

J-POWER

FY2008 Group Management Plan

(FY2008-2012 Management Targets)

(Revised)

Electric Power Development Co., Ltd.

J-POWER Group is...



A wholesale electric power company responsible for **about 7% of Japan's electric power supply**, we own and operate power generation facilities with an output of about 17GW consisting mainly of technologically advanced, highly efficient hydropower and coal-fired thermal power. As a utility company with 2,400km of transmission lines and frequency converter stations, we play a vital role in linking the regions of Japan and ensuring a stable power supply.

“We aim to ensure constant supplies of energy to contribute to the sustainable development of Japan and the rest of the world” is the corporate philosophy(*) and the starting point of J-POWER's Corporate Social Responsibility (CSR).

The most efficient, cleanest energy companies are poised to benefit from the challenges and opportunities created by global warming and the need for stable energy supplies. J-POWER, with the principle of **“harmonization of energy and environment”**, is well-positioned for sustainable growth given the company's development of innovative clean coal technology and its expanding overseas market.

(*) Please see page 38 for the J-POWER Group's Corporate Philosophy and Corporate Conduct Rules

We have achieved the management targets we had committed to for the three years from FY2005 to 2007 (average consolidated ordinary income of 55 billion yen or above, consolidated shareholders' equity ratio of 23% or above).

We have established and will work to achieve our new 5-year management targets for the period beginning FY2008.

- ☆ **Consolidated ordinary income: over 55 billion yen** (FY2010), **over 60 billion yen** (FY2012)
- ☆ **Consolidated shareholders' equity ratio: over 25 %** (end of FY2010), **over 26%** (end of FY2012)

【Management Index】

★ **Return on assets (ROA) 2.4%** (FY2008-2010), **2.5%**(FY2011-2012)

Contents



	Page
To Our Stakeholders	4
I FY2005 to 2007 results	
Key 3-Year Achievements	6
Achievement of the 3-year Management Targets and Overview	7
II New Management Targets	
Changes in the Management Environment	9
View of New Targets in Light of Management Issues	10
Management Targets - Consolidated Ordinary Income	11
Management Targets - Consolidated Shareholders' Equity Ratio	12
Management Index – Return on assets (ROA)	13
III Five Key Approaches	
Action Plans for the Growth Strategy	15
(1) Steady Growth in Power Generation Facilities	16
(2) Technology Innovation and New Project Development	18
(3) Enhancing the Value of Business Assets	20
(4) Global Business Expansion	22
(5) Power Generation as the Core of a Diversified Business	24
Investment Plans	25
IV Sharing Growth with Our Stakeholders	
Various Stakeholders who support the J-POWER Group	27
View of Return to Shareholders	28
V Strengthening the Corporate Infrastructure	
Corporate Governance Framework	31
Infiltration of Compliance Activities	32
Environmental Initiatives	33
Stronger Financial Position	34
Group Management for Increasing Consolidated Corporate Value	35
Safety Initiatives	36
HR Development and Workplace Improvement throughout the Group	37
J-POWER Group's Corporate Social Responsibility (CSR)	38

To Our Stakeholders



It has been nearly four years since our company took its stock public. During that time, with the strong trust and support of our stakeholders, our group has continued to accumulate solid business results. Also during this time, particularly three years between FY2005 and FY2007, we focused on the key management targets of consolidated ordinary income and consolidated shareholders' equity ratio, and worked to expand the scope of our business while revitalizing our organization. Domestically, we have increased operating revenue by increasing the output of our facilities, including progress with the construction of the Isogo New No. 2 plant. Our new business, centered on wind power generation, also saw steady growth, and on the technology development side, we were successful in the continuous operation of EAGLE, our oxygen-blown coal gasification pilot plant, which is the key component in our approach to the global warming issue. Overseas, mainly in Southeast Asia, the U.S., and China, we moved ahead with participations in power generation business, and our share of output there has now reached almost 2,700MW.

At the same time, the management environment in which we work is heading into a period of significant change. First, as global warming progresses, Japan and the world have, from this year, entered into the first five-year commitment period under the Kyoto protocols, and efforts to reduce CO2 need to begin in earnest. Second, demand for electricity in Japan seems assured to begin experiencing systemic lower growth, due, in the long term, to our shrinking population. Third, the extreme rise in resource costs originated with oil and natural gas in recent years has begun affecting coal as well, leading to uncertainty regarding the future of both the quantity and price of resources overall. These shifts in the management environment represent issues and risks for our long-term business expansion and stable growth. Still, the solid foundation we have built through our results as a private enterprise enables us to assess these global trends, face the issues that such change presents, and turn risk into opportunity for further growth.

To do this, over the next five-year span, we will establish new management targets for both consolidated ordinary income and consolidated shareholders equity ratio, and will use ROA as a reference indicator of the efficiency of total capital invested. To achieve these two management targets, we have set forth the following five areas of emphasis on the business side, and will focus all of our resources on them: (1) Strongly enhanced power generation facilities with the Isogo New No. 2 and Ohma nuclear plants; (2) Promotion of technological innovation through further testing of integrated coal gasification combined cycle power generation and other technologies; (3) Renewal and repair of existing power facilities to increase their asset value; (4) Further global business expansion, including investment in overseas power generation; (5) Aggressive moves toward business diversification through open market wholesale power trading, the coal business, wind power, enabling us to achieve our two key management targets. At the same time, to ensure stable growth, we will continue to implement measures for enhancing corporate governance, addressing environmental issues, strengthening our financial position, revitalizing our workplaces and nurturing of human resources.

We will try hard to achieve our two management targets, by emphasizing on these five key business areas, so that we can continue to distribute the fruits of our effort to our stakeholders who strongly support us, including shareholders, customers and employees, responding to good trust and expectations. Among those, we will emphasize maintaining a sustainable dividend policy to our shareholders, while enhancing dividend with the result of the long term growth of our new businesses.

J-POWER Group is indeed entering an age of unknown turmoil, but we must tackle the risks underlying these changes, and turn them into opportunities for new business. All of us are committed to even greater teamwork built around our long-term proposition of "Harmonization of energy and the environment," and to using innovation as our key competence in facing new challenges. We look forward to even greater support and cooperation from all of our stakeholders, and we thank you for your continued understanding.

取締役社長

中塚喜彦

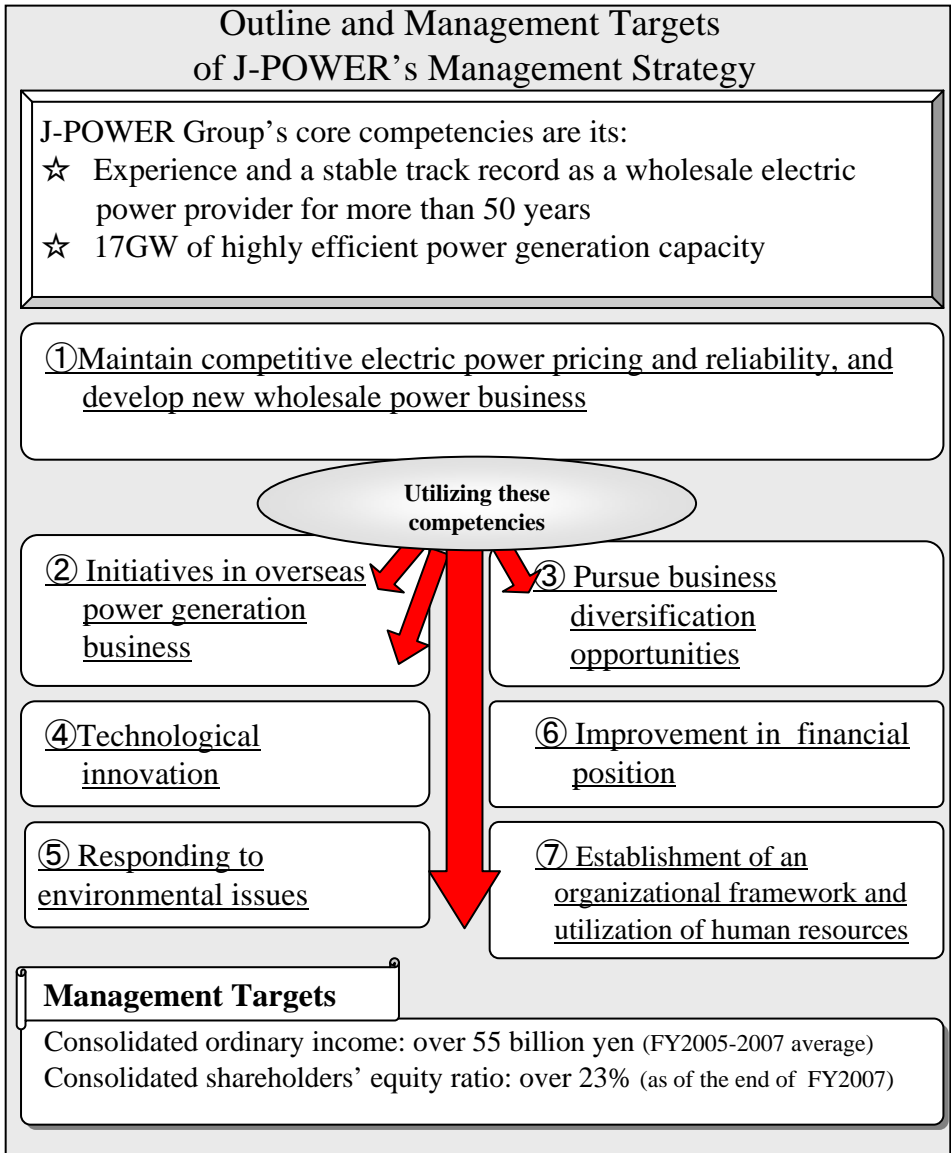
I. FY2005 to 2007 Results

Achievement of the 3-year Management Targets and Overview

I. FY2005 to 2007 Results



- Key 3-year Achievements -



- ①
 - 3-year average 62.4TWh electricity supplied (7% increase from the previous period (*1))
 - 20% cut in controllable expenses
 - Diversification of power sales including trading in the wholesale market
- ②
 - Increase in overseas power generation assets (about 2GW) (*2)
 - Establishment of subsidiaries in Thailand, the US and China, and increase in earnings
- ③
 - Increase in assets in wind power generation (about 80MW)
 - Steady performance in the engineering business (environmental technologies, telecommunications, etc.) and PFI-type business (waterworks projects)
- ④
 - 4,500 cumulative hours operation of SOFC (fuel cell) system
 - 1,000 hrs continuous operation in project proof testing of EAGLE project (oxygen-blown coal gasification)
- ⑤
 - Promotion of CDM projects (Chile, Brazil, etc.)
- ⑥
 - Improvement in shareholders' equity ratio (19.4% → 23.2%)
 - Receipt of debt credit rating from an overseas credit rating agency (AA grade)
- ⑦
 - Streamlining of personnel system (8,000 → 6,000)
 - Improvement in corporate governance
 - Measures to prevent recurrence of compliance problems
 - Establishment of an integrated maintenance system

A summary of the three-year efforts based on these results and achievement of the management targets... →

(*1) Comparison with FY2002 -2004 average of 58.4 TWh
 (*2) Based on J-POWER's stake in assets in operation (excluding those under construction)

I. FY2005 to 2007 Results



- Achievement of the 3-year Management Targets and Overview -

Consolidated Ordinary Income

Target: over 55 billion yen

(FY2005 – 2007 average)

Result: 55.4 billion yen

(same three-year average)

Consolidated Shareholders' Equity Ratio

Target: over 23%

(end of FY2007)

Result: 23.2%

(end of FY2007)

Achievements of this 3-year period

- Steady progress in Isogo New No. 2 construction, and steady results in development of coal gasification technology
- High operating results recorded in both hydroelectric and thermal power generation, contributing to stable supply
- Launch of new initiatives in areas such as trading in the wholesale market
- Steady expansion of overseas power generation and wind power businesses

Technological innovation and development of new electricity sources

Stable supply and strengthening sales activities

Expansion of domestic and overseas businesses

Future priorities

- Early construction start for Ohma Nuclear Power Plant
- Next phase in the development of coal gasification technology
- Maintenance of economic efficiency and reliability of aging power facilities
- Stable increases in earnings in new business
- Enhance resilience to business risks and maintain appropriate leverage

II. New Management Targets

FY2008 – 2012 Mid-term Plan

II. New Management Targets



- Changes in the Management Environment -

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 thermal facilities and replace existing ones

PRIORITY

Innovative initiatives that will contribute to “harmonization of energy and the environment” and new business development that will address existing issues and lead to new growth

Outlook for Power Supply and Demand

- Growth in domestic electric power demand is expected to remain at less than 1% on an annual basis. Maximum growth in electric power generation is also forecasted 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.

PRIORITY

Enhancing earning power by improving reliability and profitability of existing power facilities, and by developing businesses in growing market

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 both in revenue side and procurement side, especially in coal market

PRIORITY

Capital structure must reflect measures to mitigate risks. Measures will include further diversification of revenue streams

II. New Management Targets



- View of New Targets in Light of Management Issues -

Driven by the principle of **“harmonization of energy and the environment”**, the J-POWER Group will achieve **further growth** and navigate the changing management environment in the era of global warming by:

- **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**



View of the new management targets

- To achieve mid- to long-term growth, the target period will be expanded from the former 3 years to **a period of 5 years.**
- As specific indicators in the management targets, we will again commit in terms of:
 - ☆ **“Consolidated ordinary income”** to measure growth of businesses, and
 - ☆ **“Consolidated shareholders’ equity ratio”** to measure improvement in financial soundnessIn addition to these indicators, we will use
 - ★ **“Return on Assets (ROA)”**
as a management reference index of assets earning rate

II. New Management Targets



Consolidated Ordinary Income

FY2010 over 55 billion yen

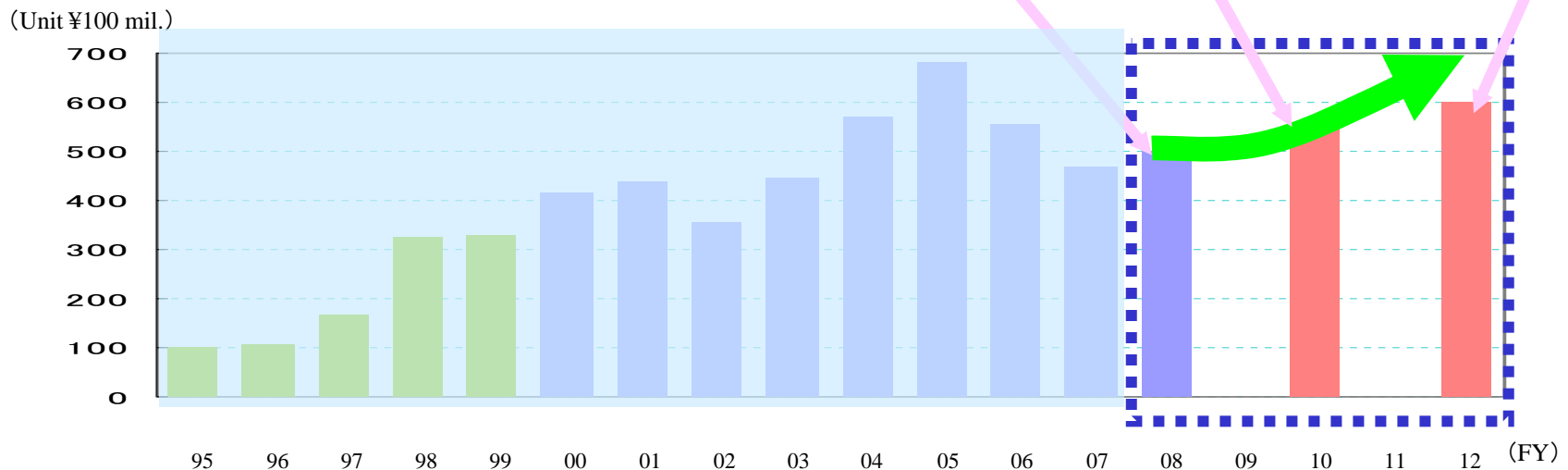
FY2012 over 60 billion yen

- Aim for growth by systematically **investing in new energy projects** while maintaining profitability of power facilities in operation by improving maintenance efficiency
- Boost earning power through **new business both in domestically and overseas**
- Promote efforts to increase productivity and reduce costs in areas such as administration expenses

Progress in investment recovery of existing power facilities, increase in maintenance costs and financial costs

Contribution to earnings with the start of business operations of Isogo New No. 2

Achieving profits in overseas projects in Thailand and other areas



(*) Figures up to FY1999 are non-consolidated and from FY2000 onwards are consolidated. Figures from FY2008 onwards are forecasts.
See page 13 for the reason why consolidated ordinary income as an indicator is optimal.

II. New Management Targets

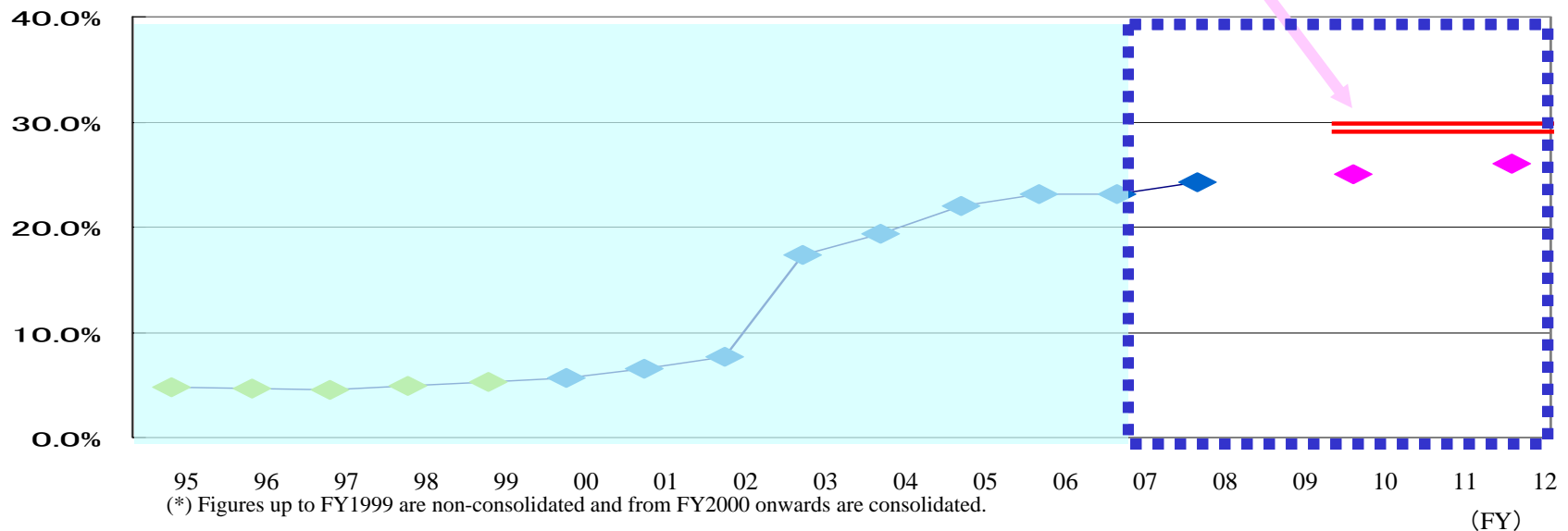


Consolidated Shareholders' Equity Ratio

End of FY2010 over 25%
End of FY2012 over 26%

- Balance sheet management is an important issue during the facilities formation phase
- Continue to strengthen the Company's financial position to enhance resilience to business risk and maintain appropriate leverage
- Steady capital accumulation through retained earnings

Management target for major electric power companies: **30%**
... out of 10 companies, 7 are aiming for 30% (consolidated basis)



(*) Figures up to FY1999 are non-consolidated and from FY2000 onwards are consolidated.

Figures from FY2008 onwards are forecasts.

Management Index: Return on Assets (ROA)



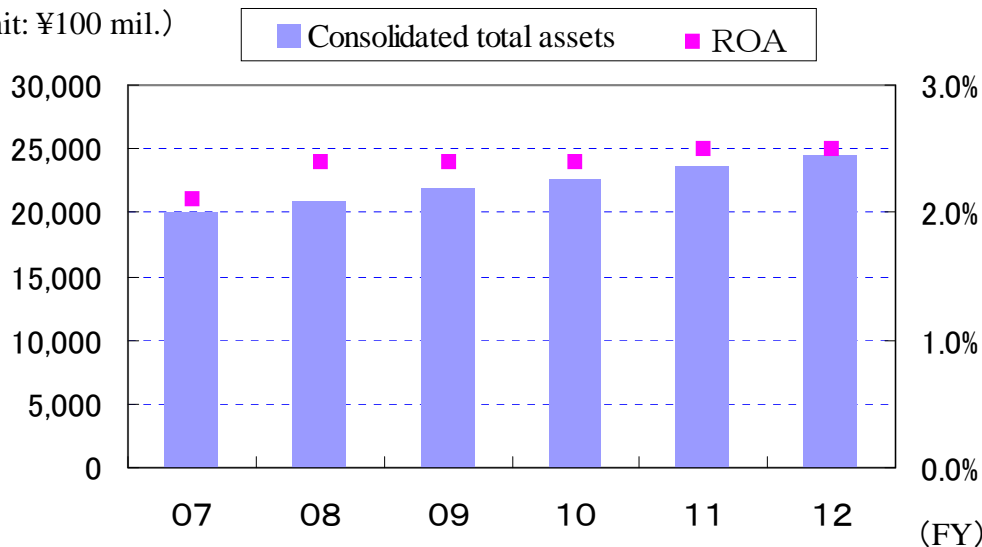
Consolidated Ordinary Income / Total Assets

- Return on assets (ROA) will be used as an indicator for overseeing the earning power of assets
- Given that we are now in the facilities formation phase where investment precedes returns, checks and reviews will be conducted on an annual basis using the following figures as targets:

FY2008 - 2010
2.4%

FY2011 - 2012
2.5%

(Unit: ¥100 mil.)



(*) Figures from FY2008 onwards are forecasts.

ROA is a management indicator.

【Reference】 The reason why consolidated ordinary income is a suitable indicator for the management of J-POWER's results

- An amount equivalent to financial costs is included in the electricity rates of the wholesale business. Therefore, at the ordinary income stage, amounts equivalent to the financial cost income and expenditure are added and deducted; at the operating income stage, however, only charges equivalent to the financial cost are posted.
- Construction of facilities require large-scale investment and return on investment is obtained through operation of these facilities. Therefore, the ratio of financial costs to net sales is higher than general industries.
- Moreover, in overseas power generation business "equity method income" accounts for the main income at present, and in the future will be reflected in consolidated results as non-operating profit and loss.

III. Five Key Approaches

Business Strategy for Achieving Targets

III. Five Key Approaches



- Action Plans for the Growth Strategy -

(1) Steady Growth in Power Generation Facilities

Isogo New #2, Ohma Nuclear Plant and Ohma transmission line

(2) New Project Development with Technology Innovation

Coal gasification, fuel cell and CCS for power plant renovation

(3) Enhancing Value of Business Assets

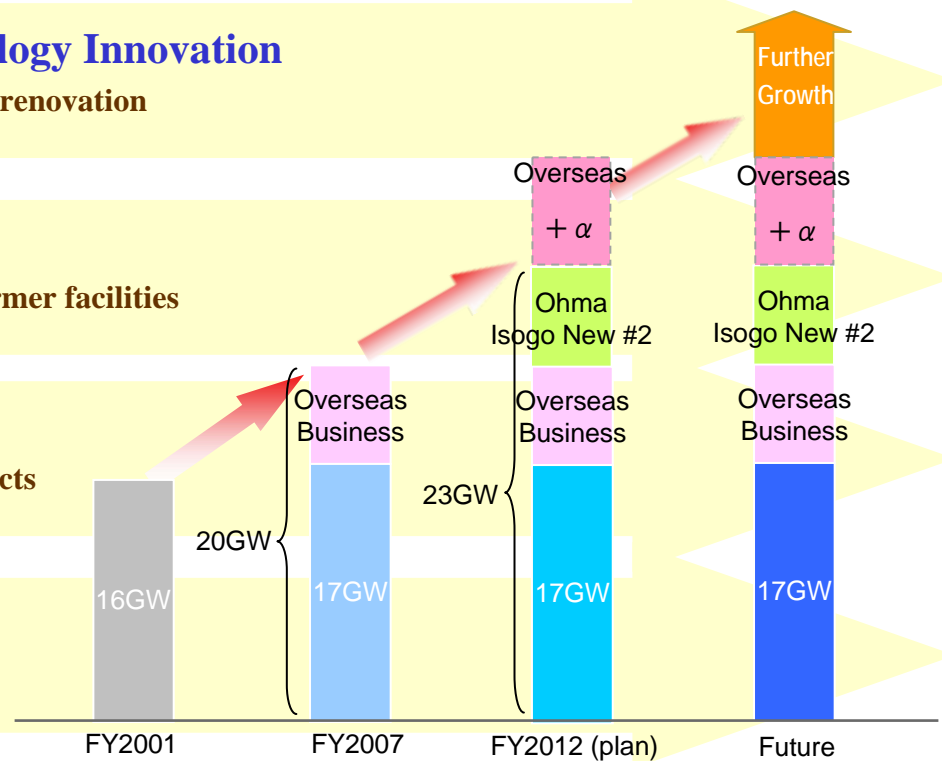
Existing hydro, thermal, and transmission/transformer facilities

(4) Global Business Expansion

Ramp up revenues of overseas power generation projects

(5) Power generation as the core of a diversified business

Renewable energy and Coal business, etc.



III. Five Key Approaches



(1) Steady Growth in Power Generation Facilities

Isogo New No. 2

(Kanagawa Prefecture)

- Construction of No. 2 plant to update the former plant of 2-units x 265MW with the latest coal firing technology
- World's highest level of thermal efficiency in coal-fired thermal power generation, and combined output of New No. 1 and 2 units will increase considerably to 1.2GW, contributing to stable supply in metropolitan Tokyo. CO₂ per unit of electricity produced will fall by more than 10%.

Actions in FY2008

- Proceed with construction work and test operations in the lead up to the start of commercial operation in FY 2009

Ohma Nuclear Power Plant (Aomori Prefecture)

- As J-POWER's largest power generation unit (1.383GW), will contribute to the growth strategy as well as to regional development
- As Japan's first full MOX-ABWR(*), will play an important role in the nuclear fuel cycle and contribute to Japan's energy security
- As a power plant emitting almost no CO₂ during the power generation stage, will contribute to efforts to address global warming

Actions in FY2008

- Obtain necessary permits and expedite construction
- Giving top priority to safety, undertake construction work with full regard for environmental protection.

Ohma's Trunk Transmission lines (Aomori Prefecture)

- Important transmission lines (about 61km in length) for transmitting electricity generated by Ohma Nuclear Power Plant are responsible for the steady transmission of electricity and will contribute to stable supply

Actions in FY2008

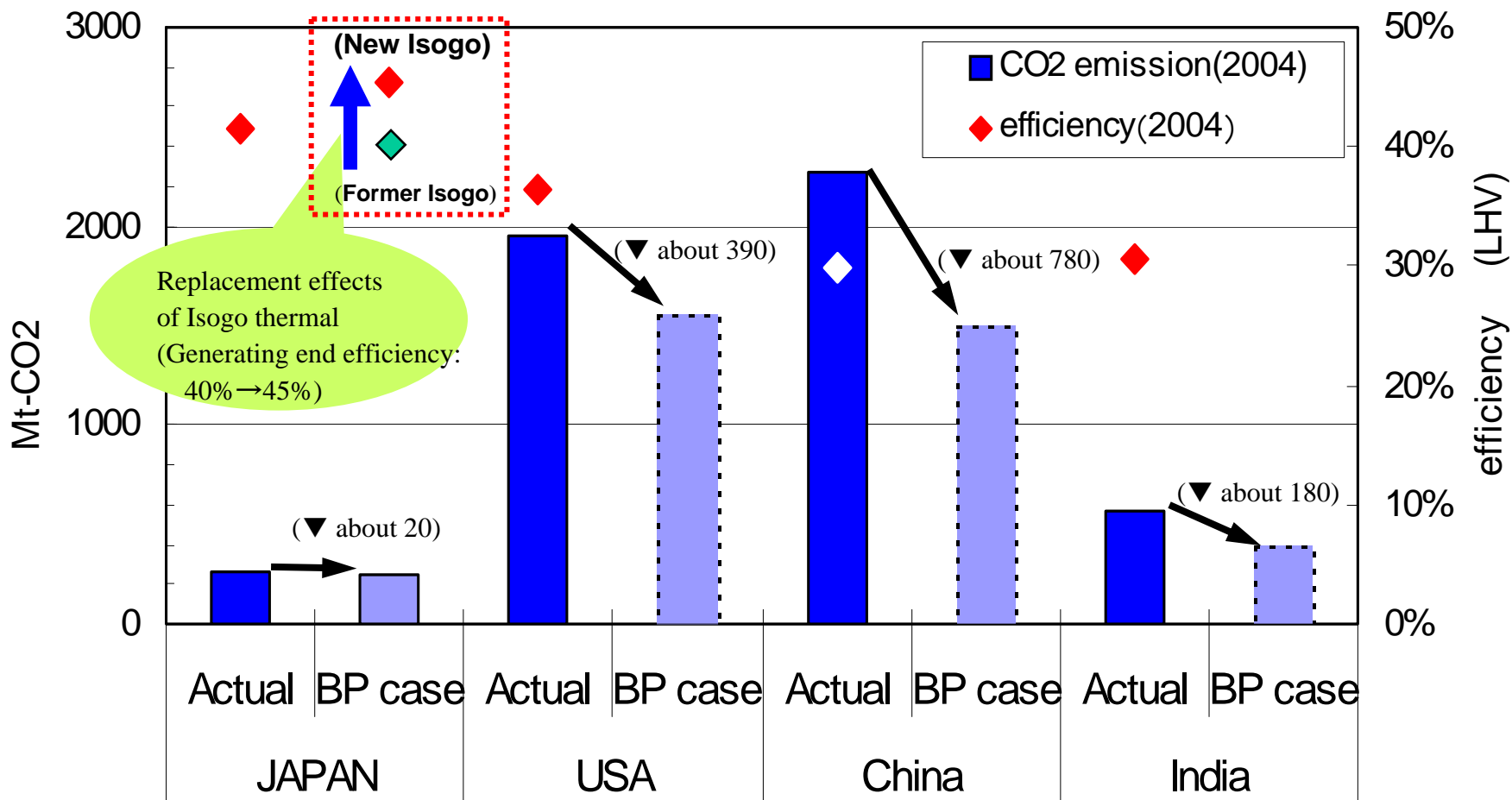
Proceed with steady construction work

(*) Full MOX-ABWR: boiling water reactor where uranium/plutonium mixed oxide fuel (MOX) may be used.

CO2 Emissions from Coal-fired Thermal Power Generation



If Isogo Coal-fired Thermal Technology were to be Applied Throughout the World



If Japanese best practices were applied, total CO2 emission reduction potential for the US, China, and India would be equivalent to about 1.3 billion tons of Japan's total CO2 emissions (5% of the World total)

"BP Case": Trial calculation applying Japanese best practices (maximum efficiency of commercial medium-size electric power plants)

Source: IEA World Energy Outlook 2006, Ecofys Comparison of Power Efficiency on Grid Level

III. Five Key Approaches



(2) Technology Innovation and New Project Development

- Innovative approaches aimed at next generation high-efficiency technology centered on coal gasification as well as a move to “zero emissions” of CO₂ via CO₂ capture and storage (CCS) technologies will create new business opportunities
- Dealing with global warming, in relation to coal usage, involves technological challenges that will provide seeds for new projects
- Mid- to long-term initiatives to replace existing electric power generation sources through the application of innovative technologies

Coal Gasification Technology

- 1,000 hours continuous operation in 2007 (record for the longest operation in Japan); successful large-scale proof of the necessary technology
- Currently in discussion with Chugoku Electric Power regarding a joint large-scale proof of concept; accelerating discussions for commercialization of technology
- Pursuing various technological advantages including expansion to IGFC(*1), ease of CO₂ recovery, and suitability for synthetic fuels

Actions in FY2008

Commence CO₂ recovery trials aimed at “CO₂ zero emissions”

(*1) IGFC: Integrated gasification fuel cell electric power generation

SOFC Development (*2)

- Ultimate efficiency in electric power generation based on an oxygen-blown gasification system = testing of a fuel cell aimed at IGFC
- Succeeded in proof tests of a 25kW level sub-module and, based on those results, in FY2007 clocked about 4,500 hours of operation of a 100kW level model, which will achieve Japan’s highest output. The trial testing also included 1,050 hours of continuous operation.

Actions in FY2008

Demonstration test of permitted capacity, long-term reliability and operational flexibility

(*2) SOFC: Solid oxide fuel cell electric power generation

CO₂ Capture Trials

- Commencement of CO₂ capture trials before combustion using a facility with an oxygen-blown coal gasification pilot
- Continuation of trials for CO₂ capture after combustion using a chemical absorption method at Matsushima Thermal Power Plant
- Participation in an oxygen-burning CO₂ capture and underground storage project in Callide, Australia

Actions in FY2008

Steadily implement respective trial projects and obtain results

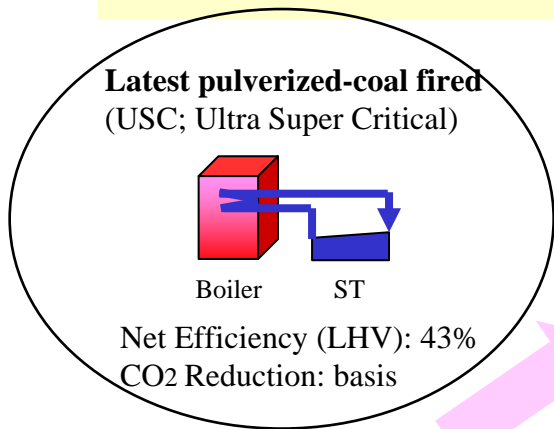
CO₂ Reduction through Coal Gasification Technology



- Aiming for superior CO₂ reduction -

High-efficiency generation technology

- Aiming for a significant improvement through ultra-super critical (USC) coal thermal generation, J-POWER is now considering large-scale demonstration equipment for an integrated coal gasification combined cycle (IGCC) mainly on oxygen-blown coal gasification technology. We also promoting the development of an integrated coal gasification fuel cell combined cycle (IGFC), which is an extremely efficient technology.
- We also direct our efforts to the development of further enhancing USC coal-fired thermal generation



Oxygen-blown coal gasification pilot test (EAGLE)

Integrated coal gasification combined cycle (1500°C class IGCC)	Integrated coal gasification fuel cell combined cycle (IGFC)
<p>Gasifier GT ST</p>	<p>Gasifier FC GT ST</p>
<p>Net Efficiency: 48~50% CO₂ Reduction: approx. ▼15%</p>	<p>Net Efficiency: over 58% CO₂ Reduction: approx. ▼30%</p>

CO₂ Zero Emissions Technology

- 3 main methods used for CO₂ recovery: post-combustion recovery and oxygen combustion recovery for thermal generation using pulverized coal, and pre-combustion recovery for coal gasification generation.
- We are taking a range of approaches in developing world-leading technologies to verify these three methods.

III. Five Key Approaches



(3) Enhancing the Value of Business Assets

- Secure infrastructure reliability, making stable supply to customers the top priority
- Undertake large-scale facility updating and replacement of ageing facilities after careful comparison with other measures for increasing value
- Promote improvement in efficient O&M management and enhance economic and environmental efficiency

Hydroelectric Power

- Steady operation and maintenance of 59 locations generating about 8.5 GW as pure domestic clean energy
- In addition to construction to upgrade facilities focusing on measures for aging facilities, initiatives in comprehensive upgrades in generators and water turbines, etc. to increase efficiency and output

Actions in FY2008

Complete comprehensive upgrade construction at Tagokura No. 2 (Fukushima Prefecture) and commence construction of unit No. 3

Power Transmission

- Operate network infrastructure to ensure the stable supply of power including frequency converter stations and 2,400 km of transmission lines including interconnecting lines between regions
- Initiatives to provide for infrastructure that factors in changes in the surrounding environment including the development of housing and appropriate maintenance of aging facilities necessary for steady operation

Actions in FY2008

Complete upgrade construction of control protection equipment of Kitahon Transmission Facility (Hokkaido and Aomori Prefectures)

Thermal Power

- Steady operation and maintenance of 8 locations generating about 7.8GW with high economic efficiency (*)
- Promotion of upgrade construction focusing on measures for aging facilities, and measures to accommodate biomass mixed fuel
- Strengthening of risk management to stabilize income and expenses including fuel procurement
- Initiatives in diversifying electric power sales for the power exchange

Actions in FY2008

Undertake upgrade construction of Takasago Thermal (Hyogo Prefecture) which has been in operation since 1968

(*) In addition to the above, there are infrastructures owned by affiliated companies

Specific Examples of Improvement in Business Asset Value



Comprehensive Upgrade at the Tagokura Power Plant

Instead of conventional partial replacement of separate equipment in the 4 hydraulic turbines and power generators, comprehensive upgrades were undertaken on the hydraulic turbines, power generators, and main transformers to improve efficiency and achieve increased output

Output of 95MW → 100MW

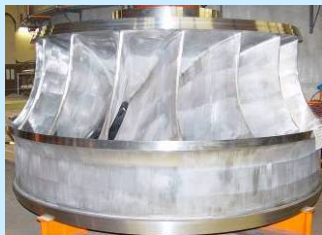
Weighted average efficiency About 3% increase

Unit No. 2 (planned completion in FY2008)

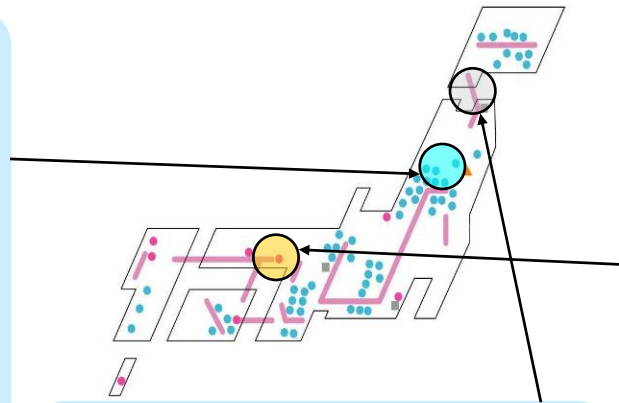
Unit No. 3 (planned construction start in FY2008)

Unit No. 4 (already completed)

Unit No.1 (planned construction start in FY2010)



Tagokura Hydraulic Turbine Runner



Kitahon Linkage Facilities

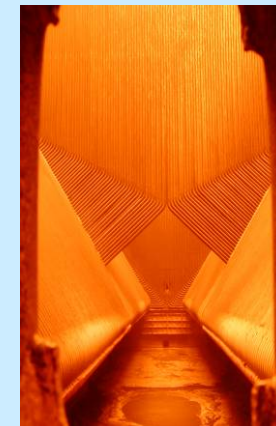
Replacement of Control Protection Equipment

Replacement of control protection equipment to maintain and improve facility reliability as a measure to counter degradation due to age and improve operating efficiency that will result in improvement of convenience for linkage facility users *

* Resolving current restriction of minimum flow (restriction on operation at facility capacity of 10% or less due to tides)

Takasago Thermal Power Plant Refurbishment (large-scale upgrade)

Large-scale, intensive upgrade to replace the main facility due to age degradation (including boiler tubing, exciting apparatus, transformer, control systems, etc.) to improve reliability



Unit No. 2
FY2008

Unit No. 1
FY2009

Takasago Thermal Boiler

III. Five Key Approaches



(4) Global Business Expansion

Overseas Power Generation Business

- Efforts to expand business and increase its contribution to earnings as the next major business domain
- Planning for equity assets after commercial operation of new IPP projects in Thailand to exceed 7GW
- Stable electric power supply in 5 countries and regions through the steady operation of 16 power plants in the respective countries
- Steady promotion of new projects in Thailand and further business expansion mainly in the US, China and Southeast Asia
- Improvement in project management framework that helps drive growth in overseas electric power business

Consulting Business

- Provision of electric power and environmental technologies developed in Japan to overseas
- Proven results of about 280 projects in over 60 countries and regions (about 30 of which are currently in progress)

New Projects Planned in Thailand

•Samet Tai

Location: Samet tai district, Chachoengsao Province

Output: 1.6GW (800MW x 2 units)

Commencement of Operation: 2012 (planned)

• Nong Saeng

Location: Nong Saeng, Saraburi Province

Output: 1.6GW (800MW x 2 units)

Commencement of operation : 2013 – 2014 (planned)

Actions in FY2008

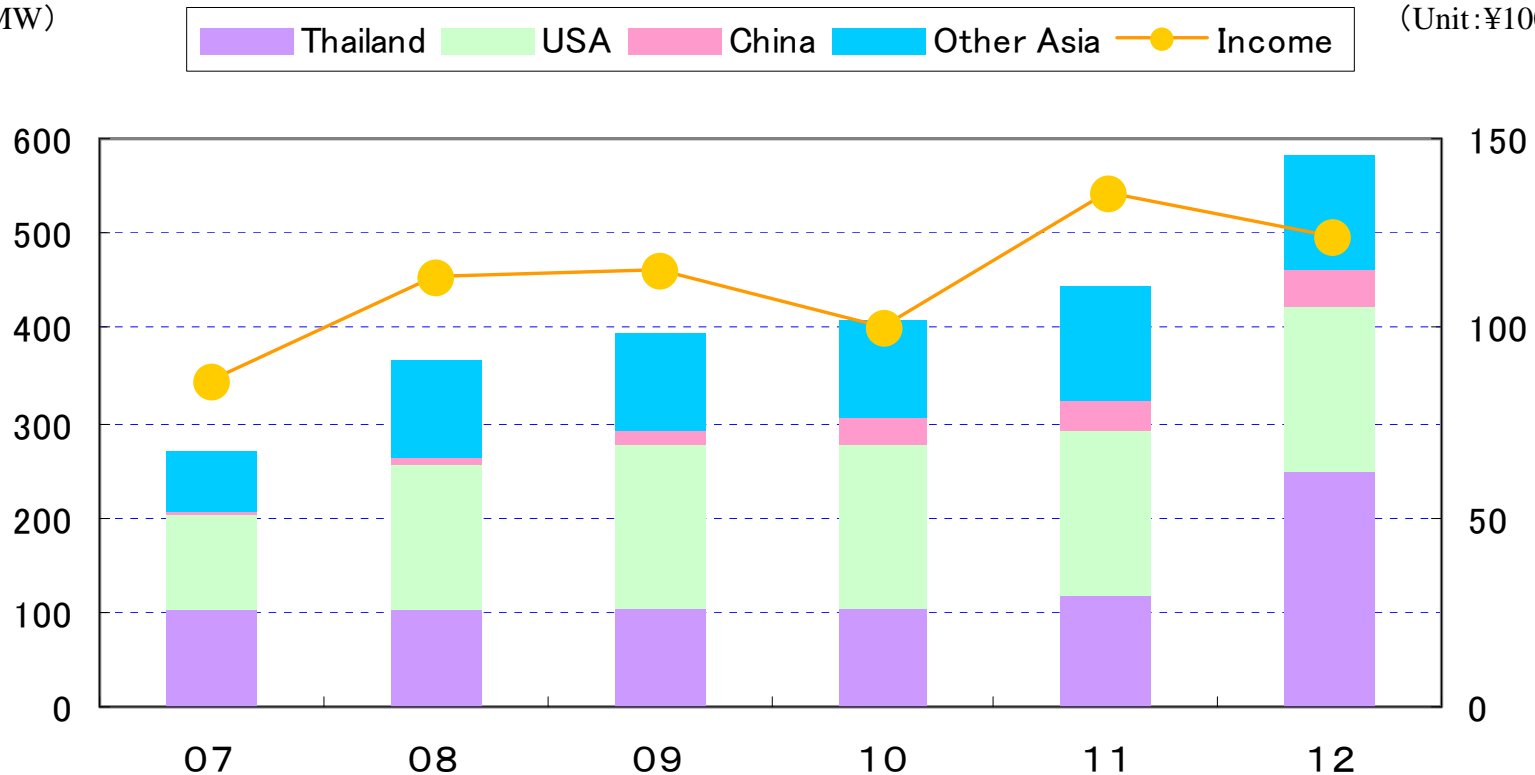
- Generate revenue through the steady operation of Kaeng Khoi #2 gas thermal plant (No. 2 unit) and other existing projects
- Develop and promote new projects
- Improvement in project management and development framework (establishment of subsidiaries, etc.)
- Steadily undertake consulting projects and new initiatives utilizing J-POWER's engineering expertise

Outlook for Assets and Income in Overseas Electric Power Business



Owned Capacity
(Unit: 10MW)

Equity Income
(Unit: ¥100 million)



● Steady growth in income from new projects, while maintaining income from stable operation of existing facilities at approximately 10 billion yen

Note: J-POWER's owned capacity is total project capacity multiplied by J-POWER's investment ratio (capital contribution), and is recorded at the end of each fiscal year.
 J-POWER's equity income from projects is total project income multiplied by J-POWER's investment ratio (capital contribution), and is recorded for the relevant fiscal year.
 J-POWER's capital contribution in the new project in Thailand is recorded as 70%.
 Figures from FY2008 onwards are forecasts.

III. Five Key Approaches



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

Electric power value chain

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

Challenges in the Coal Business

Strengthen procurement power and establish an integrated earnings base by taking advantage of J-POWER's competitive edge as a major player in the coal market

Environmental value

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

Challenges in Wind Power Generation Business

Increase revenue scale by promoting projects in Japan and overseas and improve profitability through the introduction of new project schemes

Engineering expertise

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

Long-term business management skill

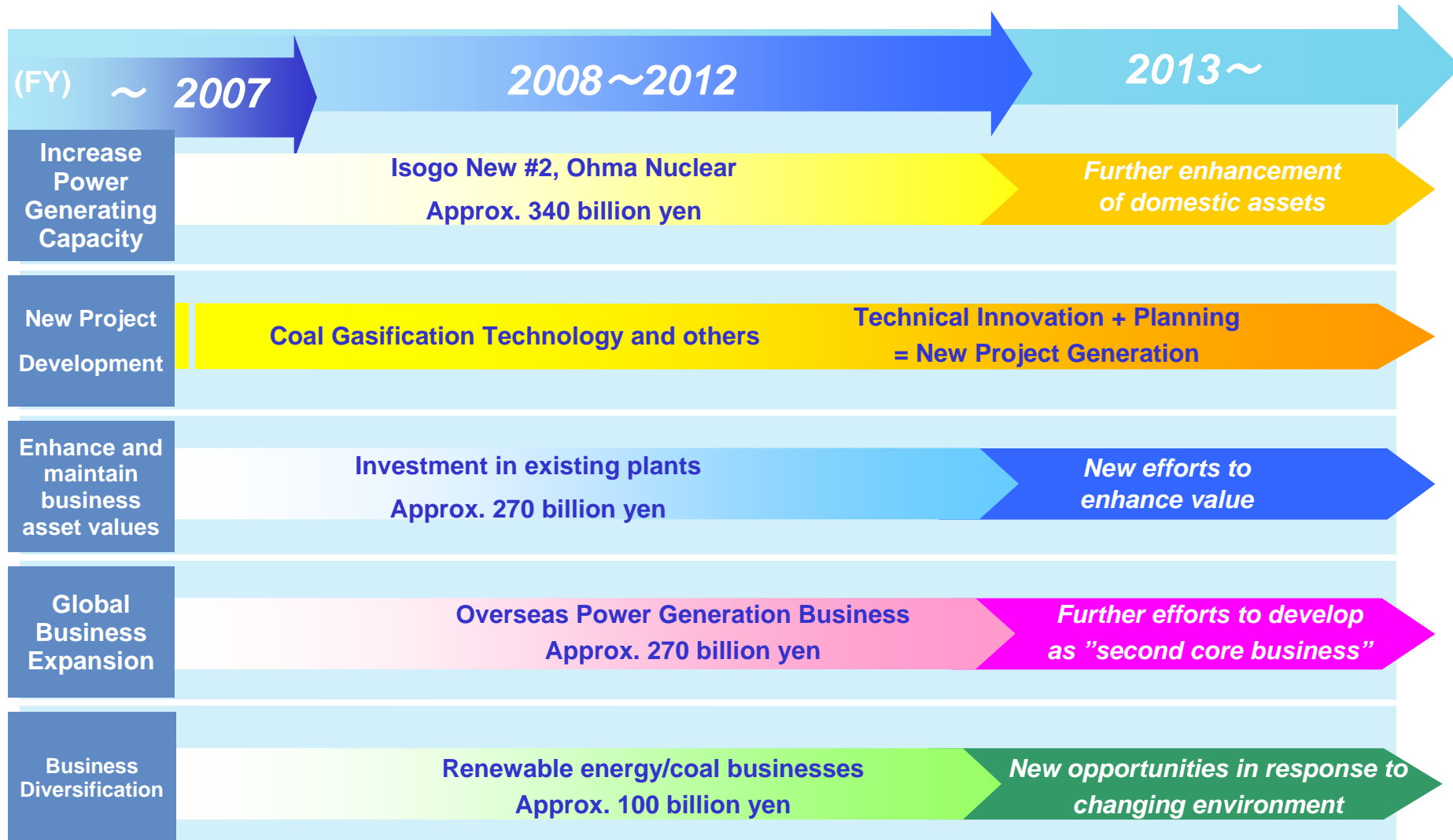
- Management of PFI/PPP waterworks projects (Fukuoka Prefecture)
- Construction and management of sewage treatment facilities through PFI schemes (Kanagawa and Chiba Prefectures)

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

III. Five Key Approaches



- Investment Plans -



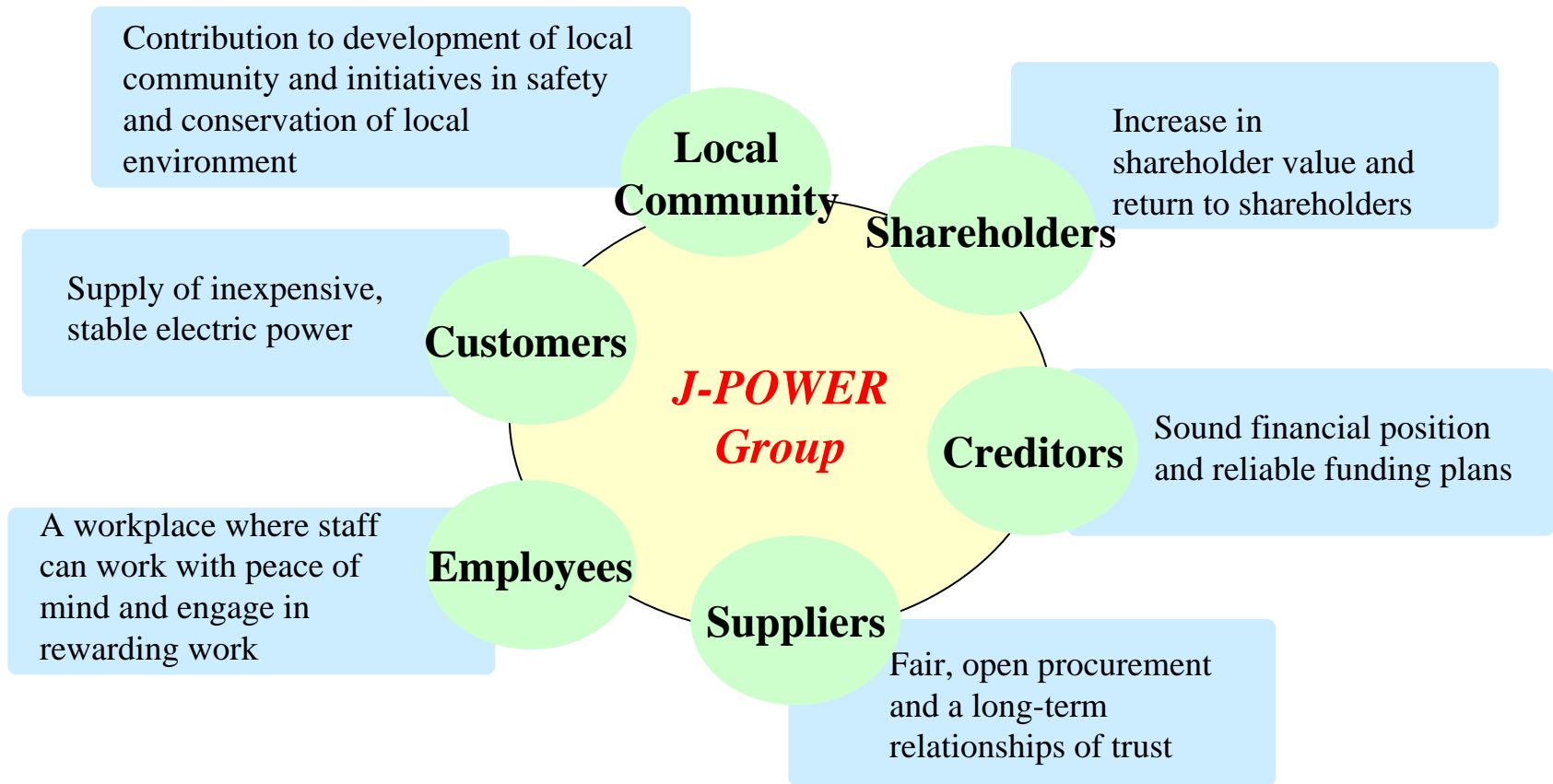
Note: The amounts recorded are the amounts recorded in J-POWER's consolidated assets. Moreover, we plan to establish project financing for overseas projects, and this will limit J-POWER's exposure to an amount equivalent to project capital multiplied by our investment ratio (expected amount of direct contribution: about 100 billion yen).

IV. Sharing Growth with Our Stakeholders

IV. Sharing Growth with Our Stakeholders



- Various stakeholders who support the J-POWER Group -



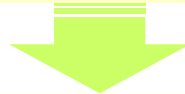
- By promoting “Five Key Approaches”, Management focus on enhancing corporate value sustainably while meeting the needs of all our stakeholders

IV. Sharing Growth with Our Stakeholders

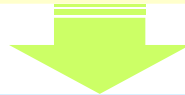


- View of Return to Shareholders -

- Management focus on enhancing corporate value sustainably while meeting the needs of all our stakeholders



- Boosting earning power and increasing shareholder value through the development of overseas business and new business in electric power and coal



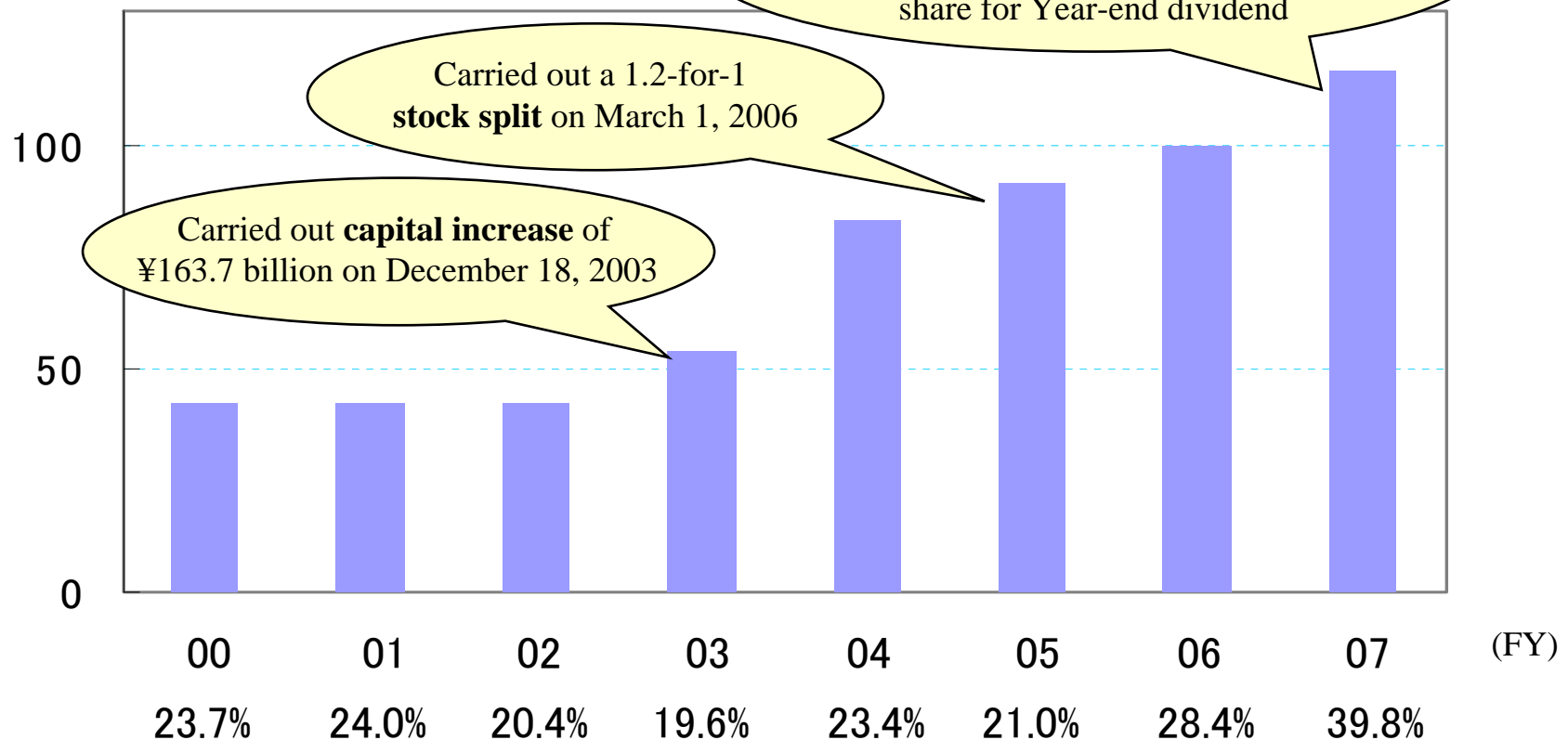
View of return to shareholders

- The most prominent characteristic of our business is that we secure returns on our investment 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.
- Business results achieved over the long term constitute the source of returns to shareholders. In view of the characteristics of our business, we place the utmost importance on a [sustainable dividend policy](#).
- Moreover, we will make long-term efforts to enhance our corporate value on an ongoing basis. Then, [reflecting the results of growth, we will seek to further enhance profit distribution to shareholders](#).

Steady Increase in Total Amount of Dividends



(Unit: ¥100 Mil.)



(Trends in consolidated pay-out ratio)

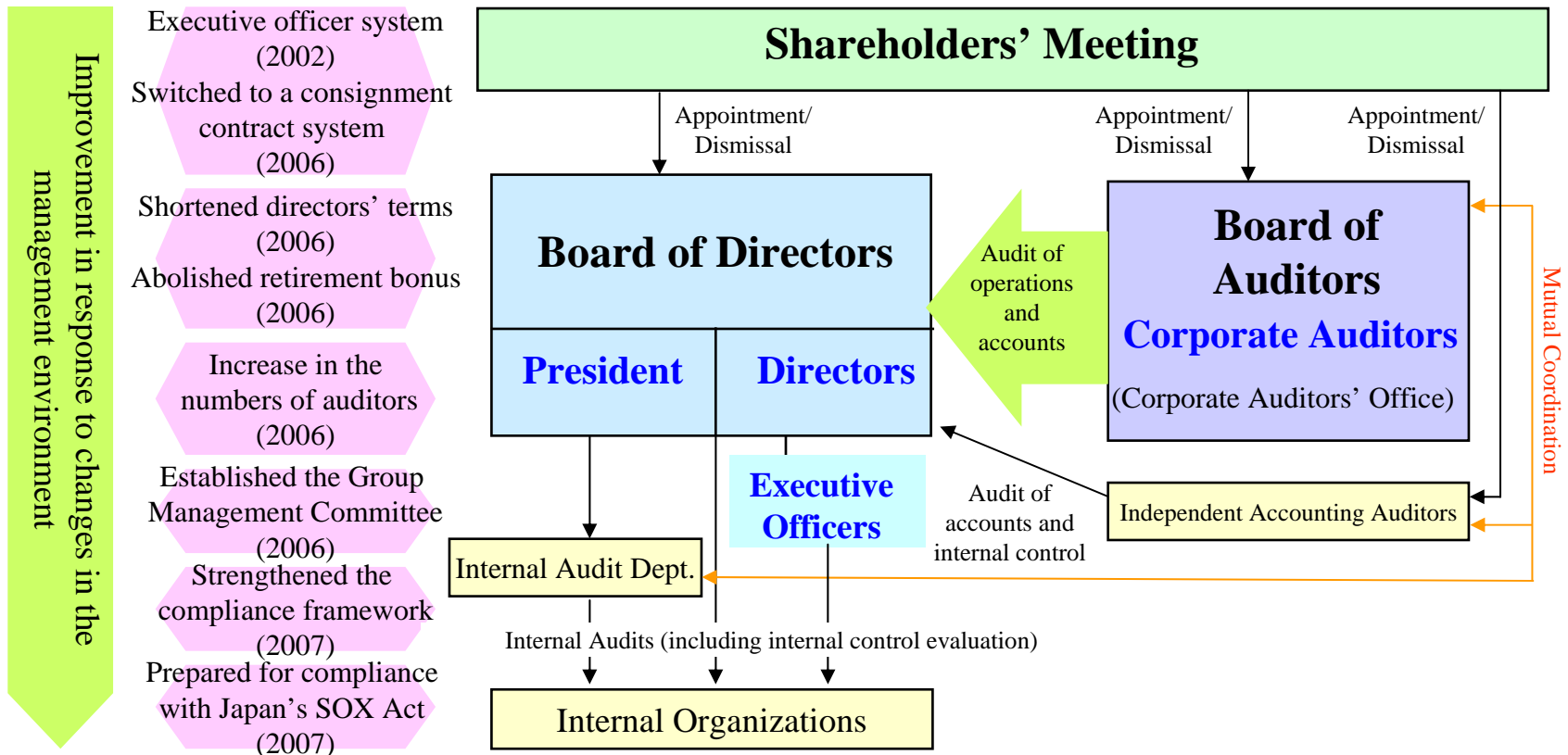
- A steady increase in dividends, underpinned by sustainable dividend policy

V. Strengthening the Corporate Infrastructure

for Achieving Sustainable Growth

V. Strengthening the Corporate Infrastructure

- Corporate Governance Framework -



- Establishment of a corporate governance framework headed by 13 directors and executive officers with extensive knowledge of the electric power business, and 5 auditors (including 3 external auditors) with extensive experience in corporate auditing (slimed from a previous framework of 20 directors and 3 corporate auditors)
- J-POWER will continue to make improvements to the compliance framework in the future in response to changes in the business environment

V. Strengthening the Corporate Infrastructure

- Infiltration of Compliance Activities-

Falsified data and defective procedures were detected throughout the industry.

J-POWER conducted thorough checks of all electric power generation facilities (2007)

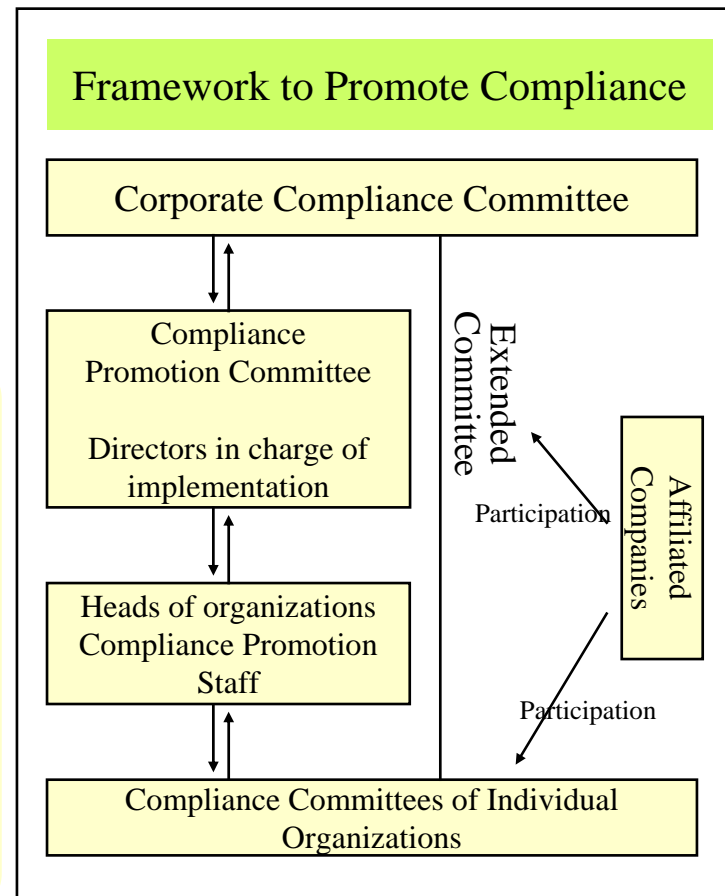
Checks confirmed the need to make improvements to corporate culture and staff awareness

Measures to Prevent Recurrence

- Thorough corporate ethics
- Rule-making that does not allow for personal interpretation
- Full communication among organizations and officers
- Visibility of business processes and risk factors, etc.

To become a company worthy of society's trust

- Plan and carry out activities to acquire and maintain even greater trust of society by evaluating and improving activities to date.
- As a priority for the entire Group for the foreseeable future, promote activities that will instill the corporate culture and an awareness of compliance in individual staff (set firmly in place through PDCA)
- As specific measures, provide compliance education from the perspective of enhancing professional skills and initiatives in compliance activities for maintenance of security activities, etc.



V. Strengthening the Corporate Infrastructure



- Environmental Initiatives -

Reducing global environmental impact

Target 10% reduction in CO₂ emissions per unit of electricity sales compared to FY2002 figures in J-POWER Group's domestic and overseas electric power businesses by FY2010



Reducing regional environmental impact

Target 97% efficient energy use for the entire J-POWER group by FY2010 and aim for zero emissions in industrial waste

Increasing transparency

Introduce environmental management systems (EMS) through the entire J-POWER group by the end of FY2007

Accomplished according to plan

Put into practice comprehensive measures to address the problem of global warming from a long-term perspective by pursuing the clean use of coal in combination with hydropower, nuclear power, renewable energy, and the development of new technologies



Coal as fuel for generating electricity
40% of world generated output

Oil 10%, Natural gas 20%

Available reserves: about 155 years

Oil 41 years, Natural gas 65 years

Contributing to stable energy supply

Improvement in energy use efficiency

- Introduction of highly efficient thermal coal technology (p18)
- Comprehensive upgrades of hydroelectric power generation facilities (p21)

Development of electric power sources with low CO₂ emissions

- Construction of Ohma Nuclear Project (p16)
- Promotion of wind power, geothermal power generation and biomass use, etc. (p24)

Development, transfer, and promotion of technology

- High-efficiency oxygen-blown coal gasification integrated power generation (EAGLE) (p19)
- CO₂ capture and storage (p18)
- Transfer of advanced technology to overseas countries through electric power projects (p22)

Utilization of the Kyoto mechanisms
Participation in CDM/JI projects (p24)

(*) CDM: clean development mechanism, JI: joint implementation. Both are international cooperation mechanisms for reducing greenhouse gases recognized under the Kyoto Protocol

Source IEA World Energy Outlook 2006, BP Statistical Review Of World Energy (June 2006)

V. Strengthening the Corporate Infrastructure

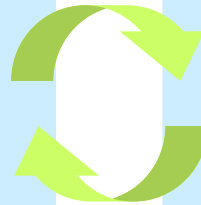


- Stronger Financial Position -

Responding to robust demand for funds during the facility formation phase

Stable issuance of bonds and procurement of loan funds at competitive terms

Use of bonds and borrowings



Sound financial structure for supporting fund raising at competitive terms

Improvement in shareholders' equity

In particular,

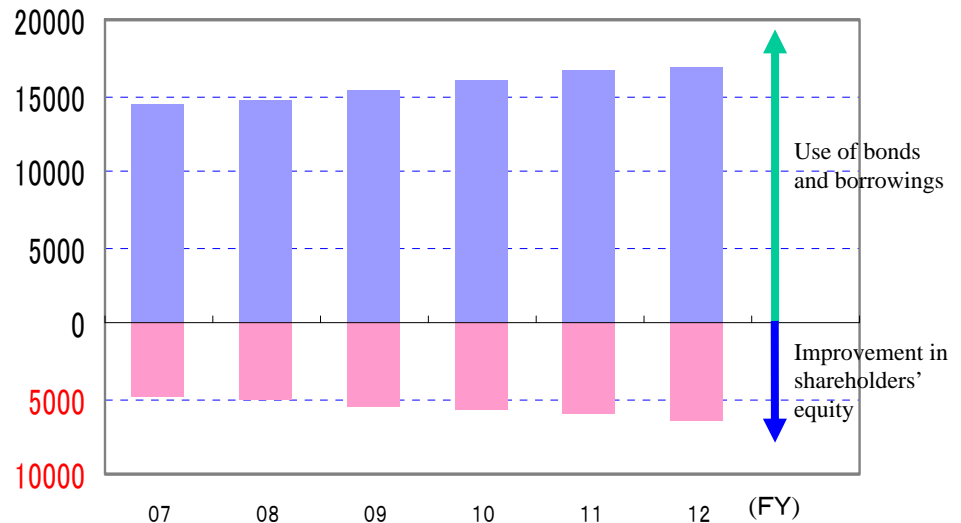
- Enhance financial resilience to business risk to navigate changes in the business environment and asset composition
- Relatively low shareholders' equity ratio in comparison with other companies



Ongoing improvement in financial position through planned improvement in shareholders' equity

Aiming to achieve a further increase in earnings following the Facilities Formation Phase

(Unit:¥100 million)



(*) Figures from FY2008 onwards are forecasts.

V. Strengthening the Corporate Infrastructure




- Group Management for Increasing Consolidated Corporate Value -

Mainly in charge of plant facility maintenance

 JP Business Service JP Business Service Corporation	Providing high-quality, detailed services as a general service company within the group
 JPHYTEC JPHYTEC Co., Ltd.	Contributing to group corporate value through maintenance work in hydroelectric and transmission/transforming facilities
 JPec Jpec Co., Ltd.	Contributing to group corporate value through maintenance work in thermal power generation and operation of coal handling facilities
 KDC Engineering Co., Ltd. KDC Engineering Co., Ltd.	Supporting owners' engineering and providing technology to meet needs in the field of civil engineering
 J-POWER RESOURCES J-POWER RESOURCES Co., Ltd.	Contributing to thermal power generation through coal import agency work and coal mine project management

Mainly in charge of new business development

 開発電子技術株式会社 KEC Corporation	Contributing to group value through the maintenance of communications facilities and the design and construction of various communications systems within and outside the group
 EnTech J-POWER EnTech Co., Ltd.	Providing technology in smoke extraction purification technology without the use of water based on experience gained through the electric power business
<p>J-POWER Group in USA Development and operation of power projects in the U.S.</p>	
<p>J-POWER Group in Thailand Development and operation of power projects in Thailand</p>	
<p>Japan Network Engineering Co., Ltd. Kaihatsu Hiryo Co., Ltd. Ecogenomics Inc. Fresh Water Miike Co., Ltd.</p>	

- We will strive to increase consolidated corporate value through plant maintenance and new business expansion which demonstrates the special characteristics of each company.

V. Strengthening the Corporate Infrastructure



- Safety Initiatives -

Accident Prevention Initiatives

- Formulation of a “Basic Disaster Prevention Policy”
- Improve power supply dependability and regional safety particularly during earthquakes through various measures based on a master plan for earthquake response measures
- ① Improve earthquake management manuals for each organization through the “Basic Disaster Prevention Guidelines”
- ② Implementation of facility countermeasures based on the “Basic Disaster Prevention Investment Manual”

Reinforcement of Information Security

- Initiatives to further strengthen risk management as both an important infrastructure business and nuclear power business
- ① Clarify information that is protected
- ② Strengthen the role of the Information Security Committee
- ③ Promote activities for increasing the level of information security at both Headquarters and worksites

Prevention of Work Accidents

- Establish and promote the J-POWER Group Health and Safety Operating Plan (Strengthening the cooperative framework of the entire group)
- Improve communications among businesses including front line workers and cooperation with in health and safety activities
- Promote of the development of healthy bodies and minds

Overseas Safety Management Systems

- Establish a Special Committee For Overseas Crisis Management and measures in recognition of the increase in overseas staff and staff traveling on business following international business expansion
- ① Prepare a contact system and manual for emergency situations
- ② Collect data and conducting of training as ordinary work activities

V. Strengthening the Corporate Infrastructure



-HR Development and Workplace Improvement throughout the Group-

Securing Human Resources

- Establish an HR base to support the group's sustainable growth through stable HR recruitment
- Promote HR diversification that will respond to changes in the labor market environment and business content

HR Development

- Improve skills of all group employees (formulate and coordinate a group CDP)
- Reinforce rotation and training (OJT, Off JT) to accommodate the transfer of technology and business development in Japan and overseas

**Human Resources are
the Foundation of
Corporate Sustainability**

Improving HR

- Create a workplace environment where each and every member of staff can perform with a feeling of fulfillment
- Promote efforts aimed at improving individual skills and work productivity (make time by promoting a work life balance)
- Establish a workplace environment and systems by which a diverse workforce, including seniors and women, can work comfortably

V. Strengthening the Corporate Infrastructure

-J-POWER Group's Corporate Social Responsibility (CSR)-



To clarify J-POWER's social responsibilities and to establish them as universal values for all staff, we will share the **Group Corporate Philosophy** and the **Rules of Corporate Conduct** throughout the J-POWER group

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.

Corporate Conduct Rules

Reliable supply of energy

We will make every effort to reliably supply energy both in Japan and abroad utilizing our experienced personnel and cutting-edge technology.

Environmental protection

Based on an awareness that our business operations are deeply linked with the environment, we will actively engage in environmental protection activities.

Communication with society

To establish communication with society we will conduct information disclosure and public relations activities in a fair and transparent manner.

Contributing to society

Aiming to be a good corporate citizen we will undertake activities to contribute to society and assist in the development of local communities both in Japan and abroad

Creation of a rewarding corporate culture

In addition to providing safe and comfortable work environments, we will respect the individuality of our employees and endeavor to establish a rewarding corporate culture that encourages them to take on new challenges.

Compliance with the law and corporate ethics

We will conduct business in good faith and in a fair manner with a strong commitment to compliance and ethics. We will stand firm against anti-social forces that undermine the order and security of civil society.

Role of top management

Recognizing their responsibility in putting into practice the spirit of these Corporate Conduct Rules, our top management must set an example for others and work to spread awareness of these Rules. Should an event occur that violates the spirit of these Rules, top management must take the initiative in dealing with the problem to determine the causes and prevent recurrence. Top management must also identify and take disciplinary actions against those responsible, including themselves.

The following contains statements that constitute forward-looking statements, plans for the future and management targets, etc. relating to the Company and/or J-POWER group. These statements are made based on certain assumptions of future events, and there exist possibilities that such assumptions are objectively incorrect and that actual results may differ from those in the statements as a result of various factors.

Furthermore, information and data other than those concerning the Company and its subsidiaries/affiliates are quoted from public information, and the Company has not verified and will not ensure its accuracy or appropriateness.