

Corporate Governance

Basic ideas

We at HEPCO are resolved to promote efficient and transparent corporate activities in order to promptly respond to changes in the electric power industry's management environment as well as the social environment, under the guidance of the Boards of Directors and Auditors.

We have also worked hard, from the standpoint of fulfilling CSR, to enhance the HEPCO Group's sustainable corporate values by pursuing thorough compliance, addressing environmental issues, actively holding dialogue with stakeholders and so forth.

Conditions of implementing measures

Board of Directors' Meeting: In principle, we hold the Board of Directors' Meeting on a monthly basis to make important operational decisions and supervise the functioning of the Directors based on their reports regarding the execution of their duties.

Executive Board Meeting: This meeting, which includes the President, the General Managers (Directors) and other executives, is held on a weekly basis to discuss policies and plans regarding the Group's overall

management as well as important operational matters.

Various meetings: Bodies are established whenever deemed necessary to discuss and coordinate the direction the company should take regarding such important management issues as compliance and risk management.

Corporate Auditors: The Corporate Auditors examine the legality and adequacy of function performed by the Directors based on the auditing policies established by the Board of Auditors. Of the five Corporate Auditors, three are external auditors and have no interests with HEPCO, including personnel, capital and business relationships. We have also assigned (eight) fulltime workers to assist with their auditing affairs. Our accounting auditor and the Internal Audit Section work together to enhance the efficiency of auditing tasks.

Internal Control System: We established the Basic Policy Concerning Schemes to Ensure Business Adequacy, and have improved and managed our internal control system according to the basic policy. With regard to the efficiency and legality of performance of operations, we have an internal auditing system under which (14) fulltime workers are assigned to the Internal Audit Section.

Auditing results are reported to the President and the Auditors.

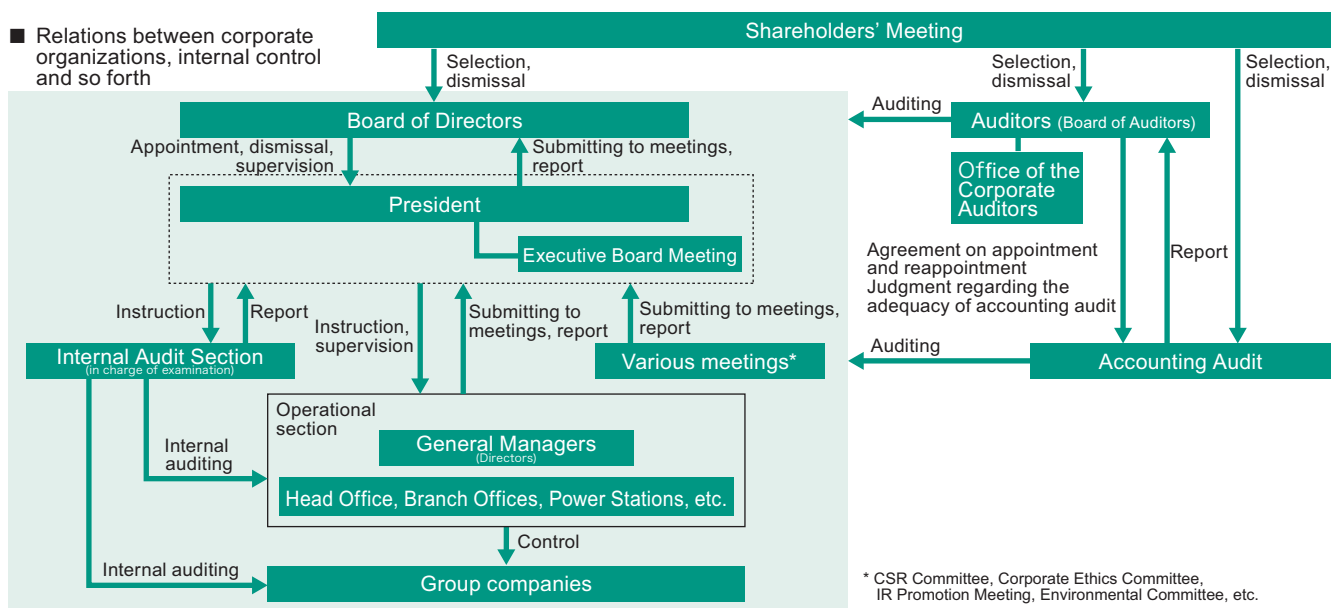
Risk management: We systematically comprehend risks, draft countermeasures and confirm the implementation of such countermeasures in our management cycles, e.g. the Group's management policy.

Accounting audit: Yaesu Audit Company conducts audits as our accounting auditor. The accounting auditor and our auditors hold liaison meetings to exchange information on auditing.

Corporate lawyers: We have concluded advisory contracts with several lawyers and established a system under which we refer to them for legal assessments and receive advice whenever necessary in performing our operations.

Thorough compliance: After the revelation of compliance violations during the inspection of power generation equipment, we established the Corporate Ethics Committee in March 2007 to promote compliance-related activities.

Under the Corporate Ethics Committee, headed by the President of the Company, we will continue to pursue thorough compliance in our business activities based on the HEPCO Group CSR Behavior Charter and the Compliance Action Guidelines.



CSR
Corporate Social Responsibility (CSR) refers to the responsibility to regard economic, environmental and social aspects of corporate activities comprehensively and link them with corporate values as the source of competitiveness.

Corporate governance
Corporate governance involves decision-making, supervision and oversight of management. Due to the recent changes in shareholder composition and demands for stricter compliance, there have been calls for strengthened decision-making, supervision and oversight of management, and numerous companies are promoting these reforms.

IR
Investor Relations (IR) refers to corporations' general activities intended to provide their shareholders and investors with information necessary to make investment decisions, such as financial conditions.