

AIMING FOR SUSTAINABLE DEVELOPMENT OF SOCIETY AND THE J-POWER GROUP

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.

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 believes that enhancing corporate governance and thoroughly implementing compliance procedures are 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.

Corporate Governance Framework

J-POWER has a corporate governance framework where controls are effective through mutual checks and balances among directors who are highly knowledgeable of the Company's operations and manage the execution of business operations. There are also non-executive outside directors who take part in the management of J-POWER from an independent standpoint through participation in the Board of Directors and in other ways. Furthermore, J-POWER has corporate auditors who constantly monitor management, specifically the performance of directors' duties, through participation in the Board of Directors and other meetings. The corporate auditors, including outside corporate auditors, have a high level of experience in corporate management at some of Japan's most prominently listed companies, with experience in government financial policy and in other areas.

Furthermore, in March 2010, J-POWER designated four individuals, namely its outside director and three outside corporate auditors, as independent officers who have a high degree of independence and no potential conflicts of interest with general shareholders, pursuant to amendments to the Securities Listing Regulations of the Tokyo Stock Exchange.

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 on an as-needed basis, with all directors and corporate auditors, including the presence of outside directors and auditors. The Executive Committee normally meets every week, with all executive directors, executive managing officers and full-time corporate auditors present. This committee discusses 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 related

to the executive duties of the president based on policies approved by the Board of Directors. Furthermore, we hold Management Executing Committee meetings twice per month, in principle. These meetings are attended by the president, 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 executive 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.

Executive 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.

In addition to these supervisory and monitoring functions, in order to ensure that operations are conducted in an appropriate manner, we have established an Internal Audit Department to conduct internal audits from an independent standpoint from other business units. Moreover, each business unit regularly conducts self-audits concerning their own business execution.

Regarding the disclosure of information outside the Company, 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.

Furthermore, we established the J-POWER Advisory Board, which meets several times a year, to obtain multi-faceted objective advice and proposals from a panel of external experts to help raise corporate value, and ultimately lead to the enhancement of corporate governance. The J-POWER Advisory Board consists of four external members from outside the Company and internal members (the president and executive vice presidents). The external members are not required to be directly involved in the energy business, but are rather selected with an emphasis on their breadth of experience and insight. The external members actively provide their opinions on J-POWER's management status and business plans as well as major issues and other topics.

External Members

TAKAMITSU SAWA	(President, Shiga University; Professor, Ritsumeikan University Graduate School of Policy Science; Specially Appointed Professor, Kyoto University Institute of Economic Research)
NOBUHIKO SHIMA	(Journalist)
KEIICHIRO TAKAHARA	(Chairman of the Board, Unicharm Corporation)
MIEKO NISHIMIZU	(Former Vice President, World Bank; Senior Partner, Think Tank SophiaBank)

2. Risk Management

With regards 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 has adopted fully consolidated accounting. 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 the appropriateness of operations within the corporate group. We also conduct

audits of our subsidiaries using corporate auditors and the Internal Audit Department. In this manner, we are working to ensure proper operations at all J-POWER Group companies.

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, other important meetings of committees, and interviewing directors. In addition, corporate auditors implement accounting audits and audit each of our departments and main subsidiaries.

In the course of accounting audits, corporate auditors liaise with independent auditors to coordinate each other's auditing schedules and exchange opinions regarding findings in order to ensure that the independent auditors' results are consistent with their own findings.

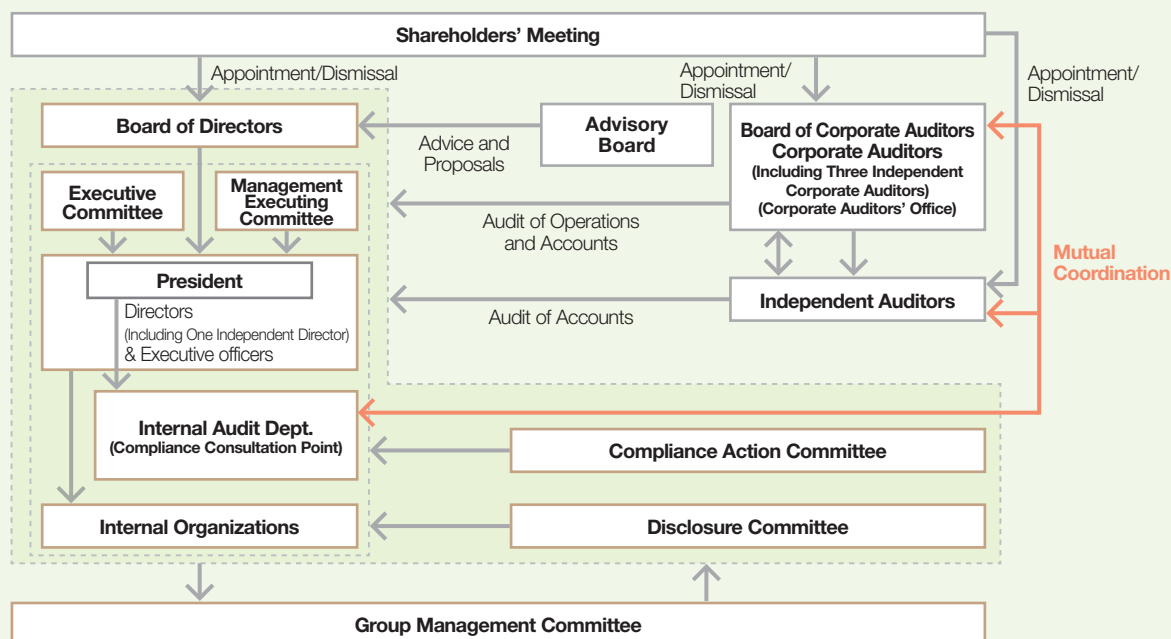
When auditing internal business units, corporate auditors liaise with the Internal Audit Department for each department's audit and with each subsidiary's auditors in the case of an audit of a subsidiary. The corporate auditors receive reports regarding findings in the course of conducting audits.

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. Response to Internal Control and Reporting System

In regard to the internal control system over financial reporting of the Financial Instruments and Exchange Act, the J-POWER Group's Accounting & Finance Department and Internal Audit Department play a central role in establishing, operating and evaluating internal control systems.

CORPORATE GOVERNANCE FRAMEWORK AND INTERNAL CONTROL SYSTEM (as of July 1, 2010)



In fiscal 2009, evaluations of the development and operation of internal controls were conducted by management as in fiscal 2008 from the perspective of enforcing Company-wide internal controls, internal controls related to operational processes, and internal controls using IT based implementation standards laid out by Japan's Financial Services Agency. As a result, management determined that internal controls over financial reporting are effective. On June 23, 2010, J-POWER submitted an Internal Control Report containing the results of the evaluations by management to the director of the Kanto Local Finance Bureau, after the report was audited by an independent audit firm.

The J-POWER Group will continue working to enhance its internal control system, with the aim of ensuring the reliability of financial reporting.

Thorough Compliance

Based on the J-POWER Group corporate philosophy, we have formulated basic guidelines for behavior in line with compliance and business ethics principles that must be observed in the course of conducting business operations. The J-POWER Compliance Code sets forth basic principles for compliance, while the J-POWER Group Corporate Conduct rules lays down more concrete decision-making guidelines for actions taken by individual employees, including members of management, when conducting business activities.

Furthermore, to ensure that the purport of these principles is realized in a sustainable and effective manner, Company-wide compliance is overseen by the chairman, and as a promotional framework, J-POWER has appointed a director in charge of compliance who implements promotion operations and assists the chairman and president in this regard. In addition, the Compliance Action Committee, chaired by the chairman, has been established to discuss and evaluate the implementation status of Company-wide compliance promotion measures, and to address issues related to compliance breaches. Under this committee, the Company has also set up a Compliance Promotion Headquarters led by an executive vice president to implement compliance promotion-related operations in a rapid and appropriate manner. At major operating bases, such as offices and thermal power plants, J-POWER has also established on-site Compliance Committees to carry out compliance activities matching the characteristics of each location. Additionally, a Compliance Consulting Point has been established at the Internal Audit Department and at an external law firm as a consulting hotline in the event that employees face compliance issues. We are working to entrench a strong awareness of compliance in our corporate culture by fostering cooperation and collaboration among these internal organizations and operating bases, while dividing duties and responsibilities among them.

DECISION-MAKING PROCESS AND MANAGEMENT IN OVERSEAS BUSINESSES

J-POWER annually reviews its overseas business strategies taking into account investment scale, and geographic regions, and types of power.

Based on these policies and reviews, international business divisions, which are responsible for promoting overseas businesses, conduct feasibility studies from among a number of options as well as early-stage screenings in cooperation with business partners, and select projects to be developed. In this process, J-POWER carefully studies various factors including the countries' power industries and overall climate, the types of fuel, the creditworthiness of electric power off-takers, details of electric power sales contracts as well as the condition of its transmission infrastructure. Projects undertaken in this manner are subject to further organizational decisions through checks and deliberations at a number of stages based on investment evaluation guidelines determined by J-POWER.

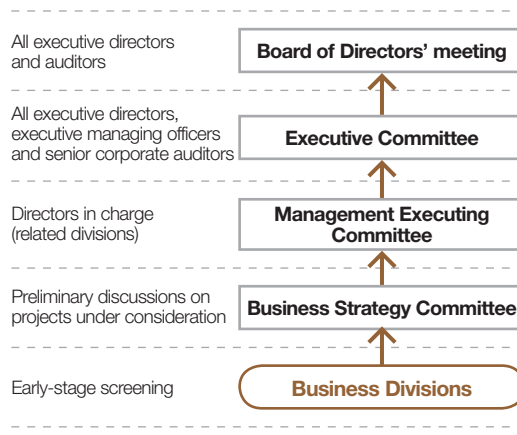
First, detailed studies are made by people in the planning, legal and finance divisions. Project-related risk factors and items for concern are pointed out, and issues for management discussion are organized.

Next, we hold a Management Executing Committee meeting attended by the president, related executive directors and executive officers, and issues are discussed at the management level. Decisions on projects that are subject to the decision-making authority of the president are made at the Management Executing Committee meeting. For other projects that must be approved at a higher level, further deliberations are held, with final decisions made by the Board of Directors through the Executive Committee, which is attended by all executive directors.

Specific investment decisions are made based on a comprehensive evaluation of criteria such as project duration, commercial and country risks for each project. The required return rate, reflecting capital cost, is then calculated for the specific project and compared with the projected internal rate of return. J-POWER uses project finance, in principle, as a source of funding. For this reason, J-POWER constantly strives to design business projects rationally in terms of both technology and finance. This process involves project reviews by lender financial institutions when projects are arranged.

Projects begun following organizational decisions are monitored regularly. We make every effort to maintain a firm grasp of the status of projects in terms of capacity utilization, profitability and other parameters, and to discover and address problems rapidly. Similar processes are also followed when the Group undertakes projects in Japan.

Screening and Decision-Making Process of Investment in Overseas Businesses



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.

Pursuant to the Basic Policy for the J-POWER Group's Environmental Management Vision, which was established in 2004, J-POWER has formulated an Action Program setting out mid- and long-term goals, and is now working towards 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 rest of 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 sold through an economically rational combination of measures, including maintenance and improvement of: the efficiency of energy use; development of low CO₂ emission power sources; development, transfer and dissemination 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 fostering 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 Targets at a Glance]

Efforts Relating to Global Environmental Issues

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)	We will maintain thermal power plant efficiency at its 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 fuel consumption in fiscal 2010 by at least 4% compared with fiscal 2006 (an improvement of at least 1% from the prior fiscal year).

Efforts Relating to Local Environmental Issues

SOx emissions per unit of thermal power generation	Maintain SOx emissions per unit of thermal power generation at its current level (around 0.2 g/kWh)
NOx emissions per unit of thermal power generation	Maintain NOx emissions per unit of thermal power generation at its 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-emission vehicles, etc.	We aim to achieve an ownership ratio of low-emission vehicles, etc., of at least 90% by the end of fiscal 2010.

Ensuring Transparency and Reliability

Enhancing environmental management	We will strive to continuously improve our environmental management systems (EMS).
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Countering Global Warming — Four Measures by the J-POWER Group —

The J-POWER Group's domestic CO₂ emissions account for roughly 3% of the total for Japan. Taking this fact very seriously, and recognizing our social responsibility as a leading coal-using company, we have positioned global environmental problems as one of our top management priorities. Accordingly, we strive to continuously reduce CO₂ emissions per unit of electric power sales by consistently implementing an optimal combination of the four measures below over short-, medium- and long-term timeframes.

■ Maintenance and improvement of the efficiency of energy use

We are working to raise the efficiency of thermal power plants, while improving the power generation efficiency of hydroelectric plants, which release no CO₂ emissions during power generation, through equipment upgrades and more efficient operations.

■ Development of low CO₂ emission power sources

We are developing power sources that release few CO₂ emissions, including nuclear, wind, and solar power. We are also actively working to effectively utilize biomass resources.

■ Development, transfer and diffusion of new technologies

We are advancing technology development to improve power generating efficiency through coal gasification and the capture of CO₂. Furthermore, in pursuit of the next generation of technology, we seek to become a leader in global coal-fired thermal power generation, while continuing to promote the transfer and diffusion of ultra-supercritical (USC) power generation technology.

■ Utilization of the Kyoto Mechanisms and other similar measures

Leveraging our own technologies and capital, we hope to contribute to effective CO₂ reduction on a global scale by, among other means, utilizing CDM and other Kyoto Mechanisms. These mechanisms allow emissions reductions achieved by greenhouse gas reduction projects conducted in other countries to count towards Japan's own emissions reductions.

CDM/JI Projects Developed with J-POWER Participation (Already Registered)

Country	Project	Details
Chile	Nestle Graneros Plant Fuel-Switching Project	Switch to natural gas in conjunction with renovation of facilities (CDM)
Chile	Metrogas Package Cogeneration Project	Introduction of cogeneration for improved energy-use efficiency (CDM)
Columbia	La Vuelta and La Herradura Hydroelectric Projects	Use of renewable energy sources (CDM)
Brazil	Aquarius Hydroelectric Project	Use of renewable energy sources (CDM)
Brazil	Caieiras Landfill Gas Emission-Reduction Project	Reducing greenhouse gas emissions by burning landfill gas (CDM)
China	Erdaogiao Hydropower Project (Sichuan Province)	Use of renewable energy (CDM)
China	Taibai Guanyinxia Hydropower Station (Shaanxi Province)	Use of renewable energy (CDM)
China	Changzhou Panshi Cement Waste Heat Recovery for Power Generation Project (Jiangsu Province)	Waste heat recovery for power generation (CDM)
Hungary	Geothermal Well Gas Utilization Project in Hungary	Geothermal methane gas utilization (JI)

RELATIONS WITH COMMUNITIES, SOCIETY AND EMPLOYEES

Relations with Communities and Society

The J-POWER Group's corporate philosophy is "We build community trust by harmonizing our operations with the environment," and "Profits are a growth source, and we share the benefits with society." Under this philosophy, J-POWER is engaged in long-term social contribution activities as a good corporate citizen, with the aim of supporting the sound and sustainable development of society.

Together with Regions and Communities

J-POWER aspires to be a productive member of regions and communities by ensuring that individual employees remain good residents and that business sites of the J-POWER Group remain good corporate citizens of their respective regions and communities. Through activities that gain the trust and confidence of local citizens, J-POWER seeks to co-exist with various regions and grow together with communities. These activities include community activities to preserve the environment, including forest conservation, cleanup, and tree planting, as well as local events and cultural activities.

Aiming to "Harmonize Energy Supply with the Environment"

J-POWER has developed insight into the environment through its business activities over the years. Leveraging this knowledge, J-POWER conducts activities that instill an appreciation of energy and the environment, and lead to the development of technologies. These activities are pursued in collaboration with various people who seek to "harmonize energy supply with the environment." Through these activities, J-POWER seeks to contribute to the sustainable development of Japan and the rest of the world.

J-POWER provides support for hands-on educational programs on energy (an experiential learning project for ecology and energy/rice planting workshop using roof-top greenery facilities at offices), and holds outdoor nature workshops 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 50 years of business in various areas of the world, conducting activities rooted in local communities overseas.

Building Safe, Healthy and Productive Workplaces

The J-POWER Group places the utmost priority on preventing workplace accidents and ensuring compliance, while showing respect for the character and individuality of employees, as it strives to create an organization where employees can constantly embrace new challenges with a high level of motivation.

Ensuring and Nurturing a Diversified Workforce

J-POWER works to secure a diverse workforce in a steady manner by recruiting new graduates and experienced personnel, while seeking candidates from a broad range of fields and age segments. In addition, the Company has introduced a Career Development Program (CDP) as an efficient training plan for employees. The goals of the program are to equip all employees with a broad range of business knowledge and specialized expertise in multiple fields, while nurturing self-reliant professionals who can contribute to the achievement of the organization's goals from a broad perspective.

Energizing the Workforce and Enhancing Work Environments

J-POWER has established a system for ensuring a healthy work-life balance on the part of employees so that it can fully harness the strengths of its diverse workforce, irrespective of gender, age or other characteristics. The Company also operates an occupational safety and health management system within the Group. This serves to prevent workplace accidents and maintain and improve employee health.