

Corporate Governance

Material issues ▶







Basic Policy

In accordance with its Corporate Philosophy, the J-POWER Group endeavors to enhance corporate governance on an ongoing basis in order to realize sustainable growth and improve corporate value over the medium- to long-term. The Group believes these outcomes can only be achieved in cooperation with a wide range of important stakeholders, including shareholders. The Company respects shareholder rights in order to allow for proper collaboration with shareholders. The Group also strives to engage in dialogue with stakeholders in order to build relationships of trust with all of them.

J-POWER has established the Basic Policy on Corporate Governance, establishing its basic policy and stance with regards to corporate governance. For more information about the Company's Basic Policy on Corporate Governance, please refer to the J-POWER website.

<https://www.jpower.co.jp/english/sustainability/governance/pdf/cg2306.pdf>

Changes to Strengthen Corporate Governance

- FY2004** ○ Fully privatized by listing on the First Section of the Tokyo Stock Exchange
- FY2006** ○ Strengthened the Audit & Supervisory Committee Member system (Transitioned to a system of **three** outside Audit & Supervisory Board Members)
- FY2009** ○ Invitation of **one** Outside Director (Ratio of Outside Directors **1/14**) 
- FY2014** ○ Transitioned to a **two-person** Outside Director system  (Ratio of Outside Directors **2/13**)
- FY2015** ○ Established the Basic Policy on Corporate Governance
Started evaluation of the effectiveness of the Board of Directors
- FY2016** ○ Transitioned to a **three-person** Outside Director system  (Ratio of Outside Directors **3/14**)
- FY2019** ○ Expansion of the executive officer system (clarification of business execution functions)
Established the Nomination and Compensation Committee
- FY2022** ○ Transitioned to a company with an Audit & Supervisory Committee (Ratio of Outside Directors **6/16**)  Introduction of performance-linked remuneration and stock compensation
- FY2023** ○ Raised the percentage of performance-linked remuneration from 10% to around 20%.
Incorporated non-financial indicators as evaluation indicators for performance-linked remuneration

Strategic Shareholdings

J-POWER does not maintain strategic shareholdings unless such shareholdings are deemed to serve a purpose. For details, such as the purpose of any shareholdings, please see our website.

○ Number of Specified Investment Shares and Carrying Amount Stated on Balance Sheet

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of Shares Issued	18	17	16*	16*	16*
Carrying Amount Stated on Balance Sheet (millions of yen)	21,039	26,177	28,455	28,111	41,613

* Excludes one listed startup company

<https://www.jpower.co.jp/english/sustainability/governance/governance.html>

General Meeting of Shareholders

J-POWER provides shareholders with information that it believes to be useful for appropriate decision making at general meetings of shareholders. To this end, the Company is constantly striving to improve the content of its annual general meeting of shareholders notice, reference materials, and business reports. It also provides information via financial results, timely disclosure materials, and disclosure via its website, as needed.

The Company distributes a notice of its annual general meeting of shareholders around four weeks prior to the meeting date in Japanese and three weeks prior in English to ensure that shareholders have sufficient time to consider the proposals to be put before the meetings and enable them to appropriately exercise their voting rights. Moreover, the Group strives to avoid scheduling the general meeting of shareholders for the dates most crowded with other companies' shareholder meetings.

Ensuring Shareholder Rights and Equality

The Company's policy regarding shareholder rights, such as voting rights at the general meeting of shareholders, is to respect such rights and ensure the substantial equality of shareholders. In addition, the Company gives consideration to ensuring that the special rights that are granted to minority shareholders are upheld with regard to confronting listed companies and their officers (including the right to seek an injunction against illegal activities and the right to file a shareholder lawsuit).

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Investor Relations

Relationship with Shareholders and Investors

We disseminate information primarily through our website, integrated reports, shareholder newsletters, and J-POWER Shares (an organization exclusively for shareholders), along with such disclosures as annual securities reports and financial statements. Based on the disclosed information, J-POWER not only interacts with shareholders at general meetings of shareholders, but also at financial results briefings, facility tours, company presentations for individual investors, and one-on-one meetings with institutional investors. Through these dialogues, we seek to gain an understanding of the social value we provide to our shareholders and investors, as well as the financial benefits of our business strategies. We report the opinions we receive through these dialogues to the Board of Directors on a quarterly basis, and reflect them in our business strategies and enhance our disclosure materials.

● Status of Dialogue with Shareholders

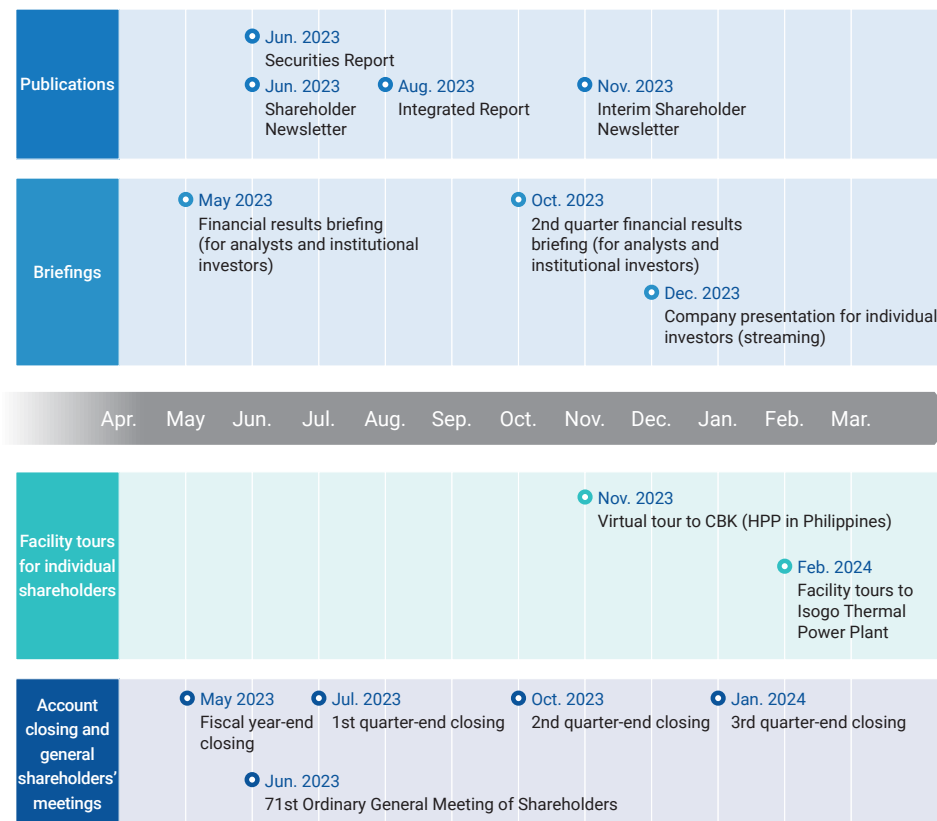
Main Correspondents	President, Directors and Managing Executive Officer in Charge of Investor Relations
Shareholder Overview	Analysts involved in active management in Japan and abroad, ESG analysts involved in passive management, persons in charge of exercising voting rights, and individual investors
Main themes	Financial results and outlook, progress in addressing climate change, etc.
Insights gained	During the IR/ESG meetings, a recurring key topic of discussion was how changes in the operational patterns of thermal power plants affect our results of operations and targets for reducing CO ₂ emissions. Based on the preceding discussion, we have realized that aligning the transition of thermal power plants with the actual supply and demand for power in Japan will help reduce volatility in our results of operations. Given these findings, we specified potential directions for our thermal power plants by 2050 in the Medium-Term Management Plan and reorganized the key points to facilitate further discussions.

● Dialogue with Shareholders (FY2023)

Facility tours	Virtual tour to CBK (hydroelectric power plants in Philippines) held once, viewed by 140 visitors (Number of views) Facility tours to Isogo Thermal Power Plant held on five dates, with approx. 130 participants
Company information sessions (for individual shareholders)	Held once online, viewed by 670 people (Number of views)
Financial results briefings Various small meetings	Held a total of 5 times, online and in person
Individual meetings	Approximately 150 meetings held online, in person, and via other formats

● IR Calendar (FY2023)

In addition to conducting briefings throughout the year, we publish various IR materials.



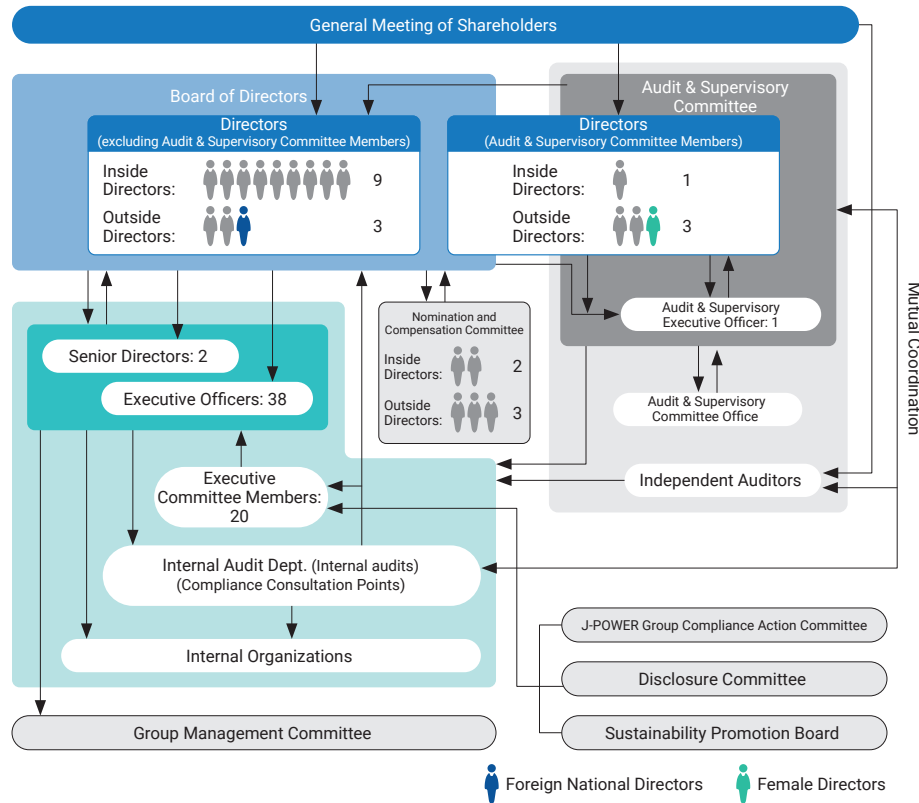
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Composition of the Board of Directors and Committees

Corporate Governance Structure (As of June 26, 2024)



Attendance at meetings of the Board of Directors, Nomination and Compensation Committee, and Audit & Supervisory Committee

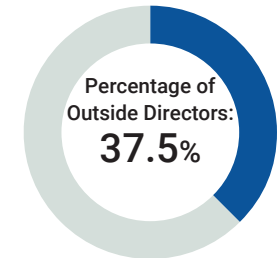
*Attendance = number of meetings actually attended ÷ total number of meetings that each director/committee member must attend

	Number of members	Number of meetings held	Attendance
Board of Directors	16	13	97.5%
Nomination and Compensation Committee	5	2	100%

Composition of Board of Directors

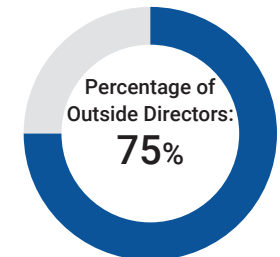
The Board of Directors is composed of Directors with abundant experience, deep insight and highly specialized knowledge to maintain balance and diversity in the knowledge, experience, and abilities of the Board of Directors as a whole. The Board is composed of no more than 12 Directors (excluding those who are members of the Audit & Supervisory Committee) and four Directors who are members of the Audit & Supervisory Committee.

To ensure the effectiveness of the independent and objective management supervision by the Board of Directors, the Company endeavors to have at least one-third of its Directors be Independent Outside Directors who are selected for their experience, knowledge, specialization, and other attributes.



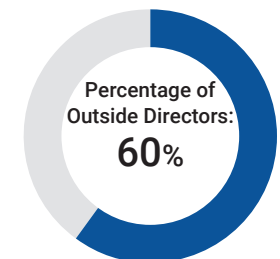
Composition of the Audit & Supervisory Committee

The Audit & Supervisory Committee is composed of no more than four Directors who are Audit & Supervisory Committee Members, the majority of whom are Independent Outside Directors with two full-time Audit & Supervisory Committee Members selected. At least one person with appropriate knowledge of finance and accounting is appointed as an Audit & Supervisory Committee Member. The effectiveness of audits is enhanced by combining the strong independence derived from the Committee's composition with the full-time Audit & Supervisory Committee Members' strong capability to gather information.



Composition of the Nomination and Compensation Committee

The Company established a Nomination and Compensation Committee as an advisory body to the Board of Directors. More than half of its members serve as Independent Outside Directors to enhance the independence, objectivity, and accountability of the Board of Directors with regard to the nomination and compensation of Directors and senior management. In addition, the regulations stipulate that Committee members who have a special interest in agenda items cannot participate in any related vote or resolution.



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System for the Execution of Directors' Duties

Ensuring Effectiveness of Business Execution

The Board of Directors meets monthly in principle* and on an as-needed basis, with attendance of all of the Directors, including Outside Directors. The Executive Committee meets weekly in principle, with attendance by all Senior Directors, Senior Executive Officers, the Audit & Supervisory Executive Officer, and full-time Audit & Supervisory Committee Members. The Executive Committee discusses matters subject to deliberation by the Board of Directors, significant company-wide matters related to business execution by the President and Executive Vice Presidents based on policies decided by the Board of Directors, and important matters related to individual business execution.

In addition to the Board of Directors' delegation of certain decision making responsibilities for the execution of important business to Senior Directors in accordance with the Articles of Incorporation (excluding respective items in paragraph 5 of Article 399-13 of the Companies Act), as well as allocating functions by the Board of Directors and the Executive Committee, the Company clarifies responsibility and authority thereby ensuring accurate and prompt decision-making and efficient corporate management by establishing a system in which Executive Officers, to whom authority is delegated by Senior Directors, share responsibility for business execution.

* The Board of Directors met 13 times during FY2023.

Ensuring Appropriateness in Business Execution

The Company has established an Internal Audit Department to ensure proper business execution and conduct internal audits from a position independent from the other operating units. The Internal Audit Department reports the audit results to Senior Directors and Audit & Supervisory Committee Members, notifies the audited department in writing to request improvements, and reports to relevant parties including the Audit & Supervisory Committee, the Board of Directors, and the Executive Committee at the end of the period.

Each operating unit also conducts periodic self-audits of the execution of business in its unit to enhance the quality of its business operations.

Preventing Conflicts of Interest

The Directors of the Company, in accordance with its Corporate Philosophy, Corporate Conduct Rules, and Compliance Action Guidelines, exemplify honest and fair conduct based on a

steadfast spirit of compliance and business ethics. In addition, the Company works to prevent conflicts of interest in the event that the Company engages in a transaction with a Director or a major shareholder* by obtaining the approval of the Board of Directors before executing the transaction and reporting the results of the transaction to the Board of Directors.

* Shareholders with shares representing 10% or more of the voting rights in the Company

Audit System

Audit & Supervisory Committee

The Audit & Supervisory Committee was established in accordance with the Companies Act to audit the legality and appropriateness of the execution of duties by directors. Audit & Supervisory Committee Members conduct audits at J-POWER's Headquarters by attending and speaking at important meetings of the Board of Directors and by interviewing the Directors (excluding those who are members of the Audit & Supervisory Committee) and Executive Officers on the status of the execution of duties. The Audit & Supervisory Committee also carries out site visits to local operating units and subsidiaries in Japan and overseas.

During the accounting audits, the Audit & Supervisory Committee liaises with the Independent Auditors to regularly receive reports and exchange opinions regarding auditing schedules and the audit results. This enables the Audit & Supervisory Committee to judge the validity of the auditing method of the Independent Auditors and the results of the audits.

Audit & Supervisory Executive Officer

As a system to assist the Audit & Supervisory Committee Members in their audits, etc., the Company has established an Office of Audit & Supervisory Committee Members and specially appoints an Audit & Supervisory Committee Member. The Audit & Supervisory Executive Officer is well-versed in the Company's business and independent from the chain of command of the Directors who are not Audit & Supervisory Committee Members. The specially appointed member assists the Audit & Supervisory Committee with audits, etc. under the direction of the Audit & Supervisory Committee from the same perspective as the Audit & Supervisory Committee Members. In this way, the Audit & Supervisory Committee and the Internal Audit Department cooperate and audit the executive department more effectively. Full-time specialist staff working in the Office of Audit & Supervisory Committee Members, which is also independent from the Directors' chain of command, assist

with audits and other matters conducted by the Audit & Supervisory Committee.

Internal Audit Department

Audit & Supervisory Committee Members coordinate auditing schedules with those of the Internal Audit Department and implement audits while exchanging information on audit results during the fiscal year. Where necessary, the Audit & Supervisory Committee instructs the Internal Audit Department on reporting, investigations, and other matters. As a result, we are strengthening mutual cooperation between the Audit & Supervisory Committee and the Internal Audit Department, working to enhance the use of the internal control system in the Audit & Supervisory Committee.

Group Governance

With regard to the administration of subsidiaries and affiliates, the J-POWER Group's basic policy calls for group-wide business development in accordance with the Group's management plan. The administration of subsidiaries and affiliates is undertaken in accordance with the Company's internal regulations, and the Group Management Committee works to improve the appropriateness of operations for the entire corporate Group. In addition, the Audit & Supervisory Committee Members and the Internal Audit Department implement audits of subsidiaries and affiliates with the objective of ensuring proper operations at all Group companies.

Basic Policy on Tax Transparency

The Group upholds honest and fair business practices with a steadfast spirit of compliance and business ethics as part of its conduct rules.

To maintain and enhance tax compliance, we will, with the proactive involvement and guidance of the Finance Officer, strive to provide training and instruction on proper accounting practices and tax filing.

Additionally, in compliance with tax-related laws and regulations applicable in all the countries where we operate, we will fulfill our corporate social responsibility by ensuring proper filing and timely tax payments. We are also committed to maintaining positive relationships with tax authorities. We will address requests from tax authorities in good faith and, in the event of any disagreements, actively seek to resolve them through constructive dialogue.

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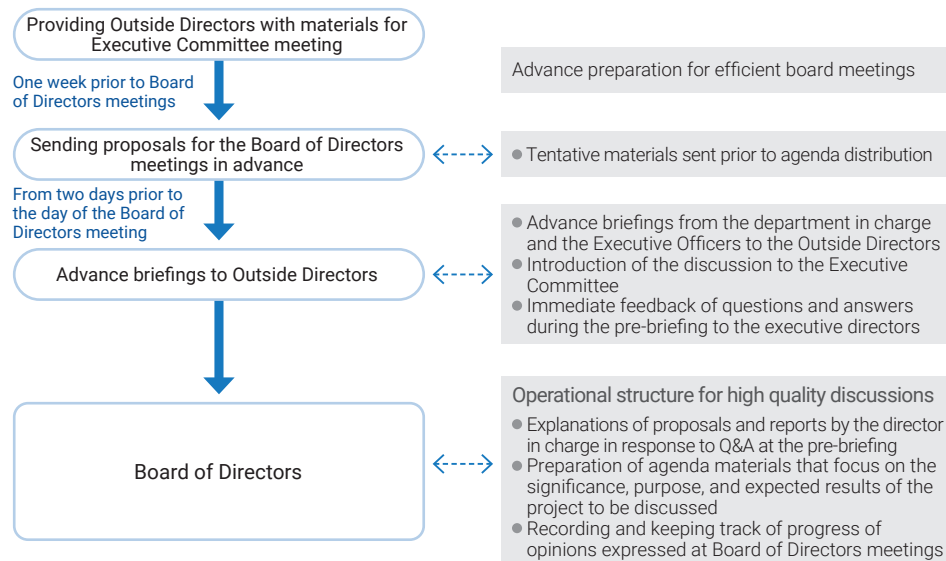


Initiatives to Stimulate Board of Directors' Discussions

With the aim of enhancing corporate governance, J-POWER reviews as necessary how its Board of Directors operates. The Company strives to conduct Board of Directors meetings efficiently and improve dialogue through advance briefings and a well-established operational structure, while also providing opportunities to freely and frankly share opinions in informal settings outside of Board meetings.

Board of Directors Deliberation Flow

At each meeting of the
Executive Committee



Examples of Items Discussed at Board of Directors Meetings

Climate change-related	Management plan / Research and development (Osaki CoolGen) / Establishment of domestic CCS preparatory company / Status of ESG initiatives
Finance & Accounts	Quarterly and year-end financial results / Dividends / Budgetary results and annual forecast
Governance and Compliance	Evaluation of effectiveness of the Board of Directors / Report on internal audit results / Report on compliance promotion activities
Projects	Domestic onshore wind power projects (new developments and replacements) / Domestic offshore wind power projects / Domestic power transmission projects / Overseas projects / Ohma Nuclear Power Plant
Other	Confirmation of policy shareholdings / IR and SR reporting, etc.

Providing Outside Directors with Information and Informal Discussion Opportunities

In addition to the Board of Directors meetings, informal efforts are being made to enhance the monitoring function of the Board of Directors, improve the information provided to Outside Directors, and create opportunities for a frank exchange of opinions by holding meetings where all members can express their thoughts.

We have received a lot of comments and counsel from the perspectives of the Outside Directors during these discussions, not just on medium- and long-term management issues but also on our corporate culture and organizational structure.

Additional initiatives include discussions between directors and onsite workers and executive visits to power plants and other facilities. We will continue to seek to improve corporate governance and increase corporate value based on the insights we have received from these discussions.

Results of Initiatives in FY2023

- Exchange of opinions by all members of the Board of Directors (8 times)
- Small meetings for Outside Directors (once)
- Lunch meetings between the Chairman, President, Outside Directors, etc.
- Visits to power plants by Outside Directors (6 times)
- A lecture by an external expert on climate change and the energy situation, etc. (once)
- Exchange of opinions among non-executive directors (3 times)



Facility visit by Outside Directors

[P.97 Dialogue Between Outside Directors and Investors](#)

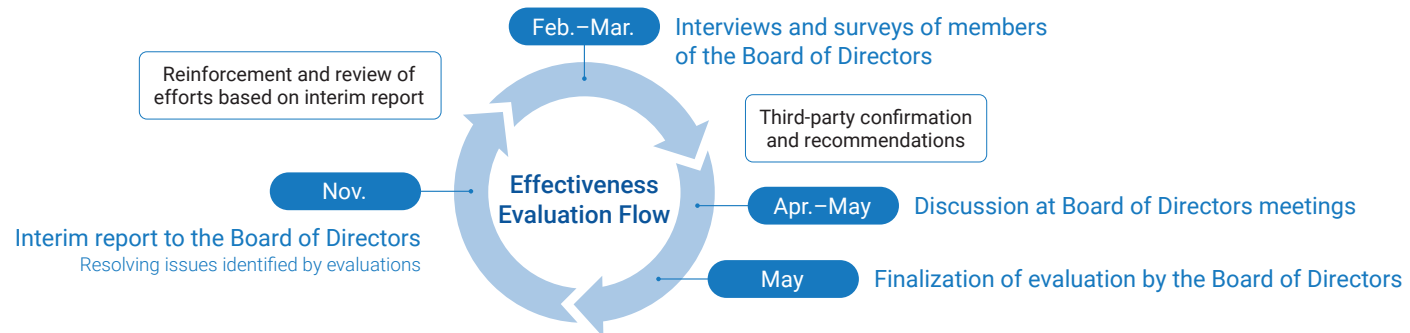
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Evaluation of Effectiveness of the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors on an annual basis.



● FY2023 Initiatives

FY2023 Initiatives

During FY2023, we intensively engaged in the following initiatives based on the directions identified in the FY2022 effectiveness evaluation: enhancing opportunities for free-spirited discussions, and further enhancing the operation of the Board of Directors, taking into account the transition to a company with an Audit & Supervisory Committee system.

Enhance opportunities for free-spirited discussions

- Held intensive meetings to exchange opinions on the future vision and important management issues of the Company
- Conducted exchanges of opinions among non-executive directors
- Continuously conducted exchanges of opinions among all members of the Board of Directors and small-discussion group meetings between Outside Directors, executive officers, and relevant departments (small meetings)

Further enhance the operation of the Board of Directors, taking into account the transition to a company with an Audit & Supervisory Committee system

- Confirmed the improvements and progress made in connection with the list of points raised by the Board of Directors
- Explanations given in meetings of the Board of Directors by Executive Managing Officers who are not Directors

Overview of FY2023 Effectiveness Evaluation

Evaluation Method

1. In February 2024, with the support of a third-party organization, we conducted a questionnaire* of all 16 board members, including six outside officers.
2. Interviews regarding the questionnaire responses and FY2023 initiatives were held in March 2024.
3. Discussion based on the results of 1 and 2 at the Board of Directors meeting held in April 2024.
4. Evaluation results were confirmed at the Board of Directors meeting held in May 2024.

* Questionnaire items

- I Composition of the Board of Directors
- II Operation of the Board of Directors
- III Discussions of the Board of Directors
- IV Monitoring functions of the Board of Directors
- V Support system for directors
- VI Dialogue with shareholders (investors)
- VII Summary

Evaluation Results

Through the questionnaire and interviews, we determined that the Board of Directors' effectiveness was secured. It was confirmed that the ongoing initiatives were regarded as important in ensuring the effectiveness of the Board of Directors and that, accordingly, they were to be implemented consistently into the future.

Main opinions in this year's evaluation

- In light of changes in the business environment in which we find ourselves, it is essential that discussions are fully devoted to management direction from a medium- to long-term perspective, including the Group-wide business portfolio.
- While the matters to be delegated from the Board of Directors to Directors were being organized along with the Company's transition to a company with an Audit & Supervisory Committee, further delegation should be considered. It is crucial to continue and enhance our initiatives leading up to FY2023.

Future Direction of Initiatives

For FY2024, we have confirmed that it is effective to utilize the ongoing initiatives and measures introduced to date, and to continue implementing specific initiatives from the previous year, with the following matters being treated as priorities:

1. further enhancing opportunities for free-spirited discussions; and
2. further enhancing the operation of the Board of Directors. The Company will continue to strive to improve the effectiveness of the Board of Directors through ongoing and further initiatives.

Corporate Governance

Appointment and Dismissal of Officers

The Board of Directors appoints as members of top management and nominates as candidates for Director and Audit & Supervisory Committee Member individuals who have the abundant experience, distinguished knowledge, and advanced specialization necessary for those positions, based on discussion by the Board following the President's presentation of recommendations. The President's recommendations for members of top management and Director candidates are themselves based on the deliberations of the Nomination and Compensation Committee.

When a member of top management or a Director is found to have acted inappropriately or unreasonably, or there is some other marked impediment to the continued execution of the individual's duties, the Board of Directors may decide, based on discussion within the Board after deliberation by the Nomination and Compensation Committee, to dismiss or otherwise take action to deal with the member of top management or Director in question.

 [P.92 Nomination and Compensation Committee](#)

Officers' Compensation

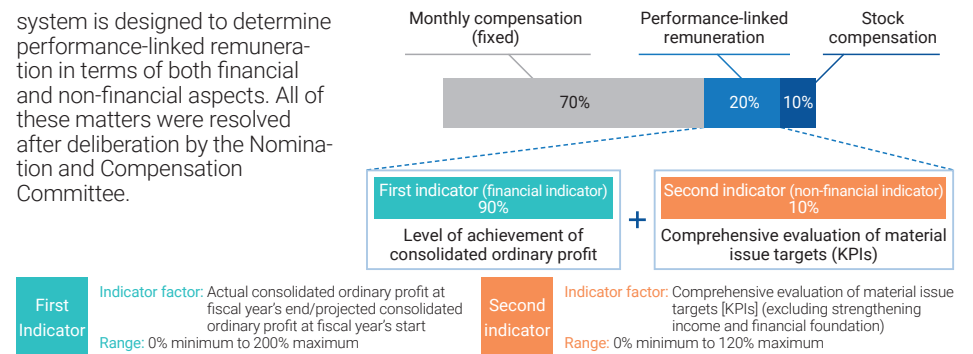
Composition of Officers' Compensation

- The Company has implemented a performance-linked remuneration and stock compensation system for the remuneration of its Directors (excluding Directors serving as Audit & Supervisory Committee Members) who are not Outside Directors, in order to better link their compensation with business performance and corporate value and to provide incentives for sustained improvement of business performance and increase in corporate value. As a result, the remuneration structure for Directors (excluding Directors serving as Audit & Supervisory Committee Members) who are not Outside Directors will consist of three parts: monthly compensation paid in cash, performance-linked remuneration, and stock compensation.
- It was resolved at the 70th Ordinary General Meeting of Shareholders on June 28, 2022 that the monetary compensation, that is monthly compensation and performance-linked remuneration, for Directors (excluding those who are members of the Audit Committee) shall be within 570 million yen per year (of which, 60 million yen is for Outside Directors. Employee salaries for Directors who serve in dual capacity as employees are excluded). Within the scope of this resolution, the method of determining the amount of remuneration for directors is determined by the Board of Directors. The remuneration structure for Outside Directors consists solely of monthly remuneration, excluding performance-linked remuneration and stock compensation, to ensure their independence from business execution. For executive officers, the method of determining the amount of compensation is resolved by the Board of Directors.
- The amount of remuneration for Directors who are Audit & Supervisory Committee Members was resolved at the above General Meeting of Shareholders to be no more than 120 million yen per year (fixed monthly compensation calculated based on position, etc.). Within the above amount, the amount of remuneration for each Director who is an Audit & Supervisory Committee Member is determined through discussion among Directors who are Audit & Supervisory Committee Members.

Performance-linked Remuneration

At the Board of Directors meeting held on February 28, 2023, the Board of Directors resolved to incorporate the material issues—supply of energy, response to climate change, respect for people, engagement with local communities, and the enhancement of our business foundation—which are initiatives aimed at improving corporate value over the medium to long term, in addition to consolidated ordinary profit, as evaluation indicators for performance-linked remuneration. The

system is designed to determine performance-linked remuneration in terms of both financial and non-financial aspects. All of these matters were resolved after deliberation by the Nomination and Compensation Committee.



- The payment percentage for performance-linked remuneration in FY2023 was as follows:

Indicator	Evaluation rate	Achievement rate	Payment percentage
First indicator (financial indicator) Level of achievement of consolidated ordinary profit	90%	Achievement rate = 108% Results: ¥118.5 billion / initial target for the period: ¥110.0 billion	105%
Second indicator (non-financial indicator) Comprehensive evaluation of material issues	10%	Achievement rate = 80% Five material issues [supply of energy, response to climate change, respect for people, engagement with local communities, and enhancement of our business foundation: each with a 20% weight] evaluated by the Nomination and Compensation Committee	

* See P.12 for details on the material issue targets (KPIs) and their progress.

Stock Compensation

Under the stock compensation system, a trust, established by the Company and to which money is contributed, acquires J-POWER shares. The number of shares equivalent to the number of points granted by the Company to each Director, etc. is then distributed to each Director.

Resolved at the 70th Ordinary General Meeting of Shareholders on June 28, 2022

(1) Persons eligible for the Plan	Directors (excluding Directors who are Audit & Supervisory Committee Members) who are not Outside Directors
(2) Target period	Three fiscal years from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025
(3) Maximum amount of money that the Company will contribute as funds for the acquisition of shares of the Company necessary for distribution to (1) persons eligible for the System during the (2) target period.	Total of 165 million yen
(4) Method of acquiring shares of the Company	Through the undertaking of the disposal of the Company's treasury shares or through the exchange market (including off-floor trading)
(5) Maximum number of points granted to (1) persons eligible for the System	40,600 points per fiscal year *1 point = 1 share of the Company
(6) Criteria for gaining points	Points are granted based on position, etc.
(7) Time of distribution of shares of the Company to (1) persons eligible for the Plan	In principle, when Directors retire