

Basic Approach

The Group will conduct its business in conformity with relevant laws and in an ethical manner, and will deepen relations of trust with shareholders, investors and customers through prompt and appropriate disclosure, to ensure that it remains the electricity supplier of choice for its community. To this end, we are vigorously strengthening corporate governance throughout the Group.

In the 2006 business plan, we continue to pursue our Group target of establishing a Group “brand” by raising our reputation for trustworthiness through enhanced compliance.

1. Structure and Internal Controls of Group Organizations

Group Senior Executive Council

The Group has established a Senior Executive Council, chaired by the company president, to discuss important Group matters and assume a decision-making role in strategic management planning and implementation. In principle, the council meets once a quarter, and additionally whenever needed.

Every year, we hold a meeting of the President and the presidents of affiliates to clarify the management posture of all Group companies, ensuring that decision-making is relayed around the Group and that Group management is more cohesive.

The Board of Directors / Board of Executive Directors

The Board of Directors generally meets twice a month. It decides on important company executive matters, and supervises directors’ conduct of operations.

In addition, based on the policies decided by the Board of Directors, the Board of Executive Directors discusses issues vital for smooth management of operations under the President’s supervision, and works to assure smooth execution. It generally meets two or three times every month, and deals with conduct of important operations.

Board of Auditors

The Company uses the traditional corporate governance system based on corporate auditors. Corporate auditors supervise the conduct of operations by directors through attendance of important meetings such as the Board of Directors’ meeting. The Board of Auditors generally meets once in every two months, and receives and discusses reports concerning important auditing matters. The Board of Auditors has its own staff, working from a corporate auditors’ office, to offer support in auditing, and to handle administration. In addition, the corporate auditors work in partnership with independent auditors and internal auditing department to strengthen internal controls and risk avoidance in all Group companies.

Conflict of Interest Involving External Directors and External Auditors

No substantial conflict of interest exists between the Company and the external director and two external auditors.

Internal Audits

A two-person internal auditing (assessment) office has been set up as a separate entity under the President. To improve performance, this team carries out annual

internal audits to confirm and evaluate the diligence of employees charged with target achievement with respect to management policy, corporate rules and regulations and legal observance in the conduct of their work.

Independent Auditors

Based on a contract between the Company and Deloitte Touche Tohmatsu, an accounting firm, Certified Public Accountants Noriyuki Takayama and Tatsuya Yasuda were responsible for auditing the settlement of accounts for this period. They were assisted by five other certified public accountants, two assistant accountants and three others.

Compliance

The Company has established a set of corporate conduct standards as a guideline for fair conduct and contribution to society. We are promoting legal observance through rules for legal compliance and ethical conduct for executives, and rules for ethical conduct for regular employees. Initiatives to realize compliance Groupwide include establishment of the “Okiden group code of conduct” for Group companies.

Disclosure

The Company discloses financial information in the first and third quarters in addition to disclosures for term-end and interim account settlements, to keep shareholders and investors fully informed.

Other

To enhance operational efficiency, the Company has acquired the ISO 9001 international quality management standard. Through internal audits, we ensure ISO 9001 methods take root and promote more efficient, enhanced operation of our business. We also use ISO-approved external auditors to ensure that ISO 9001 standards are kept.

2. Risk Management

We have set up a Risk Management Committee and are setting up internal mechanisms for dealing with various kinds of risk. We have compiled a variety of manuals for each of our offices and departments dealing with hypothetical risk, and are taking measures to forestall risk and deal quickly with it when it occurs.

To respond to risk management issues on a Groupwide basis, we are compiling various manuals covering risk scenarios at Group companies.

3. One Year of Corporate Governance Initiatives

In fiscal 2005, the Senior Executive Council met seven times. It discussed 1) Group management policy for 2006, 2) risk management at Group companies, and 3) reports and assessments of the management situation at Group companies. In addition, it receives a direct report from every Group company president enabling accurate understanding of conditions in each company. In July and August, after the general meetings of shareholders held by Group companies, we held interviews with the presidents, at which opinions were exchanged on 1) the previous term’s earnings, 2) management policy, goals and issues in the current fiscal year, and 3) management goals and issues in the longer term. The fiscal 2005 internal audit (assessment) covered 13 departments and three consolidated subsidiaries.