Corporate Governance

As of July 1, 2015

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" (currently known as the Company with a Nominating Committee, etc.) 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 twelve Directors, with six Outside Directors representing a significant portion. 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 a Nominating Committee, etc." as set forth in Japan's Companies Act.

Also, Executive Officers, who have been 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 responsibility 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 as well as 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 April 2015 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 reliability 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, TEPCO implements integrated risk management encompassing its Group operations. With each Group company reporting to and holding timely discussions with TEPCO concerning important business matters, TEPCO ensures that it remains apprised of management conditions at Group companies and is capable of sharing and solving Group management issues.

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.

To confirm the status of various management activities, four Internal Audit departments have been set up within the Corporate Division and Fuel & Power, Power Grid and Customer Service companies, with a total of 59 members performing internal audits on both a regular and an as-needed basis. 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.

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, TEPCO has established the Nuclear Safety Oversight Office, a department handling risk associated with nuclear power generation under the direct control of the President. Drawing on the expertise of external specialists working with the department, the Nuclear Safety Oversight Office monitors the Company's initiatives to ensure the safety of nuclear power generation—providing advice as needed—and is directly involved in its decision making with regard to this matter. In these ways, TEPCO strives to ensure the more stringent management of nuclear power-related risk.

Remuneration Paid to Officers and Accounting Auditors

In accordance with stipulations concerning a "Company with a Nominating Committee, etc" 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 duties of our Directors and Executive Officers are 1) to ensure that the Company's responsibilities associated with the nuclear accident at the Fukushima Daiichi Nuclear Power Station are met; 2) to ensure the Company's operations are carried out at level of safety exceeding that of world-leading utilities; and 3) to minimize burdens on Japanese people through the maintenance of a stable electricity supply amid a competitive environment and in light of the pursuit of greater corporate value. Therefore, with regard to the determination of remuneration paid to Directors and Executive Officers, the committee adopted as basic policies the securing of excellent human resources who are strongly committed to executing these duties and are capable of taking the lead in carrying out business operations and corporate reforms aimed at simultaneously realizing both "responsibility" and "competitiveness." These policies also aim to clarify the burden of responsibility for success or failure and to enhance incentives for pursuing greater corporate performance and value.

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

1) Remuneration paid to Directors

- Remuneration paid to Directors consists only of basic remuneration, which 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.

2) Remuneration paid to Executive Officers

- Remuneration paid to Executive Officers consists of basic remuneration and performance-based remuneration.

  Basic remuneration

  Determined based on his/her specific rank, whether he/she holds the right to represent the Company and his/her job description.

  Performance-based remuneration

  Determined based on the Company's operating results and his/her individual achievements.

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.

  Remuneration paid during fiscal 2014 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 (9)	72
Executive Officers (17)	255

Remuneration for Accounting Auditor

(Millions of Yen)

For auditing and certification services	221
Other services	25