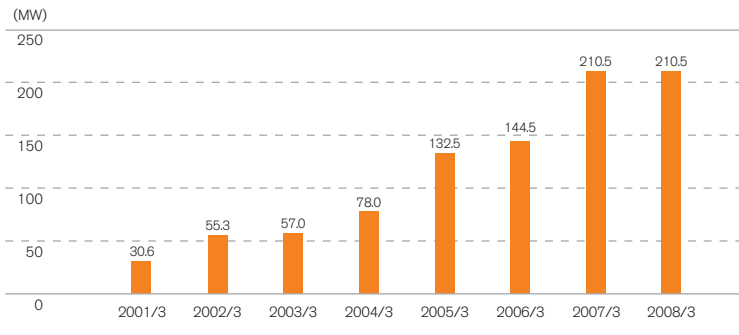
J-POWER is diversifying into businesses that utilize its core competencies in the search for future growth opportunities. Efforts to expand our value chain around the power generation



Zajaczkowo Wind Farm (Poland)

business are aimed at expanding and stabilizing earnings. Our environmental business, in particular, is helping us to accomplish our corporate mission of “harmonizing energy supply with the environment.” At the same time, it is a field offering enormous business opportunities. Our current focus is on developing renewable energy through such means as wind and biomass power generation. In wind power, the J-POWER Group has amassed a total capacity of 211 MW, making it one of the leading names in this field in Japan. We are taking advantage of our technology and expertise in wind power both in Japan and abroad. We will promote wind power projects not only in Poland, where we are currently developing a wind farm, but also in other overseas regions going forward.

J-POWER Group Wind Power Generation Capacity (In operation)



Wood biomass handling facility (Matsuura Thermal Power Plant, Nagasaki Prefecture)

Power Generation as the Core of a Diversified Business

Electric power business value chain

- Market trading of electricity
- Coal sales and trading
- Coal mine development projects and others

Environmental value

- Wind power generation (in operation at 9 locations in Japan)
- Biomass generation (dedicated combustion plants, mixed combustion at existing coal-fired facilities)
- Carbon business and others

Engineering expertise

- Dry-type desulfurization-denitrification system (ReACT)
- Comprehensive consulting in the development and utilization of underground space
- Telecommunications (mobile communications infrastructure construction, etc.) and others

Long-term business management capabilities

- Management of PFI/PPP waterworks projects (Fukuoka Prefecture)
- Construction and management of sewage treatment facilities through PFI schemes (Kanagawa and Chiba prefectures) and others

- Development of technologies that will contribute to seeds of new businesses and business models
- Creation of business synergies and new development through collaboration with other companies

In biomass power generation, J-POWER already has a track record in projects using chaff and rubber wood waste in Thailand. In Japan, we operate a waste-fueled thermal power plant in Omuta City and are also employing mixed combustion of biomass fuels at existing coal-fired thermal power plants.

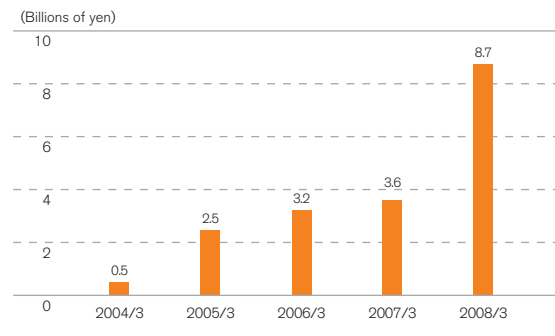
We believe that mixed combustion at coal-fired thermal power plants is the most effective means of utilizing Japan's biomass resources on a large scale and in an economically efficient manner. Therefore, we will continue to aggressively promote mixed combustion of wood biomass going forward.

Another point I want to emphasize concerns the coal-related business. As Japan's largest user of steaming coal, J-POWER procures some 20 million tons of coal annually. However, from the perspective of both coal procurement stability and the development of our coal business, we intend to participate in coal mine development projects and press our advantages as a major player in the coal market to actively develop our coal sales business globally.

To complement these actions, we are pursuing initiatives in non-power businesses, such as waterworks projects and other PFI/PPP businesses.* In fact, we plan to invest some ¥100 billion over 5 years to further diversify our businesses.

* PFI (Private Finance Initiative), PPP (Public Private Partnership)

Coal Sales Business



Coal Mine Development in Australia

J-POWER is developing coal mines in Australia to ensure a stable supply of coal.

In 1982, J-POWER took part in the development of the Blair Athol Coal Mine in Australia, a pioneering project to develop a steaming coal mine with Japanese capital. This was followed in 1997 by J-POWER's participation and acquisition of interests in the Ensham coal mining project.

J-POWER has been developing the Clermont Coal Mine in Australia since 2006. We have acquired a 15% stake in the mine, which is projected to provide an annual output of 12 million tons of steaming coal for use in power generation. Coal production at the mine is scheduled to commence in 2010.

As of August 2008, J-POWER has reached basic agreements with parties involved in the Narrabri Coal Project that will enable it to acquire a 75% interest in the mine and participate in its development. Projected annual output from the mine is between 6 million and 7 million tons of steaming coal for power generation, with production slated to start in 2009.

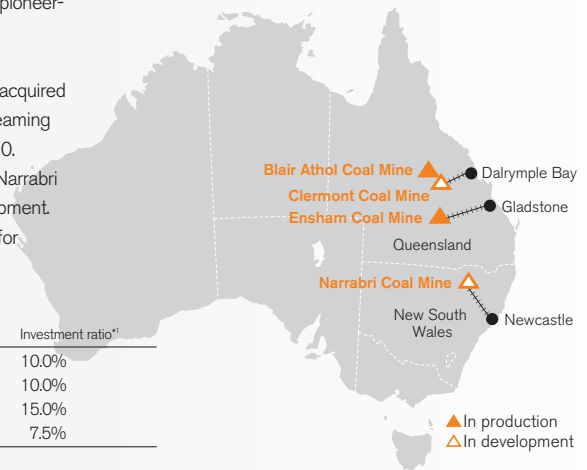
Coal Mining Projects in Australia

Coal mine	Location	Loading port	Production volume	Investment ratio ^{*1}
Blair Athol	Queensland	Dalrymple Bay	Approx. 10 million t/yr	10.0%
Ensham	Queensland	Gladstone	Approx. 6 million t/yr	10.0%
Clermont	Queensland	Dalrymple Bay	Approx. 12 million t/yr ^{*2}	15.0%
Narrabri	New South Wales	Newcastle	Approx. 6 to 7 million t/yr ^{*3}	7.5%

*1 Investment through a subsidiary, J-POWER AUSTRALIA PTY. LTD.

*2 Production scheduled to commence in 2010

*3 Production scheduled to commence in 2009



QUESTION ANSWER

What is your approach to corporate governance?

At J-POWER, we recognize that enhancing corporate governance is an extremely vital issue for a listed company. We have reviewed and reinforced our corporate governance to ensure compliance with amendments to laws and to cope with changes in our business environment. This has mainly entailed strengthening our auditing system by increasing the number of outside

auditors and enhancing our executive officer system. Thanks to these enhancement measures, I believe that our corporate governance structure, which today is firmly grounded on the Board of Directors and the Board of Corporate Auditors, gives us a fully functional system of governance.

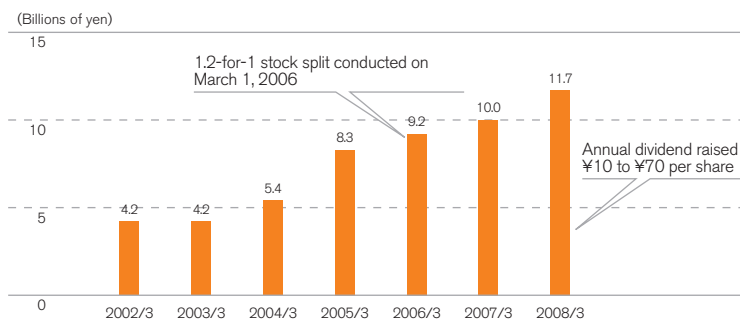
Furthermore, we continue to take steps to enhance our governance structure from the standpoint of facilitating future business expansion, fulfilling the common good and our social mission as a wholesale power company, and deepening communication with shareholders and other stakeholders. As for specific

measures, we are considering the establishment of an Advisory Board to assist the Board of Directors (fiscal 2008), and measures to further enhance the structure of the Board of Directors including the appointment of external directors, with the view to implementation in fiscal 2009. (See page 32 for further details.)

What is your approach to returning profits to shareholders?

The key to achieving sustainable growth for any company is to adequately meet the expectations and trust of all the stakeholders who support J-POWER. Ultimately, that means distributing profits appropriately to all stakeholders, including shareholders, customers, employees and local communities, through ongoing efforts to raise corporate value.

Trends of Aggregate Consolidated Dividends by Year



A distinctive feature of the power generation business is that returns on large investments are typically recovered over a long space of time. Given this reality, when it comes to returning profits to shareholders, our top priority is to maintain stable dividend payments over the long term. In this context, the measures we implemented to attain our three-year management targets have reinforced the Group's earnings power, and we now foresee sustainable and stable growth over the medium and long terms. Consequently, we paid an annual dividend of ¥70 per share for fiscal 2007, ¥10 more than in the previous year. We will continue working to raise returns to shareholders in line with future growth.

What is your vision for the J-POWER Group?

Our goals are to fulfill our role of ensuring a stable supply of electricity over the long term and to achieve sustainable growth as an enterprise. Our most important tasks are thus to make appropriate business investments that will generate



future earnings and to recover the invested capital through stable, long-term operations. Through this cycle of investment and recovery, we will strive to fortify our strengths as an enterprise by expanding

our business scale and earnings power, as well as bolstering our financial position, with the aim of achieving sustainable improvement in corporate value.

The J-POWER Group's mission is "harmonizing energy supply with the environment" through global business activities and to grow hand in hand with society as a corporate citizen. We hope to accomplish this mission by uniting every member of the J-POWER Group under a common vision as we continue to do our utmost to balance business activities and global environmental conservation while actively developing businesses in Japan and the rest of the world.

I invite each and every one of you to expect great things from the J-POWER Group in the years to come.

Challenge towards innovative **Clean Coal**

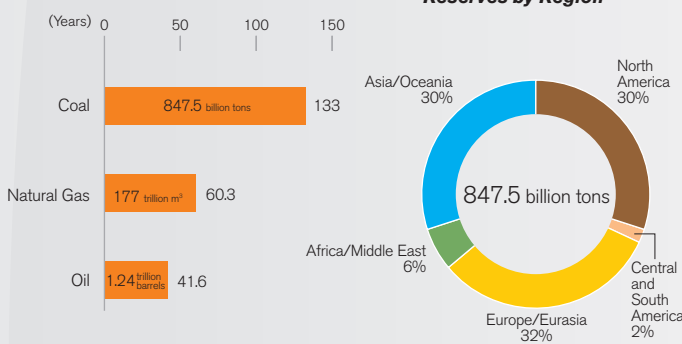
J-POWER is working to make coal resources a cleaner source of energy that can continue to be utilized more efficiently well into the future. To do this, we seek to achieve dramatic improvements in power generation efficiency and zero CO₂ emissions by tackling the challenges of technological innovation and proactively addressing the problem of global warming, all while linking these efforts to the development of new projects.

The Significance of Coal Usage Today and the Problem of Global Warming Reducing CO₂ from Coal-fired Thermal Power Generation as a Key to Countering Global Warming

Coal resources are in abundant supply and widely distributed around the world. Among fossil fuels, coal is the most economical and the most readily available resource. Coal is the main fuel source for electric power generation in a number of countries around the world. In fact, coal is the world's largest fuel supply source for electric power, responsible for nearly half of global electricity generation. In China, for example, coal-fired thermal power generation accounts for roughly 90% of total electricity

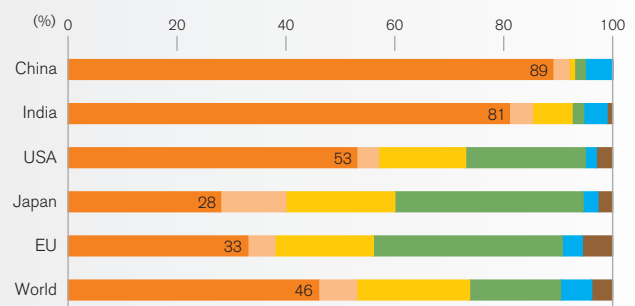
generation, and just over 50% of electricity generation in the United States. Coal will be indispensable to meeting surging demand for energy widely expected going forward. On the other hand, coal-fired thermal power generation is responsible for roughly 30% of global CO₂ emissions. With China, India and other emerging countries projected to sharply increase their coal usage in the coming years, finding ways to reduce CO₂ emissions from coal-fired thermal power globally is becoming an issue of the highest priority.

Proved Reserves



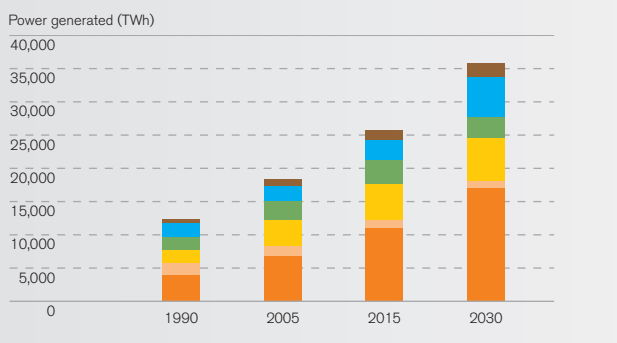
Source: BP Statistical Review of World Energy 2008

Electricity Generation by Fuel (2005)



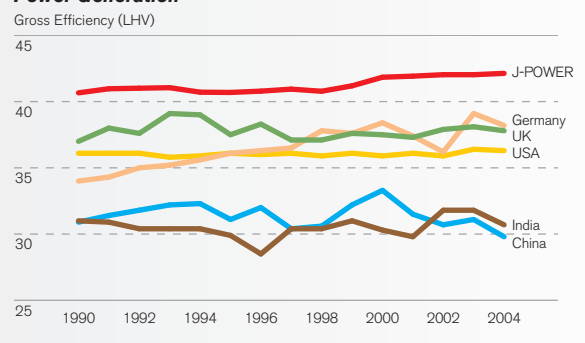
Source: IEA World Energy Outlook 2007

Global Electricity Generation and Outlook by Fuel



Source: IEA World Energy Outlook 2007

Trends of Thermal Efficiency in World's Coal-Fired Thermal Power Generation



Source: Ecofys Comparison of Power Efficiency on Grid Level 2007

Technologies

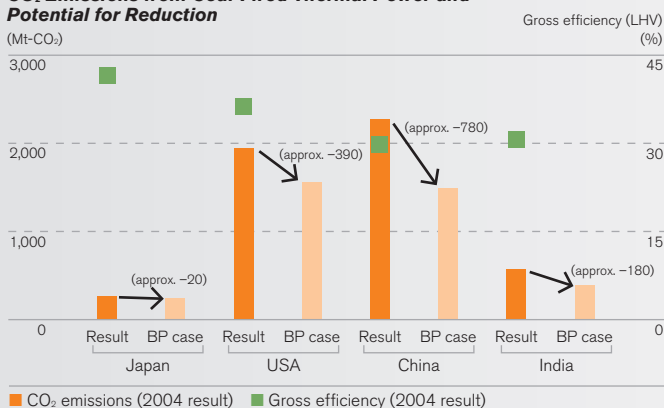
1. Coal-Fired Thermal Power Generation by J-POWER Realizing World-Leading Generating Efficiency and Environmental Performance

J-POWER and other coal-fired power producers in Japan are using a method of generation that raises the pressure and temperature of steam turbines extremely—to the Ultra Super Critical (USC) level. Compared to methods adopted by Europe and other Asian countries, our method attains a greater level of generating efficiency. In particular, as a top operator, we have attained the highest level of generating efficiency in Japan at the Isogo New No. 1 Thermal Power Plant. High-efficiency power generation in itself leads to reduced coal usage, and therefore lower CO₂ emissions. It is estimated that the introduction of Japan's world-leading coal-firing technologies to top CO₂ emitters—namely the United States, China, and India—would enable these countries to cumulatively reduce emissions by approximately 1.3 billion t-CO₂, an amount equivalent to

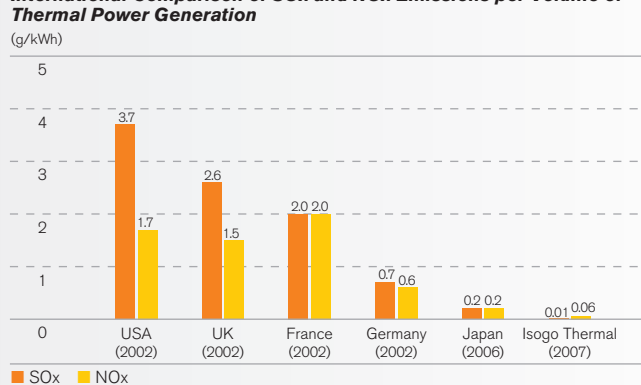
Japan's total emissions and to 5% of global CO₂ emissions. The proliferation of these technologies, therefore, will contribute substantially to addressing global warming and represents an important business opportunity for J-POWER.

At our thermal power plants, we have enacted various countermeasures to reduce emissions of sulfur oxide (SO_x), nitrogen oxide (NO_x), dust and other pollutants in exhaust gas, in an effort to prevent air pollution. Thanks to the introduction of the latest environmental technologies, the Isogo No. 1 Thermal Power Plant has achieved relatively low SO_x and NO_x emissions on par with emissions at gas-fired thermal power plants. Viewing local environmental measures of this kind as another field in which J-POWER can leverage its technological capabilities, we intend to continue to develop business operations in this area.

CO₂ Emissions from Coal-Fired Thermal Power and Potential for Reduction



International Comparison of SO_x and NO_x Emissions per Volume of Thermal Power Generation



BP case: Calculation assuming application of best practice (highest efficiency from commercial power plant) from Japan
LHV: Lower Heating Value standard
Source: IEA World Energy Outlook 2006, Ecofys Comparison of Power Efficiency on Grid Level

Source: The Federation of Electric Power Companies
* Figures for Japan include combined data from 10 EPCOs and J-POWER; figures for Isogo Thermal represent fiscal 2007 results.



Dry-type desulfurization system at Isogo New No. 2 Thermal Power Plant

Developing Operations Using a Dry-Type Flue Gas Desulfurization-Denitrification System (Regenerative Activated Coke Technology: ReACT)

The ReACT dry-type desulfurization-denitrification system continuously regenerates and recycles activated coke and removes such pollutants as SO_x, NO_x, and soot and dust from flue gas. In addition to using almost no water, another distinctive feature of the process is its high NO_x removal capability even at low temperatures. The system is in operation at J-POWER's Takehara Thermal Power Plant Unit 2 and at its Isogo New No. 1 Thermal Power Plant.

J-POWER subsidiary J-POWER EnTech, Inc. provides ReACT engineering services. It has delivered ReACT systems to J-POWER's Isogo New No. 2 Thermal Power Plant and to the Wakayama Steel Works of Sumitomo Metal Industries, Ltd. Going forward, J-POWER EnTech aims to continue efforts to capture opportunities to deliver ReACT systems to power plants, steel plants and other entities both in Japan and abroad.

The activated coke used in the system is sourced from JM Activated Coke, Inc., a joint venture between J-POWER and Mitsui Mining Co., Ltd. that supplies coke to J-POWER and other consumers in and outside of Japan.

2. Realizing Next-Generation Coal-Fired Thermal Power Projects Oxygen-Blown Coal Gasification as a Key Technology

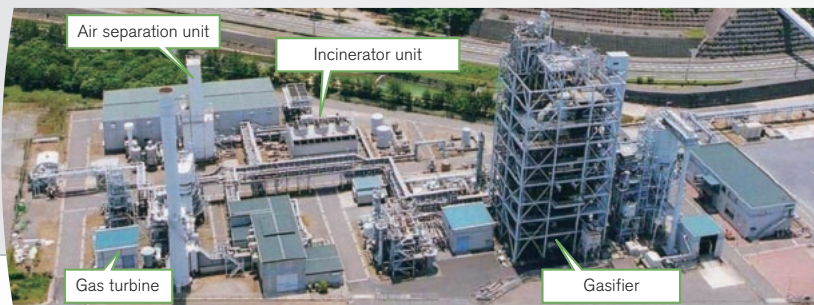
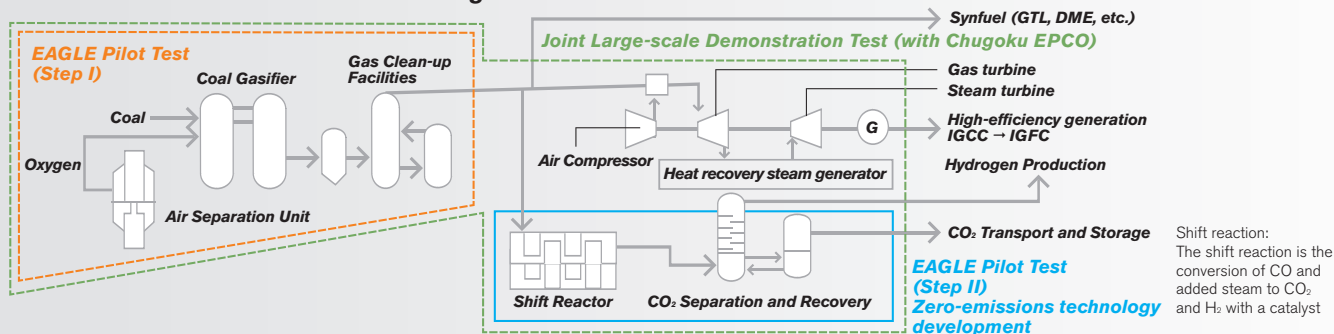
J-POWER aims to achieve the practical application of coal gasification power generating systems (IGCC and IGFC) built on oxygen-blown coal gasification, a technology widely anticipated to become vital to next-generation coal-fired thermal power generation. The establishment and application of Integrated Coal Gasification Combined Cycle (IGCC) and Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC) technologies will lead to a substantial leap in generating

efficiency, allowing significant reductions in CO₂ emissions.

Based on such pioneering technologies, we will work to bring a variety of innovations to our business development. In the medium term, we will apply IGCC systems in constructing new thermal power plants and replacing existing thermal plants. Over the long term, we will enhance our capability to launch new projects based on IGFC technologies.

(1) EAGLE Project (Oxygen-Blown Coal Gasification Technologies) *Coal Energy Application for Gas, Liquid & Electricity* Accomplishments and Outlook

Overview of R&D in Clean Coal Technologies at J-POWER



EAGLE pilot-scale testing facilities



CO₂ separation and recovery facility (under construction)

EAGLE—Step I Accomplishments (2002 to 2006)

J-POWER has conducted pilot tests of oxygen-blown coal gasification at its Wakamatsu Research Institute since 2002 with the aim of developing both a gasifier based on this technology and gas clean-up technology. By fiscal 2006, all objectives for the project had been achieved, including confirmation of high-efficiency coal gasification and gas refining performance, providing the necessary trial data that will enable us to enlarge the scale of applications.

In 2007, we successfully accomplished continuous test operation of over 1,000 hours, confirming a high level of facility reliability. This marked significant progress toward the next step of creating demonstration equipment for a coal gasification system centering on oxygen-blown coal gasification technology.

Towards EAGLE—Step II (2007 to 2009)

We are currently implementing testing under step II of the EAGLE Project. The first objective of step II is to develop CO₂ separation and capture technology. The potential for efficient separation and capture of CO₂, which is highly concentrated in coal gas following a shift reaction, is one of the advantages of applying the oxygen-blown method to coal gasification in the EAGLE Project.

The second objective is to expand the number of coal types suitable for gasification. Presently, coal with a low ash melting point, which is unsatisfactory for pulverized coal-firing technology, is well suited for gasification. Extending the scope of usable coal for gasification to include types currently utilized for pulverized coal-firing technology will ensure flexible coal procurement, thereby paving the way toward the development of viable demonstration and commercial facilities.

Features of EAGLE Gasification Technology

- **High gasification efficiency:** Can efficiently transfer the energy stored in coal into coal gas
- **Compatibility with multiple types of coal:** Applicable even to coal varieties with higher ash melting points
- **Suitable for many applications:** Oxygen-blown method makes the technology suitable for efficient CO₂ capture, as well as the production of synthetic fuels and hydrogen and other applications

Overview of EAGLE—Step I Results

Development Objectives

- Develop a domestically produced oxygen-blown coal gasifier
- Establish gas clean-up technology

Results

- Achieved all development targets
- Gained technologies for the operation and maintenance of coal gasification facilities
- Confirmed facility reliability through long-term continuous operation
- Identified the gasification qualities of five different coal types
- Acquired data of scale-up gasifier for next stage of project

Item	Targets	Results
Carbon conversion rate*1	≧98%	≧99%
Cold gas efficiency*2	≧78%	≧82%
Calorific Value (HHV)	10,000 kJ/m ³ N	10,100 kJ/m ³ N
Continuous operation time	1,000 hours	1,015 hours
Adaptable coal types	5 varieties	5 varieties
In product gas	Sulfur	≧1 ppm
	Halogens	≧1 ppm
	Ammonia	≧1 ppm
	Dust	≧1 mg/m ³ N

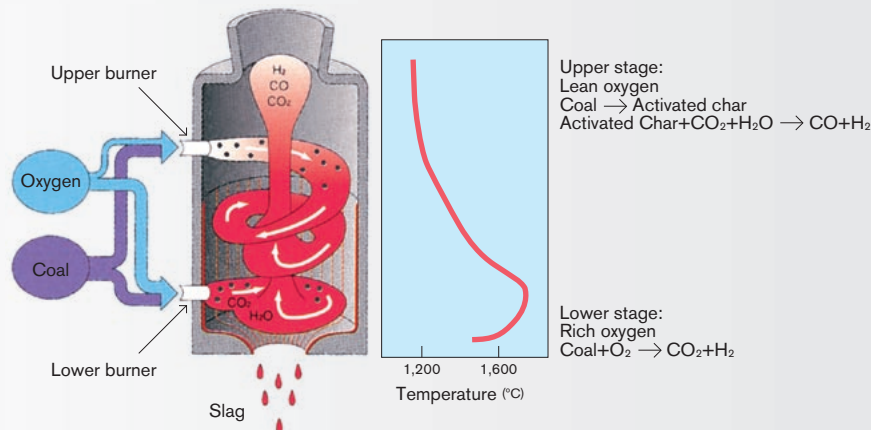
*1 Proportion of carbon in coal converted to gases such as CO, CO₂ and CH₄.

*2 Proportion of coal HHV converted to syngas HHV. Higher values correspond to higher conversion efficiency.

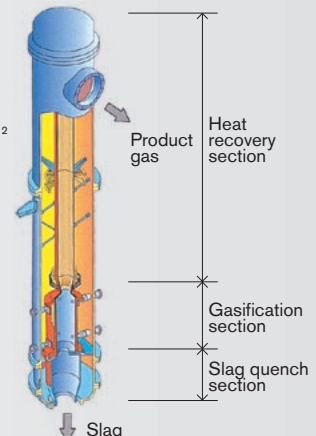
Overview of EAGLE—Step II

Development Objectives	Development Targets
Demonstration of CO ₂ separation and capture technology	Raise purity of recovered CO ₂ to 99% or higher
Test expansion of useable coal types	Acquire data on gasification characteristics of more than 3 additional coal types
Survey the behavior of trace elements	Understand the behavior of halogens and other trace elements
	Acquire basic environmental assessment data

Conceptual Flow in Gasifier



Structure of the Gasifier



(2) Joint Large-Scale Demonstration Test of Oxygen-Blown Coal Gasification Technology (with Chugoku EPCO): Towards Commercial Application of IGCC

Based on the success of the EAGLE Project, namely our accomplishment in terms of developing oxygen-blown gasification technology and experiments in CO₂ separation and recovery, we are currently implementing a large-scale demonstration test at the Osaki Power Plant (Hiroshima) of The Chugoku Electric Power Co., Inc. in collaboration with Chugoku Electric Power. We aim to commence the test in fiscal 2016.

This test will involve the construction of a demonstration plant with an output on the scale of 150 MW (coal processing volume of approx. 1,000 tons/day), and will investigate the reliability, economic efficiency, operational properties and other features of power generation based on oxygen-blown coal gasification. We also intend to continue to perform trials for the application of cutting-edge CO₂ separation and recovery technology, in a bid to realize innovative, zero-emissions,

high-efficiency coal-fired thermal power generation by combining this technology with Integrated Coal Gasification Combined Cycle (IGCC) technology.

Cool Earth-Energy Innovative Technology Plan

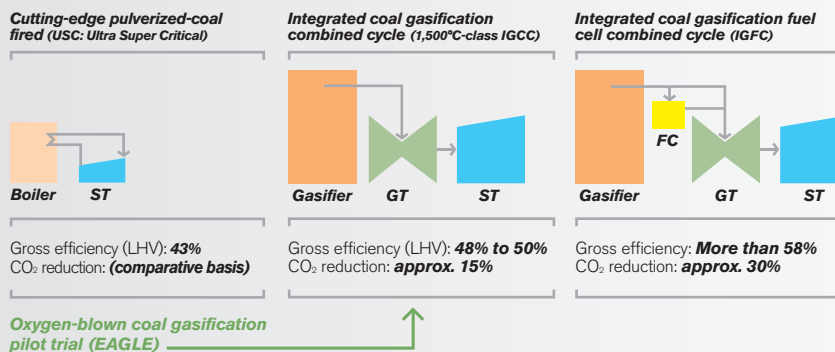
The development of truly innovative technologies, not simply extensions of conventional ones, will be necessary to significantly reduce carbon dioxide levels. Recognizing this, the Japanese government has formulated the Cool Earth-Energy Innovative Technology Plan, which it is now promoting worldwide. The demonstration test involves the development of both "highly efficient coal-fired thermal power generation technology" and "carbon dioxide capture and storage (CCS) technology." Therefore, it is one of the technologies in the plan which is an "innovative, zero-emissions, coal-fired thermal power generation project."

(3) Integrated Coal Gasification Fuel Cell Combined-Cycle (IGFC) Power Generation: The Ultimate in High-Efficiency Power Generation Technology

One of J-POWER's long-term objectives is the realization of Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC) power generation. To this end, we are pursuing R&D in Solid Oxide Fuel Cell (SOFC) technology at our Chigasaki Research Institute, where we are currently testing an atmospheric pressure (150 kW-class) SOFC cogeneration system with the world's

largest output capacity. J-POWER has been a pioneer in the development of IGFC technology. From this leading position, we have raised power generating efficiency to around 60% and cut CO₂ emissions by roughly 30% relative to existing pulverized coal-firing technology, resulting in the development of what may be the ultimate coal-fired power technology.

Coal-fired Power Technology for the Next Generation



ST: Steam turbine; GT: Gas turbine; FC: Fuel cell

Ultra Super Critical (USC)

USC technology raises the steam pressure and temperature of steam turbines above that of conventional supercritical steam turbines (pressure: 246 kg/cm²; temperature: 566°C) in order to enhance the efficiency of thermal power plants.

Integrated Coal Gasification Combined Cycle (IGCC) and Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC)

Both technologies are built on coal gasification and offer substantially improved power generating efficiency relative to pulverized-coal fired thermal power. Whereas pulverized-coal fired thermal power utilizes steam turbines only, IGCC power generation is configured around both gas and steam turbines. IGFC power generation adds another element, fuel cells, for a triply integrated power generation configuration.

Solid Oxide Fuel Cell (SOFC)



**Atmospheric pressure SOFC cogeneration system (150 kW-class)
(Chigasaki Research Institute)**

Generating electricity from fuel cells differs from traditional systems that convert heat from the combustion of fuels into electricity, because it transforms chemical energy directly into electrical energy, thus lowering energy losses and delivering high efficiency. The SOFC being developed by J-POWER is made of ion electroconductive ceramics. As they produce heat of between 900°C and 1,000°C during electrochemical reactions, SOFCs provide better generating efficiency than other fuel cells when integrated in combined cycle systems.

3. Carbon Dioxide Capture and Storage (CCS) Technology Working to Achieve Zero Emissions of CO₂

At present, surveys and plans to conduct trials around CCS, whereby CO₂ from large-scale emission sources is separated and recovered for capture and permanent storage underground or in the ocean, are moving forward most notably in Japan and Europe. Of the three distinct elements comprising CCS—separation and capture, transport and storage—J-POWER has focused most intently on the development of CO₂ separation and capture technologies. This decision reflects our view that aligning “separation and capture” functions with power plant design is the most desirable option, as well as our recognition

that CO₂ separation and capture is the most cost-intensive aspect of the entire CCS process.

As part of EAGLE—Step II, J-POWER is conducting pilot testing of CO₂ separation and recovery technology for gases derived from oxygen-blown coal gasification, considered the most promising future technology in this area particularly in terms of efficiency. In parallel, we are actively working to develop similar technologies for combustion exhaust from pulverized-coal fired (PCF) thermal power, currently the most common method of power generation from coal.

CO₂ Separation and Capture at PCF Plants



Facility for demonstrating CO₂ separation and recovery at the Matsushima Thermal Plant, Unit 2



Callide Power Station (Australia)

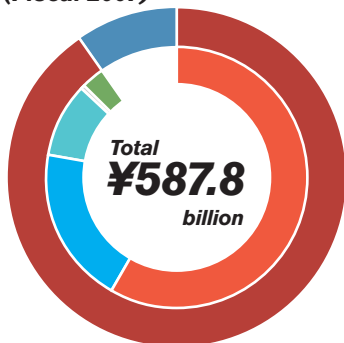
PCF is currently the most widely used method of power generation in systems fueled by coal, and the separation and capture of CO₂ from combustion exhaust is likely to become common in the future.

At J-POWER's Matsushima Thermal Power Plant, the Group is conducting pilot trials (from 2007 to 2008) in collaboration with Mitsubishi Heavy Industries, Ltd. regarding the chemical absorption method. J-POWER will also take part in a joint demonstration project between Japan and Australia scheduled to take place at the Callide Power Station in Queensland, Australia (from 2010 to 2014), to test an integrated system for the separation, recovery and underground storage of carbon dioxide.

As a leading company in coal-fired thermal power, J-POWER is pursuing these innovative clean coal technologies to convert the challenges posed by global warming into business opportunities.

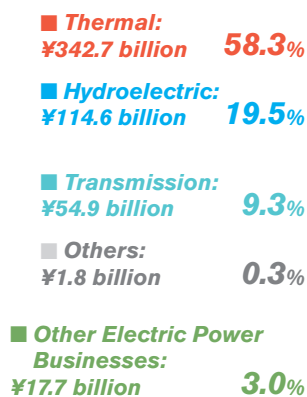
Segment Overview

Composition of Consolidated Operating Revenues for Fiscal Year Ended March 31, 2008 (Fiscal 2007)



■ **Electric Power Business**
 ¥531.8 billion **90.5%**

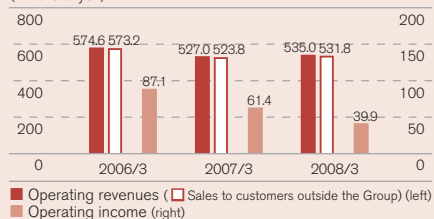
Wholesale Electric Power Business



■ **Other Businesses**
 ¥56.0 billion **9.5%**

Electric Power Business

Segment Operating Revenues/Operating Income (Billions of yen)



We supply electricity to Japan's 10 major electric power companies (EPCOs) through our hydroelectric and thermal power plants.

Through our power transmission and transforming facilities, we also provide transmission services to nine EPCOs, excluding The Okinawa Electric Power Co., Inc.

In addition, we are engaged in operating wind power plants, the wholesale supply of electricity to EPCOs by IPPs and the wholesale supply of electricity to PPSs.

Wholesale Electric Power Business Thermal Power

We specialize in coal-fired thermal power, and own a total of 7,812 MW of coal-fired power generation facilities, the largest share in Japan. Our coal-fired facilities boast a high load factor, fulfilling base demand for electricity and superior economic efficiency, due to the lower cost per calorie of overseas coal compared with other fossil fuels.

Wholesale Electric Power Business Hydroelectric Power

We have developed several large-scale hydroelectric power plants and now own hydroelectric power-generating facilities with a total capacity of 8,556 MW. As these facilities are able to rapidly respond to changes in electricity demand, they are primarily used in the daytime, when demand is at its peak.

Power Transmission/Transforming

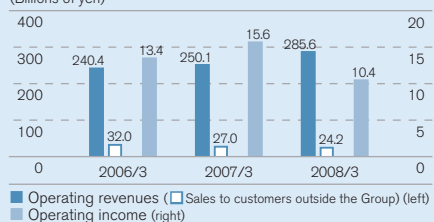
We own major transmission lines, such as those connecting Honshu with Hokkaido, Shikoku and Kyushu respectively (with a total length of 2,408 km). We also own a frequency converter station that links the different frequencies of Eastern and Western Japan.

Other Electric Power Businesses

Our subsidiaries and affiliates are engaged in operating wind power plants, the wholesale supply of electricity to EPCOs by IPPs and the wholesale supply of electricity to PPSs.

Electric Power-related Businesses

Segment Operating Revenues/Operating Income (Billions of yen)



We operate businesses that complement and contribute to the smooth and efficient implementation of our Electric Power Business.

Design, construction and maintenance of facilities

Design, construction, and inspection, maintenance and repair of electric power facilities such as power plants; port operations related to fuel and coal ash

Supply of fuel for power generation and materials

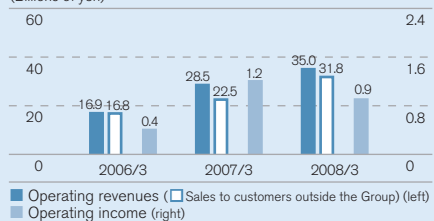
Coal mine development, coal imports and transportation

Services

Management of welfare facilities; computing services and others

Other Businesses

Segment Operating Revenues/Operating Income (Billions of yen)



Fully utilizing the group's management resources and know-how, we operate businesses that include overseas power generation, new power businesses in Japan, such as waste-fueled power generation and co-generation, environmental businesses, the telecommunications business, and domestic and overseas engineering and consulting.

Business Review in Fiscal 2007 and Outlook

In the fiscal year ended March 31, 2008 (fiscal 2007), overall demand for electricity was higher as a result of a heat wave and severe winter weather. Against this backdrop, the load factor was 81%, exceeding our initial forecast of 75%, and up from 75% in the previous fiscal year. Electricity sales volume rose by 9% year on year to 52.5 billion kWh, while operating revenues increased by 5% year on year to ¥342.7 billion.

For fiscal 2008, we forecast a load factor at 80% and an electricity sales volume of 52.3 billion kWh.

To keep coal-fired power, which offers advantages of supply stability and economic efficiency, at the core of our business operations, we believe that it is important to enhance both cost competitiveness and facility reliability, while maintaining high-capacity utilization at our plants. In addition to enhancing the competitiveness of existing power plants through an innovative approach to coal procurement and continuing efforts to reduce operation costs, we will also conduct an optimal level of maintenance to prevent the decline of thermal efficiency from aging and deterioration. Moreover, we are pressing steadily ahead with construction of the Isogo New No. 2 Thermal Power Plant (600 MW and scheduled to commence operations in July 2009), which will become a new source of earnings.

In fiscal 2007, water flow was low, with the water supply rate decreasing to 85% from the previous year's 112%, which was caused by high water flow. As a result, electricity sales volume declined by 22% year on year to 8.3 billion kWh. In addition, operating revenues declined by 7% year on year to ¥114.6 billion, primarily owing to the rate reductions that took effect from September 2007.

For fiscal 2008, we are projecting electricity sales volume of 9.5 billion kWh based on an average water supply rate of 100%.

While aging of the existing power plants continues, it is important to maintain and improve profitability at existing plants. To this end, we are promoting measures to improve our capabilities to diagnose the remaining service lifespan of facilities as well as to improve the maintenance and repair processes. Through such efforts, we are pursuing cost reductions and a high level of Operations Management (O&M). At the same time we are also implementing value-enhancing investments to existing plants such as the comprehensive upgrade of major equipment, aiming to increase power generation volume by boosting generation efficiency and to improve facility reliability.

Operating revenues in fiscal 2007 declined by 0.5% year on year to ¥54.9 billion, partly due to the rate reductions that took effect from September 2007. Covering regional utilities' service areas, we play an important role in the overall management of Japan's electricity supply. We believe that the importance of our facilities will continue to grow prominently, given the progressive deregulation of the electricity industry, and this is expected to spur the revitalization of power distribution across wider areas.

In fiscal 2007, total electricity sales volume rose by 1.5% year on year to 1.7 billion kWh, mainly as a result of the start of full-year operations at Koriyama-Nunobiki Kogen Wind Farm, which came on line in the previous fiscal year. In addition, operating revenues increased by 5% year on year to ¥17.7 billion.

For fiscal 2008, J-POWER is expecting a slight increase in electricity sales volume to 1.8 billion kWh.

In the electricity supply business for PPS, although sales volume by PPS in the domestic electricity retail market is still limited, we will explore the feasibility of new development, while carefully monitoring the need for new power sources and trading trends in the wholesale electricity market. In wind power generation, we are working toward the launch of new development plans that will entail the exploration of favorable sites and the reduction of construction costs, as we strive to make steady progress with existing development plans.

Operating revenues increased by 14% year on year to ¥285.6 billion, primarily owing to higher revenues in the coal sales business. However, operating income decreased by 33% to ¥10.4 billion mainly due to reduced business volume at maintenance subsidiaries.

The majority of business in this segment is accounted for by intra-Group transactions such as maintenance and coal transportation for our plants. Operating revenues from sales to customers outside the Group amounted to ¥24.2 billion, accounting for 8% of overall operating revenues in this segment.

In fiscal 2007, operating revenues rose by 23% year on year to ¥35.0 billion, atop higher external sales at consolidated subsidiaries. Meanwhile, operating income decreased by 22% to ¥0.9 billion, primarily owing to a higher cost of sales.

Going forward, J-POWER will strengthen its initiatives in areas outside of the Group, including the sales of coal.

As for the Overseas Power Generation Business, the majority of its profits are recorded as investment profits on an equity-method basis so far. We will look into promising projects, in which we are seeking to acquire a major stake.

Electric Power Business—Characteristics and Strengths

Wholesale Electric Power Business Thermal Power



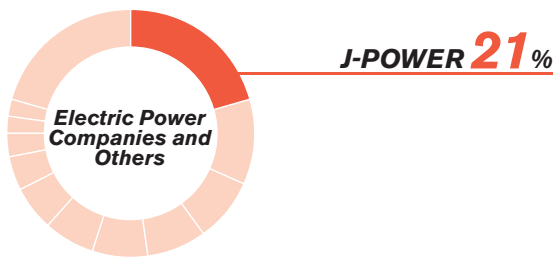
Matsuura Thermal Power Plant (Nagasaki Prefecture)

J-POWER's key strength in thermal power generation is our focus on coal-fired power generation, which has strong cost competitiveness and fulfills base demand for electricity with a high load factor. We have long maintained the number one share in coal-fired power generation capacity since becoming the first company in Japan to use overseas

coal in a thermal power plant (Matsushima Thermal Power Plant, Nagasaki Prefecture; Maximum capacity: 500 MW x 2). We have also enjoyed substantial economies of scale by pioneering the building of large-scale coal-fired power plants. Coal is a natural resource found in abundance throughout the world and is arguably the most economically stable fossil fuel available. This has become even more noticeable in light of the recent spate of spiraling oil price increases. These strengths contribute to the formation of attractive rates, and our long-term contracts with EPCOs, generate synergetic effects for forming a stable earnings foundation.

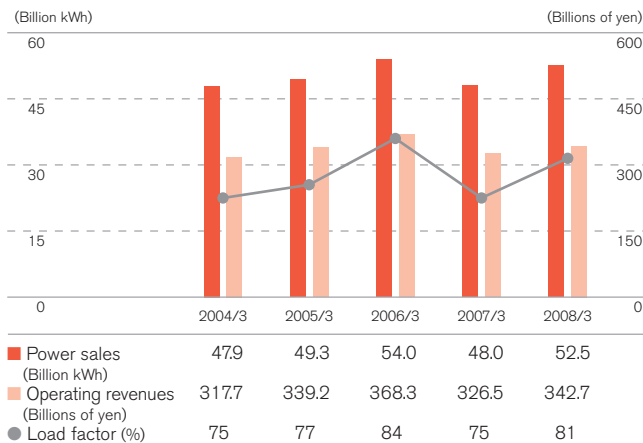
As of March 31, 2008, we operate seven coal-fired power plants with a total capacity of 7,812 MW, representing 21% of the coal-fired power generation facilities in Japan. For fuel, we procure coal from several countries, mainly from Australia, based on long-term or yearly contracts.

Share of Coal-Fired Power Generation Capacity
(As of March 31, 2008)

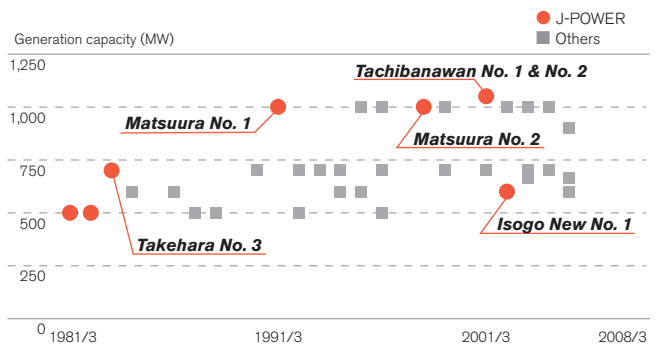


Source: Agency for Natural Resources and Energy

Thermal Power Sales and Load Factor



Large-Scale Coal-Fired Unit Capacity and First Year of Operation



"Large-scale" defined as power plants with more than 500 MW output. Chart data up to March 31, 2008.

Source: Agency for Natural Resources and Energy

Calorific Unit Price by Fossil Fuel (Imports)

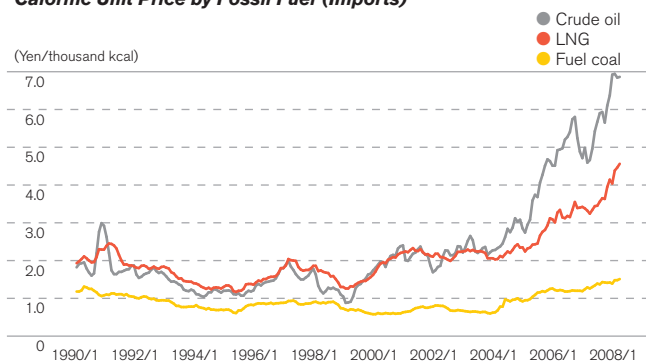


Chart data up to March 31, 2008

Source: The Energy Data and Modelling Center

Wholesale Electric Power Business

Hydroelectric Power and Power Transmission/Transforming



Sakuma Power Plant (Shizuoka Prefecture)

Hydroelectric Power

Hydroelectric power is an essential power source, particularly in Japan, for three main reasons. First, it is currently the only truly domestic energy source on a meaningful scale. Second, it is a clean energy source with virtually no fuel expenses, namely marginal costs, and offers many benefits in terms of environmental issues, especially because of no CO₂ emissions. Finally, it offers outstanding flexibility in terms of the ability to adjust output to demand levels, which is suitable for intra-day and intra-seasonal demand and supply balancing.

J-POWER has the advantage of high technological expertise in developing hydroelectric power and possesses the most advanced technologies available in Japan, particularly for the construction of dams and large-scale underground structures. We have built and operated hydroelectric power plants for almost half a century, starting with the development of large-scale hydroelectric power plants represented by the Sakuma Power Plant, which started operations in 1956, and the development of pumped-storage power plants, which excel in adjusting output in response to demand peaks. As of March

31, 2008, we operate 59 hydroelectric power plants throughout Japan, with a total capacity of 8,556 MW, comprising 19% of the total hydroelectric power generation facilities in Japan.

Considering the limited availability of sites suited to the development of large-scale hydroelectric power plants in Japan, we believe our strong market share and economies of scale in hydroelectric power generation will endure for the foreseeable future.

Our hydroelectric power plants generate a steady stream of earnings based on long-term contracts with EPCOs. Roughly 80% of the rate for conventional-type facilities and 100% of the rate for pumped-storage-type facilities are fixed rates.

Transmission and Transforming Facilities

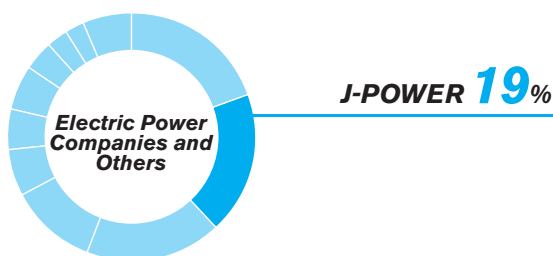
J-POWER's transmission and substation facilities not only distribute electricity from our power plants to demand centers, but also play a huge role in the total operation of Japan's power grid. In particular, we operate critical facilities that support the wide-area power interchange in Japan, such as extra-high-voltage transmission lines connecting Honshu with Hokkaido, Shikoku and Kyushu respectively, as well as the Sakuma Frequency Converter Station, which was the first in Japan to enable transmission of electricity between the different frequencies of Eastern Japan (50 Hz) and Western Japan (60 Hz).



Sakuma Frequency Converter Station (Shizuoka Prefecture)

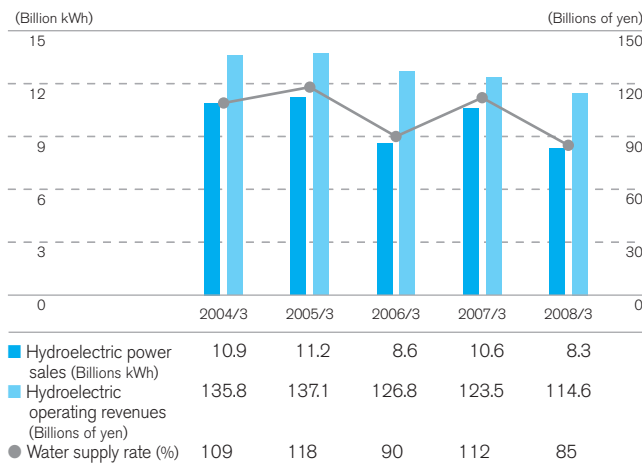
Share of Hydroelectric Power Generation Capacity

(As of March 31, 2008)



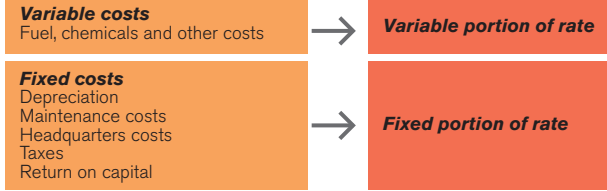
Source: Denryoku Chosa Tokey Geppo, Japan Electric Association

Hydroelectric Power Sales and Water Supply Rate



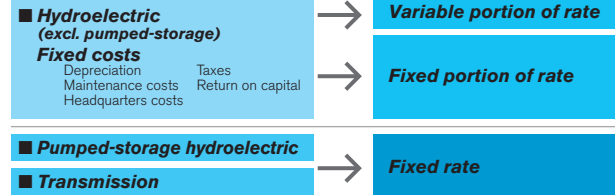
J-POWER's Rate Structure for Wholesale Electric Power Business

Thermal Power



Fuel, maintenance and other costs comprise a high proportion of the total costs and fluctuate greatly from year to year. Therefore we revise thermal power contract rates every two years to reflect these changes. Variable costs such as fuel costs, which fluctuate in accordance with power output, are covered by the variable portion of the rates. We also maintain a fuel cost adjustment system that covers fluctuations in foreign exchange rates and the prices of heavy oil used as a supplementary fuel. Fixed costs, including depreciation, maintenance and return on capital, which are incurred equally regardless of output level, are covered by the fixed portion of the rate. This framework allows J-POWER to secure stable cash flows.

Hydroelectric Power and Transmission



With regard to hydroelectric power, transmission and substation facilities, capital costs, fixed-asset taxes, etc. comprise a high proportion of the total cost, and annual cost fluctuations are small. Therefore their contract rates are set at a lower level from the start of operations and are not subject to regular revision to ensure long-term rate stability. In the case of conventional hydroelectric power, the fixed portion of the rate accounts for a higher proportion, minimizing the impact on sales caused by power output fluctuations. The contract rates of both pumped storage hydroelectric power and transmission are based entirely on the fixed rate. These rate structures enable J-POWER to generate stable cash flows.

Deregulation of the Electric Power Industry and J-POWER's Response

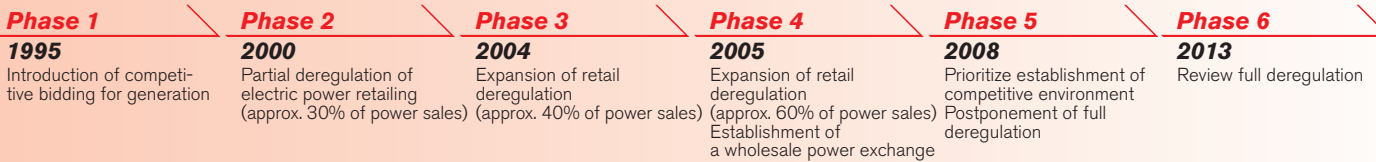
The deregulation of the electric power industry in Japan has created a new environment in which business enterprises other than electric power companies (EPCOs) can participate in electricity wholesaling and retailing businesses. Since April 2005, the deregulation of the retail electricity sector was expanded to approximately 60% of the market, and wholesale electricity transactions were commenced in the Japan Electric Power Exchange (JEPX).

Though the deregulation has had the effect of increasing competition and applying downward pressure on prices, J-POWER considers the deregulation to be a positive change toward expanding its business opportunities from a long-term perspective. We also recognize that it is essential for us to vigorously respond to these changes, and we are promoting the following sorts of initiatives to achieve stable growth.

- We are developing new types of wholesale electricity businesses such as the IPP business and the electricity supply business for PPSs (See page 29, Other Electric Power Businesses).
- We have commenced sales of electricity to the wholesale markets such as JEPX by utilizing a part of existing generation capacity.

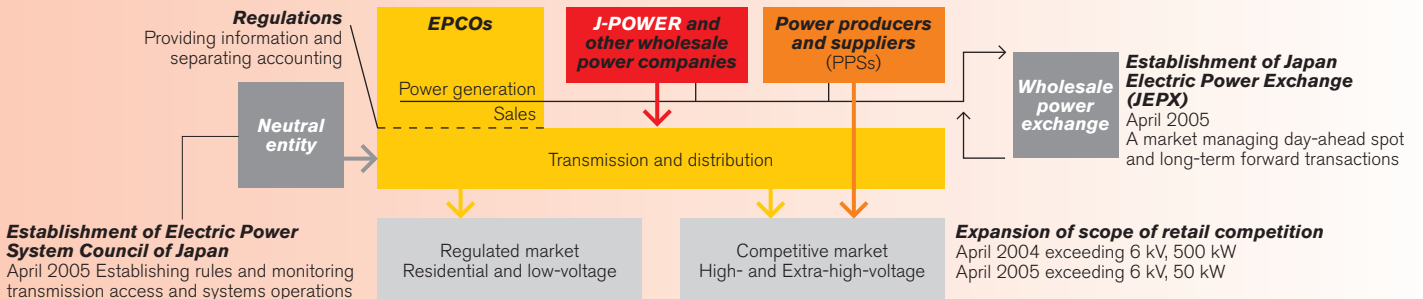
Further reforms of the electric power industry have been under discussion since April 2007 in the Power Business Subcommittee of the Advisory Committee for Natural Resources and Energy. The subcommittee has decided to first implement industry reforms designed to establish a competitive environment within the existing scope of retail deregulation. Further expansion of retail deregulation is planned for review in 2013. While monitoring carefully the trends toward deregulation and responding flexibly to changes in the business environment, we aim to expand business opportunities by making use of new options created by the deregulation.

Deregulation of Japan's Electric Power Industry



Japan's Electric Power Industry Structure

(As of June 2008)



Other Electric Power Businesses IPP, for PPS and Wind Power



Koriyama-Nunobiki Kogen Wind Farm (Fukushima Prefecture)

In response to the deregulation in the electric power industry, J-POWER is focusing efforts on new types of wholesale electricity businesses. Through our subsidiaries and affiliates,

we are engaging in the wholesale electricity supply to EPCOs by IPPs (Independent Power Producers), as well as the wholesale electricity supply for PPSs (Power Producers and Suppliers), which are new entrants into the electricity retailing business, and wind power generation.

As of March 31, 2008, we are operating three power plants as IPPs with a total capacity of 522 MW, and three power plants for PPSs with a total capacity of 322 MW. Our wind power generation facilities comprise 9 farms/plants currently in operation as of March 31, 2008, with a total capacity of 211 MW, representing a top-ranked capacity in Japan. These businesses are areas where we are able to apply our core competencies in the power generation business.

Facilities of Other Electric Power Businesses (As of March 31, 2008)

Note: Including facilities of subsidiaries and affiliates.

(In operation)

Wind Power

	Capacity (kW)	Ownership	Completion date
1 Tomamae Winvilla*1	30,600	100%	December 2000
2 Nikaho Kogen*1	24,750	67%	December 2001
3 Tokyo Bayside	1,700	50%	March 2003
4 Green Power Kuzumaki*1	21,000	100%	December 2003
5 Nagasaki-Shikamachi*1	15,000	70%	February 2005
6 Aso-Nishihara*1	17,500	81%	February 2005
7 Tahara Bayside*1	22,000	66%	March 2005
8 Setana Seaside*1	12,000	100%	December 2005
9 Koriyama-Nunobiki Kogen*1	65,980	100%	February 2007
Subtotal	210,530		

Electricity Supply

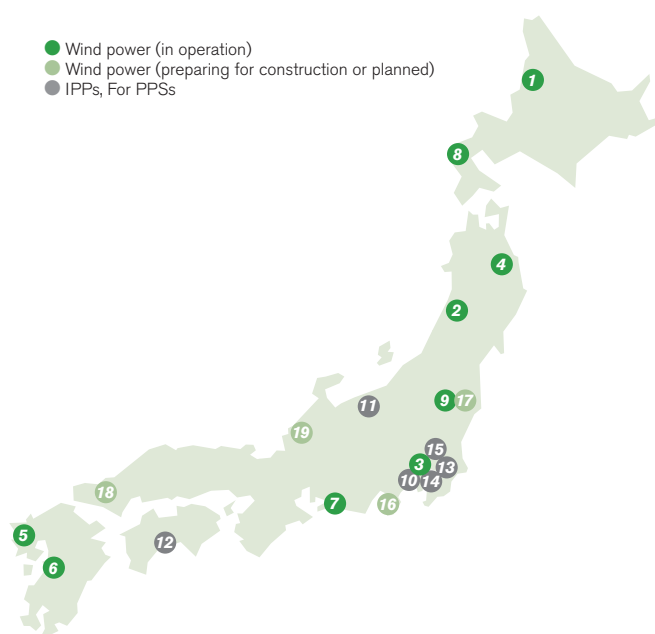
	Capacity (kW)	Fuel type	Ownership	Completion date
IPP				
10 Genex Mizue	238,000	Gas Oil Residue	40%	June 2003
11 Itoigawa*1	134,000	Coal	80%	April 2003*2
12 Tosa	150,000	Coal	45%	April 2005
Subtotal	522,000			

Wholesale power for PPS

13 Ichihara Power*1	110,000	Gas	60%	October 2004
14 Bayside Energy*1	107,650	Gas	100%	April 2005
15 Mihama Seaside	104,770	Gas	50%	October 2005
Subtotal	322,420			

Total of Other Electric Power Businesses 1,054,950

*1 Denotes projects within the scope of consolidation *2 Limited J-POWER participation



(Preparing for construction or planned)

Plant name (provisional)	Capacity (kW)	Start of operations
16 Irozaki Wind Farm	34,000	Planned for 2010
17 Hiyama Kogen Wind Farm	28,000	Planned for 2010
18 Nagato Wind Farm	38,000	Planned for 2011
19 Awara Wind Farm	20,000	Planned for 2011
Total	120,000	

Electric Power Business Facilities

(As of March 31, 2008)

Wholesale Electric Power Business

Power generation facilities		
Hydroelectric power plants	59	8,556 MW
Thermal power plants (including 1 geothermal plant)	8	7,825 MW
Total	67	16,380 MW
Transmission Lines		
Total Lines		2,407.7 km
Extra-high-voltage power transmission lines		1,973.4 km
DC power transmission lines		267.2 km
Substations		
Substations	3	4,292 MVA
Frequency converter station	1	300 MW
AC/DC converter stations	4	2,000 MW

Other Electric Power Businesses

Generation facilities (maximum capacity)		
Wind power	9	211 MW
IPPs	3	522 MW
For PPSs	3	322 MW
Total	15	1,055 MW

Note: Including facilities of subsidiaries and affiliates (does not take proportion of equity holdings into account)

Main Facilities

Wholesale Electric Power Business

Facilities

- Hydroelectric power plant
- Thermal power plant
- Substation, frequency converter station, AC/DC converter station
- Transmission Line
- Substation of EPCOs

Under Construction, Preparing for Construction and Planning

- Hydroelectric power plant
- Thermal power plant
- Nuclear power plant
- Transmission line

Other Electric Power Businesses

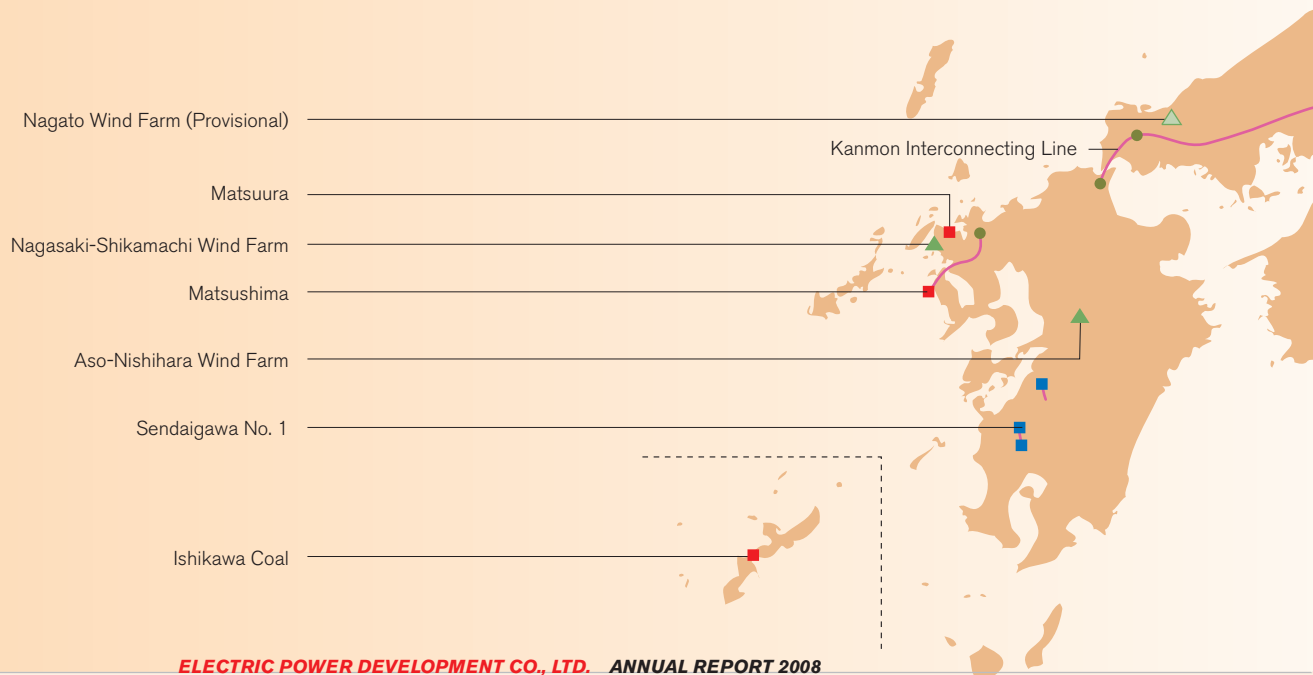
Note: Including facilities of subsidiaries and affiliates

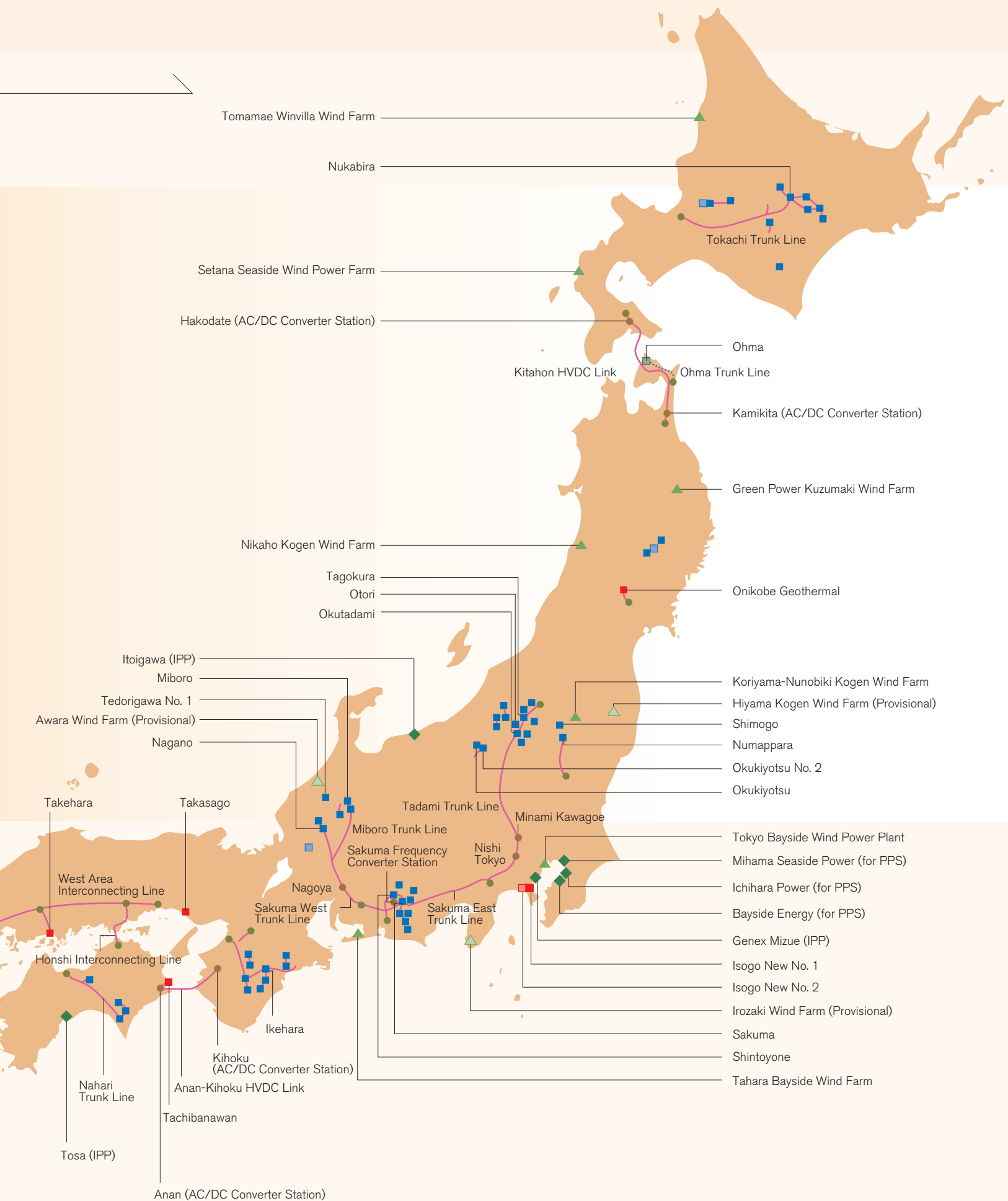
Facilities

- ▲ Wind power farm/plant
- ◆ Thermal power plant

Preparing for Construction and Planning

- ▲ Wind power farm/plant





Tomamae Winvilla Wind Farm

Nukabira

Tokachi Trunk Line

Setana Seaside Wind Power Farm

Hakodate (AC/DC Converter Station)

Ohma

Kitahon HVDC Link

Ohma Trunk Line

Kamikita (AC/DC Converter Station)

Green Power Kuzumaki Wind Farm

Nikaho Kogen Wind Farm

Onikobe Geothermal

Tagokura

Otori

Okutadami

Itoigawa (IPP)

Miboro

Tedorigawa No. 1

Awara Wind Farm (Provisional)

Nagano

Koriyama-Nunobiki Kogen Wind Farm

Hiyama Kogen Wind Farm (Provisional)

Shimogo

Numappara

Okukiyotsu No. 2

Okukiyotsu

Takehara

Takasago

Tadami Trunk Line

Minami Kawagoe

Tokyo Bayside Wind Power Plant

Mihama Seaside Power (for PPS)

West Area Interconnecting Line

Nagoya

Sakuma West Trunk Line

Sakuma Frequency Converter Station

Nishi Tokyo

Ichihara Power (for PPS)

Bayside Energy (for PPS)

Genex Mizue (IPP)

Isogo New No. 1

Isogo New No. 2

Irozaki Wind Farm (Provisional)

Sakuma

Shintoyone

Tahara Bayside Wind Farm

Honshi Interconnecting Line

Ikehara

Nahari Trunk Line

Kihoku (AC/DC Converter Station)

Anan-Kihoku HVDC Link

Tachibanawan

Tosa (IPP)

Anan (AC/DC Converter Station)

Aiming for Sustainable Development of Society and the J-POWER

The J-POWER Group aims to achieve sustainable growth while contributing to the sustainable development of society.

By advancing its energy business with a focus on “harmonizing energy supply with the environment,” the J-POWER Group conducts its business endeavors with the goal of contributing to a more abundant, safe and comfortable everyday life.

32 Corporate Governance

35 Environmental Management

36 Relations with Communities, Society and Employees



* Please refer to the Sustainability Report 2008 for more details regarding these initiatives. The report may be found on the Group's website: <http://www.jpowers.co.jp>

Corporate Governance

Basic Philosophy

Under its corporate philosophy of “ensuring constant supplies of energy to contribute to the sustainable development of Japan and the rest of the world,” J-POWER recognizes enhancing corporate governance and thoroughly implementing compliance procedures as key management issues. By accomplishing this dual objective, we will ensure long-term corporate development, enhance corporate value and gain a greater level of trust from our stakeholders.

Since July 2006, the Group has been working under the following framework to enhance its corporate governance.

Corporate Governance Framework

J-POWER has adopted an auditing system and has 13 directors and 5 corporate auditors, 3 of the latter being outside auditors. An overview of the Group's corporate governance and internal control framework is provided below. We have contracted Ernst & Young ShinNihon to provide auditing services.

1. Directors' Business Execution Structure

Under the J-POWER Group Corporate Philosophy, directors take the initiative in displaying an honest and fair attitude based on a firm, law-abiding spirit and sense of ethics in accordance with the “J-POWER Group Corporate Conduct Rules.” At the same time, they are endeavoring to instill such an attitude in all J-POWER employees.

The Board of Directors meets monthly in principle, but also convenes on an as-needed basis. The Executive Committee normally meets every week, with all executive directors, executive managing officers and senior corporate auditors present, to discuss matters that need to be brought to the attention of the Board of Directors, as well as important matters relevant to the overall administrative policy and management of the Company.

Furthermore, we hold Management Executing Committee meetings twice per month, in principle. These meetings are attended by the president and executive vice presidents, directors and executive officers from areas related to the matters under discussion, as well as full-time corporate auditors, to discuss important matters concerning the management of each division. By distributing functions among the Board of Directors, the Executive Committee and the Management Executing Committee, as well as introducing an executive officer system, we have established a management system in which directors and executive officers share duties. By clarifying management's responsibility and authority in this manner, we enable precise and prompt decision-making and efficient management.

Directors make regular reports regarding the performance of their duties to the Board of Directors and the Executive

Committee, as well as on an as-needed basis. In accordance with relevant laws and regulations, and company regulations, the minutes of meetings are prepared and managed appropriately. Other documents on the status of the performance of directors' duties are properly prepared, stored and managed in accordance with company regulations.

Furthermore, in order to ensure that operations are conducted in an appropriate manner, we have established an Internal Audit Department under the direct control of the president to implement internal audits at our business sites. Moreover, each business unit conducts self-audits of our own business administration.

In an effort to improve the accountability and transparency of our corporate activities, we have established a Disclosure Committee, chaired by the president, which ensures that the disclosure of the Company's information is vigorous, fair and transparent.

2. Risk Management

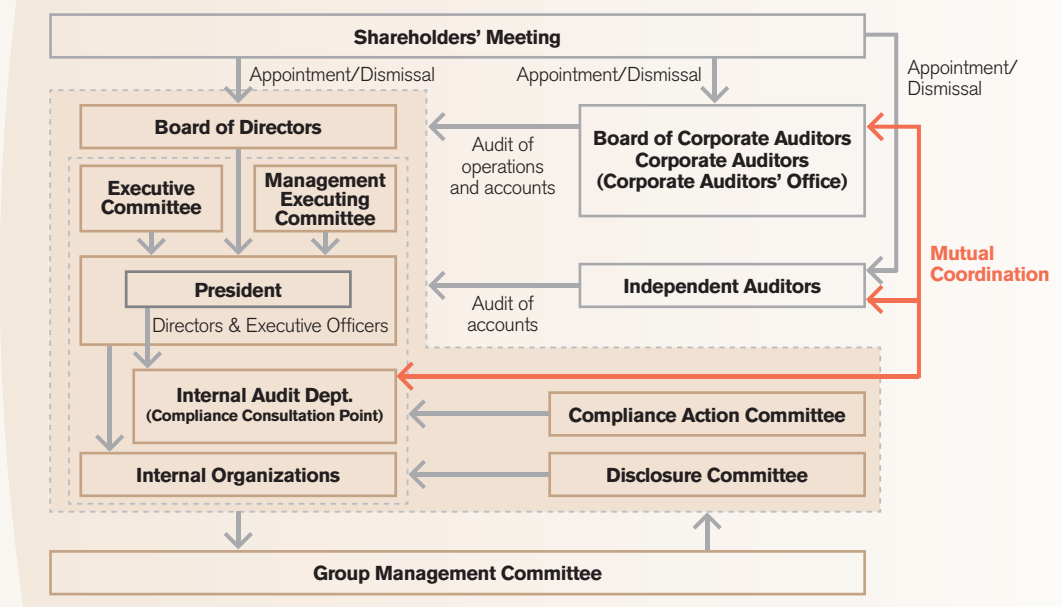
With regard to potential risks in its corporate activities, J-POWER conducts mutual supervision in its decision-making process, holds discussions in various meetings and committees, and develops its risk management framework on a routine basis in accordance with company regulations. Taking these initiatives demonstrates that we are fully aware of such risks, have adopted thorough measures to avert them and endeavor to minimize any impact from them.

3. Group Governance

The J-POWER Group shifted to fully consolidated accounting from the fiscal year ended March 31, 2007. We recognize the increasing importance of consolidated business results in terms of the comprehensive strength of the Group and aim to clarify the role of each Group company and increase value based on a system of specialization.

With regard to the administration of subsidiaries, our basic policy calls for Group-wide development in accordance with the Group's management plan. In addition to the administration of subsidiaries based on company regulations, we have set up a Group Management Committee to enhance fairness within the corporate group. We also conduct audits of our subsidiaries by corporate auditors and the Internal Audit Department. In this manner, we are working to ensure proper operations at all J-POWER Group companies.

Corporate Governance and Internal Control Framework (As of July 1, 2008)



4. Audits by Corporate Auditors

J-POWER's corporate auditors supervise the directors in the execution of their business operations by attending Board of Directors' meetings and other important meetings or committees and interviewing the Board of Directors. In addition, corporate auditors implement accounting audits and audit each of our departments and main subsidiaries.

In the course of accounting audits, corporate and independent auditors shall liaise to coordinate each other's auditing schedule and exchange opinions regarding findings in order to examine each other's results.

Corporate auditors liaise with the Internal Audit Department on each department's audit and with each subsidiary's auditors in the case of an audit of a subsidiary, receiving reports regarding findings.

Regarding support staff for corporate auditors, we have established a Corporate Auditors' Office, which is an independent organization outside of the directors' chain of command. Full-time specialist staff members support the audits of corporate auditors.

5. Strengthening Corporate Governance

As a publicly listed company, J-POWER is committed to strengthening dialogue with shareholders. From this perspective, in the area of corporate governance, J-POWER aims to further enhance both the supervisory functions of the Board of Directors and the monitoring functions of the Board of Corporate Auditors. To this end, we intend to consider and implement a range of initiatives, including measures to enhance the structure of the Board of Directors, such as by appointing outside directors, with the view to implementation in fiscal 2009. Other initiatives include establishing an Advisory Board; strengthening the monitoring functions of the Board of Corporate Auditors; and enhancing and reinforcing investor relations (IR) activities by holding presentations for investors, among other measures.

6. Response to the J-SOX

The J-POWER Group has been working to establish an internal control system over financial reporting in preparation for the fiscal year ending March 31, 2009, which will be the first year of application for the internal control and reporting system of the Financial Instruments and Exchange Act (the Japanese Sarbanes-Oxley Act, or "J-SOX"), which was enacted in 2006.

In the fiscal year ended March 31, 2008, based on implementation standards laid out by Japan's Financial Services Agency, the Finance Department took the lead in completing the preparation of documentation and regulations for identifying risks that affect financial reporting for the group as a whole and clarifying controls for each risk. Measures are also under way to firmly entrench these controls. This process was carried out from the perspective of enforcing Companywide internal controls, internal controls related to operational processes, and internal controls using IT.

From the fiscal year ending March 31, 2009, the Internal Audit Department will evaluate the effectiveness of internal controls so that management itself can evaluate internal controls, and PDCA cycles will be implemented to further enhance the J-POWER Group's internal control system.

Thorough Compliance

We have formulated the J-POWER Corporate Conduct Rules and the J-POWER Compliance Code as basic principles for compliance. Based on the spirit of these principles, the Compliance Action Committee, which is chaired by the president and attended by external lawyers at all times; the Compliance Promotion Headquarters, which will promote compliance activities; directors in charge of compliance; and the heads and compliance officers of each business group will work together to fulfill their respective roles as they promote compliance activities by implementing PDCA cycles.

We also established a Compliance Consultation Point internally as well as externally (lawyers) and have been promoting their use. The system shall protect privacy and ensure that those employees who come forward are not disadvantaged.

After the fiscal 2006 revelation of data falsification and inadequate procedures related to power plants, we have been working to strengthen and entrench compliance measures to regain trust, while working to reform our corporate culture and employee awareness for the J-POWER Group as a whole, based on our deep regret over these incidents.

Decision-making Process and Management in Overseas Businesses

In advancing its overseas business strategies, J-POWER annually reviews investment scale, and policies regarding geographic regions, project status, and types of power, as well as personnel assignments and overseas operating bases.

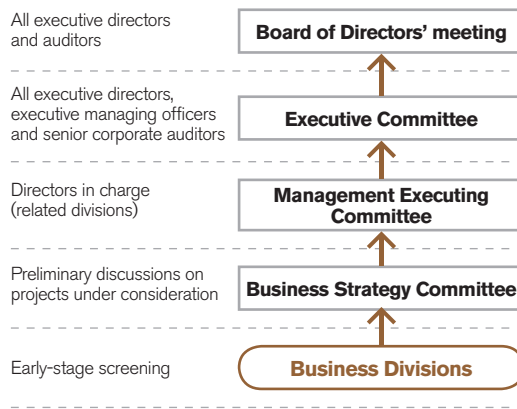
Based on these policies and reviews, the International Business Division, which is responsible for promoting overseas businesses, conducts feasibility studies from among a number of options as well as early-stage screenings in cooperation with business partners. In this way, the International Business Division selects specific projects for the Company to pursue.

Projects undertaken in this manner are subject to further organizational decisions through checks and deliberations at a number of stages. First, detailed studies are made by people in the planning, legal and finance divisions. Risk factors and items for concern are pointed out and organized as issues for management discussion.

Management Executing Committee attended by the President, related executive directors and executive officers are held to discuss these issues. Depending on details of the projects, we determine which projects to undertake at this stage, based on internal decision-making guidelines.

Further deliberations are held for projects that cannot be determined at Management Executing Committee, with final decisions made by the Board of Directors through the Executive Committee, which is attended by all executive directors.

Screening and Decision-making Process of Investment in Overseas Businesses



Projects begun following organizational decisions are monitored regularly. We make every effort to maintain a firm grasp of the status of projects and to discover and address problems rapidly.

Similar processes are also followed when the Group undertakes new businesses in Japan.

Setting of Stock Purchasing Guidelines

To provide further incentive for management to work to reflect the perspective of shareholders in business operations and to raise long-term shareholder value, in 2006, J-POWER established guidelines for the purchase of shares by directors and executive officers. In accordance with these guidelines, they have purchased J-POWER shares monthly through the Directors' Shareholding Society.

Environmental Management

Based on its corporate philosophy of "harmonizing energy supply with the environment," the J-POWER Group practices environmental management that simultaneously aims to improve both environmental friendliness and economic value in order to contribute further to the development of a sustainable society.

J-POWER established the Basic Policy for the J-POWER Group's Environmental Management Vision in 2004, setting forth its approach to environmental management. In accordance with that policy, we formulated an Action Program setting out mid- and long-term goals, and we are now working toward those objectives.

The J-POWER Group's Environmental Management Vision (Overview)

Basic Stance

As an energy supplier, we will contribute to the sustainable development of Japan and the world by harmonizing our operations with the environment and ensuring the constant supply of energy essential to human life and economic activity.

Basic Policy

Efforts relating to global environmental issues

In accordance with the principles of the United Nations Framework Convention on Climate Change (FCCC), we will address issues relating to climate change on a global scale in a cost-effective manner. We will continue to reduce CO₂ emissions per unit of electric power sales through an economically reasonable combination of measures, including maintenance and improvement of the efficiency of energy use; development of low CO₂ emission power sources; development, transfer and diffusion of new technologies; and utilization of the Kyoto Mechanisms. Furthermore, we will continue to work toward our ultimate goal of achieving zero emissions through the capture and storage of CO₂.

Efforts relating to local environmental issues

We will take measures to reduce the environmental impact of our operations by saving, recycling, and reusing resources to limit the generation of waste, and we will foster good community relations.

Ensuring transparency and reliability

We will ensure that our business activities comply with all laws and regulations, disclose a wide range of environmental information and enhance communications with stakeholders.

Action Program [Corporate Objectives at a Glance]

Measures Against Global Warming

CO ₂ emissions per unit of electric power sales	We will work to reduce the CO ₂ emissions per volume of electric power sales in the power generation business worldwide by around 10% in fiscal 2010 compared with the fiscal 2002 level.
Total thermal energy efficiency (HHV, Gross Efficiency—LLV)	We will maintain thermal power plant efficiency at current level (around 40%).
SF6 recovery rate	We will strive to improve the SF6 recovery rate [recovery rate of at least 97% when inspecting equipment] [recovery rate of at least 99% when removing equipment].
Office electricity consumption	We will work to reduce office electricity consumption in fiscal 2010 by at least 4% compared with fiscal 2006 (an improvement of at least 1% from the prior fiscal year).
Office fuel consumption	We will work to reduce office electricity consumption in fiscal 2010 by at least 4% compared with fiscal 2006 (an improvement of at least 1% from the prior fiscal year).

Formation of a Recycling-based Society

SOx emissions per volume of thermal power generation	Maintain SOx emissions per volume of thermal power generation at current level (around 0.2 g/kWh)
NOx emissions per volume of thermal power generation	Maintain NOx emissions per volume of thermal power generation at current level (around 0.5 g/kWh)
Recycling rate for industrial waste	We will strive to achieve a recycling rate of 97% by the end of fiscal 2010, with the aim of attaining zero industrial waste emissions.
Recycling rate for waste paper	We aim to achieve a recycling rate of at least 85% for waste paper included in ordinary waste by the end of fiscal 2010 (an improvement of at least 1% from the prior fiscal year).
Procurement ratio for recycled copier paper	We aim to achieve a green procurement ratio for copier paper of at least 99% by the end of fiscal 2010 (an improvement of at least 1% from the prior fiscal year).
Green procurement ratio for office supplies (stationery)	We aim to achieve a green procurement ratio for office supplies (stationery) of at least 80% by the end of fiscal 2010.
Ownership ratio of low-pollution vehicles, etc.	We aim to achieve an ownership ratio of low-pollution vehicles, etc., of at least 90% by the end of fiscal 2010.

Enhancing Our Environmental Management Structure

Enhancing environmental management	We will strive to continuously improve our environmental management systems (EMS).
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Utilization of Kyoto Mechanisms:

J-POWER Group's Approach to Clean Development Mechanism (CDM) Project

The Kyoto Protocol sets forth quantitative greenhouse gas emissions reduction targets for developed countries. The Kyoto Protocol's first commitment period, from 2008 to 2012, has begun. The Kyoto Mechanisms have been adopted as a flexible means for countries to achieve their commitments stipulated in the Kyoto Protocol. The three key mechanisms are described as follows:

- Clean Development Mechanism (CDM): A mechanism targeted at joint projects undertaken by developed and developing countries to reduce or absorb greenhouse gases. Developed countries gain credits from the reduced or absorbed emissions.
- Joint Implementation (JI): A mechanism targeted at joint projects undertaken by contracting developed countries to reduce or absorb greenhouse gases. The investing countries gain credits from the reduced or absorbed emissions.
- Emissions Trading: A mechanism targeted at emissions sales and purchases among developed countries to achieve their commitments stipulated in the Kyoto Protocol.

The J-POWER Group had been promoting the Kyoto Mechanisms mainly in the development of CDM projects even before the Kyoto Protocol was enacted. To gain experience, J-POWER initially participated only in small CDM projects in receptive Central and South American countries. However, J-POWER began to take part in large-scale projects after the Kyoto Protocol came into force, and it has been involved in the development of 13 CDM projects. The Nestle Graneros Plant Fuel-Switching Project in Chile, the Caieiras Landfill Gas Emission-Reduction Project and the Aquarius Hydroelectric Project in Brazil, and the La Vuelta and La Herradura Hydroelectric Projects in Columbia had been registered by the CDM Executive Board by the end of the previous fiscal year. In addition, in fiscal 2007, the CDM Executive Board registered the Metrogas Package Cogeneration Project in Chile.

CDM Executive Board—Registered Projects Developed with J-POWER Participation

Country	Project	Details
Chile	Nestle Graneros Plant Fuel-Switching Project	Switch to natural gas in conjunction with renovation of facilities
Chile	Metrogas Package Cogeneration Project	Introduction of cogeneration for improved energy-use efficiency
Columbia	La Vuelta and La Herradura Hydroelectric Projects	Use of renewable energy sources
Brazil	Aquarius Hydroelectric Project	Use of renewable energy sources
Brazil	Caieiras Landfill Gas Emission-Reduction Project	Reducing greenhouse gas emissions by burning landfill gas

Relations with Communities, Society and Employees

Relations with Communities and Society

Through its primary business activities, the J-POWER Group aims to contribute to the realization of sustainable societies on both a local community and global level. In pursuit of this objective, the Group is engaged in a diverse range of initiatives in Japan and overseas.

Interaction and Collaboration with Communities

Individual employees of the J-POWER Group gain the trust and confidence of local citizens by taking part in community activities to preserve the environment, including forest conservation, cleanup, and tree planting, as well as in local events and cultural activities.

Support for Energy and Environmental Education

In order to raise awareness throughout society regarding "harmonizing energy supply with the environment," J-POWER provides support for hands-on educational programs and conducts scientific seminars.

Activities as a Global Citizen

J-POWER works to contribute to the development of international society by leveraging the experience and networks gained through more than 40 years of business in various areas of the world, conducting activities rooted in local communities overseas.

Relations with Employees

Placing the utmost priority on workplaces that uphold safety and compliance, the J-POWER Group is moving to establish work environments that foster a high level of motivation among employees, aiming to cultivate continual growth of the Group itself and its individual members. J-POWER takes the following measures in working toward these goals.

Recruiting and Developing a Diversified Workforce

J-POWER actively recruits new graduates, experienced workers, women and people who are physically challenged. In conjunction with this, we have introduced a continuing employment system to make full use of senior citizen's experience and technical expertise. Furthermore, we promote voluntary training sessions for personnel based on a career development program.

Adhering to Policies that Prevent Workplace Accidents/Promoting Physical and Mental Health among Employees and Their Families Enhancing Work Environments (Promoting Balanced Work Lifestyles)

So that employees may maintain a healthy balance between their personal life and their job, J-POWER is taking active steps to assure appropriate management of working hours and improve systems related to childcare and nursing care.

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Consolidated Financial Summary

For the years ended March 31

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

* Pumped-storage hydroelectric power is not included.

** The translation of the Japanese yen amounts into U.S. dollars uses the telegraphic transfer middle rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2008, which was ¥100.19 = US\$1.00.

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

Electricity Sales Volume and Operating Revenues

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

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

Electric Power Business

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

In thermal power, electricity sales volume rose 9.3% year on year to 52.5 billion kWh mainly due to higher capacity utilization at thermal power plants reflecting fewer periodic

inspections (the load factor increased from 75% in the previous fiscal year to 81%, representing an increase of 4.5 billion kWh). Operating revenues from thermal power rose ¥16.2 billion, or 5.0%, year on year to ¥342.7 billion.

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

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

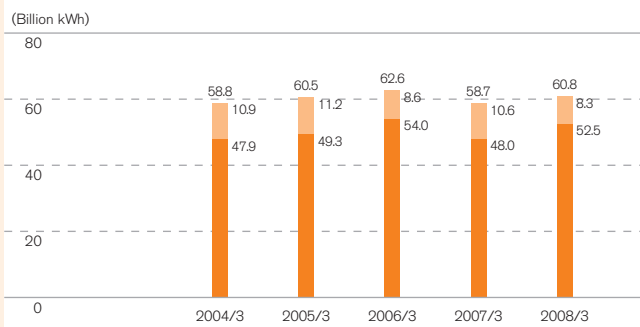
In the other electric power businesses, electricity sales volume rose 1.5% year on year to 1.7 billion kWh, mainly as a result of the start of full-year operations at Koriyama-Nunobiki Kogen Wind Farm. In addition, operating revenues increased ¥0.8 billion, or 4.9%, year on year to ¥17.7 billion.

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

Electric Power-related Businesses

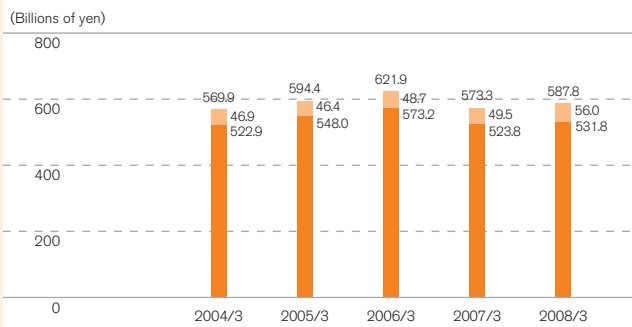
In fiscal 2007, operating revenues increased ¥35.5 billion, or 14.2%, year on year to ¥285.6 billion, primarily owing to higher revenues in the coal sales business, which outweighed a drop in revenues due to fewer periodic facility inspections during the fiscal year.

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



■ Thermal (Including geothermal)
■ Hydroelectric

Operating Revenues (Electric Power and Other)



■ Electric power
■ Other

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

Other Businesses

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

Operating Expenses and Operating Income

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

Electric Power Business

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

Electric Power-related Businesses

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

Other Businesses

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

Non-Operating Revenues and Expenses

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

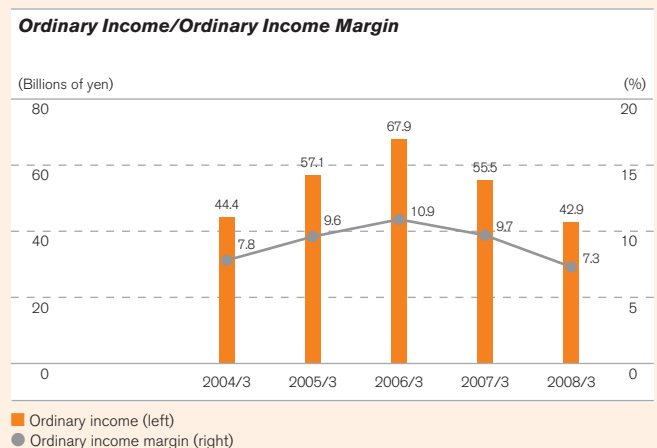
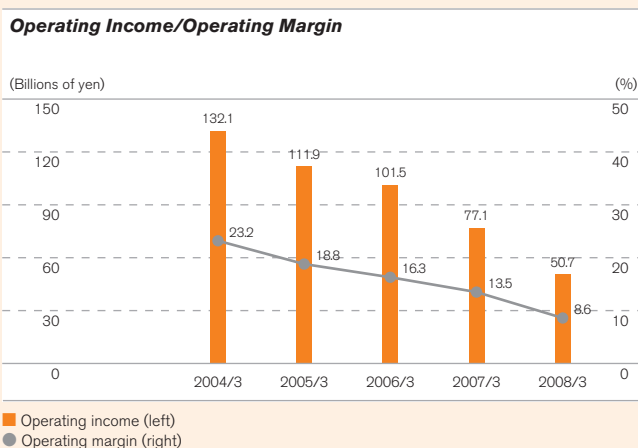
Non-Operating Revenues

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

Non-Operating Expenses

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

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



Net Income

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

Net Income per Share

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

Dividend Policy

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

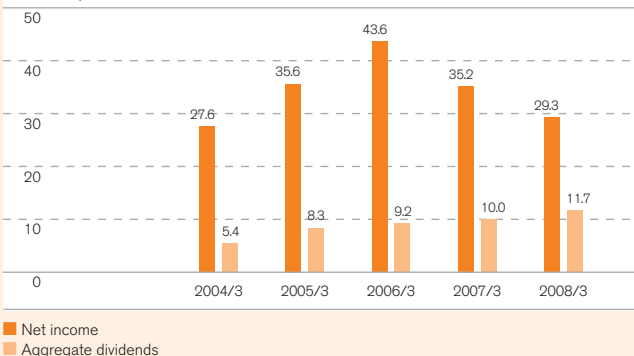
Our top priority for returning profit to shareholders is to maintain a stable dividend in line with the characteristics of our business. We will also work to enhance returns to shareholders in step with further growth.

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

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

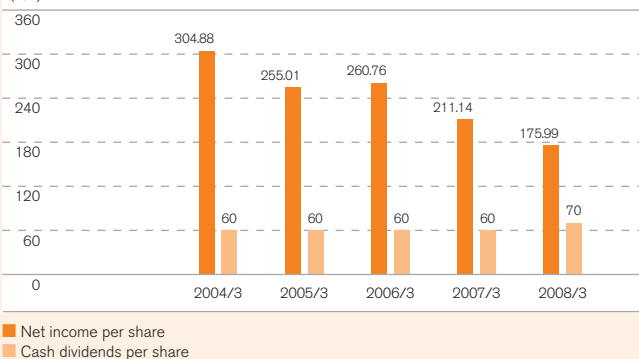
Net Income/Aggregate Dividends

(Billions of yen)



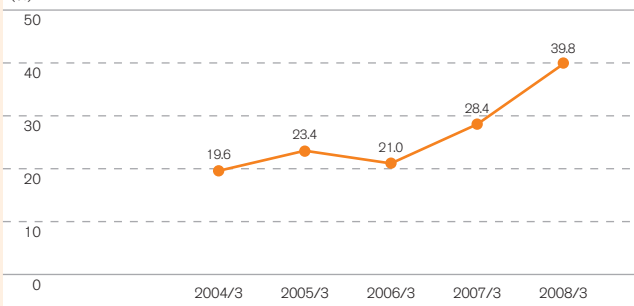
Net Income per Share/Cash Dividends per Share

(Yen)



Consolidated Dividend Payout Ratio

(%)



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

Financial Position and Liquidity

Assets

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

The value of property, plant and equipment, net rose ¥2.6 billion, or 0.1%, from a year ago to ¥1,864.4 billion,* despite a decrease due to ongoing depreciation of property, plant and equipment in the electric power business. This was mainly due to an increase in construction in progress stemming from capital expenditures for construction at the Isogo New No. 2 Power Plant and the Ohma Nuclear Power Plant. In

fiscal 2007, based on the progression of plans for the Ohma Nuclear Power Plant, J-POWER procured uranium ore and recorded this under "nuclear fuel."

* Includes investments and other assets of ¥220.9 billion

Liabilities

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

Net Assets and Shareholders' Equity*

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

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

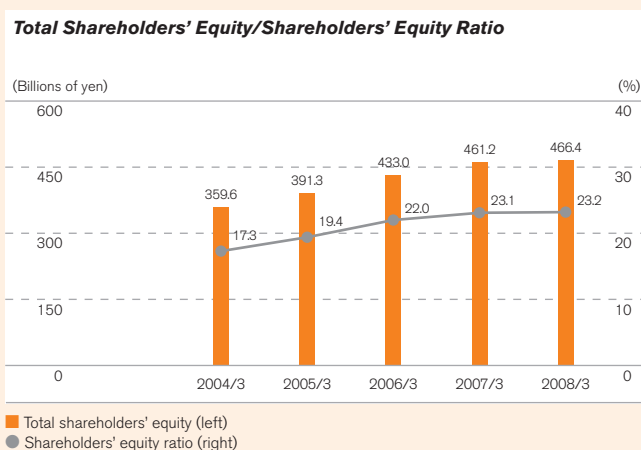
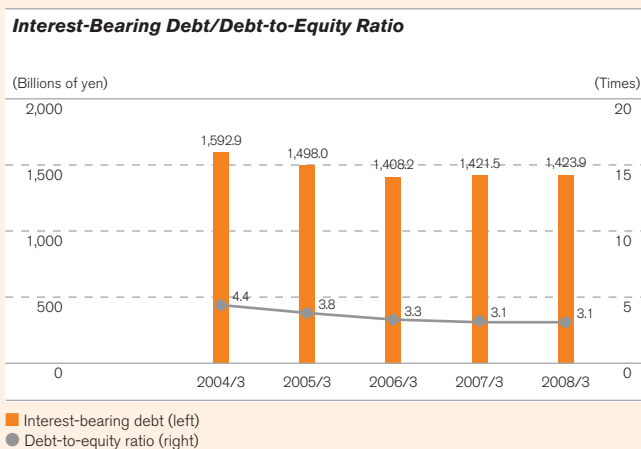
* Net assets – minority interests – share subscription rights (equivalent to shareholders' equity until fiscal 2005)

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

Capital Expenditures

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

Capital expenditures in the electric power business increased



Breakdown of Capital Expenditures (Fiscal 2007)

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

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

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

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

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

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

Fund Procurement

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

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

Cash Flow

Cash Flow from Operating Activities

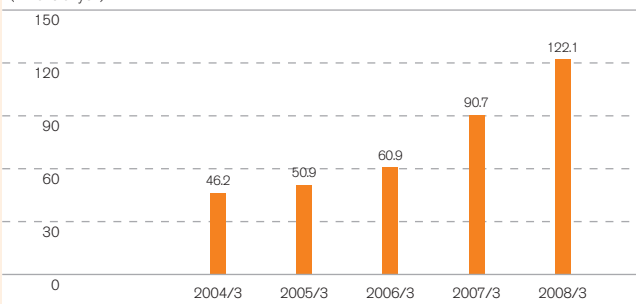
Net cash provided by operating activities was ¥136.3 billion, a decrease of ¥21.0 billion, or 13.3%, from the previous fiscal year. This decrease reflected a decline in retained earnings resulting from lower depreciation expenses and other items, despite an increase in accrued employees' retirement benefits,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

Cash Flow from Investing Activities

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

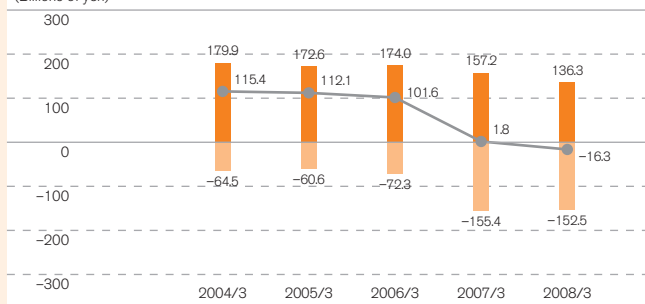
Capital Expenditures

(Billions of yen)



Cash Flows from Operating and Investing Activities and Free Cash Flow

(Billions of yen)



- Net cash provided by operating activities
- Net cash used in investing activities
- Free cash flow

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

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

Cash Flow from Financing Activities

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

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

Risk Factors

Business and Other Risks

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

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

J-POWER derives most of its operating revenues from wholesale power supply to Japan's 10 electric power companies (EPCOs). Amid intensifying competition driven by industry reforms in the electric power business, the EPCOs have been reducing their retail electricity rates. However, because our contract rates are calculated on a fair cost plus fair return on capital basis, we are not directly affected by the reduction in retail electricity rates. Nevertheless, EPCOs have been calling for a reduction in our contract rates, and if intensifying competition results in a significant reduction in our contract rates, it could potentially have a material adverse effect on the results of our operations.

Wholesale power trading on the Japan Electric Power Exchange commenced in April 2005. J-POWER is currently trading in the wholesale power markets. Although we do not expect a large amount of electricity to be traded on the exchange in the near term, an increase in the importance of

exchange-traded power prices as a price indicator could potentially have an indirect effect on our rate levels. If the rates set in contracts between J-POWER and EPCOs are higher than price indicators, this could potentially have a material adverse effect on the results of our operations.

Delay or Discontinuation of Our Current Power Plant Construction

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

Global Warming

J-POWER has a large number of coal-fired thermal power plants, which emit relatively high amounts of carbon dioxide with respect to power output compared to power plants that use LNG and other fossil fuels. We have taken various initiatives to combat global warming both in Japan and overseas, but if the Japanese government establishes new regulations to achieve the greenhouse gas emission reduction targets in the Kyoto Protocol, which sets reduction targets for advanced countries and came into force in February 2005, this could potentially have a material adverse effect on the results of our operations.

Overseas Power Generation Business and Other Areas of New Business

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

Capital Funds

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

Ohma Nuclear Power Plant

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

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

Coal-Fired Thermal Power Plant Fuel

J-POWER's coal-fired thermal power plants use imported coal as their main source of fuel, and fuel costs are affected by price fluctuations for imported coal, supply and demand dynamics for transport vessels, and problems with the

facilities or operations of fuel suppliers, among other factors. Fuel prices are reflected in our electricity rates for EPCOs on a cost basis. These rates are generally revised every two years, though they are subject to annual revision if costs change significantly. As a result, fluctuations in coal prices have a limited impact on earnings. However, following a revision to wholesale electricity rates, if coal prices rise sharply before the next revision, there will be a delay before the rise in fuel prices are reflected in electricity rates. This could have a temporary adverse impact on the business performance of the Company.

Natural Disasters and Accidents

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

Regulatory Requirements

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

Concentration on a Limited Number of Customers

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

Protection of Sensitive Information

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

Consolidated Balance Sheets

As of March 31, 2007 and 2008

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2008	2008
LIABILITIES AND NET ASSETS			
Long-term liabilities	¥1,193,139	¥1,276,354	\$12,739,337
Long-term debt, less current portion (Note 4)	1,149,845	1,227,398	12,250,712
Accrued employee retirement benefits (Notes 2 and 15)	32,611	39,083	390,090
Others (Note 16)	10,683	9,872	98,534
Current liabilities	341,844	267,097	2,665,913
Current portion of long-term debt and other (Note 4)	173,638	101,565	1,013,733
Short-term loans (Note 4)	2,115	6,126	61,146
Commercial paper (Note 4)	95,944	88,949	887,811
Income and other taxes payable	8,752	11,407	113,859
Others (Note 16)	61,393	59,048	589,362
Reserve for fluctuation in water levels (Note 2)	2,155	1,560	15,574
Contingent liabilities (Note 5)			
Total Liabilities	1,537,140	1,545,012	15,420,825
Shareholders' equity (Note 17)	444,956	464,266	4,633,862
Common stock	152,449	152,449	1,521,604
Capital surplus	81,849	81,849	816,943
Retained earnings	210,713	230,032	2,295,960
Treasury stock	(56)	(64)	(646)
Valuation and translation adjustments	16,230	2,116	21,124
Unrealized gain on other securities, net (Note 2)	14,271	1,934	19,309
Deferred hedging gain and loss (Notes 2 and 14)	(4,131)	(6,759)	(67,469)
Foreign currency translation adjustments (Note 2)	6,090	6,941	69,284
Minority interests	1,468	1,735	17,325
Total Net assets (Note 2)	462,654	468,118	4,672,312
Total Liabilities and Net assets	¥1,999,794	¥2,013,131	\$20,093,137
Shareholders' equity per share (Note 2)	¥2,768.95	¥2,800.18	\$27.95

Consolidated Statements of Income

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

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2006	2007	2008	2008
Operating revenues	¥621,933	¥573,277	¥587,780	\$5,866,661
Electric power	573,198	523,782	531,764	5,307,557
Other	48,734	49,494	56,016	559,104
Operating expenses (Notes 2, 6, 7, 8 and 15)	520,464	496,136	537,056	5,360,379
Electric power	469,720	444,463	477,869	4,769,633
Other	50,744	51,673	59,186	590,745
Operating income	101,469	77,141	50,724	506,281
Other income (expenses) (Notes 2, 9 and 21)	(33,163)	(22,384)	(7,255)	(72,413)
Interest expenses	(35,732)	(22,585)	(22,749)	(227,063)
(Provision for) Reversal of reserve for fluctuation in water levels	399	(756)	595	5,941
Other, net	2,170	957	14,899	148,708
Income before income taxes and minority interests	68,305	54,757	43,469	433,868
Income taxes (Notes 2 and 16)				
Current	26,151	18,461	15,962	159,325
Deferred	(1,488)	1,431	(1,829)	(18,264)
Minority interests	65	(302)	24	245
Net income	¥ 43,577	¥ 35,167	¥ 29,311	\$ 292,561
Amounts per share:			Yen	U.S. dollars (Note 2)
Net income (Note 2)	¥260.76	¥211.14	¥175.99	\$1.76
Cash dividends applicable to the year (Note 10)	60.00	60.00	70.00	0.70

Consolidated Statements of Shareholders' Equity

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

	Millions of yen							
	Number of shares issued and outstanding of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock ⁽¹⁾	Unrealized gain (loss) on other securities, net	Deferred hedging gain and loss	Foreign currency translation adjustments
Balance at March 31, 2005	138,808	¥152,449	¥81,849	¥152,121	¥ (1)	¥ 6,207		¥(1,299)
Stock split	27,761							
Net income				43,577				
Dividends				(12,492)				
Bonuses to directors and statutory auditors				(162)				
Decrease in earnings from the addition of consolidated subsidiaries				(400)				
Increase due to the addition of affiliates accounted for the equity method				187				
Decrease due to the addition of affiliates accounted for the equity method				(69)				
Acquisition of treasury stock					(16)			
Net change during the year						7,842		3,234
Balance at March 31, 2006	166,569	152,449	81,849	182,760	(17)	14,050		1,935
Net income				35,167				
Dividends				(9,993)				
Bonuses to directors and statutory auditors				(161)				
Increase in earnings from the addition of consolidated subsidiaries				4,533				
Decrease in earnings from the addition of consolidated subsidiaries				(1,671)				
Increase due to the addition of affiliates accounted for the equity method				66				
Decrease due to the addition of affiliates accounted for the equity method				(6)				
Increase resulting from decrease of consolidated subsidiaries				19				
Acquisition of treasury stock					(39)			
Net change during the year						220	(4,131)	4,155
Balance at March 31, 2007	166,569	152,449	81,849	210,713	(56)	14,271	(4,131)	6,090
Net income				29,311				
Dividends				(9,993)				
Acquisition of treasury stock					(7)			
Net change during the year						(12,336)	(2,628)	851
Balance at March 31, 2008	166,569	¥152,449	¥81,849	¥230,032	¥(64)	¥ 1,934	¥(6,759)	¥ 6,941

	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	
Balance at March 31, 2007	\$1,521,604	\$816,943	\$2,103,142	\$(568)	\$ 142,441	\$(41,234)	\$60,785	
Net income			292,561					
Dividends			(99,743)					
Acquisition of treasury stock				(77)				
Net change during the year					(123,132)	(26,234)	8,498	
Balance at March 31, 2008	\$1,521,604	\$816,943	\$2,295,960	\$(646)	\$ 19,309	\$(67,469)	\$69,284	

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

Consolidated Statements of Cash Flows

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

Thousands of
U.S. dollars
(Note 2)

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

Notes to Consolidated Financial Statements

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

1. Basis of preparation of consolidated financial statements

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

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

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

2. Summary of significant accounting policies

(1) Principles of consolidation

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

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

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

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

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

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

All of the consolidated subsidiaries, except for ITOIGAWA POWER Inc., a domestic subsidiary, and J-POWER AUSTRALIA PTY. LTD. and 21 other overseas subsidiaries, have the same fiscal year as that of the Company.

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

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

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

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

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

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

From the year ended March 31, 2006, TOSA POWER Inc., Mihama Seaside Power Co., Ltd. and 10 other affiliates have been accounted for by the equity method.

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

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

(3) Accounting policies

a. Property, plant and equipment and depreciation

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

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

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

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

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

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

b. Investments

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

c. Inventories

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

d. Allowance for doubtful accounts

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

e. Accrued employee retirement benefits

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

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

f. Deferred charges

Through the year ended March 31, 2006, bond and stock issuance expenses and discounts on bonds were fully amortized as deferred charges during the term in which they were incurred. Starting with the year ended March 31, 2007, however, the Company is processing bond issuance expenses as they are incurred and using the amortized cost method for bond discounts in accordance with changes in accounting standards related to financial instruments (see "Accounting Changes" ② on page 55).

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

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

h. Foreign currency translation

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

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

i. Leases

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

j. Derivative financial instruments and hedge accounting

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

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

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

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

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

k. Capitalization of interest expenses

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

l. Accounting for consumption taxes

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

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

m. Income taxes

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

n. Cash equivalents

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

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

Per share information

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

Accounting changes

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

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

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

② Accounting standards for financial instruments

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

③ Accounting standards for directors' bonuses

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

Reclassification

① Consolidated balance sheet

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

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

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

② Consolidated balance sheet

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

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

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

Additional information

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

(4) Per share information

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

(5) U.S. dollar amounts

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

3. Property, plant and equipment

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

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

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

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

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

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

4. Short-term loans and long-term debts

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

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

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

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

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

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

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

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

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

5. Contingent liabilities

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

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

6. Operating expenses

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

Total

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

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

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

7. Enterprise tax

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

8. Research and development costs

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

Research and development costs included in general and administrative expenses for the years ended March 31, 2006, 2007 and 2008 were as follows:

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

9. Loss on impairment of fixed assets

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

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

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

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

10. Subsequent events

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

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

11. Cash and cash equivalents

The reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2007 and 2008 was as follows:

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

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

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

12. Leases

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

As a lessee:

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

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

Acquisition cost includes the imputed interest expense portion.

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

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

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

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

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

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

As a lessor:

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

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

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

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

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

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

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

13. Marketable securities and investment securities

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

a. Stocks: Balance sheet amount more than cost

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

b. Stocks: Balance sheet amount less than cost

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

c. Total:

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

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

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

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

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

14. Derivatives

(1) Transaction status

a. Description of transactions

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

b. Purpose and policy of transactions

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

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

c. Description of risks regarding transactions

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

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

d. Risk management system

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

(2) Fair value

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

15. Employee retirement benefit plans

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

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

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

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

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

The principal assumptions used in determining the retirement benefit obligations and other components of the plans of the Company and its subsidiaries for the years ended March 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
Method of allocation of estimated retirement benefits	Equally over the period	Equally over the period	Equally over the period
Discount rate	Mainly 2.0%	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 3.0%	Mainly 3.0%	Mainly 3.0%
Amortization period of actuarial gain or loss	Mainly amortized by the declining-balance method over a period of two years	Mainly amortized by the declining-balance method over a period of two years	Mainly amortized by the declining-balance method over a period of two years
Amortization period of prior service cost	Mainly amortized by the straight-line method over a period of two years	Mainly amortized by the straight-line method over a period of two years	Mainly amortized by the straight-line method over a period of two years

16. Tax effect accounting

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

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

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

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

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

17. Shareholders' equity

The corporate law being applied starting in the year ended March 31, 2007 provides that an amount equal to at least 10% of the amount to be disbursed as dividends, or the total of the additional paid-in capital and the legal reserves from 25% of the common stock, whichever is less, be deducted and appropriated into the additional paid-in capital or legal reserve.

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

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

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

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

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

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

18. Segment information

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

(1) Business Segments

	Millions of yen				
					2006
	Electric power	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 573,198	¥ 48,734	¥ 621,933	¥ –	¥ 621,933
Intersegment sales	1,390	206,240	207,630	(207,630)	–
Total sales	574,589	254,974	829,564	(207,630)	621,933
Operating expenses	487,531	241,176	728,708	(208,244)	520,464
Operating income	87,057	13,797	100,855	613	101,469
Assets	1,935,719	144,493	2,080,213	(115,546)	1,964,667
Depreciation	134,747	3,507	138,255	(3,235)	135,019
Loss on impairment of fixed assets	729	–	729	–	729
Capital expenditures	¥ 55,125	¥ 8,441	¥ 63,567	¥ (2,705)	¥ 60,861

Millions of yen

2007

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

Millions of yen

2008

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

Thousands of U.S. dollars

2008

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

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

Electric Power Business:	Wholesale electric power business, other electric power businesses
Other Businesses:	Planning, construction, inspection, maintenance, repair of electric power generation and electric power facilities, harbor transport of fuel and coal ash, development of coal mines, import and transport of coal, operation of welfare facilities, etc., computer services, and engineering and consulting in Japan and abroad.

Starting in the year ended March 31, 2007, the business segments were changed from the traditional two: "Electric Power Business" and "Other Businesses" to three: "Electric Power Business," "Electric Power-related Businesses" and "Other Businesses." This clarifies the scale of operations of the separately disclosed "Electric Power-related Businesses" that complements the "Electric Power Business" and contributes to its smooth and efficient implementation. Also, by filling out the information being disclosed, the Company improved the usefulness of the segment information by type of operations. The names of the principal products belonging to each segment are as follows:

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

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

	Millions of yen					
	2006					
	Electric power	Electric power-related	Other	Subtotal	Elimination	Consolidated
Sales to customers	¥ 573,198	¥ 31,975	¥16,758	¥ 621,933	¥ -	¥ 621,933
Intersegment sales	1,390	208,418	106	209,915	(209,915)	-
Total sales	574,589	240,394	16,864	831,848	(209,915)	621,933
Operating expenses	487,531	226,976	16,484	730,992	(210,528)	520,464
Operating income	87,057	13,418	379	100,855	613	101,469
Assets	1,935,719	121,696	22,797	2,080,213	(115,546)	1,964,667
Depreciation	134,747	3,415	92	138,255	(3,235)	135,019
Loss on impairment of fixed assets	729	-	-	729	-	729
Capital expenditures	¥ 55,125	¥ 6,930	¥ 1,510	¥ 63,567	¥ (2,705)	¥ 60,861

(2) Geographic Segments

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

(3) Overseas Revenues

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

19. Related party transactions

There were no significant related party transactions for the years ended March 31, 2006, 2007 and 2008.

20. Business combinations

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

21. Special-purpose company

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

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

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

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

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

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

22. Significant subsequent event

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

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

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

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

The Board of Directors

Electric Power Development Co., Ltd.

We have audited the accompanying consolidated balance sheets of Electric Power Development Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years ended March 31, 2008, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Electric Power Development Co., Ltd. and consolidated subsidiaries at March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for each of the three years ended March 31, 2008 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Notes 1 and 2.

June 27, 2008

Ernst & Young shin Nihon

Major Group Companies

(As of March 31, 2008)

Company name	Capital (Millions of yen)	Equity stake (%)	Main businesses
Electric Power Business			
Bay Side Energy Co., Ltd.	2,400	100	Electric power supply
Green Power Kuzumaki Co., Ltd.	490	100	Construction and operation of wind power plants
Green Power Setana Co., Ltd.	100	100	Construction and operation of wind power plants
Green Power Koriyama Nunobiki Co., Ltd.	100	100	Construction and operation of wind power plants
Dream-Up Tomamae Co., Ltd.	10	100	Construction and operation of wind power plants
Green Power TOKIWA Co., Ltd.	250	95	Construction and operation of wind power plants
Green Power Aso Co., Ltd.	490	81	Construction and operation of wind power plants
ITOIGAWA POWER Inc.	1,006	80	Electric power supply
Nagasaki-Shikamachi Wind Power Co., Ltd.	490	70	Construction and operation of wind power plants
Nikaho-Kogen Wind Power Co., Ltd.	100	67	Construction and operation of wind power plants
J-Wind TAHARA Co., Ltd.	245	66	Construction and operation of wind power plants
Ichihara Power Co., Ltd.	600	60	Electric power supply
J-Wind IROUZAKI Co., Ltd.	200	52	Construction and operation of wind power plants
Electric Power-related Businesses			
JPOWER GENEX CAPITAL Co., Ltd.	100	100	Management of IPP projects
Jpec Co., Ltd.	500	100	Construction, technical development, design, consulting, maintenance and research for thermal and nuclear power plants; unloading and transporting of coal to thermal power plants; sale of fly ash; shipping of coal for thermal power plants; research, construction and maintenance for environmental engineering; research and planning of environmental conservation
JPHYTECH Co., Ltd.	500	100	Construction, technical development, design, consulting, maintenance and research for hydroelectric power plants, substations and transmission lines; surveying and compensation of construction sites; civil engineering, construction management and construction services
KEC Corporation	110	100	Construction and maintenance of electronic and communications facilities
EPDC CoalTech and Marine Co., Ltd.	20	100 (100)	Marine transportation of ash and fly ash from thermal power plants
KDC Engineering Co., Ltd.	20	100	Design and construction management of electric power facilities; engineering and construction
J-POWER EnTech Inc.	120	100	Engineering of equipment for removal of atmospheric and water pollutants
J-POWER RESOURCES Co., Ltd.	1,000	100	Survey, exploration and development in the field of coal resources and related investments
J-POWER AUSTRALIA PTY. LTD.	10 (millions of A\$)	100 (100)	Investments in coal mines in Australia
JP Business Service Corporation	450	100	Operation of welfare facilities; facility maintenance; business process outsourcing; development of computer software
Other Businesses			
J-POWER Investment Netherlands B.V.	74 (millions of \$)	100	Management of overseas investments
J-POWER North America Holdings Co., Ltd.	1 (\$)	100	Management of overseas investments
J-POWER Holdings (Thailand) Co., Ltd.	6,906 (millions of baht)	100 (100)	Management of overseas investments
J-POWER Generation (Thailand) Co., Ltd.	39 (millions of baht)	100 (100)	Management of overseas investments
J-POWER USA Investment Co., Ltd.	16 (\$)	100 (100)	Management of overseas investments
J-POWER USA Development Co., Ltd.	1 (\$)	100 (100)	Research and development and overseas investments
Omuta Plant Service Co., Ltd.	50	100	Operation and maintenance of waste-fueled power generation plant
FWM Investment Co., Ltd.	100	51	Investment and management for the purpose of implementing the water service business
Fresh Water Miike Co., Ltd.	48	51 (51)	Water service business and ancillary water service businesses
Japan Network Engineering Co., Ltd.	50	100	Telecommunications; operation and maintenance of telecommunications facilities
KAIHATSU HIRYO Co., Ltd.	25	100 (100)	Production of fertilizer using ash

Notes: 1. Figures in parentheses in the equity stake column represent the indirect shareholding component of the Company's equity stake.

2. J-POWER has 61 consolidated subsidiaries, including the above major subsidiaries, as well as 52 equity-method affiliates.

Corporate Information

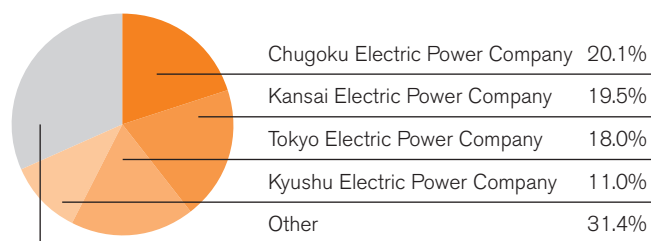
(As of March 31, 2008)

Corporate Name	Electric Power Development Co., Ltd.
Communication Name	J-POWER
Date of Establishment	Sept. 16, 1952
Headquarters Address	15-1, Ginza 6-chome, Chuo-ku, Tokyo 104-8165, Japan
Paid-in Capital	¥152,449,600,000
Number of Shares Authorized	660,000,000
Number of Shares Outstanding	166,569,600
Number of Shareholders	37,774
Stock Exchange Listing	Tokyo
Independent Public Accountants	Ernst & Young ShinNihon
Transfer Agent	The Sumitomo Trust and Banking Company, Limited

Directors and Corporate Auditors (As of July 2008)

President (Representative Director) Yoshihiko Nakagaki	Executive Directors Toshifumi Watanabe Tomoo Kosugi Koichi Tazawa
Executive Vice Presidents (Representative Directors) Shinichiro Ota Kiyoshi Sawabe Masayoshi Kitamura Masashi Hatano	Senior Corporate Auditors (Full-time) Masayuki Hori
Executive Managing Directors Yasuo Maeda Kanji Shimada Yoshihiko Sakanashi Minoru Hino Masaharu Fujitomi	Corporate Auditors (Full-time) Takashi Fujiwara Motohito Sunamichi
	Corporate Auditors Mutsutake Otsuka Hideaki Miyahara

Principal Customers of J-POWER's Electric Power Business (Fiscal 2007)



Note: Breakdown of J-POWER's electric power operating revenues by customer.

Regional Network

Domestic

Hokkaido Regional Headquarter
Sendai Office
East Regional Headquarter
Chubu Regional Headquarter
Hokuriku Office
West Regional Headquarter
Chugoku Office
Takamatsu Office
Fukuoka Office

Overseas

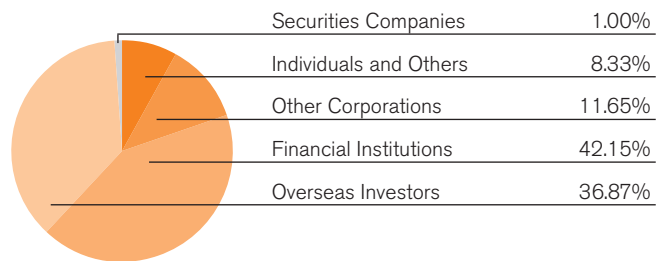
Washington Office (U.S.A.)
Beijing Office (China)
Hanoi Office (Vietnam)
Upper Kotmale Hydropower
Project Office (Sri Lanka)

For further information, please contact:
Electric Power Development Co., Ltd.
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FAX: +81-3-3546-9531
E-mail: investors@jpower.co.jp

Major Shareholders

Name or Designation	Number of Shares Held (Thousands of Shares)	Percentage of Total Shares Outstanding (%)
The Children's Investment Master Fund	16,498	9.90
Deutsche Bank AG London 610	9,557	5.74
Nippon Life Insurance Company	9,120	5.48
Mizuho Corporate Bank, Ltd.	8,269	4.96
Sumitomo Mitsui Banking Corporation	4,295	2.58
Morgan Stanley & Co. International plc	4,242	2.55
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,140	2.49
JP Morgan Chase Bank 380055	4,090	2.46
Daido Life Insurance Company	3,658	2.20
Japan Trustee Services Bank, Ltd. (Account in Trust)	3,418	2.05

Breakdown of Issued Shares by Type of Shareholders

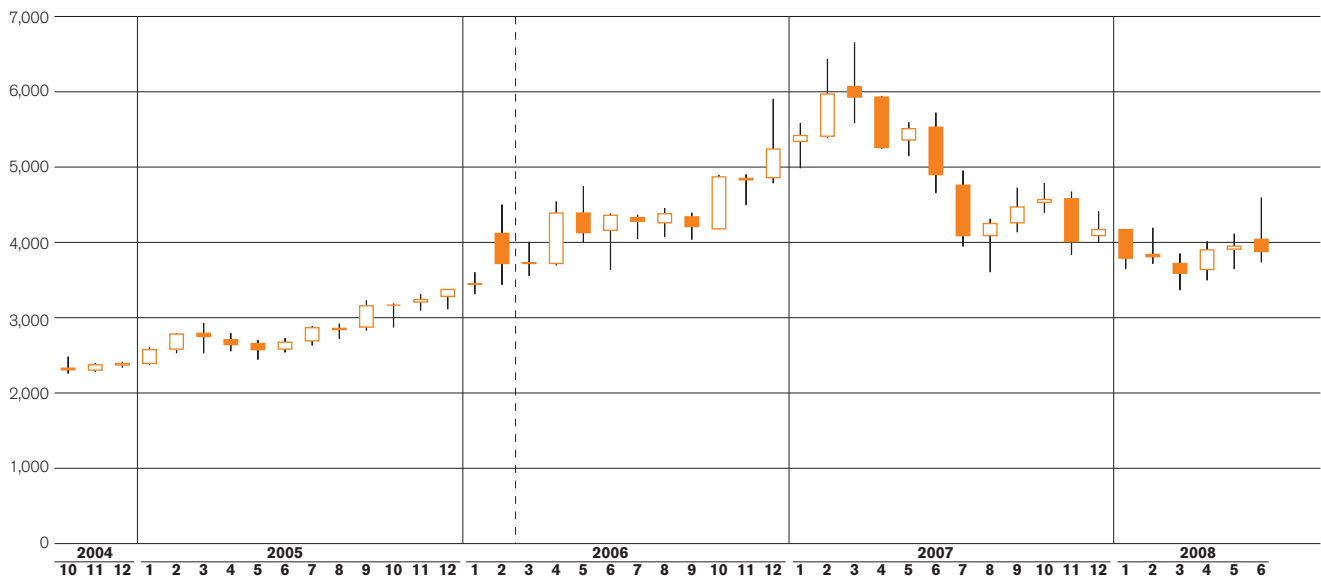


Corporate Bonds and Ratings

	Long-term	Short-term
Rating and Investment Information, Inc. (R&I)	AA+	a-1+
Japan Credit Rating Agency, Ltd. (JCR)	AAA	-
Standard & Poor's (S&P)	AA	-
Moody's	Aa2	-

Common Stock Price Range

Stock Price (Yen)



Note: Stock prices before the 1.2-for-1 stock split that was conducted on March 1, 2006 have been adjusted to the post-split prices.



Electric Power Development Co., Ltd.

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