

Governance

Corporate Governance

Basic Stance on Corporate Governance

We aim to generate sustainable value for all shareholders in keeping with the Kyuden Group's Mission by engaging in operations that are socially meaningful from a long-term perspective. It is a top management priority to strengthen corporate governance to ensure that we do so properly.

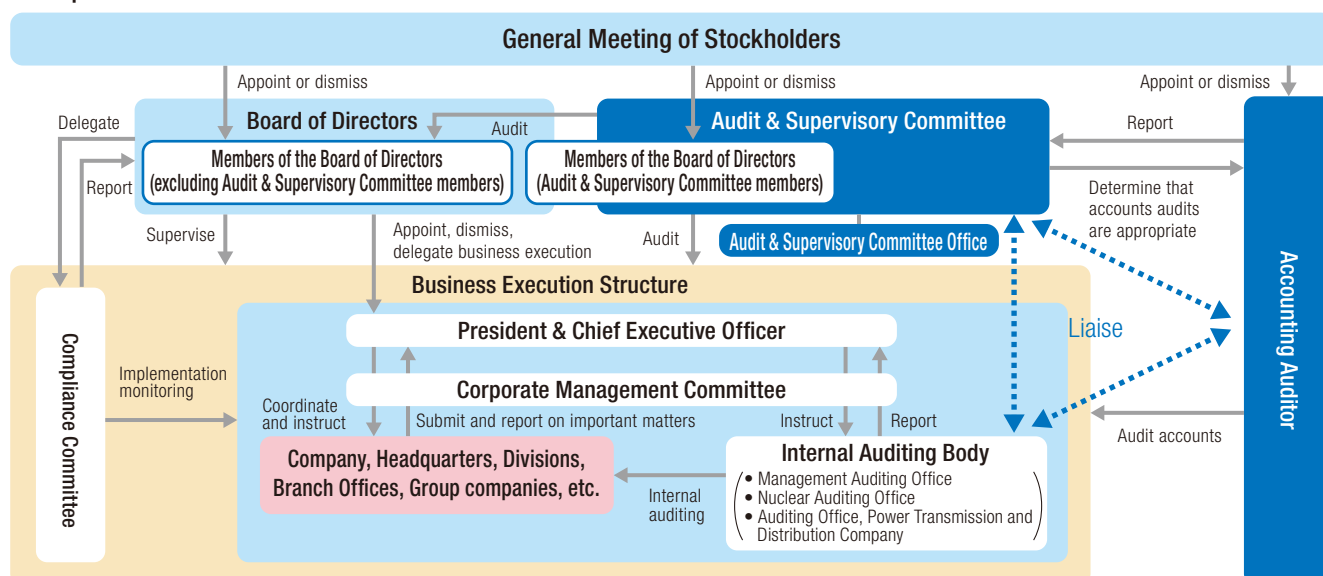
Our operating environment is changing rapidly. We believe that strengthened governance and accelerated decision-making are essential if we are to respond to these changes more flexibly and dynamically. To that end, we have adopted an Audit and Supervisory Committee model. Going forward, we will endeavor to enhance our corporate governance to achieve sustainable growth and enhance medium- to long-term corporate value.

Specific Initiatives

We have established a basic internal control policy to ensure that our organization is equipped for appropriate corporate operation, and are engaged in an ongoing effort to enhance that organization.

- Strengthen the oversight function by appointing multiple, highly independent external directors
- Ensure efficient operation of the Audit and Supervisory Committee through close coordination with our internal audit structure
- Clarify the role of directors and executive officers in oversight and execution
- Strict compliance
- Enhancement of a consistently neutral internal audit structure (separate, specialized audit structure established for the nuclear power and power transmission businesses)

Corporate Governance Structure



● Overview of Internal Organizations

| Organization | Role | Members (As of March 31, 2019) | Meeting Frequency, etc. |
|--------------------------------|--|--|---|
| Board of Directors | <ul style="list-style-type: none"> Decides on important corporate management matters Supervises performance of duties | <ul style="list-style-type: none"> 19 members of the Board of Directors in total (including 5 external members of the Board of Directors) | Once a month in principle (19 times during FY2018) |
| Corporate Management Committee | <ul style="list-style-type: none"> Considers matters that were decided by the Board of Directors in advance Makes important decisions on business execution | <ul style="list-style-type: none"> President, vice president, senior managing executive officers, managing executive officers, and others 17–24 members (7 members attended in response to agenda) <p>*In addition to the above, two external directors attended</p> | Once a week in principle (38 times during FY2018) |
| Audit & Supervisory Committee | <ul style="list-style-type: none"> Performs audits relating to general status of members of the Board of Directors' performance of duties → Attends Board of Directors and other important meetings → Receives reports from executive divisions, consolidated subsidiaries, and others → Performs business site inspections → Deliberates and decides on important matters related to audits stipulated by laws and regulations and the articles of incorporation | <ul style="list-style-type: none"> 5 Audit & Supervisory Committee members in total (including 3 external Audit & Supervisory Committee members) <p>*The Audit & Supervisory Committee Member Office, which has 12 members, was established to assist the Audit & Supervisory Committee members as a specialist organizational body</p> | Once a month in principle In FY2018, the committee met 5 times prior to the transition to a company structure that includes an Audit & Supervisory Committee, and 11 times after |
| Internal auditing body | <ul style="list-style-type: none"> Audits observance of laws, regulations, and so forth at company divisions, business sites and group companies as well as auditing the status of business execution Audits quality assurance systems in place to monitor safety initiatives and the status of operations based on these | <ul style="list-style-type: none"> Management Auditing Office (19) Nuclear Auditing Office (9) Auditing Office, Power Transmission and Distribution Company (8) | *Held constantly as part of duties |

Risk Management

To manage risk, we regularly identify, categorize and assess risks based on our risk management rules, clarifying Company-wide and division-specific threats that could affect management. Each division and business office produces contingency plans to appropriately manage clear major risks. With regard to risks that relate to multiple departments and risks for which concerns of materializing are high, we share information among related departments, clarify response structures and address these risks appropriately.

For nuclear power in particular, we take external knowledge and opinions into consideration as we work to identify a broad range of risks, share this information with members of the Board of Directors and executive officers, and address the risks thoroughly and on an ongoing basis. In addition, to respond rapidly and appropriately to emergencies and disasters, we have established rules, in advance, covering response structures and procedures, and we conduct regular drills.

Principal Risks

- Changes in systems affecting the electric power business, etc.
- Fluctuations of electric power sales volume, etc.
- Costs related to nuclear power backend costs, etc.

- Status of the environment surrounding nuclear power generation
- Fluctuations of fuel price
- Costs related to climate change

For details, see Business and Other Risks (page 62)

Crisis Management

To prepare for a variety of crises, we are working to upgrade our crisis management structure, and when a crisis actually occurs, to minimize its impact.

● Crisis Management System

