

# Corporate Governance

As of June 30, 2014

## Fundamental Stance on Corporate Governance

We consider enhancing corporate governance a critical task for management, and are working to develop organizational structures and policies for legal and ethical compliance, appropriate and prompt decision-making, efficient business practices, and effective auditing and supervisory functions.

At the General Meeting of Shareholders in June 2012, TEPCO resolved to adopt the “Company with Committees” management structure. Under this structure, we are striving to further improve the objectivity and transparency of our management.

## Corporate Governance Systems

### (1) The Board of Directors and the Board of Executive Officers

The Board of Directors comprises eleven Directors, including ten male directors and one female director, with six Outside Directors making up the majority. To supervise business execution undertaken by Directors and Executive Officers, the Board of Directors generally meets once a month and holds additional special meetings as necessary to discuss and make decisions on important business execution and to receive reports from Executive Officers on the status of their business execution on both a regular and an as-needed basis. In addition, TEPCO has established the Nominating Committee, Audit Committee and Compensation Committee in accordance with the stipulations concerning a “Company with Committees” as set forth in Japan’s Companies Act.

Also, fifteen Executive Officers, all of whom are male officers appointed mainly from within the Company, execute business operations in accordance with management policies formulated by the Board of Directors. To ensure appropriate and prompt decision making as well as efficient business operations, the Board of Executive Officers Meeting, which generally convenes on a weekly basis, and other formal bodies discuss significant corporate management matters, including matters to be referred to the Board of Directors. TEPCO has also set up cross-organizational committees aimed at assisting the decision making of the Board of Executive Officers.

In addition, TEPCO has appointed Corporate Officers who bear responsibilities for specific businesses and execute operations accordingly.

### (2) Nominating Committee

The Nominating Committee comprises five Directors, including three Outside Directors, and meets at least once a year to determine the content of proposals with regard to the election and dismissal of Directors that are submitted to the Shareholders Meeting. Although not included in the items to be discussed by the Nominating Committee as set forth in the Companies Act, the committee also discusses matters concerning the selection and dismissal of Executive Officers and other management personnel.

### (3) Audit Committee

The Audit Committee, comprising three directors, including two Outside Directors, generally meets once a month and holds additional special meetings as necessary to audit the business execution of Directors and Executive Officers and to prepare audit reports.

To ensure the stringency of audits, members of the Audit Committee attend such important meetings as those of the Board of Directors and the Board of Executive Officers to receive reports from Directors and Executive Officers on the status of their business execution. In addition, the Audit Committee conducts on-site audits of the Head Office and other major bases of operations to ascertain the status of business operations and assets. To support the Audit Committee, TEPCO has appointed Audit Committee Aides while establishing the Office of Audit Committee.

### (4) Compensation Committee

The Compensation Committee consists of three Outside Directors and meets at least once a year to prescribe the policy on decisions on the content of the remuneration for individual Directors and Executive Officers, and to determine the content of remuneration for individual Directors and Executive Officers.

## Internal Control

At its April 2006 meeting, the Board of Directors established a set of guidelines for internal control systems under the theme “Developing a Framework to Ensure Appropriate Operations,” and revised said guidelines at its June 2014 meeting. Based on these guidelines, the Internal Control Committee leads efforts to establish, apply and from time to time evaluate and improve internal control systems in order to ensure appropriate operations, including thorough compliance with laws and other regulations and more effective and efficient operations.

The Internal Control Committee also works to ensure the reli-

ability of financial reporting by applying appropriate systems and performing evaluations that conform to “The System of Reporting the Internal Control over Financial Reporting” under the Financial Instruments and Exchange Act.

At the same time, Group companies report to and hold timely discussions with TEPCO concerning important issues that arise in the course of business. In this way, we ensure that TEPCO can stay apprised of management conditions at Group companies and share and solve Group management issues to facilitate the implementation of integrated risk management. Furthermore, TEPCO is

working to establish an overarching framework of internal controls for the entire Group and supports Group companies' autonomous construction and operation of controls that ensure appropriate operations.

Spearheaded by the Internal Audit & Management of Quality

## Risk Management

Directors and Executive Officers identify and evaluate risk associated with the business activities of TEPCO and Group companies on both a regular and an as-needed basis and properly reflect such risk in the Business Management Plan formulated for each fiscal year. Concerning risk that might seriously affect corporate management, the Risk Management Committee chaired by the President works to prevent such risk from materializing. If the risk does materialize, the committee quickly and appropriately deals with said risk in order to ensure the impact on corporate management is minimal. In particular, risk associated with nuclear power

& Safety Department, internal audits are conducted on both a regular and an as-needed basis to confirm the status of various management activities. The results of the principal internal audits are reported to the Board of Executive Officers and other formal bodies, and based on said results measures are taken as needed.

generation is handled by the Nuclear Safety Oversight Office, a specialized department established to advise the Board of Directors. Drawing on the expertise of external specialists working with the department, the Nuclear Safety Oversight Office evaluates Executive Officers' business executions with regard to the safety of nuclear power generation, provides advice as needed and submits reports to the Board of Directors, thereby strengthening the Board of Directors' control of nuclear power-related risk.

## Remuneration Paid to Officers and Accounting Auditors

In accordance with stipulations concerning a "Company with Committees" as set forth in the Companies Act, TEPCO established, at its Compensation Committee, its policy on decisions regarding the content of remuneration for individual Directors and Executive Officers as follows:

The main duty of each Director is to supervise corporate management execution. Therefore, with regard to the determination of remuneration paid to Directors, the committee has adopted as basic policies the securing of excellent internal and external human resources and ensuring the efficiency of supervisory functions.

The duties of our Executive Officers are to simultaneously administer nuclear damage compensation, achieve the decommissioning of the nuclear reactors and ensure a stable power supply as well as to advance reforms aimed at achieving the shift toward a new TEPCO by soundly implementing the Comprehensive Special Business Plan as responsible persons in charge of corporate management and the relevant departments. Therefore, with regard to the determination of remuneration paid to Executive Officers, the committee adopted as basic policies the securing of excellent human resources capable of carrying out these duties and the effective provision of incentives for the execution of corporate management.

These policies will be reviewed as needed based on future changes in the management environment.

### 1) Remuneration paid to Directors

- The amount of basic remuneration paid to each Director is determined taking into consideration whether he/she is a full time or part time Director, the committee to which he/she belongs and job description.
- In terms of ensuring the linkage with shareholder value, the introduction of a share-based remuneration system will be considered by the Compensation Committee based on the actual status of the progress of Comprehensive Special Business Plan.
- Directors who concurrently serve as Executive Officers do not receive the remuneration paid to Directors.

### 2) Remuneration paid to Executive Officers

- The amount of basic remuneration paid to each Executive Officer is determined based on his/her specific rank, whether he/she holds the right to represent the Company and his/her job description.
- The introduction of a performance-based remuneration system and a share-based remuneration system will be considered by the Compensation Committee, taking into consideration the actual implementation status of the Comprehensive Special Business Plan.

### 3) Amount of remuneration paid

- When determining the amount of remuneration to be paid to Directors and Executive Officers, TEPCO takes into consideration its management environment, the remuneration paid by other companies and the current salaries of employees, with the aim of setting remuneration at levels commensurate with their abilities and responsibilities.

In addition, TEPCO abolished the gratuities system for retiring Directors and Auditors on June 28, 2005.

Remuneration paid during fiscal 2013 to the Directors, Executive Officers and Accounting Auditor who served TEPCO and its consolidated subsidiaries are as follows:

#### Remuneration for Directors and Executive Officers

	(Millions of Yen)
Directors (6)	35
Executive Officers (17)	198

#### Remuneration for Accounting Auditor

	(Millions of Yen)
For auditing and certification services	224
Other services	22