

Corporate Governance

Acting in accordance with the Yonden Basic Policy on Corporate Governance, we will improve corporate value by reinforcing business execution and management supervisory functions and by ensuring management transparency through timely and appropriate information disclosure and constructive dialogue with our shareholders and other investors.

Basic Approach to Corporate Governance

Our fundamental mission is to contribute to the development of local communities by providing its customers with a stable supply of low-cost, high-quality electricity. Guided by this mission, we have established the Yonden Basic Policy on Corporate Governance and are making efforts to continuously enhance our governance. In doing so, we aim to realize sustainable improvement in our corporate value.

In addition, we take into consideration the key principles that contribute to effective corporate governance stated in Japan's Corporate Governance Code. We are also pursuing initiatives for improving transparency, impartiality, and decisiveness in decision-making, and corporate value.

Basic Approach to Corporate Governance

- 1 We will uphold the rights of our shareholders and ensure fairness.
- 2 We will cooperate with our various stakeholders in an appropriate manner.
- 3 We will actively disclose information promptly and appropriately in an effort to ensure transparency.
- 4 We will reinforce business execution and management supervisory functions under a corporate governance system with an Audit & Supervisory Committee.
- 5 We will engage in constructive dialogue with our shareholders and other investors.

Major Initiatives to Enhance Corporate Governance in Recent Years

	Initiative	Purpose
2014	Increased external directors from one to two (one female)	Enhance management supervisory functions
2015	Established the Yonden Basic Policy on Corporate Governance	Clarify our ideal corporate governance system in accordance with Japan's Corporate Governance Code
2017	Transitioned from a Company with a Board of Corporate Auditors to a Company with an Audit & Supervisory Committee Increased external directors from two to four	Enhance management supervisory functions and expedite decision-making



The Yonden Basic Policy on Corporate Governance (in Japanese only)
<http://www.yonden.co.jp/corporate/ir/policy/governance/index.html>

Our Corporate Governance Report (in Japanese only)
<http://www.yonden.co.jp/corporate/ir/library/governance/index.html>

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Transition to a Company with an Audit & Supervisory Committee

Amid drastic reform in the electric power business, we made the transition to a Company with an Audit & Supervisory Committee at the 93rd General Meeting of Stockholders in June 2017 in order to respond quickly and flexibly to changes in the business environment.

Because of this transition, the number of external directors with voting rights at Board of Directors' meetings has increased, enhancing management supervisory functions. At the same time, the function of business execution will also be enhanced through expedited decision-making as a result of delegating authority from the Board to directors.

Message from the chairman of the Audit & Supervisory Committee

Improvement of Management Transparency and Quality through the Audit & Supervisory Committee

Hiroshi Arai

Chairman of the Audit & Supervisory Committee

After receiving approval at the General Meeting of Stockholders held in June 2017, We made the transition to the Company with Audit and Supervisory Committee system described in the Companies Act of Japan, allowing for expedited decision-making as a result of the delegation of authority. Under this system, the Audit & Supervisory Committee is comprised of two full-time directors and four non-full time external directors for a total of six members. These directors receive reports about important management issues and business execution from directors and executives, exchange opinions, assess situations, and share information. We have worked to improve the level of auditing and supervision of management not only from a legal standpoint but also from the standpoint of validity.

Specifically, non-full time external directors actively take part in workplace inspections and facility visits in order to gain a further understanding of our business, which allows for continued information sharing and exchange of opinions at Audit & Supervisory Committee meetings. This in turn allows for the external directors to put forth valuable opinions and ideas at Board of Directors' meetings. In regard to auditing content and workplace inspection processes, we have been able to engage in effective internal audits thanks to the useful advice and suggestions of the Committee, based on their knowledge and wealth of experience.

The legal separation of the power transmission and distribution sectors is scheduled to go into effect in 2020. Thus we are working to improve upon our corporate governance by enhancing management supervisory functions and contribute to the continuous improvement of corporate value for our Group at the Audit & Supervisory Committee, as we move forward.

Overview of Companies with an Audit & Supervisory Committee

- A new management mechanism established in the Amendment of the Companies Act enacted on May 1, 2015.
- Three or more Audit & Supervisory Committee members make up the auditing committee and are considered to be directors. External directors must make up the majority of the committee.
- As directors, members of the Audit & Supervisory Committee, have the right to vote at Board of Directors meetings.
- If provided in the Articles of Incorporation, Companies with an Audit & Supervisory Committee can delegate authority over important decisions on business execution excluding some from the Board to directors by resolution of the Board of Directors.

Corporate Governance

Corporate Governance System

Board of Directors

The Board is made up of 17 directors, four of whom are external directors, including one who is female. This group is tasked with making decisions on important matters of business execution and supervising the individual directors in the performance of their duties. It meets once per month, as a general rule, with additional meetings held as necessary.

Board of Managing Directors

Matters to be discussed by the Board of Directors, as well as other important matters, are deliberated over by the Board of Managing Directors. This group is made up of directors who hold executive positions and directors who are members of the Audit & Supervisory Committee which has investigative authority. These meetings are held once per week, as a general rule.

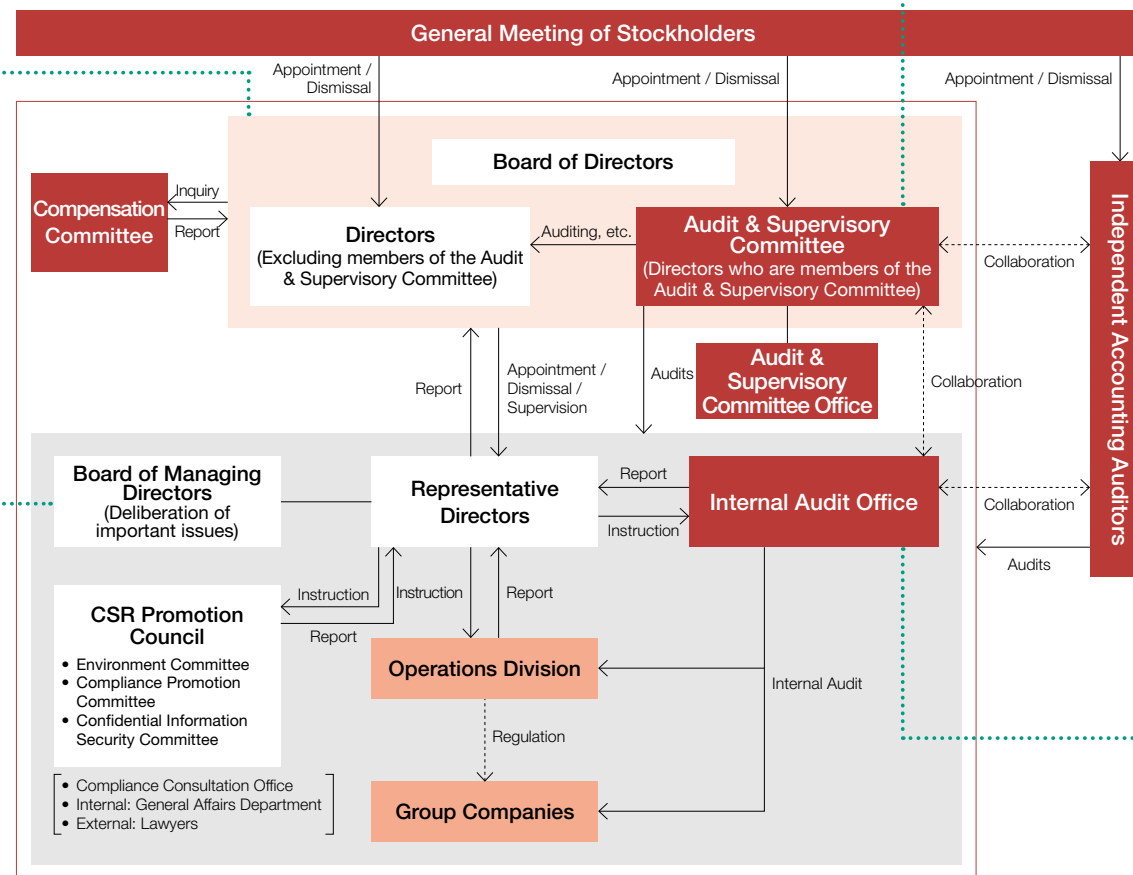
Audit & Supervisory Committee

This committee consists of six directors, four of whom are external directors who are members of the Audit & Supervisory Committee (one of the external directors is female). In accordance with auditing policies and plans determined by the Audit & Supervisory Committee, this group supervises executive directors in the performance of their duties by interviewing executive directors and other employees about their performance and inspecting and examining important documents. They also present opinions and make suggestions on management, which they form through regular exchanges with representative directors and attendance at Board of Directors and other important meetings.

Internal Audit Office

The Internal Audit Office conducts internal audits of the implementation status of the management cycle under the Group's annual management plan, which describes the Group's basic policies and plans, as well as of appropriate business execution and effective business management based on the responsibilities and authority of each employment position.

Corporate Governance System (SEPCO)



Corporate Governance

Policy and Process for Nominating Director Candidates

Nomination Policy

Directors are nominated for their temperament and insight and ability as someone who understands our mission and who can contribute to the continued improvement of sustainable corporate value.

In addition to the factors stated above, external directors are nominated for their ability to utilize their wide array of experience and strong insight to provide valuable opinions concerning management or properly audit the performance of directors from a neutral and objective viewpoint. These directors maintain independence in accordance with the guidelines stipulated by the Tokyo Stock Exchange.

Nomination Process

Candidates for directors (excluding directors who are members of the Audit & Supervisory Committee) are decided following explanation to the Audit & Supervisory Committee and after full deliberation among the Board of Directors.

Candidates for directors who are members of the Audit & Supervisory Committee are decided after first receiving consent from the Audit & Supervisory Committee and then finalized after full deliberation among the Board of Directors.

Policy and Process for Deciding Officer Compensation

Policy for Deciding Compensation

Compensation for directors is determined by a comprehensive assessment of several factors, including business performance, content and execution of duties, and compensation levels of other businesses with particular focus on listed companies. In doing so, we aim to provide appropriate compensation in light of each director's responsibility to realize our mission and to facilitate continued improvement of corporate value.

- Compensation for directors who are not members of the Audit & Supervisory Committee is provided as both monthly compensation and a supplemental bonus. A supplemental bonus is determined at the General Meeting of Stockholders, taking into consideration of business performance for each fiscal year. External directors are limited to monthly compensation only.
- To encourage continued effort toward improving sustainable corporate value, directors who are not members of the Audit & Supervisory Committee or external directors are obliged to purchase and hold shares in the Company above a certain percentage of their monthly compensation by way of the directors' shareholding association.
- Directors who are members of the Audit & Supervisory Committee are limited to monthly compensation only.

Corporate Governance

Decision Process

In accordance with our decision policy, compensation for directors who are not members of the Audit & Supervisory Committee is based on reports to our Board of Directors by the Compensation Committee, comprising mainly external directors. Monthly compensation is decided by resolution of the Board of Directors, within an upper limit of ¥38 million, as determined at the General Meeting of Stockholders. Bonus amounts are also decided by resolution at the General Meeting of Stockholders.

Also in accordance with our decision policy, compensation for directors who are members of the Audit & Supervisory Committee is decided through discussions among directors who are members of the Audit & Supervisory Committee, within an upper limit of ¥10 million, as determined at the General Meeting of Stockholders.

Efforts to Maintain Effectiveness of the Board of Directors

- We are working within the scope stipulated by our Articles of Incorporation* to establish a proper balance of insight, experience and ability throughout the entire Board of Directors while maintaining diversity and an appropriate size by utilizing the services of a plurality of executive directors from a variety of fields and backgrounds and multiple independent external directors. In doing so, we hope to ensure ample discussion based on a variety of opinions as well as expedited and rational decision-making.
- Details of directors in terms of concurrent director positions held at other listed companies are published annually in the business report attached to the Notice of Convocation of the General Meeting of Stockholders.
- In order to ensure the effectiveness of the Board of Directors, directors fill out a questionnaire, and assessments in terms of organization, governance, and management take place based on the results.

* Limits number of directors who are not members of the Audit & Supervisory Committee to 13 members or fewer and directors who are members of the Audit & Supervisory Committee to seven members or fewer.

Results of Evaluation of the Effectiveness of the Board of Directors (Fiscal 2017)

All directors were asked to fill out a questionnaire, the results of which were utilized to evaluate the Board of Directors from the perspectives of composition, governance, and proceedings. Through this process, it was judged that the Board of Directors was functioning effectively overall.

Reasons for Judgment of Appropriate Effectiveness

- The Board of Directors carries out decision-making and mutual supervision of directors' execution of duties while maintaining diversity and an appropriate size. This ability is supported by the fact that the Board of Directors as a whole is configured to maintain a balance of insight, experience, and ability.
- Efforts are being made in order to enhance the supervisory function of the Board of Directors. As part of our transition to the Company with Audit and Supervisory Committee system, external directors take part in Board of Directors' meetings in accordance with our auditing procedure.
- Open discussion takes place under management with due consideration given to schedule setting, explanation of proposals, and discussion time as well as the content and quantity of materials provided.

Issues

- More consideration is required regarding proceedings of Board meetings, including expanding the list of items to be reported.

We will continue our work to improve the effectiveness of the Board of Directors by taking the opinions that identify ways to best improve governance and integrating them into Board meeting proceedings, and continue to implement questionnaires for our directors moving forward.

Corporate Governance

Initiatives Regarding Internal Control Systems

To ensure the effective functioning of internal control systems that support the appropriate, efficient execution of day-to-day business operations by directors and employees, it is essential that we maintain a sound corporate culture, identify chains of authority and responsibility, and develop systems to manage risks. It is also essential that we regularly check the implementation status of this mechanism and make any necessary improvements.

We recognize the importance of winning the trust of society at large. Aiming to conduct business activities that are legal, appropriate, and efficient, the Board of Directors passed a resolution setting out our policy on a System for Ensuring Sound Business. Going forward, we will focus on operating our business in harmony with this policy. Further, we will disseminate the policy to gain the understanding of all our directors and employees, in order to strengthen our initiatives for enhancing our internal control systems.

Risk Management

We recognize the importance of practicing risk management in our business activities. As such, we have formulated risk management rules that define the basic aspects of risk management and action principles.

Every year, the management team checks and reviews risks that have the potential to significantly impact operations, and the results are incorporated into our Group's management plans for the following fiscal year to ensure every effort is made to prevent or reduce the impact of the risk.

For risks that cut across the entire Group, we set up expert committees as necessary and address such risks in an appropriate manner based on comprehensive assessments. For emergency situations brought about by natural disasters or other circumstances, we have established a separate set of rules and a clear management structure that work to minimize damage and expedite recovery.

Further, we encourage crisis management awareness among all employees and share information appropriately through such initiatives as establishing a crisis hotline as a helpdesk that swiftly gathers crisis-related information. Also, we have clarified systems and roles in the event of a crisis and established measures to reduce damage and restore operations as soon as possible.



System for Ensuring Sound Business (in Japanese only)
http://www.yonden.co.jp/corporate/activity/b_proper/index.html

Corporate Governance

Initiatives Regarding Full Disclosure of Information



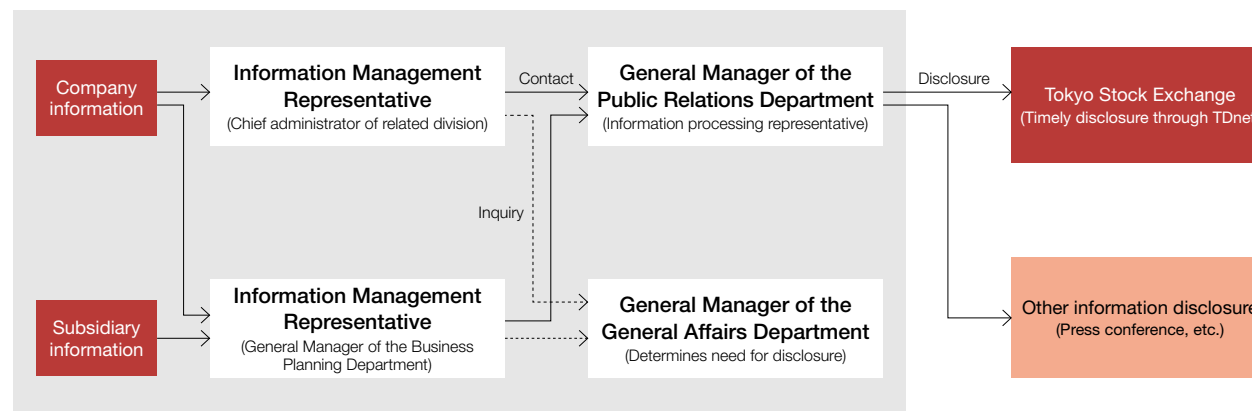
Timely Disclosure Information
<http://www.yonden.co.jp/corporate/ir/tekijikaji/index.html>

Timely Disclosure of Corporate Information

Information is disclosed to shareholders and other investors in a timely, appropriate, and fair manner. To facilitate this endeavor, we have established a document entitled the Rules for Timely Disclosure of Corporate Information, which compiles corporate information items needing to be disclosed based on Securities Listing Regulations.

Should an event occur requiring disclosure, the appropriate chief administrator responsible for information management will quickly contact the General Manager of the Public Relations Department, who is responsible for handling such information. After discussing the details to be reported, the General Manager of the Public Relations Department will disclose this information in a timely manner through the Timely Disclosure Network (TDnet) operated by Tokyo Stock Exchange, Inc.

Timely Disclosure System (SEPCO)



Initiatives to Engage in Constructive Dialogue with Shareholders and Other Investors

In addition, we actively communicate information that, while not requiring disclosure based on timely disclosure guidelines, is judged to be valuable to shareholders and other investors. This information is communicated through press conferences and materials distributed to the press. Also, such information is posted on our website to ensure the impartial and quick release of information. Further, we also offer an IR email newsletter to those interested.

Moreover, we hold conferences for analysts and institutional investors in conjunction with the release of our management plans and financial results. In these ways, we are working to establish a structure to promote constructive communication with our stakeholders.

Board of Directors

(As of June 27, 2018)



Akira Chiba

Chairman of the Board



Hayato Saeki

President and Director



Koichi Tamagawa

Executive Vice President and Director
Division Manager of Nuclear Power
Division



Keisuke Nagai

Executive Vice President and Director
General Manager of General Planning
Division, and in charge of Renewable
Energy Dept., Demand-Supply
Operation & Power Trading Dept., and
Information Systems Dept.



Nobuhiko Manabe

Executive Vice President and Director
Division Manager of Thermal Power
Division



Ikuo Yokoi

Managing Director

Company President, Power
Transmission & Distribution
Company



Shoji Moriya

Managing Director

Division Manager of
Marketing & Customer
Relations Division



Kenji Yamada

Managing Director

Deputy Division Manager of
Nuclear Power Division, and
in charge of Civil & Architec-
tural Engineering Dept.



Hisashi Shirai

Managing Director

In charge of Accounting &
Finance Dept. and Purchas-
ing & Materials Dept.



Akifumi Nishizaki

Managing Director

In charge of Secretary Dept.,
Employee Relations & Human
Resources Dept., General
Education & Training Center,
and General Medical Services
Center, Tokyo Branch Office



Isao Kobayashi

Managing Director

In charge of Public Relations
Dept., General Affairs Dept.,
and Plant & Facilities Siting
Dept.



Hiroshi Arai

Director

Chairman of the Audit &
Supervisory Committee



Shinji Matsumoto

Director

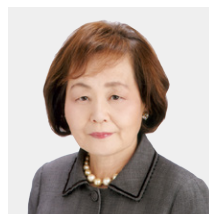
Audit & Supervisory
Committee Member



Koji Morita

Director

Audit & Supervisory
Committee Member (External)



Michiyo Ihara

Director

Audit & Supervisory
Committee Member (External)



Katsuyuki Takeuchi

Director

Audit & Supervisory
Committee Member (External)



Tomoki Watanabe

Director

Audit & Supervisory
Committee Member (External)