

The J-POWER Group recognizes that comprehensive corporate governance systems and thoroughgoing compliance are critical to achieving long-term growth, raising corporate value, and earning stakeholders' trust. Consequently, we are undertaking various initiatives that address these key management issues.

Corporate Governance

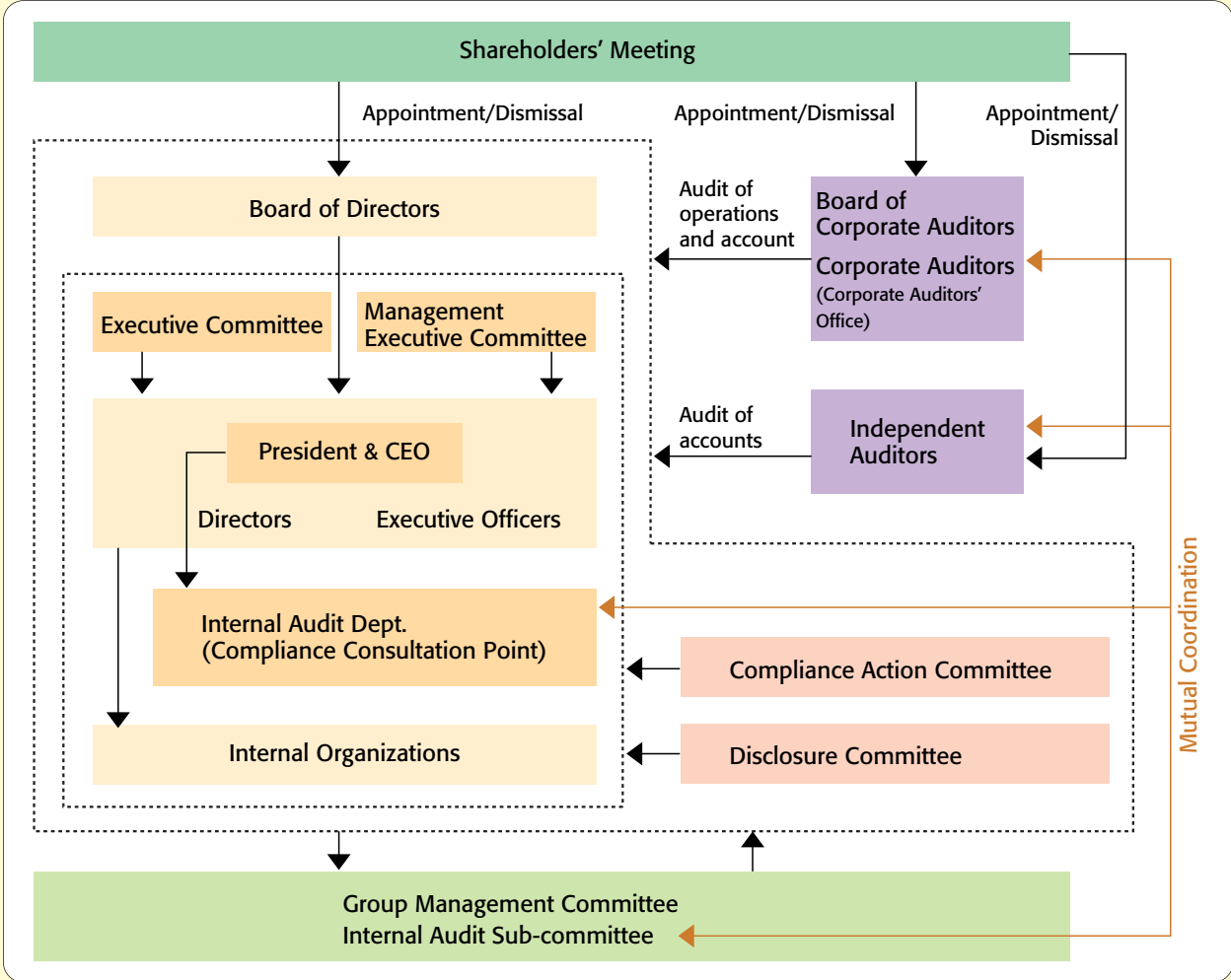
1. Basic Philosophy

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 treats 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 more trust from our stakeholders.

The J-POWER Group has been taking the following measures to enhance its corporate governance since July 2006.

Corporate Governance and Internal Control Framework

As of July 1, 2006



2. Corporate Governance Framework

J-POWER has adopted an auditing system and has thirteen directors and five corporate auditors, three of the latter being outside auditors. An overview of corporate governance and its internal control framework are provided below. J-POWER has contracted Ernst & Young ShinNihon to provide auditing services.

(1) Directors' Duty Execution Structure

Under the Corporate Philosophy, directors take the initiative in providing guidance on displaying an honest and fair attitude based on a firm, law-abiding spirit and sense of ethics in accordance with the "J-POWER Corporate Conduct Rules." Simultaneously, they are promoting efforts to instill such an attitude in all J-POWER employees. Furthermore, in order to ensure that operations are conducted in an appropriate manner, J-POWER has established an Internal Audit Department under the direct control of the president to implement internal audits at its business sites. Moreover, each business unit conducts self-audits of its own business administration.

In an effort to improve the accountability and transparency of its corporate activities, J-POWER has established a Disclosure Committee, chaired by the president, which ensures that any information disclosed about the Company is vigorous, fair, and transparent.

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 present, and is where 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, come under discussion. Thus clarifying the management's responsibility and authority, J-POWER enables precise and prompt decision-making and efficient management. Furthermore, J-POWER holds Management Executive Committee meetings attended by all the representative directors, directors, and executive officers from areas related to the matters under discussion, and the full-time corporate auditors to discuss important matters concerning the management of each division.

J-POWER also introduced an executive officer system to encourage more effective and speedier business implementation, building up a management system in which directors and executive officers share duties based on the Board of Directors' decisions. In addition, J-POWER is striving to enhance its supervisory framework and clarify the management responsibility of directors, to create a management system that is able to respond rapidly to changes in the environment. To this end, J-POWER has shortened the terms of directors' appointments from two years to one year and has abolished retirement allowances for board members.

(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 will conduct fully consolidated accounting from fiscal 2006. 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, J-POWER's basic policy calls for Group-wide development in accordance with the J-POWER Group's management plan. In addition to the administration of subsidiaries based on its company regulations, J-POWER has set up a Group Management Meeting to enhance fairness within the corporate group. J-POWER also conducts audits of its subsidiaries through corporate auditors and the Internal Audit Department.

(4) Audits by Corporate Auditors

J-POWER's corporate auditors supervise the directors in the execution of their business responsibilities 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 J-POWER's departments and main subsidiaries.

In the course of accounting audits, corporate and independent auditors 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 subsidiary audit, receiving reports regarding findings.

Thorough Compliance

To promote compliance activities, in addition to the J-POWER Corporate Conduct Rules already in place, we have formulated a Compliance Code to provide specific behavioral guidelines for managers and employees in their daily business activities. We have also created a Compliance Action Committee, chaired by the president, to examine measures to promote compliance activities across the Company and to implement prompt action and take preventive measures regarding any issues that run counter to compliance. Simultaneously, J-POWER has established a Compliance Consultation Point in its Internal Audit Department to serve as a point of contact for employees seeking advice on compliance issues. The system shall protect privacy and ensure

that those employees who come forward are not penalized.

Furthermore, a Disclosure Committee chaired by the president has been established to enhance transparency and accountability in corporate activities. The committee actively discloses impartial and clear corporate information in a timely manner.

Regulations	Committees
<ul style="list-style-type: none"> ● J-POWER Corporate Conduct Rules ● Compliance Code ● Compliance Promotion Regulations 	<ul style="list-style-type: none"> ● Compliance Committee ● Compliance Consultation Point

Overview of Compliance Code

I. Basics

- (1) Compliance with laws and internal regulations
- (2) Acting in accordance with social norms

II. Areas for Compliance

1. Relations with Society

- (1) Contribution to society
- (2) Compliance with laws and ethical requirements, respect for cultures and customs
- (3) Proper information disclosure
- (4) Appropriate PR activities
- (5) Regulation of donations and contributions to political parties
- (6) Terminating relations with anti-social elements
- (7) Environmental conservation
- (8) Appropriate use of information systems

- (9) Protection of intellectual property rights

- (10) Compliance with import/export laws and regulations

2. Relations with Customers, Suppliers, and Competitors

- (1) Security and reliability of energy supply and products sales
- (2) Compliance with the Antimonopoly Law
- (3) Dealing fairly with suppliers
- (4) Preventing unfair competition
- (5) Entertainment/gifts

3. Relations with Shareholders and Investors

- (1) Disclosure of business information
- (2) Prohibition of insider trading

4. Relations with Government Agencies/Officials

- (1) Adherence to approval and notification procedures
- (2) Entertaining/giving gifts to government officials

5. Relations with Employees

- (1) Respect for human rights/prohibition of discrimination
- (2) Sexual harassment
- (3) Protection of privacy
- (4) Workplace safety and hygiene
- (5) Compliance with labor laws
- (6) Compliance with employment regulations
- (7) Proper accounting and tax procedures
- (8) Appropriate use of company assets

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ISO 14001 Certification Obtained for All J-POWER Plants

Aiming to introduce environmental management systems throughout the J-POWER Group by the end of fiscal 2007



The J-POWER Group has built comprehensive systems to promote environmental management as part of initiatives taken under the action program set out in its Environmental Management Vision. By the end of fiscal 2005 all parent company power plants had obtained ISO 14001 certification.

Our environmental management initiatives for power stations are based on cooperation between J-POWER, which owns the facilities, and our affiliates JPec Co., Ltd. and JPHYTEC Co., Ltd., which maintain and operate them. We believe that working closely with these two companies is essential to proper environmental management in our power plants. Consequently, when obtaining ISO 14001 certification we determined that its scope should include not only J-POWER but also our affiliates responsible for maintenance and operation of power stations.

As a result, by the end of fiscal 2004 ISO 14001 certification had been acquired for all power stations managed by J-POWER's Thermal Power Department (seven coal-fired plants and one geothermal plant) and the scope of this certification includes both J-POWER as owner of the facilities and all business units of JPec as maintenance companies.

In fiscal 2005 certification was also obtained for all facilities managed by the Hydropower and Transmission System Department (59 hydroelectric plants, 6 substations/converter stations, 2,408 km of transmission lines, and communication facilities throughout Japan). The scope of this certification includes J-POWER as owner of the facilities and all business units of JPHYTEC as maintenance company.

ISO 14001 Certification

	Name of Organization	Date of Certification
Thermal Power Department	J-POWER Matsuura Thermal Power Station (Matsuura-shi, Nagasaki Prefecture)	July 23, 2004*
	J-POWER Takehara Thermal Power Station (Takehara-shi, Hiroshima Prefecture)	November 26, 2004
	J-POWER Tachibanawan Thermal Power Station (Anan-shi, Tokushima Prefecture)	December 17, 2004
	J-POWER Ishikawa Coal-fired Power Station (Uruma-shi, Okinawa Prefecture)	December 24, 2004
	J-POWER Isogo Thermal Power Station (Yokohama-shi, Kanagawa Prefecture)	December 24, 2004
	J-POWER Onikobe Geothermal Power Station (Osaki-shi, Miyagi Prefecture)	January 28, 2005
	J-POWER Matsushima Thermal Power Station (Saikai-shi, Nagasaki Prefecture)	January 28, 2005
	J-POWER Takasago Thermal Power Station (Takasago-shi, Hyogo Prefecture)	February 25, 2005
Hydropower and Transmission System Department	J-POWER Hokkaido Regional Headquarters JPHYTEC Hokkaido Business Unit (Sapporo-shi, Hokkaido)	December 16, 2005
	J-POWER Eastern Regional Headquarters JPHYTEC Eastern Japan Business Unit (Kawagoe-shi, Saitama Prefecture)	February 3, 2006
	J-POWER Chubu Regional Headquarters JPHYTEC Central Japan Business Unit (Kasugai-shi, Aichi Prefecture)	February 10, 2006
	J-POWER Western Regional Headquarters JPHYTEC Western Japan Business Unit (Osaka-shi, Osaka Prefecture)	February 24, 2006

*Date certification extended to JPec Co., Ltd.

The J-POWER Group has 77 power stations in total (10 thermal, 1 geothermal, 59 hydroelectric, and 7 wind farms), and 67 of these have now obtained ISO 14001 certification. The scope of certification covers 98 percent of output from the group's power plants.

ISO 14001 certification also extends beyond power generation activities, with certification having been acquired by J-POWER's Engineering Department, the Environmental Lab at JPec's Wakamatsu facility, and KEC Corporation's head office and branches. Fifty-one percent of group employees work in facilities covered by ISO 14001 certification.





We aim to introduce environmental management systems throughout the entire J-POWER Group by the end of fiscal 2007.

Construction of No. 2 Unit at Isogo Thermal Power Station Started in October 2005



First power plant in Japan to sign a pollution-control agreement with local government

Isogo Thermal Power Station (located in Yokohama's Isogo Ward) has been operating for more than 30 years. The aging facility is now being renovated in response to Yokohama City government plans for environmental improvements and to enhance the stability and reliability of power supply in the greater Tokyo region. To maintain electricity supply, construction of the No.1 unit began in 1998 while the old power station was still operating. The No.1 unit went into commercial operation in 2002. The old power station was then shut down and removed, making way for the No. 2 unit, construction of which began in October 2005 with commercial operation scheduled to commence in July 2009. The two new units are the first in Japan to use tower-type boilers, which take up less space than conventional boilers of the same capacity and are designed to overcome the limitations of the confined site.

Isogo Thermal Power Station has made significant environmental conservation efforts and is the first power plant in Japan to sign a pollution-control agreement with local government. While doubling the station's output, the new units have raised thermal efficiency to world-class levels through the introduction of USC  technology. Moreover, installing the latest environmental technology has reduced emissions of nitrogen oxide , sulfur oxide , and soot and dust  far below the levels recorded by the old plant.



Artist's conception of plant on completion



No. 1 Unit, Isogo Thermal Power Station (Kanagawa Prefecture)

Care was also taken to harmonize the new power plant's shape and color with the surrounding cityscape, and Isogo was reborn as a new urban-style thermal power station. In 2002 it received the 17th Annual Public Color Award from the Study Group for Color in Public Places.

3

Voluntary Initiatives to Deal with Asbestos—Progressively Substituting Non-asbestos Materials

As part of measures to deal with asbestos, the J-POWER Group has conducted health checks and surveys of asbestos use in its equipment and buildings. Health checks have shown that to date no existing or retired J-POWER Group employees have suffered damage to their health. Where we have confirmed the presence of asbestos, we are systematically removing it and switching to alternatives while effectively managing the process to prevent dispersal of asbestos dust.

Overview of Asbestos Usage in Buildings and Other Facilities

As of June 2006

Item	Usage Sites	Current Situation	Measures Being Taken	
Spray-on materials including asbestos	Used for soundproofing, insulation and fireproofing in walls and ceilings of plant rooms, warehouses, exhibition halls, etc.	<ul style="list-style-type: none"> Usage sites have been identified and dealt with systematically. Detailed surveys will continue. No. of J-POWER buildings affected: 2 	Sites where asbestos usage has been identified are inspected periodically and entry is strictly controlled. The exhibition hall affected has been closed. Measures to remove asbestos are being taken as quickly as possible.	
Products containing asbestos	Building materials	Use in fireproof wall panels and flooring	These are all molded products presenting no risk of asbestos dust dispersal under normal conditions. Consequently, they will be progressively substituted with non-asbestos products as opportunities arise in line with periodic inspections and repairs.	
	Soundproofing materials	Soundproofing for transformers (substations)		• 2 units
	Asbestos cement pipes	Material used in conduits for underground lines (transmission lines)		• Approx. 0.6 km
	Heat insulation	Power stations (thermal plants)		• Remaining material containing asbestos: approx. 23,000 m ³ (approx. 20% of total)
	Sealants/joint sheets	Power stations (thermal plants)		• Remaining material containing asbestos: approx. 34,000 items (approx. half of total)
	Thickener	Overhead transmission lines		• Anticorrosive agents for power lines: Approx. 30 km
		Power stations (hydroelectric plants)		• Asphalt facing membrane: 3 facilities (Osumata dam, Fukushima Prefecture; Numappara dam, Tochigi Prefecture; open water channel at Honbetsu Power Station, Hokkaido)
Cushioning material	Suspension insulators in transmission facilities, etc.	• No. of units: Approx. 470,000 (Product containing asbestos used as cushioning material inside insulators. Not used in ceramic surface portion of insulators.)	Since the cushioning material is a molded product used on the interior of the insulator, there is no risk of dispersal under normal conditions, but it will be progressively substituted with non-asbestos products as opportunities arise in line with repairs.	