

Aiming for Sustainable Development of Society and the J-POWER

The J-POWER Group aims to achieve sustainable growth while contributing to the sustainable development of society.

By advancing its energy business with a focus on “harmonizing energy supply with the environment,” the J-POWER Group conducts its business endeavors with the goal of contributing to a more abundant, safe and comfortable everyday life.

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* Please refer to the Sustainability Report 2008 for more details regarding these initiatives. The report may be found on the Group's website: <http://www.jpowers.co.jp>

Corporate Governance

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 recognizes 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 a greater level of trust from our stakeholders.

Since July 2006, the Group has been working under the following framework to enhance its corporate governance.

Corporate Governance Framework

J-POWER has adopted an auditing system and has 13 directors and 5 corporate auditors, 3 of the latter being outside auditors. An overview of the Group's corporate governance and internal control framework is provided below. We have contracted Ernst & Young ShinNihon to provide auditing services.

1. Directors' Business Execution Structure

Under the J-POWER Group Corporate Philosophy, directors take the initiative in displaying an honest and fair attitude based on a firm, law-abiding spirit and sense of ethics in accordance with the “J-POWER Group Corporate Conduct Rules.” At the same time, they are endeavoring to instill such an attitude in all J-POWER employees.

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, executive managing officers and senior corporate auditors present, to discuss 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.

Furthermore, we hold Management Executing Committee meetings twice per month, in principle. These meetings are attended by the president and executive vice presidents, directors and executive officers from areas related to the matters under discussion, as well as full-time corporate auditors, to discuss important matters concerning the management of each division. By distributing functions among the Board of Directors, the Executive Committee and the Management Executing Committee, as well as introducing an executive officer system, we have established a management system in which directors and executive officers share duties. By clarifying management's responsibility and authority in this manner, we enable precise and prompt decision-making and efficient management.

Directors make regular reports regarding the performance of their duties to the Board of Directors and the Executive

Committee, as well as on an as-needed basis. In accordance with relevant laws and regulations, and company regulations, the minutes of meetings are prepared and managed appropriately. Other documents on the status of the performance of directors' duties are properly prepared, stored and managed in accordance with company regulations.

Furthermore, in order to ensure that operations are conducted in an appropriate manner, we have established an Internal Audit Department under the direct control of the president to implement internal audits at our business sites. Moreover, each business unit conducts self-audits of our own business administration.

In an effort to improve the accountability and transparency of our corporate activities, we have established a Disclosure Committee, chaired by the president, which ensures that the disclosure of the Company's information is vigorous, fair and transparent.

2. Risk Management

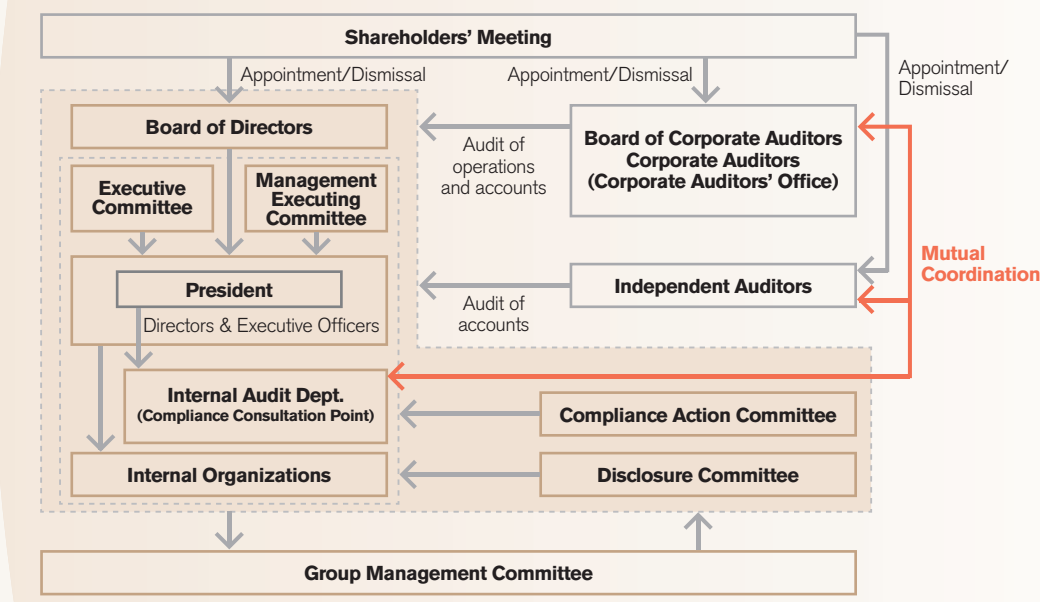
With regard to potential risks in its corporate activities, J-POWER conducts mutual supervision in its decision-making process, holds discussions in various meetings and committees, and develops its risk management framework on a routine basis in accordance with company regulations. Taking these initiatives 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 shifted to fully consolidated accounting from the fiscal year ended March 31, 2007. 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, our basic policy calls for Group-wide development in accordance with the Group's management plan. In addition to the administration of subsidiaries based on company regulations, we have set up a Group Management Committee to enhance fairness within the corporate group. We also conduct audits of our subsidiaries by corporate auditors and the Internal Audit Department. In this manner, we are working to ensure proper operations at all J-POWER Group companies.

Corporate Governance and Internal Control Framework (As of July 1, 2008)



4. Audits by Corporate Auditors

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

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

Regarding support staff for corporate auditors, we have established a Corporate Auditors' Office, which is an independent organization outside of the directors' chain of command. Full-time specialist staff members support the audits of corporate auditors.

5. Strengthening Corporate Governance

As a publicly listed company, J-POWER is committed to strengthening dialogue with shareholders. From this perspective, in the area of corporate governance, J-POWER aims to further enhance both the supervisory functions of the Board of Directors and the monitoring functions of the Board of Corporate Auditors. To this end, we intend to consider and implement a range of initiatives, including measures to enhance the structure of the Board of Directors, such as by appointing outside directors, with the view to implementation in fiscal 2009. Other initiatives include establishing an Advisory Board; strengthening the monitoring functions of the Board of Corporate Auditors; and enhancing and reinforcing investor relations (IR) activities by holding presentations for investors, among other measures.

6. Response to the J-SOX

The J-POWER Group has been working to establish an internal control system over financial reporting in preparation for the fiscal year ending March 31, 2009, which will be the first year of application for the internal control and reporting system of the Financial Instruments and Exchange Act (the Japanese Sarbanes-Oxley Act, or "J-SOX"), which was enacted in 2006.

In the fiscal year ended March 31, 2008, based on implementation standards laid out by Japan's Financial Services Agency, the Finance Department took the lead in completing the preparation of documentation and regulations for identifying risks that affect financial reporting for the group as a whole and clarifying controls for each risk. Measures are also under way to firmly entrench these controls. This process was carried out from the perspective of enforcing Companywide internal controls, internal controls related to operational processes, and internal controls using IT.

From the fiscal year ending March 31, 2009, the Internal Audit Department will evaluate the effectiveness of internal controls so that management itself can evaluate internal controls, and PDCA cycles will be implemented to further enhance the J-POWER Group's internal control system.

Thorough Compliance

We have formulated the J-POWER Corporate Conduct Rules and the J-POWER Compliance Code as basic principles for compliance. Based on the spirit of these principles, the Compliance Action Committee, which is chaired by the president and attended by external lawyers at all times; the Compliance Promotion Headquarters, which will promote compliance activities; directors in charge of compliance; and the heads and compliance officers of each business group will work together to fulfill their respective roles as they promote compliance activities by implementing PDCA cycles.

We also established a Compliance Consultation Point internally as well as externally (lawyers) and have been promoting their use. The system shall protect privacy and ensure that those employees who come forward are not disadvantaged.

After the fiscal 2006 revelation of data falsification and inadequate procedures related to power plants, we have been working to strengthen and entrench compliance measures to regain trust, while working to reform our corporate culture and employee awareness for the J-POWER Group as a whole, based on our deep regret over these incidents.

Decision-making Process and Management in Overseas Businesses

In advancing its overseas business strategies, J-POWER annually reviews investment scale, and policies regarding geographic regions, project status, and types of power, as well as personnel assignments and overseas operating bases.

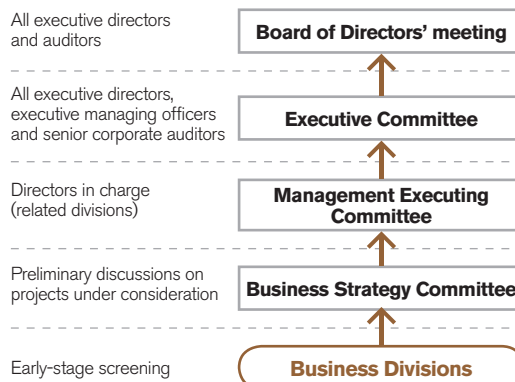
Based on these policies and reviews, the International Business Division, which is responsible for promoting overseas businesses, conducts feasibility studies from among a number of options as well as early-stage screenings in cooperation with business partners. In this way, the International Business Division selects specific projects for the Company to pursue.

Projects undertaken in this manner are subject to further organizational decisions through checks and deliberations at a number of stages. First, detailed studies are made by people in the planning, legal and finance divisions. Risk factors and items for concern are pointed out and organized as issues for management discussion.

Management Executing Committee attended by the President, related executive directors and executive officers are held to discuss these issues. Depending on details of the projects, we determine which projects to undertake at this stage, based on internal decision-making guidelines.

Further deliberations are held for projects that cannot be determined at Management Executing Committee, with final decisions made by the Board of Directors through the Executive Committee, which is attended by all executive directors.

Screening and Decision-making Process of Investment in Overseas Businesses



Projects begun following organizational decisions are monitored regularly. We make every effort to maintain a firm grasp of the status of projects and to discover and address problems rapidly.

Similar processes are also followed when the Group undertakes new businesses in Japan.

Setting of Stock Purchasing Guidelines

To provide further incentive for management to work to reflect the perspective of shareholders in business operations and to raise long-term shareholder value, in 2006, J-POWER established guidelines for the purchase of shares by directors and executive officers. In accordance with these guidelines, they have purchased J-POWER shares monthly through the Directors' Shareholding Society.

Environmental Management

Based on its corporate philosophy of "harmonizing energy supply with the environment," the J-POWER Group practices environmental management that simultaneously aims to improve both environmental friendliness and economic value in order to contribute further to the development of a sustainable society.

J-POWER established the Basic Policy for the J-POWER Group's Environmental Management Vision in 2004, setting forth its approach to environmental management. In accordance with that policy, we formulated an Action Program setting out mid- and long-term goals, and we are now working toward those objectives.

The J-POWER Group's Environmental Management Vision (Overview)

Basic Stance

As an energy supplier, we will contribute to the sustainable development of Japan and the world by harmonizing our operations with the environment and ensuring the constant supply of energy essential to human life and economic activity.

Basic Policy

Efforts relating to global environmental issues

In accordance with the principles of the United Nations Framework Convention on Climate Change (FCCC), we will address issues relating to climate change on a global scale in a cost-effective manner. We will continue to reduce CO₂ emissions per unit of electric power sales through an economically reasonable combination of measures, including maintenance and improvement of the efficiency of energy use; development of low CO₂ emission power sources; development, transfer and diffusion of new technologies; and utilization of the Kyoto Mechanisms. Furthermore, we will continue to work toward our ultimate goal of achieving zero emissions through the capture and storage of CO₂.

Efforts relating to local environmental issues

We will take measures to reduce the environmental impact of our operations by saving, recycling, and reusing resources to limit the generation of waste, and we will foster good community relations.

Ensuring transparency and reliability

We will ensure that our business activities comply with all laws and regulations, disclose a wide range of environmental information and enhance communications with stakeholders.

Action Program [Corporate Objectives at a Glance]

Measures Against Global Warming

CO ₂ emissions per unit of electric power sales	We will work to reduce the CO ₂ emissions per volume of electric power sales in the power generation business worldwide by around 10% in fiscal 2010 compared with the fiscal 2002 level.
Total thermal energy efficiency (HHV, Gross Efficiency—LLV)	We will maintain thermal power plant efficiency at current level (around 40%).
SF ₆ recovery rate	We will strive to improve the SF ₆ recovery rate [recovery rate of at least 97% when inspecting equipment] [recovery rate of at least 99% when removing equipment].
Office electricity consumption	We will work to reduce office electricity consumption in fiscal 2010 by at least 4% compared with fiscal 2006 (an improvement of at least 1% from the prior fiscal year).
Office fuel consumption	We will work to reduce office electricity consumption in fiscal 2010 by at least 4% compared with fiscal 2006 (an improvement of at least 1% from the prior fiscal year).

Formation of a Recycling-based Society

SO _x emissions per volume of thermal power generation	Maintain SO _x emissions per volume of thermal power generation at current level (around 0.2 g/kWh)
NO _x emissions per volume of thermal power generation	Maintain NO _x emissions per volume of thermal power generation at current level (around 0.5 g/kWh)
Recycling rate for industrial waste	We will strive to achieve a recycling rate of 97% by the end of fiscal 2010, with the aim of attaining zero industrial waste emissions.
Recycling rate for waste paper	We aim to achieve a recycling rate of at least 85% for waste paper included in ordinary waste by the end of fiscal 2010 (an improvement of at least 1% from the prior fiscal year).
Procurement ratio for recycled copier paper	We aim to achieve a green procurement ratio for copier paper of at least 99% by the end of fiscal 2010 (an improvement of at least 1% from the prior fiscal year).
Green procurement ratio for office supplies (stationery)	We aim to achieve a green procurement ratio for office supplies (stationery) of at least 80% by the end of fiscal 2010.
Ownership ratio of low-pollution vehicles, etc.	We aim to achieve an ownership ratio of low-pollution vehicles, etc., of at least 90% by the end of fiscal 2010.

Enhancing Our Environmental Management Structure

Enhancing environmental management	We will strive to continuously improve our environmental management systems (EMS).
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Utilization of Kyoto Mechanisms:

J-POWER Group's Approach to Clean Development Mechanism (CDM) Project

The Kyoto Protocol sets forth quantitative greenhouse gas emissions reduction targets for developed countries. The Kyoto Protocol's first commitment period, from 2008 to 2012, has begun. The Kyoto Mechanisms have been adopted as a flexible means for countries to achieve their commitments stipulated in the Kyoto Protocol. The three key mechanisms are described as follows:

- Clean Development Mechanism (CDM): A mechanism targeted at joint projects undertaken by developed and developing countries to reduce or absorb greenhouse gases. Developed countries gain credits from the reduced or absorbed emissions.
- Joint Implementation (JI): A mechanism targeted at joint projects undertaken by contracting developed countries to reduce or absorb greenhouse gases. The investing countries gain credits from the reduced or absorbed emissions.
- Emissions Trading: A mechanism targeted at emissions sales and purchases among developed countries to achieve their commitments stipulated in the Kyoto Protocol.

The J-POWER Group had been promoting the Kyoto Mechanisms mainly in the development of CDM projects even before the Kyoto Protocol was enacted. To gain experience, J-POWER initially participated only in small CDM projects in receptive Central and South American countries. However, J-POWER began to take part in large-scale projects after the Kyoto Protocol came into force, and it has been involved in the development of 13 CDM projects. The Nestle Graneros Plant Fuel-Switching Project in Chile, the Caieiras Landfill Gas Emission-Reduction Project and the Aquarius Hydroelectric Project in Brazil, and the La Vuelta and La Herradura Hydroelectric Projects in Columbia had been registered by the CDM Executive Board by the end of the previous fiscal year. In addition, in fiscal 2007, the CDM Executive Board registered the Metrogas Package Cogeneration Project in Chile.

CDM Executive Board—Registered Projects Developed with J-POWER Participation

Country	Project	Details
Chile	Nestle Graneros Plant Fuel-Switching Project	Switch to natural gas in conjunction with renovation of facilities
Chile	Metrogas Package Cogeneration Project	Introduction of cogeneration for improved energy-use efficiency
Columbia	La Vuelta and La Herradura Hydroelectric Projects	Use of renewable energy sources
Brazil	Aquarius Hydroelectric Project	Use of renewable energy sources
Brazil	Caieiras Landfill Gas Emission-Reduction Project	Reducing greenhouse gas emissions by burning landfill gas

Relations with Communities, Society and Employees

Relations with Communities and Society

Through its primary business activities, the J-POWER Group aims to contribute to the realization of sustainable societies on both a local community and global level. In pursuit of this objective, the Group is engaged in a diverse range of initiatives in Japan and overseas.

Interaction and Collaboration with Communities

Individual employees of the J-POWER Group gain the trust and confidence of local citizens by taking part in community activities to preserve the environment, including forest conservation, cleanup, and tree planting, as well as in local events and cultural activities.

Support for Energy and Environmental Education

In order to raise awareness throughout society regarding "harmonizing energy supply with the environment," J-POWER provides support for hands-on educational programs and conducts scientific seminars.

Activities as a Global Citizen

J-POWER works to contribute to the development of international society by leveraging the experience and networks gained through more than 40 years of business in various areas of the world, conducting activities rooted in local communities overseas.

Relations with Employees

Placing the utmost priority on workplaces that uphold safety and compliance, the J-POWER Group is moving to establish work environments that foster a high level of motivation among employees, aiming to cultivate continual growth of the Group itself and its individual members. J-POWER takes the following measures in working toward these goals.

Recruiting and Developing a Diversified Workforce

J-POWER actively recruits new graduates, experienced workers, women and people who are physically challenged. In conjunction with this, we have introduced a continuing employment system to make full use of senior citizen's experience and technical expertise. Furthermore, we promote voluntary training sessions for personnel based on a career development program.

Adhering to Policies that Prevent Workplace Accidents/Promoting Physical and Mental Health among Employees and Their Families Enhancing Work Environments (Promoting Balanced Work Lifestyles)

So that employees may maintain a healthy balance between their personal life and their job, J-POWER is taking active steps to assure appropriate management of working hours and improve systems related to childcare and nursing care.