

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.

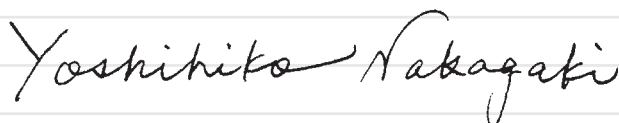
Converting Changes into Opportunities and Aiming for Steady Growth from a Long-term Perspective

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