

In accordance with its Corporate Philosophy, the Company endeavors to enhance corporate governance on an ongoing basis in order to realize sustainable growth and enhance corporate value over the medium-to-long term.

The Company has established the Basic Policy on Corporate Governance. For more information, please refer to J-POWER website.

▶ <http://www.jpowers.co.jp/english/ir/ir23200.html>

### Respect for Shareholder Rights

The J-POWER Group believes that sustainable growth and the enhancement of corporate value over the medium-to-long term can only be achieved in cooperation with a wide range of stakeholders. One important group of stakeholders is shareholders. The Company respects shareholder rights in order to allow for proper collaboration with shareholders.

#### Ensuring the Rights and Equality of Shareholders

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).

#### General Meetings of Shareholders

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

The Company sends a convocation notice for each ordinary general meeting of shareholders around three weeks prior to the meeting date 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. The Company also endeavors to disclose information included in the convocation notice online in both Japanese and English prior to sending the notice. Moreover, the Company strives to avoid scheduling the general meeting of shareholders for the date most crowded with other companies' shareholder meetings.

#### General Meeting of Shareholders for Fiscal 2018

<b>Date</b>	June 26, 2019 (to avoid the day most crowded with other companies' shareholder meetings)
<b>Convocation notice</b>	Posted online Japanese: May 21, 2019 English: June 5, 2019 Mailed May 31, 2019 (11 days earlier than legally required)

#### Strategic Shareholdings

J-POWER does not maintain strategic shareholdings unless such shareholdings are deemed to serve a purpose.

Shareholdings are deemed to serve a purpose if they are judged to contribute to the Company's sustainable growth and the medium- to long-term enhancement of its corporate value based on the comprehensive consideration of their profitability, verified through properly ascertaining expected returns and other effects, as well as their objectives, such as the development of joint business and the need to maintain, strengthen, or build business relationships.

Every year, the Board of Directors evaluates the rationality and necessity of each strategic shareholding from such perspectives as consistency with the objectives of said holdings and the balance of the shareholding's profitability against the Company's cost of capital. Holdings found not to serve a purpose are disposed of, with due consideration given to the market impact of such disposal.

J-POWER exercises the voting rights of its strategically held shares based on careful consideration of the medium- to long-term enhancement of the corporate value of the Company and the companies whose shares it holds as well as its objectives for holding such shares.

### Shareholder and Investor Engagement

J-POWER engages with shareholders and investors not only at General Meetings of Shareholders, but through such means as facility tours for shareholders, corporate presentations for individual investors, and individual meetings with institutional investors. Such efforts enable shareholder and investors to better understand our businesses, and the opinions they express are shared with management so that they can be put to use in our operations.



Facility tour for shareholders

## Corporate Governance System

J-POWER has adopted a Company with an Audit & Supervisory Board structure, and has put in place a system for mutual oversight among Directors through the meetings of the Board of Directors attended by Outside Directors who participate in the Company's management decision making from an independent position.

Also, in fiscal 2019 the Company established Nomination and Compensation Committee, more than half the members of which are Independent Officers, to enhance the independence, objectivity and accountability of the Board of Directors with regard to the nomination and compensation of Directors and top management.

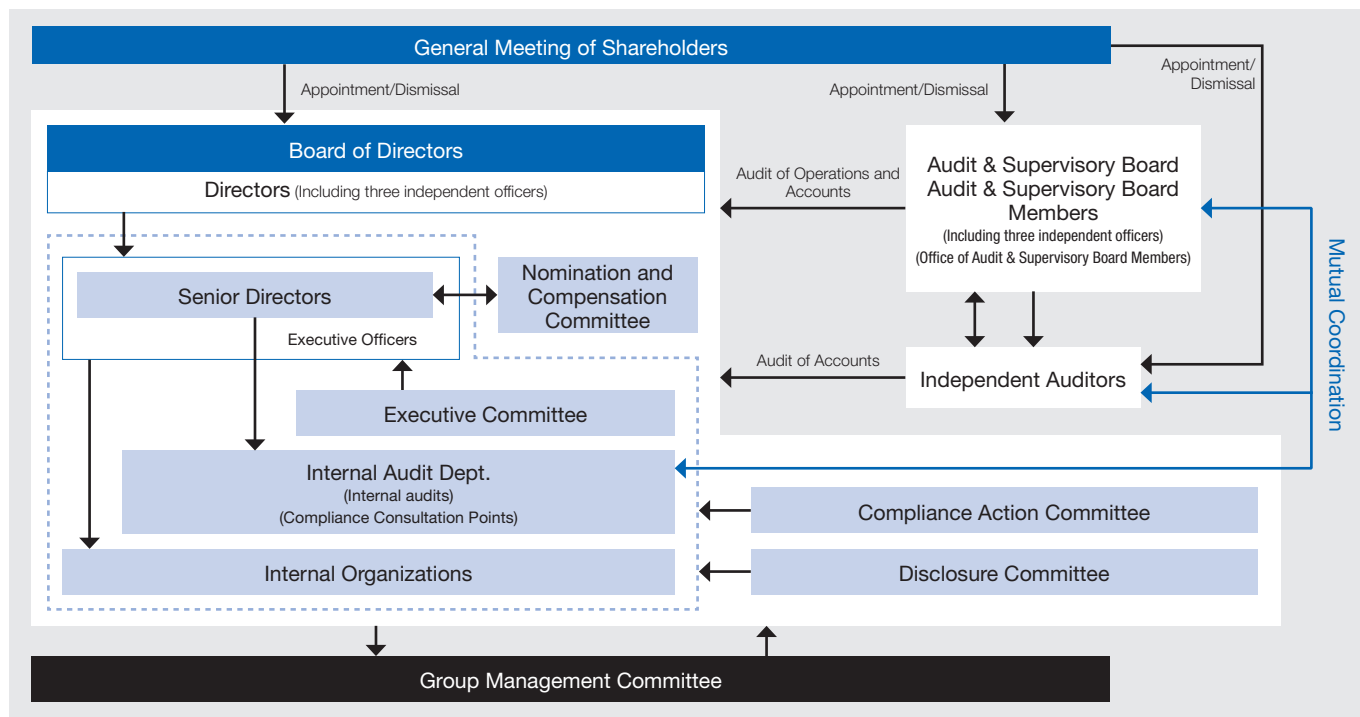
Further, the execution of duties by Directors is constantly monitored through the attendance at the meetings of the Board of Directors and other management meetings of the Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members with abundant experience in such areas as the management of leading Japanese listed companies and execution of government policies. The Company believes this system allows for sufficient corporate governance functionality.

In addition to the above, the Company also maintains the Executive Committee.

### Nomination and Compensation Committee Members (As of June 26, 2019)

Independent Officers: 3	Internal Officers: 2
Chairman Go Kajitani, Outside Director Mutsutake Otsuka, Outside Audit & Supervisory Board Member Kiyoshi Nakanishi, Outside Audit & Supervisory Board Member	Masayoshi Kitamura, Representative Director, Chairman of the Board of Directors Toshifumi Watanabe, Representative Director, President

### Corporate Governance Structure (As of June 26, 2019)



### Composition of the Board of Directors and the Audit & Supervisory Board

#### Composition of the Board of Directors

The Board of Directors is composed of Directors with abundant experience, distinguished knowledge, and advanced specialization, ensuring that an overall balance and diversity of knowledge, experience, and abilities is maintained. The number of Directors is capped at 14.

In addition, to ensure the effectiveness of independent and objective management supervision by the Board of Directors, the Company endeavors to appoint at least two Independent Outside Directors, giving consideration to their experience, knowledge, specialization, and other attributes.

Currently, the total number of Directors is 14, including three Independent Outside Directors.

#### Composition of the Audit & Supervisory Board

The Audit & Supervisory Board comprises a maximum of five Audit & Supervisory Board Members, at least half of whom are required to be Outside Audit & Supervisory Board Members. In addition, at least one person with appropriate knowledge of finance and accounting is appointed as an Audit & Supervisory Board Member.\*

Currently, the total number of the Audit & Supervisory Board Members is five, including three Independent Outside Audit & Supervisory Board Members.

\* Senior Audit & Supervisory Board Member Hiroshi Fujioka (Independent Outside Audit & Supervisory Board Member) has a high level of knowledge in the area of finance and accounting as he has had many years of experience in fiscal and financial administration.

## System for the Execution of Directors' Duties

### Ensuring Effectiveness in Business Execution

The Board of Directors meets monthly in principle\* and on an as-needed basis, with attendance by all Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members. The Executive Committee meets weekly in principle, with attendance by all Senior Directors, Senior Executive Officers, and full-time Audit & Supervisory Board Members. This 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 allocating functions for the Board of Directors and Executive Committee, the Company has established a system in which Senior Directors and Executive Officers share responsibility for business execution. This system clarifies responsibilities and authority, enables appropriate and prompt decision making, and provides for efficient corporate management.

\* The Board of Directors met 12 times during fiscal 2018.

### Ensuring Appropriateness in Business Execution

The Company has established the Internal Audit Department to ensure proper business execution. The department conducts internal audits from a perspective that is independent of other operating units. In addition, each operating unit regularly conducts self-audits of its own business execution.

### Preventing Conflicts of Interest

The Directors of the Company, in accordance with its Corporate Philosophy, Corporate Conduct Rules, and Compliance Action Guidelines,<sup>1</sup> exemplify honest and fair conduct based on a 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<sup>2</sup> 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.

1. Please refer to pages 67 to 69 for further information on the Corporate Conduct Rules and Compliance Action Guidelines.

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

## Audits by Audit & Supervisory Board Members

In accordance with the Companies Act, J-POWER appoints Audit & Supervisory Board Members, who audit the legality and appropriateness of Directors' business execution. At J-POWER's Headquarters, Audit & Supervisory Board Members conduct audits by attending the meetings of the Board of Directors and other important meetings and observing the status of the execution of Directors' and Executive Officers' duties. In addition, the Audit & Supervisory Board Members perform site visits to local operating units and subsidiaries in Japan and overseas.

In the course of accounting audits, Audit & Supervisory Board Members liaise with the Independent Auditors to regularly receive reports and exchange opinions regarding auditing schedules and results as a means of ensuring the appropriateness of the Independent Auditors' auditing methods and results.

When performing audits, Audit & Supervisory Board Members liaise with the Internal Audit Department.

With regard to staff under the Audit & Supervisory Board Members, the Company has established the Office of Audit & Supervisory Board Members as an independent unit outside of the Directors' chain of command. The office's full-time specialist staff assist the Audit & Supervisory Board Members in the course of their audits.

## 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 Board Members and the Internal Audit Department implement audits of subsidiaries and affiliates with the objective of ensuring proper operations at all Group companies.

## Evaluation of Effectiveness of the Board of Directors

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

To improve the effectiveness of the Board of Directors, the Company strives to enhance the quality of discussion at monthly meetings of the Board of Directors and to this end has implemented a number of initiatives, including the following.

- Promoting discussion between internal and outside officers in settings other than meetings of the Board of Directors
- Enhancing the provision of information, including the content of Executive Committee discussions, to outside officers
- Inspections of power plants and other facilities by outside officers
- Training for internal officers

Regarding the evaluation in 2019, the Board of Directors discussed the status of measures implemented on the basis of the previous year's analysis and evaluation as well as the results of interviews and surveys of all officers, including outside officers. As a result of the discussion, the effectiveness of the Board of Directors was deemed sufficient. Going forward, the Company will further expand the scope of deliberation based on changes in the business environment, and make continual efforts to enhance the effectiveness of the Board of Directors.

## Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members)

The Company's Outside Directors and Outside Audit & Supervisory Board Members are independent officers that meet both the requirements for independent officers prescribed by the Tokyo Stock Exchange, and the Criteria to Determine the Independence of Outside Officers prescribed by the Company.

### Criteria to Determine the Independence of Outside Officers

Outside Officers must not fall into any of the following categories:

1. Persons whose major business partner<sup>1</sup> is the Company or any of the Company's subsidiaries, or persons executing business for such persons.
2. Persons who are major business partners<sup>1</sup> of the Company or any of the Company's subsidiaries, or persons executing business for such persons.
3. Consultants, accounting professionals, and legal professionals who have received large amounts of money<sup>2</sup> and/or other items of value other than officers' remuneration from the Company or any of the Company's subsidiaries. (If the persons that have received such items are corporations, general partnerships, or other organizations, this means persons that belong to such organizations.)
4. Persons who fall into any of (1) to (3), below, during the past 10 years:
  - (1) Persons listed in paragraphs 1 to 3, above;
  - (2) Persons who execute business, or Directors who do not execute business of the Company or any of the Company's subsidiaries; or
  - (3) Audit & Supervisory Board Members of the Company or any of the Company's subsidiaries.
5. Persons who are close relatives of any of the persons listed in (1) to (4), below (excluding immaterial cases):
  - (1) Persons listed in paragraphs 1 to 4, above;
  - (2) Persons who execute business or Directors who do not execute business of the Company or any of the Company's subsidiaries;
  - (3) Audit & Supervisory Board Members of the Company or any of the Company's subsidiaries; or
  - (4) Persons who fall under (2) or (3), above, during the past 10 years.

1. "Major business partners" refers to business partners whose annual amount of transactions with the Company during the past three fiscal years accounted for over 2% of the total consolidated sales of the Company or that of the other party.
2. "Large amounts of money" refers to amounts of ¥10 million or more a year, on average, during the past three fiscal years.

## Appointment and Dismissal of Officers

The Board of Directors appoints as members of top management and nominates as candidates for Director and Audit & Supervisory Board 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 a Director in question.

## Officers' Compensation

The compensation of top management and Directors is determined by means of discussion at meetings of the Board of Directors, after comprehensively taking into account corporate performance, position held, and other factors, in light of the characteristics of the Company's business, namely, aiming to recover investment through the long-term operation of power plants, etc., based on proposals made by the President following deliberation by the Nomination and Compensation Committee.

By resolution at the 54th Ordinary General Meeting of Shareholders held on June 28, 2006, total compensation for Directors is capped at ¥625 million annually (a fixed monthly salary calculated according to position and a performance-linked bonus paid once a year. Employee salaries for Directors who serve in dual capacity as employees are excluded). Each Director's compensation is determined within this cap.

Total compensation for the Audit & Supervisory Board Members was capped at ¥120 million annually (a fixed monthly salary calculated according to position) at the same general meeting of shareholders. Each Audit & Supervisory Board Members' compensation is determined, within the cap prescribed above, by means of consultation among Audit & Supervisory Board Members.

### Compensation Paid during Fiscal 2018

	Category	Number of Persons	Total Amount
Directors	Directors (excluding Outside Directors)	11	¥395 million
	Outside Directors	3	¥28 million
	Subtotal	14	¥424 million
Audit & Supervisory Board Members	Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	¥67 million
	Outside Audit & Supervisory Board Members	3	¥51 million
	Subtotal	5	¥118 million
Total		19	¥543 million

Notes: 1. The Directors' compensation includes a performance-linked bonus of ¥47 million for fiscal 2018.

2. The number of Directors includes one Director, who retired from office at the end of the 66th Ordinary General Meeting of Shareholders held on June 27, 2018.

### Compensation of Independent Auditors

Total compensation paid during fiscal 2018 by the Company and its consolidated subsidiaries to the Independent Auditors who conducted accounting audits of the J-POWER Group comprised ¥152 million for auditing procedures and ¥25 million for non-auditing functions.

Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 26, 2019)



Representative Director  
Chairman  
**Masayoshi Kitamura**  
Company-wide compliance



Representative Director  
President and Chief Executive Officer  
**Toshifumi Watanabe**



Representative Director  
Executive Vice President  
**Hitoshi Murayama**  
General operations  
Production/technology oversight  
Digital Innovation Dept.  
Procurement Dept.



Representative Director  
Executive Vice President  
**Masato Uchiyama**  
General operations  
Department Director of Energy Business  
(delegation of administrative works)  
Corporate Planning & Administration Dept.  
Accounting & Finance Dept.  
General Affairs Dept.



Representative Director  
Executive Vice President  
**Akihito Urashima**  
General operations  
Department Director of Nuclear Power  
Business (delegation of administrative works)



Director  
Executive Vice President  
**Yoshiki Onoi**  
General operations  
Department Director of International Business  
(delegation of administrative works)



Director  
Executive Vice President  
**Hiromi Minaminosono**  
General operations  
Department Deputy Director of Nuclear Power  
Business (delegation of administrative works)  
Secretarial Affairs & Public Relation Dept.  
Personnel & Employee Relations Dept.  
Siting & Environment Dept.



Director  
Executive Managing Officer  
**Hiroyasu Sugiyama**  
Department Director of Renewable Energy  
(delegation of administrative works)  
Department Deputy Director of Nuclear Power  
Business (delegation of administrative works)  
Civil & Architectural Engineering Dept.  
Renewable Energy Business Strategy Dept.  
Thermal power engineering business  
and international business (matters under  
special assignment)



Director  
Executive Managing Officer  
**Hideki Tsukuda**  
Thermal Power Dept.  
Thermal Power Engineering Dept.  
International business (matters under special  
assignment)



Director  
Executive Managing Officer  
**Makoto Honda**  
Department Deputy Director of International  
Business (delegation of administrative works)  
Accounting & Finance Dept.  
Procurement Dept.  
International Business Management Dept.  
International Business Development Dept.  
Corporate planning & administration (matters  
under special assignment)



Director  
Executive Managing Officer  
**Hitoshi Kanno**  
Corporate Planning & Administration Dept.  
General Affairs Dept.  
Siting & Environment Dept.  
Power business planning & development  
(matters under special assignment)



Director  
**Go Kajitani**<sup>1,3</sup>



Director  
**Tomonori Ito**<sup>1,3</sup>



Director  
**John Buchanan**<sup>1,3</sup>

Senior Audit & Supervisory  
Board Members

**Naori Fukuda**  
**Hiroshi Fujioka**<sup>2,3</sup>  
**Shinichi Kawatani**

Audit & Supervisory  
Board Members

**Mutsutake Otsuka**<sup>2,3</sup>  
**Kiyoshi Nakanishi**<sup>2,3</sup>

Executive Managing Officers

**Shosaku Kusunose**  
**Yoshikazu Shimada**  
**Ryou Suzuki**

**Hisanori Shizuma**  
**Hiroshi Sasatsu**

Executive Officers

**Katsunori Hoshi**  
**Isshu Kurata**  
**Masaaki Ikeda**  
**Takaya Nomura**  
**Osamu Hagiwara**

**Ryouji Sekine**  
**Takashi Jahana**  
**Toshiya Sato**  
**Hideo Kimura**  
**Kenji Morita**  
**Shinichi Demachi**

1. Outside Director  
2. Outside Audit & Supervisory Board Member  
3. Independent Officer

## Independent Outside Directors (As of June 26, 2019)

### Go Kajitani (b. November 22, 1936)

#### Career summary

April 1967	Registered as an attorney at law (Dai-ichi Tokyo Bar Association) Joined KAJITANI LAW OFFICES
April 1998	President of Dai-ichi Tokyo Bar Association, Vice President of Japan Federation of Bar Associations
April 1999	Senior Partner of KAJITANI LAW OFFICES
June 2003	Outside Audit & Supervisory Board Member of NICHIAS Corporation
April 2004	President of Japan Federation of Bar Associations
June 2007	Chairman of the Central Third-Party Committee to Check Pension Records, the Ministry of Internal Affairs and Communications
June 2009	Director (Outside Director) of the Company (current position)
April 2011	President of Japan Legal Support Center
June 2011	Outside Audit & Supervisory Board Member of The Yokohama Rubber Co., Ltd.

#### Reason for selection

Go Kajitani has distinguished knowledge as an attorney at law and abundant experience in the legal profession.

#### Main activities during fiscal 2018

He attended 12 of the 12 meetings of the Board of Directors and made comments primarily based on his distinguished knowledge and a wide range of experience as an attorney at law.

### Tomonori Ito (b. January 9, 1957)

#### Career summary

April 1979	Joined The Bank of Tokyo, Ltd.
March 1990	Vice President of Investment Banking Group, Bank of Tokyo Trust Company, New York Branch
April 1994	Vice President of Emerging Market Group, The Bank of Tokyo, Ltd., New York Branch
March 1995	Manager of Business Development Daini, Union Bank of Switzerland, Tokyo Branch
August 1997	General Manager of Tokyo Branch and Head of Investment Banking, Union Bank of Switzerland
June 1998	Head of Investment Banking and Managing Director, UBS Securities Japan Co., Ltd.
April 2011	Visiting Professor of Graduate School of International Corporate Strategy, Hitotsubashi University
May 2012	External Director of PARCO CO., LTD.
October 2012	Professor of Graduate School of International Corporate Strategy, Hitotsubashi University (currently Department of International Corporate Strategy, Graduate School of Business Administration, Hitotsubashi University) (current position)
June 2014	Outside Director of Aozora Bank, Ltd. (current position)
June 2016	Director (Outside Director) of the Company (current position)

#### Reason for selection

Tomonori Ito has abundant experience in investment banking business both inside and outside Japan and distinguished knowledge acquired through research in financial theory as a Professor of the Department of International Corporate Strategy, Graduate School of Business Administration, Hitotsubashi University.

#### Main activities during fiscal 2018

He attended 11 of 12 meetings of the Board of Directors and made comments primarily based on his abundant experience in investment banking business both inside and outside Japan and distinguished knowledge and abundant experience acquired through research in financial theory.

### John Buchanan (b. October 31, 1951)

#### Career summary

October 1974	Joined Lloyds Bank Group (Bank of London and South America, Lloyds Bank International, Lloyds Merchant Bank)
January 1981	Representative, subsequently Branch Manager, Lloyds Bank International, Osaka
August 1983	Branch Manager, Bank of London and South America, Barcelona
October 1987	Joined S.G. Warburg & Co. Ltd.
October 1992	Director of S.G. Warburg & Co. Ltd.
October 1995	Joined The Sumitomo Bank, Limited, London Branch
May 2000	Joined Daiwa Securities SB Capital Markets Europe Limited
August 2006	Research Associate of Centre for Business Research, University of Cambridge (current position)
June 2016	Director (Outside Director) of the Company (current position)

#### Reason for selection

John Buchanan has abundant experience in investment advisory business both inside and outside Japan as well as distinguished knowledge acquired through research concerning corporate governance at the University of Cambridge.

#### Main activities during fiscal 2018

He attended 12 of 12 meetings of the Board of Directors and made comments primarily based on his abundant experience in investment advisory business both inside and outside Japan and distinguished knowledge and abundant experience acquired through research concerning corporate governance.

## Independent Outside Audit & Supervisory Board Members (As of June 26, 2019)

### Hiroshi Fujioka (b. June 2, 1954)

#### Career summary

April 1977	Joined the Ministry of Finance
July 2008	Director-General of Customs and Tariff Bureau, the Ministry of Finance
July 2009	Director-General for Policy Planning, the Ministry of Land, Infrastructure, Transport and Tourism
January 2012	Senior Executive Vice President of Japan Housing Finance Agency (Incorporated Administrative Agency)
January 2014	Councilor of the Minister's Secretariat, the Ministry of Finance
June 2014	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company
June 2015	Senior Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company (current position)
June 2016	Outside Corporate Auditor of The Nishi-Nippon City Bank, Ltd.
October 2016	Audit and Supervisory Committee Member (Outside Director) of The Nishi-Nippon City Bank, Ltd. (current position)

#### Reason for selection

Hiroshi Fujioka has distinguished knowledge and abundant experience acquired through many years of work in the government.

#### Main activities during fiscal 2018

He attended 12 of the 12 meetings of the Board of Directors and 12 of the 12 meetings of the Audit & Supervisory Board, and made comments primarily based on his distinguished knowledge and abundant experience in fiscal and financial administration, etc.

### Mutsutake Otsuka (b. January 5, 1943)

#### Career summary

April 1965	Joined Japanese National Railways
April 1987	Joined East Japan Railway Company, General Manager of Finance Department
June 1990	Director and General Manager of Personnel Department of East Japan Railway Company
June 1992	Executive Director and General Manager of Personnel Department of East Japan Railway Company
June 1997	Executive Vice President and Representative Director and Director General of Corporate Planning Headquarters of East Japan Railway Company
June 2000	President and Representative Director of East Japan Railway Company
April 2006	Chairman and Director of East Japan Railway Company
April 2007	Temporary Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company
June 2007	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company (current position)
May 2011	Vice Chairman of Nippon Keidanren
April 2012	Advisor of East Japan Railway Company (current position)
June 2013	Outside Director of JX Holdings, Inc. (currently JXTG Holdings, Inc.) (current position)
June 2014	Outside Director of NIPPON STEEL & SUMITOMO METAL CORPORATION (currently NIPPON STEEL CORPORATION) (current position)

#### Reason for selection

Mutsutake Otsuka has distinguished knowledge and abundant experience as a director of a listed company.

#### Main activities during fiscal 2018

He attended 12 of the 12 meetings of the Board of Directors and 12 of the 12 meetings of the Audit & Supervisory Board and made comments primarily based on his distinguished knowledge and abundant experience in the management of a listed company.

### Kiyoshi Nakanishi (b. April 2, 1945)

#### Career summary

April 1970	Joined Toyota Motor Co., Ltd.
January 1997	General Manager of No. 3 Engine Technical Department of No. 4 Development Center of TOYOTA MOTOR CORPORATION
June 2000	Director of TOYOTA MOTOR CORPORATION
June 2003	Managing Officer of TOYOTA MOTOR CORPORATION
June 2004	Adviser of TOYOTA MOTOR CORPORATION
June 2004	Representative Director of GENESIS RESEARCH INSTITUTE, INC.
June 2010	Adviser of GENESIS RESEARCH INSTITUTE, INC.
June 2010	Adviser of Toyota Central R&D Labs, Inc.
June 2010	Audit & Supervisory Board Member of TOYOTA TECHNOLOGY Co., LTD. (currently TOYOTA CUSTOMIZING & DEVELOPMENT Co., Ltd.)
June 2011	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company (current position)

#### Reason for selection

Kiyoshi Nakanishi has distinguished knowledge and abundant experience as a director of a listed company.

#### Main activities during fiscal 2018

He attended 11 of the 12 meetings of the Board of Directors and 11 of the 12 meetings of the Audit & Supervisory Board and made comments primarily based on his distinguished knowledge and abundant experience in the management of a listed company.



Representative Director, Chairman Masayoshi Kitamura and Outside Director John Buchanan discuss the corporate governance of the J-POWER Group.

## Evaluating the Corporate Governance of the J-POWER Group

**Kitamura** Now that it's been three years since you joined the J-POWER Group as an Outside Director, what is your overall impression of the corporate governance here?

**Buchanan** There are many different ideas about what corporate governance is, but my definition is that it is a way to establish the fundamental nature of a company. Looking at it from that perspective, I think the J-POWER Group's corporate governance is sound. My foremost reason for saying that is the strong sense I get that it's not just the directors who are working to achieve the Company's mission, it's every single employee. Employees throughout the Group have the courage to speak up if they think it's in the Company's interest. That's extremely important, because if that were not the case, you'd simply end up with a top-down approach to corporate governance.

On the other hand, the corporate governance of the J-POWER Group is obviously not an exact duplicate of so-called best practice in the UK and the USA. Being a Japanese company, J-POWER

has a lot of different traditions. And that's not necessarily a bad thing. For example, while there are frank exchanges of opinion at Board meetings, not every subject is covered at those meetings. Separate from the Board of Directors meetings, are Director Opinion Exchange Meetings [detailed later on], which were set up to debate business strategies. This is clearly a contributing factor to the currently sound corporate governance of the J-POWER Group.

**Kitamura** As you noted, senior management and employees very clearly possess a shared understanding regarding the Company's mission and its role in society. This has been true since long ago, whether at our power plants or Headquarters. I'm really glad that you feel the same. We can contribute to the community by sustainably raising our corporate value through the sound growth of the entire Company. I also believe that we can contribute to the many stakeholders supporting the Company. A large number of those stakeholders are shareholders, but not all of them. Our customers, employees, suppliers, and communities are also stakeholders. For a long time, you have researched the corporate governance of Japanese companies at the University of Cambridge. Personally, I'm

worried that despite the diversity of stakeholders, corporate governance in Japan may be too focused on a narrow set of them. What do you think?

**Buchanan** When I think about the balance of stakeholders, I always picture a gauge with a large needle. So, for example, it would be dangerous to lean too far toward one side or the other, like an extremist shareholder-centric position or an extremist employee-centric position. Striking a healthy balance is what's important. At present, I think Japan as a whole, including J-POWER, is gradually leaning towards a shareholder-centric position, but the needle of the gauge has yet to find its ideal balance, so I think it's not currently in danger of being too tilted toward shareholders.

**Kitamura** The Company's history as a publicly traded company is still short. It was not until 2004 that the Company was fully privatized and made 100% of its shares available to the public. At that time, corporate governance was a hot topic, and many European and American investors liked to grumble about how little regard Japanese companies had for shareholders. So we tried to be very sensitive to shareholder perspectives when we were creating our new corporate system. On that point, however, I think J-POWER is a little different from older, more typical Japanese companies. But you have been studying corporate governance in Japan for a long time, so how do you see this?

**Buchanan** Because J-POWER didn't have multiple shareholders before it was listed on the stock market as a publicly traded company, I think it probably had zero shareholder awareness up till that point. So, I think it was more self-conscious about its stance toward shareholders than many other companies. I don't feel that the Company ignores or disdains its shareholders in the slightest. It seems that J-POWER has achieved a good balance in its approach to its many stakeholders, including customers, employees, and all other members of the community.

## The Roles Expected of Independent Outside Directors

**Kitamura** As an independent Outside Director contributing to the management of the Company, what do you think is expected of you?

**Buchanan** I think one of the roles of an Outside Director is to serve as a representative for shareholders and other stakeholders. Looking at it from that point of view, two main underlying principles stand out. One is taking on the role of an emergency brake on executive actions, that is, basically functioning as a check mechanism. I draw on my own experience to assess whether an action is appropriate or not. And, on balance, I'd say this role is a passive one. The other role an Outside Director plays is strategic. Being inside a company can sometimes narrow one's vision, while someone from the outside may be better positioned to take a broader view.

The knowledge I've gained from my own experience does come in handy in both roles.

There is one other important matter. I wasn't especially aware of the essential nature of this when I first took on the position of Outside Director, but what I've come to realize over the last three years is that, ultimately, an outside director is not there to usurp the authority of the management. Of course, if everything I said was being ignored, I might be inclined to resign. Conversely, it would be unreasonable to expect the Company to accept and act on my every whim. Essentially, no matter how objective their stance, a person who is outside the Company lacks the knowledge and experience of those inside it. And, it is for that very reason that we need to respect the experience of the people inside the Company. Thinking that outside opinions are always right is unhelpful and dangerous. I think the important role we Outside Directors play is improving outcomes by bringing together external and internal viewpoints.

**Kitamura** Because those of us inside the Company are always here, we are very familiar with the Company's management style, the employee mindset, and the electric power business itself. We also understand that as the business environment changes, we need to respond to those changes using methods that differ from the ones used up to now. I've come to realize that when assessing the effectiveness of our response to capital markets, we are fortunate to be the recipients of the opinions of individuals who speak from perspectives not coloured by our particular corporate ways of thinking, experience or knowledge.

**Buchanan** By expressing our opinions as Outside Directors, we can better convey how the J-POWER Group is viewed from the outside. Some things that are considered obvious within the Company may be viewed entirely differently by people outside the Company. Pointing out things like this is surely another role that the Outside Directors play.

## Ensuring the Effectiveness of the Board of Directors

**Kitamura** J-POWER has taken various measures to ensure the effectiveness of its Board of Directors, but what do you think it really means for the Board of Directors to be effective?

**Buchanan** That is a very difficult question. Strictly speaking, I think the ideal is for the Board of Directors to engage in vigorous discussions. For example, in Europe and the USA, it has recently come to be considered fundamental that everything of consequence will be debated at Board of Directors meetings. Basically, no discussions of any importance can be held outside of such meetings. However, Japanese companies, including the J-POWER Group, don't have a tradition of discussing everything at their Board of Directors meetings.

For example, in Japan if the Executive Committee has already discussed a particular topic





and exchanged a wide range of frank opinions, the directors on the Executive Committee will not repeat that discussion at the Board of Directors meeting. Holding discussions at the Executive Committee meetings is of itself a very healthy thing to do. If we were to rehash every point already discussed elsewhere at the Board of Directors meetings, it would only confuse things as people wouldn't know what to say at which meeting.

Because these traditions run deep, they aren't easy to change. Still, it can be a problem if directors on the Executive Committee remain silent at the Board of Directors meetings, waiting for the Outside Directors unilaterally to deliver their opinions and then agreeing to everything without discussion. However, that kind of problem has not occurred with the J-POWER Group. At first, the internal directors often limited themselves to responding to questions from the Outside Directors; now, however, they are gradually beginning to voice their own opinions. Although there remains a tendency for the Outside Directors and Outside Audit & Supervisory Board Members to dominate discussions, I think things have begun to change and are heading in a much healthier direction.

**Kitamura** If we are to improve the decision making of the Board of Directors, I think hearing various opinions, including on matters overlooked at the Executive Committee meetings, is a very good thing. When assessing effectiveness, what's important is to be sure that genuinely useful meetings are being held. As part of this discussion about ensuring the effectiveness of the Board of Directors, we received a request from the Outside Directors and Outside Audit & Supervisory Board Members. They would like more time to be devoted to the discussion of business strategies rather than just dealing with proposals because the future direction of the Company and its business strategies are precisely what the Board of Directors should be discussing. In response to this request, we have restricted the matters brought before the Board of Directors to those related to relatively large investments. And, to give more time to discussions of important business matters that could affect the future of the Company, we established a new Director Opinion Exchange Meeting. What do you think of these developments?

**Buchanan** I think some people would find it odd to discuss

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#### Outside Director: John Buchanan

June 1974 Graduated from the University of Cambridge with a degree in Oriental Studies  
 July 2006 Received a PhD in Management Studies from the University of Cambridge (researched corporate governance)

October 1974 Joined Lloyds Bank Group (Bank of London and South America, Lloyds Bank International, Lloyds Merchant Bank)

October 1987 Joined S.G. Warburg & Co. Ltd.

October 1992 Director of S.G. Warburg & Co. Ltd.

October 1995 Joined The Sumitomo Bank, Limited, London Branch

May 2000 Joined Daiwa Securities SB Capital Markets Europe Limited

August 2006 Research Associate of Centre for Business Research, University of Cambridge (current position)

June 2016 Director (Outside Director) of Electric Power Development Co., Ltd. (current position)

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such matters outside of Board of Directors meetings, but I don't see it that way. I think these meetings improve the effectiveness of the Board of Directors and support its goals. A traditional Board of Directors in Japan will maintain some rigidity no matter how much it progresses. The establishment of a separate meeting has made it possible for the internal directors to speak up more and have franker discussions. Those discussions are reflected in the Board of Directors meetings, increasing opportunities for more strategic discussions and thereby raising the effectiveness of the Board of Directors itself. The opinion exchange meetings may end up being incorporated into the Board of Directors meetings, but, for now, I think it is a very sound way of doing things.

## Establishing the Nomination and Compensation Committee

**Kitamura** As part of its corporate governance reform efforts, J-POWER established a Nomination and Compensation Committee in April 2019. The committee comprises mainly Outside Directors and Outside Audit & Supervisory Board Members and deliberates in advance before providing its recommendations to the Board of Directors. The aim is to ensure transparency when determining board member compensation and officer appointment and dismissal. What do you think of the establishment of this committee?

**Buchanan** The Nomination and Compensation Committee is very important in demonstrating to external parties that there is a clear system in place for these processes. And people can trust the committee because its members speak their mind freely. This will undoubtedly be a fundamental shift for the Company.

**Kitamura** Decisions about appointment, dismissal, and compensation of officers are extremely important to both the Company and shareholders, so, as a mechanism for ensuring objectivity and transparency in such decisions, I think the establishment of the committee is very significant. I think the role of the outside officers on the committee will surely be key.

**Buchanan** I agree. Because this committee serves as a kind



of assurance, I think it is there to operate when unforeseen situations arise. Its very existence shows external parties that the Company has these kinds of functions, and that the committee can also play an important role internally when needed. It's important to have these kinds of safety measures in place.

## Potential Corporate Governance Issues for the J-POWER Group Going Forward

**Kitamura** Finally, I'd like to ask about potential issues going forward. I think that it's not enough for our corporate governance system simply to be in accordance with the Corporate Governance Code; it needs to be able to change as time goes on. I don't just mean that if it falls behind the times we can amend it or that if the Corporate Governance Code is revised we can bring it up to date, I mean that we should be able deliberately to change it ourselves. In addition, while it is very important to write down our policies clearly, the main issue is the actual practice of governance. I think it's important always to be mindful of how governance is being conducted, and that applies to all of the various interactions among top management, between management and employees, and between management and shareholders or other investors. What is your opinion?

**Buchanan** The J-POWER Group's corporate governance is currently sound. But no company is perfect; there are always some issues. First, because some aspects of the Group's approach up to now have been very good, the Group needs to be able to introduce new elements without losing those good aspects. It is not the case that old practices are all necessarily bad so it's very important to hold onto what has been working to date while bringing other practices into line with the Corporate Governance Code. Next, and this is an issue not just for the J-POWER Group but for all Japanese companies, the Board of Directors has a habit of expecting unanimity in all its resolutions, with no objections. From a third-party standpoint, it feels overly mechanical and unnatural. It is important to debate until a con-

sensus is reached, but it is also okay to admit that there are individuals who harbour some doubts. I'd like to see the Board gradually become able to decide on matters and move ahead in the face of dissenting minority opinions.

Another issue is diversity, which has recently become a big topic. A wide range of backgrounds, experiences, and ideas among the participants is very helpful to discussion. But it is a big mistake to treat diversity merely as window dressing. If the Company as a whole is lacking diversity, there isn't any meaning in ensuring it on the board. I think the Group should think about how it can foster diversity and how it can find and make the best use of appropriate human resources. More than anything, this should lead to more active participation by women. For example, another long-term issue will be hiring more women in technical roles and promoting them according to their capabilities.

**Kitamura** What always comes to mind when I think of the expression "corporate governance" is the importance of the mission we have defined for ourselves and the pride we have in our work. Our corporate philosophy isn't something that we should make changes to willy-nilly because such things are less highly regarded or because the situation has changed over time. Our current corporate philosophy was created after discussion among all the employees when we decided to privatize. Therefore, I think we need constantly to assess whether our corporate governance aligns with our corporate philosophy.

**Buchanan** The Corporate Governance Code is not all there is to corporate governance; it's just a guide for what you should not do or what you should do at a bare minimum. Corporate governance is a much broader concept intimately entwined with corporate philosophy, so I think you have the right idea.

J-POWER, in accordance with its Corporate Philosophy, has established the Corporate Conduct Rules (please refer to page 67) as the core of its compliance activities, outlining basic rules for behavior in line with the spirit of compliance and business ethics to be observed in the course of business operations. In addition, the Company has established its Compliance Action Guidelines (please refer to page 68) as criteria for determining specific actions by individual employees, including members of management, when conducting business activities. The Company distributes these documents to all employees and works to encourage compliance awareness by having employees sign and keep with them a copy of the Compliance Pledge.

Directors adhere to the Corporate Philosophy, Corporate Conduct Rules, and Compliance Action Guidelines, set an example for honest and fair conduct based on a steadfast spirit of compliance and business ethics, and instill these values in employees.

In addition, the Board of Directors regularly receives reports on the status of business execution in order to quickly understand risks, including ESG-related risks. The Company incorporates mutual checks and balances in the internal decision-making process, undertakes reviews in various meetings and committees, and always maintains risk management frameworks in accordance with Company regulations. This structure ensures measures are implemented to recognize and avoid risks in the conduct of business activities and minimizes losses when risks actualize.

### Compliance Promotion Structure

The Company's compliance is overseen by the Chairman. An Executive Vice President or an Executive Officer in charge of compliance implements compliance promotion programs and assists the Chairman and President. The Compliance Action Committee, chaired by the Chairman, has been established to discuss company-wide compliance promotion measures, evaluate their implementation status, and address issues related to compliance violations. With the participation of group companies, the committee is implementing measures for the entire J-POWER Group. Two task forces, led by two Executive Vice Presidents, have also been established to quickly and accurately promote operations pertaining to compliance promotion, one for company-wide compliance promotion and the other for autonomous safety activities based on the Company's safety regulations.

At major business units, such as regional headquarters, regional transmission system centers, and thermal power plants, local compliance committees have been established to implement compliance activities suited to the characteristics of their respective business units.

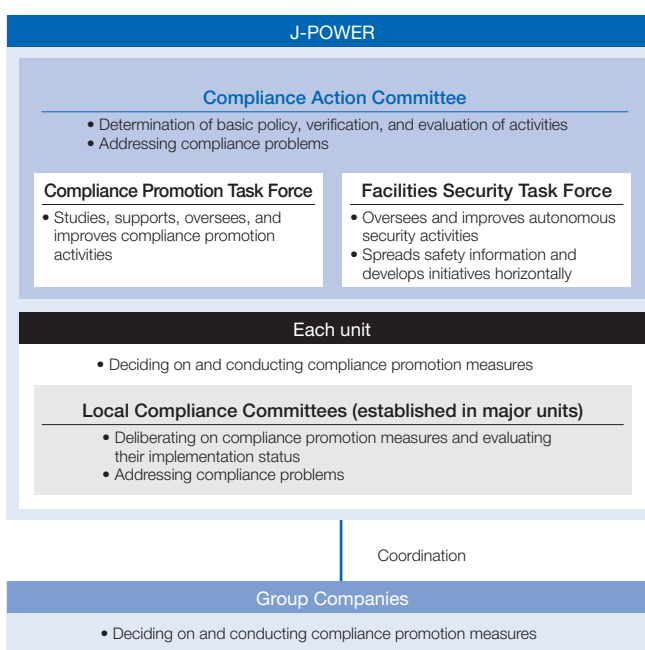
### Compliance Promotion Activities

The Compliance Action Committee utilizes a PDCA (plan-do-check-act) method for compliance promotion, formulating a plan for each fiscal year, evaluating the results at the end of the fiscal year, and formulating the next year's plan based on the results. The compliance promotion plan and results are reported to the Board of Directors.

To raise compliance awareness among employees, the Company issues notifications of changes in laws and regulations, presents compliance-related case studies, and conducts training sessions on laws and regulations related to our business and on compliance issues.

When alleged compliance violations occur, the Compliance Action Committee investigates the facts and causes surrounding the issues and takes appropriate action as necessary, including issuing directives for improvement or measures to prevent their recurrence.

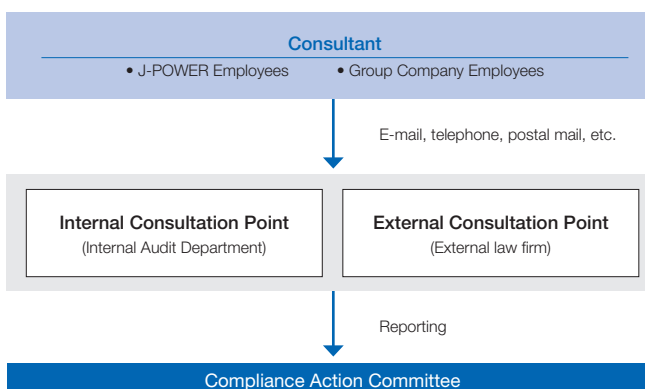
### The J-POWER Group's Compliance Promotion System



### Compliance Consultation Points (Whistle-Blowing System)

The J-POWER Group has established Compliance Consultation Points 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 Group makes employees aware of these channels. Employees who use these resources are rigorously protected.

### The J-POWER Group's Compliance Consultation Points



### Barring Relations with Anti-Social Forces

The J-POWER Group's policy is to not maintain relations of any sort with the anti-social forces that threaten the order and safety of civil society. The Company has designated an internal department to act as a point of contact in the event that demands or other contacts are received from anti-social forces and has established a system that ensures the quick collection of information and appropriate response in cooperation with specialist external agencies.

### Preventing Bribery and Corruption

The J-POWER Group prohibits bribes, illicit payments, and illegal political donations, as well as entertaining or giving gifts to public officials that conflict with the National Public Service Ethics Act or rules prescribed by government agencies. Also, the Company does not offer financial or other rewards to foreign government officials in return for illicit benefits or accommodations. We are careful to avoid actions that might be construed as collusion with politicians or administrative agencies and strive to establish sound and transparent relationships.

### Disclosure

The Company has established the Disclosure Committee, chaired by the President, to enhance transparency and accountability in corporate activities. This committee ensures

the fair and transparent disclosure of company information in a timely and proactive manner.

### Compliance with the Internal Control Reporting System

In response to the internal control reporting system for financial reporting required by Japan's Financial Instruments and Exchange Act, the J-POWER Group established, maintains, and evaluates its internal control system, mainly through the Accounting & Finance Department and Internal Audit Department.

In fiscal 2018, continuing from the previous year, the Company's management evaluated the status of the development and operation of internal controls 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. The Company determined that its internal control system for financial reporting is effective. This evaluation result was submitted as an Internal Control Report to the Director-General of the Kanto Finance Bureau in June 2019 following an audit carried out by the Company's Independent Auditor.

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

#### Corporate Conduct Rules (Revised on April 1, 2004)

##### Reliable supply of energy

We will put forth every effort to reliably supply energy both in Japan and abroad, utilizing our experienced personnel and cutting-edge technology.

##### Safety assurance

In conducting operations, we will constantly work to raise safety awareness and give the highest priority to public and worker safety.

##### Environmental conservation

Based on the awareness that our business operations are deeply linked with the environment, we will actively engage in environmental conservation activities.

##### Communication with society

To establish communication with society, we will conduct information disclosure and public relations activities in a fair and transparent manner.

##### Contribution to society

Aiming to be a good corporate citizen, we will undertake activities to contribute to society and assist in the development of local communities both in Japan and abroad.

##### Creation of a rewarding corporate culture

In addition to providing safe and comfortable work environments, we will respect the individuality of our employees and endeavor to establish a rewarding corporate culture that encourages them to take on new challenges.

##### Compliance with laws, regulations, and corporate ethics

We will conduct business in good faith and in a fair manner with a strong commitment to compliance and ethics. We will stand firm against anti-social forces that threaten the order and safety of civil society.

##### Role of top management

Recognizing its responsibility in putting into practice the spirit of these Corporate Conduct Rules, our top management must set an example for others and work to spread awareness of these rules.

Should an event occur that violates the spirit of these rules, top management must take the initiative in dealing with the problem to determine the causes and prevent its recurrence. Top management must also identify and take disciplinary action against those responsible, including its own members.

## Compliance Action Guidelines (Revised on October 1, 2014)

### [1] Basic Matters (omitted)

### [2] Compliance Rules

#### 1. Relationship with Society

##### (1) Contribution to Society

- a. We shall contribute to the sustainable development of Japan and the world by faithfully fulfilling the mission of the J-POWER Group to provide a stable supply of electricity.
- b. We shall act sensibly and responsibly as members of society and conduct our duties with awareness and pride as members of the J-POWER Group.
- c. We shall actively participate in social contribution activities as a good corporate citizen and contribute to the development of society. We shall continually conduct social contribution activities, including supporting culture and the arts, cooperating with local communities, supporting participation in volunteer activities, and contributing to international society, in order to fulfill our role as a good corporate citizen.

##### (2) Appropriate Disclosure

- a. We shall not act in a way that leads to a loss of trust from society, such as disclosing false information or data, or willfully concealing information that should be made public.
- b. We shall respect diverse views and not act in a way that hinders the formation of sound public opinion.
- c. In written statements and other information released as part of public relations activities, we will never use any slanderous expressions or socially discriminatory language.

##### (3) Restrictions on Donations and Political Contributions

- a. In making political contributions or donations to any type of organization, etc., we will comply with the Public Officers Election Act, Political Funds Control Act, and other related laws and regulations, acting in accordance with regular methods.
- b. In accordance with Company regulations, we shall receive prior approval for contributions or donations.
- c. We will not offer bribes, illicit payments, or illegal political donations, and be extremely careful not to act in a way that may be construed as colluding with politicians or government agencies. We will strive to build sound and transparent relationships.

##### (4) Barring Relations with Anti-Social Forces

- a. To avoid illegal or anti-social behavior, we will maintain a basic legal knowledge, an awareness of social norms and sense of justice, and strive to constantly exercise good sense.
- b. We will be resolute in dealing with the anti-social forces that threaten the order and safety of civil society and never engage with them in relations of any sort. If an improper demand is received from anti-social forces or other parties, we will maintain a firm stance and never seek a resolution with money or other rewards.
- c. We will never use anti-social forces for corporate or personal gain.
- d. We will never conduct business with anti-social forces or businesses affiliated with anti-social forces.

##### (5) Environmental Protection

We maintain a continuous awareness of the importance of environmental protection in all our business activities. We will comply with all environment-related laws and regulations and proactively address global and local environmental issues based on our Environmental Management Vision.

##### (6) Appropriate Use of Information Systems

- a. We recognize that information security is a social responsibility for a company with vital infrastructure.
- b. We use the Company's information systems only for work purposes, and not for personal matters.
- c. We strictly manage Company information and encrypt data removed from Company premises to prevent the leak or theft of confidential information.
- d. When using computers or external storage media, we will run a virus scan to prevent damage from viruses and other malicious programs.
- e. We will properly manage our ID and password information and never illicitly access systems.
- f. When using the Internet, we always take care to ensure appropriate use and refrain from acts that could undermine the Company's social credibility in our private lives, as well.
- g. We use software appropriately and shall not install software with a high risk of information leakage, such as free software or file sharing software.

##### (7) Protection of Intellectual Property Rights

The Company's intellectual property rights acquired through research and development or other business operations (inventions, utility models, designs, copyrights, trademarks, know-how, technical information, etc.) are important Company assets. We will use them properly and strive to protect those rights.

- a. We will promptly submit applications and register work that belongs to the Company and strive to protect the Company's intellectual property rights.
- b. We will never infringe upon the intellectual property rights of others, such as by engaging in the unauthorized copying of computer software.
- c. The intellectual property rights of business partners must be used only under appropriate license and never illicitly.

##### (8) Compliance with Import-Export Laws and Regulations

- a. For the export and import of products, we will follow proper import/export and customs procedures in accordance with relevant laws and regulations.
- b. We will never import or export prohibited goods.

#### 2. Relationships with Customers, Business Partners, and Competitors

##### (1) Safety and Reliability of Energy Supplies and Product Sales

- a. In supplying electric power and other forms of energy to society, with constant priority on ensuring safety, we will maintain full understanding of and compliance with relevant laws, regulations, and standards. We will also take extreme care with regard to maintenance and operations and strive to provide a stable energy supply with quality and safety.
- b. Similarly, with regard to product sales, we will maintain full understanding of and compliance with safety-related laws and safety standards, from development and manufacturing to sales, repair, and maintenance, aiming for higher reliability.
- c. When we receive information about impediments to safety or reliability, we will promptly confirm the facts, and if we determine that there is a problem, contact the relevant departments and take appropriate action.

##### (2) Compliance with Antitrust Laws

Under no circumstances will we act in a manner that violates antitrust laws, for example, by participating in cartels or collusion, fixing resale prices, or abusing a dominant bargaining position. We will engage in fair and free competition.

- a. We will not make any agreements with other business operators that affect sales prices or terms of sale and will not engage in collusive bidding or other unreasonable restraint of trade.
- b. We will not sell products at inappropriately low prices, restrict the selling prices of customers, or engage in other unfair business practices.

(3) Appropriate Business with Suppliers

In our business relations with suppliers, we will act with good sense and sincerity and treat suppliers with impartiality and fairness.

- a. When choosing a supplier from among several companies, we will determine the optimal partner by fairly comparing and evaluating such factors as quality, price, delivery period, technical development capabilities, stable supply, and financial standing.
- b. We will not exert influence that provides certain suppliers with improper favorable treatment.
- c. When commissioning business partners for manufacturing, repairs, the preparation of information deliverables, or the rendering of services, we will conclude contracts and conduct business with a full understanding of the Subcontract Act, taking care to avoid delayed payment or other improper action.

(4) Prevention of Unfair Competition

- a. We will not acquire or use the trade secrets of other companies through theft or other improper means.
- b. We will not acquire or use the trade secrets of other companies that we know or suspect to have been obtained through improper means.

(5) Entertaining/Gifts

- a. Entertaining and the giving of gifts to business partners will be within the scope of social courtesy.
- b. When we have no choice but to be entertained by or accept gifts from customers or business partners, it must be within the scope of social courtesy.

**3. Relationships with Company Assets, Accounting, Shareholders, and Investors**

(1) Appropriate Use of Company Assets

Company assets need to be in a condition for efficient and ready use, and we should handle both tangible and intangible assets appropriately to prevent damage or theft. Company assets or expenditures may not be used for personal purposes.

(2) Appropriate Accounting Management and Tax Treatment

Entries on accounting ledgers or accounting slips will be made in accordance with relevant laws, regulations, and Company regulations. We will not disguise or conceal facts, create fictional records, or accumulate off-book assets.

(3) Disclosure of Management Information

We will provide shareholders and investors with timely and appropriate disclosure of management information, including the Company's financial condition and status of business activities. We will clearly convey the Company's management philosophy and policies and take seriously any opinions or criticism regarding them.

(4) Prohibition on Insider Trading

We will not buy or sell Company stocks or bonds using internal information obtained during the course of business.

We will not buy or sell the stocks or bonds of business partners with which we have a business relationship, competitors, or customers using internal information obtained during the course of business prior to the disclosure of such information to ordinary investors.

We will handle internal information appropriately to prevent stock transactions using internal information and not disclose such information to others not associated with the business.

**4. Relationships with Government Agencies and Public Officials**

(1) Appropriate Approval and Notification Procedures

- a. We ensure that necessary procedures, such as obtaining approvals and submitting notifications, are taken.
- b. We will not neglect to submit necessary notifications, alter data, or take any action that leads to a loss of the Company's credibility.

(2) Entertaining and Gifts to Public Officials

We will not entertain or give gifts to public officials or equivalent persons in a manner that conflicts with the National Public Service Ethics Act or other rules prescribed by government agencies.

In addition, we will not give, promise, or offer financial or other rewards to foreign government officials to improperly gain a business advantage or in return for a business accommodation.

**5. Relationships with Employees**

(1) Respect for Human Rights

We will strive to constantly maintain a wholesome work environment, will respect human rights, and will never act in a way that leads to discrimination or the denial employees' personalities.

- a. We will not discriminate in any way, including on the grounds of birth, nationality, race, creed, religion, gender, physical condition, or social status.
- b. We will not engage in abuse of authority, sexual harassment, or similar types of behavior.

(2) Protection of Privacy

We will strictly manage the personal information of employees and external persons obtained during the course of business and use this information only for business purposes, while preventing the leakage of this information.

(3) Workplace Health and Safety

We will strive to provide a work environment with priority on health and safety, and will understand and comply with laws and regulations regarding workplace health and safety. Should a work-related accident occur, we will minimize the effects of the accident and faithfully and promptly follow prescribed procedure, such as reporting, to prevent recurrences.

(4) Compliance with Labor Laws

We will comply with labor-related laws and strive to maintain a wholesome work environment with a pleasant atmosphere for a wide range of human resources.

- a. We will comply with the Labor Standards Act and not impose duties that force employees to engage in excessive labor or overtime.
- b. We will comply with the overtime work agreement and not require or condone unpaid overtime.
- c. We will conduct discussions with labor unions in good faith and establish healthy labor-management relations.
- d. Each of us will constantly strive to maintain our own mental and physical health and pay attention to the physical and mental health of subordinates.

(5) Compliance with Rules of Employment

- a. We will maintain discipline on the job and comply with the Rules of Employment.
- b. We will respect the rights of employees as prescribed by the Rules of Employment.

**Emergency Management Measures**

The J-POWER Group has a responsibility as an electric utility company to ensure a stable supply of electricity, which plays an essential role in people's everyday lives. We need to prevent damage to the equipment that produces and transmits electric power and to restore service quickly should a disruption occur. Accordingly, the J-POWER Group implements the following measures.

- (1) Installation of appropriate facilities and development of disaster recovery systems in preparation for natural disasters, including earthquakes, typhoons, lightning strikes, and tsunami
- (2) Enhancement of security to prevent malicious and violent conduct
- (3) Enhancement of regular facility inspections to prevent major impediments to electric power supply and appropriate repairs and upgrades in response to aging, the decline of function, and breakdowns
- (4) Preparation of action plans for responding to pandemics and other events that could have a major impact on business operations

The J-POWER Group has established the following systems to accurately forecast and prevent accidents, facility incidents, and other emergency events, and to promptly and appropriately respond to and manage such events should they occur.

**Emergency Management Systems**

**(1) Emergency Response Team**

A permanent organization at the J-POWER Headquarters. The team forecasts emergencies, immediately takes first-response action in the case of an occurrence, and oversees emergency management operations.

**(2) Emergency Managers and Emergency Duty Personnel**

Emergency Managers and Personnel are appointed at the Headquarters and local units to take first-response action and report information.

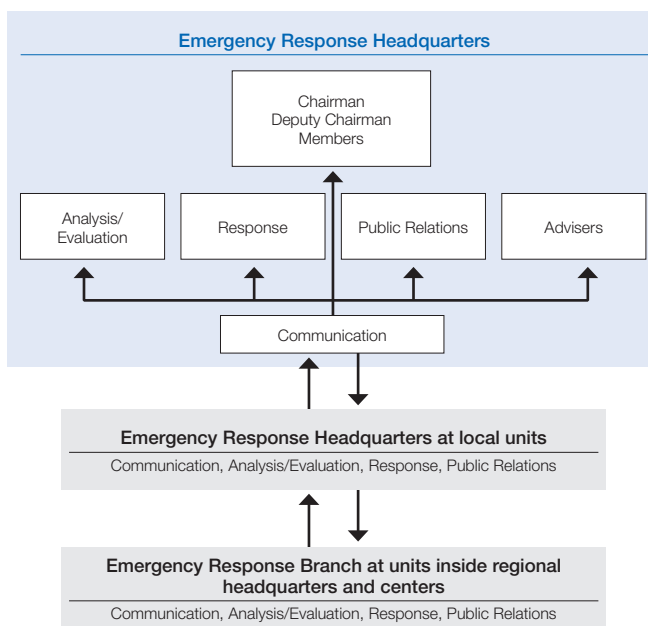
**(3) Emergency Response Headquarters and Branches**

When an emergency is predicted to occur or occurs and the seriousness warrants emergency countermeasures, the Emergency Response Headquarters (and Branches) are established.

**Emergency Response Headquarters Structure (Head Office)**

Structure	Composition
Chairman	President
Deputy Chairman	Executive Vice President
Members	Executive Officers in charge of General Affairs Dept. and related Executive Officers Department Directors of General Affairs Dept., Secretarial Affairs & Public Relation Dept., and other related departments
Emergency Management Task Force	Emergency Response Team and related departments
(Composition of Task Force)	(Division of Duties)
1. Communication	Communication, collection, and management of information
2. Analysis/Evaluation	Analysis, evaluation, response planning
3. Response	Restoration, liaison, response to victims, response to consumers, IR-related information
4. Public Relations	Relations with media
5. Advisers	Provide advice regarding analysis, evaluation, response planning, etc.

**Emergency Response Headquarters Communication System**



**Disaster Prevention and Business Continuity**

J-POWER, as an electric utility company responsible for vital lifelines, is a designated public institution under the Basic Act on Disaster Control Measures.

Accordingly, the Company has established physical measures assuming a large-scale natural disaster as well as non-physical measures, such as various rules for when disasters occur, and a systematic disaster preparedness structure from the head office to local units. By actively implementing these measures, the Company further strengthens its disaster preparedness structure to ensure the continuation of business even in the event of a natural disaster exceeding assumptions.

**Information Security**

With advancements in the utilization of IT by corporations, information security has become increasingly important in light of the increase in instances of cyber attacks targeting specific companies and other threats. As an important infrastructure company that is responsible for ensuring a stable power supply in Japan and overseas and the construction of a nuclear power plant, it is imperative that the J-POWER Group ensure an especially high level of information security.

Furthermore, ensuring the security of important systems, such as electric power control systems, is growing ever more important to ensuring a stable power supply.

The J-POWER Group has established a Basic Policy on Information Security and formulates and implements an annual plan with specific measures based on activities in the previous fiscal year.

Of note, the Company is strengthening its collaboration with relevant government agencies and the electric power industry overall, contributing to the stable supply of electric power from an IT perspective. The Company is implementing robust information security measures in constructing the Ohma Nuclear Power Plant, with the IT department working in close coordination with the nuclear power department.

Note: Please refer to the J-POWER website for more information on the Basic Policy on Information Security and information security measures.  
<http://www.jpowers.co.jp/english/privacy/>