Corporate Governance Report

Last Update: July 8, 2019
Tohoku Electric Power Co., Inc.
Hiroya Harada, Representative Director & President
Contact: Office of Legal and Shareholders Affairs, General Affairs Dept.
TEL: +81-22-225-2111 (Switchboard)
Securities Code: 9506
http://www.tohoku-epco.co.jp/

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

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 and others.

(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 an Audit and Supervisory Committee." Under this governance framework, the Board of Directors shall, given its fiduciary responsibility and accountability to shareholders and with a view to ensuring sustainable growth of the Company and increase of its corporate value over the mid- to long-term, make decisions on important matters concerning the Company's business execution, including its management vision and important management-related plans such as mid-term management policies, by adopting an objective, neutral and diversified standpoint of Independent Outside Directors, while keeping up supervision of the Directors' execution of duties. Furthermore, the Company will develop and properly implement internal control systems and thereby ensure rational decision-making and proper business operations.

The Board of Directors shall, based on its resolution, delegate part of the decision-making authority concerning important business execution to Directors, while Representative Director & President, Representative Director & Executive Vice Presidents and Director & Managing Executive Officers (collectively the "Executive Officers") shall be generally responsible for business execution. This enables to clearly separate roles between supervision and execution, strengthen the supervisory function of the Board of Directors, and make prompt and flexible decisions to execute business operations efficiently.

The Audit and Supervisory Committee shall audit and supervise the Directors' execution of duties from an independent and objective standpoint to contribute to ongoing improvements in corporate governance in an effective manner, while the Audit and Supervisory Committee Members shall attend important meetings, including the meetings of the Board of Directors and the Management Committee, fulfilling 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]

==========

○ 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.

==========

The Company complies with every principle of Japan's Corporate Governance Code revised in June 2018.

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

==========

■ **Disclosures updated on July 8, 2019**

○ The following items have been revised.

・[Principle 3.1 Full Disclosure] v) Explanations for the individual appointments and nominations in appointing the senior management and nominating candidates for Directors

・[Supplementary Principle 4.11.2 Significant Concurrent Positions where Directors and Audit and Supervisory Board Members also Serve as Directors, Audit and Supervisory Board Members or the Management at Other Companies]

・[Supplementary Principle 4.11.3 Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole]

■ **Disclosures updated on December 18, 2018**

○ The following items have been revised.

・[Principle 1.4 Cross-shareholdings]

・[Principle 1.7 Related Party Transactions]

・[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

・[Principle 3.1 Full Disclosure] "iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors

・[Supplementary Principle 4.11.1 Views on the overall balanced, diverse and inclusive, and appropriate size of the Board of the Directors]

All principles are stated based on the Code revised in June 2018.

■ **Disclosures updated on July 5, 2018**

○ The following items have been revised.

・[Principle 3.1 Full Disclosure] iii) Policies and procedures to determine the remuneration of Directors, iv) Board policies and procedures to appoint the senior management and nominate candidates for Directors, and v) Explanations for the individual appointments and nominations in appointing the senior management and nominating candidates for Directors

・[Supplementary Principle 4.1.1 Scope and Content of the Matters Delegated to the Management]

・[Supplementary Principle 4.9 Independence Standards and Qualification for Outside Directors]

・[Supplementary Principle 4.11.1 Views on the overall balanced, diverse and inclusive, and appropriate size of the Board of the Directors]

・[Supplementary Principle 4.11.2 Significant Concurrent Positions where Directors and Audit and Supervisory Board Members also Serve as Directors, Audit and Supervisory Board Members or the Management at Other Companies]

・[Supplementary Principle 4.11.3 Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole]

・[Supplementary Principle 4.14.2 Training Policy for Directors]

・[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

■ **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 and 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 and 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 and 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 and supervisory board members also serve as directors, Audit and 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 and 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 and supervisory board members" was updated, given the establishment of the "Nomination & Compensation Advisory Committee."

==========

[Principle 1.4 Cross-Shareholdings]

○ **Policies**

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 examines whether the benefits and risks from each holding cover the Company's cost of capital.

Based on the board's assessment regarding whether or not to hold each individual cross-shareholdings, the cross-held shares which doesn't meet its objectives and standards are subject to being sold. The results of this assessment shall be disclosed.

○ **Result of the Assessment**

As for each individual cross-shareholdings, the board comprehensively assessed all cross-held shares based on its objectives and economic rationale (whether associated benefits and risks such as the dividend and appraisal profit or loss cover the Company's cost of capital). The result showed that all the shares are reasonable to be held.

○ **Exercise of voting rights on shares**

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 Guidelines for retail electric supply business, 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 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company adopts defined benefit corporate pension plan and proceeds asset management based on Pension Funds Management Guidelines and ratio of asset allocation which were determined at the management committee, thus making sure of stable formation of return on plan assets and future pension benefit for pension participants and beneficiaries.

The Pension Committee, comprised of members from Human Capital Dept., Accounting and Finance

Dept., and Labor Union, is also established. Committee members shall regularly report the management situation and examine significant items such as revision of basic asset allocation and change of management institutions. In this process, the Company enhances reliability and appropriately manages conflicts of interest by utilizing asset management consulting services.

[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) Policies and procedures to determine the remuneration of Directors

The policies and procedures to determine the remuneration of Directors (excluding those serving as Audit and Supervisory Committee Members) are as follows.

○ **Policies**

Remuneration of Directors (excluding those serving as Audit and Supervisory Committee Members) shall consist of *monthly compensation*, *stock compensation-type stock options* and *bonuses* and shall be determined in accordance with the following policies.

・ In determining remuneration of Directors, the Nomination & Compensation Advisory Committee including more than one Independent Outside Directors shall conduct deliberation with a view to ensuring greater objectivity and transparency.

・ 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 43 million yen (including the portion for Outside Directors up to five million yen, but excluding the employee salaries of Directors serving concurrently 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 94th Ordinary General Meeting of Shareholders held on June 27, 2018.)

○ **Procedures**

In consideration of the aforementioned policies and other relevant matters, the Representative Director proposes matters concerning the remuneration of Directors (excluding those serving as Audit and Supervisory Committee Members) 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 relevant 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 Audit and Supervisory Committee may summarize its opinions on the remuneration of Directors (excluding those serving as Audit and Supervisory Committee Members) and express their opinions at the General Meeting of Shareholders.

The policies and procedures to determine the remuneration of Directors, Audit and Supervisory Committee Members are as follows.

The remuneration of Directors, Audit and Supervisory Committee Members shall consist exclusively of *monthly compensation*, the amount of which is capped at 12 million yen per month determined by the resolution of the 94th Ordinary General Meeting of Shareholders held on June 27, 2018. The amount to be paid to each Director serving as Audit and Supervisory Committee Member is decided through discussion among the Directors, Audit and Supervisory Committee Members, within the total amount resolved at the General Meeting of Shareholders.

iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of candidates for Directors

In order for Tohoku Electric Power Group to continue growing together with the local community and playing an essential role in it, the Company endeavors to produce a management culture that creates its own distinctive character in collaboration with the local community, while proactively adapting itself to changes in the business environment in the future and engaging in continuous dialogue with its stakeholders. Under this principle to ensure proper business management, the Company's policies and procedures to nominate/dismiss candidates for Directors are as follows.

○ **Policies**

Candidates for Directors 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 while maintaining monitoring functions over business execution, and the number of Directors shall be an appropriate number of up to 18 persons as prescribed in the Articles of Incorporation.
- In selecting/dismissing candidates for Directors, the Nomination & Compensation Advisory Committee including more than one Independent Outside Directors shall conduct deliberation with a view to ensuring greater objectivity, timeliness, and transparency.
- Candidates for inside Directors (excluding candidates for Directors serving as Audit and Supervisory Committee Members) shall be selected from among those who are knowledgeable in each field in consideration of the balance of their respective fields of specialization in addition to their technical expertise, extensive working experience, and knowledge about the general management of the electric power business, 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 (excluding candidates for Directors serving as Audit and Supervisory Committee Members) 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 and other relevant matters and deep insight in socioeconomic trends and others.

・ Candidates for Directors, Audit and Supervisory Committee Members shall be selected by giving weight to whether they can properly execute their duties as an Audit and Supervisory Committee Members drawing on their experience and insight, thereby implementing audits and supervision of the Directors' execution of duties. In selecting candidates for Outside Directors, Audit and Supervisory Committee Members, whether they can conduct audits and supervision from an objective and neutral standpoint shall be emphasized.

・ The independence of candidates for Outside Directors shall be evaluated in compliance with the "Independence Criteria for Outside Directors" prescribed by the Company (please refer to the Criteria stated in [Principle 4.9 Independence Standards and Qualification for Outside Directors] in this Report).

○ **Procedures**

In consideration of the aforementioned policies and other relevant matters, candidates for Directors are subject to deliberation at the Nomination & Compensation Advisory Committee and decided by resolution of the Board of Directors in view of ensuring greater objectivity, timeliness, and transparency.

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

The Audit and Supervisory Committee may summarize its opinions on the election of the candidates for Directors (excluding candidates for Directors serving as Audit and Supervisory Committee Members) and express their opinions at the General Meeting of Shareholders.

v) Explanations for the individual appointments and nominations in appointing the senior management and nominating candidates for Directors

[Reasons for Appointment to Directors (excluding those serving as Audit and Supervisory Committee Members)]

○ **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 a Representative Director & Executive Vice President in June 2009 and Representative Director & President in June 2010 and has served as the Representative Director & 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 a Representative Director & Executive Vice President in June 2014 and Representative Director & President in June 2015 and has served as the Representative Director & President since April 2018. 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 was appointed as a Representative Director & Executive Vice President in June 2015 and has served as the Representative Director & Executive Vice President since April 2018. 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.

○ **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 a Managing Director in June 2013 and a Representative Director & Executive Vice President in June 2015 and has served as a Representative Director & Executive Vice President since April 2018. 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 was appointed as a Managing Director in June 2015 and has served as a Representative Director & Executive Vice President since April 2018. 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 was appointed as a Managing Director in June 2016 and has served as a Director & Managing Executive Officer since April 2018. 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. In June 2019, he was appointed as Representative Director & Executive Vice President.

○ **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 was appointed as a Managing Director in June 2013 and has served as a Director & Managing Executive Officer since April 2018. 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 (reappointment)**

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. He was appointed as a Managing Director in June 2017 and has served as a Director & Managing Executive Officer since April 2018. 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.

○ **Hirohisa Yashiro (new appointment)**

Mr. Yashiro has business experience mainly in planning-related divisions since joining the Company including assignment as General Manager of the Corporate Planning Department and Managing Executive Officer, through which he 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, h he has been appointed as Director. In June 2019, he was appointed as Director & Managing Executive Officer.

○ **Hirohiko Ito (new appointment)**

Mr. Ito has business experience mainly in sales-related divisions since joining the Company including assignment as Executive Officer and General Manager of the Sales Department and Managing Executive Officer, through which he 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 has been appointed as Director. In June 2019, he was appointed as Director & Managing Executive Officer.

○ **Shiro Kondo (reappointment)**

Mr. Kondo has years of experience in the management of Ricoh Company Ltd. 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 Directors of the Company, he has been designated as Independent Director.

○ **Masaki Ogata (reappointment)**

Mr. Ogata, currently serving as Vice Chairman and Director of East Japan Railway Company, has experience in the management of a public utility business. 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 Directors of the Company, he has been designated as Independent Director.

○ **Tsutomu Kamijo (reappointment)**

Mr. Kamijo, currently serving as Chairman and Director of Sapporo Holdings Limited, has experience in the managing of a company manufacturing and selling beverages and foods, 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 Directors of the Company, he has been designated as Independent Director.

[Reasons for appointment to Director, Audit and Supervisory Committee Members]

○ **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 had served as an Audit and 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 appointed as Director, Audit and Supervisory Committee Member in June 2018 at the 94th Ordinary General Meeting of Shareholders.

○ **Ikuo Uno**

Mr. Uno has many years of experience in the management of Nippon Life Insurance Company. As he is expected to conduct objective and impartial audits and supervision of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he was appointed as Outside Director serving as Audit and Supervisory Committee Member at the 94th Ordinary General Meeting of Shareholders.

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 Directors of the Company, he has been designated as Independent Director.

○ **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 and supervision of the Company drawing on his extensive experience and excellent insight developed through his past experience and records, he was appointed as Outside Director, Audit and Supervisory Committee Member at the 94th Ordinary General Meeting of Shareholders.

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 Directors of the Company, he has been designated as Independent Director.

○ **Ikuko Miyahara (new appointment)**

Ms. Miyahara has experience in conducting studies of the effective use of regional resources and earthquake restoration support and participating in industry-academia-government projects as a university professor. Given her extensive experience and excellent insight as a person of learning and experience developed through her past experience and records, she is considered capable of conducting audit and supervision from an objective and neutral perspective. Thus, she was appointed as Outside Director who is an Audit and Supervisory Committee Member in June 2019.

Although she has never been directly involved in corporate management in the past, she is capable of performing duties as an Outside Director who is an Audit and Supervisory Member properly for the reasons stated above.

Furthermore, there are no transactions or other relationships between the Company and her that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As

she 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 Directors of the Company, she has been designated as Independent Director.

Of note, the list of Directors and Audit and Supervisory Board Members (updated on June 26, 2019) is posted on the Company's website.

"Directors and Audit and Supervisory Board Members"

（http://www.tohoku-epco.co.jp/news/pdf/__icsFiles/afieldfile/2019/06/26/1201581.pdf）

[Supplementary Principle 4.1.1 Scope and Content of the Matters Delegated to the Management]

The Board of Directors shall consist of 17 Directors including six Outside Directors who are independent in that they are not at risk of giving rise to conflicts of interest with ordinary shareholders and meet 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]

The Company evaluates the independence of an Outside Director 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 and other relevant matters, and deep insight on socioeconomic trends and others.

Outside Directors, Audit and Supervisory Committee Members are appointed by giving weight to whether they can fully recognize the roles and responsibilities as Outside Directors, Audit and Supervisory Committee Members, and they can conduct objective and impartial audits and supervision based on extensive experience and excellent insight.

[Independence Criteria of Outside Directors in the Company]

In principle, the Company designates a person who does not fall under any of the following criteria as an Independent Outside Director:

(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 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 Directors, Audit and Supervisory Committee Members are designated as Independent Outside Directors, including Directors who are not executives)

[Supplementary Principle 4.11.1 Views on the Overall Balanced, Diverse and Inclusive, and Appropriate Size of the Board of the Directors]

The Company shall have no more than 18 Directors in accordance with its Articles of Incorporation. The Board of Directors shall 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 as well as monitoring functions over business execution in the Board of Directors.

With taking into account the diversity including gender and internationality, the Board of Directors shall be composed as follows, thereby ensuring a well-balanced combination of knowledge, experience and ability across the board, and shall strive to conduct efficient business execution and proper business management.

Directors, Audit and Supervisory Committee Members shall be involved in Directors' personnel matters, such as nomination and compensation, while implementing their audit function, to further enhance the supervisory function.

<<Composition of the Board of Directors of the Company>>

1. Inside Directors (excluding those serving as Audit and Supervisory Committee Members)

Those selected 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, from among those who are knowledgeable in each field in consideration of the balance of their respective fields of specialization, in addition to their technical expertise, good amount of work experience, and knowledgeable about the management of the electric power business in general.

2. Outside Directors (excluding those serving as Audit and Supervisory Committee Members)

Those who can make proper decisions and supervise management in the Board of Directors based on their practical experience involving corporate management and high-level insight into socioeconomic trends and others.

3. Directors, Audit and Supervisory Committee Members

Those who can appropriately fulfill their duties and audit and supervise the Directors' execution of duties as Audit and Supervisory Committee Members by drawing on their experience and insight. Of them, Outside Directors, Audit and Supervisory Committee Members must be those who can conduct objective and impartial audits and supervision.

[Supplementary Principle 4.11.2 Significant Concurrent Positions where Directors also Serve as Directors at Other Listed Companies]

Significant positions concurrently held by Officers are stated in: the business report (annual) in the convening notice of the Ordinary General Meeting of Shareholders; proposals for the appointment of Directors (on an appointment-by-appointment basis); and the securities report. They are stated in pages 15 through 23, 55 and 57 of the Notice of Convocation of the Ordinary General Meeting of Shareholders held on June 26, 2019, and in pages 44 and 45 in the FY2018 securities report.

Of note, Mr. Makoto Kaiwa, a Director, was appointed as Outside Director of Japan Post Bank Co., Ltd. on June 18, 2019, and Mr. Mitsuhiro Sakamoto, a Director, retired from his post as Outside Director of Yurtec Co., Inc. on June 25, 2019.

[Supplementary Principle 4.11.3 Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole]

The Company conducts a questionnaire survey on the effectiveness of the Board of Directors targeted at Directors once a year, and reports the survey results to the Board of Directors. Based on the 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 assesses initiatives aimed at making further improvements in its effectiveness.

In FY 2018, the Board of Directors further enhanced the composition of materials to be presented thereto to help Directors make prompt and apt business decisions, improved the method for reporting thereto to ensure the deliberation time at the Board of Directors, implemented prior thorough presentation and provided inspection tour to the Company's facilities thereto to facilitate Outside Directors' understanding. In order to strengthen supervision in terms of the training of successors to senior management staff, the Board of Directors sorted out the agenda and discussed the Company's future direction at the Nomination & Compensation Advisory Committee.

Given such initiatives stated above, the Board of Directors judged that "it ensured the effectiveness of the Board of Directors as a whole, but it needs to continue further improving to boost its effectiveness even more in the future" based on the questionnaire survey conducted this time.

In FY 2019, the Board of Director shall make further discussion on management policy and strategy, enhance supervision of group companies towards legal unbundling in April 2020, and continue to further elevate effectiveness of its management and support Outside Directors.

[Supplementary Principle 4.14.2 Training Policy for Directors]

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

With respect to Outside Directors, 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, the Company gives opportunities to participate in training courses, etc. on the roles and responsibilities of Directors or Directors, Audit and Supervisory Committee Members relating to the Companies Act, corporate accounting, and other relevant matters 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) Summaries of the dialogues with shareholders and investors shall be shared by officers as well as the relevant departments of the Company, while efforts shall be made to productively reflect the opinions and requests accepted from them on the management of the Company.

(5) The Company has established the "Insider Trading Management Standards," under which officers, Executive Officers and employees and others are required to fully commit themselves to managing important facts, while disclosing the information that has significant impact on the investment decision by shareholders and investors in a timely, appropriate and impartial manner in accordance with its Disclosure Policy.

2. Capital Structure

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

[Status of Major Shareholders] **UPDATED**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	26,949,700	5.40
Japan Trustee Services Bank, Ltd (trust account)	26,524,810	5.31
Tohoku Electric Power Employees' Shareholding Association	13,882,944	2.78
Nippon Life Insurance Company	13,727,209	2.75
Mizuho Bank, Ltd.	13,288,223	2.66
Japan Trustee Services Bank, Ltd (trust account 5)	9,188,000	1.84
Kochi Shinkin Bank	7,926,700	1.59
STATE STREET BANK WEST CLIENT - TREATY 505234	7,578,590	1.52
JP MORGAN CHASE BANK 385151	7,357,043	1.47
Japan Trustee Services Bank, Ltd (trust account 9)	6,633,600	1.33

Controlling Shareholder (except for Parent	-

Company)	
Parent Company	None

Supplementary Explanation
—

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	50 or more but less than 100

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

Organization Form	Company with an Audit and Supervisory Committee

[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	17 persons
Appointment status of Outside Directors	Appointed
Number of Outside Directors	6 persons

Number of Independent Directors designated from among Outside Directors	6 persons

Outside Directors' Relationship with the Company (1) UPDATED

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shiro Kondo	From another company								△			
Masaki Ogata	From another company								○			
Tsutomu Kamijo	From another company											
Ikuo Uno	From another company								△			
Chiharu Baba	From another company								△			
Ikuko Miyahara	Scholar								○			

* 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 and 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 and 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) UPDATED

Name	Audit and Supervisory Committee Member	Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
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 former Director &	Mr. Kondo has years of experience in the management of Ricoh Company Ltd. 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. There are no transactions or other

			Chairman of the Board of Ricoh Company, Ltd., which has electricity supply transactions with the Company; however, about a year has passed since he retired from Ricoh Company, Ltd.	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 Directors of the Company, he has been designated as Independent Director.
Masaki Ogata		○	"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. Ogata is the Vice Chairman and Director of East Japan Railway Company, which has electricity supply transactions with the Company.	Mr. Ogata, currently serving as Vice Chairman and Director of East Japan Railway Company, has experience in the management of a public utility business. 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. 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 Directors of the Company, he has been designated as Independent Director.
Tsutomu Kamijo		○	—	Mr. Kamijo, currently serving as Chairman and Director of Sapporo Holdings Limited, has experience in the managing of a company manufacturing and selling beverages and foods, 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. 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 Directors of the Company, he has been designated as Independent Director.
Ikuo Uno	○	○	"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. 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. As he is expected to conduct objective and impartial audits and supervision 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 serving as Audit and Supervisory Committee Member. 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 Directors of the Company, he has been designated as Independent Director.
Chiharu Baba	○	○	"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. 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. 12 years since he retired from Mizuho Trust & Banking Co., Ltd.	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 and supervision 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 serving as Audit and Supervisory Committee Member. 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 Directors of the Company, he has been designated as Independent Director.

Ikuko Miyahara	○	○	"h. Executive of a business partner of the listed company not corresponding to any of d, e, or f (the director himself/herself only)" Ms. Miyahara is Professor and Dean, Department of Contemporary Business, Faculty of Contemporary Business, Miyagi Gakuin Women's University, which has electricity supply transactions with the Company.	Ms. Miyahara has experience in conducting studies of the effective use of regional resources and earthquake restoration support and participating in industry-academia-government projects as a university professor. As she is expected to conduct objective and impartial audits and supervision of the Company drawing on her extensive experience and excellent insight developed through her past experience and records, she has been appointed as Outside Director serving as Audit and Supervisory Committee Member. There are no transactions or other relationships between the Company and her that may give rise to conflicts of interest with ordinary shareholders, including significant concurrently-held positions. As she has been nominated as a candidate for Outside Director who is not at risk of giving rise to conflicts of interest with ordinary shareholders and meets the Independence Criteria for Outside Directors of the Company, he has been designated as Independent Director.

[Audit and Supervisory Committee]

Attributes of Committee Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	4	1	1	3	Inside Director

Directors and employees who should assist the Audit and Supervisory Committee in executing its duties	Yes

Matters Related to the Independence of Such Directors and Employees from Executive Directors UPDATED

The Company shall permit Audit and Supervisory Executive Officer and the employees assigned to the Office of Audit and Supervisory Committee to execute their duties related to the Audit and Supervisory Committee independently from the Directors not serving as Audit and Supervisory Committee Members and ensure the effectiveness of instructions of the Audit and Supervisory Committee.

Coordination Between the Audit and Supervisory Committee, Accounting Auditors, and Internal Auditing

Departments

The Audit and Supervisory Committee, with a view to enhancing audit effectiveness, coordinates with the accounting auditors and internal auditing departments as needed, including hearing from these two parties on audit plans and audit results and creating regular opportunities for exchanging opinions with them.

[Voluntary Committees]

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

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

	Committee Corresponding to Nominating Committees	Committee Corresponding to Compensation Committees
Committee's Name	Nomination & Compensation Advisory Committee	Nomination & Compensation Advisory Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation UPDATED

In terms of ensuring objectivity, timeliness, and transparency, as the Board of Director's advisory body, the Company has established the Nomination & Compensation Advisory Committee (Chairperson, Makoto Kaiwa), which consists of two inside Directors (i.e., Representative Director & Chairman of the Board, Makoto Kaiwa, and Representative Director & President, Hiroya Harada) and four Independent Outside Directors (one Director, Audit and Supervisory Committee Member, Chiharu Baba, and three Directors otherwise, Shiro Kondo, Masaki Ogata, and Tsutomu Kamijo). The Nomination & Compensation Advisory Committee shall perform the functions of a voluntary committee corresponding to a nominating committee, as well as of a voluntary committee corresponding to a compensation committee.

[Independent Directors/Audit and Supervisory board members]

Number of Independent Directors/Audit and Supervisory Board Members	6 persons

Other matters relating to Independent Directors

The Company designates all Outside Directors who are qualified as Independent Directors as Independent Directors.

[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

Inside Directors (excluding those serving as Audit and Supervisory Committee Members) and Executive Officers (those not concurrently serving as Directors) 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" in this Report.

[Support System for Outside Directors]

・ At the Company, the Office of Secretaries and the Office of Audit and Supervisory Committee serve as the point of contact of Outside Directors (excluding those serving as Audit and Supervisory Committee Members) and Outside Directors, Audit and Supervisory Committee Members, respectively, and assist in the performance of their respective duties by conveying various information.

・ With respect to Outside Directors, 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.

[Status of Those Who Retired from the Post of Representative Director & President and Others]

Names of Advisors Who Served as Representative Director & President and others in the Past UPDATED

Name	Title / Position	Job Description	Working Arrangement/ Compensation	Date of Retirement from the Post of Representative Director & President and Others	Term of Office
Toshiaki Yashima	Special Advisor	Engaged in liaising with business associations as well as in social contribution activities	Part-time, Not paid	June 29, 2005	Annual Contract
Keiichi Makuta	Special Advisor	Engaged in liaising with business associations as well as in social contribution activities	Part-time, paid	June 29, 2009	Annual Contract
Hiroaki Takahashi	Advisor	Engaged in liaising with business associations as well as in social contribution activities	Full-time, paid	June 25, 2015	Annual Contract

Total Number of Advisors Who Served as Representative Director & President and others in the Past	3 persons

Other Matters UPDATED

・After examined at Nomination & Compensation Advisory Committee, Internal Rules regarding advisors and special advisors' system are stipulated.
・When it comes to appointment/dismissal of advisors and special advisors, it is deliberated at Nomination & Compensation Advisory Committee, and determined by the President.
・Date of retirement from the post of Representative Director & President and others represents the date of retirement from the post of Representative Director & Chairman of the Board.

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

The Board of Directors consists of 17 Directors including six Outside Directors who are independent in that they are not at risk of giving rise to conflicts of interest with ordinary shareholders 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. Furthermore, the Board of Directors has established a framework, in which part of the decision-making authority concerning important business execution shall, based on its resolution, be delegated from the board to individual Directors, while the Representative Director & President, the Representative Director & Executive Vice Presidents and Managing Executive Officers (collectively the "Executive Officers") shall be generally responsible for business execution. Additionally, 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.

In the Audit and Supervisory Committee, three out of four Audit and Supervisory Committee Members are Outside Directors, Audit and Supervisory Committee Members, thereby ensuring the objectivity and neutrality of its management supervisory function. As the Members attend significant meetings such as Management Committee, hear operation procedure status, conduct visiting audit to offices, and coordinate with internal audit division on a daily basis, a full-time Audit & Supervisory Committee Member has been selected in order to enhance the viability of audit and supervisory function.

Full-time Audit and Supervisory Committee Members shall attend the meetings of the Board of Directors and the Management Committee and other important meetings, examine important documents, and conduct surveys on the status of operations and assets of the Company's offices, while striving to enhance audits including those on the performance of duties of Directors and the status of development and operation of internal control systems. Audit and Supervisory Committee Members endeavors to further improve the effectiveness of audits through, apart from attending regular meetings with Representative Directors, 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 collectively called the Company's internal auditing departments, and the accounting auditors, while strengthening ties with the Audit and Supervisory Board Members of the Company's affiliates.

Outside Directors, Audit and Supervisory Committee Members express their opinions from various viewpoints with their abundant experiences in the economic field through periodical meetings with Representative Directors including the Board of Directors while conducting a survey on operational situation through office visits. Through the Board of Directors and the Audit and Supervisory Committee, how to implement Internal Audit, Audit conducted by full-time Audit and Supervisory Committee Members, and Accounting Audit and the status of internal control system have been reported.

The Company has established the post of Audit and Supervisory Executive Officer (2 persons) who shall assist the Audit and Supervisory Committee in performing its duties, as well as the Office of the Audit and Supervisory Committee (comprising 11 personnel), a dedicated organization that assists the Audit and Supervisory Committee's 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 15 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 the Company, its subsidiaries, and the major affiliated companies, investigation of documents and on-site checks.

The results of internal audits are reported to the Representative Director & President, the Management Committee the Board of Directors, and Audit and Supervisory Committee, and any problems are reported to the relevant departments so that they can rectify the situation. Moreover, collaborative relationship with the Audit and Supervisory Committee and Accounting Auditor is deepened, and viability of internal audit is improved. Consisting of 19 members in total, Internal Auditing Department are independent of all executive organs and the Office of Internal Audits and the Office of Nuclear Power Internal Audit are under the direct control of the Representative Director & President. 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 7 members.

For policies and procedures for the nomination of candidates for Directors 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 to appoint/dismiss senior management and nominate candidates for Directors" and "iii) Policies and procedures to determine the remuneration of Directors."

3. Reasons for Adopting Current Corporate Governance System

The Company's basic rule is to have its Board of Directors, which shall 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 as well as monitoring functions over business execution at the Board of Directors. The Company prescribes in its Articles of Incorporation that the number of Directors shall be no more than 18 persons.

With taking into account the diversity including gender and internationality, the Board of Directors shall be composed as follows, thereby ensuring a well-diversified combination of knowledge, experience and ability across the board, and shall strive for efficient business execution and adequate business management. In the meantime, Directors, Audit and Supervisory Committee Members shall further strengthen the supervisory function through the involvement in Directors' personnel matters (nomination and compensation), while conducting their audits.

<<Composition of the Board of Directors of the Company>>

1. Inside Directors (excluding those serving as Audit and Supervisory Committee Members)

Those shall be selected from among those who are knowledgeable in each field in consideration of the balance of their respective fields of specialization, in addition to their technical expertise, good amount of working experience, and knowledge about the management of the electric power business, 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.

2. Outside Directors (excluding those serving as Audit and Supervisory Committee Members)

Those shall be capable of realizing appropriate decision-making and management supervision in the Board of Directors, based on their practical experience stemming from corporate management, and deep insight into socioeconomic trends and the relevant matters.

3. Directors, Audit and Supervisory Committee Members

Those shall be capable of fulfilling their duties as Audit and Supervisory Committee Members drawing on their experience and insight, thereby auditing and supervising the Directors' execution of duties.

Concerning Outside Directors, Audit and Supervisory Committee Members, they must be capable enough to conduct objective and impartial audits and supervision.

The Company adopts a company with an audit and supervisory committee system, which enables to clearly separate supervision from execution. Executive officers shall assume responsibility for business execution. The Company strives to enhance the function of supervising the Board of Directors and efficiently ensure business execution with accelerated decision making.

With this in mind, the Board of Directors currently consists of a total of 17 Directors (including four Directors, Audit and Supervisory Committee Members): 11 inside Directors who are knowledgeable of the electric power business as well as operations in each field of the Company; and six Outside Directors with extensive experience and excellent insight.

In view of ensuring objectivity and impartiality of management monitoring functions, three out of four Directors, Audit and Supervisory Committee Members are Outside Directors, Audit and Supervisory Committee Members.

In addition, the Company creates opportunities for Audit and Supervisory Committee Members and the Audit and Supervisory Executive Officers to express their opinions to Directors (excluding those serving as Audit and Supervisory Committee Members) through periodical meetings with Representative Directors, attendance at important meetings including those of the Board of Directors and the Management Committee, periodic information exchange with 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 inspections on the operational status of Customer Service Offices and 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

UPDATED

	Supplementary Explanations
Early Notification of General Shareholder Meeting	・ Convening notice is sent before the statutory deadline. (2019 results: Sent on June 4 [General Meeting of Shareholders was convened on June 26.])
Scheduling AGMs Avoiding the Peak Day	・ In FY2019, the General Meeting of Shareholders is scheduled on June 26, 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

	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 flash earnings reports (called *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) Investor Relations, Accounting and Finance Department, Internal Services Division	
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

	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 activities is provided to stakeholders through its website and other media including various printed materials as needed. ・ 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 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.
Others	**[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, 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 and Others

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

1. Basic Policy on a System to Ensure Proper Business Operations

The Company shall establish a system to ensure proper business operations as follows, with a view to promoting business activities as a member of society, in a fair, transparent and efficient way in compliance with laws and regulations, and the Articles of Incorporation, thereby aiming to become a company that can be trusted and chosen by all stakeholders including customers, local communities, shareholders, investors and business partners.

(1) System concerning business management

a. The Board of Directors shall meet once every month in principle, to pass resolutions required by the relevant laws and regulations, the Articles of Incorporation and internal regulations and to make important management-related decisions, while supervising Directors' performance of their duties.
b. Directors shall, based on the respective roles decided at the Board of Directors, execute their duties in accordance with the relevant laws and regulations, the Articles of Incorporation, resolutions at the Board of Directors, and regularly report on such execution to the Board of Directors, while supervising each other.
c. The supervisory function shall be strengthened from objective, neutral and multilateral viewpoints through the participation of Outside Directors who retain independence.
d. The Board of Directors shall execute business efficiently through prompt and flexible decision-making, while separating the roles between supervision and execution, thereby strengthening its supervisory function, by means of establishing a structure in which part of the decision-making authority concerning important business execution shall, based on its resolution, be delegated from the Board of Directors to individual Directors, while the Executive Officer & President, Executive Officer & Vice Presidents and Managing Executive Officers (collectively the "Executive Officers with titles") shall be responsible for business execution.
e. The Management Committee comprising the Executive Officers with titles shall meet once every week in principle and deliberate, based on resolutions at the Board of Directors, on policies and plans for general business operations and the execution of important business matters.
f. Executive Officers shall formulate plans for business operations to identify priority measures and objectives, while appropriately following the management cycle to facilitate effective business execution.
g. Directors, Executive Officers and employees (collectively the "Directors and others") shall, with a view to ensuring proper and effective execution of their duties, execute their duties in accordance with relevant laws and regulations, the Articles of Incorporation, resolutions at the Board of Directors, and internal regulations.
h. Documents, electromagnetic information, and other information on the performance of duties of the Directors and others shall be managed and stored properly in accordance with internal regulations, which Directors shall be allowed to inspect at any time.

(2) System concerning corporate ethics and compliance with laws and regulations

a. The Board of Directors shall formulate the Tohoku Electric Power Group CSR Policy and Tohoku Electric Power Group Action Guidelines, and Tohoku EPCO group shall concertedly promote CSR activities, under the CSR Promotion Council chaired by the Executive Officer & President. Directors and Executive Officers shall endeavor to take the initiative in practicing, spread and establish the aforementioned policy and guidelines as their individual mission.
b. The Company shall also establish the Committee of Corporate Ethics and Compliance chaired by the Executive Officer & President, and formulate the Tohoku Electric Power Group Corporate Ethics and Compliance Activity Policy. Under the supervision by the Director in charge of promoting compliance, the Tohoku Electric Power Group Action Guidelines shall be thoroughly implemented across the Group through training and enlightenment activities at each office, under the initiative of the personnel in charge of corporate ethics promotion, as part of an effort to promote corporate ethics and compliance with laws and regulations in daily business activities.
c. The Company shall create a Corporate Ethics Consulting Service, whereby investigations and the relevant matters shall be conducted into the cases consulted by advice seekers (namely the concerned parties including the Directors and others of the Company, Directors, employees, and Audit and Supervisory Board Members of Group companies, or business partners), to whom protection shall be

provided.

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

e. With respect to the initiatives for corporate ethics and compliance with laws and regulations, regular reporting shall be made to the Committee of Corporate Ethics and Compliance, as well as the Board of Directors.

(3) System concerning the management of the risk of loss

a. The Company shall develop and arrange organization, job authority, and internal regulations, with a view to implementing proper risk management at each division and across the Company.

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

c. With a view to preventing or mitigating risks concerning natural disasters and nuclear power disasters, etc., the Company shall conduct drills on a regular basis. If these risks materialize, the Company shall establish the Emergency Headquarters and others to respond to the situation properly.

d. To improve the safety of nuclear power stations on a voluntary and ongoing basis, the Company shall establish the Nuclear Risk Investigation Commission, which shall periodically conduct safety assessment and analysis and consider measures to reduce risks with an aim to take proper actions.

e. The Company shall establish the Committee of Crisis Management for preventing a crisis with significant impact on the assets and social confidence of the Company, while minimizing the damage if such crisis materializes, and shall engage in measures such as drills and sharing of information for enhancing capabilities to adapt to risks. In the event that such crisis materializes, the Company shall also, in accordance with internal regulations, establish Disaster Management Headquarters to take proper actions.

f. The status of risk management shall be reported to the Board of Directors and the relevant bodies as necessary.

(4) System concerning internal audits

a. The Company shall, for the purpose of verifying the adequacy and efficiency of business management, corporate ethics and compliance with laws and regulations, and the management of risk of loss, establish internal auditing departments, reporting directly to the Representative Director & President, which conduct internal audits of the Company, its subsidiaries, and main affiliates (collectively the "subsidiaries and others" referring to the subsidiaries and main affiliates), and report the results thereof to the Representative Director & President, as well as to the Management Committee, the Board of Directors, and the Audit and Supervisory Committee.

b. The internal auditing departments shall endeavor to elevate the effectiveness of internal audits, in coordination and collaboration with the Audit and Supervisory Committee and the accounting auditors.

(5) System concerning the proper business operations at the subsidiaries and others

a. System concerning the business management of the subsidiaries and others

The Company shall establish internal regulations so that business operations will be conducted in an appropriate and efficient manner at the subsidiaries and others, and the Company will receive reports on the important management-related plans at each company and the progress thereof, while requiring prior consultations and reporting on important matters, and providing guidance and advice in return. Meanwhile, the Company shall promote corporate group management through measures such as keeping the subsidiaries and others informed about important plans about corporate group management, organizing corporate group management meetings, and implementing relevant joint measures.

b. System concerning corporate ethics and compliance with laws and regulations at the subsidiaries and others

The Company shall implement corporate group-wide activities in accordance with the Tohoku Electric Power Group Corporate Ethics and Compliance Activity Policy; in addition, the Company shall provide guidance and advice to the subsidiaries and others with the aim of facilitating strict observance of laws and regulations, including encouraging them to formulate their action guidelines individually pursuant to the Tohoku Electric Power Group CSR Policy, as well as Tohoku Electric Power Group Action Guidelines.

c. System concerning the management of the risks of loss of the subsidiaries and others

The Company shall receive prior consultations and report on the important management-related matters from the subsidiaries and others, thereby identifying significant risks at each company, and providing guidance and advice in return. Meanwhile, the Company shall report to the Board of Directors and related departments on significant risks, breach of corporate ethics and violation of laws and regulations at the subsidiaries and others, and will act accordingly.

(6) System concerning the Audit and Supervisory Committee

a. System concerning employees assigned to assist the duties of Audit and Supervisory Committee

(a) The Company shall appoint the Audit and Supervisory Executive Officer for the purpose of assisting the Audit and Supervisory Committee in executing its duties. Meanwhile, the Company shall establish the Office of Audit and Supervisory Committee to assist the Committee in executing its duties, to which employees are specifically assigned.

(b) The Company shall ensure independence from Directors who do not serve as Audit and Supervisory Committee Members and effectiveness of the instructions of the Audit and Supervisory Committee with respect to the duties of the Audit and Supervisory Executive Officer and the employees assigned to the Office of the Audit and Supervisory Committee (collectively the "Special Officer and others") in executing their duties concerning the Audit and Supervisory Committee.

(c) The Company shall have prior consultation with the Audit and Supervisory Committee concerning personnel matters related to the Special Officer and officers

(d) The Company shall not treat the Special Officer and others disadvantageously on account of having performed work based on instructions from the Audit and Supervisory Committee.

b. System concerning reports to Audit and Supervisory Committee and others

(a) Directors shall, in the event of discovery of a fact that could inflict significant damage to the Company, immediately report such fact to the Audit and Supervisory Committee.

(b) Directors and others shall report matters deemed important in the Company's business execution to the Audit and Supervisory Committee or the Audit and Supervisory Committee Members (collectively the "Audit and Supervisory Committee, etc.").

(c) If requested by the Audit and Supervisory Committee, etc. or the Audit and Supervisory Executive Officer to provide a report for auditing purposes, the Directors and others shall meet such request.

(d) A summary of cases on which advice of the Corporate Ethics Consulting Service is sought shall be reported to Audit and Supervisory Committee.

(e) Directors and others 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 the Audit and Supervisory Committee, etc.

c. System to ensure that anyone who made a report to the Audit and Supervisory Committee, etc. will not be subject to unfavorable treatment on the grounds of such report

The Company shall not treat anyone who made a report to the Audit and Supervisory Committee, etc. 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 the Audit and Supervisory Committee, etc. on the grounds that he/she has made such a report.

d. Matters concerning the bearing of audit expenses

When the Audit and Supervisory Committee Members claim expenses necessary for them to execute their duties, such expenses shall be borne.

e. Other systems to ensure effective execution of audits

(a) Audit and Supervisory Committee Members shall be allowed to attend important meetings such as those of the Management Committee and express their opinions, and may access documents, electromagnetic information and other information managed and stored by the Company at any time.

(b) The Audit and Supervisory Executive Officer shall be allowed to attend important meetings such as those of the Board of Directors and the Management Committee and express their opinions, and may access documents, electromagnetic information and other information managed and stored by the Company at any time.

(c) The Representative Directors, the Audit and Supervisory Committee Members and the Audit and Supervisory Executive Officer shall periodically hold meetings in order to deepen their understanding of each other in regard to the business environment, important issues, etc.

(d) The Audit and Supervisory Committee, etc. shall, with a view to enhancing audit effectiveness,

promote mutual coordination with the internal auditing departments through receiving information about the results of internal audits, among other things.

(e) The Audit and Supervisory Committee, etc. shall, with a view to enhancing audit effectiveness, hold discussions and promote mutual coordination with the accounting auditors.

(f) Audit and Supervisory Committee Members and the Audit and Supervisory Executive Officer shall have regular meetings with the audit of subsidiaries and others for the purpose of exchanging opinions regarding audits, among other things.

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 and Supervisory Committee, 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.

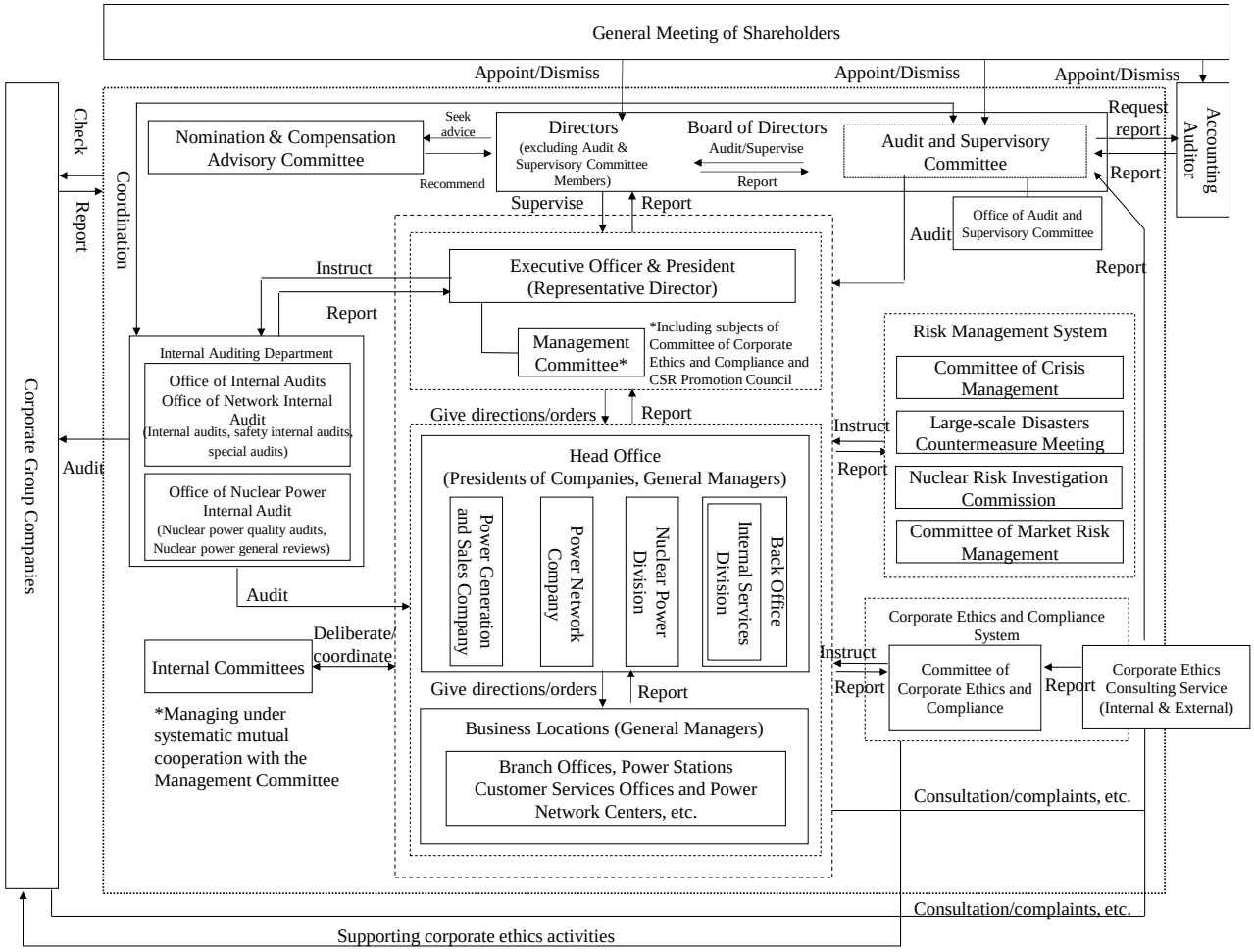
2. System to disclose corporate information

(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]

