

External Evaluation and Outside Opinions

The J-POWER Group strives to incorporate independent evaluations and recommendations in various forms, including sustainable management ratings, reviews, the Environmental Management Report questionnaires, and the opinions of experts. By means of these evaluations and opinions, we can determine the kind of business development and environmental activities that others expect of the J-POWER Group and work to improve our environmental management. By making such comments public, we can also enhance our transparency and credibility.

Sustainable Management Rating

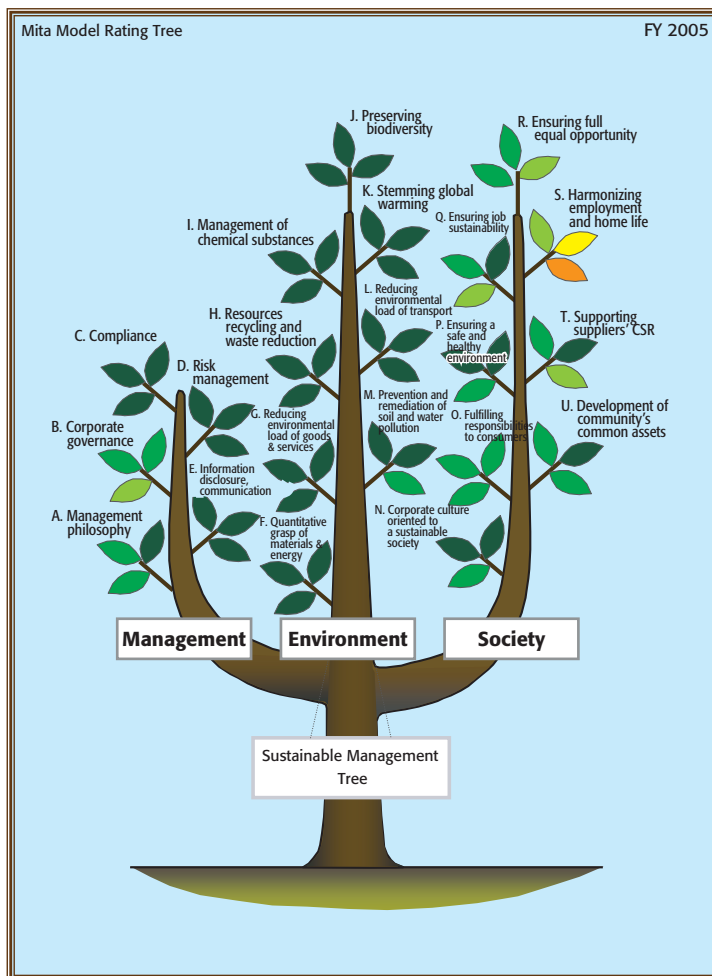
Information based on <http://www.smri.jp/>

The J-POWER Group participates in the sustainable management rating program carried out by Japan's Sustainable Management Rating Institute (SMRI). We make use of the institute's comprehensive review and the resulting ratings

to assess our own efforts on an area-by-area basis with regard to corporate responsibility and sustainable development, and to plan future efforts.

The review for fiscal 2005 included verification of answers to 175 questions and documentary and other evidence regarding 375 requirements, as well as interviews with corporate officers in charge of environmental affairs. In its overall rating, SMRI commented that the J-POWER Group "is close to realizing sustainable management in terms of its overall management."

FY 2005



The results of the evaluation are expressed schematically in the form of a "sustainability management tree," seen at left. Corporate activities are divided into three major areas: management, environment, and society (symbolized by the tree's three large limbs). These are further broken down into various items for evaluation (small branches), each of which is assessed from three angles (leaves): strategy, results, and organization. The quality of the company's efforts with respect to each item is expressed by five possible leaf colors.

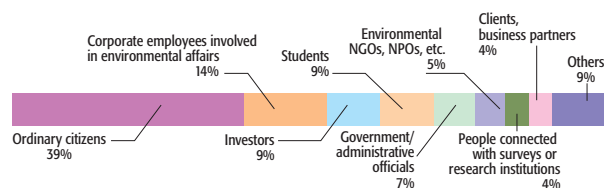
| | | | | | | | | |
|----------|--------------|----------|----------|-----------|------|------------|--------------|----------------|
| Strategy | Organization | Strategy | Superior | Excellent | Good | Acceptable | Unacceptable | Not applicable |
| Results | Results | Results | Superior | Excellent | Good | Acceptable | Unacceptable | No leaf |

Readers' Opinions

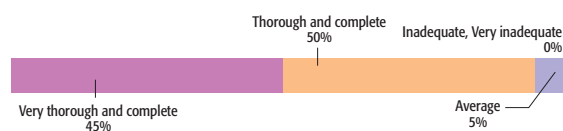
We received many comments from readers in response to our 2005 Environmental Management Report (published September 2005). We regard these valuable comments as important guidelines for our compilation of subsequent reports and our future conduct of environmental management, and intend to put their lessons to use in our corporate activities henceforth.

Aggregate Questionnaire Results (as of the end of March 2006; 58 respondents)

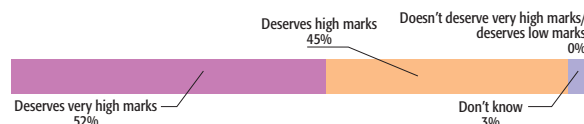
◆ Breakdown of Readership



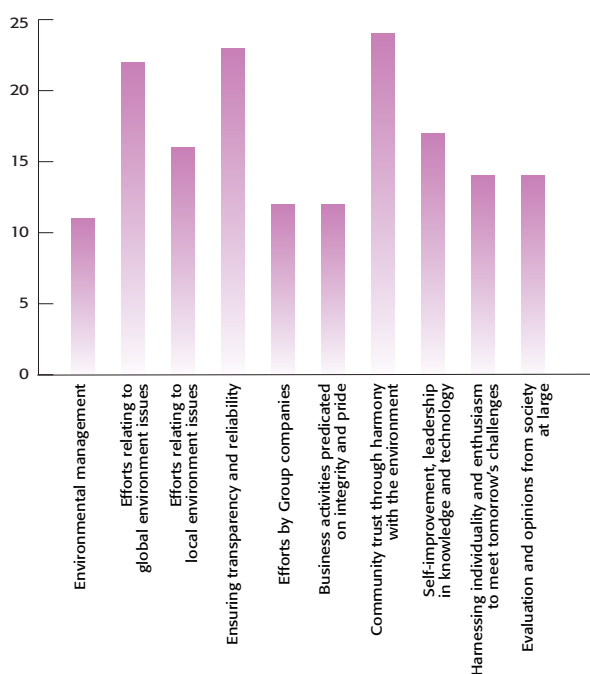
◆ Quantity and Quality of Information in the Report



◆ J-POWER Group's efforts in regard to environmental conservation



◆ Areas that the J-POWER Group should tackle more aggressively henceforth (choose up to five responses)



◆ Environmental/Social Efforts Sought from the J-POWER Group

| Typical Comments | J-POWER Group's Efforts |
|---|--|
| I hope you will achieve your goals steadily and work continuously to generate power in an earth-friendly manner. (Student) | We are working hard to attain the goals of the Action Program by adopting concrete plans for their achievement, periodically assessing the plans' implementation, and using those assessments to improve our efforts. |
| Please approach such initiatives as trading in CO ₂ and other emissions from a global perspective. (Investor, citizen) | We are continuously reducing CO ₂ emissions per unit of electricity sold by combining a variety of approaches in an economically rational manner, considering cost and benefit from a global perspective. These approaches are maintaining and improving efficiency of energy use; developing low-CO ₂ -emissions power sources; developing, transferring, and disseminating new technologies; and utilizing the Kyoto Mechanisms. |
| I would like the J-POWER Group to do more to help make overseas power stations friendly to the environment. (Citizen) | We are working to transfer environmental technology through a variety of overseas projects that put to use technology developed here in Japan. In addition to our existing consulting services, we have begun providing technological advice through our overseas IPP program. |
| Please push ahead with R&D in the area of nuclear power to further improve safety and supply stability. (Citizen) | We are participating in the development of safer, more reliable, and more economical nuclear power plants and working in other ways to realize the promise of supply stability and CO ₂ -emissions-free power. |
| Back when the Miboro dam had just been completed, I remember being given a tour of the dam's interior on our way home from mountain climbing. We learned that J-POWER had transplanted the famous cherry trees that would have been flooded by the dam. (Citizen) | The J-POWER Group works hard to earn residents' trust as a responsible member of the community in both Japan and overseas by acknowledging that the key to harmony with the community is to ensure the safety and living environment of residents, and by using the latest technology and knowledge for that purpose. |

For more comments and more on the J-POWER Group's efforts, visit the J-POWER Group website.

Independent Recommendations

We asked five experts to offer comments, each from his or her own perspective, on the 2006 J-POWER Group Environmental Management Report. These opinions will be put to use in planning and implementing the J-POWER Group's environmental management henceforth.

● Environmental Management and Corporate Social Responsibility

First, I would like to give the J-POWER Group credit for compiling an Environmental Management Report that lives up to its stated policy of including all consolidated subsidiaries. In addition, given the urgent need today for measures to stem global warming, the J-POWER Group is to be commended for directly tackling the challenges of coal-fired thermal power generation—the mainstay of its business operations—clearly articulating its approach, and working to improve energy efficiency. I have high hopes for its R&D efforts in such areas as coal gasification and geological storage of CO₂. I also look forward to the worldwide application of technology for coal use and recycling grounded in the experience and achievements of the J-POWER Group's overseas projects, one of the company's strengths.

Compared with the wealth of information on environmental management, however, the Society section does not treat "social sustainability"—cited as the company's top commitment—in sufficient depth, and the report on Group activities offers little more than a laundry list of examples.

Masahiko Kawamura

Senior Researcher
Insurance Research Group,
NLI Research Institute



● Environmental Communication and Education

The report clearly conveyed not only the importance of measures to stem global warming but a corporate commitment to meet the social responsibility of an energy supplier to "ensure constant supplies of energy to contribute to sustainable development" in the midst of changing environment and energy conditions in our society, including rising oil prices and impending constraints on resource usage.

The Message from the President stressed the importance of coal as one fossil fuel of which a stable supply can be secured for power generation purposes. I was especially impressed by the expression of determination to support the social infrastructure and the emphasis on advanced environmental technology to address CO₂ emissions and other problems. I look forward to further efforts to promote the use of renewable energy sources.

I also give this year's Environmental Management Report high marks for its detailed discussion of social efforts, including relations with and participation in the community and the creation of a comfortable work environment, and for stressing efforts to nurture understanding and trust among a variety of stakeholders. In the future, I would like to see the disclosure of a greater variety of data (such as site information and data concerning chemical substances) and further efforts at environmental communication, making use of this report and other vehicles.

Yuko Sakita

Journalist and environmental counselor



● Investor Feedback, Socially Responsible Investment (SRI)

First of all, I was very impressed by how easy the report was to understand overall. Not only the organization and but also enhancements added at the printing phase, such as typeface and use of color, combined to make it smooth reading. This is an important factor in facilitating readers' understanding of the content.

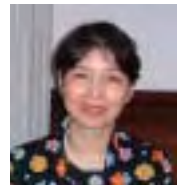
The Message from the President is thorough and conveys a clear image of the company as a whole.

In terms of specific activities, one can see efforts to address global environmental issues, such as management of chemical substances and biodiversity, based on an awareness of the latest developments. One also senses a sensitivity to social trends in ongoing efforts to make work more family-friendly with a view to increasing diversity in the workplace.

Since the J-POWER Group's business activities increasingly circle the globe, communication with stakeholders overseas will also be important in the future. I look forward to seeing a more inclusive accountability that extends beyond the disclosure of information in English.

Mizue Tsukushi

President and Chief Executive Officer
The Good Bankers Co., Ltd.



● Energy and Environmental Economics, Resource and Energy Strategy

Both hydropower, a purely domestic source of energy, and coal are excellent resources in terms of energy security, in that they are abundant and their distribution is less lopsided than other resources. I applaud the approach of using these stable resources to supply energy in its most useful form, electricity, while keeping the environmental load to a minimum, in line with the corporate philosophy of "Ensuring constant supplies of energy to contribute to sustainable development." Effective and environmentally-friendly use of coal through such technologies as integrated coal-gasification combined-cycle electricity generation systems can be considered an extremely promising and vital technology from the standpoint of Japan's energy security at a time when oil prices are rising and many are voicing concerns over the oil supply. This being the case, coal—often shunned because of its dirty image—can only grow more important as an energy resource. The J-POWER Group has already adopted an action plan based on four concrete approaches for achieving a 10% reduction in CO₂ emissions per unit of electricity sold, compared with the 2002 level, by 2010. Henceforth I am hopeful that Japanese research and development will play a central role in the emergence of technologies for separating and sequestering CO₂ from coal-fired thermal power stations.

Gento Mogi

Associate Professor
Department of Technology, Management
for Innovation,
School of Engineering, The University of Tokyo



● Plant Ecology, Conservation Ecology

The report outlines a policy that combines four approaches to reducing CO₂ emissions, which should be a top environmental priority for the energy industry. Each of these approaches encompasses a variety of options, and it seems to me that there is a need for the J-POWER Group to clarify a strategy, or guiding principle, for selecting and combining them. In considering the best combination of approaches, it must give due consideration not only to CO₂ emissions but also to other environmental burdens, as well as to safety, health, and good relations with the community, all of which are essential to human happi-

ness. With regard to the approach of developing more environment-friendly power sources, I would like to see the J-POWER Group work actively to promote the use of biomass, which can be used in existing facilities and which can contribute simultaneously to the solution of other problems.

Izumi Washitani

Professor of Conservation Ecology
Graduate School of Agricultural and Life Sciences,
The University of Tokyo



Independent Review

Since 2004, the J-POWER Group has submitted its Environmental Management Report for review and certification by the independent organization Shin Nihon Environmental Management and Quality Research Institute to ensure maximum credibility with regard to the environmental performance indicators presented in the report.

Review of the 2006 J-POWER Group Environmental Management Report by an Independent Organization

In 2006, the review included the following:

- 1) Verification of supporting documents to confirm that information in the report corresponds to the actual situation
- 2) Verification of facts by interview
- 3) Accuracy check of information in the report (evaluation of internal controls in compilation of numerical data; data check by sampling)

The 2006 review was conducted at our head office, Numappara Power Station, and JPec Co., Ltd. In addressing the issues raised in the review, we feel that we have been able to enhance our credibility with regard to numerical data, while at the same time making structural improvements in the gathering of statistics and other procedures that will serve us well henceforth.

Certification report from the independent review
of the 2006 J-POWER Group Environmental
Management Report

Independent Assurance Report

June 28, 2006

Mr. Yoshihiko Nakagaki
President
Electric Power Development Co., Ltd.

1. Purpose and Scope of our Assurance Engagement
The purpose of this assurance engagement, based on the engagement with Electric Power Development Co., Ltd. (the "Company"), is to express an independent opinion in relation to the Company's key environmental performance Indicators: "Input, Business Activities, Outcome, and Output" reported in the Company's "2006 Environmental Management Report" (the "Report") in respect of whether the information was measured and calculated accurately in accordance with the Reporting Standards of Environmental Indicators*1 and covers all material respects without omission. The management of the Company is responsible for the measurement and presentation of the Report. Our responsibility is to express an independent opinion on the Report.

*1 The Reporting Standard refers to the Ministry of Environment, Core Indicators: "Environmental Reporting Guidelines" 2003, and the Ministry of Environment, "Environmental Performance Indicators Guideline for Organizations", 2002

2. Outline of Assurance Procedures Performed
We have performed limited assurance procedures mainly composed of inquiry, review and analytical procedures in accordance with the "Practical Guideline for Assurance of Non-financial Statements (exposure draft)" of the Japanese Institute of Certified Public Accountants in July 2005. Therefore, our assurance engagement provides relatively limited assurance compared to a reasonable assurance engagement.
The following are an outline of the procedures performed:
1) Reviewed and Evaluated the Company's procedure for collection, aggregation of the subject matter reported in the Report.
2) Examined and recalculated evidence supporting the subject matter reported in the Report on a test basis.
3) Reviewed the consistency between the subject matter with the other related information reported in the Report.
4) Conducted on-site inspections*2 to inquire manager in charge of reporting, reviewed the operation of and examined evidences at selected power plants on a test basis.

*2 The on-site inspections were conducted at headquarters, the Numappara power administration office, and one of the subsidiaries; JPec Co., Ltd.

3. Conclusion
Based on the assurance procedures performed, we were not aware of any data that is not measured and calculated in accordance with the Reporting Standards of Environmental Indicators, or any material information that is not reported completely.

4. Independence
We, as a member of the Ernst & Young ShinNihon Group, comply with the "Certified Public Accountant Law", "Ethics Regulation" of the Japanese Institute of Certified Public Accountants; and the "Ethics Procedure" of Ernst & Young ShinNihon. Therefore, there has been no interest between the Company and us.

Yasuo Kuribara
Representative Director
Shin Nihon Environmental and Quality Management Research Institute Co., Ltd.

Note: The above Independent Assurance Report was prepared as a translation of the original Japanese version.

The review in progress



Numappara Power Station (Tochigi Prefecture)



Numappara Power Station (Tochigi Prefecture)



JPec Co., Ltd. (Tokyo)