

Risk Management

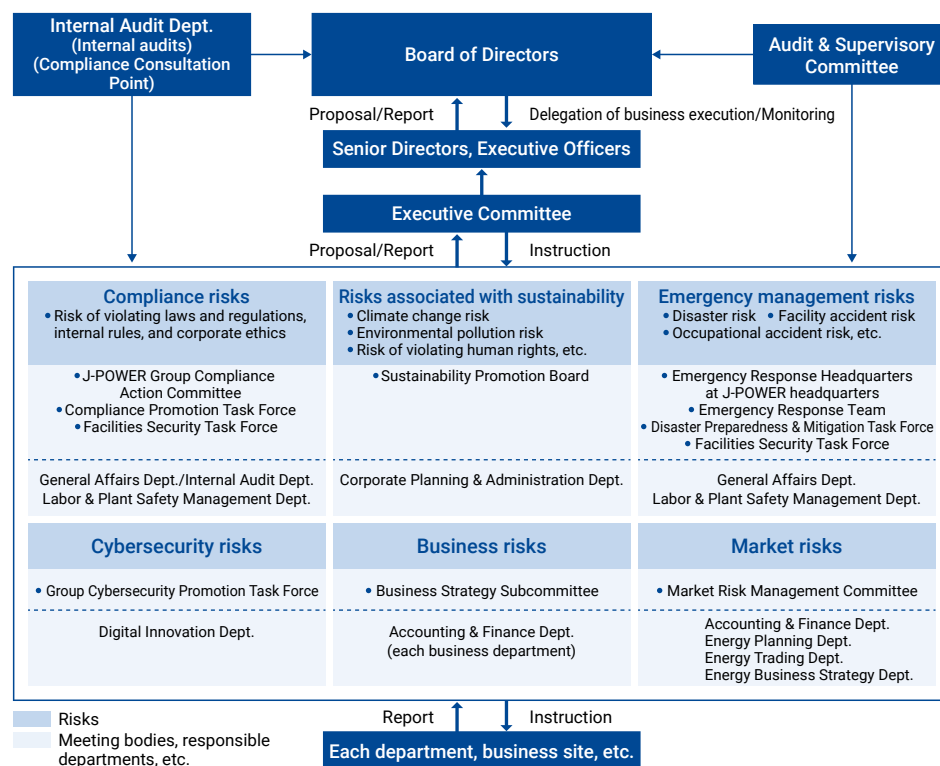
Material issues ▶



Risk Management Efforts

At the J-POWER Group, each department autonomously manages numerous risks related to corporate activities in order to uphold and enhance its financial soundness and corporate value. Meanwhile, the Group examines and takes countermeasures against material risks that should be managed across the Group after each specialized subcommittee identifies, analyzes, and assesses such risks. It is provided that each business site detects and assesses risks and examines countermeasures against such risks in advance as part of emergency management practices during peacetime, and the Group gathers such risk information. After that, the Board of Directors regularly receives reports on the status of business execution, making it possible for the Board to keep up to date on risks at an early stage and manage the risks in an integrated manner. This supports appropriate management discussions and decision making. Through these efforts, internal rules and systems are appropriately reviewed and developed, realizing appropriate risk management in the execution of corporate activities and minimizing the impact when a risk occurs.

Risk management system



Response to Each Risk

● Management of compliance risk

[P.98 Compliance](#)

● Management of risks associated with sustainability and human rights

[P.15 J-POWER Group's Sustainability Initiatives and Management](#)
[P.75 Human rights](#)

● Management of emergency management risks

[P.100 Emergency Management](#)

● Management of occupational accident risk

[P.85 Occupational health and safety](#)

● Management of cybersecurity risk

[P.101 Cybersecurity](#)

● Management of business risks

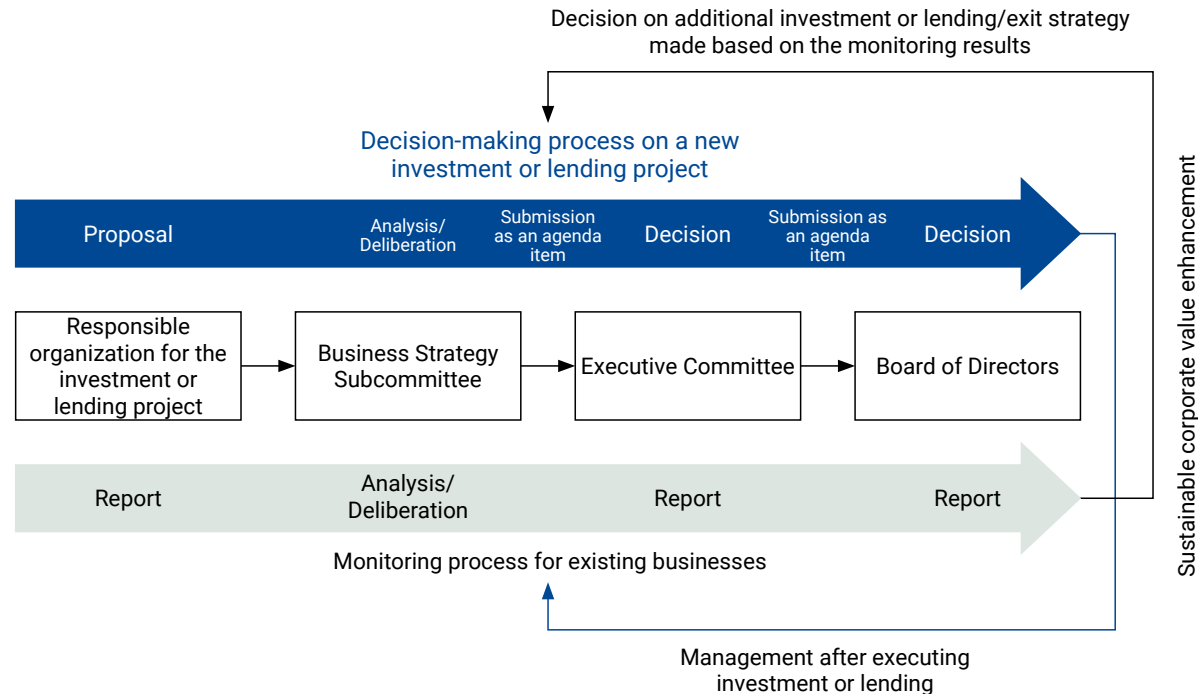
The Executive Committee deliberates on individual projects, including those for investment and lending exceeding a certain size, before making decisions on such projects. At the Business Strategy Subcommittee, which conducts investment evaluation as a preliminary step of such deliberations, departments responsible for planning, accounting and finance, legal affairs, compliance, and internal audits assess risks from their respective perspectives at the time of making investment decisions, separately from departments responsible for business promotion. After the execution of investment or lending, the Business Strategy Subcommittee monitors business risks and makes reports to the Board of Directors on a semiannual basis to appropriately manage such risks.

● Management of market risks

The Market Risk Management Committee, consisting of Executive Officers in charge of accounting and finance, planning, and sales departments and Department Directors of these departments, deliberates on the management of risks of market price fluctuations in electricity trading and others, and examines and takes necessary risk management measures, such as risk hedging. Furthermore, for risks associated with fuel procurement and price fluctuations, we diversify these risks by decentralizing and diversifying procurement locations and export terminals in Australia, Indonesia, North America, and other regions as well as by holding stakes in some coal mines, in addition to procuring fuel by combining long-term agreements with one-off agreements.

Risk Management

System for Decision-Making on New Investment or Lending Project and Monitoring of Existing Businesses



The Business Strategy Subcommittee, the Executive Committee, and the Board of Directors deliberate on new investment and lending projects worked on by each business department in accordance with a certain monetary and materiality threshold set forth in internal rules, and then make investment and lending decisions.

At the Business Strategy Subcommittee, members from the Accounting & Finance Dept., Corporate Planning & Administration Dept., General Affairs Dept., and Internal Audit Dept. examine individual investment and lending projects in a multifaceted and professional manner from the perspectives of project plans (consistency of the purpose of and reasons for the investment or lending project with our management plan), finance (business feasibility of the investment or lending project and financial situation of the customer or collaborator), legal affairs (legal compliance of the investment or lending project and contract details), and audits (appropriateness of business processes).

Projects that became newly eligible for investment or lending and that were previously financed are monitored on a semi-annual basis for the evaluation of their plan progress and economic efficiency. These evaluation results are reported to the Executive Committee and the Board of Directors. When it is deemed necessary to make a decision on additional investment or lending or an exit strategy as a result of the monitoring, such decisions are made through the decision-making process described above. Additionally, the progress of various in-planning projects is reported to members of the Executive Committee on a monthly basis.

Through the above decision processes, we run our business to sustainably enhance our corporate value.