

Aiming for Sustainable Development of Society and the J-POWER Group

We seek to be an enterprise that develops energy business in a way that helps people enjoy lifestyles characterized by abundance, safety, and comfort. That is the J-POWER Group's primary objective. By dependably carrying out its day-to-day operations, the Group is aiming to achieve sustained corporate growth while contributing to the sustainable development of society.

Corporate Governance

Basic Philosophy

In accordance with its corporate philosophy of meeting people's needs for energy without fail and playing its part for the sustainable development of Japan and the rest of the world, J-POWER seeks to realize business development and corporate value over the long term while

endeavoring to maintain the confidence of its diverse stakeholders. The Company thus believes that strengthening corporate governance systems and ensuring rigorous compliance performance are important management objectives.

Corporate Governance

Having built a corporate governance system that centers on two units—the Board of Directors, which has 12 members, including one outside director, and the Board of Corporate Auditors, which has five members, including three outside corporate auditors—J-POWER is working to further strengthen the system's supervisory and monitoring functions.

The system includes representative directors, executive managing officers, and executive officers, who are thoroughly familiar with J-POWER's operations and responsible for executing operations, as well as non-executive directors, who have an independent perspective and participate in management decision-making processes, and the two kinds of directors are positioned to oversee each other. In addition, J-POWER's corporate auditors attend Board of Directors' meetings and other meetings, and they are positioned to constantly monitor the directors' execution of their management duties. More than half of the corporate auditors are outside corporate auditors with abundant experience in such fields as the management of leading Japanese listed companies and the execution of governmental financial policies, and we are confident that their inclusion in our corporate governance system enables the system to fully carry out corporate governance functions.

The outside director and outside auditors are all "independent" corporate officers (outside corporate officers with a high level of independence and no potential conflicts of interest with ordinary shareholders) in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

Revision of Executive Officer System

We revised our executive officer system as of June 26, 2012 to better define functions and lines of authority in the execution of duties. Under the new system, directors have a supervisory function, and the representative director, who has business administrative authority under the Companies Act, together with managing officers and executive officers, hold executive functions. This has clarified responsibilities and authority, enabling precise and prompt decision-making and efficient corporate management.

Legal Compliance of Directors in Execution of Their Duties

In accordance with the J-POWER Group corporate philosophy and the J-POWER Group Corporate Conduct Rules, directors take the initiative in displaying exemplary honest and fair conduct based on a firm spirit of respect for the law and a solid sense of ethics while also endeavoring to instill similarly rigorous conduct standards among all J-POWER employees. In addition, the directors resolutely refuse to allow the Group to engage in any activities related to antisocial elements that threaten the safety and order of civil society, and they work to ensure that all employees are aware of this policy and thoroughly implement it.

System for Execution of Directors' Duties

The Board of Directors meets monthly, in principle, and also on an as-needed basis, with the attendance of all directors and corporate auditors, including outside directors and auditors. The Executive Committee meets every week, in principle, with the attendance of all executive directors (excluding the outside director), executive managing officers, and full-time corporate auditors. This committee discusses matters subject to deliberation by the Board of Directors as well the portion of operational execution duties of the president and executive vice presidents based on policies approved by the Board of Directors that are important matters with respect to the entire Company. Management Executing Committee meetings are held twice each month, in principle—with the attendance of the representative directors, executive managing officers, and executive officers with responsibilities related to matters under discussion, as well as all the full-time corporate auditors—to discuss important matters concerning the operational execution of each division. In addition to allocating functions among the Board of Directors, the Executive Committee, and the Management Executing Committee, we have introduced an executive officer system. By building a management system in which executive directors and executive officers share responsibility for operational execution, we have clearly defined management responsibilities and authorities in a manner that enables the representative directors, executive managing officers, and executive officers to make sound and speedy decisions and conduct efficient corporate management.

The representative directors, executive managing officers, and executive officers provide reports regarding the performance of their duties to the Board of Directors and the Executive Committee on a regularly scheduled basis 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 appropriately stored and managed. Other documents related to the performance of directors' duties are properly prepared, stored, and managed in accordance with Company regulations.

In addition to maintaining these supervisory and monitoring functions, to ensure that operations are conducted in an appropriate manner, we have established the Internal Audit Department, which conducts internal audits from a perspective that is independent of other organizational units. Moreover, each organizational unit regularly conducts self-audits with respect to its own operational execution.

Regarding the disclosure of information to those outside the Company, we are seeking to improve the transparency and accountability of our corporate activities and have, therefore, established the Disclosure Committee. Chaired by the president, this committee works to ensure that the Company discloses information that is fair and transparent in a timely and proactive manner.

Advisory Board

Aiming to further improve our corporate governance, we have established the J-POWER Advisory Board, which provides a forum for experts from outside the Company to provide suggestions and proposals designed to increase corporate value based on diverse, objective perspectives. Comprised of four outside members and several inside members (all representative directors, including the president), the J-POWER Advisory Board meets several times each year. Rather than recruiting outside members with expertise directly related to the energy business, we have emphasized the selection of people who have a broad range of experience and insight and are well positioned to actively provide opinions related to management situations, management plans, and important corporate challenges and objectives.

Outside Members of the J-POWER Advisory Board

Takamitsu Sawa (President, Shiga University; Professor)

Nobuhiko Shima (Journalist)

Mieko Nishimizu (Senior Partner, Think Tank SophiaBank)

Takashi Wachi (Director and Honorary Chairman, Terumo Corporation)

(As of June 30, 2012)

Audits by Corporate Auditors

J-POWER's corporate auditors audit directors, executive managing officers, and executive officers in the execution of their duties by attending Board of Directors' meetings and other important meetings. In addition, the corporate auditors implement accounting audits and audits of the Company's organizational units and main subsidiaries.

In the course of accounting audits, corporate auditors liaise with the independent auditors to coordinate auditing schedules and exchange opinions regarding auditing results as a means of ensuring the consistency of their auditing results and the independent auditors' auditing results.

The Company's corporate auditors liaise with the Internal Audit Department when auditing the Company's organizational units and, when auditing principal subsidiaries, they liaise with that subsidiary's corporate auditors. In the course of conducting their own audits, the Company's corporate auditors receive reports regarding their liaison counterpart's audit findings.

To provide the corporate auditors with support, we have established a Corporate Auditors' Office, which is an independent unit outside of the directors' chain of command. The office's full-time specialist staff members assist the corporate auditors in the performance of their audits.

Group Governance

The J-POWER Group employs fully consolidated accounting processes. We recognize the increasing importance of consolidated business results as a means of measuring the Group's overall strength and seek to clarify the role of each Group company and increase corporate value based on a system in which individual Group companies perform specialized roles.

With regard to the administration of subsidiaries and affiliates, J-POWER'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 ensure the appropriateness of operations within the corporate group. In addition, the corporate auditors and the Internal Audit Department implement audits of subsidiaries and affiliates with the objective of ensuring proper operations at all Group companies.

In addition, we have established the J-POWER Summit, a Company-wide committee consisting of business unit senior management, with the objective of promoting information exchanges and other activities within the Group as a whole. The J-POWER Summit is held several times each year with the attendance of the president as well as such other participants as executive directors, executive officers, senior corporate auditors, general directors of domestic and overseas units of the Company, and representatives of principal subsidiaries. Besides promoting awareness of issues with respect to which the Group should be concertedly sharing information and implementing measures, participants make requests and exchange opinions related to those issues.

Risk Management

With respect to risks associated with the execution of corporate activities, J-POWER incorporates mutual checks and balances in its decision-making processes, undertakes discussions in various meetings and committees, and creates risk management frameworks covering ordinary operations as well as crisis management operations in accordance with Company regulations. These and other initiatives are designed to ensure awareness of risks and thorough risk avoidance measures as well as to minimize the impact of any damage eventuating from risks.

Aiming for Sustainable Development of Society and the J-POWER Group

Response to Internal Control and Reporting System

With respect to the financial reporting-related internal control and reporting system stipulated by Japan's Financial Instruments and Exchange Act, the J-POWER Group is establishing, operating, and evaluating internal control systems centered on the Accounting & Finance Department and Internal Audit Department.

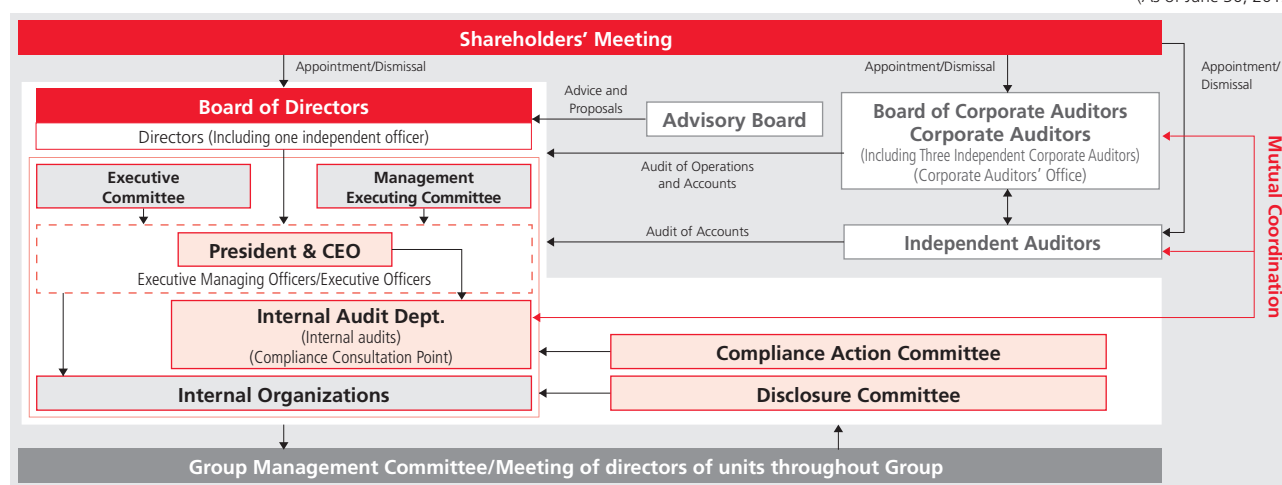
In fiscal 2011, as in the previous year, evaluations of the development and operation of internal controls were conducted by management with respect to Company-wide internal controls, operational process-related

internal controls, and information technology-based internal controls in accordance with the implementation standards of Japan's Financial Services Agency, and it was determined that the Company's financial reporting-related internal control system is effective. This evaluation result was recorded in the form of an Internal Control Report that was audited by the Company's independent auditors before being submitted to the director of the Kanto Regional Finance Bureau in June 2012.

Going forward, the J-POWER Group will continue working to improve its internal control system and to ensure the reliability of its financial reporting.

► Corporate Governance Framework and Internal Control System

(As of June 30, 2012)



Implementation Decisions in Overseas Businesses, etc. (Processes and Management Systems)

With respect to overseas business strategies, each year, J-POWER undertakes regularly scheduled project reevaluation measures for groups of projects organized based on investment scale, geographic region, and types of power.

International business units promoting overseas business undertake feasibility studies and consultations with associated parties as an initial screening process to determine which of numerous candidate projects are to be implemented and promoted. At the time of this screening process, J-POWER carefully studies various factors, including the power industry and overall situations of candidate countries, the associated types of fuel, the creditworthiness of prospective electric power receivers, the conditions of prospective power purchase agreements, and the associated power transmission infrastructure.

Decisions on project selections are made after the candidate projects are subjected to numerous stages of checks and deliberations based on the investment and financing management regulations instituted within the Company.

The check/deliberation process begins with detailed working-level studies cooperatively conducted by staff in planning, legal affairs, and finance units. At this stage, project-related risk factors and issues of concern are identified, and the issues to be discussed during management deliberations are clarified and organized. Next, a Management Executing Committee meeting is convened with the attendance of the president and related corporate officers, and each issue is subjected to management-level deliberations. Decisions on projects within the scope of the decision-making authority of the president or vice president are made by those holding decision-making authority at Management Executing Committee meetings, based on deliberations. Other projects undergo additional deliberations and are considered by the Executive Committee before being submitted to the Board of Directors for a final decision.

Specific investment decisions are made in accordance with investment evaluation guidelines instituted within the Company. A hurdle rate determined based on a comprehensive evaluation of such criteria as project duration, project type, and country risk is compared with the projected internal rate of return. In principle, J-POWER uses project finance to fund its overseas projects, which are subjected to reviews by the financial institu-

tions providing funds, and the Company, therefore, strives to engineer each of its business projects in a manner that is clearly rational with respect to both technology and finance.

Projects that are actually undertaken as a result of this decision-making process are subject to day-to-day operation and management by international business units as well as to regular monitoring by planning, legal affairs, and finance units. We strive to maintain an accurate grasp of capacity utilization levels and other factors liable to impact projects' profitability as well as to quickly identify and respond to problematic situations. We also undertake similar processes with respect to domestic projects.

Screening and Decision-Making Process for Overseas Investments and Financing



Setting of Stock Purchasing Guidelines

To provide an additional incentive for management to work to reflect the perspective of shareholders in business operations and to raise long-term shareholder value, J-POWER has established guidelines for the purchase of shares by directors and executive officers. In accordance with these guidelines, directors and executive officers have purchased J-POWER shares monthly through the corporate officers' shareholding plan.

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 implementing business operations. The J-POWER Corporate Conduct Rules set forth basic principles for compliance, while the Compliance Code lays down more-concrete decision-making standards for actions taken by individual employees, including members of management, when conducting business activities.

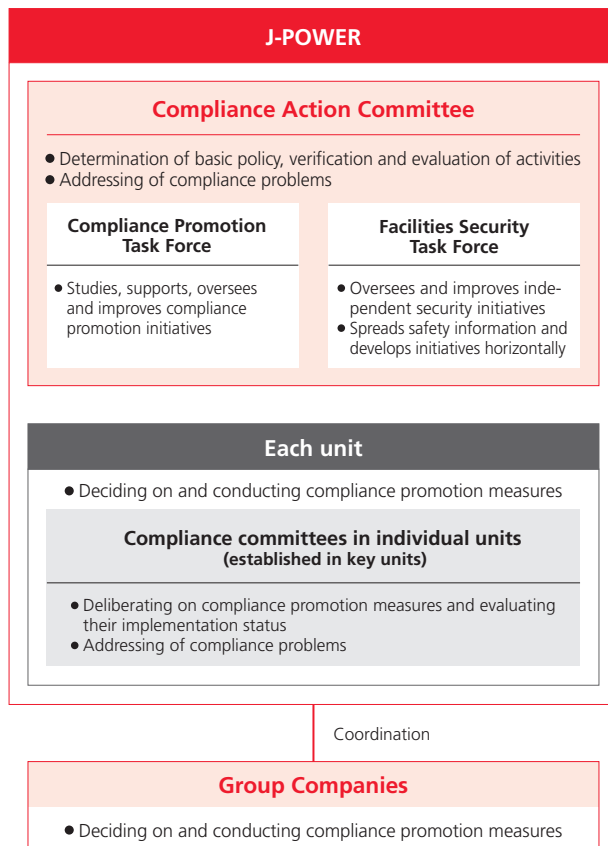
J-POWER has given its chairman responsibility for overseeing Company-wide compliance. The Company's compliance promotion system centers on the director in charge of compliance, who implements compliance promotion programs and assists the chairman and president in this regard. In addition, the Compliance Action Committee, chaired by the chairman, has been established to discuss and evaluate the implementation status of company-wide compliance promotion measures and address issues related to compliance violations. To quickly and accurately promote operations pertaining to compliance promotion, two

tasks forces have been set up to work on autonomous safety activities—based on Compliance Promotion Task Force company-wide and safety regulations—under the supervision of the Facilities Security Task Force. Two vice presidents have been assigned to chair these task forces.

At such major operating units as branches and thermal power plants, J-POWER has also established compliance committees in individual units to carry out compliance activities tailored to the special characteristics of each unit. Group companies also participate in these compliance committees, so that compliance activities are consistently promoted throughout the Group. Additionally, a Compliance Consulting Point has been established at the Internal Audit Department and at an external law firm to serve as a consulting hotline in the event that employees face compliance issues.

The J-POWER Group is working to promote compliance by dividing compliance-related duties and responsibilities among these units while also encouraging cooperation and collaboration among the units.

► The J-POWER Group's Compliance Promotion System



► The J-POWER Group's Compliance Consulting Point

