

Corporate Governance

Corporate Governance Framework

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.

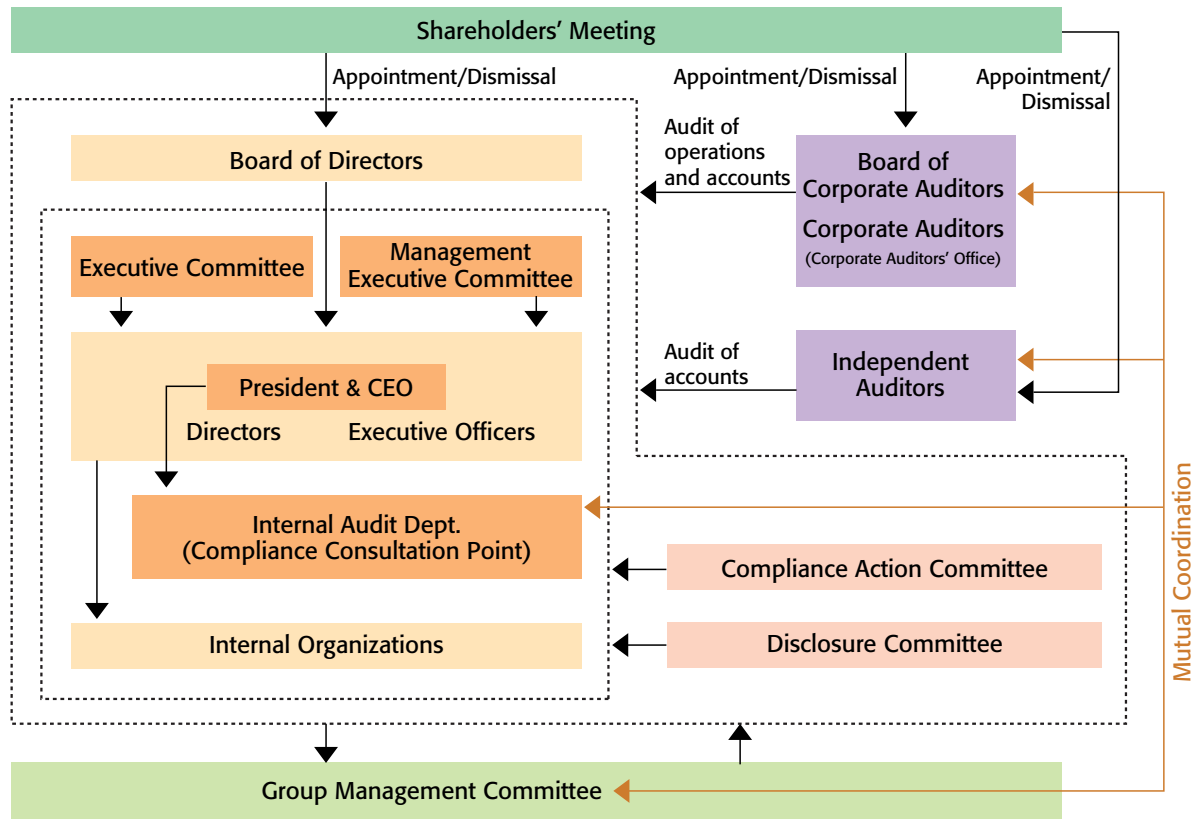
An outline of the corporate governance framework is set out below.

Structure of Execution of Duties by Directors

J-POWER has 13 directors. Based on the Company's corporate philosophy, the directors take the initiative in giving guidance on honest and fair business activity based on an unswervingly law-abiding spirit and ethical attitude in accordance with the J-POWER Corporate Conduct Rules. At the same time, they promote efforts to instill this attitude into all J-POWER employees.

J-POWER has also introduced an executive officer system to encourage more rapid and efficient business implementation, building a management system in which directors and executive officers are apportioned business execution based on the Board of Directors' decisions. In addition, to build a management structure that clarifies the manage-

■ The J-POWER Group's Corporate Governance Framework



ment responsibilities of directors and is able to respond rapidly to changes in the environment, the Company has shortened the terms of office of directors and executive officers to one year.

In principle, the Board of Directors meets monthly and the Executive Committee, attended by all executive directors, meets every week to deliberate on matters to be brought to the attention of the Board of Directors and on important matters relevant to overall policy on the execution of Company operations and on management. This ensures both accurate and prompt decision-making, and efficient corporate management. Management Executive Committee meetings are also held, attended by representative directors, directors related to the matters under discussion, executive officers, and full-time corporate auditors. This committee deliberates on important matters concerning individual divisions.

In addition, to ensure proper business execution, J-POWER has established an Internal Audit Department under the direct control of the president to implement internal audits of business execution. To enhance the transparency of its corporate activities, the Company has established the Disclosure Committee, chaired by the president, which ensures that fair and transparent information about the Company is proactively disclosed in a timely manner.

Group Governance

Since fiscal 2006 the J-POWER Group has been conducting fully consolidated accounting. With regard to the administration of subsidiaries and affiliates, J-POWER's basic policy calls for Group-wide development in accordance with the Group's management plan. For that purpose it has established the Group Management Meeting, composed of the presidents and other officers of the Company itself and of major subsidiaries, with the aim of enhancing the propriety of business within the corporate group. J-POWER also conducts audits of its subsidiaries and affiliates through its corporate auditors and the Internal Audit Department.

Audits by Corporate Auditors

J-POWER has five corporate auditors, three of whom are outside auditors, who together form the Board of Corporate Auditors. These auditors audit the execution by the directors of their business responsibilities by attending meetings of the Board of Directors and other important meetings and committees and interviewing directors and others about business execution. Additionally, they conduct accounting audits in collaboration with independent auditors and also audits of individual internal J-POWER units and principal subsidiaries.

Conformity with the Japanese Version of the SOX Act

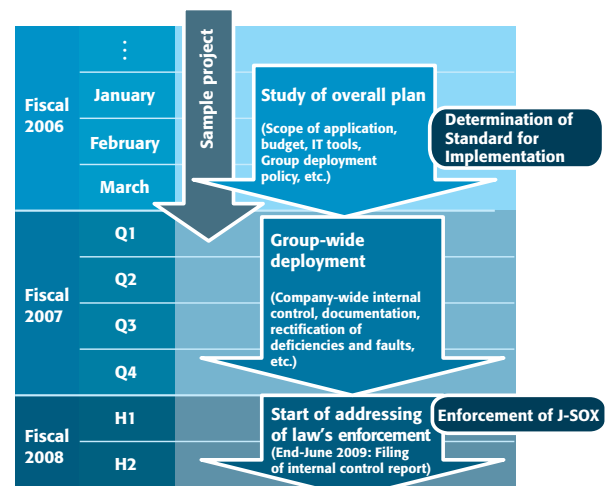
To address the requirements of the internal control provisions of the Financial Instruments and Exchange Law (known as the Japanese version of the U.S. Sarbanes-Oxley Act, or J-SOX), enacted in 2006, the J-POWER Group has been developing an internal control system for financial reporting.

In July 2006 we established a working group on internal control and we conducted diagnoses of the ways in which we are addressing the issue and of the internal control of J-POWER business. In addition, from December 2006 to January 2007 a project team headed by an executive vice president implemented a sample project with regard to visualizing (documenting) the Company's business operations.

Pursuant to the standard for implementation issued in February 2007 by the Internal Control Committee of the Financial Services Agency's Business Accounting Council, we prepared an overall plan that incorporated the results of our internal control diagnoses and sample project. Based on that, in April 2007 we began full-scale steps to address the requirements of the law within the J-POWER Group, including by establishing a promotion group for developing internal controls in our financial divisions.

Efforts such as these will enable us to identify financial reporting risk clearly and to control it appropriately, and through that to establish the internal control system within the J-POWER Group.

■ Schedule for Addressing J-SOX



Emergency Management

The risks surrounding J-POWER's business are becoming increasingly diverse and complex, requiring us to take responsibility for identifying the various risks accurately and to manage them appropriately in the event of an emergency, based on the principle of self-responsibility.

To recognize these risks fully and to conserve management resources as a company trusted not only by customers, shareholders, local communities, and other stakeholders, but also by society as a whole, we have laid down crisis management rules and we make company-wide efforts to address risk and emergencies when they arise.

Emergency Management Structure

For its emergency management structure, J-POWER 1) has its permanent Emergency Response Team, 2) appoints personnel to manage and take responsibility for crisis management in each head office division and local unit, and 3) when necessary it establishes an Emergency Response Headquarters and branch headquarters.

1) Emergency Response Team

(1) The Emergency Response Team is established permanently within the General Affairs Department at head office to predict emergencies, conduct rapid first-response when they do occur, and take overall charge of emergency management.

(2) The Emergency Response Team manages the following matters.

- Prediction of emergencies and rapid first-response when they do occur
- Risk identification, gathering and management of risk information
- Education and training

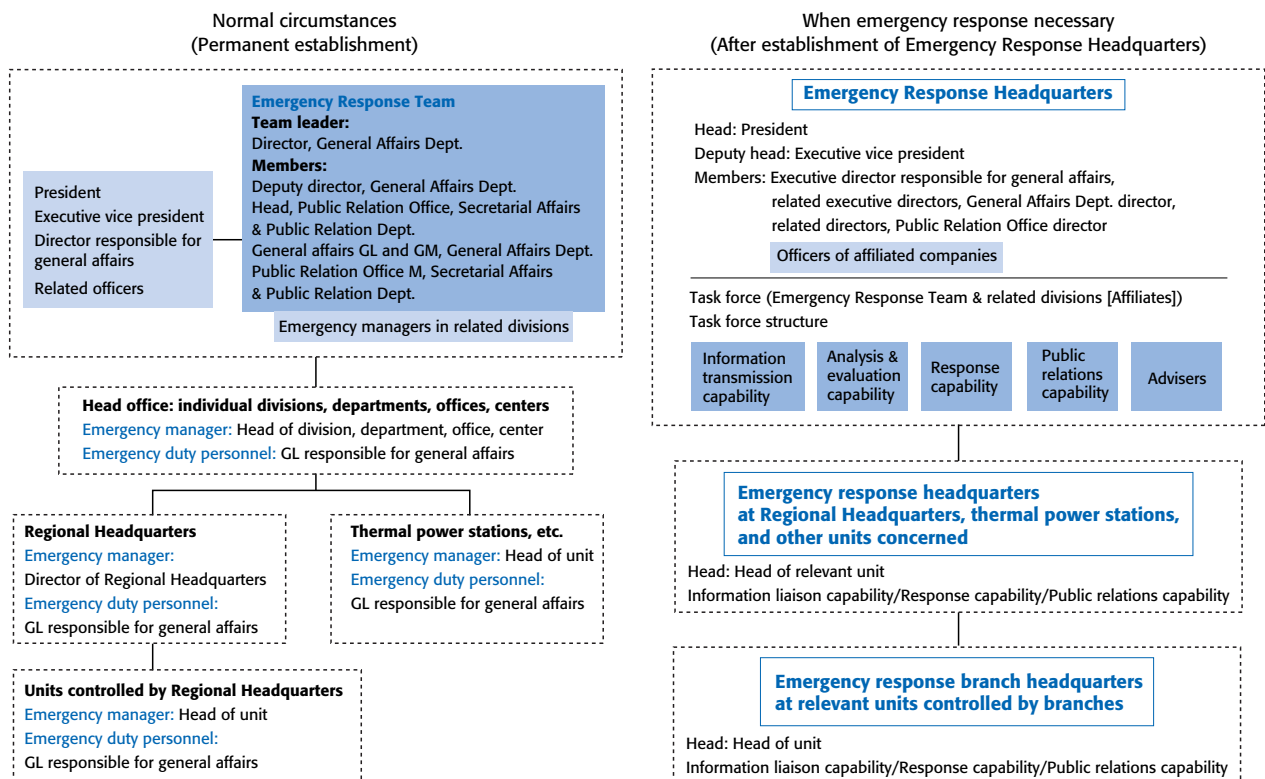
2) Emergency managers and emergency duty personnel

Emergency managers and duty personnel are appointed in each head office division and local unit, and these undertake rapid first response and transmission of information.

3) Emergency Response Headquarters and branches

When emergencies are predicted and occur, and their seriousness warrants emergency countermeasures, the Emergency Response Headquarters (and branches) are established promptly.

Emergency Management Organization Structure



GL: Group leader
GM: Group member
M: Member

Information Security

Information Security Activities

As companies have become increasingly information-oriented and are making ever-greater use of IT, the significance of information security is growing. Given its duty to provide stable supplies of electricity, J-POWER recognizes the importance of maintaining and enhancing information security to a higher level, and is implementing a variety of measures to achieve that.

Basic Policy on Information Security

J-POWER has formulated its group-wide “Basic policy on information security” and publicizes it on its website. Information security at all of the J-POWER Group companies is being developed and refined in accordance with this basic policy.

In the technical sphere, it incorporates countermeasures of various types, which include 1) prevention of unauthorized outside access through the Internet, 2) personal authentication of business-use personal computers, and 3) deployment of systems for preventing information leaks. Regarding personal security, we are instructing and educating employees continuously, and making them thoroughly conversant with the proper use of personal computers in their work.

Collaboration in Core Electric Power Systems

J-POWER is also making efforts in the field of IT to help ensure the stability of electric power systems. To position ourselves to deal rapidly and appropriately with IT problems in core systems for electric power operations, we are strengthening the structure of collaboration with government ministries and agencies and electric power companies as a whole.

Specific Measures

Organization and structure

- Establishment of the IT & Telecommunications Office within the Corporate Planning & Administration Department to take overall charge of Company-wide information security.
- Company-wide administration, establishment of rules and regulations, and conduct of internal checks, and third-party inspections through the Information Security Committee.

Personal measures

- Implementation of instruction and education for all Group employees, including e-learning and seminars; thorough confirmation of matters to be observed in personal-computer usage; and implementation of training for staff in charge of promoting information security.

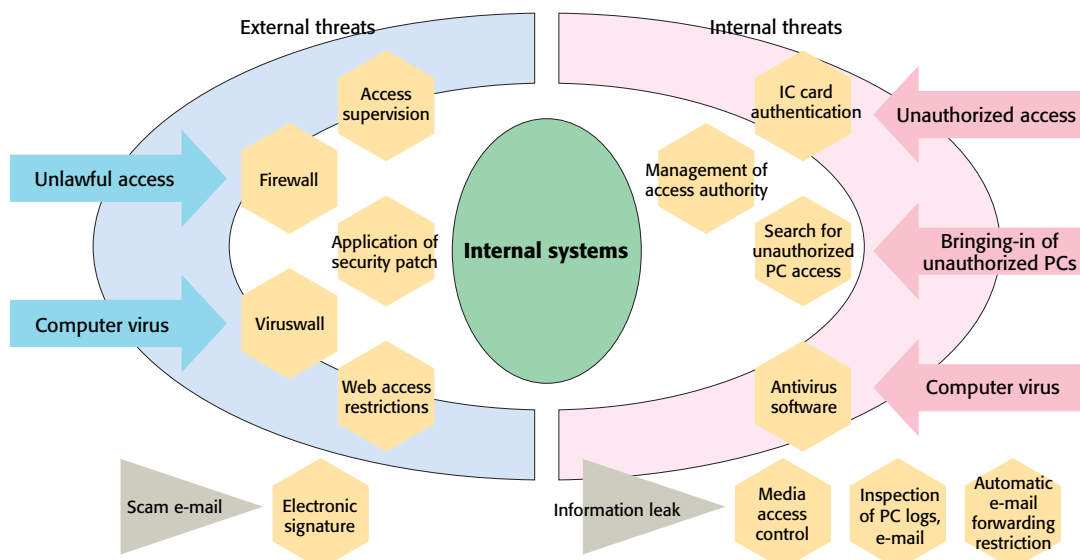
Physical measures

- Locking control (at head office) when people enter or leave the premises, by means of IC cards (for employee identification)
- Separation of business areas from meeting and reception space

Technical measures

- Limitation (authentication functions) of users of systems by means of IC cards (for employee identification)
- Approval by senior staff for removal of electronic information, and encryption of files
- Management of collation and analysis of operating logs

■ J-POWER Group Information Security Countermeasures



Compliance

Compliance Philosophy

J-POWER has always devoted considerable effort to compliance-oriented management, as all of its activities as a company have been premised on maintaining the trust of society. It is essential not to be obsessed with ephemeral thoughts of making profits, but to conduct ourselves in a legally compliant manner and in accordance with the highest standards of corporate ethics, so as to ensure unwavering public trust.

During fiscal 2006 a number of out-of-compliance cases occurred or came to light. We have reflected deeply on these, and have been taking steps to strengthen compliance still further.

Compliance Promotion Structure

In addition to laying down its Corporate Conduct Rules in January 2001, J-POWER instituted its Compliance Code to provide specific decision-making standards for managers and employees in their daily business activities. Based on these, we are evolving in-house rules to promote compliance. We have also created the Compliance Action Committee, chaired by the president, to examine measures to foster Company-wide compliance activities and to deal with out-of-compliance issues by implementing prompt action and taking measures to prevent recurrence. In parallel, separate compliance committees have been formed within each unit that is engaged in practical compliance activities.

J-POWER has also established the Compliance Consultation Point within its Internal Audit Department to serve as a point of contact for employees seeking advice when faced with compliance issues. We are promoting use of the contact point. The system protects the privacy of those employees who come forward and ensures that they suffer no disadvantage as a result.

Additionally, given the importance of promoting compliance in a coordinated way throughout the Group, collaboration in this area is conducted through the Group Management Committee.

Regulations	Committees
Corporate Conduct Rules	Compliance Action Committee
Compliance Code	Unit compliance committees
Compliance Promotion Regulations, etc.	Compliance Consultation Point

Compliance Instruction and Education

The following are some of the educational and instructional activities carried out by the Company to raise employees' awareness of compliance and give them essential knowledge, so as to ensure the effectiveness of promoting compliance.

1. Distribution of compliance guidebook
To ensure that employees are thoroughly conversant with the Compliance Code, a compliance guidebook is sent to each of them. In fiscal 2006 a revised edition, which includes case studies of actual incidents, was published and distributed.

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

2. E-Learning

During fiscal 2006 we sought to raise compliance-consciousness and knowledge by implementing compliance-related e-learning provided via our intranet to all employees.

3. Others

Compliance training has been incorporated into training courses for each job grade and practical business training sessions.

Compliance Violations and Measures to Prevent Recurrence

During fiscal 2006 the cases of violations of compliance regulations set out below occurred or came to light. We have taken these very seriously and reflected deeply on them. In consequence, the entire J-POWER Group is working to reform its corporate culture and employee attitudes and to develop its internal control systems and ensure they operate effectively. Compliance will also be strengthened and measures to ensure there are no recurrences will be implemented rigorously as part of our efforts to restore public confidence in us.

Cases of Compliance Violation concerning Electricity Generating Facilities

In response to directions given from the Ministry of Land, Infrastructure and Transport and the Ministry of Economy, Trade and Industry in November 2006, J-POWER conducted inspections and surveys of its power-generation facilities and found numerous cases of falsification of data, improper handling, defective procedures, and other such activities.

To prevent the recurrence of such incidents, common backgrounds and problems throughout the J-POWER Group were categorized as follows:

- Those relating to corporate culture and employee attitudes
- Those relating to internal control systems
- Those relating to compliance promotion activities
- Those relating to lack of knowledge or understanding

Specific action programs to prevent recurrence will be formulated for each of these, and they will be implemented continuously and subjected to a process of evaluation and confirmation of the status of their implementation. In this way, the measures to prevent recurrence are being implemented steadily.

For details, please refer to the J-POWER website at www.jpowers.co.jp for news releases (available only in Japanese): "Hatsuden setsubi ni kakawaru tenken kekka no hokoku nitsuite (On the report on the results of the inspections regarding J-POWER's power-generating facilities)" released on March 30, 2007, "Hatsuden setsubi ni kakawaru tenken chosa kekka hokokusho wo fumaeta saihatsu boshi taisaku nitsuite (On the measures to prevent recurrence based on the report on the results of the inspections and investigations regarding J-POWER's power-generating facilities)" released on April 6, 2007, and "Hatsuden setsubi ni kakawaru tenken chosa kekka hokokusho wo fumaeta saihatsu boshi akushon puroguramu nitsuite (On the action program based on the report on the results of the inspections and investigations regarding J-POWER's power-generating facilities)" released on May 21, 2007.

Cases of Infringement of Environmental Regulations

In August 2006 the Company received guidance on the prevention of recurrence from the Japan Coast Guard with regard to the following three cases.

The discharge by ships of kelp drifting in the waters around the construction site for the Ohma Nuclear Power Station in September 2003 constituted a violation of the Law Relating to the Prevention of Marine Pollution and Maritime Disasters. And drainage problems (elevated pH discharges) at the Isogo Thermal Power Station in January 2006 and at the Takehara Thermal Power Station in March of that year violated the Water Pollution Control Law.

Given these circumstances, in September 2006 the president issued a notice calling for exhaustive efforts to be taken to prevent the recurrence of compliance violations. This made all employees aware of the need to prevent recurrences, and initiated across-the-board efforts in every unit of the Group to avoid any recurrence, including in the areas of thorough legality checks, thorough confirmation of the nature of operations, and improvements to plant and equipment. (For specific details of the situation and measures in each case, please see the "Violations of Environmental Statutes" section on page 57.)