

## Basic Policy on Corporate Governance

Electric Power Development Co., Ltd.

### Chapter 1 Basic Philosophy regarding Corporate Governance

#### (Corporate Philosophy and Basic Philosophy regarding Corporate Governance)

##### Article 1

1. In accordance with its Corporate Philosophy, the Company endeavors to enhance corporate governance on an ongoing basis, in order to realize sustainable growth and enhance corporate value over the medium-to-long term.

##### Corporate Philosophy

###### Our Mission

We will meet people's needs for energy without fail, and play our part for the sustainable development of Japan and the rest of the world.

###### Our Credo

- We value integrity and pride, which drive everything we do.
  - We pursue harmony with the environment, and thrive in the trust of communities where we live and work.
  - We regard profits as the source of our growth, and share the fruits with the society.
  - We refine our knowledge constantly, to be the pioneering leader in technologies and wisdom.
  - We unite diverse personalities and passions as one, and dare create a better tomorrow.
2. To enhance corporate governance, the Company promotes the development of systems that enable each of the Company's organizations, including the Board of Directors, to sufficiently fulfill their roles and obligations, while striving to ensure appropriate information disclosure and transparency, with due consideration of the positions of the Company's stakeholders, including its shareholders.

### Chapter 2 Ensuring the Rights and Equality of Shareholders

#### (Ensuring the Rights and Equality of Shareholders)

##### Article 2

1. The Company respects shareholder rights, including voting rights at the general meeting of shareholders, and ensures the substantial equality of shareholders.

2. The Company gives consideration to ensuring the exercise of the special rights to listed companies and their officers that are also recognized for minority shareholders (including the right to seek an injunction against illegal activities and the right to file a shareholder lawsuit).

### **(General Meetings of Shareholders)**

#### Article 3

1. The Company provides information that is regarded to contribute to appropriate decision-making at general meetings of shareholders, through the improvement of the contents of convocation notices, reference materials, and business reports, as well as the disclosure of financial results, timely disclosures, and postings on its website, as needed.
2. The Company sends a convocation notice for each ordinary general meeting of shareholders as early as possible, regardless of the legal deadline, to ensure that shareholders have sufficient time to consider proposals for the meetings, and enable shareholders to appropriately exercise their voting rights. It also endeavors to disclose information included in the convocation notice through TDnet and the Company's website, prior to sending the notice.
3. The Company endeavors to establish an environment in which all shareholders can appropriately exercise their voting rights, including those who do not attend the general meeting of shareholders, by using the Electronic Voting Platform and providing English translations of the convocation notice of the meetings.
4. The Company endeavors to avoid holding the general meeting of shareholders on days crowded with other companies' shareholder meetings.
5. In cases where institutional investors who hold shares in the name of a trust bank or other custodial institutions express a desire, in advance, to exercise their voting rights at a general meeting of shareholders in place of said trust bank, etc., the Company works with the trust bank, etc. to respond to the institutional investors.
6. When a proposal receives opposing votes that account for 20% or more of all votes at a general meeting of shareholders, the Company will analyze the reasons for that result at a meeting of the Board of Directors, and engage in dialogue, etc. with the shareholders.

### **(Capital Policy, etc.)**

#### Article 4

1. As capital policy trends may have a significant effect on shareholder returns, the Company explains its basic policy regarding the capital policy through its management plans, financial results briefings, and securities reports, etc.
2. With respect to a capital policy (including capital increases and MBOs) that results in a change of

control or in significant dilution, in order to avoid unfair harm to the interests of existing shareholders, the Company carefully examines the necessity and rationality for the policy at a meeting of the Board of Directors, ensures appropriate procedures, and provides an explanation to the shareholders to enable them to understand the matter.

3. The Company does not adopt anti-takeover measures aimed at solely protecting the position of the management or the Board of Directors.
4. The Company requests for any person who intends to make a large-scale purchase of the Company's shares, with the aim of acquiring a controlling interest, to provide the necessary and adequate information and time to enable the shareholders and the Board of Directors to make an appropriate judgment. In the event that information and time is insufficient, or upon consideration, that the large-scale purchase may cause significant damage to shareholders' common interests and its corporate value, the Company will take appropriate measures within the scope permitted by the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations.

**(Policy regarding Strategic Shareholdings)**

Article 5

1. The Company does not hold shares of companies except in cases where it is deemed that holding them is necessary.
2. Holding shares shall be deemed necessary in cases where the Company investigates their profitability after understanding appropriately the return on holdings, etc., and determines that they are linked to sustainable growth and enhancing corporate value of the Company over the medium-to-long term, taking into consideration in a comprehensive manner the aims of holding them such as the development of collaborative businesses and the maintenance, strengthening or building of trading relations.
3. With regard to individual major strategic shareholdings, each year at meetings of the Board of Directors, the Company evaluates the rationality and necessity of holding strategic shareholdings from the perspective of consistency and profitability commensurate with the Company's cost of capital, and stocks for which are not deemed necessary to hold will be sold, while taking into account market conditions and other factors.
4. After conducting a sufficient investigation, from the viewpoint of enhancing the medium-to-long term corporate value of the Company and of investee companies, the Company makes appropriate decisions on the exercising of voting rights pertaining to strategic shareholdings, while considering the objective for holding such shares.

**(Transactions with Directors, etc.)**

Article 6 In the event that the Company engages in a transaction with one of its Directors or major shareholder,\* the Company obtains the approval of the Board of Directors before the transaction, and reports the results to the Board of Directors.

\* "Major shareholder" refers to a shareholder with shares representing 10% or more of the voting rights in the Company.

**(Dialogue with Shareholders and Investors)**

Article 7

1. In order to achieve sustainable growth and enhance corporate value over the medium-to-long term, the Company responds to requests for dialogue from shareholders and investors, to a reasonable extent, in accordance with its Policy regarding Constructive Dialogue with Shareholders and Investors (see Appendix 1).
2. The Company periodically endeavors to refine its understanding of its ownership structure, to facilitate dialogue with shareholders and investors.

**Chapter 3 Cooperation with Stakeholders Other than Shareholders**

**(Appropriate Cooperation with Stakeholders)**

Article 8 The Company fully recognizes that its sustainable growth and enhancement of corporate value over the medium-to-long term are the result of the provision of resources and contributions by a range of stakeholders, including shareholders, employees, local communities, customers, business partners and creditors, and it endeavors to cooperate appropriately with those stakeholders. In addition, the Board of Directors and the management exercise their leadership to establish a corporate culture and climate in which the rights and positions of those stakeholders, as well as sound business ethics are respected.

**(Corporate Conduct Rules)**

Article 9

1. The Company establishes the Corporate Conduct Rules, based on the Corporate Philosophy, as basic rules for behavior, in accordance with a spirit of compliance and business ethics, which should be followed by the Company (including the management and employees).
2. The Company appropriately confirms that the Corporate Conduct Rules are being put into practice via compliance promotion initiatives and other methods.

### **(Addressing Sustainability Issues)**

#### Article 10

1. The Company appropriately addresses sustainability issues, such as social and environmental problems, in accordance with the Corporate Philosophy, the Corporate Conduct Rules, and the J-POWER Group Environmental Management Vision Basic Policy, by pursuing both a stable supply of electric power and environmental preservation.
2. The Board of Directors recognizes that society's demands and concerns regarding sustainability issues are increasing, and addresses those issues positively and proactively.

### **(Ensuring Diversity within the Company)**

Article 11 The Company recognizes that a diversity of human resources, regardless of factors such as experience, age, and gender, is essential to the Company's sustainable growth and enhancement of corporate value, and promotes the assurance of diversity, including the active participation of elderly persons and women.

### **(Whistle-Blowing)**

Article 12 In accordance with its Basic Policy on the Establishment of an Internal Control System as prescribed by the Board of Directors, the Company establishes a whistle-blower system and, in addition to internal consulting points, also establishes a consulting point that is independent from the management at an external law firm. Consultation at those points can be undertaken on an anonymous basis, and the Company protects persons who seek consultations by ensuring that the reported information is strictly confidential.

### **(Providing Function as Corporate Pension Fund Asset Owner)**

Article 13 In accordance with the Articles of Incorporation and the provisions of the Company's basic investment principles, the Company will take the measures listed below concerning the investment of the defined-benefit corporate pension funds so that payments to beneficiaries can be reliably made in the future.

(i) Conduct regular monitoring of asset management conditions, and as necessary, review target allocation ratios that have been put into place.

(ii) The Accounting & Finance Department will be in charge of asset management, and the Company will aim to optimize the management of pension assets through the Asset Management Committee composed of relevant departments.

## **Chapter 4 Ensuring Appropriate Information Disclosure and Transparency**

### **(Enhancement of Information Disclosure)**

#### Article 14

1. The Company works to provide easily understandable and highly useful information pertaining to its finance, management strategy, management issues, risks, governance, and social and environmental issues to ensure market credibility and investor protection.
2. The Company endeavors to disclose information that provides high added value for investors, and also takes steps to provide information disclosure in English, to a reasonable extent.

### **(Independent Auditors)**

#### Article 15

1. The Company provides an appropriate environment for auditing by ensuring sufficient time for Independent Auditors to undertake high quality audits, communication with the management executives including the President, and liaison with the Audit & Supervisory Board Members and the Internal Audit Department to enable proper audits by these auditors.
2. In the event that the Independent Auditors discover any fraud or defects and request appropriate action or point out any defects or concerns, the Audit & Supervisory Board deliberates and carries out the necessary investigations, and implements measures such as providing advice and recommendations to the Board of Directors. In response, the Board of Directors takes appropriate actions.
3. The Audit & Supervisory Board prepares the evaluation standards and appointment criteria for Independent Auditors, and verifies their independence and expertise.

## **Chapter 5 Obligations of the Board of Directors, etc.**

### **(Institutional Design)**

Article 16 The Company adopts a Company with an Audit & Supervisory Board structure as its organizational structure, under the Companies Act. The Company also introduces the executive officer system, to promote the appropriate division of management and execution roles.

### **(Fiduciary Responsibilities of Directors and Audit & Supervisory Board Members, etc.)**

Article 17 With an awareness of their fiduciary responsibilities to the shareholders, the Company's Directors, Audit & Supervisory Board Members and management secure appropriate cooperation with stakeholders and act in the interest of the Company and the common interests of its shareholders.

## **(Roles and Obligations of the Board of Directors)**

### Article 18

1. Based on its fiduciary responsibilities and accountability to the shareholders, the Board of Directors appropriately undertakes its roles and obligations, including (i) setting the broad direction of management plans, etc. (ii) establishing an environment that supports risk-taking by the management, and (iii) carrying out effective supervision of the management from an independent and objective standpoint, in order to promote sustainable growth and enhancement of corporate value over the medium-to-long term and to improve profitability and capital efficiency.
2. When establishing and publishing management plans and management strategies, after accurately understanding the Company's cost of capital, the Board of Directors and the management articulate basic policies regarding revenue plans and capital policies, and endeavor to clearly and carefully explain initiatives for their realization. In addition, recognizing that a management plan is one of their commitments to the shareholders, the Board of Directors and the management understand and analyze the progress of the plan, provide explanations to shareholders, and integrate the results into the following plans.
3. The Board of Directors carries out free, open and constructive discussions and exchanges of views.
4. The Company aims for active deliberations by the Board of Directors by distributing materials for meetings of the Board of Directors so that the Directors and Audit & Supervisory Board Members can secure the time necessary for prior examination of the materials, and providing additional information, as necessary. Furthermore, the Company determines the yearly schedule and proposals to be discussed for the Board meetings reasonably well in advance, and appropriately arranges the frequency, agenda items and meeting times for the Board meetings to ensure sufficient time required for deliberations.

## **(Delegation to the Management)**

Article 19 The Board of Directors makes decisions on basic management policies such as management plans and other important items regarding management, as well as decisions on important matters regarding business execution that are to be made by the Board of Directors according to laws, regulations and the Articles of Incorporation, and the criteria for such decisions are specified in the Board of Directors Regulations and other internal regulations. Authority in other matters is delegated to the Representative Directors, Executive Directors, Executive Officers and others.

### **(Composition of the Board of Directors)**

#### Article 20

1. The Board of Directors is composed of Directors with abundant experience, distinguished knowledge and advanced specialization, ensuring that a balance and diversity of knowledge, experience and abilities is maintained as a whole. The number of Directors, including inside and outside directors, is 14 or less.
2. In order to ensure the effectiveness of independent and objective management supervision by the Board of Directors, the Company endeavors to appoint at least 2 Independent Outside Directors who satisfy the criteria to determine the independence, considering their experience, knowledge, specialization and other attributes. It then receives respective advice from a specialized and broad standpoint, through the deliberation of various kinds of proposals at the meetings of the Board of Directors.
3. The Company discloses status information regarding the holding of concurrent posts as officers of other companies by Directors, Audit & Supervisory Board Members, and candidates for these positions in the convocation notice of the general meeting of shareholders and business reports, in accordance with laws and regulations.
4. The Company establishes systems to enable Independent Outside Directors to communicate and coordinate with the management, liaise with the Audit & Supervisory Board Members and the Audit & Supervisory Board, and exchange information and share understanding with the Independent Outside Audit & Supervisory Board Members as necessary.

### **(Criteria to Determine the Independence of Outside Officers and their Quality)**

#### Article 21

1. The Board of Directors establishes Criteria to Determine the Independence of Outside Officers in accordance with the independence standards of independent officers formulated by the Tokyo Stock Exchange (see Appendix 2).
2. The Board of Directors selects candidates as Independent Outside Directors who can be expected to contribute to constructive discussions at the meetings of the Board of Directors, from the viewpoint of the Company's sustainable growth and enhancement of corporate value over the medium-to-long term.

### **(Appointment and Dismissal of Directors, etc.)**

#### Article 22

1. When appointing members of the management executives and nominating candidates for Director or Audit & Supervisory Board Member, the Board of Directors appoints or nominates



persons with abundant experience, distinguished knowledge and advanced specialization who are deemed appropriate for selection as a management executive, Director, or Audit & Supervisory Board Member after deliberations undertaken based on the recommendations of the President.

2. Brief personal histories and reasons for the appointment of each candidate nominated as Director or Audit & Supervisory Board Member are stated and disclosed in the convocation notice of the general meeting of shareholders.
3. The Board of Directors appropriately evaluates the corporate performances, and based on its evaluation, appropriately carries out appointment of management executives in accordance with fair and highly transparent procedures.
4. In the event that there have been illegal or unjust acts by management executives or Directors, and otherwise if circumstances arise in which it is deemed that there are serious impediments to the continuation of the performance of his/her duties, the Board of Directors will decide whether to dismiss or otherwise punish such management executives or Directors after deliberation.

#### **(Remuneration of Management)**

Article 23 Remuneration of the management executives and Directors is determined by means of discussion at meetings of the Board of Directors, after comprehensively taking into account corporate performances, his or her position, and other factors, in the light of the characteristics of the Company's business, namely, aiming to recover investment through the long-term operation of power plants, etc. based on proposals by the President. Remuneration for Directors is determined within the limit of the amount of remuneration resolved at the general meeting of shareholders.

#### **(Succession Planning)**

Article 24 The Company systematically fosters persons as management executive successors who contribute to the sustainable growth and enhancement of corporate value of the Company over the medium-to-long term, and the Board of Directors confirms this succession through the selection of the management executives.

#### **(Internal Control and Risk Management System)**

Article 25 In part through preparation of its Basic Policy on the Establishment of an Internal Control System, the Board of Directors develops a system for compliance, ensuring proper financial reporting, risk management, etc., and supervises the state of its operation.

**(Evaluation of Effectiveness of the Board of Directors)**

Article 26 The Company analyzes and evaluates the effectiveness of the Board of Directors in general, and discloses a summary of the results each year.

**(Roles and Obligations of Audit & Supervisory Board Members and the Audit & Supervisory Board)**

Article 27

1. The Audit & Supervisory Board Members and the Audit & Supervisory Board make appropriate judgments from an independent and objective standpoint, positively and proactively exercise their authority, and appropriately express their views at meetings of the Board of Directors or to the management, in order to carry out their roles and obligations, based on their fiduciary responsibilities to the shareholders.
2. The Audit & Supervisory Board comprises a maximum of 5 Audit & Supervisory Board Members, at least half of whom are Outside Audit & Supervisory Board Members. The effectiveness of audits is enhanced by a combination of robust independence, resulting from the composition of the Audit & Supervisory Board, and the advanced information collection capabilities of the full-time Audit & Supervisory Board Members. In addition, at least 1 person with adequate knowledge of finance and accounting is appointed as a Audit & Supervisory Board Member.
3. The Audit & Supervisory Board Members and the Audit & Supervisory Board endeavor to enhance coordination, including the exchange of information with the Independent Outside Directors as needed.

**(Information Collection and Support Structures)**

Article 28

1. The Directors and Audit & Supervisory Board Members proactively collect information to carry out their roles and obligations.
2. The Company provides necessary information and other support to the Board of Directors and the Audit & Supervisory Board through the establishment of respective secretariats and the allocation of appropriate personnel to those secretariats. It also ensures coordination between the Internal Audit Department and the Directors and Audit & Supervisory Board Members.
3. The Directors and Audit & Supervisory Board Members obtain advice from external specialists such as attorneys at law and certified public accountants, as needed.

**(Director and Audit & Supervisory Board Member Training)**

Article 29

1. The Company provides information as needed to its Outside Directors and Outside Audit & Supervisory Board Members regarding the corporate philosophy, medium-term management plans, business, finances, organization, etc. of the J-POWER Group in order to help them obtain a strong understanding of these aspects. Opportunities are also provided to inspect the Company's facilities, in order to deepen their understanding of the Company's business.
2. The Company provides its Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members, with opportunities to acquire the business, financial, organizational and other knowledge necessary to appropriately undertake their roles and obligations, along with financial support for associated expenses.

**Policy regarding Constructive Dialogue with Shareholders and Investors**

The Company conducts dialogue to build good relationships with shareholders and investors in accordance with the following policies, in order to realize sustainable growth and enhancement of corporate value over the medium-to-long term, to a reasonable extent:

1. Dialogue with shareholders and investors is managed by the Department in charge of shareholder and investor relations (hereinafter "SR/IR") and is supervised by the Executive Officer in charge of SR/IR.
2. The Department in charge of SR/IR regularly exchanges information with the Public Relation Department, the Accounting & Finance Department, and other Departments, and builds organic coordination systems to appropriately conduct dialogue with shareholders and investors.
3. The Company undertakes various measures, including providing J-POWER Report for shareholders and conducting shareholder tours of the Company's facilities, to contribute to enhancing shareholder and investor understanding of the Company's business.
4. Shareholder and investor opinions expressed in the dialogue are appropriately reported to the management.
5. Insider information is managed appropriately at the time of dialogue with shareholders and investors.

**Criteria to Determine the Independence of Outside Officers**

Outside Officers must not fall under any of the following:

1. Persons whose major business partner (\*1) is the Company or the Company's subsidiaries, or persons executing business for such persons.
2. Persons who are major business partners (\*1) of the Company or the Company's subsidiaries, or persons executing business for such persons.
3. Consultants, accounting professionals, and legal professionals who have received large amounts of money (\*2) and/or other properties other than officers' remuneration from the Company or the Company's subsidiaries. (If the persons that have received such properties are corporations, general partnerships, or other organizations, this means persons that belong to such organizations.)
4. Persons who fall under any of (1) to (3) below during the past ten years:
  - (1) Persons listed in paragraphs 1 to 3 above;
  - (2) Persons who execute business, or Directors who do not execute business of the Company or the Company's subsidiaries; or
  - (3) Audit & Supervisory Board Members of the Company or the Company's subsidiaries.
5. Persons who are close relatives of any of the persons listed in (1) to (4) below (excluding immaterial persons):
  - (1) Persons listed in paragraphs 1 to 4 above;
  - (2) Persons who execute business, or Directors who do not execute business of the Company or the Company's subsidiaries;
  - (3) Audit & Supervisory Board Members of the Company or the Company's subsidiaries; or
  - (4) Persons who fall under (2) or (3) above during the past ten years.

\*1 "Major business partners" refer to business partners whose annual amount of transactions with the Company during the past 3 fiscal years accounted for over 2% of the total consolidated sales of the Company or that of the other party.

\*2 "Large amounts of money" refers to ten million yen or more a year, on average during the past 3 fiscal years.