Corporate Governance Report

Last Update: April 17, 2018
Tohoku Electric Power Co., Inc.
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The corporate governance of Tohoku Electric Power Co., Inc. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views UPDATED

The Company has established the "Tohoku Electric Power Group Management Vision 2020 - Together with Local Communities" program, continuing its efforts to be a corporate group that grows together with the local community and plays an essential role in it. The Company will proactively adapt itself to changes in the business environment in the future and engage in continuous dialogue with its stakeholders, with the aim of producing a management culture that creates its own distinctive character in collaboration with the local community.

Under this principle to ensure proper business management, the Company is endeavoring to enhance its corporate governance by securing legal compliance and corporate ethics, as well as conducting sincere, fair and transparent business activities, and increasing the rigor of our internal control and risk management.

Recognizing that enhancement of corporate governance is one of the key management issues, the Company will engage in initiatives to achieve sustainable growth and raise mid- to long-term corporate value, such as improving the agility, soundness and transparency of management in accordance with the following policies, in order to meet stakeholders' expectations.

(1) Securing the Rights and Equal Treatment of Shareholders

The Company will take appropriate measures to fully secure the rights of shareholders and ensure effective equal treatment of shareholders in accordance with laws and regulations. The Company will also give adequate consideration to minority shareholders and foreign shareholders, and develop an environment in which shareholders can exercise their rights appropriately.

(2) Appropriate Cooperation with Stakeholders Other Than Shareholders

Based on the view that all business activities of the Tohoku Electric Power Group relate to corporate social responsibility (CSR), the Company has established the "CSR Promotion Council" chaired by the Representative Director & President and prescribed the "Tohoku Electric Power Group CSR Policy" and "Tohoku Electric Power Group Action Guidelines," under which the Tohoku Electric Power Group is acting as one united body to promote CSR, premised on ensuring safety, giving consideration to the environment, observing corporate ethics and complying with laws and regulations.

In regard to CSR efforts, the Company will convey information broadly to its stakeholders and endeavor to further instill the importance of cooperation with stakeholders among all employees through the management's dialogue with offices on the front line, etc.

(3) Ensuring Appropriate Information Disclosure and Transparency

The Company appropriately discloses information in compliance with laws and regulations, and proactively discloses information needed by shareholders, investors and other stakeholders through its website and various media, etc., in addition to Representative Director's press conferences and briefing sessions held as necessary. Relevant offices and departments will continue collaborating with each other and making efforts to disclose accurate and highly useful information in a timely and appropriate manner.

(4) Responsibilities of the Board

The Company is a "Company with Audit & Supervisory Board," and aims to promote sustainable corporate growth and the increase of corporate value over the mid- to long-term, while the Board of Directors and Audit & Supervisory Board Members/Audit & Supervisory Board collaborate with each other.

Given its fiduciary responsibility and accountability to shareholders, the Board of Directors will determine important matters on the Company's business execution including its management vision and important management-related plans such as mid-term management policies, and make Directors supervise each other with respect to the performance of their respective duties. Furthermore, the Company will develop and properly implement internal control systems and thereby ensure the rationale of decision-making and appropriateness of operations.

To contribute to ongoing improvements in corporate governance in an effective manner, Audit & Supervisory Board Members and the Audit & Supervisory Board will audit the performance of duties of Directors from an independent and objective standpoint, and Audit & Supervisory Board Members will attend important meetings including the meetings of the Board of Directors and properly fulfill their management monitoring functions by expressing their opinions as necessary, among others.

(5) Dialogue with Shareholders

In order to attain sustainable growth and increase corporate value over the mid- to long-term, the Company will create opportunities for dialogues with shareholders even outside the General Meeting of Shareholders. Directors and senior management will endeavor to explain business policies, etc. in an easy-to-understand manner so as to gain their understanding of the Company's initiatives in the business environment surrounding the Company and sincerely listen to the views of shareholders and properly address their interests and concerns.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

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○ In regard to [Supplementary Principle 1.1.1 Analysis of causes of opposing votes], the analysis had not yet been conducted by the Board of Directors and thus a disclosure to that effect was made in the report disclosed on December 8, 2015. At the meeting of the Board of Directors held in February 2016, the results of analysis of the exercise of voting rights were reported, and the necessity of responding to shareholders was examined. As similar efforts will continue to be made in the future, said disclosure was deleted from this column in the report disclosed on March 8, 2016.

○ In regard to [Principle 1.4 Cross-Shareholdings], examination concerning major cross-shareholdings had not yet been conducted by the Board of Directors and thus a disclosure to that effect was made in the report disclosed on December 8, 2015. At the meeting of the Board of Directors held in February 2016, the mid- to long-term economic rationale and future outlook of major cross-shareholdings were examined, taking into consideration associated risks and returns, etc. As similar efforts will continue to be made in the future, said disclosure was deleted from this column in the report disclosed on March 8, 2016.

○ In regard to [Supplementary Principle 1.2.4 Use of the Electronic Voting Platform and the provision of English translations of the convening notices of general shareholder meeting], the convening notice had not yet been translated into English and thus a disclosure to that effect was made in the report disclosed on December 8, 2015. Since the 92nd Ordinary General Meeting of Shareholders held in 2016, the English version of the convening notice (brief version) and reference documents for the General Meeting of Shareholders have been posted on the Electronic Voting Platform. As translation into English will continue in the future, said disclosure was deleted from this column in the report disclosed on July 6, 2016.

○ In regard to [Principle 4.8 Effective Use of Independent Directors], multiple Independent Directors had not yet been elected and thus a disclosure to that effect was made in the report disclosed on December 8, 2015. At the 92nd Ordinary General Meeting of Shareholders held in 2016, two Independent Directors were appointed, so said disclosure was deleted from this column in this report disclosed on July 6, 2016.

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The Company complies with every principle of Japan's Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] **UPDATED**

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■ Disclosures updated on April 17, 2018

○ The list of Officers at the end of [Principle 3.1 Full Disclosure] "v) Explanations with respect to the individual appointments and nominations in the appointment of the senior management and the nomination of candidates for directors and audit & supervisory board members" was updated on April 1, 2018.

○ The statement in [Supplementary Principle 4.1.1 Scope and content of the matters delegated to the management] was updated.

■ Disclosures updated on July 5, 2017

○ The respective reasons for individual appointments of Directors and Audit & Supervisory Board Members in [Principle 3.1 Full Disclosure] "v) Explanations with respect to the individual appointments and nominations in the appointment of the senior management and the nomination of candidates for directors and audit & supervisory board members" were updated.

○ The number of Directors stated in [Supplementary Principle 4.1.1 Scope and content of the matters delegated to the management] and [Supplementary Principle 4.11.1 View on the balance of the board as a whole and diversity and appropriate board size] was updated.

○ The statement in [Supplementary Principle 4.11.2 Significant concurrent positions where directors and audit & supervisory board members also serve as directors, audit & supervisory board members or the management at other companies] was updated.

○ The statement in [Supplementary Principle 4.11.3 Analysis and evaluation of the board's effectiveness as a whole] was updated.

■ Disclosures updated on February 9, 2017

○ The statement in [Principle 3.1 Full Disclosure] "i) Company objectives (e.g., business principles), business strategies and business plans" was updated.

○ The statement in [Principle 3.1 Full Disclosure] "iii) Board policies and procedures in determining the remuneration of directors and audit & supervisory board members" and "iv) Board policies and procedures in the appointment of the senior management and the nomination of candidates for directors and audit & supervisory board members" was updated, given the establishment of the "Nomination & Compensation Advisory Committee."

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[Principle 1.4 Cross-Shareholdings]

In cases where listed shares are to be held as cross-shareholdings, the Company makes the decision by taking all factors into consideration based on such criteria as whether or not the objectives are fulfilled—e.g., cross-shareholdings that help facilitate and improve the efficiency of the operation of the electric power business, cross-shareholdings that contribute to the development of the Company's business through regional promotion, cross-shareholdings that lead to improvements in customer services and increase in demand through the effective use of electricity, and even the accumulation of expertise that translate into future business development—and whether business plans including the nature of business, income/expenditure forecasts, financial planning and facilities planning are reasonable.

With respect to major cross-shareholdings, the Board of Directors examines the mid- to long-term economic rationale and future outlook, taking into consideration associated risks and returns, etc.

In regard to the exercise of voting rights on shares held in the form of cross-shareholdings, the Company checks the investee companies on a case-by-case basis focusing on such matters as to whether or not the investee company is engaged in management that places importance on its development and shareholders' interests, and whether or not the investee company performs antisocial acts. In addition, the Company determines whether to vote for or against proposals concerning such matters as shareholder returns, increase in authorized capital, anti-takeover measures and business restructuring by conducting a detailed examination on an individual basis as necessary.

[Principle 1.7 Related Party Transactions]

Conflict-of-interest transactions by Directors are subject to prior approval (resolution) of the Board of Directors, and the transaction results are reported to the Board of Directors after the completion of such transactions.

In regard to compliance with laws and regulations, social norms, etc., the Company has established and disclosed the "Basic Procurement Guidelines" on its website; even in cases where its business partner is a related party, the Company performs transactions by taking the same approach as per the Guidelines.

Electricity supply/demand agreements are properly handled based on the Guidelines for Proper Electric Power Trade, the disclosed rates and other supply conditions, and General Supply Provisions and Optional Supply Provisions.

"Basic Procurement Guidelines" (http://www.tohoku-epco.co.jp/partne/sizai/chota_2.html)

[Principle 3.1 Full Disclosure]

i) Company objectives (e.g., business principles), business strategies and business plans

Since its foundation, the Company has been achieving growth hand in hand with the local communities with the basic view that "The key to our growth lies in the prosperity of the Tohoku region." The Company has been conducting its business activities by setting forth "Prosperity together with the community" and "Promotion of creative business management" as its management principles in "Tohoku Electric Power Group Management Vision 2020 - Together with Local Communities."

In January 2017, the Company formulated the "Tohoku EPCO Group Mid-Term Management Policies (FY2017 to FY2020)," in order for its corporate group to attain sustainable growth together with local communities, while fulfilling its corporate slogan "Yori, Sou, Chikara" (literally, "The Strength to Work Alongside) and meeting customers and local communities' expectations in the rapidly changing business environment, and at the same time, inheriting the principles, etc. behind the Vision.

Under the Policies, the Company has defined FY2017 to FY2020 as "a renovation period for growth," specified the six Tohoku prefectures and Niigata prefecture as the pillars of its electric power business, and set quantitative targets for its "electric power business including electricity sales outside Tohoku and Niigata regions," "overseas businesses" and "gas supply business," in which future growth is expected and the management resources of its corporate group can be utilized.

In consideration of the basic stance of Tohoku Electric Power Group: "We see changes as opportunities to find the path for further growth" under the Policies, the Company's corporate group will accelerate the execution of various measures based on three focal points—i.e., "1: Solutions to satisfy the needs of the customers and communities we serve," "2: Quest for new business opportunities for growth" and "3: Establishment of solid business foundations with renovation"—and achieve its financial target of "Consolidated Equity Ratio of 25% or greater (30% in the future) by FY2020" without fail, and endeavor to further improve its corporate value through business expansion and investments aimed at future growth.

"Tohoku Electric Power Group Management Vision 2020 - Together with Local Communities "
(http://www.tohoku.epco.co.jp/comp/keiei/vision.html)
"Tohoku EPCO Group Mid-Term Management Policies (FY2017 to FY2020)"
(http://www.tohoku.epco.co.jp/comp/keiei/keikaku/index.html)

ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

Please refer to the statement in "1.1. Basic Views" in this Report.

iii) Board policies and procedures in determining the remuneration of directors and audit & supervisory board members

The policies and procedures in determining the remuneration of Directors are as follows.

○ **Policies**

Remuneration of Directors consists of *monthly compensation*, *stock compensation type stock options* and *bonuses* and is determined in accordance with the following policies.

・ Monthly compensation shall be at an appropriate level in consideration of such factors as business results and the business environment, within the total amount approved at the General Meeting of Shareholders.

・ Remuneration in the form of stock compensation type stock options (excluding Outside Directors) shall be within the total amount approved at the General Meeting of Shareholders, and share subscription rights shall be granted to each Director as a mid- to long-term financial incentive aimed at further boosting Directors' motivation to contribute to the improvement of mid- to long-term business results and the increase in corporate value by linking remuneration more closely to the Company's share price and by sharing not only the benefits of rising share price but also the risks of falling share price with shareholders.

・ For bonuses, whether or not a bonus is to be paid and the level of bonus payment shall be determined in consideration of such factors as business results and the business environment.

・ Allocation to each Director shall be determined in accordance with the significance of roles associated with each job position, the affairs assigned to him/her, the nature of his/her duties and the scope of his/her responsibilities.

[Total amount of monthly compensation and stock compensation type stock options approved at the General Meeting of Shareholders]

Monthly compensation: Up to 55 million yen (not including the employee salary portion of Directors concurrently serving as employees)

Remuneration in the form of stock compensation type stock options: Up to 180 million yen per fiscal year

(Both resolutions were passed at the 86th Ordinary General Meeting of Shareholders held on June 29, 2010.)

○ **Procedures**

In consideration of the aforementioned policies, etc., the Representative Director proposes matters concerning Directors' remuneration to the Nomination & Compensation Advisory Committee in view of ensuring greater objectivity and transparency, and subject to deliberation at the Committee, the amount to be paid to each Director and other such matters are decided by resolution of the Board of Directors.

In cases where bonuses are to be paid, the total amount is presented to the General Meeting of Shareholders for resolution, and after having the resolution accepted, the amount to be paid to each Director is decided by resolution of the Board of Directors.

The policies and procedures in determining the remuneration of Audit & Supervisory Board Members are as follows.

The remuneration of Audit & Supervisory Board Members consists exclusively of *monthly compensation*, the amount of which is capped at 12 million yen per month by resolution of the 83rd Ordinary General Meeting of Shareholders held on June 28, 2007. The amount to be paid to each Audit & Supervisory Board Member is decided through discussion among the Audit & Supervisory Board Members, within the total amount resolved at the General Meeting of Shareholders.

iv) Board policies and procedures in the appointment of the senior management and the nomination of candidates for directors and audit & supervisory board members

In order for Tohoku Electric Power Group to continue growing together with the local communities and being an indispensable part of it, the Company is seeking to conduct management to create its own distinctive values with the local communities, while proactively adapting itself to various changes in the business environment in the future and engaging in continuous dialogue with its stakeholders. With the aim of properly executing business management based on such approach, the Company's policies and procedures in the nomination of candidates for Directors and candidates for Audit & Supervisory Board Members are as follows.

○ **Policies**

Candidates for Directors and candidates for Audit & Supervisory Board Members shall be selected in accordance with the following policies.

・ The Board of Directors shall, as a basic rule, consist of the number of persons necessary and appropriate for building an effective management structure required by a company engaged in the electric power business and for ensuring effective discussions, and the number of Directors shall be an appropriate number of up to 18 persons as prescribed in the Articles of Incorporation.

・ Candidates for inside Directors shall be selected from among persons who are knowledgeable in each field in consideration of the balance of their respective fields of specialization, etc., in addition to their technical expertise, practical abilities based on their on-site experiences, etc., taking into account such factors as the characteristics of the electric power business in terms of being highly specialized and having a broad business domain.

・ Candidates for Outside Directors shall be selected by giving weight to whether they are capable of realizing appropriate decision-making and management supervision in the Board of Directors, based on their practical experience stemming from corporate management, etc. and deep insight in socioeconomic trends, etc.

・ Candidates for Audit & Supervisory Board Members shall be selected by giving weight to whether they are capable of properly performing their duties as Audit & Supervisory Board Members by drawing on their experience and insight, and whether they are capable of giving useful opinions and advice on the Company's management, in addition to auditing the performance of duties of Directors. Other than these, candidates for Outside Audit & Supervisory Board Members shall be selected by giving weight to whether or not they are also capable of conducting objective and impartial audits.

・ The independence of candidates for Outside Directors and candidates for Outside Audit & Supervisory Board Members shall be determined in light of the "Independence Criteria for Outside Director/Corporate Auditors" prescribed by the Company (please refer to the Criteria stated in [Principle 4.9 Independence Standards and Qualification for Outside Directors/Audit & Supervisory Board Members] in this Report.)

○ **Procedures**

In consideration of the aforementioned policies, etc., the Representative Director proposes candidates for Directors and candidates for Audit & Supervisory Board Members to the Nomination & Compensation Advisory Committee in view of ensuring greater objectivity and transparency, and subject to deliberation at the Committee, the candidates are decided by resolution of the Board of Directors.

Of note, before the candidates for Audit & Supervisory Board Members are presented to the Board of Directors for resolution, the consent of the Audit & Supervisory Board shall be obtained.

v) Explanations with respect to the individual appointments and nominations in the appointment of the senior management and the nomination of candidates for directors and audit & supervisory board members

[Reasons for appointment to Director]

○ **Makoto Kaiwa (reappointment)**

Mr. Kaiwa has business experience mainly in planning-related divisions since joining the Company including assignment as Director and General Manager of the Corporate Planning Department and Senior Executive Officer and General Manager of Niigata Branch Office, through which he has gained a thorough knowledge of business in general. He was appointed as an Executive Vice President in June 2009 and President in June 2010 and has served as the Chairman of the Board since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Hiroya Harada (reappointment)**

Mr. Harada has business experience mainly in public relations- and planning-related divisions since joining the Company including assignment as Director and General Manager of the Corporate Planning Department and Senior Executive Officer and General Manager of Tokyo Branch Office, through which he has gained a thorough knowledge of business in general. He was appointed as an Executive Vice President in June 2014 and has served as the President since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Mitsuhiro Sakamoto (reappointment)**

Mr. Sakamoto has business experience mainly in human capital- and general affairs-related divisions since joining the Company including assignment as Director and General Manager of the General Affairs Department and Senior Executive Officer and General Manager of Niigata Branch Office, through which he has gained a thorough knowledge of business in general. He has served as an Executive Vice President since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Takao Watanabe (reappointment)**

Mr. Watanabe has business experience mainly in nuclear power-related divisions since joining the Company including assignment as Senior Executive Officer and General Manager of Onagawa Nuclear Power Station and Director and General Manager of the Nuclear Power Department, through which he has gained a thorough knowledge of business in general. He was appointed as Managing Director in June 2013 and has served as an Executive Vice President since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of the electric power business in general, he has been reappointed as Director.

○ **Shinichi Okanobu (reappointment)**

Mr. Okanobu has business experience mainly in planning-related divisions since joining the Company including assignment as General Manager of the Group Business Department and Executive Officer and General Manager of the Corporate Planning Department, through which he has gained a thorough knowledge of business in general. He was appointed as Managing Director in June 2013 and has served as an Executive Vice President since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Hiroshi Tanae (reappointment)**

Mr. Tanae has business experience mainly in power system-related divisions (hydro-power and substation engineering) since joining the Company including assignment as Executive Officer and General Manager of the Power System Engineering Department and Executive Officer and General Manager of Fukushima Branch Office, through which he has gained a thorough knowledge of business in general. He has served as a Managing Director since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Noboru Hasegawa (reappointment)**

Mr. Hasegawa has business experience mainly in public relations-related divisions since joining the Company including assignment as Executive Officer and General Manager of Tokyo Branch Office and Director and General Manager of the Public Relations Department, through which he has gained a thorough knowledge of business in general. He has served as a Managing Director since June 2013. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Shunji Yamamoto (reappointment)**

Mr. Yamamoto has business experience mainly in accounting & finance-related divisions since joining the Company including assignment as Executive Officer and General Manager of the Accounting & Finance Department and Executive Officer and General Manager of Yamagata Branch Office, through which he has gained a thorough knowledge of business in general. He has served as a Managing Director since June 2013. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Naoto Miura (reappointment)**

Mr. Miura has business experience mainly in power system-related divisions (distribution engineering) since joining the Company including assignment as General Manager of the General Education & Training Center and Executive Officer and General Manager of the Distribution Engineering Department, through which he has gained a thorough knowledge of business in general. He has served as a Managing Director since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Haruyuki Nakano (reappointment)**

Mr. Nakano has business experience mainly in power system-related divisions (power dispatching) since joining the Company including assignment as Executive Officer and General Manager of the Power System Engineering Department, through which he has gained a thorough knowledge of business in general. He has served as a Managing Director since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Jiro Masuko (reappointment)**

Mr. Masuko has business experience mainly in nuclear power-related divisions since joining the Company including assignment as Executive Officer and General Manager of Aomori Branch Office and Executive Officer and General Manager of Nuclear Power Department, through which he has gained a thorough knowledge of business in general. He has served as a Managing Director since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Kojiro Higuchi (reappointment)**

Mr. Higuchi has business experience mainly in thermal power-related divisions since joining the Company including assignment as General Manager of Haramachi Thermal Power Station and Executive Officer and General Manager of the Thermal Power Department, through which he has gained a thorough knowledge of business in general. He has served as a Managing Director since June 2016. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he has been reappointed as Director.

○ **Toshinori Abe (new appointment)**

Mr. Abe has business experience mainly in human capital-related divisions since joining the Company including assignment as General Manager of the Human Capital Department and General Manager of Tokyo Branch Office, through which he has gained a thorough knowledge of business in general. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he was appointed as Director in June, 2017.

○ **Satoshi Seino (reappointment)**

Mr. Seino is the Chairman of the Board of East Japan Railway Company. As he has experience in the management of public utility business and is expected to contribute to the management of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he has been reappointed as Outside Director.

Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Director who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Director.

○ **Shiro Kondo (reappointment)**

Mr. Kondo is the Director & Chairman of the Board of Ricoh Company Ltd. and he has experience in the management of a company that manufactures optical equipment, office equipment, etc. As he is expected to contribute to the management of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he has been reappointed as Outside Director.

Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Director who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Director.

[Reasons for appointment to Audit & Supervisory Board Member]

○ **Koki Kato**

Mr. Kato has business experience mainly in planning-related divisions since joining the Company including assignment as Executive Officer and General Manager of Aomori Branch Office and Director and General Manager of the Corporate Planning Department, through which he has gained a thorough knowledge of business in general. He has served as an Audit & Supervisory Board Member since June 2012. As he has extensive business experience in the Company and strong knowledge of the management and auditing of electric power business in general, he was reappointed as Audit & Supervisory Board Member at the 91st Ordinary General Meeting of Shareholders held in 2015.

○ **Takashi Sasaki**

Mr. Sasaki has business experience mainly in materials, fuel, and examination divisions since joining the Company including assignment as General Manager of the Materials Department and Executive Officer and General Manager of the Fuel Department, through which he has gained a thorough knowledge of business in general. He has served as a Managing Director since June 2015. As he has extensive business experience in the Company and strong knowledge of the management of electric power business in general, he was appointed as Audit & Supervisory Board Member at the 92nd Ordinary General Meeting of Shareholders held in 2016.

○ **Sakuya Fujiwara**

Mr. Fujiwara has experience in dealing with Japan's monetary policies as Deputy Governor of the Bank of Japan. As he has considerable financial and accounting knowledge and is expected to conduct objective and impartial audits of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he was reappointed as Outside Audit & Supervisory Board Member at the 91st Ordinary General Meeting of Shareholders held in 2015.

Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Audit & Supervisory Board Member who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Audit & Supervisory Board Member.

○ **Ikuo Uno**

Mr. Uno has many years of experience in the management of Nippon Life Insurance Company. He is expected to conduct objective and impartial audits of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he was reappointed as Outside Audit & Supervisory Board Member at the 91st Ordinary General Meeting of Shareholders held in 2015.

Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Audit & Supervisory Board Member who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Audit & Supervisory Board Member.

○ **Chiharu Baba**

Mr. Baba has experience in positions such as Deputy President and Representative Director of Mizuho Trust & Banking Co., Ltd. As he has considerable financial and accounting knowledge and is expected to conduct objective and impartial audits of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he was reappointed as Outside Audit & Supervisory Board Member at the 91st Ordinary General Meeting of Shareholders held in 2015.

Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As He is an Outside Audit & Supervisory Board Member who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Audit & Supervisory Board Member.

Of note, the list of Directors and Audit & Supervisory Board Members (updated on April 1, 2018) is posted on the Company's website.

"Directors and Audit & Supervisory Board Members"
(http://www.tohoku-epco.co.jp/news/pdf/__icsFiles/afieldfile/2018/03/14/1196638_1.pdf)

[Supplementary Principle 4.1.1 Scope and content of the matters delegated to the management]

The Board of Directors consists of 15 Directors including 2 Outside Directors and meets once every month in principle to draw up important management-related plans and make decisions on key issues regarding the business execution of the Company. At the Board of Directors' meetings, Directors also report on the status of business execution and mutually supervise the performance of their duties.

Matters to be submitted to the Board of Directors for resolution are determined based on laws and regulations (e.g., Companies Act), the Articles of Incorporation and the rules on the Board of Directors, in addition to deliberation by the Management Committee, etc. Decision-making regarding matters other than those subject to resolution by the Board of Directors is delegated to the Representative Director & President or other executives.

[Principle 4.9 Independence Standards and Qualification for Outside Directors/Audit & Supervisory Board Members]

The Company evaluates the independence of an Outside Director/Audit & Supervisory Board Member in compliance with the independence criteria established by the financial instruments exchange on which the Company is listed and based on the requirements set forth below.

Outside Directors are appointed by giving weight to whether they understand the Company's management principles and social responsibilities, fully recognize the roles and responsibilities as Outside Directors, and are capable of realizing appropriate decision-making and management supervision in the Board of Directors, based on their practical experience stemming from corporate management, etc. and deep insight on socioeconomic trends, etc. Outside Audit & Supervisory Board Members are appointed by giving weight to whether they fully recognize the roles and responsibilities as Outside Audit & Supervisory Board Members, and are capable of conducting objective and impartial audits based on extensive experience and excellent insight.

[Independence criteria of Outside Directors/Audit & Supervisory Board Members in the Company]

In principle, the Company designates a person who does not fall under any of the following criteria as an Independent Director/Audit & Supervisory Board Member:

(1) A person whose major business partner is the Company or an executive thereof

(2) A major business partner of the Company or an executive thereof

(3) A person who is a consultant, accounting expert or legal expert who receives a significant amount of money or other property from the Company other than compensation as Director/Audit & Supervisory Board Member of the Company (if the person who receives such property is an organization, such as a juridical person, association, etc., a person who belongs to such an organization)

(4) A person who recently fell under any of (1) through (3) above

(5) A close relative of a person who falls under any of a. through d. below (excluding those who are insignificant):

a. A person who falls under any of (1) through (4) above

b. An executive of a subsidiary of the Company

c. A Director who is not an executive of a subsidiary of the Company

d. A person who recently fell under b. or c. above or was an executive of the Company (in cases where Outside Audit & Supervisory Board Members are designated as Independent Audit & Supervisory Board Members, including Directors who are not executives)

[Supplementary Principle 4.11.1 View on the balance of the board as a whole and diversity and appropriate board size]

The Company's basic rule is to have its Board of Directors consist of the number of persons necessary and appropriate for building an effective management structure required by a company engaged in the electric power business and for ensuring effective discussions in the Board of Directors. The Company prescribes in its Articles of Incorporation that the number of Directors shall be no more than 18 persons.

Furthermore, the Board of Directors is comprised of: Directors, who vary in specialized knowledge, experience, etc. and are knowledgeable in their respective fields in consideration of their technical expertise, practical abilities based on their on-site experiences, etc., taking into account such factors as the characteristics of the electric power business in terms of being highly specialized and having a broad business domain as a company that handles electricity, which is an essential utility; and Independent Outside Directors, who are capable of realizing appropriate decision-making and management supervision in the Board of Directors, based on their practical experience stemming from corporate management, etc. and deep insight on socioeconomic trends, etc. With such arrangement, the Company ensures balance among knowledge, experience and skills as well as diversity of the Board of Directors as a whole, and endeavors to execute business efficiently and conduct business management appropriately.

With this in mind, the Board of Directors currently consists of a total of 15 Directors: 13 inside Directors who are knowledgeable of the electric power business as well as operations in each field of the Company; and 2 Outside Directors with extensive experience and excellent insight.

[Supplementary Principle 4.11.2 Significant concurrent positions where directors and audit & supervisory board members also serve as directors, audit & supervisory board members or the management at other listed companies]

Significant positions concurrently held by Directors and Audit & Supervisory Board Members are stated in: the business report (annual) in the convening notice of the Ordinary General Meeting of Shareholders; proposals for the appointment of Directors and Audit & Supervisory Board Members (on an appointment-by-appointment basis); and the securities report. They are stated in pages 5 through 13, 43 and 45 of the Notice of Convocation of the Ordinary General Meeting of Shareholders held on June 28, 2017, and in pages 49 and 50 in the FY2016 securities report.

Of note, Audit & Supervisory Board Member Ikuo Uno retired from Outside Corporate Auditor of Sumitomo Mitsui Financial Group, Inc. on June 29, 2017, and Audit & Supervisory Board Member Chiharu Baba retired from Outside Director of Saitama Resona Bank, Limited on June 22, 2017 and assumed office as Outside Director of Resona Holdings, Inc. in June 23, 2017.

[Supplementary Principle 4.11.3 Analysis and evaluation of the board's effectiveness as a whole]

The Company conducts a questionnaire survey on the effectiveness of the Board of Directors targeted at Directors and Audit & Supervisory Board Members once a year, and reports the survey results to the Board of Directors. Based on the questionnaire survey results, the Board of Directors shares such information as the understanding on the current situation and opinions on how to make improvements, and then evaluates the effectiveness of the Board of Directors as a whole, and confirms initiatives, etc. aimed at making further improvements in its effectiveness.

Deliberation of the questionnaire survey results at the meeting of the Board of Directors held in March 2017 resulted in the following evaluation: "Effectiveness of the Board of Directors is more or less ensured as a whole, but efforts for further improvement need to be made on an ongoing basis in order to boost its effectiveness even more in the future."

As responses to the questionnaire survey included opinions and requests from various perspectives, taking the business environment surrounding the Company and other such factors into consideration, the Company will make efforts to further improve its effectiveness by such means as exercising creativity in the materials for the Board of Directors and prior explanations by making sure that they are easy to understand, based on deliberations at meetings of the Board of Directors.

[Supplementary Principle 4.14.2 Training policy for directors and audit & supervisory board members]

The Company collects and provides knowledge and information required by Directors and Audit & Supervisory Board Members to fulfill their respective roles including corporate governance, corporate ethics and compliance with laws and regulations, and assists Directors and Audit & Supervisory Board Members in the performance of their duties.

With respect to Outside Directors and Outside Audit & Supervisory Board Members, the Company distributes and explains materials for the Board of Directors in advance, provides relevant information and performs other such tasks to enhance deliberations at the meetings of the Board of Directors. In addition, the Company provides opportunities on an ongoing basis for them to gain an understanding of the nature of the Company's operations, such as providing an explanation of the Company's business, etc. when they assume office, organizing visits to the Company's offices, and arranging dialogues and social gatherings with the Representative Director. The Company intends to continue making such efforts into the future.

With respect to newly-appointed inside Directors and inside Audit & Supervisory Board Members, the Company gives opportunities to participate in training courses, etc. on the roles and responsibilities of Directors or Audit & Supervisory Board Members relating to the Companies Act, corporate accounting, etc. at the expense of the Company.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, the Company will create opportunities for dialogues with shareholders even outside the General Meeting of Shareholders and address shareholders' interests and concerns. During such dialogues, senior management and Directors will endeavor to explain its business policies in an easy-to-understand manner so as to gain their understanding of the Company's initiatives, given the business environment surrounding the Company.

The Company is also engaging in the following initiatives, and will continue to strive promoting constructive dialogues with shareholders.

(1) The Company has designated an officer in charge of IR, who oversees dialogues with shareholders and investors in general.

(2) In addition to the officer in charge of IR, the Company convenes meetings of the IR Promotion Committee, in which members of the IR, corporate planning, general affairs, finance, accounting, legal, and other sections in the Company participate, in an effort to organically coordinate the departments.

(3) The Company hosts shareholders' receptions and holds briefing sessions on the financial results, and endeavors to enhance dialogues other than individual meetings.

(4) The Company is endeavoring to share information, including providing information to Directors and Audit & Supervisory Board Members after holding dialogues with shareholders and hosting shareholders' receptions.

(5) The Company has established the "Insider Trading Management Standards," under which Directors, Audit & Supervisory Board Members, Executive Officers, employees, etc. are required to manage important facts in a thoroughgoing manner.

2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd (trust account)	22,974,010	4.57
The Master Trust Bank of Japan, Ltd. (trust account)	19,587,300	3.90
Nippon Life Insurance Company	17,158,909	3.41
Tohoku Electric Power Employees' Shareholding Association	13,801,044	2.74
Mizuho Bank, Ltd.	13,288,223	2.64
Kochi Shinkin Bank	11,786,700	2.34
Japan Trustee Services Bank, Ltd (trust account 5)	9,178,500	1.83
STATE STREET BANK WEST CLIENT - TREATY 505234	6,831,864	1.36
Japan Trustee Services Bank, Ltd (trust account 1)	6,747,700	1.34
Japan Trustee Services Bank, Ltd (trust account 2)	6,746,700	1.34

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year End	March
Type of Business	Electric Power & Gas
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Other Special Circumstances which may have Material Impact on Corporate Governance

—

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Matters Related to Organizational Composition and Operation, etc.

Organization Form	Company with Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	18 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Company Chairperson (excluding cases in which he/she concurrently serves as President)
Number of Directors	15 persons
Appointment status of Outside Directors	Appointed
Number of Outside Directors	2 persons
Number of Independent Directors designated from among Outside Directors	2 persons

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Satoshi Seino	From another company								○			
Shiro Kondo	From another company								○			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the listed company or its subsidiary
b. Non-executive director or executive of the parent company of the listed company
c. Executive of a fellow subsidiary of the listed company
d. A party whose major business partner is the listed company or an executive thereof
e. Major business partner of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of money or other property from the listed company besides compensation as a director/audit & supervisory board member
g. Major shareholder of the listed company (if said shareholder is a legal entity, an executive of such legal entity)
h. Executive of a business partner of the listed company not corresponding to any of d, e, or f (the director himself/herself only)
i. Executive of a company, between which and the listed company outside directors/audit & supervisory board members are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the listed company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Satoshi Seino	○	"h. Executive of a business partner of the listed company not corresponding to any of d, e, or f (the director himself/herself only)" Mr. Seino is the Chairman of the Board of the East Japan Railway Company, which has electricity supply transactions, etc. with the Company.	Mr. Seino is the Chairman of the Board of East Japan Railway Company. As he has experience in the management of public utility business and is expected to contribute to the management of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he has been appointed as Outside Director. Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Director who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Director.
Shiro Kondo	○	"h. Executive of a business partner of the listed company not corresponding to any of d, e, or f (the director himself/herself only)" Mr. Kondo is the Director & Chairman of the Board of Ricoh Company, Ltd., which has electricity supply transactions with the Company.	Mr. Kondo is the Director & Chairman of the Board of Ricoh Company Ltd. and he has experience in the management of a company that manufactures optical equipment, office equipment, etc. As he is expected to contribute to the management of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he has been appointed as Outside Director. Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Director who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Director.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Voluntary Committee Establishment Status, Committee's Composition and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Compensation Advisory Committee	Nomination & Compensation Advisory Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

As the Board of Director's advisory body, the Company has established the Nomination & Compensation Advisory Committee, which consists of two inside Directors (i.e., Representative Director & Chairman of the Board and Representative Director & President) and two Independent Directors.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5 persons
Number of Audit & Supervisory Board Members	5 persons

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Auditing Departments

Audit & Supervisory Board Members cooperate whenever necessary including interviewing the accounting auditors and the internal auditing departments about audit plans and audit results and periodically creating opportunities to exchange opinions with them.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3 persons
Number of Independent Audit & Supervisory Board Members among Outside Audit & Supervisory Board Members	3 persons

Outside Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Sakuya Fujiwara	From another company													
Ikuo Uno	From another company										△			
Chiharu Baba	From another company										△			

* Categories for "Relationship with the Company"

* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;
"△" when the audit & supervisory board member fell under the category in the past

* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;
"▲"when a close relative of the audit & supervisory board member fell under the category in the past

a. Executive of the listed company or its subsidiary
b. Non-executive director or accounting advisor of the listed company or its subsidiary
c. Non-executive director or executive of the parent company of the listed company
d. Audit & supervisory board members of the parent company of the listed company
e. Executive of a fellow subsidiary of the listed company
f. A party whose major business partner is the listed company or an executive thereof
g. Major business partner of the listed company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of money or other property from the listed company besides compensation as a director/audit & supervisory board member
i. Major shareholder of the listed company (if said shareholder is a legal entity, an executive of such legal entity)
j. Executive of a business partner of the listed company not corresponding to any of f, g, or h (the audit & supervisory board member himself/herself only)
k. Executive of a company, between which and the listed company outside directors/audit & supervisory board members are mutually appointed (the audit & supervisory board member himself/herself only)
l. Executive of a company or organization that receives a donation from the listed company (the audit & supervisory board member himself/herself only)
m. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Sakuya Fujiwara	○	—	Mr. Fujiwara has experience in dealing with Japan's monetary policies as a Deputy Governor of the Bank of Japan. As he has considerable financial and accounting knowledge and is expected to conduct objective and impartial audits of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he has been appointed as Outside Audit & Supervisory Board Member. Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Audit & Supervisory Board Member who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Audit & Supervisory Board Member.
Ikuo Uno	○	"j. Executive of a business partner of the listed company not corresponding to any of f, g, or h (the audit & supervisory board member himself/herself only)" Mr. Uno is the former Chairman of Nippon Life Insurance Company, which has loan transactions, etc. with the Company.	Mr. Uno has many years of experience in the management of Nippon Life Insurance Company. He is expected to conduct objective and impartial audits of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he has been appointed as Outside Audit & Supervisory Board Member. Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Audit & Supervisory Board Member who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Audit & Supervisory Board Member.

Chiharu Baba	○	"j. Executive of a business partner of the listed company not corresponding to any of f, g, or h (the audit & supervisory board member himself/herself only)" Mr. Baba is the former Deputy President and Representative Director of Mizuho Trust & Banking Co., Ltd., which has loan transactions, etc. with the Company; however, it has been approx. 10 years since he retired from Mizuho Trust & Banking Co., Ltd.	Mr. Baba has experience in positions such as a Deputy President and Representative Director of Mizuho Trust & Banking Co., Ltd. As he has considerable financial and accounting knowledge and is expected to conduct objective and impartial audits of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he has been appointed as Outside Audit & Supervisory Board Member. Furthermore, there are no transactions or other relationships between the Company and him that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As he is an Outside Audit & Supervisory Board Member who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Director/Corporate Auditors of the Company, he has been designated as Independent Audit & Supervisory Board Member.

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	5 persons

Other matters relating to Independent Directors/ Audit & Supervisory Board Members

At the Company, all Outside Directors who qualify as Independent Directors are designated as Independent Directors, and all Outside Audit & Supervisory Board Members who qualify as Independent Audit & Supervisory Board Members are designated as Independent Audit & Supervisory Board Members.

[Incentives]

Implementation of Incentive Policies for Directors	Introduction of Stock Options System

Supplementary Explanation

The Company has introduced a stock compensation type stock options system aimed at further boosting the motivation of Directors and Executive Officers to improve mid- to long-term business results and raise corporate value by linking the remuneration of Directors and Executive Officers more closely to the Company's share price and by sharing not only the benefits of rising share price but also the risks of falling share price with shareholders.

Recipients of Stock Options	Inside Directors, Other

Supplementary Explanation

Directors and Executive Officers are entitled to receive stock options.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

The respective total amounts of remuneration and bonus paid to Directors are disclosed.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Please refer to the statement in "1.1. Basic Views" [Disclosure Based on the Principles of the Corporate Governance Code] - [Principle 3.1 Full Disclosure] - "iii) Board policies and procedures in determining the remuneration of directors and audit & supervisory board members" in this Report.

[Supporting System for Outside Directors (Outside Audit & Supervisory Board Members)]

・ At the Company, the Office of Secretaries and the Office of Audit & Supervisory Board Members serve as the point of contact of Outside Directors and Outside Audit & Supervisory Board Members, respectively, and assist in the performance of their respective duties by conveying various information, etc. ・ Furthermore, with respect to Outside Directors and Outside Audit & Supervisory Board Members, the Company distributes and explains materials for the Board of Directors in advance, provides relevant information and performs other such tasks to enhance deliberations at the meetings of the Board of Directors. In addition, the Company provides opportunities on an ongoing basis for them to gain an understanding of the nature of the Company's operations as necessary, such as providing an explanation of the Company's business, etc. when they assume office, organizing visits to the Company's offices, and arranging dialogues and social gatherings with the Representative Director. The Company intends to continue making such efforts into the future.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions, etc. (Overview of Current Corporate Governance System) UPDATED

The Board of Directors consists of 15 Directors including two Outside Directors and meets once every month in principle to draw up important management-related plans and make decisions on key issues regarding the business execution of the Company. At the Board of Directors meetings, Directors also report on the status of business execution and mutually supervise the performance of their duties. Also, with an aim to clearly separate the role of management from the role of execution and expedite business operation, the Representative Director & President, Representative Director & Executive Vice Presidents and Director & Managing Executive Officers (hereinafter collectively called "Executive Officers") shall be responsible for business execution. The Management Committee consisting of Executive Officers meets every week in principle to discuss policies and plans for general business operations and the execution of important business matters from various angles in accordance with the Board of Directors' resolutions. The Company also introduces in-house company system consisting of the Power Generation and Sales Company, the Power Network Company, the Nuclear Power Division and the Internal Services Division to promote the development of appropriate and efficient business processes including seeking autonomy in business operations. The Company has adopted a system of Audit & Supervisory Board Members, three out of five of whom are Outside Audit & Supervisory Board Members. Outside Audit & Supervisory Board Members are independent in that they are not at risk of giving rise to conflicts of interest with ordinary shareholders, and have extensive experience and excellent insight on the

business world, etc.

Audit & Supervisory Board Members attend the meetings of the Board of Directors and the Management Committee and other important meetings, examine important documents, conduct surveys, etc. on the status of operations and assets of the Company's offices, and endeavor to enhance audits including those on the performance of duties of Directors and the status of development and operation of internal control systems. The members of the Audit & Supervisory Board are endeavoring to further improve the effectiveness of audits by such means as exchanging information periodically with the Office of Internal Audits, the Office of Network Internal Audit and the Office of Nuclear Power Internal Audit —which are the Company's internal auditing departments—and the accounting auditors, while strengthening ties with the audit & supervisory board members of its affiliates.

The Company has established the Office of Audit & Supervisory Board Members, consisting of 11 staff members, as an organization dedicated to assisting the Audit & Supervisory Board Members' work.

The Company has appointed Ernst & Young ShinNihon LLC as its accounting auditor, and endeavors to apply appropriate accounting treatment by providing information to and confirming matters with the accounting auditor whenever necessary.

Three certified public accountants performed accounting and auditing work, namely, Mr. Shigeru Sekiguchi, Mr. Morio Sato and Mr. Daisuke Arikura. Assistants for accounting and auditing work comprised of 6 certified public accountants and 14 other persons.

The Company also makes efforts to be conscious of compliance with laws and regulations in management, and has a system in which the Company can confirm matters with its consulting lawyer when legal decisions need to be made.

At the Company, the Office of Internal Audits and the Office of Network Internal Audit conduct internal audits of the overall operations with respect to the effectiveness and validity of organizational systems and administration structures, the economy and efficiency of business operations, the effectiveness and efficiency of facility security activities, and other related matters. The Office of Nuclear Power Internal Audit performs internal audits for ensuring the safety and improving the reliability of nuclear power generation. The methods of internal audits include conducting interviews with personnel in the targeted areas (the Head Office, power plants, Customer Services Offices, etc.), investigation of documents and on-site checks.

The results of internal audits are reported to the Representative Director & President, the Management Committee and the Board of Directors, and relevant departments are prompted to take corrective action with respect to problems, etc. that need to be rectified. Moreover, the plans and results of internal audits are explained to the Audit & Supervisory Board Members, with whom information is exchanged on a regular basis, in an effort to enhance collaboration with them.

The Office of Internal Audits and the Office of Nuclear Power Internal Audit are independent of all executive organs, are under the direct control of the Representative Director & President in terms of organizational structure and consist of 19 members combined. The Office of Network Internal Audit which belongs to the Power Network Company is under the direct control of the Representative Director & President and consists of 6 members.

For policies and procedures for the nomination of candidates for Directors and Audit & Supervisory Board Members and remuneration decisions, please refer to the statement in "1.1. Basic Views" - [Disclosure Based on the Principles of the Corporate Governance Code] - [Principle 3.1 Full Disclosure] – "iv) Board policies and procedures in the appointment of the senior management and the nomination for candidates of directors and audit & supervisory board members" and "iii) Board policies and procedures in determining the remuneration of directors and audit & supervisory board members."

3. Reasons for Adoption of Current Corporate Governance System UPDATED

The Company's basic rule is to have its Board of Directors consist of the number of persons necessary and appropriate for building an effective management structure required by a company engaged in the electric power business and for ensuring effective discussions in the Board of Directors. The Company prescribes in its Articles of Incorporation that the number of Directors shall be no more than 18 persons.

Furthermore, the Board of Directors is comprised of: Directors, who vary in specialized knowledge, experience, etc. and are knowledgeable in their respective fields in consideration of their technical expertise, practical abilities based on their on-site experiences, etc., taking into account such factors as the characteristics of the electric power business in terms of being highly specialized and having a broad business domain as a company that handles electricity, which is an essential utility; and Independent Outside Directors, who are capable of realizing appropriate decision-making and management supervision in the Board of Directors, based on their practical experience stemming from corporate management, etc. and deep insight in socioeconomic trends, etc. With such arrangement, the Company ensures balance among knowledge, experience and skills as well as diversity of the Board of Directors as a whole, and endeavors to execute business efficiently and conduct business management appropriately.

With this in mind, the Board of Directors currently consists of a total of 15 Directors: 13 inside Director who are knowledgeable of the electric power business as well as operations in each field of the Company; and two Outside Directors with extensive experience and excellent insight.

Also, in view of ensuring objectivity and impartiality of management monitoring functions, three out of five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

In addition, the Company creates opportunities for Audit & Supervisory Board Members to express their opinions to Directors through periodical meetings between the Representative Directors and Audit & Supervisory Board Members, attendance of Audit & Supervisory Board Members at important meetings including those of the Board of Directors and the Management Committee, periodic information exchange between Audit & Supervisory Board Members and internal auditing departments (i.e., the Office of Internal Audits, the Office of Network Internal Audit and the Office of Nuclear Power Internal Audit), periodic information exchange with the accounting auditor, and surveys on the operational status of offices, etc. conducted by Audit & Supervisory Board Members, among others.

Other efforts by the Company to enhance corporate governance include the Representative Director's press conferences held periodically, briefing sessions attended by Directors and held for shareholders and individual investors, development of tools to distribute information and gather opinions through various media, stock guidance services offered at the Company's offices positioned in its service areas, and the introduction of a scheme to reflect shareholders' opinions directly in the Company's management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Efforts to Vitalize the General Shareholders Meetings and Facilitate the Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	・ Convening notice is sent before the statutory deadline. (2017 results: Sent on June 6 [General Meeting of Shareholders was convened on June 28.])
Scheduling AGMs Avoiding the Peak Day	・ In FY2017, the General Meeting of Shareholders is scheduled on June 28, a day before the peak day.
Allowing Electronic Exercise of Voting Rights	・ Voting rights can be exercised on the voting website specified by the Company.
Participation in Electronic Voting Platform and Other Efforts to Improve Environment for Institutional Investors to Exercise of Voting Rights	・ The Company uses the electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice (Summary) in English	・ The English version of the convening notice (brief version) and reference documents for the General Meeting of Shareholders is posted on the electronic voting platform.
Other	・ In view of providing information to shareholders early and facilitating the exercise of voting rights, the convening notice is posted on the respective websites of Tokyo Stock Exchange and the Company before sending the convening notice. ・ After the General Meeting of Shareholders, the voting results are posted on the Company's website.

2. IR Activities UPDATED

	Supplementary Explanations	Representative's explanation
Disclosure Policy	With an aim to facilitate constructive dialogues with parties concerned with capital markets, the Company posts its "Disclosure Policy" on its website. The URL is as follows. http://www.tohoku-epco.co.jp/ir/disclosure/index.html	
Regular Investor Briefings for Individual Investors	The Company holds a briefing session on the Company's profile, business plan, etc. targeted at individual investors as appropriate, in which the officer in charge of IR, etc. provides an explanation.	Provided
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds a briefing session on the financial results (in May and November) targeted at analysts and institutional investors, in which the Representative Director & President or the officer in charge of IR provides an explanation.	Provided
Regular Investor Briefings for Overseas Investors	Outside Japan, the Company visits major foreign institutional investors on an individual basis.	Provided
Posting of IR Materials on Website	The Company posts its earnings releases (*kessan tanshin*), securities reports, quarterly reports, annual reports, materials for briefing sessions on financial results, convening notices of General Meeting of Shareholders, etc. on its website. The URL is as follows. http://www.tohoku-epco.co.jp/ir/index.html	
Establishment of IR-related Department (Appointment of Person in Charge of IR)	(Officer in charge) Representative Director & Executive Vice President Shinichi Okanobu (Department in charge) IR Group, Accounting & Finance Department	
Other	The Company is vigorously engaged in IR activities including disclosing precise information on its website and at briefing sessions and holding opinion exchange sessions between the management and investors.	

3. Efforts to Ensure Due Respect for Stakeholders UPDATED

	Supplementary Explanations
Stipulation of Internal Rules, etc. for Respecting the Position of Stakeholders	・ In its "Tohoku Electric Power Group CSR Policy" and "Tohoku Electric Power Group Action Guidelines" (established in January 2017), the Company has prescribed the rules of behavior of each and every employee of the Tohoku Electric Power Group with respect to customers, members of the local communities, shareholders, investors and business partners.
Implementation of Environmental Conservation Activities, CSR Activities, etc.	**[The Company's CSR efforts]** ・ Based on the view that all business activities of the Tohoku Electric Power Group relate to corporate social responsibility (CSR), the Company has established the "CSR Promotion Council" chaired by the Representative Director & President and prescribed the "Tohoku Electric Power Group CSR Policy" and "Tohoku Electric Power Group Action Guidelines" (established in January 2017), under which the Tohoku Electric Power Group is acting as one united body to promote CSR, premised on ensuring safety, giving consideration to the environment, observing corporate ethics and complying with laws and regulations.

	・ Information on the Company's efforts related to CSR is provided to stakeholders by issuing the "Tohoku Electric Power NOW CSR Report" on an annual basis. ・ In regard to environmental activities, the Company formulates, evaluates and reviews an environmental action plan every year and publishes the "Environmental Action Report", which primarily summarizes the progress and detailed data of Tohoku Electric Power Group's environmental activities.
Development of Policies, etc. on Information Provision to Stakeholders	・ The "Tohoku Electric Power Group CSR Policy" and "Tohoku Electric Power Group Action Guidelines" (established in January 2017) set forth that the Company shall be fully accountable with respect to stakeholders and make efforts for precise information disclosure.
Other	**[Policies, initiatives, etc. for active participation of women]** For the promotion of active participation of women, the Company is pushing ahead with human resources development, expansion of occupational fields and proactive promotion of employees to managerial positions regardless of sex in a planned manner. The Company is also engaged in awareness-raising activities such as in-house training on work style and career development. In March 2016, the Company formulated its "general business owner action plan" based on the Act of Promotion of Women's Participation and Advancement in the Workplace to further promote the active participation of women, and set its target to *at least double the number of female managers by March 31, 2020 compared to the level at the beginning of FY2015*, for which the following initiatives are being carried out: (1) Initiatives targeted at female employees such as conducting training and holding networking events to assist the career development of female employees; (2) Initiatives targeted at managers for the development of female employees; and (3) Initiatives to create a workplace culture that makes the "work-life balance support system" easily accessible, such as raising male employees' awareness of participation in childcare and housework. In order to realize work-life balance, the Company is also developing and enhancing various work schemes aimed at creating a female-friendly work environment, including making the period of childcare leave and childcare assistance sufficient in length. In 2008 and 2015, the Company was certified as a company that supports raising next-generation children under the Act on Advancement of Measures to Support Raising Next-Generation Children.

IV. Matters Related to the Internal Control System, etc.

1. Basic Views on Internal Control System and the Progress of System Development UPDATED

1. Basic Policy Underlying the System to Ensure Proper Business Operations

(1) System to ensure that Directors comply with laws and regulations as well as the Articles of Incorporation in the performance of their duties

As a member of society, the Company shall comply with laws and regulations as well as the Articles of Incorporation, promote business activities in a fair, transparent and efficient business activities and fulfill its social responsibility.

In principle, a meeting of the Board of Directors shall be held once a month. At the meetings, the Board of Directors shall determine important matters on the Company's business execution including important management-related plans and receive reports on the status of business execution from Directors. Directors shall also supervise each other in regard to the performance of their respective duties.

The Company clearly separates the role of management from the role of execution. The Representative Director & President, Representative Director & Executive Vice Presidents and Director & Managing Executive Officers (hereinafter collectively called "Executive Officers") shall be responsible for business execution. The Management Committee consisting of Executive Officers shall be held every week in principle, where policies and plans for general business operations and the execution of important business matters shall be discussed based on resolution of the Board of Directors.

The Company shall formulate the Tohoku Electric Power Group CSR Policy and Tohoku Electric Power Group Action Guidelines, by which Directors shall proactively abide and the spirit of which Directors shall endeavor to thoroughly realize. The Company shall also establish the Committee of Corporate Ethics and Compliance chaired by the Representative Director & President, appoint an officer in charge of promotion of compliance, and promote conformity to corporate ethics and compliance with laws and regulations in business activities. Furthermore, the Company shall create a Corporate Ethics Consulting Service, which the Company shall properly operate including investigating cases on which advice has been sought while protecting the persons seeking advice.

The Company shall take action resolutely against undue intervention and demands by anti-social forces pursuant to relevant internal regulations, etc.

The Company shall establish internal auditing departments, which shall conduct internal audits to ensure the effectiveness and efficiency of the Company's operations, conformity to corporate ethics and compliance with laws and regulations and report the internal audit results to not only the Representative Director & President but also the Management Committee and the Board of Directors.

(2) System for storing and managing information on the performance of duties of Directors

Documents, electromagnetic information and other information on the performance of duties of Directors shall be managed and stored properly in accordance with internal regulations, and made available for Directors to read as necessary.

(3) Regulations and other systems to manage risk of loss

The Company shall properly deal with risks concerning its business execution pursuant to relevant internal regulations according to the nature of such risks, including utilizing divisions or internal committees, etc.

The Company shall periodically identify and assess risks relating to business activities, and incorporate measures, etc. against risks that may have a significant impact on management into the business plan formulated by each division on an annual basis, and implement risk management in the management cycle.

For risks concerning natural disasters, nuclear power disasters, etc., the Company shall establish internal regulations, and prepare against risks that may arise, including conducting drills based on disaster scenarios. To improve the safety of nuclear power stations on a voluntary and ongoing basis, the Company shall establish an in-house committee, which shall periodically conduct safety assessment and analysis, examine measures, etc. to reduce risks and take action in an appropriate manner.

The Company shall establish an in-house committee to manage market risk, etc. stemming from wholesale electricity transactions, etc., as well as an in-house committee aimed at preventing crises to prepare against unforeseen circumstances at home and abroad and minimizing damage in the event that a risk becomes a reality, and thereby deal with such risk in an appropriate manner.

The status of risk management shall be reported to the Council of Managing Directors, etc. as necessary.

(4) System to ensure efficient performance of duties by Directors

Executive Officers shall execute the Company's business based on resolution of the Board of Directors. In doing so, business shall be executed efficiently including utilizing the Management Committee and internal committees in order to quickly adapt to changes in the business environment.

Executive Officers shall take the following measures to perform their duties in an efficient manner:

a. Thoroughly instill management principles and management approach among employees, formulate various plans in addition to important management-related plans, clarify priority measures and targets in business execution and evaluate the outcome of their implementation;

b. Execute business by following the prescribed procedures under organizational rules and job authority regulations; and

c. Collect information related to management through such sources as reports made at various meetings including those of the Board of Directors, exchange of opinions with employees, and contact with customers and other persons who have a relationship with the Company, and reflect such information in the performance of duties.

(5) System to ensure that employees comply with laws and regulations as well as the Articles of Incorporation in the performance of their duties

Employees shall perform their duties under the directions and orders of Executive Officers in compliance with such policies/guidelines as the Tohoku Electric Power Group CSR Policy and Tohoku Electric Power Group Action Guidelines, pursuant to organizational rules and job authority regulations. Employees shall be supervised by Directors in the performance of their duties through decision-making procedures, reports, etc. of business execution.

The Company's corporate group shall act as one united body in promoting CSR under the CSR Promotion Council.

Under the Committee of Corporate Ethics and Compliance, the person responsible for corporate ethics and the person in charge of promotion of corporate ethics appointed in each office/department/branch shall play a central role in strictly enforcing the Tohoku Electric Power Group Action Guidelines, conducting education and awareness-raising activities, etc. and promoting conformity to corporate ethics and compliance with laws and regulations in business activities. Furthermore, the Company shall create a Corporate Ethics Consulting Service, which shall investigate cases on which advice has been sought while protecting persons seeking advice. Such initiatives shall be reported periodically to the Committee of Corporate Ethics and Compliance and the Board of Directors.

(6) System to ensure proper business operations in the corporate group consisting of the Company and its subsidiaries

a. System to report matters related to performance of duties of directors, etc. of subsidiaries to the Company

The Company shall establish internal regulations so that business operations will be conducted in an appropriate and efficient manner in its corporate group. With respect to group companies, the Company shall require prior consultation and reporting and give guidance and advice on important matters.

b. Regulations and other systems to manage risk of loss of subsidiaries

The Company shall establish internal regulations, require group companies to formulate important management-related plans, periodically receive reports on the progress of plans from major companies, and identify the risks in each company.

The Company shall give guidance and advice to each group company on how to deal with significant risks identified at each company through prior consultation and reporting.

Also, emergence of significant risks, breach of corporate ethics and violation of laws and regulations at each group company shall be reported to the Management Committee, etc.

c. System to ensure efficient performance of duties by directors, etc. of subsidiaries

The Company shall promote corporate group management including making important plans on corporate group management widely known, holding management meetings of the corporate group as a whole and implementing measures to improve efficiency jointly.

With respect to group companies, the Company shall execute business in an efficient manner by utilizing internal committees, etc. and give guidance and advice as appropriate so that they will execute business by following the prescribed procedures in accordance with organizational rules and job authority regulations.

d. System to ensure that directors, etc. and employees of subsidiaries comply with laws and regulations as well as the Articles of Incorporation in the performance of their duties

With respect to group companies, the Company shall give guidance and advice as appropriate so that they will comply with laws and regulations and observe the spirit of the law, including formulating their respective action guidelines based on the Tohoku Electric Power Group CSR Policy and Tohoku Electric Power Group Action Guidelines.

The Company shall establish the Tohoku Electric Power Group Corporate Ethics and Compliance Activity Policy, based on which the corporate group shall act as one united body to carry out activities, and conformity to corporate ethics and compliance with laws and regulations shall be stringently enforced by such means as giving guidance and advice to the person in charge of and responsible for corporate ethics and compliance with laws and regulations at each group company.

The Company's Corporate Ethics Consulting Service shall also be open to directors, audit & supervisory board members and employees of group companies who are seeking advice. The handling status of cases on which advice has been sought shall be reported to the Committee of Corporate Ethics and Compliance and the Board of Directors.

e. Other systems to ensure proper business operations in the corporate group consisting of the Company and its subsidiaries

In consideration of the internal audit status of group companies, the internal auditing department shall conduct internal audits directly as necessary with respect to major companies and report the internal audit results not only to the Representative Director & President but also to the Management Committee and the Board of Directors.

(7) Matters related to employees appointed to assist Audit & Supervisory Board Members' duties at the request of such members, if any

The Company shall establish an organization whose duty is to assist Audit & Supervisory Board Members, and appoint employees dedicated to such organization.

(8) Matters related to independence of employees who assist Audit & Supervisory Board Members' duties from Directors

Duties of the organization that assists Audit & Supervisory Board Members shall be limited to assisting audits, and employees belonging to such organization shall be banned from performing tasks other than assisting audits.

(9) Matters related to ensuring the effectiveness of instructions to employees who assist Audit & Supervisory Board Members' duties

Employees who belong to the organization that assists Audit & Supervisory Board Members shall be under the direct control of Audit & Supervisory Board Members, and personnel affairs concerning employees who belong to such organization shall be subject to prior consultation with Audit & Supervisory Board Members.

(10) System to report to Audit & Supervisory Board Members

a. System for Directors and employees to report to Audit & Supervisory Board Members

Directors and employees shall report matters deemed important in the Company's business execution to Audit & Supervisory Board Members.

If requested by an Audit & Supervisory Board Member to provide a report for auditing purposes, Directors and employees shall meet such request.

A summary of cases on which advice of the Corporate Ethics Consulting Service is sought by Directors and employees shall be reported to Audit & Supervisory Board Members.

b. System for directors, audit & supervisory board members and employees of subsidiaries or anyone who received a report from them to report to Audit & Supervisory Board Members

Directors and employees of the Company shall report the emergence of significant risks, breach of corporate ethics and violation of laws and regulations at each group company to Audit & Supervisory Board Members.

Also, a summary of cases on which advice of the Corporate Ethics Consulting Service is sought by directors, audit & supervisory board members and employees of group companies shall be reported to Audit & Supervisory Board Members.

(11) System to ensure that anyone who made a report to Audit & Supervisory Board Members will not be subject to unfavorable treatment on the grounds of such report

The Company shall not treat anyone who made a report to Audit & Supervisory Board Members in an unfavorable manner on the grounds that he/she has made such a report.

The Company shall also thoroughly prevent group companies from treating anyone who made a report to their respective audit & supervisory board members on the grounds that he/she has made such a report.

(12) Matters related to procedures for advance payment or reimbursement of expenses incurred in the performance of duties by Audit & Supervisory Board Members and other policies for handling expenses or payables in relation to performance of such duties

When an Audit & Supervisory Board Member has claimed expenses incurred in the performance of his/her duties, the Company shall accept such claim unless the expenses claimed are deemed to have been unnecessary for the performance of duties.

(13) Other systems to ensure effective execution of audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members shall attend important meetings such as those of the Management Committee, in addition to the Board of Directors, and may read materials, etc. stored and managed by the Company.

The Representative Director and Audit & Supervisory Board Members shall periodically hold meetings in order to deepen their understanding of each other in regard to the business environment, important issues, etc.

In order to improve the audit performance of Audit & Supervisory Board Members, the internal auditing department shall provide information on internal audit results to Audit & Supervisory Board Members.

2. Progress of Development of Internal Control Systems

The Company has been developing various regulations and establishing committees, the organization of the internal auditing department, and the organization to assist Audit & Supervisory Board Members, etc. and has a system in place to execute and verify the aforementioned Basic Policy.

Please refer to the reference document “Internal Control and Corporate Governance Diagram” at the end of this Report.

2. Basic Views on Eliminating Anti-Social Forces and Progress of System Development

(1) Basic Views

In accordance with the “Tohoku Electric Power Group Action Guidelines”, it is the Company’s policy to *take action resolutely against anti-social forces*, reject any and all undue demands, etc. and respond at the organization level instead of leaving the matter exclusively to the person in charge or the department.

(2) Progress of development of system to eliminate anti-social forces

a. The unit that oversees responses to anti-social forces shall be the General Affairs Department, and the person responsible for preventing undue demands shall be the General Manager of the General Affairs Department.

b. In each region, the Company has been building relationships by routinely cooperating with police, centers for removal of criminal organizations, liaison councils against special crime groups and other various organizations for eliminating criminal organizations as well as outside specialized agencies including lawyers so that action can be taken in a prompt and seamless manner in the event of an emergency. The Company is also enhancing cooperation including meeting requests to take up the position of officers at such outside specialized agencies.

c. Information on anti-social forces is provided by the unit dealing with anti-social forces to the unit that has jurisdiction over such unit, which is then passed on to the General Affairs Department and other relevant units, in an effort to share information and seek cooperation.

d. In order to take action resolutely against undue intervention and demands by anti-social forces, the Company has created a manual on tackling anti-social forces.

e. The Company is enhancing its ability to eliminate anti-social forces by periodically holding practical internal training workshops, including requesting police to give lectures. The Company also proactively takes part in outside training workshops and lectures held by outside specialized agencies, etc.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation
—

2. Other Matters Concerning Corporate Governance System, etc.

(Overview of timely disclosure system)

In the "Insider Trading Management Standards" (internal standards), the Company has set forth the management and disclosure of corporate information that has a significant impact on investment decisions, the outline of which is as described below, and is endeavoring to implement the Standards in an appropriate manner.

The Company also discloses corporate information that should be disclosed not only to investors but also to customers, members of the local communities, shareholders and other various members of society.

1. System to manage corporate information

(1) The Company has appointed the General Manager of the General Affairs Department as the person responsible for handling information specified by a securities exchange, who performs tasks concerning timely disclosure in general.

(2) The Company has appointed the General Manager, etc. at the Head Office as the person responsible for managing information. If corporate information that is expected to have a material impact on investment decisions has been decided or generated, the Company requires that such corporate information be managed properly and reported to the person responsible for handling information before being disclosed and released to the public.

(3) If information concerning a subsidiary that is expected to have a significant impact on investment decisions has been decided or generated, the Company requires that the information be reported by such subsidiary to the General Manager of the Group Business Department of the Company and the report then be made to the person responsible for handling information.

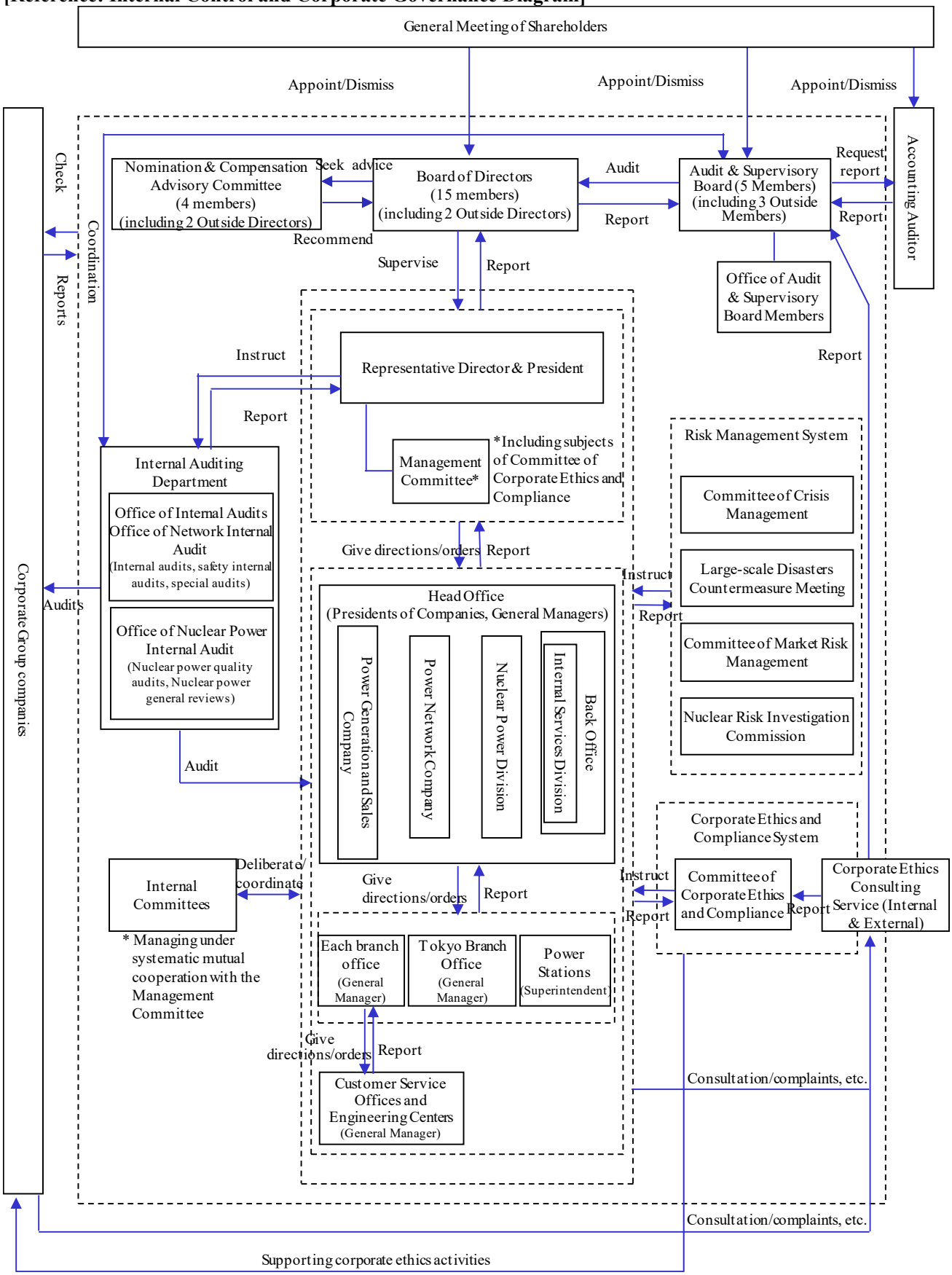
2. System to disclose corporate information

(1) The person responsible for handling information is required to determine whether or not the reported corporate information (including information concerning subsidiaries) needs to be disclosed in a timely manner to a securities exchange, and if necessary, carry out appropriate disclosure procedures. For disclosure, the Company uses TDnet—the Timely Disclosure network operated by Japan Exchange Group, Inc.

(2) The Company releases the disclosed information to news media and makes such information disclosure efforts as posting the information on the Company's website.

Please refer to the reference document "Timely Disclosure System Diagram" at the end of this Report.

[Reference: Internal Control and Corporate Governance Diagram]



[Reference: Timely Disclosure System Diagram]

