

This is the English translation of the original Japanese version.  
If there are any discrepancies between translation and original,  
original Japanese version always prevails.

# Comprehensive Special Business Plan (Outline)

May, 2012

This Plan has been drafted by the Nuclear Damage Liability Facility Fund and TEPCO, and has been approved by the competent ministers in accordance with the Nuclear Damage Liability Facility Fund Law

## -Table of Contents-

<p><b>1. The Guiding Principles of this Plan</b> P.2</p> <p style="padding-left: 20px;"><b>(1) Paving the way towards Renewed Trust</b> P.3</p> <p style="padding-left: 40px;">1) National Issues Spanning the Generations</p> <p style="padding-left: 40px;">2) TEPCO Measures &amp; Stakeholder Support</p> <p style="padding-left: 20px;"><b>(2) Implementing the Emergency Special Business Plan</b> P.5</p> <p style="padding-left: 40px;">1) Compensation Payouts with Courtesy and Compassion</p> <p style="padding-left: 40px;">2) Restoration from the Nuclear Power Accident</p> <p style="padding-left: 40px;">3) Securing Stable Power Supply</p> <p style="padding-left: 40px;">4) Streamlining Present Management</p> <p style="padding-left: 20px;"><b>(3) The Organizational Issues TEPCO is Facing</b> P.6</p> <p style="padding-left: 40px;">1) Strengthening our financial standing for the smooth implementation of compensation payouts, reactor decommissioning, and stable power supply</p> <p style="padding-left: 40px;">2) Optimal Electricity Supply Adaptable to a Volatile Business Environment</p> <p style="padding-left: 40px;">3) Optimal Leveraging of Present Management Resources</p> <p style="padding-left: 40px;">4) A New Mindset</p> <p><b>2. The Road towards Reformation</b> P.7</p> <p style="padding-left: 20px;"><b>(1) The future direction of the “New TEPCO”</b> P.8</p> <p style="padding-left: 20px;"><b>(2) The Schedule towards Reformation</b> P.10</p> <p style="padding-left: 20px;"><b>(3) Working in Step with Government Reforms</b> P.11</p> <p><b>3. Nuclear Damage Compensation Payouts</b> P.12</p> <p style="padding-left: 20px;"><b>(1) The Present Situation of the Nuclear Damage</b> P.13</p> <p style="padding-left: 40px;">1) The series of events that led to the nuclear damage</p> <p style="padding-left: 40px;">2) Nuclear Damage- The Ensuing Effects</p> <p style="padding-left: 40px;">3) Future Projection concerning the Resources for a Full Recovery</p> <p style="padding-left: 40px;">4) Countermeasures concerning appropriate treatment of commercial nuclear reactors in light of the nuclear power accident</p> <p style="padding-left: 20px;"><b>(2) Future Projections of Necessary Amount of Compensation Payments</b> P.16</p> <p style="padding-left: 40px;">1) A Broad Overlook</p> <p style="padding-left: 40px;">2) Reevaluations Amidst a Changing Business Environment</p> <p style="padding-left: 40px;">3) Estimated Sum of Compensation</p> <p style="padding-left: 20px;"><b>(3) Measures to Achieve Swift &amp; Accurate Compensation Payouts</b> P.18</p> <p style="padding-left: 40px;">1) Post Payment Records</p> <p style="padding-left: 40px;">2) Strengthening Efforts to fulfill “The Five Promises”</p> <p style="padding-left: 40px;">3) The Work of Fund</p>	<p><b>4. TEPCO’s Business Operation Plan</b> P.22</p> <p style="padding-left: 20px;"><b>(1) Principle Business Philosophy</b> P.23</p> <p style="padding-left: 20px;"><b>(2) Management Streamlining Measures</b> P.24</p> <p style="padding-left: 40px;">1) Thorough Cost Reductions</p> <p style="padding-left: 40px;">2) Reevaluating Future Facility Investment Plans</p> <p style="padding-left: 40px;">3) Asset Sales</p> <p style="padding-left: 20px;"><b>(3) Business Reforms</b> P.45</p> <p style="padding-left: 40px;">1) Stabilizing Economical Fuel Supply &amp; Optimizing Efficiency of Thermal Power Supplies through alliance etc</p> <p style="padding-left: 40px;">2) Increasing Neutrality &amp; Transparency of the Transmission &amp; Distribution Sector</p> <p style="padding-left: 40px;">3) Retail Business Development</p> <p style="padding-left: 20px;"><b>(4) A New Mindset</b> P.50</p> <p style="padding-left: 40px;">1) Moving in a New Direction</p> <p style="padding-left: 40px;">2) Three Ways to Transform our Vision into a Reality</p> <p style="padding-left: 20px;"><b>(5) Strengthening Our Financial Standing</b> P.54</p> <p style="padding-left: 40px;">1) Request to Financial Institutions</p> <p style="padding-left: 40px;">2) The Fund’s Capital Injection</p> <p style="padding-left: 40px;">3) Request to Our Shareholders</p> <p style="padding-left: 40px;">4) Supply-Demand &amp; Income/Expenditure Projections</p> <p style="padding-left: 20px;"><b>(6) Clarifying Management Responsibilities</b> P.65</p> <p style="padding-left: 20px;"><b>(7) Ensuring Implementation of the Special Business Plan</b> P.66</p> <p><b>5. Assets &amp; Budget Evaluation</b> P.68</p> <p style="padding-left: 20px;"><b>(1) The Asset Situation</b> P.68</p> <p style="padding-left: 20px;"><b>(2) The Budget Situation</b> P.68</p> <p><b>6. Financial Aid</b> P.68</p> <p style="padding-left: 20px;"><b>(1) Amount &amp; Detail of Financial Aid Supplied to TEPCO</b> P.68</p> <p style="padding-left: 20px;"><b>(2) Resource of Financial Aid including the Requested Amount of Government Bonds</b> P.68</p> <p><b>7. The Fund’s Present Financial Situation</b> P.68</p>
--	--

# 1. The Guiding Principles of this Plan

<b>1. The Guiding Principles of this Plan</b> .....	P.2
<b>(1) Paving the way towards Renewed Trust</b> .....	P.3
1) National Issues Spanning the Generations	
2) TEPCO Measures & Stakeholder Support	
<b>(2) Implementing the Emergency Special Business Plan</b> .....	P.5
1) Compensation Payouts with Courtesy and Compassion	
2) Restoration from the Nuclear Power Accident	
3) Securing Stable Power Supply	
4) Streamlining Present Management	
<b>(3) The Organizational Issues TEPCO is Facing</b> .....	P.6
1) Strengthening our Financial standing for the smooth implementation of compensation payouts, reactor decommissioning, and stable power supply	
2) Optimal Electricity Supply Adaptable to a Volatile Business Environment	
3) Optimal Leveraging of Present Management Resources	
4) A New Mindset	

# 1.The Guiding Principles of this Plan

## (1) Paving the way towards Renewed Trust 1) National Issues Spanning the Generations

- The Accident at Fukushima Daiichi Nuclear Power Station was unprecedented in terms of the spread of damage and the length of time needed for restoration.
- TEPCO sincerely apologizes to the general public for the distress and inconvenience that arose as a result of the accident.

National Issues Spanning the Generations	
<b>Speedy Compensation Payouts</b>	<ul style="list-style-type: none"><li>● Many people who were forced to evacuate have still not returned to their homes.</li><li>● Restoration measures such as decontaminating the affected area must be accelerated.</li></ul>
<b>Reactor Decommissioning by Combining Domestic and International Know-how</b>	<ul style="list-style-type: none"><li>● The decommissioning of the damaged reactors must be taken care of ASAP.</li><li>● Many technical problems will need to be overcome.</li></ul>
<b>Securing Stable &amp; Efficient Power Supply</b>	<ul style="list-style-type: none"><li>● Nationwide anxiety has arisen concerning stable and efficient power supply.</li><li>● The shutdown of the nuclear power plants has lowered nationwide power supply capability.</li><li>● The increasing dependence on thermal power plants such as LNG plants has resulted in soaring fuel costs and will lead to other risks due to the political tension in the Middle East.</li><li>● Weakening prospects for stable supply and the costs of electric power has affected the economy and daily life in Japan, including the stagnation of business activity and the current Balance of Current Account of Japan's macroeconomic structure.</li></ul>

- The Fund and TEPCO shall tackle the issues with basic understanding that they are simultaneously facing multiple problems which shall be referred to as “National Issues Spanning the Generations”.
- This Plan clarifies issues and strategies that TEPCO and the Fund shall work on, as the “first step” for the settlement of national issues in the long term.

# 1. The Guiding Principles of this Plan

## (1) Paving the way towards Renewed Trust 2) TEPCO Measures & Stakeholder Support

- The National Government, whose primary role is to promote nuclear policy, and TEPCO, as the owner and operator of the disabled reactors, will together shoulder the responsibility to achieve a full recovery.
- TEPCO is the party responsible for the “Compensation Payouts, Reactor Decommissioning and Stable Power Supply” and will fulfill those responsibilities with all measures available.
- TEPCO cannot fulfill all of these responsibilities on their own. Hence, it is vital that consent and cooperation be received from all levels of society and that efforts of all concerned parties are mobilized.
- As a preliminary condition, TEPCO shall make efforts to reestablish renewed trust via clarifying management responsibilities, implementing thorough management streamlining, paying out all compensation owed, completing the decommissioning and achieving stable power supply” in accordance with the needs of the afflicted and customers with the fullest intent of revamping all procedures and starting from zero if necessary. TEPCO shall also maintain transparency and accountability during the implementation to achieve its targets.

TEPCO Measures & Stakeholder Support	
<b>TEPCO</b>	<ul style="list-style-type: none"> <li>● Clarification of management responsibilities and thorough management streamlining</li> <li>● Achieve “Compensation Payouts, Reactor Decommissioning and Stable Power Supply” in accordance with the needs of the afflicted and customers</li> </ul>
<b>National Government</b>	<ul style="list-style-type: none"> <li>● Thorough efforts to reassure local residents of the safety and security in restarting Kashiwazaki-Kariwa Nuclear Power Plant predicated on the Fund Act’s framework and TEPCO safety measures</li> <li>● Creating a business environment that allows for stable and efficient fuel procurement, transforming Japan into an energy saving society, expansion of distributed power sources, and so on</li> </ul>
<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>● Necessary financial support to ensure that TEPCO will be able to execute management streamlining.</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>● Stock dilution, continue to NOT payout dividends, etc.</li> </ul>
<b>Municipalities, Energy Companies, Customers, etc.</b>	<ul style="list-style-type: none"> <li>● Achieving understanding, cooperation and goodwill from all relevant parties</li> </ul>

# 1.The Guiding Principles of this Plan

## (2) Implementing the Emergency Special Business Plan

(approved in November 2011, partially revised in February 2012 )

■ The Emergency Special Business Plan (Approved in November, 2011, partially revised in February 2012) outlines the details concerning financial support to be provided to TEPCO from the Fund as well as the implementation of compensation payouts with courtesy and compassion, achieving a swift restoration from the accident, and securing a stable power supply.

Implementing the Emergency Special Business Plan	
1) Compensation Payouts with Courtesy and Compassion	<ul style="list-style-type: none"><li>● Remaking the Compensation Payment Structure to fulfill the five promises.</li><li>● In order to realize smooth compensation payouts, the Fund has also begun other support activities such as dispatching consultation experts to areas needed in addition to continually monitoring TEPCO's efforts.</li><li>● In moving forward, we will initiate further improvements taking into intimate account the needs and concerns of the afflicted.</li></ul>
2) Restoration from the Nuclear Power Accident	<ul style="list-style-type: none"><li>● TEPCO achieved Step 2 (Cold shutdown of Reactors etc.) as stated in the "Roadmap towards the Restoration from the Accident at Fukushima Daiichi Nuclear Power Station, TEPCO". On December 16, 2011, Nuclear Emergency Headquarters made a determination that the nuclear accident itself had been stabilized.</li><li>● Hereafter, we will decommission the reactors based on the "Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Units 1-4, TEPCO" (Mid-and-long Term Roadmap).</li></ul>
3) Securing Stable Power Supply	<ul style="list-style-type: none"><li>● We were able to secure a stable power supply in the winter of FY 2011 by restoring damaged power stations, resuming start of the mothballed thermal power units and installing emergency power sources etc.</li><li>● Hereafter also, energy saving efforts in conjunction with securing stable power supply capability is an absolute imperative.</li></ul>
4) Streamlining Present Management	<ul style="list-style-type: none"><li>● Committed to cost cuts of more than "¥2,545.5 billion in ten years".</li><li>● Drafted "Action Plan to Promote Reform" (Action Plan) in December 2011. (committed cost cut amount increased to ¥2,648.8 billion in ten years).</li><li>● Established organizations such as the "Reform Promotion Team" "Working Group", and the "Management Reform Committee".</li></ul>

# 1. The Guiding Principles of this Plan

## (3) The Organizational Issues TEPCO is Facing

- As emergency measures, for some time to come, full efforts must be given to the implementation of compensation payouts with courtesy and compassion, steady decommissioning, and the securement of a stable power supply. In addition, while engaged in the thorough implementation of management streamlining based on this Plan, the new organization will leave no stone unturned in ensuring that everything that can be possibly be done will be done to minimize the burden on the Japanese people.
- In order to achieve the simultaneous implementation of “Compensation Payouts, Decommissioning, Stable Power Supply”, policies must be formulated for the following management organizational issues.

### 1) Strengthening our financial standing for the smooth implementation of compensation payouts, reactor decommissioning and stable power supply

- Due to asset losses, restoration and fuel costs etc., our financial standing is extremely fragile.  
→ The Fund’s capital injection, obtaining credit from financial Institutions, and minimal electricity rate hikes are necessary.

### 2) Optimal Electricity Supply Adaptable to a Volatile Business Environment

- i) Establishing alliances with outside power suppliers (to rectify power supply deficiencies and enhance power source efficiency)  
→ IPP Bids and working together with suppliers to replace and enhance the efficiency of existing thermal power units
- ii) Stable and economical procurement of Fossil Fuels (minimizing risks associated with steady procurement and price increases)  
→ Promote alliances with other industries related to fuel procurement to achieve collaborative purchasing and shared operations of fuel facilities.
- iii) Meeting Diverse Customer Needs  
→ Providing a variety of rate menu options, developing new business in energy management and promoting the installation of smart meters.

### 3) Optimal Leveraging of Present Management Resources

- Increasing the quality of Power Grids (smart meter installations) and establishing an environment that provides new business opportunities to various industrial players.
- The promotion of know-how in the areas of construction/operations of high efficient power units and high quality grid management has been at a standstill.  
→ Global Business Development with other Partners

### 4) A New Mindset

- Concerns that have been pointed out to us are “One-sidedness” “Excessive Conservatism” “Reluctance to Seek Outside Support”, “Over-sectionalism”, “Lack of Transparency” and “Unwillingness to Compete”, etc.  
→ It is of utmost importance that each employee adopts the new mindset so that all efforts will be harmonized and the quality of human resources will be enhanced.

## 2. The Road towards Reformation

<b>2. The Road towards Reformation</b> .....	P.7
<b>(1) The Future Direction of the “New TEPCO”</b> .....	P.8
<b>(2) The Schedule towards Reformation</b> .....	P.10
<b>(3) Working in Step with Government Reforms</b> .....	P.11

### (1) The future direction of the “New TEPCO” <1>

- All TEPCO employees will harmonize their efforts to implement “compensation payouts with courtesy and compassion”, “steady decommissioning”, and “securement of stable power supply”.
- Under the new management, TEPCO will further develop its future direction with the mid-level and younger employees who will lead the next generation and make specific plans that engender enthusiastic cooperation throughout the organization.

	Specific Actions
<b>i ) Fulfilling Our Responsibilities</b>	<ul style="list-style-type: none"> <li>● Implement compensation payouts with courtesy and compassion.</li> <li>● Steadily implement decommissioning measures per the mid-and-long-term roadmap.</li> <li>● Implement consistent cost-cutting, and try to maintain the level of electric rates.</li> <li>● Reaffirming our responsibility as a utility provider that supports society and the economy and secures stable power supply and the safety of facilities.</li> </ul>
<b>ii ) Promoting a Culture of Openness</b>	<ul style="list-style-type: none"> <li>● Take to heart the concerns of the afflicted, our customers, and broader society. All employees will conduct their work from a customer point of view. All customer feedback received will be subsequently translated into detailed action with the results to be announced. TEPCO will also release easy-to-understand updated information in a timely fashion concerning compensation, decommissioning and electric rate revisions.</li> <li>● In order to enhance objectivity and transparency, thorough management reforms such as the transition over to a “In-house Company System” and the appointment of a majority of directors from outside of TEPCO will be done.</li> <li>● Transition to a “In-house Company System” that will clarify the mission and cost structure of each sector. It will further enhance TEPCO’s sensitivity to cost issues, stimulate creativity and strengthen business transparency.</li> <li>● Review traditional trade relationships including trade with affiliates. By further disclosing information and expanding bidding opportunities, TEPCO will ensure fairness and transparency in its trading activities.</li> <li>● To do away with “one-sidedness, excessive conservatism”, “sectionalism”, promote cross-sectional communication from management to the frontlines in consideration of societal expectations. Also promote active personnel exchanges and cross-sectional information sharing towards the establishment of an open-minded company culture.</li> </ul>

### (1) The future direction of the “New TEPCO” <2>

---

	Specific Actions
<b>iii ) Reforming energy service in step with customer and societal expectations</b>	<ul style="list-style-type: none"><li>● Given the tremendous changes in the power supply-demand balance following the earthquake, in order to optimize energy efficiency, we will reform the business as follows in consideration of customer and societal expectations.</li><li>● In order to improve the installation efficiency of facilities, we must depart from our prior reluctance to seek outside support by forming partnerships with other organizations, actively incorporate new power sources and promote competition.</li><li>● Enhance neutrality and fairness in the network sector. In addition, via improving the efficiency and the reliability of the facilities utilizing ICT, we will establish a network that allows for the large-scale introduction of renewable energy and a dispersed power system.</li><li>● Increase the number of rate menus, further control peak demand and reduce electricity rates by actively developing energy management services through business alliances. Also increase customer options and respond to various needs via the active introduction of smart meters and new energy solutions etc.</li></ul>

## 2. The Road towards Reformation

May 2012 -

April 2013 -

Middle in the 2010's -

“Introduction Period”

“Full-scale Implementation”

“Dissemination Period”

Transition over to a “In-house Company System” and introduce a governance system with a majority of its members recruited from outside of TEPCO (by June 2012)

Strengthening financial standing by receiving a capital injection from the Fund and establishing goodwill with financial institutions to ensure access to credit when needed (to be implemented as early as possible from June 2012)

The transition over to a “In-house Company System” which allows for the separation of the Transmission & Distribution Sector, Fuel & Thermal Generation Sector, and the Retail Sector, will allow for the missions, and revenue/cost structure of each of these sectors to be clarified. In addition, alliances will be created with outside business operators (to be implemented in a timely fashion following the latter half of FY 2012)

Full-scale cooperation with outside business operators towards bulk purchases of fuel, joint construction and operation of fuel facilities, replacement of old thermal power stations, etc.

Return to the corporate bond market by returning to profitability and increasing the value of owner equity, etc. (by the middle of the 2010's)

Consider spinning off “in-house companies” into smaller affiliated companies in reflection of power system reformation progress, etc.

Implementation of measures towards stable power supply such as alliances with outside suppliers etc.

Increase of revenue via aggressive participation in overseas business and new retail business development (Minimization of tax payer's burden by paying back the “Fund contribution”).

(\* The status of the nuclear power generation business is to be reviewed following government discussion)

Further implementation of management streamlining

## 2. The Road towards Reformation

### (3) Working in Step with Government Reforms

- i) Revision of Energy Policy (Reformation of Power System and Nuclear Policy)
- ii) Cost for Decommissioning Reactors and Compensation Payouts

- During the discussion regarding energy policy such as the power system reformation presently under Government review, the Fund will request the creation of a business environment that will enable TEPCO to boldly implement the reformation outlined in the Plan.
- Besides, with regards to TEPCO's nuclear power generation business, future actions must be considered in light of Government discussion concerning nuclear policy.
- To continuously implement measures for “compensation, decommissioning and stable supply”, the government will be requested to create an additional policy within the framework of the “Law for Fund” in the event that future projections determine that such a policy will be needed to cover the costs of decommissioning and compensation including decontamination.

# 3. Nuclear Damage Compensation Payouts

<b>3. Nuclear Damage Compensation Payouts</b> .....	P.12
<b>(1) The Present Situation of the Nuclear Damage</b> .....	P.13
1) The series of events that led to the nuclear damage	
2) Nuclear Damage – The Ensuring Effects	
3) Future Projections concerning the Resources for a Full Recovery	
4) Countermeasures concerning appropriate treatment of commercial nuclear reactors in light of the nuclear power accident	
<b>(2) Future Projections of Necessary Amount of Compensation Payouts</b> .....	P.16
1) A Broad Overlook	
2) Reevaluation amidst a changing business environment	
3) Estimated Sum of Compensation	
<b>(3) Measures to Achieve Swift &amp; Accurate Compensation Payouts</b> .....	P.18
1) Post Payment Records	
2) Strengthening Efforts to fulfill “The Five Promises”	
3) The Work of the Fund	

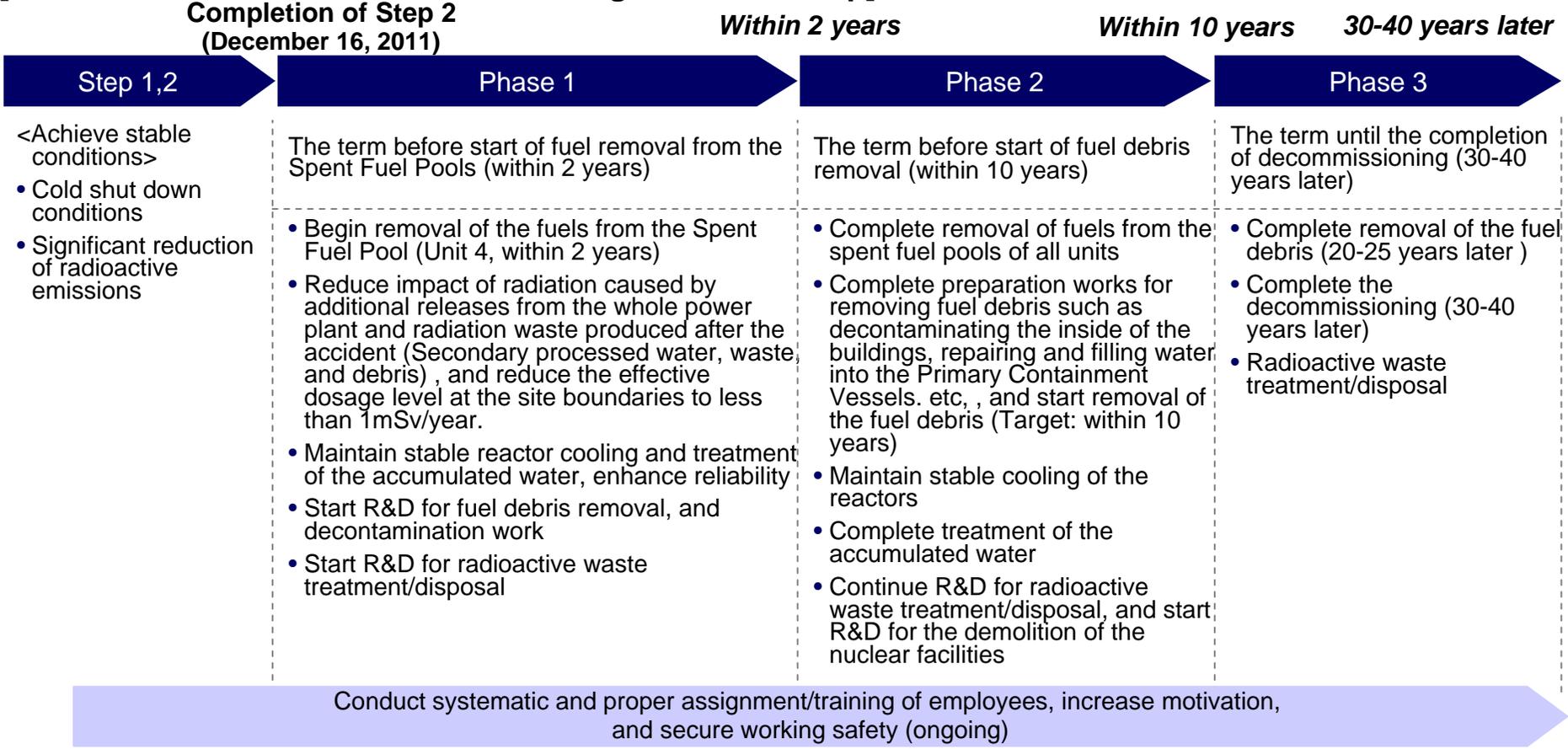
### 3. Nuclear Damage Compensation Payouts

#### (1) The Present Situation of the Nuclear Damage

- 4) Countermeasures concerning appropriate treatment of commercial nuclear reactors in light of the nuclear power accident
  - i) Steady implementation of the Mid-and-Long-Term Roadmap, etc.

- The decommissioning of Units 1 - 4 of Fukushima Daiichi Nuclear Power Station to be implemented based on the Mid-and-Long-Term Roadmap involves unprecedented technical difficulties in many areas.
- TEPCO will steadily implement the decommissioning, develop necessary organizations and schemes, and work closely with organizations that handle the R&D budget, project management, and safety regulations.

**[Reference: Overview of the Mid-and-Long-Term Roadmap]**



Source) Materials of the Mid-and-long term countermeasures meeting by the government and TEPCO (The first session)

### 3. Nuclear Damage Compensation Payouts

#### (1) The Present Situation of the Nuclear Damage

- 4) Countermeasures concerning appropriate treatment of commercial nuclear reactors in light of the nuclear power accident
- ii) Overall picture of the decommissioning costs

■ The reasonable estimated range that TEPCO has come up with by the end of December 2011 for decommissioning costs is ¥ 900.2 billion.

**[Reference: Breakdown of Decommissioning Costs]**

TEPCO Management and Finance Investigation Committee Report					(¥ billion)		
					Amount estimated by TEPCO (As of the end of Dec. 2011)		
Items of Analysis		Adjustment Amount			Total		
		Amount	Additional reserves	Total			
Reserve for Disaster Loss	Costs related to Step 1 and 2 in the Roadmap	175.0	90.0	265.0	225.6		
	Costs related to mid-term issues in the Roadmap	250.0	380.0	630.0			487.8
	Subtotal	425.0	470.0	895.0			713.5
Asset Removal Obligation		186.7	-	186.7	186.7		
Total		611.7	470.0	1,081.7	900.2		
Additional Estimated Decommissioning Costs at 1Q FY 2011		-	69.3	69.3	-		
Total liabilities related to decommissioning related costs after adjustments		611.7	539.3	1,151.0	900.2		

\* Including the amount spent by the end of December 2011

### 3. Nuclear Damage Compensation Payouts

#### (1)The Present Situation of the Nuclear Damage

- 4) Countermeasures concerning appropriate treatment of commercial nuclear reactors in light of the nuclear power accident
- ii) Overall picture of the decommissioning costs

- The simultaneous decommissioning of Units 1-4 at Fukushima Daiichi Nuclear Power in a high radiation environment is a very challenging proposition. In addition, the contents of the work and schedule may vary significantly due to the adoption of new technological developments and waste disposal methods.
- At this stage, it is difficult to estimate the total costs by simply adding up the expenditures for each step. The actual methods shall be determined at each Holding Point (HP) of the Mid-and-Long-Term Roadmap and costs for each item shall be specified in accordance with the schedule below.
- TEPCO will spend the necessary amount of funds needed to secure safety during decommissioning that will be backed up by our financial standing to be strengthened.

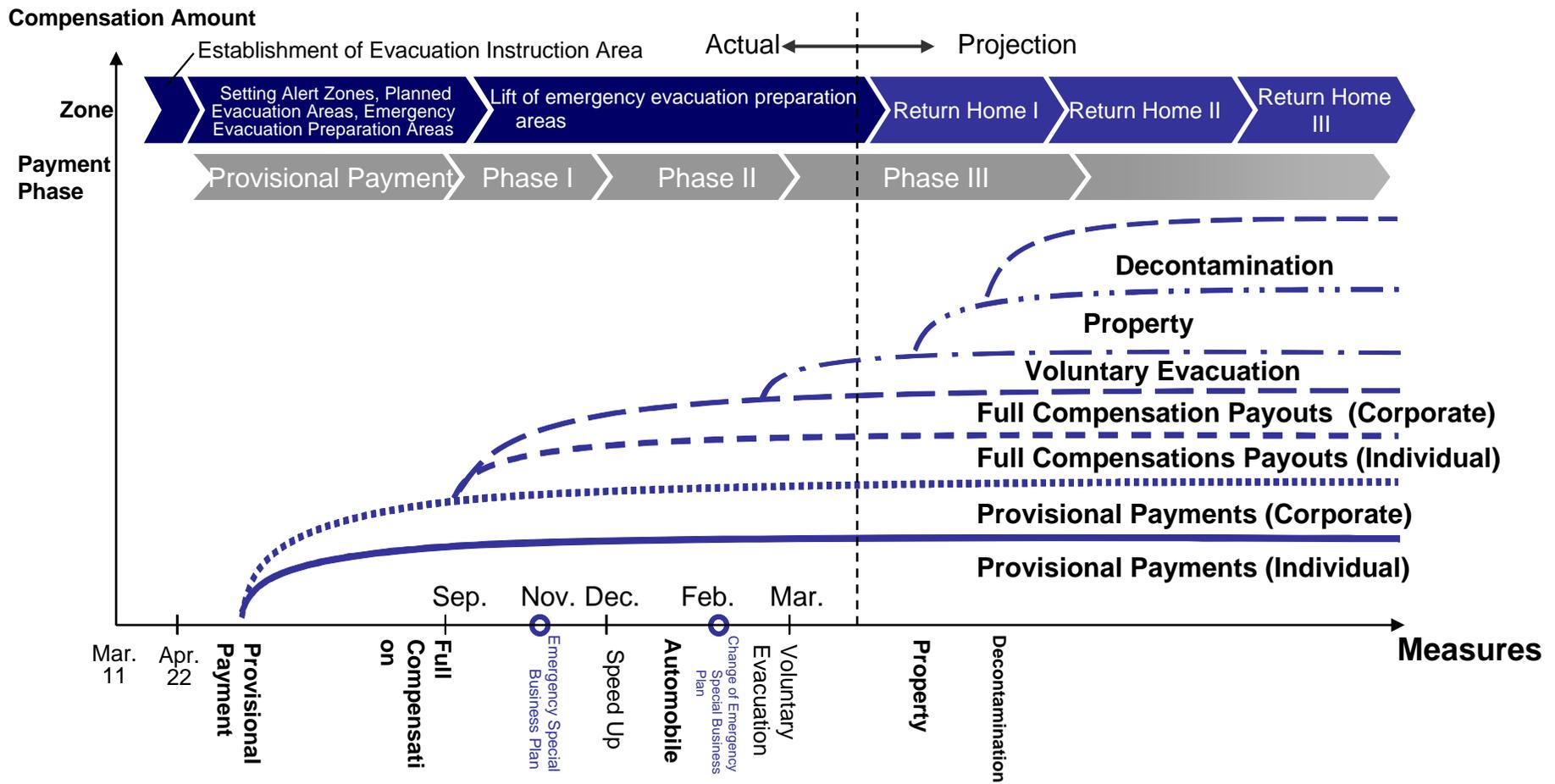
Segment	Items	Period	Relating HP
<b>Fuel Debris Removal Costs</b>	a. Reactor building container costs	Approx. FY 2018	[ - ]
	b. Removal costs	Approx. FY 2018 to FY 2021	[ HP3-1 to 3-5 ]
	c. Fuel debris container costs	Approx. FY 2020 to FY 2021	[ HP3-4 ]
	d. Fuel debris storage and management costs	Approx. FY 2021	[ HP3-5 ]
	e. Fuel debris processing / disposal costs	Approx. FY 2031 onward	[ HP3-6 ]
<b>Reactor Facility Demolition &amp; Radioactive Waste Processing and Disposal Costs</b>	f. Overall costs for dismantling the reactor facility	FY 2021	[ HP4-1 ]
	g. Overall costs for processing and disposing radioactive waste	Approx. FY 2022 onward	[ HP5-3 ]

### 3. Nuclear Damage Compensation Payouts

#### (2) Future Projections of Necessary Amount of Compensation Payouts 1) A Broad Overlook

- Matters such as the development of the Secondary Supplement of the Interim Guideline by the Dispute Reconciliation Committee (March 16) has enabled us to estimate the amount of compensation for property. Accordingly, we are now able to estimate the relevant portion of the overall compensation. (See below chart.)
- However, given the ongoing claims being received from businesses seeking compensation for items such as "lost profits" and "damaged reputations", at this point in time it is difficult to estimate the total compensation amount.

[Roadmap for compensation (image)]



### 3. Nuclear Damage Compensation Payouts

#### (2) Future Projections of Necessary Amount of Compensation payouts

#### 2) Reevaluations amidst a Changing Business Environment 3) Estimated Sum of Compensation

- In the Secondary Supplement of the Interim Guidance, the compensation payout scheme has been decided regarding the loss or damage of property value related to real estate. It is necessary to come up with new measures to achieve swift and appropriate compensation payouts.
- As a result of reevaluating the necessary amount of compensation payouts based on the aforementioned supplement, the projected amount of compensation payouts has been increased to ¥ 2,546.271 billion as a reasonable estimation.

#### [Increase of Projected Payouts]

The Emergency Special Business Plan (approved on Feb. 13)

¥1,700.3 billion

**+ ¥ 845.9 billion**



#### Revision of conditions and other factors based on changed circumstances

##### i) Loss/ decrease of property value

[The Secondary Supplement of the Interim Guidance]

- Property value related to real estate in AREA3 (Areas prohibiting the return of evacuees for a long time)
  - Classified as a TOTAL LOSS due to the accident.
- Property value related to real estate in AREA2 (Areas unfit for life) and AREA1 (Areas where evacuation orders will soon be lifted) .
  - Value partially decreased due to the accident taking the terms UNTIL the lift etc into consideration

##### ii) Evacuation costs and Emotional Distress

[The Second Supplement of the Interim Guidance]

- The duration of the second term for compensation of damages related to evacuation costs and emotional distress [originally set as six months from the end of the first term (six months since the accident) ] was extended until the review of the evacuation restrictions.
- Third term compensation amount guidelines are listed per each evacuation order area.

**Comprehensive Special Business Plan**

¥ 2,546.3 billion

### 3. Nuclear Damage Compensation Payouts

#### (3) Measures to Achieve Swift & Accurate Compensation Payouts 1) Past Payment Records

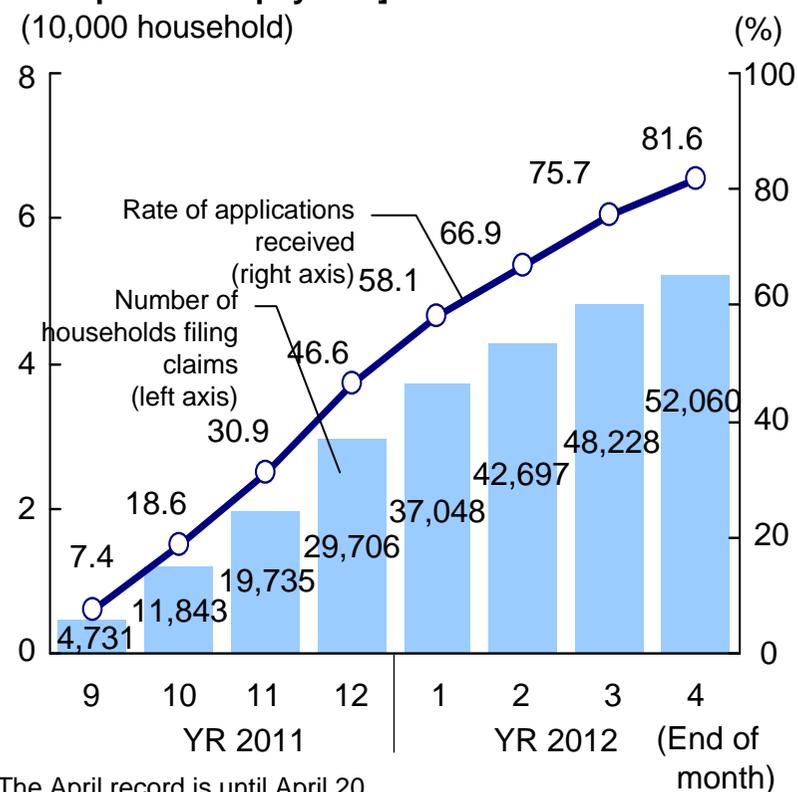
- As of April 20, we received 103,638 claim filings from individuals and 52,258 from corporations and sole proprietors.
- A total of approx. ¥ 776.5 billion in compensation was paid out comprised of provisional payments of approx. ¥ 144.2 billion and main compensation payouts of approx. ¥ 632.3 billion.
- 42,000 households requesting compensation payouts by the end of 2012 February have increased to the expected approx. 52,000 ~ 53,000 households by the end of April which accounts for approx. 80 % of total covered households who received provisional payouts in 2011.

**[Payment records of Main Compensation Payouts (as of April 20)]**

	Number of Requests Received	Number of Requests Fulfilled	Payment Amount* [¥ billion]	Approved Amount [¥ billion]
Individuals	103,638	58,996	approx.87.3	approx.141.3
Voluntary evacuations & related items	554,408	482,887	approx.213.5	approx.213.5
Corporations· Sole Proprietors	52,258	36,360	approx.191.0	approx.197.7
Organizations		210	approx.115.5	approx.145.3
Others		1	25.0	25.0
<b>Total</b>	<b>710,304</b>	<b>578,454</b>	<b>approx.632.3</b>	<b>approx.722.7</b>

\*The Payment amount is the approved amount minus the ¥ 144.2 billion amount paid out as provisional payments.

**[Number of households requesting main compensation payouts]**



\*The April record is until April 20.

### 3. Nuclear Damage Compensation Payouts

(3) Measures to Achieve Swift & Accurate Compensation Payouts  
 2) Strengthening Efforts to fulfill “The Five Promises”

- TEPCO has made every effort to fulfill “The Five Promises” for the compensation payouts.
- However, given the ongoing harsh criticism, we will further strengthen our efforts to more effectively meet expectations.

**[Strengthening Efforts to fulfill “The Five Promises” ]**

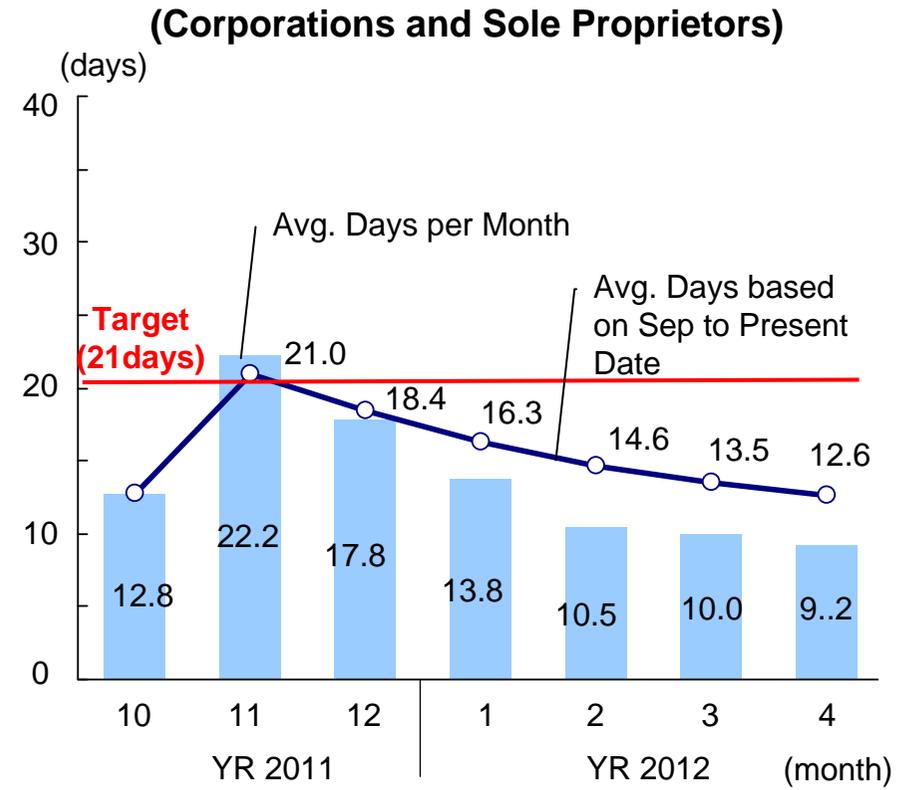
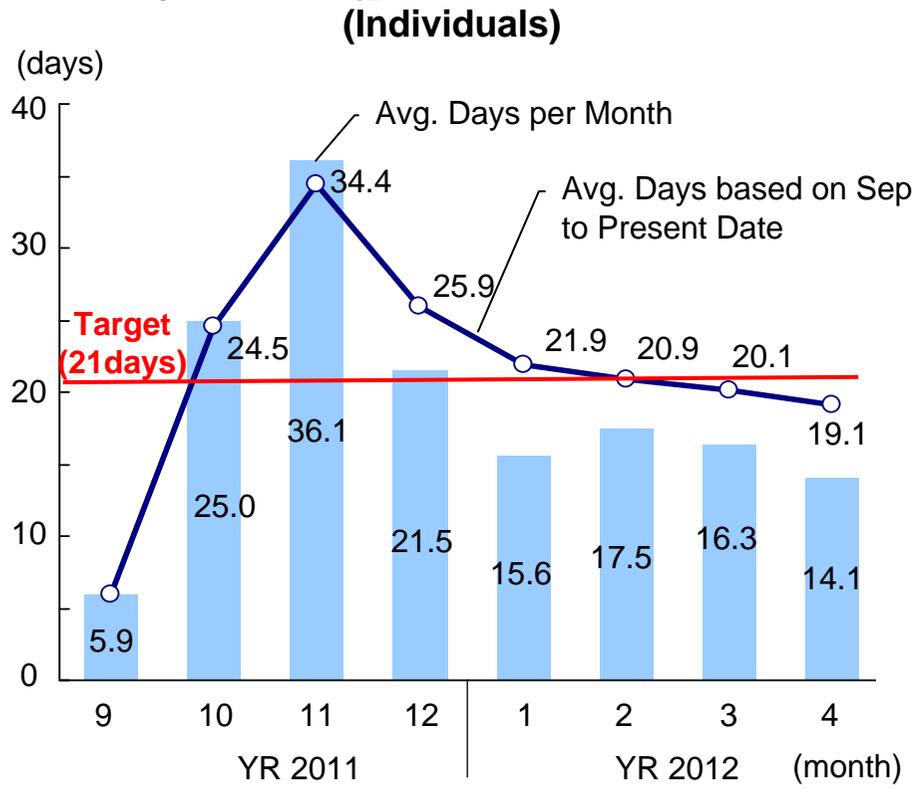
	Work Accomplished	Future Objectives
<b>1) Speedy compensation payments</b>	<ul style="list-style-type: none"> <li>● Increased staff numbers, improved operational flow</li> <li>● Fulfilled the promises in the Emergency Special Business Plan (See next page for details)</li> </ul>	<ul style="list-style-type: none"> <li>● Increase staff numbers to 6,200 to better manage compensation for the voluntary evacuees etc.</li> <li>● Create a tentative compensation schedule for damaged cars and voluntary evacuees.</li> </ul>
<b>2) Payments in consideration of each applicant’s situation</b>	<ul style="list-style-type: none"> <li>● Paid out estimated compensation for corporations and sole proprietors suffering from tight cash flow.</li> </ul>	<ul style="list-style-type: none"> <li>● When administering payouts, take into careful consideration each individual’s situation</li> <li>● Provide explanations to clarify the difference between the requested amount and paid amount.</li> </ul>
<b>3) Pay Due Attention to Reconciliation Proposals</b>	<ul style="list-style-type: none"> <li>● Took into serious consideration advice received from the Conflict Resolution Center.</li> </ul>	<ul style="list-style-type: none"> <li>● Resolve disputes promptly by contributing efforts towards identifying contentious issues.</li> </ul>
<b>4) Simplified Paperwork Procedures</b>	<ul style="list-style-type: none"> <li>● Created easy-to-understand instruction manual.</li> <li>● Simplified the required paperwork.</li> </ul>	<ul style="list-style-type: none"> <li>● Greatly reduce the amount of required paperwork. (2<sup>nd</sup>: 34 pages 3<sup>rd</sup>: 9 pages)</li> </ul>
<b>5) Proactive Follow-up</b>	<ul style="list-style-type: none"> <li>● Via TEPCO’s homepage, provided info on how TEPCO is responding to major requests and inquiries.</li> </ul>	<ul style="list-style-type: none"> <li>● Continue “Present Situation” actions</li> <li>● Compensation for evacuees who stayed at a friend’s or relative’s house based on actual expenses</li> </ul>

### 3. Nuclear Damage Compensation Payouts

- (3) Measures to Achieve Swift & Accurate Compensation Payouts
  - 2) Strengthening Efforts to fulfill “The Five Promises”

- TEPCO achieved the following goals listed in the Emergency Special Business Plan.
  - “Complete processing of compensation applications within three weeks after receiving them”
  - “Implement payouts within 2 weeks after receiving the “Statement of Mutual Agreement”
- At the initial stages, due to the unprecedented nature of the situation, TEPCO was unable to process the tremendous overflow of submitted compensation applications which resulted in a huge accumulation of unprocessed applications in November and December 2011. However, the situation has since been rectified by increasing the number of staff and improving operations.

**[Required number of days for application processing (excluding compensation for damaged cars and voluntary evacuees)]**



\*2012 April: as of Apr 20th

### 3. Nuclear Damage Compensation Payouts

#### (3) Measures to Achieve Swift & Accurate Compensation Payouts 3) The Work of the Fund

- The Fund has guided the total compensation payout procedures and implemented the “3 Measures for Compensation Payouts with Courtesy and Compassion”.
- Hereafter, based on the results to date, the Fund will evaluate present procedures and implement improvements to further assist the afflicted.

**[The Work of the Fund (As of April 22)]**

	Work Accomplished	Future Objectives
<b>Expert Consultation Visits</b>	<ul style="list-style-type: none"> <li>● 303 Expert Consultation Visits, approx. 4,000 visits were paid to individual residences.</li> <li>● The Fund dealt with approx. 2,630 inquiries, and conducted approx. 200 personal consultations.</li> </ul>	<ul style="list-style-type: none"> <li>● Hold orientations in Fukushima Prefecture, personal consultations will be continuously available. Outsourced free personal consultations to the Bar Association in Ibaraki Pref. In the near future, such activities will be implemented in other Prefectures.</li> </ul>
<b>Monitoring the implementation of Compensation Payouts</b>	<ul style="list-style-type: none"> <li>● The Compensation Monitoring Committee etc. inspects and confirms that the use of the TEPCO bank account opened for the Compensation Payouts is being used properly.</li> <li>● Organize the items to be checked to monitor internal governance regarding Compensation Payouts operations.</li> </ul>	<ul style="list-style-type: none"> <li>● Continue monitoring implementation while improving payout procedures</li> <li>● The Fund will check the status of implementation and demand necessary improvements through the “5 Promises Working Group”</li> </ul>
<b>Transmission of Messages of the Afflicted</b>	<ul style="list-style-type: none"> <li>● Grasp the needs of the afflicted at the compensation site and publicize accordingly. (December 2011 and March 2012).</li> <li>● Acting as a liaison, the Fund shared the information received with TEPCO, the governments and local authorities and demanded that necessary countermeasures be implemented</li> </ul>	<ul style="list-style-type: none"> <li>● Hereafter, the Fund will take the requests received from the afflicted and share them with TEPCO, the government and local authorities so as to incorporate them into future improvements.</li> </ul>

## 4. TEPCO's Business Operation Plan

<b>4. TEPCO's Business Operation Plan</b> .....	P.22		
<b>(1) Principle Business Philosophy</b> .....	P.23	<b>(5) Strengthening Our Financial Standing</b>	
<b>(2) Management Streamlining Measures</b> P.24		.....	P.54
1) Thorough Cost Reductions		1) Requests to Financial Institutions	
2) Reevaluating Future Facility Investment Plans		2) The Fund's Capital Injection	
3) Asset Sales		3) Requests to our Shareholders	
<b>(3) Business Reforms</b> .....	P.45	4) Supply-Demand & Income/Expenditure Projections	
1) Stabilizing Economical Fuel Supply & Optimizing Efficiency of Thermal Power Supplies through alliance etc		<b>(6) Clarifying Management Responsibilities</b>	
2) Increasing Neutrality & Transparency of the Transmission & Distribution Sector		.....	P.65
3) Retail Business Development		<b>(7) Ensuring Implementation of the Special Business Plan</b> .....	P.66
<b>(4) A New Mindset</b> .....	P.50		
1) Moving in a New Direction			
2) Three Ways to Transform our Vision into a Reality			

### (1) Principle Business Philosophy

- TEPCO will implement the following actions based on “Fulfilling its Responsibilities”, “Promoting a Culture of Openness”, “Reforming Energy Services in step with Customer & Societal Expectations”
  - TEPCO will thoroughly implement “Compensation Payouts with Courtesy and Compassion”, “Steady Reactor Decommissioning”, “Capping Electricity Rate Hikes” and “Stable Power Supply and Facility Safety” while executing thorough management streamlining efforts.
  - TEPCO will implement the following:
    - a) The swift dissemination of easy-to-understand information to the afflicted, customers and broader society
    - b) “Open-door management policy”
    - c) “Governance and Organizational reform”
    - d) “Procurement reforms that ensure Fairness and Transaction Transparency”Simultaneously, TEPCO will instill a new “New Mindset” into its employees that will serve as the impetus to achieving the aforementioned reforms.
  - In responding to various customer needs and shifting to a more competitive and alliance-based business model, TEPCO will reform its energy services.
- The Fund will provide the necessary support to realize the reforms, such as by continuously monitoring TEPCO's reformation efforts and requesting the government to adopt certain policies.

## (2) Management Streamlining Measures

■ The TEPCO Management & Finance Investigation Committee and the Fund have left no stone unturned in its management streamlining efforts and have conducted exhaustive and multi-layered due diligence of TEPCO and all its group companies.

■ The Fund and TEPCO will implement mid-to-long term sustainable and bold streamlining over the following 3 phases:

Phase I:  
Routine Streamlining

:Reduce routine expenditures and sell off non-electricity business assets etc.

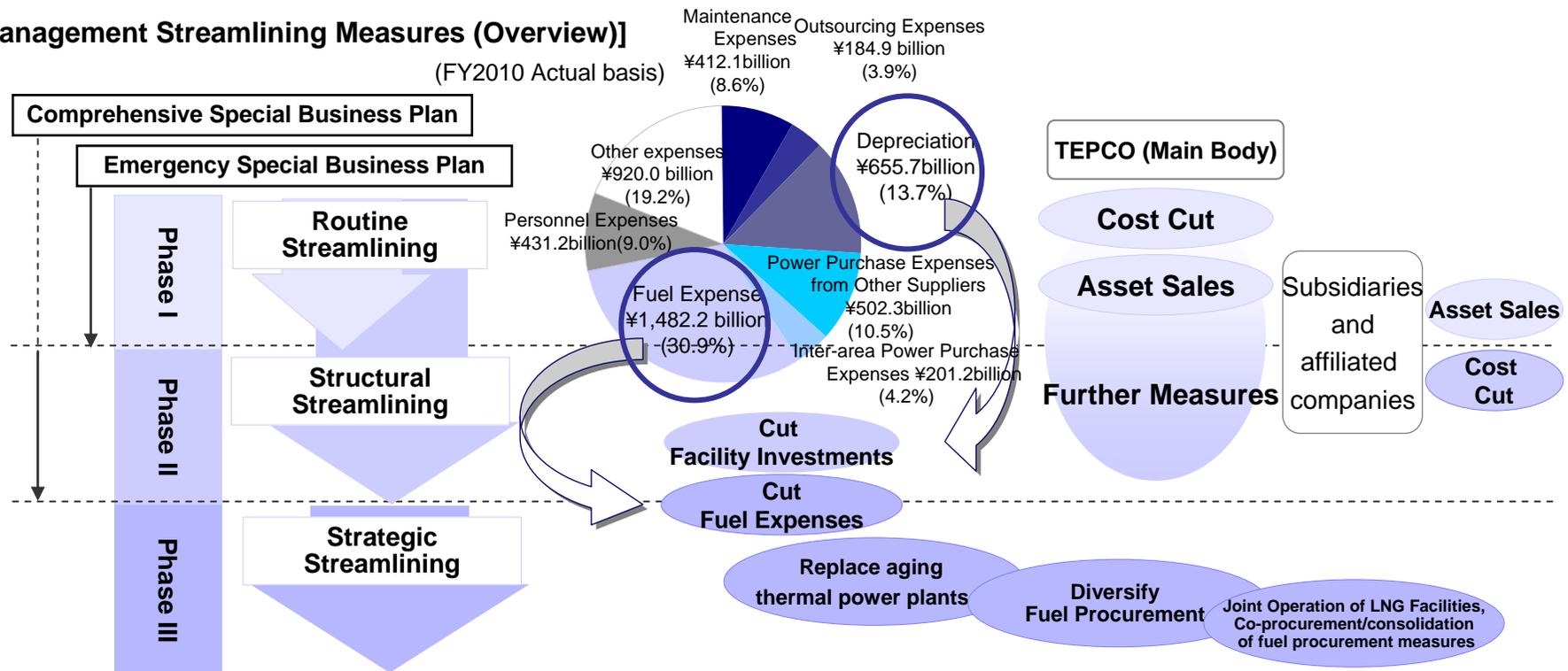
Phase II:  
Structural Streamlining

:Management streamlining by implementing in-depth structural reforms such as reducing mid-to-long term facility investments and reforming the cost structures in subsidiaries/affiliated companies.

Phase III:  
Strategic Streamlining

:Promote strategic measures to cut fuel costs such as replacing aging thermal power plants and teaming up with other companies in procuring fuel and follow-up operations.

### [Management Streamlining Measures (Overview)]



## 4. TEPCO's Business Operation Plan

### (2) Management Streamlining Measures

[Reference: Management Streamlining Measures (overview)]

		Emergency Special Business Plan (FY2011 - 2020)		Comprehensive Special Business Plan (FY2012 - 2021)	
		Content (Issue)	FY 2011 forecast for fulfillment	Content (Issue)	
Reductions	Cost	TEPCO Main Body	Cut ¥2,648.8 billion over 10 years	Although the original cost cut target was ¥237.4 billion, the actual projected cost cut amount will be ¥251.3 billion. (+ ¥13.9 billion)	Reduce ¥3,365 billion over 10 years (An additional ¥656.5 billion)
		Reduction of Facility Investments	-	-	Reduce ¥934.9 billion over 10 years since the inception of the Emergency Special Business Plan (Facility Investments: ¥7,611.2 billion over 10 years)
Asset Sales		Real Estate	Sell TEPCO Group property equiv. to ¥247.2 billion in principle by FY2013	Although the original sales target for TEPCO's main body assets (excluding group company assets) was ¥15.2 billion, actual projected sales amount will be ¥ 43.1 billion. (+¥ 27.9 billion)	¥159.8 billion of assets were sold off in FY 2012. These sell off activities were accelerated and far beyond the original FY 2012 target of ¥43.6 billion for the whole TEPCO group. (an additional ¥116.2 billion.) Selling off additional real estate owned by subsidiaries.
		Securities	Sell TEPCO Group securities equiv. to ¥330.1 billion in principle by FY2013	Although the original sales target of TEPCO's main body assets was ¥300.4 billion, actual projected sales amount will be ¥314.1 billion. (+ ¥13.7 billion) ( 96% completion of the TEPCO Group total target by FY2013 )	The selling off of assets will be done ASAP.
		Subsidiaries & Affiliate Companies	Sell 45 companies (equiv. to ¥130.1 billion) in principle by FY2013	Although the original sales target for TEPCO's main body assets was ¥32.8 billion, actual projected sales amount will be ¥47 billion (+ ¥14.2 billion)	Accelerate sales to complete the sell-off by the end of FY 2012.
			-	-	Reduce ¥247.8 billion in costs over 10 years *

“Routine Streamlining”



“Structural Streamlining”

\*The consolidated cost cut effect is equivalent to ¥115.3 billion taking into account the subtraction of the amount per TEPCO business transactions.

## 4. TEPCO's Business Operation Plan

### (2) Management Streamlining Measures 1) Thorough Cost Reductions

■ **Costs will be reduced by over ¥3,365 billion** from FY2012 to 2021, including an **additional cost reduction of ¥656.5 billion** besides the target listed in the "Emergency Special Business Plan".

#### [Overall Cost Reduction]

(¥ billion)

	Emergency Special Business Plan (FY 2011-2020)			Comprehensive Special Business Plan (FY 2012-2021)		
	Total of 10 years (Avg. 2012-14)	Plan FY 2011	Projection FY 2011	After Revision of Emergency Special Business Plan	Additional Cost Reductions	Total of 10 years (Ave. 2012-14)
				Total of 10 years	Total of 10 years (Ave. 2012-14)	
Procurement expenses of materials and services	511.8 (31.3)	43.4	44.6	544.2	119.9 (17.2)	664.1 (48.4)
Power purchase and fuel expenses	85.4 (6.2)	11.1	16.0	84.2	114.4 (21.6)	198.6 (27.7)
Personnel expenses	1,113.5 (119.2)	61.4	68.8	1,172.5	103.3 (10.1)	1,275.8 (129.3)
Other expenses	938.0 (90.2)	121.5	121.9	907.6	61.1 (4.7)	968.7 (94.9)
Facility Investments	-	-	-	-	257.8 (5.0)	257.8 (5.0)
<b>Totals</b>	<b>2,648.8 (246.8)</b>	<b>237.4</b>	<b>251.3</b>	<b>2,708.5</b>	<b>656.5 (58.6)</b>	<b>3,365.0 (305.4)</b>

## 4. TEPCO's Business Operation Plan

### (2) Management Streamlining Measures

#### 1) Thorough Cost Reductions i) Procurement expenses of materials and services <1>

##### Phase I

From a "Quantity" and "Unit Price" perspective, cost cuts will be done in easy to implement areas such as cancelling construction/repair work, revising the timing of construction/maintenance work, and uniformly cutting costs in transactions with affiliated companies.

##### Phase II

Additional cost reductions will be implemented via reforming the cost structures in subsidiaries and affiliate companies as well as revising traditional business relationship networks and the order placing procedures with subsidiaries, affiliate companies and outside business partners.

(Transactions based on single tender contracts with subsidiaries and affiliate companies are to be reduced by 30 % via expanding competitive bidding to 30% for all procurement of materials and services over the next 3 years, which is twice the rate of current procurement activities.)

➔ **¥664.1 billion cost reductions** in 10 years (added ¥119.9 billion from the Emergency Special Business Plan)

- Actual cost reductions in FY 2011 (estimation) : Plan ¥43.4 billion → ¥44.6 billion (+ ¥1.2 billion)

#### [Specific Measures (1) for Procurement Expenses of Materials and Services]

Items	Contents	Phase	Cost reductions	Additional reductions
Reduction of depreciation costs by cutting facility investments	<ul style="list-style-type: none"> <li>Reduction of capital investments for the short and mid term                             <ul style="list-style-type: none"> <li>Cancel new showrooms for promotion activities (Switch Station)</li> <li>Reduce construction for expanding trunk transmission systems etc.</li> </ul> </li> </ul>	I	¥151.7 billion	-
Suspension or revision of timing of construction and inspection	<ul style="list-style-type: none"> <li>Emergency reduction of repair costs (revision concerning the construction of power network facilities)</li> </ul>	I	¥4.9 billion	-
	<ul style="list-style-type: none"> <li>Permanent revision of construction timing while ensuring stable supply etc.                             <ul style="list-style-type: none"> <li>Revise facility inspection intervals</li> <li>Revise equipment inspection methods</li> <li>Suspend some repair work of communication cables etc.</li> </ul> </li> </ul>	II	¥67.6 billion	¥60.3 billion
Transactions with affiliate companies: expand competitive procurement	<ul style="list-style-type: none"> <li>Negotiate a 10% transaction price discount with current business partners, which is the expected discount rate, if procurements are made via competitive bidding.                             <ul style="list-style-type: none"> <li>Cost improvements with affiliate companies and expansion of new suppliers</li> <li>Implement negotiation in consideration of market prices such as setting a benchmark on the prices in the transactions</li> <li>Promote optimal procurement methods such as competitive bidding</li> </ul> </li> </ul>	I	¥167.4 billion	-
	<ul style="list-style-type: none"> <li>Increase the cost cut amounts via reforming the cost structures in subsidiaries and affiliate companies</li> </ul>	II	¥38.2 billion	¥38.2 billion

\* "Additional" refers to cost reductions not listed in the "Emergency Special Business Plan". The same applies to the following

## 4. TEPCO's Business Operation Plan

### (2) Management Streamlining Measures

#### 1) Thorough cost reductions i) Procurement expenses of material & services <2>

##### [Specific measures for Procurement Expenses of Materials & Services (2)]

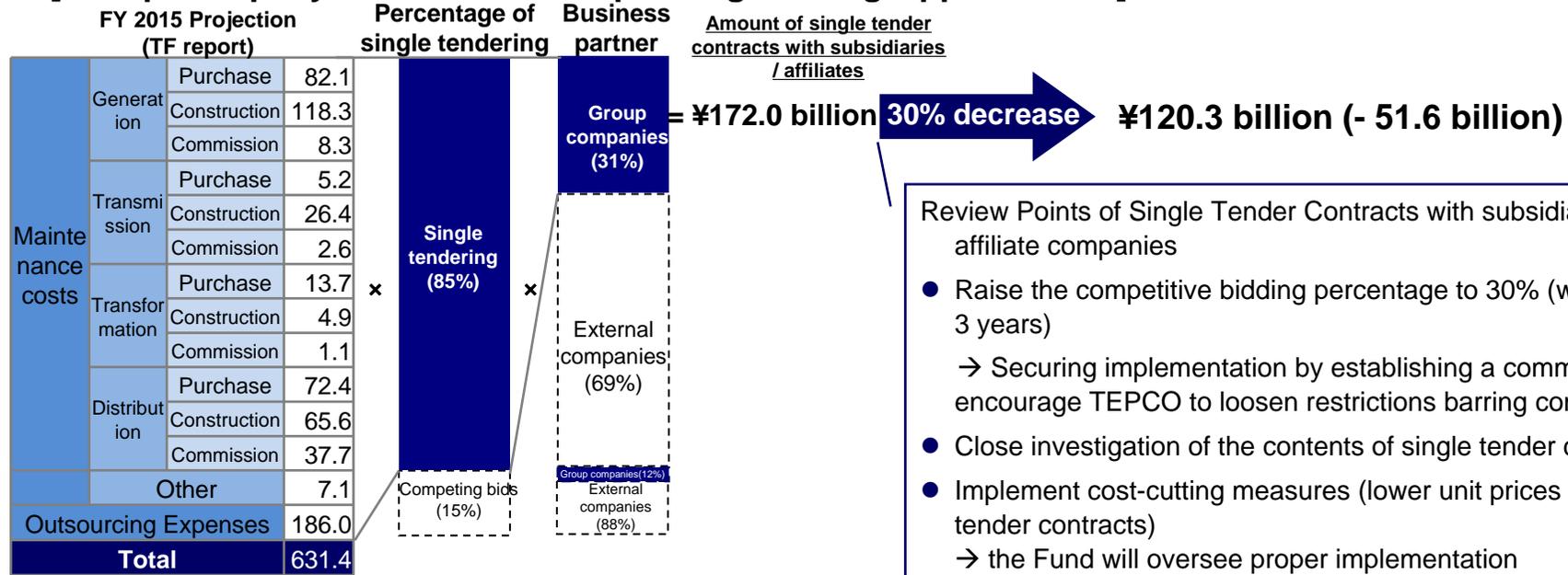
Items	Contents	Phase	Cost Reductions	Additional reductions
Transactions with group companies: Construction efficiency improvements	<ul style="list-style-type: none"> <li>Cut repair and maintenance costs etc. by increasing the productivity of construction work related to power distribution with group companies or construction companies unaffiliated to TEPCO or via price negotiations and contract reviews based on introductory trials and effective evaluations of new ways of construction or new materials that will lead to enhanced productivity</li> </ul>	I	¥55.3 billion	-
Reviewing the transaction structures and ways of ordering relating to external business partners	<ul style="list-style-type: none"> <li>Lower maintenance costs and outsourcing expenses by adopting an order method to minimize costs as much as possible for each contract and review present supplier relationships via considering new business partners and thorough progress management of each project (reflecting an approx. 10% cost-cut from the current prices by negotiating down to a level calculated based on the expected costs realized via bypassing any middlemen or competitive bidding, as is presently being done with TEPCO's group companies)</li> <li>Review the negotiation / business process: from transactions through agents to direct transactions with manufacturers</li> <li>Review order methods: from blanket orders to separate orders made for individual construction assignments</li> <li>Create competition by placing bids for new business partners or loosening transaction restrictions</li> </ul>	I	¥92.3 billion	-
	<ul style="list-style-type: none"> <li>For those transactions not easily implemented through the bidding process, we will try to cut maintenance costs and outsourcing expenses by negotiating thorough cost cuts via proposing spec changes and/or requesting spec changes from our suppliers.</li> </ul>	II	¥21.4 billion	¥21.4 billion
Standardization of equipment specification (Smart meters)	<ul style="list-style-type: none"> <li>Review smart meter procurement methods in order to cut costs</li> </ul>	I	¥65.3 billion	-
Standardization of designs / specification among electric power companies <long-term issue>	<ul style="list-style-type: none"> <li>Concrete cost reductions will be realized through such measures as interviewing manufacturers and other electric power companies. Prior to the interviews, we will select items to be standardized with other power companies</li> </ul>	III	-	-
<b>Total</b>			<b>¥664.1 billion</b>	<b>¥119.9 billion</b>

# 4. TEPCO's Business Operation Plan

## (2) Management Streamlining Measures

### 1) Thorough Cost Reductions i) Procurement expenses of materials & services <3>

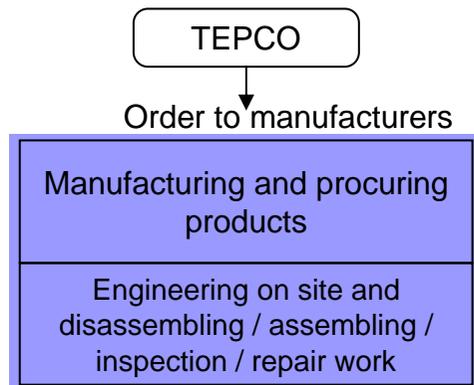
#### [Group Company Transactions: Expanding Bidding Opportunities]



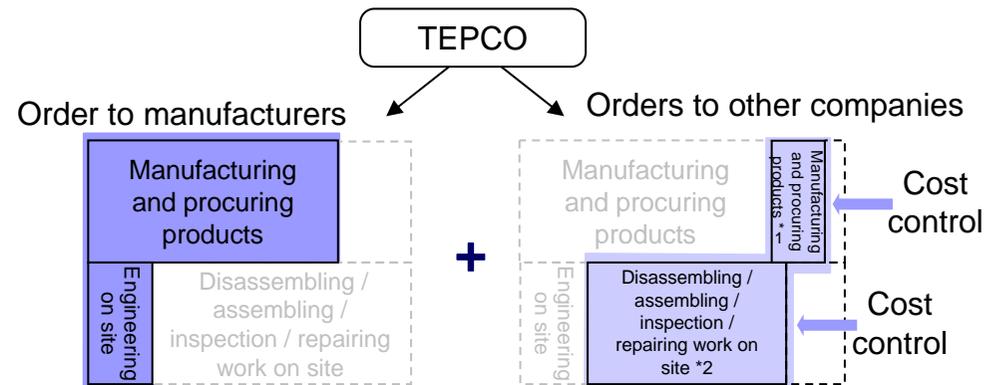
- Review Points of Single Tender Contracts with subsidiaries / affiliate companies
- Raise the competitive bidding percentage to 30% (will double in 3 years)
    - Securing implementation by establishing a committee to encourage TEPCO to loosen restrictions barring competition
  - Close investigation of the contents of single tender contracts
  - Implement cost-cutting measures (lower unit prices of single tender contracts)
    - the Fund will oversee proper implementation

#### [Review of transaction structures / Order methods with business entities not affiliated with TEPCO]

##### Before Placing Separate Orders



##### After Placing Separate Orders



Cost control via reverse-engineering technology etc. (\*1) and differing unit labor costs etc. (\*2)

## 4.TEPCO's Business Operation Plan

### (2) Management Streamlining Measures

#### 1) Thorough Cost Reductions ii) Power Purchase and Fuel Expenses

**Phase I** From a “Quantity” and “Unit Price” perspective, cost cuts that can be independently and immediately implemented will be done such as fuel conversions of our gas turbines from light oil to inexpensive city gas.

**Phase II** We will further implement structural streamlining measures such as rationalizing daily fuel logistic operations to enhance the availability factor of LNG thermal power plants whose operational costs are relatively lower than other plants.

➔ **¥198.6 billion cost reduction** in 10 years (added ¥114.4 billion from the Emergency Special Business Plan)

- Actual cost reduction in FY2011 (estimation) : Plan ¥11.1 billion → ¥16.0 billion (+ ¥4.9 billion)

#### [Specific measures for the reduction of power purchases and fuel expenses]

Items	Contents	Phase	Cost reductions	Additional Reductions
Reduction of Fuel Prices (Unit Prices)	<ul style="list-style-type: none"> <li>Fuel conversions of emergency power sources from light oil to cheap city gas.</li> </ul>	I	<b>¥14.5 billion</b>	-
	<ul style="list-style-type: none"> <li>Reduction of agency commissions for LNG imports</li> <li>Reduction of fuel prices for newly installed power supply sources</li> </ul>	II	<b>¥21.3 billion</b>	<b>¥21.3 billion</b>
Application of Efficient Power Sources	<ul style="list-style-type: none"> <li>Cost reduction via streamlining of daily operations based on discussions with relevant parties In order to increase the availability factor of LNG fired thermal power plants whose costs are relatively low.</li> <li>Increase in amount of power received from cheaper power sources available from other companies'</li> </ul>	II	<b>¥28.1 billion</b>	<b>¥28.1 billion</b>
Reduction of Power Purchase Expenses	<ul style="list-style-type: none"> <li>Negotiate to reduce unit prices at the time of re-signing</li> </ul>	I	<b>¥69.7 billion</b>	-
	<ul style="list-style-type: none"> <li>Negotiate to have jointly owned thermal power companies and in-house power generation producers etc. reduce their fixed costs etc.</li> </ul>	II	<b>¥62.9 billion</b>	<b>¥62.9 billion</b>
Utilizing the Japan Electric Power Exchange (JEPX)	<ul style="list-style-type: none"> <li>Reduce fuel costs by purchasing cheaper power from JEPX.</li> <li>Increase power sales to other companies by selling power through JPEX</li> </ul>	II	<b>¥2.1 billion</b>	<b>¥2.1 billion</b>
Reduction of Fuel Costs from a Mid-to-Long Term Perspective	<ul style="list-style-type: none"> <li>In order to stabilize fuel procurement and minimize purchase costs, we will implement measures such as constructing and operating fuel facilities with outside parties, procuring fuels with outside parties, and diversifying procurement sources.</li> </ul>	III	-	-
<b>Total</b>			<b>¥198.6 billion</b>	<b>¥114.4 billion</b>

## 4.TEPCO's Business Operation Plan

### (2) Management Streamlining Measures 1) Thorough Cost Reductions iii) Personnel Expenses

- Phase I** “Unit Cost per Person” will be cut via the following: reduction of salaries and bonuses, revision of benefit programs, and revision of the Retirement Benefit Scheme. The “Number of Persons” will also be reduced via personnel restructuring.
- Phase II** Additional “Unit Costs per Person” will be reduced by revamping the operations of the Personnel Evaluation System such as tightening job assignments and by speeding up the “Number of Persons” to be cut.

➔ **¥1,275.8 billion cost reduction** in 10 years (added ¥103.3 billion from the Emergency Special Business Plan)  
 - Actual cost reductions in FY2011 (estimation) : Plan ¥61.4 billion → ¥68.8 billion (+ ¥7.4 billion)

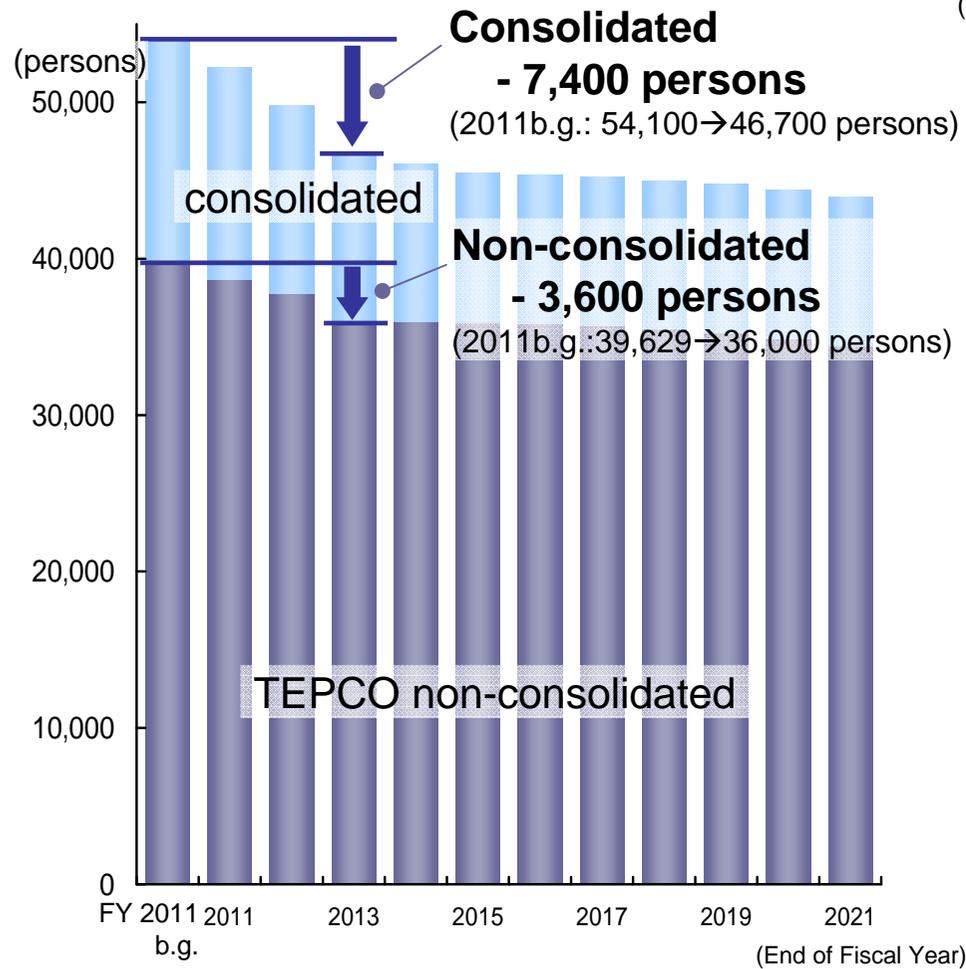
#### [Specific measures for the reduction of personnel expenses]

Items	Contents	Phase	Cost reductions	Additional reductions
Personnel Reductions	<ul style="list-style-type: none"> <li>After general streamlining via readjusting the group structure and drastic operational streamlining, we will reduce the number of persons by cutting back on hiring and implementing voluntary retirements (approx. 7,400 employees on a consolidated basis, approx. 3,600 employees on a non-consolidated basis)</li> </ul>	I	¥372.5 billion	-
Reduction of Salaries and Bonuses	<ul style="list-style-type: none"> <li>Continue to cut annual earnings across the board (Supervisory employees -25%, General employees -20%)</li> <li>Introduce a new personnel evaluation system (p. 53)</li> <li>Reduce overtime wages (reduction to 25% on weekdays which is the bottom limit of the legal standard)</li> </ul>	I	¥643.5 billion	-
Revision of the Retirement Benefit Scheme	<ul style="list-style-type: none"> <li>Revise the pension system (reducing the interest rate used for revaluation [to 1.5% for active employees and 2.25% for retirees], and reduction of whole life annuity [-30%])</li> </ul>	I	¥106.5 billion	-
Revision of Benefit Programs	<ul style="list-style-type: none"> <li>Revision of health insurance, asset-building schemes, cafeteria plan, employee stock ownership plan</li> </ul>	I	¥50.0 billion	-
Thorough implementation of each measure	<ul style="list-style-type: none"> <li>Implement “Unit Cost per Person” reductions by revamping the operations of the personnel system such as tightening job assignments. In addition to accelerating “the number of persons” to be cut, additional personnel cuts may be done predicated on future streamlining efforts.</li> </ul>	II	¥103.3 billion	¥103.3 billion
<b>Total</b>			<b>¥1,275.8 billion</b>	<b>¥103.3 billion</b>

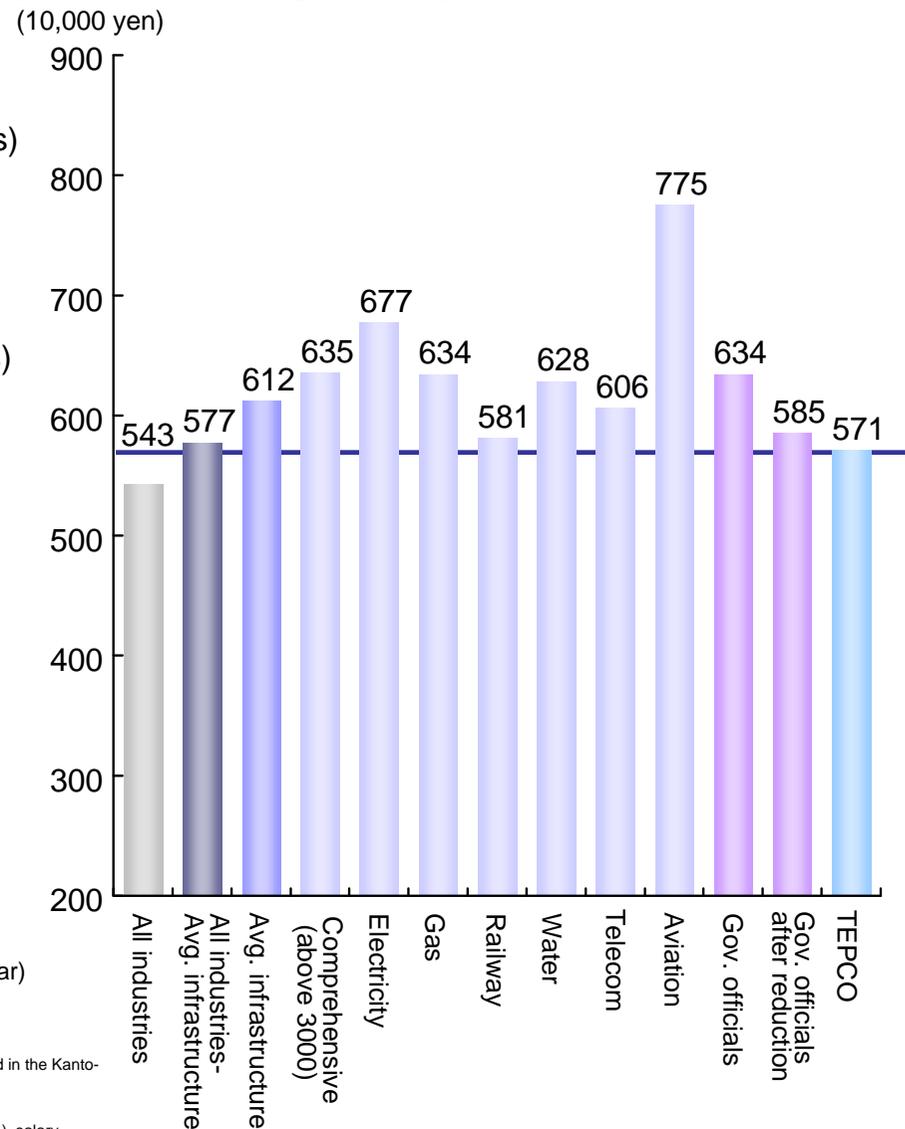
# 4.TEPCO's Business Operation Plan

## (Reference) Personnel Reduction and Personnel Expense Comparison

**[Personnel Reduction]**



**[Personnel Expenses]**



\* Sum of salary, standard compensation and bonuses. Actual TEPCO data for March 2012.  
 \* Gov. officials are adjusted for age-class(4 year) ratio equivalent to TEPCO. Regional compensations have been adjusted in the Kantou-koushinetsu area. Educational background personnel ratio are adjusted to TEPCO' ratio.  
 \* All industries, All industries-avg. infrastructure, Avg. infrastructure, are all above 1,000 employees  
 (Reference) Research for salary and compensation for Government officials, 2011 (the National Personnel Authority; NRA), salary advice for this year (NRA), comprehensive labor cost (Nippon Keidanren), Salary structure basic statistical survey (Ministry of Health, labor and Welfare)

## 4. TEPCO's Business Operation Plan

### (2) Management Streamlining Measures 1) Thorough Cost Reductions iv) Other expenses

**Phase I** Cost reductions for short term gains from a “unit price” and “quantity” perspective, such as the abolishment of donations, the reduction of promotion/advertising costs except in necessary cases, and R&D cost cuts.

**Phase II** Additional structural cost reductions by revising the investment plan and further reducing personnel expenses in conjunction with other restructuring measures.

➔ **¥968.7 billion cost reductions** in 10 years (added ¥61.1 billion from the Emergency Special Business Plan)

- Actual cost reductions in FY2011 (estimation) : Plan ¥121.5 billion → ¥121.9 billion (+ ¥0.4 billion)

#### [Specific measures for other expenses ]

Items	Details	Phase	Amount	Additions
System outsourcing	<ul style="list-style-type: none"> <li>Reduce contracts for system services, facility services as well as survey and analysis services.</li> </ul>	I	¥254.0 billion	¥8.0 billion
Other expense (ex. donation)	<ul style="list-style-type: none"> <li>Cease donation activities. Review membership fees, union fees, etc.</li> </ul>	I	¥84.0 billion	-
Welfare facilities and offices	<ul style="list-style-type: none"> <li>Reduce welfare facilities and company housing costs</li> </ul>	I	¥44.0 billion	-
	<ul style="list-style-type: none"> <li>Reduce office space being rented in anticipation of personnel reductions</li> </ul>	II	¥6.5 billion	¥6.5 billion
promotion/ advertising costs	<ul style="list-style-type: none"> <li>Reduce TV, radio, newspaper, and magazine advertising costs etc.</li> </ul>	I	¥216.0 billion	-
Theme research	<ul style="list-style-type: none"> <li>Reduce Central Research Inst of Electricity Industry contribution. Suspend theme research other than research related to decommissioning, safety operations and stable supply. Reduce the institute's management fee.</li> </ul>	I	¥168.0 billion	-
	<ul style="list-style-type: none"> <li>Additional research cost reductions by reviewing proposed research themes based on research progress and revision of the investment plan.</li> </ul>	II	¥46.6 billion	¥46.6 billion
Employee training	<ul style="list-style-type: none"> <li>Reduce management education training and operation center costs, etc.</li> </ul>	I	¥45.7 billion	-
Consumables	<ul style="list-style-type: none"> <li>Reduce office supply purchases such as PCs and reading materials.</li> </ul>	I	¥66.3 billion	-
Others	<ul style="list-style-type: none"> <li>Review the transportation services for waste management. Reduction of compensation costs.</li> </ul>	I	¥37.6 billion	-
<b>Total</b>			<b>¥968.7 billion</b>	<b>¥61.1 billion</b>

## 4.TEPCO's Business Operation Plan

### (2) Management Streamlining Measures 1) Thorough Cost Reductions iv) Other expenses (2)

■ To drastically reduce costs, we will cease donations for municipality/rural community activities and environmental protection in and after 2012. promotion and advertisement costs will be suspended except for essential purposes such as public announcements requesting cooperation in saving electricity.

#### [Breakdown of Donations]

Field	Transition of Cost (¥ billion)				
	2010	2011	2012	2013	2014
Academic Study /Research/Education	0.53	0.06	0.0	0.0	0.0
Activities of Municipalities /Rural communities	0.47	3.11	0.0	0.0	0.0
International Cooperation/Exchange	0.21	0.01	0.0	0.0	0.0
Disaster Assistance	0.18	0.02	0.0	0.0	0.0
Environmental Protection	0.18	0.07	0.0	0.0	0.0
Art and Culture	0.05	0.01	0.0	0.0	0.0
Others	0.01	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.63</b>	<b>3.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

\* Except for the above, we categorized the following costs as "Donations" according to accounting rules; cancellation of unpaid small electricity bills (on and after FY2012), contributions to the industrial complex (on and after FY2012), and forgoing TEPCO-owned property compensation owed by the municipalities (FY2012). These figures were all eliminated from the costs normally accounted for in the calculation of the electricity rates

\* Out of ¥3.11 billion for "Municipality/Rural community Activities in FY 2011, ¥3.0 billion was contributed to the Fund for Emergency Response Measures against Nuclear Damages.

#### [Breakdown of Research Cost]

Field	Transition of Cost (¥ billion)				
	2010	2011	2012	2013	2014
Researches on Themes	26.9	13.9	12.6	7.8	7.6
Administration of Research Center	0.5	0.4	0.4	0.5	0.5
Others	0	0	0	0	0
<b>Total</b>	<b>27.4</b>	<b>14.3</b>	<b>13.0</b>	<b>8.3</b>	<b>8.1</b>

#### [Breakdown of Promotion & Advertisement Costs]

Field	Transition of Costs (¥ billion)				
	2010	2011	2012	2013	2014
Broadcast of TV/Radio	7.0	2.2	0.3	0.3	0.3
Advertisement/PR	4.6	0.4	0.3	0.3	0.3
PR Facilities Administration	4.3	0.1	0.1	0.1	0.1
Sales Consultants	1.4	0.1	0	0	0
Exhibitions/Fairs	1.4	0	0	0	0
PR on Electricity Rate Menu	1.3	0.2	0.3	0.3	0.3
Sales campaigns	1.0	0	0	0	0
Administration of PR Facilities at the Power Plant Sites	1.0	0.2	0.2	0.2	0.2
Diffusion of Eco Ice/Eco Cute	0.9	0.9	0.3	0.1	0
Administration of Electric Facilities Consulting Companies	0.6	0.6	0.6	0.6	0.6
Others	3.4	1.6	1.2	1.0	1.0
<b>Total</b>	<b>26.9</b>	<b>6.2</b>	<b>3.3</b>	<b>2.9</b>	<b>2.8</b>

\* Contributions to research centers is under discussion with the recipients and has not yet been settled. (Contributions to research centers have been deleted from the left-hand table.)

## 4.TEPCO's Business Operation Plan

### (2) Management Streamlining Measures

#### 1) Thorough Cost Reductions v) Cost related to Facility Investments

**Phase II** In order to minimize facility investment costs, we will implement demand control measures and will in principal procure outside power sources via a bidding process for all new and replacement thermal power development projects.

➔ **¥257.8 billion cost reductions** in 10 years (added ¥257.8 billion from the Emergency Special Business Plan)

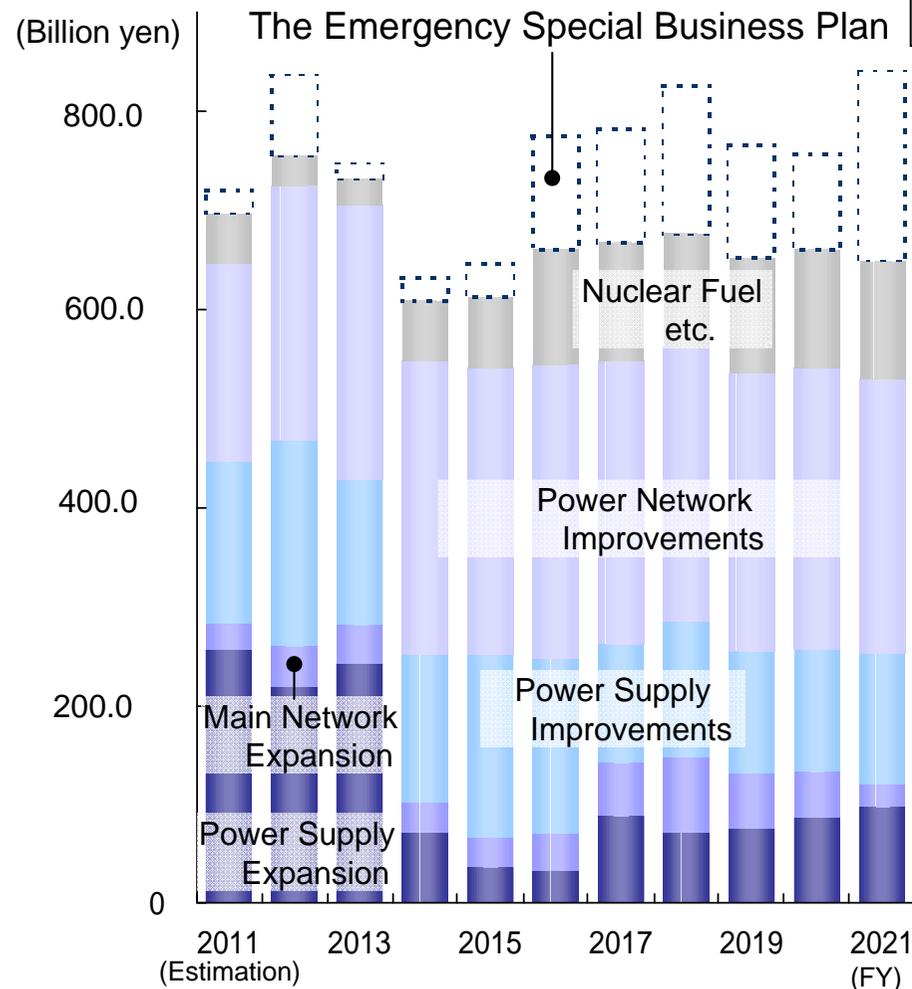
#### [Specific Measures for Facility Investments]

Item	Contents	Phase	Cost Reductions	Additional Reductions
Drastic Review on Mid- and Long-term Investment Plan	<ul style="list-style-type: none"><li>In order to minimize facility investment costs, we will implement demand control measures and will in principal procure power sources from outside via a bidding process for all new and replacement thermal power development projects.</li></ul>	II	¥257.8 billion	¥257.8 billion
Total			¥257.8 billion	¥257.8 billion

## (2) Management Streamlining Measures 2)Reevaluating Future Facility Investment Plans

- Investment plan is to be revised from the perspective of mid-to-long term thorough management streamlining while securing stable power supply.
- From FY 2012 to 2021, **curtail investments of over ¥ 934.9 billion** higher than the figure at the time “The Emergency Special Business Plan” was developed.

### [Outlook for electric utility investment]



Power Supply Expansion/Power Supply Improvements : - ¥797.2billion  
 Main Network Expansion/Power Network Improvements : - ¥121.3billion  
 Nuclear Fuel etc. : - ¥16.3billion

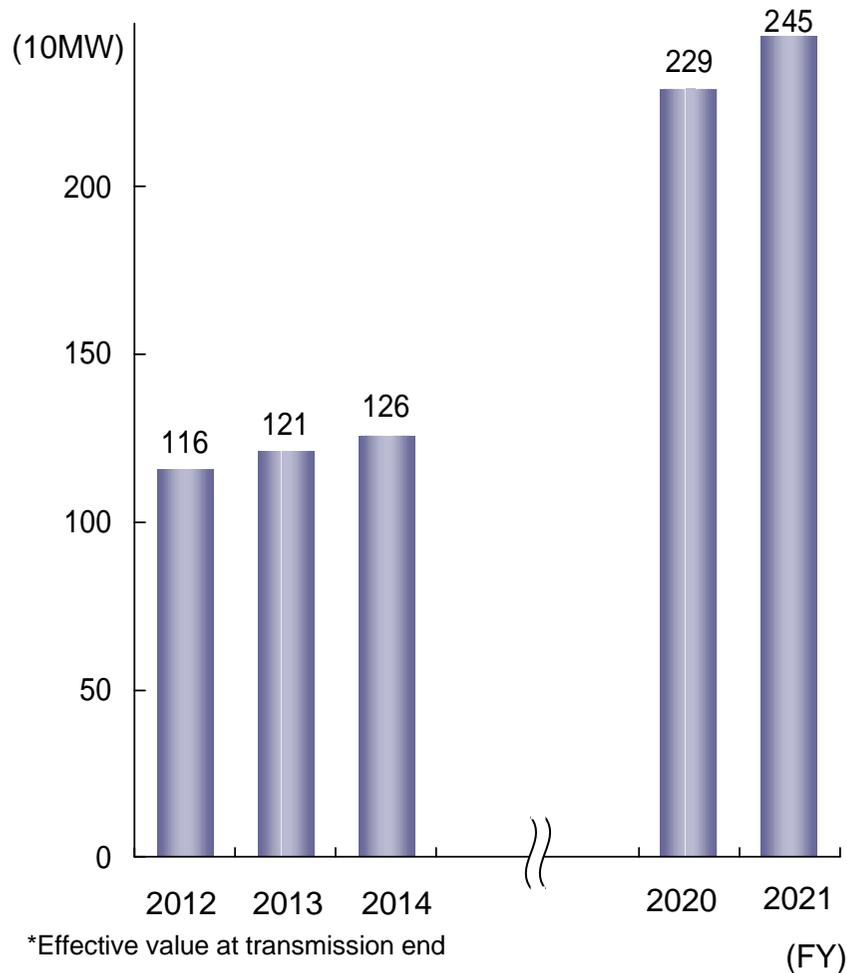
Items	Contents
<b>i) Restrictive Measures for the Peak Demand</b>	Restrict peak demand by expanding the Load Adjustment Contracts and adopting a demand response menu for residents with smart meters.
<b>ii) Power Supply Facilities (construction/ replacement of power stations)</b>	TEPCO will, in principle, cease the construction of its own thermal power units (new construction and replacements) minus the units that have already been invested in. Instead, through a bidding process, from now on we will appoint a supplier who will build and become the thermal plant owner. After construction is completed, we will procure electricity from them.
<b>iii) Power Network Facilities</b>	Curtail investments through reviewing the facility investment plans and facility specifications in light of future demand prospects and changing power source ratios.

# 4.TEPCO's Business Operation Plan

## (2) Management Streamlining Measures 2)Reevaluating Future Facility Investment Plans

- In order to minimize the burden related to facility investment expenditures, restrict peak demand by expanding the Load Adjustment Contracts and adopting a demand response menu for residents with smart meters which leads to the curtailment of power supply facility investments.
- “Megawatts Saved per Demand Control” will be approx. 2,290MW in the summer of FY 2020.

**[Megawatts Saved Per Demand Control]**

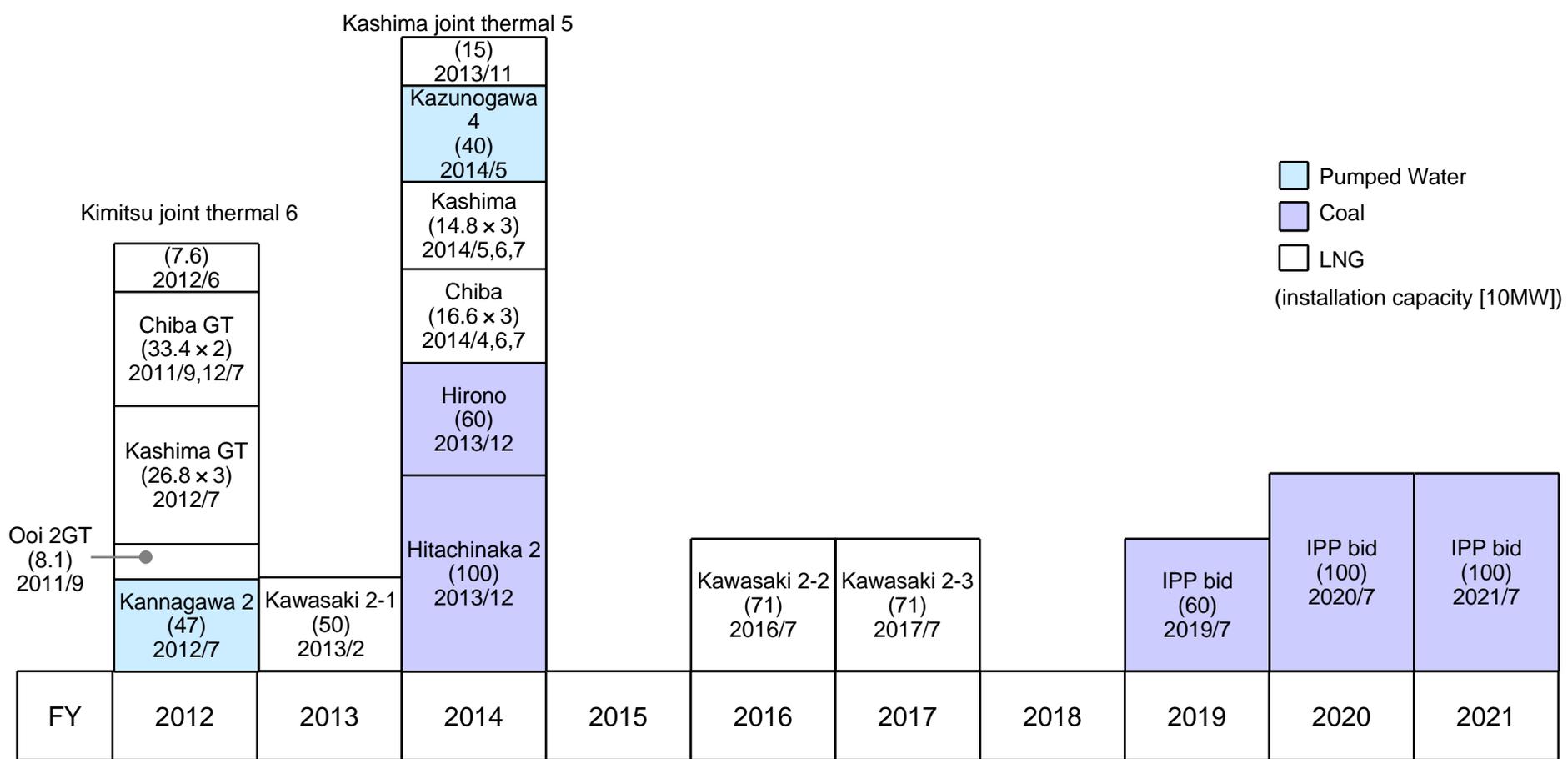


Peak Demand Restriction Measures	Summary
Anytime Adjustment Contracts	Aim to increase the amount of adjustable power through consulting services while keeping current customers.
New Price Menu (Large Industrial Power- High Voltage Small Industrial Power)	Aim to expand our curtailment capability during peak hours by increasing the number of contracts that provide the customer a sufficient amount of lead time prior to cutting their power during high demand hours.
Demand Response for Residential	Control demand at peak hours by introducing a new power sales menu utilizing smart meters.

# 4. TEPCO's Business Operation Plan

## (2) Management Streamlining Measures 2) Reevaluating Future Facility Investment Plans

- A power development plan based on the revised demand forecast including energy saving measures during peak demand hours shows that a total of 2,620 MW of new power sources will not be needed after FY2018. This will contribute to a decrease in facility investments.
- As there have been no investments made for the power source installations to take place after FY2018, in principle, we will procure suppliers for the planned installations via a bidding process. This will contribute to reduced facility investments equivalent to 2,600 MW.



## 4. TEPCO's Business Operations Plan

### (2) Management Streamlining Measures

#### 3) Asset Sales i) Real estate ii) Securities iii) Subsidiaries/affiliated companies

Phase I	<b>Sell off ¥707.4 billion of assets in principle within 3 years</b> from FY2011, based on the Action Plan of the Emergency Special Business Plan.
Phase II	-Maximize acceleration of asset disposals. -Management streamlining plans will be developed and implemented with the whole TEPCO Group for those affiliated companies not targeted for sell-off.

#### [Specific measures for sales of assets]

Items	Contents	Phase	Targeting sales
<b>Real estate</b>	<ul style="list-style-type: none"> <li>Sell off real estate within in principle 3 years, except for such property such as redevelopment projects that cannot be sold off quickly</li> <li>Convert real estate not targeted for sell into rental properties.</li> </ul>	I	<b>¥247.2 billion</b>
	<ul style="list-style-type: none"> <li>Accelerate the disposal schedule of real estate as planned in the Emergency Special Business Plan minus that property lacking economic efficiency. (sell off more than 80% of the items listed in the planned sales target by FY2012.)</li> <li>Raise the sales target of the plan by considering the additional sell off of real estate owned by affiliated companies (¥1.6 billion, p. 41 )</li> </ul>	II	
<b>Securities</b>	<ul style="list-style-type: none"> <li>Sell securities within in principle 3 years, except those securities essential to the electric power business. (96% of the target amount scheduled to be completed by FY2013 was accomplished in FY2011.</li> </ul>	I	<b>¥330.1 billion</b>
<b>Affiliated Companies</b>	<ul style="list-style-type: none"> <li>Sell 45 affiliated companies within in principle 3 years, which were targeted for sell off in the Committee's report.</li> </ul>	I	<b>¥130.1 billion</b>
	<ul style="list-style-type: none"> <li>Management streamlining plans will be developed and implemented with the whole TEPCO Group for those affiliated companies not targeted for sell-off. (reduce ¥247.8 billion in 10 years*)</li> <li>11 companies targeted for re-organization will be consolidated/reorganized based on a 4 business/role-model.</li> </ul>	II	
<b>Incidental Businesses</b>	<ul style="list-style-type: none"> <li>The selling of internet service businesses will be accomplished by FY2012, and the disposal of Power Supply Stand businesses were completed by FY2011.</li> </ul>	-	-
<b>Total</b>			<b>¥707.4 billion</b>

\*The consolidated cost cut effect is equivalent to ¥115.3 billion taking into account the subtraction of the amount per TEPCO business transactions.

## 4. TEPCO's Business Operation Plan

### (2) Management Streamlining Measures 3) Asset Sales i) Real Estates ii) Securities

- The Sales Plan for and after FY 2012 will be implemented far ahead of the schedule in the Emergency Special Business Plan. We will sell off assets worth **more than 80% of the targeted ¥247.2 billion sales amount**, which was incorporated into the Special Business Plan to be achieved by the whole TEPCO Group in FY 2012. (The targeted sales amount to be achieved in FY 2012 was modified to ¥159.8 billion, which is more than three times the ¥43.6 billion amount stated in the original plan.)
- Securities worth **¥317.6 billion** were sold off **in FY 2011**. **96.2%** of the total target amount (¥330.1 billion) planned for sell off by FY2013, was accomplished ahead of time.

#### [Revised Real Estate Sales Plan (consolidated)]

(¥ billion)

		Emergency Special Business Plan		FY 2011 (Actual)	Substantially accelerated		From FY 2014 (Plan)	Total
		Total Target Amount (Consolidated)	Plan for FY 2011 (Non-consolidated)		FY 2012 (Plan)	FY 2013 (Plan)		
Non-consolidated (Modified Sales Plan)		-	15.2	43.1	84.8	29.5	42.7	200.2
Whole TEPCO Group	Target amount in the Emergency Special Business Plan	247.2	-	16.8	43.6	140.2	53.5	254.1
	Modified Sales Plan	247.2	-	50.2	159.8	29.9	42.7	282.6
	Difference	0	-	+33.4	+116.2	-110.3	-10.8	+28.5

#### [Sales Schedule of Securities]

	Emergency Special Business Plan		FY 2011 (Actual)	FY 2012 (Plan)	FY 2013 (Plan)	Total
	Total Target Amount (Consolidated)	Plan for FY 2011 (Non-consolidated)				
Non-consolidated	-	300.4	314.1	6.9	7.0	328.0
Whole TEPCO Group	330.1	-	317.6	7.2	7.3	332.1

## 4. TEPCO's Business Operation Plan

### (2) Management Streamlining Measures 3) Asset Sales i) Real Estate

■ As for our subsidiary estates totaling ¥12.2 billion, a ¥7.6 billion portion of them will be liquidated by selling off the subsidiaries themselves. As for the remaining portion (¥4.6 billion), after determining their purpose, as was done for TEPCO real estate, these assets were divided into the categories of “To be Sold off”, “Maintain Ownership” and “For Rental Property” based on such conditions as whether or not they have a substation or not. Out of the aforementioned ¥4.6 billion, approx. ¥1.6 billion was listed in the FY 2012 sales plan, totaling approx. ¥9.2 billion when added to the sales of subsidiaries.

#### [Overview of Subsidiary Real Estate Liquidation Policy]



#### [Treatment policy]

Usage Classification	Substation	Present Situation	Future Actions	Amount (¥million)	Reasons etc.
Idle land assets and properties for rent	Yes	(N/A)			
	No		Sell-off	1,237	To be sold off (in principle) as there are no substations
Welfare facilities	Yes	(N/A)			
	No		Sell-off	123	To be sold off (in principle)
-Head-office buildings, branch offices, store buildings -Factories, plants etc.	Yes	Convertible for rent	For Rent	848	Convert to rental properties
		Non-convertible	(N/A)		
	No	Convertible for rent	Sell-off	34	To be sold off as these can be sold partially or are replaceable
		Non-convertible	Continue Ownership	1,888	Used for electricity business but running costs to be minimized
Companies condominiums / dormitories	Yes	(N/A)			
	No	Located near plants	Continue Ownership	11	Not sold as these are inseparable from plants or it is difficult to secure housing in plant neighborhoods etc.
		Other areas	Sell-off	159	To be sold off (in principle)
Facilities for Fukushima-related work, etc.			Continue Ownership	236	Maintain ownership due to use for restoration work at Fukushima
Others			Continue Ownership	51	Maintain ownership since these assets are difficult to sell separately as they are part of buildings.
			Total	4,587	
			Sell-off Total	1,553	

\* Excluding real estate owned by Toden Real Estate Co, Toden Facilities and Tokyo Living Service

## 4. TEPCO's Business Operation Plan

### (2) Management Streamlining Measures 3) Asset Sales iii) Subsidiaries/Affiliated companies

■ TEPCO's affiliated companies will either be "Continued" or "Discontinued". 45 of the affiliated companies targeted for sell off will in principle be sold within three years beginning from FY 2011. For the affiliated companies that will be continually owned, TEPCO will execute business restructuring and in-depth management streamlining based on the action plan.

#### [Overview of Subsidiaries/Affiliated Companies]

Number of Affiliates				Future Direction	
		Domestic	Overseas	Total	
To be Continued 65 Affiliates	Will Continue with Streamlining	29	25	54	<ul style="list-style-type: none"> <li>An action plan focused on cost reductions has been drawn up                             <ul style="list-style-type: none"> <li>- ¥247.8 billion in cost reductions over ten years has been planned</li> <li>- The implementation of the action plan and the amount of cost reductions will be monitored monthly</li> </ul> </li> <li>Raise operations efficiency and reduce costs by restructuring affiliated companies                             <ul style="list-style-type: none"> <li>- Targeted business fields are retail, distribution, power plant maintenance, real estate</li> <li>- A restructuring action plan for affiliated companies targeted for restructuring has already been drawn up. TEPCO will do its best to implement business restructuring and increase business efficiency.</li> </ul> </li> </ul>
	Will continue with restructuring and streamlining	11	0	11	
To be discontinued 54 Affiliates	To be Sold	39	6	45	<ul style="list-style-type: none"> <li>Although there are plans to sell off targeted affiliated companies in principle within three years beginning from FY 2011, we will do our best to accelerate the procedures.                             <ul style="list-style-type: none"> <li>- Cash yielded from sales ¥130.1 billion in total</li> <li>- If it is not possible to sell the affiliated companies at expected prices and conditions, we will make a decision concerning continual ownership or liquidation in consideration of the amount of cash we will obtain at liquidation based on present value etc,</li> <li>- After restructuring the affiliated companies, sell offs will begin immediately.</li> <li>- Although TEPCO will maintain ownership of three affiliated companies tentatively targeted for sell off, the details will be finalized including sell off plans in the former half of FY2012.</li> </ul> </li> <li>Do our best to minimize liquidation costs and realize speedy implementation.</li> </ul>
	To be Liquidated	6	3	9	
	Total	85	34	119	

## 4. TEPCO's Business Operation Plan

Body p.72

43

### (2) Management Streamlining Measures 3) Asset Sales iii) Subsidiaries/Affiliated companies

- TEPCO will sell off or liquidate 54 affiliated companies targeted “to be discontinued” in principle within three years.
- Although the targeted implementation period is three years, TEPCO will do its best to accelerate the process. (e.g. one affiliated company was sold off ahead of schedule in FY 2011)
- TEPCO will continue ownership of some affiliated companies as a final decision has not yet been made to sell them in The Committee Report. Given changes in the business environment, decisions concerning ownership may change.
- As for companies facing special circumstances such as those engaged in work directly related to the Fukushima Accident or targeted for reorganization within the TEPCO Group, TEPCO will monitor their situation and sell them off or liquidate them at an appropriate time.

#### [Sell Off or Liquidation Schedule]

			FY 2011 (Result)	FY 2012 (Plan)	After FY 2013 (Plan)	Total
<b>To be Sold</b>	The Emergency Special Business Plan	Number of Affiliated companies	8	25	12	45
		Cumulative Achievement Rate	17.8%	73.3%	100.0%	-
		Sales Value (¥billion)	32.8	40.8	56.5	130.1
		Cumulative Achievement Rate	25.2%	56.6%	100.0%	-
	The Comprehensive Special Business Plan	Number of Affiliated Companies	9	26	10	45
		Cumulative Achievement Rate	20.0%	77.8%	100.0%	-
		Sales value (¥billion)	47.0	43.3	39.8	130.1
		Cumulative Achievement Rate	36.1%	69.4%	100.0%	-
<b>To be Liquidated</b>	The Emergency Special Business Plan	Number of Affiliated companies	4	3	2	9
	The Comprehensive Special Business Plan	Number of Affiliated companies	5	2	2	9

## 4. TEPCO's Business Operations Plan

### (2) Management Streamlining Measures 3) Asset Sales iii) Subsidiaries/Affiliated companies

- 11 companies targeted for re-organization at the time the Emergency Special Business Plan was issued will be consolidated/reorganized based on a "4 business/role model" by the end of FY2013.
- The succeeding companies following the reorganization will create action plans, integrate businesses and optimize their work efficiency.

#### [Summary of Reorganization of Subsidiaries/Affiliated Companies ]

Business type and functions	Number of targeted companies	Reorganization Period	Reference: Main activities
Sales-related	3 → 1	July, 2013	<ul style="list-style-type: none"> <li>● Assign outsourcing sales activity to one company</li> <li>● Consolidate general administrative work</li> <li>● Office integration</li> <li>● Make adjustments in accordance with the work load reduction using automated metering</li> </ul>
Power distribution-related	4 → 1	July, 2013	<ul style="list-style-type: none"> <li>● Assign power distribution work to one company</li> <li>● Review work flows in the reorganized companies and reduce the time losses due to travelling and arrangements</li> <li>● Consolidate general administrative work</li> <li>● Office integration</li> <li>● Further pursuit of synergy</li> </ul>
	2 → 1	End of FY 2013	
Power generation-related	3 → 1	End of FY 2013	<ul style="list-style-type: none"> <li>● Consolidate power generation facility operations and environmental monitoring and cleaning</li> <li>● Organizing a unified management system in charge of future Fukushima Accident restoration work</li> </ul>
Real Estate-related	2 → 1	End of FY 2012	<ul style="list-style-type: none"> <li>● Focus on managing existing core assets</li> </ul>

\* In addition to the original 11 companies targeted for "reorganization" in the Emergency Special Business Plan, 2 more companies targeted for sell-off are listed in the above table.

The reason the summation figure and the total figure does not match is because there is one company which falls under both the "Sales related" and "Power distribution related" category.

### (3) Business Reforms

#### 1) Stabilizing Economical Fuel Supply & Optimizing Efficiency of Thermal Power Supplies through alliance etc

##### **i) Raising efficiency of thermal power generation**

###### a) Approach to raising efficiency

- Given the current impact that LNG cost fluctuations directly have on financial results, we should improve the aforementioned issues by promoting alliances with outside corporations. Enhancing thermal power generation efficiency is an especially important issue. It is necessary to raise efficiency by replacing old facilities in consideration of the supply-demand balance.

###### b) IPP bid tenders and promoting replacements in alliance with other business operators

- In order to suppress facility investments, in principle, we will hold bid tenders for all new development or replacement thermal power generation facility projects minus presently ongoing investments. Electricity will be purchased from the bid winners who will be assigned to develop power plant installations.
- We will move forward to sell or lease our assets to other business operators and hold them responsible for the facility replacements instead of us. In addition, we will set up joint ventures with outside partners to implement replacements by establishing and utilizing SPC, etc. The ventures will participate in the replacement bids that we will hold.

##### **ii) Strategic Business Development to Stabilize Economical Fuel Procurement**

###### a) Cost reductions by reviewing fuel receiving operations

- Enhance the LNG thermal power availability factor, which is relatively cost effective, by improving daily fuel receiving operations. Lower overall fuel costs by lowering the operation rate of oil thermal power which is relatively more expensive. Thus, we will reduce fuel costs throughout the whole division.

###### b) Co-construction and co-operation of fuel related facilities

- Reduce costs by establishing a cooperative management structure with outside business partners, raise the efficiency of facility operations and construct new facilities for LNG cooperative terminals and Oil terminals. Enlarge the portfolio by adding different types of LNG fuel able to be procured.

###### c) Coordination and consolidation in fuel procurement and diversification of procurement sources etc.

- We will cooperate with efforts towards fuel procurement while diversifying fuel sources including unconventional types as well as diversifying pricing methods. In addition, we will increase our involvement in the upper stream of the fuel supply chain in order to strengthen our procurement capability.

##### **iii) Utilization of facility operation know-how in emerging nations etc.**

- Participation in IPP business etc. in emerging overseas markets by offering technological expertise consulting services

### (3) Business Reforms

#### 2) Increasing neutrality and transparency of the transmission and distribution department

##### **i) Achieving Enhanced Neutralization & Thorough Transparency**

- It is necessary to reduce the burden of fuel costs related to demand/supply control and the burden of facility investment by taking advantage of other suppliers' supply capacities and power source development capabilities as well as consumer energy saving capability. In order to do so, it is important to clarify and evaluate fairly the costs involved in utilizing other enterprises' capability and the implementation costs. In light of the aforementioned situation, we will greatly enhance our transparency in the areas of demand and supply, power system operations, power system capability and the cost to increase the capability of TEPCO's power system.
- As for the operation of transmission/distribution power grids, in order to garner the cooperation of other enterprises and customers, we will consider improvements based on the following three points;
  - a) Being open to the utilization of other enterprise's power source facilities (increase neutrality in the development of our power system)
  - b) Executing a rigid distinction between the revenue maximized in the generation sector and ancillary service costs minimized for the development of the whole power system (increase neutrality in our power system operations)
  - c) In light of the fact that demand Nega-watt transactions and the incorporation of dispersed power sources such as Photo-voltaic Generation will be increased, transactions between the Transmission/Distribution Sector and Retail Sector will be started. (enhance efficiency in the development of our power system)

##### **ii) Verification of Power Grid Development**

- Regarding the power grid investment plan, we will reevaluate the needs and priorities of enhancing the power system and if necessary implement the necessary revisions taking into consideration the below points:
  - a) Increase openness to the utilization of other enterprise's power source facilities
  - b) Expand power grid operations to exceed coverage of the current supply area
  - c) Ensure transmission capacity in light of future replacements
  - d) Changes such as those due to the fluctuating status of nuclear power operations

## 4. TEPCO's Business Operation Plan

### (3) Business Reforms

#### 2) Increasing neutrality and transparency of the transmission and distribution department

##### iii) Expansion of domestic and international open procurement/introduction of smart meters

- We will increase transaction transparency and implement further cost reductions by drastically reforming the procurement procedures : traditional procurement methods that limited transactions to old time vendors will be done away with as we embark on a new path that will entail fresh opinion seeking and initiating tender bids including overseas companies.
- Introduce approx. 17 million smart meters to residences etc by FY 2018, and 27 million that will cover all our customers by FY 2023 at the latest.

#### [Smart Meter Procurement Reforms]

##### Disclosure and standardization of specifications

###### RFC process (Request for Comments)

- Disclose specifications and seek both domestic and international public opinions
- Weigh the pros and cons of opinions received and decide specifications\*in consideration of the Councilor of Fund's viewpoint

##### Open Order System

###### International Bidding

- Loosen entry restrictions for domestic and overseas companies, enhance competition, optimize the ordering process
- Decide how order processing should take place based on discussion between the Fund and TEPCO

##### Accelerate Introduction

###### Meet Customer Needs

- When customers apply for smart meters, upon switching over to one of the new rate menu options, installation work will be started.

\*Reflect contents of study under "Smart House Standardization study group" at "Smart Community Alliance"

46 domestic companies and 15 overseas companies attended the Specification Briefing (measuring devices) held on March 12.

Received 482 opinions from RFC regarding the measuring and communication devices.



**i) Control peak demand by rewarding electricity saving efforts.**

To reduce electricity rate burdens and grant electricity saving incentives via the provision of a variety of rate menu options and creating new business models in alliance with outside business partners.

- Seek out business proposals from outside partners called “Business Synergy Proposals” to control peak demand.

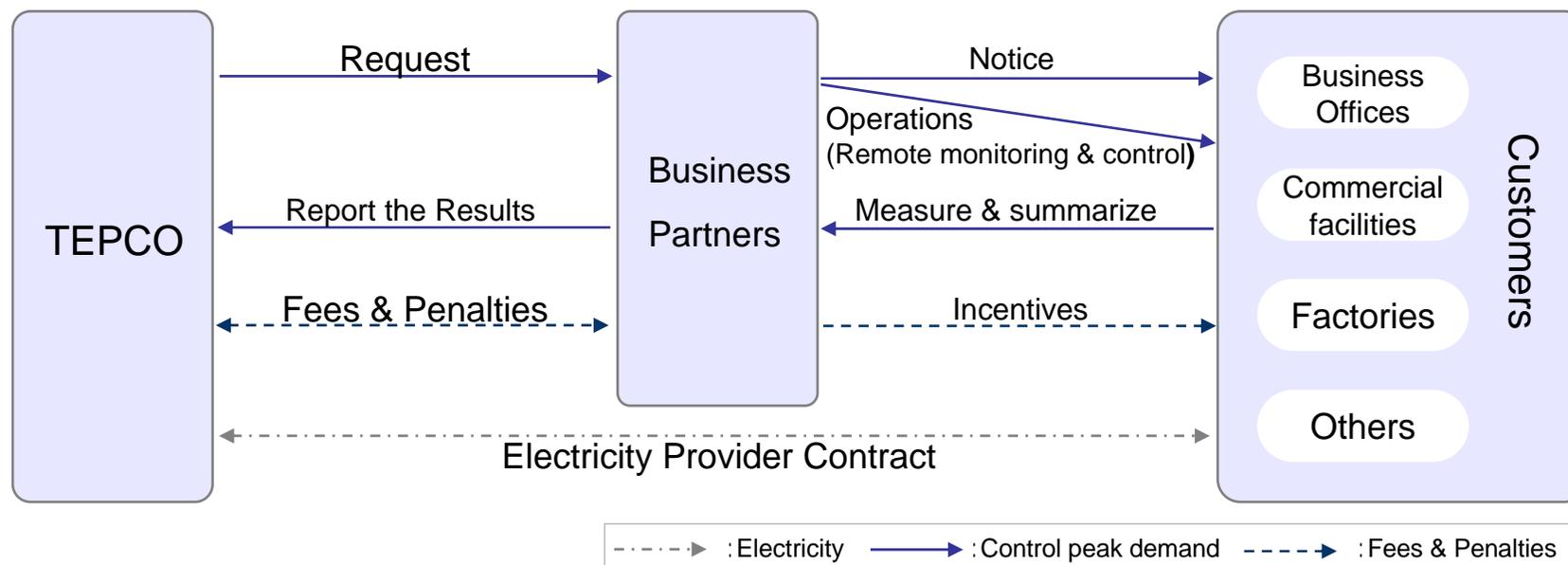
**ii) Executing new services and businesses that meet customer needs.**

Discuss and develop new energy services that meet customer needs and prepare a variety of rate menu options such as those that will allow for the use of green energy in the future.

**iii) Developing new residential services etc. utilizing smart meters.**

- Via the full-scale introduction of smart meters, we will reduce customer burdens by providing a variety of rate menu options and discuss and develop new services in alliance with outside business partners to control peak demand.

[Reference: Scheme of “Business Synergy Proposal”]



## 4. TEPCO's Business Operation Plan

### Summary of "Business Synergy Proposals"

- In order to implement further management streamlining via the decrease of facility investments etc., the Fund and TEPCO worked together in widely seeking out new "Business Synergy Proposals" from outside entities that will contribute to the control of peak demand.
- During an approx. one month application period, we received 81 plans. After TEPCO, the Fund, and key figures reviewed those plans, the following 6 plans were adopted. Currently, TEPCO and those who submitted proposals are working together to determine the potential feasibility of implementing the below business plans.

Name of Business Plan	Representative of Proposers	Summary of the Plan
<b>Negawatt Aggregation Business</b>	Communication service company	Aggregate Negawatt data (saved electricity) via the monitoring of electric equipment by installing the Energy Management System at various customer locations such as business offices and supermarkets. The aggregated data will in turn be provided to TEPCO.
<b>"Demand Response Solution" for distribution, retailing and service business</b>	Consulting firm	Improve peak demand restrictions, organize the operations of medium-size commercial facilities such as supermarkets and pachinko parlors via remote monitoring systems. Provide energy saving consulting services to ensure the successful implementation of the above measures.
<b>1) Suppress Maximum Demand in the Summer utilizing demand monitoring equipment</b> <b>2) Automatic air-conditioning system containing demand control equipment</b>	Electrical safety inspection operator	Install equipment that monitors and controls electricity demand. This equipment contains an alarm and air-conditioner control function that responds when collective demands exceed the set value. This simple system is able to control peak demand inexpensively.
<b>Smart Cut Plan</b> <b>- Creating Negawatts on the demand side to avoid a supply shortage -</b>	Energy company	During peak hours, the company representing this proposal will issue an order to have the customer's private electricity generators on standby begin operations. Once this happens, the flow of electricity to customers will be automatically decreased. This effective utilization of existing facilities will allow us to control peak demand.
<b>Synergy project to restrict peak demand hours via the demand-supply integrated plan</b>	General electric-appliance manufacturer	Using its own integrated supply-demand planning system, the representative of this proposal will summarize and optimize the peak control measures such as peak cuts via the remote control of air conditioners and peak cut measures implemented by many customers utilizing BEMS.

\*Predicting amount of peak demand restriction reported by the proposers, a total of 6 adopted plans will total approx. 400MW in the Summer of FY 2012, and approx. 1,400MW in the Summer of FY 2014.

### (4) A New Mindset 1) Moving in a New Direction

- If TEPCO is to completely fulfill its responsibilities in the areas of compensation payouts, decommissioning and stable power supply and restore lost trust, TEPCO has no choice but to undergo a serious transformation and reinvent itself.
- To achieve these targets, all executives and employees should make a sincere effort to identify bad practices which have been pointed out from both inside and outside the company. For example, tendency to think in a “One-sided Manner”, “Inflexible Bureaucracy”, “Reluctance to Seek Outside Support”, “Sectionalism and Departmentalism” and “Lack of Transparency”. It is vitally important that all TEPCO employees share the same work ethic and harmonize their efforts to implement these reforms.
- The three pillars of the new direction are as follows.

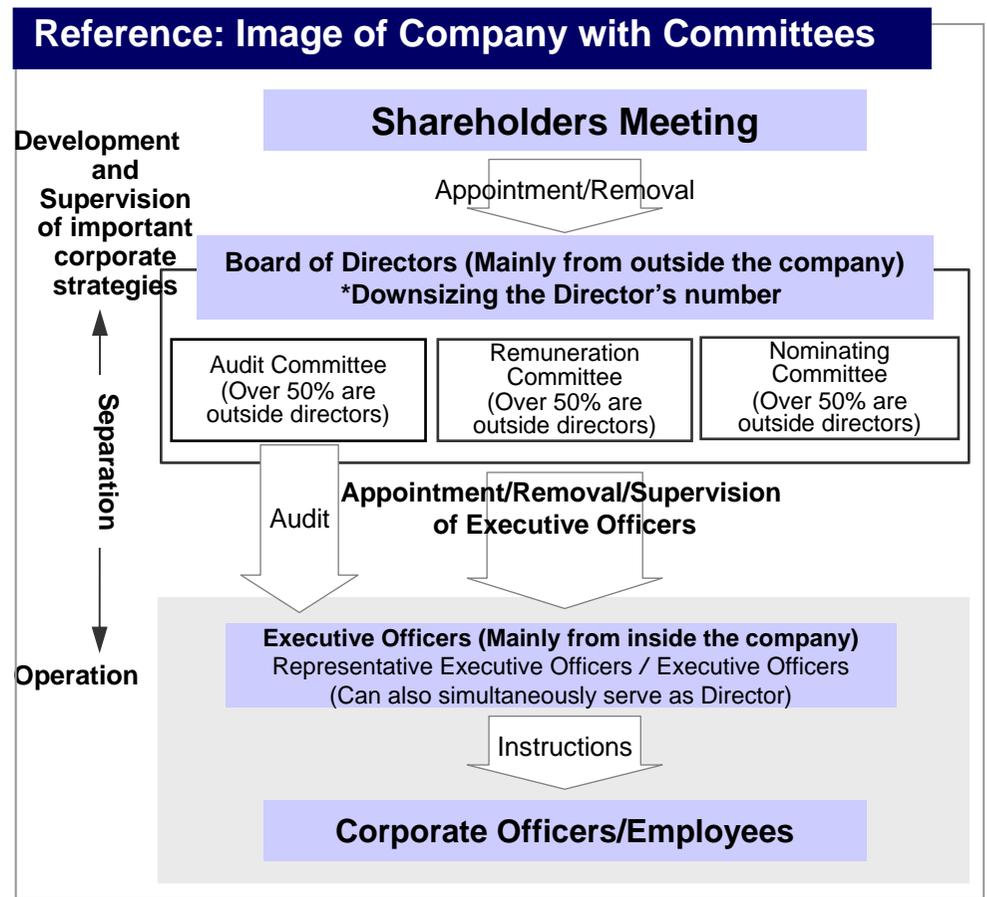
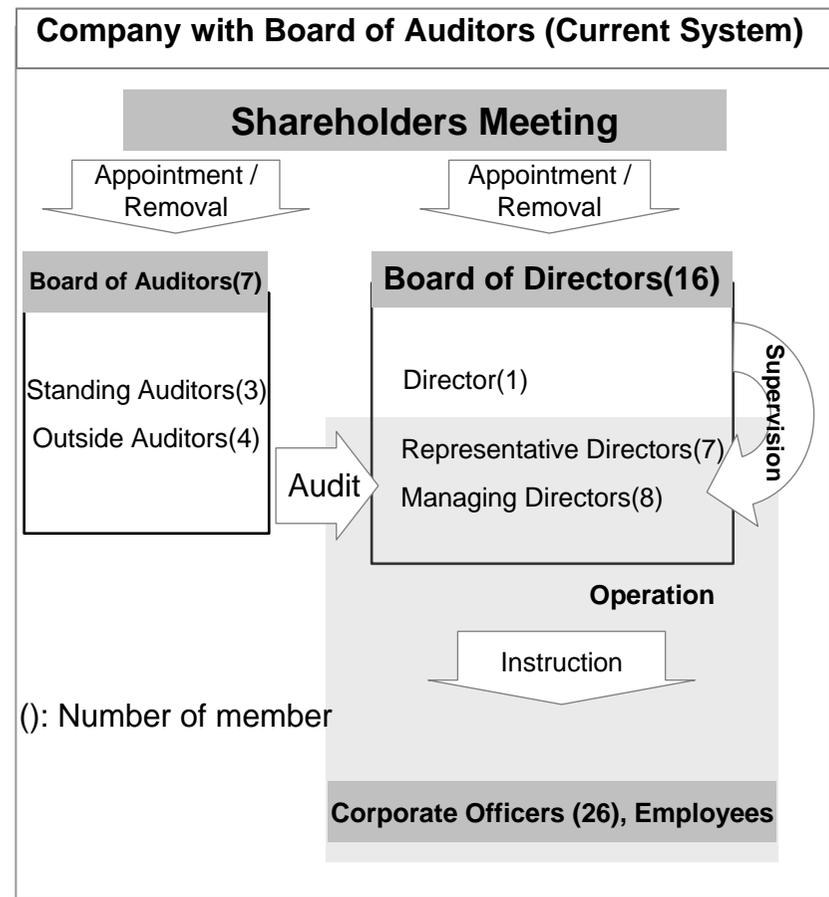
#### **Direction of “new TEPCO” (p. 8)**

- i ) Fulfill our responsibility**
- ii ) Promoting a Culture of Openness**
- iii) Reform energy service in step with customer and societal expectations**

# 4. TEPCO's Business Operation Plan

## (4) A New Mindset 2) Three Ways to Transform our Vision into a Reality i) Governance Reforms

- In order to improve management objectivity and transparency as well as realize prompt and precise decision-making and operations, we will change our management system to a “Company with Committees” structure following approval at the shareholder’s meeting in June 2012.
- The Board of Directors, which is mainly comprised of outside members, will be instrumental in the development of important corporate strategies and operations supervision. The Executive Officers/Corporate Officers, mainly comprised of TEPCO members, will manage operations based on these strategies.
- The number of board members will be reduced as part of management streamlining efforts.
- To promote various reforms to be executed by the chairman and president with strong leadership, we will establish a Staff Department consisting of staff seconded from the Fund and TEPCO’s mid-career staff who will be under the direct supervision of the chairman and president. (relevant p. 66)

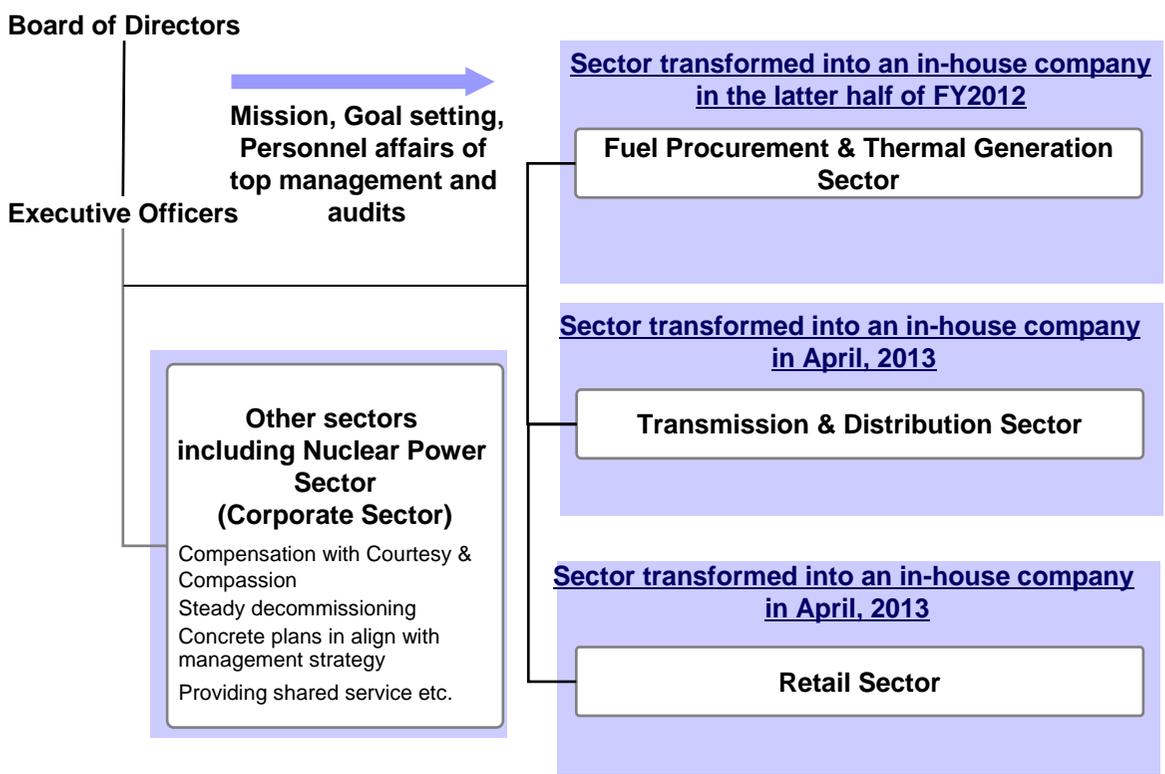


# 4. TEPCO's Business Operation Plan

## (4) A New Mindset 2) Three Ways to Transform our Vision into a Reality ii) Organization Reforms

- In order to clarify the mission and revenue/cost structure and to enhance transparency of each sector, etc. we will adopt a "In-house Company System".
- In early FY2012, a transitional plan for the switchover to an In-house Company System will be established. The Fuel and Thermal Generation Sector will be transformed into an In-house Company in the latter half of FY2012. The Transmission & Distribution Sector and Retail Sector will be transformed into an In-house Company in April 2013.
- Over the mid term, we will consider new measures such as spinning off some in-house companies into separate group companies or changing TEPCO's present corporate structure into a holding company in step with reform progress and future power system policy changes.

### [Reference: In-house Company System]



### Business Reformation Measures

- Improve efficiency of thermal power sources
- Strategic business to realize stabilization and fuel procurement cost reductions
- Export of TEPCO facility operational know-how to emerging nations etc.
- Enhanced Neutralization & Transparency
- Verification of power grid development
- Expansion of domestic and international open procurement/introduction of smart meters
- Implement peak-cuts by utilizing energy saving incentives.
- Develop new services and businesses in accordance with customer needs
- Develop new services using smart meters for residential customers

### (4) A New Mindset 2) Three Ways to Transform our Vision into a Reality iii) Personnel System Reforms

- In order to establish a New Mindset and develop a strong foundation of qualified human resources to promote management streamlining and business reforms, we will introduce a new personnel-system in the former half of FY2013.
  - We will adopt the following concrete measures; a) maintain the total amount of reduced personnel costs, b) establish roles that meet the expectations of the “New TEPCO”, c) conduct assessments utilizing outside organizations, d) reward individual job performance, e) create a new “Team Leader” position that will support the frontlines of TEPCO business, etc. It is in these ways that we will gradually transform from a seniority-based system to a dynamic meritocracy.
  - Via the implementation of the aforementioned measures, the opportunities for young employees to fully exercise their talents and take on new and challenging tasks will increase. In addition, by promoting friendly competition among employees, we will create a work environment that stimulates creativity and motivation resulting in the overall improvement of the work being done on the frontlines.
- We will establish a job-rotation rule for senior employees in all sectors including each new in-house company to prevent excessive sectionalism. Job rotations for general employees will also be encouraged to strengthen cooperation between sectors and contribute to broadened perspectives that will lead to reform.

### (5) Strengthening our Financial Standing 1) Requests to Financial Institutions

- In the Emergency Business Plan, requests were made to Lenders to maintain TEPCO's credit line via refinancing etc., and arrange a ¥300 billion short-term "commitment line" for the compensation payments to the afflicted. In addition to the so called "Emergency Loans" extended in 2011 by our main lenders, all of our lenders responded to the aforementioned requests prior to the official submission of the Plan.
- In this Plan, TEPCO aims to recover its financial status to pre-earthquake levels. Furthermore, the following requests have been made to our main lenders (providers of loans outstanding as of 11 March 2011) in order to procure sufficient funding for the compensation payments and continuation of stable power supply.

#### [Details of Requests to Financial Institutions]

- **Per discussions between the Fund and TEPCO, all the Lenders will maintain TEPCO's credit line via refinancing** efforts etc until we reach the stage where we will be able to procure financing independently through the corporate bond market etc. (by the end of March 2015 according to the Plan).
- Per discussions between the Fund and TEPCO, our main lenders will promptly provide additional credit **up to approx. ¥1 trillion including the financing in the below recovery plan** via provision of new loans and short term commitment lines.
- Per discussions between the Fund and TEPCO, those Lenders who received debt repayments from TEPCO between 11 March and 30 September of 2011 will **provide funds equivalent to the amount repaid** when the Fund executes a capital injection.

## 4. TEPCO's Business Operation Plan

### (5) Strengthening our Financial Standing 2) The Fund's Capital Injection

- **The Fund will execute a ¥1 trillion capital injection** to ensure stable compensation payouts, implement decommissioning and pave the way for TEPCO's ability to procure financing independently through the corporate bond market etc., which is a prerequisite to the stable supply of electricity.
- Upon execution of the capital injection, the Fund will **acquire a majority stake of TEPCO voting rights (temporary government control)**. Furthermore, the Fund will **potentially have over a 2/3's stake via their additional holdings in "Convertible class shares without Voting Rights"**. The Fund **will reduce its majority holdings to a minority stake and terminate temporary government control** when it determines that the intensive management streamlining has achieved a satisfactory degree of momentum or that TEPCO has regained independent financing capability in the corporate bond market. Thereafter, the Funds aims to recover its capital injection in a short period of time.
- TEPCO will implement exhaustive management streamlining measures and strategic business development to procure profits and aim to **reinforce its financial standing with sufficient retained earnings** while repaying back the emergency aid.

		Initiate "Temporary government control"	Termination of "Temporary government control"	Post "Temporary government control"
Fund's Voting Rights	Ratio	<ul style="list-style-type: none"> <li>● Majority Stake (Potentially 2/3+)</li> </ul>	<ul style="list-style-type: none"> <li>● Minority Stake</li> </ul>	(Aim for swift capital recovery)
	Measures	<ul style="list-style-type: none"> <li>● Procurement of class shares with voting rights and convertible class shares without voting rights</li> </ul>	<ul style="list-style-type: none"> <li>● Convert a portion of class shares with voting rights to convertible class shares without voting rights, etc</li> </ul>	<ul style="list-style-type: none"> <li>● Procurement by TEPCO</li> <li>● Stock market sale by conversion to regular shares, etc</li> </ul>
	Conditions	<ul style="list-style-type: none"> <li>● Approval of relevant decisions by shareholders</li> </ul>	<ul style="list-style-type: none"> <li>● Steady improvement via intensive management streamlining or independent financing capability realized in the corporate bond market</li> </ul>	<ul style="list-style-type: none"> <li>● Take into account financial status and stock market movement</li> <li>● No negative impact to the management reform</li> </ul>
	Term	<ul style="list-style-type: none"> <li>● After the Shareholders meeting in June 2012</li> </ul>	<ul style="list-style-type: none"> <li>● Mid 2010's, ASAP</li> </ul>	<ul style="list-style-type: none"> <li>● At an appropriate time after temporary government control</li> </ul>

### **i) Cooperation to Receive the Fund's Capital Injection**

- The capital injection by the Fund will relatively dilute the currently held share's value. TEPCO seeks to obtain shareholder understanding concerning the necessity of receiving a capital injection and handing over a majority of the voting power to the Fund.
- At the shareholder meeting to be held in June 2012, TEPCO will call for shareholder cooperation to endorse bills allowing for a capital injection from the Fund (amendment of the articles of incorporation including the increase of the Total Number of Shares Authorized to be Issued and the issuing of Class Shares etc).

### **ii) Cooperation for Restrained Dividend**

- No dividends for FY 2010 year-end and FY 2011 midterm
- TEPCO will seek shareholder understanding in this area for the time being.

## 4. TEPCO's Business Operation Plan

### (5) Strengthening Our Financial Standing

#### 4) Supply-Demand & Income/Expenditure Projections i) Supply-Demand projection

- The maximum demand during the winter FY2011 was 49.66 GW (January 20, 2012). Supply-Demand balance was secured with the rehabilitation of the earthquake stricken power plants, resumption of mothballed thermal power plants and emergency power units installed after the earthquake, although power supply was largely reduced due to the shutdown of the nuclear power plants and etc.
- TEPCO has been conducting a regular inspection of Unit No. 6 of the Kashiwazaki-Kariwa nuclear power station since March 26, 2012, and all nuclear power plants have been shutdown. During the summer peak in FY2012, TEPCO will, however, secure a proper reserve margin via the installation of additional emergency power units and the promotion and development of demand-side control measures such as introducing a load adjustment contract for demand-supply control.

#### [Securing power supply and Demand-side control]

##### Winter in FY 2011

###### Securing power supply

- Rehabilitation of earthquake stricken power plants
- Resumption of mothballed thermal power plants
- Installation of additional emergency power units such as gas turbines

##### Summer in FY 2012

###### Securing power supply

- Installation of additional emergency power units in Chiba and Kashima TPS
- Start of commercial operations of Kannagawa HPS Unit 2
- Commissioning of Kawasaki TPS Unit 2-1
- Operation of installed emergency power units after the earthquake

###### Demand-side control

- Promotion of existing contract for demand-supply control
- Development of new contracts for demand-supply control

##### From FY 2013

###### Securing power supply

- Start of commercial operations of Hitachinaka TPS Unit 2, Hirono TPS Unit 6 and Kazunogawa HPS Unit 4
- Switchover of emergency installed power units in Chiba and Kashima TPS to combined cycle plants

###### Demand-side control

- Promotion of energy management business in alliance with outside partners

## 4. TEPCO's Business Operation Plan

### (5) Strengthening Our Financial Standing

#### 4) Supply-Demand & Income/Expenditure Projections ii) Electricity Rate Revision

- Costs are systematically increasing due to the increase in fossil fuel costs as a result of strong dependence on thermal power plants and increased costs for securing stable power supply such as emergency power unit installations. We will thoroughly implement cost reductions according to this plan, but it will be insufficient to cover the aforementioned increasing costs.
- Under current electricity rates, we will continue to operate in the red, and our financial condition will only worsen, which will eventually make it difficult for us to payout damage compensation, complete the reactor decommissioning and maintain stable power supply.
- Given these extenuating circumstances, we have no choice but to raise electricity rates.
- TEPCO will take into full consideration the fact that the raise in electricity rates will deeply affect industry and society in many ways. Hence, by adhering to the principles below, we will make every effort to establish goodwill and kindly obtain understanding from our customers.

#### 1. Thorough disclosure of information and clear explanations (p. 62)

- Thorough disclosure of information, clear explanations, preparation of detailed explanations in response to individual requests

#### 2. Offering rate menu options that may ease the burden due to rate increases (p. 63)

- Provide a variety of menu options in order to adapt to different electricity usage patterns and ease the burden due to the rate increase.

#### 3. Implement thorough management streamlining (p. 61)

#### [Outline of the submitted rate revision]

	Raise in rate (average)	Rate of increase (average)
<b>Regulated sector</b>	+ ¥2.40/kWh (¥23.34 → ¥25.74/kWh)	+10.28%
<b>Deregulated sector</b>	+ ¥2.46/kWh (¥15.04 → ¥17.50/kWh)	+16.39%

- The application will be done in accordance with the items that were pointed out in the Advisory Council Report.
- The rates above may be altered per an assessment by the Minister of Economy, Trade and Industry.
- The rate of the aforementioned deregulated sector reflects the calculations based on the total costs submitted this time. After the assessment by the Minister of Economy, Trade and Industry we will revise the rates in the deregulated sector and discount the difference between the revised rates and the rates we have applied for since April 2012, from future electricity bills.

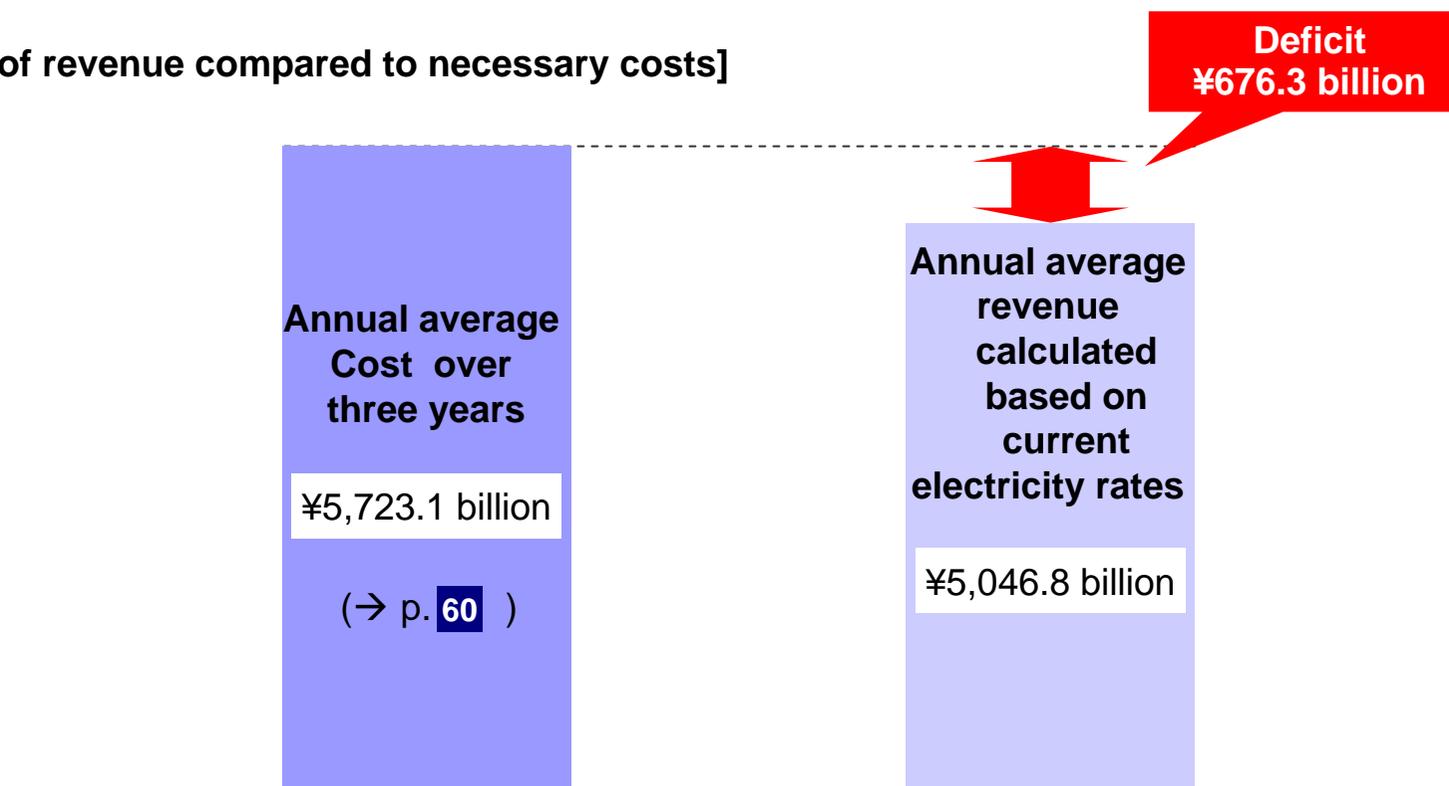
## 4. TEPCO's Business Operation Plan

### (5) Strengthening Our Financial Standing

#### 4) Supply-Demand & Income/Expenditure Projections ii) Electricity Rate Revision

- The annual average cost for FY 2012 - 2014 is estimated to rise to ¥5,723.1 billion, even after thorough cost reductions. This is mainly due to the expected rise in fossil fuel costs.
- On the other hand, if we do not revise the electricity rates, our annual average revenue is expected to be ¥5,046.8 billion for the same period.
- As a result, the annual average deficit will be ¥676.3 billion. Thus, we have no choice but to raise the electricity rates.

[Shortage of revenue compared to necessary costs]



\*The calculated costs are those for FY 2012-2014.

# 4. TEPCO's Business Operation Plan

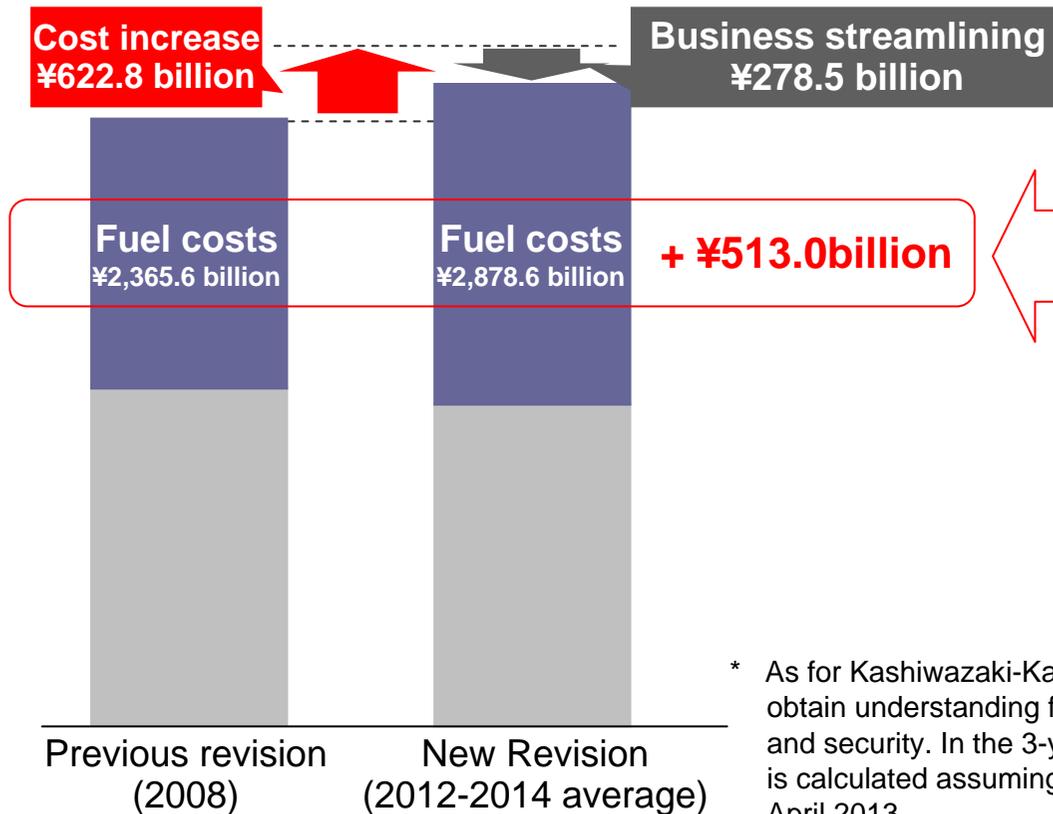
## (5) Strengthening Our Financial Standing

### 4) Supply-Demand & Income/Expenditure Projections ii) Electricity Rate Revision [Increase in Fuel Costs]

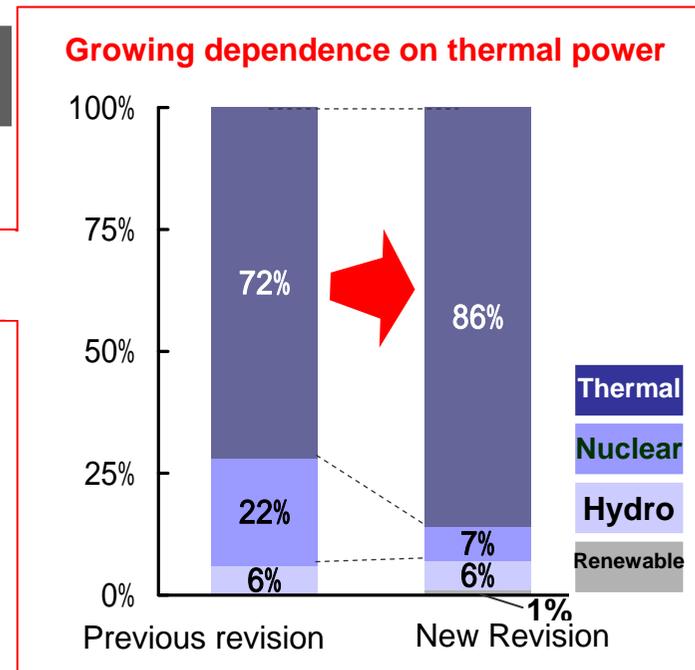
- Fuel costs have drastically increased since the previous electricity rate revision in FY2008. (Increased amount:¥622.8 billion)
  - Increase in fuel costs related to the growing dependence on thermal power caused by the decline in nuclear power availability (+¥513.0 billion)
  - Cost increase due to installation of the emergency power source (+ ¥49.0 billion), etc
- Per this Plan, we will achieve a maximum reduction of ¥ 278.5 billion on average over 3 years (FY 2012 to 2014) by streamlining present management. However, we will not be able to cover the incremental costs and total costs will increase by ¥344.3 billion.

#### [Cost increase (since the previous rate revision) ]

¥5,378.9 billion    ¥5,723.1 billion    + ¥344.3 billion



#### Energy source composition (electricity generated)



\* As for Kashiwazaki-Kariwa Nuclear Power Station, it is absolutely imperative to obtain understanding from local governments and residents by ensuring future safety and security. In the 3-year rate calculation period applied this time, however, the cost is calculated assuming that each unit in the Station will be restarted one by one from April 2013.

## 4. TEPCO's Business Operation Plan

Body p.93

61

### (5) Strengthening Our Financial Standing

#### 4) Supply-Demand & Income/Expenditure Projections ii) Electricity Rate Revision [Management Streamlining]

- Cost reductions realized by streamlining present management from FY2012 to 2014 will exceed what was shown in the Emergency Special Business Plan.

→ The yearly cost average over three years will be reduced by **¥278.5billion** (¥220.8billion → ¥278.5billion [+ ¥57.7billion])

#### [Cost Reductions due to Management Streamlining]

Items	2012	2013	2014	Avg.	Main Contents
Materials & service procurement	45.9	49.2	50.2	48.4	Suspending/rescheduling construction and inspection, Expanding competitive bidding on affiliate company transactions, Revising outsourcing method with contractors as well as the transaction structure
Power & fuel purchases	42.5	23.5	17.3	27.7	Using economically efficient power sources, Lowering fuel (unit) prices, Reducing power purchase costs, etc.
Other expenses	91.0	95.8	97.7	94.8	Discontinuing donations, Reducing welfare facilities, Slashing promotion and advertisement costs, Cancelling research projects, etc.
Personnel expenses	90.9	96.9	119.6	102.4	Personnel reductions, Reduction of salaries and bonuses, revising benefit programs, etc.
Facility investments	1.1	6.4	7.7	5.0	Fundamental review of the mid-and-long term facility investment plan
<b>Total ((1)+(2))</b>	<b>271.3</b>	<b>271.8</b>	<b>292.4</b>	<b>278.5</b>	

#### Breakdown(1) Cost reductions planned in the Emergency Special Business Plan

Items	2012	2013	2014	Avg.
<b>Action Plan (1)</b>	<b>200.3</b>	<b>215.7</b>	<b>246.4</b>	<b>220.8</b>

#### Breakdown (2) Further cost reductions added in the Comprehensive Special Business Plan

Items	2012	2013	2014	Avg.
Materials & service	21.4	18.2	11.9	17.2
Power & fuel	35.7	16.7	12.3	21.6
Other expenses	0.4	5.4	5.9	3.9
Personnel expenses	12.6	9.4	8.3	10.1
Capital investment	1.1	6.4	7.7	5.0
<b>Further reduction(2)</b>	<b>71.1</b>	<b>56.1</b>	<b>46.0</b>	<b>57.7</b>

\* Cost reductions realized via management streamlining (¥193.4 billion) when raising electricity rates in the deregulated sector corresponds to the value of FY2012 in the action plan (¥200.3 billion). However, they do not match each other as we define it as a reduction in fuel costs, instead of the amount equivalent to the streamlining of fuel procurement (¥6.8 billion).

## 4. TEPCO's Business Operation Plan

### (5) Strengthening Our Financial Standing

#### 4) Supply-Demand & Income/Expenditure Projections ii) ) Electricity Rate revisions [Explanation for customers]

##### [Communicating with Regulated Market Customers]

- We will provide information concerning the rate revision in the following ways; distribute written notifications during routine meter reading visits, visiting influential organizations, and finding opportunities to meet customers during daily work.
  - Written Notifications during Routine Meter Readings
    - ✓ An announcement will be printed on the reverse side of the Meter Reading Notification.
    - ✓ The TEPCO web site will be updated with detailed information.
  - Orientations at Influential Organizations
    - ✓ Orientations concerning the rate revision will be held at approx. 8,000 associations.
  - Communication Opportunities during Daily Work
    - ✓ Careful explanations will be provided when visiting customers and Customer Center Staff numbers will be increased to handle a broad range of customer inquiries.
- In addition to rate revision information, we will also provide useful information on cost reduction methods.

##### [Communicating with Deregulated Customers]

- Since last April when TEPCO requested customers to accept an approx. 17% rate hike on average, much criticism ensued concerning the lack of sufficient detail warranting such price changes. Hence, TEPCO will make every effort to provide easy-to-understand, careful explanations in addition to intimately responding to customer needs by offering a variety of price menu options.
- Furthermore, in the event that immediate consent to the rate increase is not received, the option for the customer to continue service with their present contract until expiration was also an allowable possibility that we admit was not fully and properly explained.
- TEPCO sincerely regrets this mishap and based on the feedback received will make every effort to ensure that future communications always take into careful consideration customer expectations.
  - Large-scale customers (more than 500kW demand) [approx. 13 thousands]
    - ✓ We will visit each customer to provide information and careful advice in accordance with their electricity consumption patterns.
  - Small-scale customers (under 500kW demand) [approx. 224 thousands]
    - ✓ We will send out letters concerning the rate hike to all customers and place follow-up calls to those customers from whom we did not receive any contact. In addition, a dedicated hotline will be set up to answer further customer inquiries.

# 4. TEPCO's Business Operation Plan

## (5) Strengthening Our Financial Standing

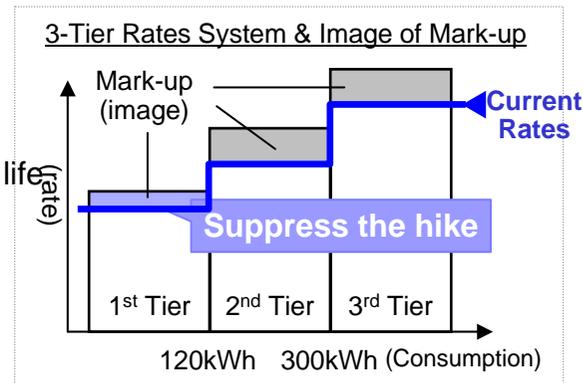
### 4) Supply-Demand & Income/Expenditure Projections ii) Electricity Rate revision [Rate Menu Option Enhancements]

#### [Residential Customers]

##### ■ Present Methodology of Rate Revision for Residential Customers

- We have adopted a 3-tier rate system whereby electricity price levels are linked to the consumption amount. The electricity unit price in the first tier is relatively lower because the electricity usage levels in this range are indispensable to daily life.
- The hike rate at the 1<sup>st</sup> tier is relatively lower than the other two tiers and provides incentives that induce customers to save electricity.

- In other options outside of the above basic rate menu, we will create a rate menu whereby rates are high at limited times during the summer and lower at night. This will motivate customers to shift their consumption patterns from the day to night time. (Seasonal & Hourly Peak Demand Suppression Lighting Rate Menu)



#### [Deregulated Customers]

##### ■ We will provide the following new rate menu

	New rate	substance
Under 500kW	Summer Assist Plan	The following 3 types of rate menus will provide discounts based on the customer's energy saving efforts during peak summer hours
	Demand Diet Plan	If the peak consumption amount for a given month is lower than the allowable peak usage amount per the customer contract, a discount will be rewarded based on the reduced demand.
	Summer Holiday Plan	This option allows for a discount when a normal business weekday is changed to an off day or substituted for a weekend or holiday. We request that our customers aim for at least a 50% reduction in their amount of contracted electric power.
	Weekly Plan	If the electricity consumption being reduced on a weekly basis during peak hours exceeds 50kW, a discount will be rewarded based on the reduced amount (in kW)
More than 500kW	Daily Plan	If customers save a certain amount of electricity during designated hours per a TEPCO notification sent the day before, a discount will be rewarded.

## 4. TEPCO's Business Operation Plan

### (5) Strengthening Our Financial Standing

#### 4) Supply-Demand & Income/Expenditure Projections      iii) Income/Expenditures

- Operating income for the FY2011 will be -¥347.2 billion, drastically worse than the previous year mainly due to fuel cost increases. Net income for the period will be -¥708.0 billion mainly due to additional extraordinary losses from natural disasters.
- Cash and cash instruments at the end FY2011 will be ¥1,056.7 billion, drastically worse than the previous year as negative cash flow is to be expected from operating, investment and financing activities. (Difference from the previous year's end: -¥1,077.7 billion)
- Operating income after the FY2011 is expected to improve due to factors such as an increase in revenue from rate revisions and a decrease in expenses predicated on the restart of Kashiwazaki Kariwa Nuclear Power Station.
- Net assets for the FY2014 will be -¥1,747.8 billion factoring in the capital injection from the Fund in the FY2012.

#### [Income/Expenditures]

(¥billion)

	FY 2011 (Projection)	FY 2012 (Plan)	FY 2013 (Plan)	FY 2014 (Plan)
Operating income	-347.2	-264.7	171.5	347.8
Net income for the period	-708.0	-201.4	106.7	265.1
Net assets at the end of the year	577.4	1,376.0	1,482.7	1,747.8
Cash flow from operating activities	-251.8	74.3	619.4	1,035.6
Cash flow from investing activities	-198.4	-546.1	-674.2	-570.8
Cash flow from financing activities	-627.5	610.0	-294.6	-605.5
Cash and cash instruments at the year's end	1,056.7	1,194.9	845.6	704.9

\*Actual results may vary due to such factors as future changes in the business environment.

### (6) Clarifying Management Responsibilities

- As part of efforts to clarify management responsibilities regarding the nuclear accident, the former President and Executive Vice President in charge of nuclear power retired in June 2011, and measures such as receiving salary paybacks from board members as well as decreasing their compensation.
- TEPCO will request that the Fund provide a significant amount of capital injection in addition to the financial support for compensation payouts while garnering support from financial institutions. The implementation of this Plan in conjunction with the aforementioned measures will pave the way towards the creation of the “New TEPCO”. In light of this new vision, management responsibilities are to be clarified as follows:

- **All the Directors and Auditors will retire at the ordinary general meeting which will be held this June, and most of the members will not be reappointed.**
- **Those eligible for retirement remuneration (including already retired board members who have not yet received their remuneration) have decided to forgo these payments.**
- **The decided decrease of compensation for incumbent Directors and Corporate Officers will continue until the ordinary general meeting this June. Auditors will also not be exempt from this decrease.**
- **The “Advisor System”, which assigns retired board members and outside experts, was abolished at the end of March this year.**

### (7) Ensuring Implementation of the Special Business Plan

Following the approval of the new organization at the Shareholders Meeting in June 2012, the new management will be responsible for implementing this Plan with the support of the Fund who will also monitor progress.

- The new management will render management decisions concerning the Plan's implementation and other business operations.
- The Fund will receive necessary reports from their dispatched directors and staff, and make necessary requests to TEPCO in order to ensure implementation.

#### **i ) TEPCO MANAGEMENT ACTIONS TO ENSURE IMPLEMENTATION**

- Based on the support from the staff under the direct control of the Chairman/President and advice from outside directors who have much management experience, the Chairman of the board will clarify the guiding principles of this Plan and through his supervision and advice empower the executive officers and corporate officers.
- The Chairman of the board will provide advice at key officer meetings as one of his supervisory responsibilities to ensure implementation of this Plan at all levels.

#### **ii ) THE FUND'S ACTIONS TO ENSURE IMPLEMENTATION**

- As the Fund will gain a majority of voting power over TEPCO due to its capital injections, the Fund will have the right to exercise their discretion in the selection of directors and will participate in board meetings by assigning their own members to serve as TEPCO board members.
- By assigning their own members to serve as TEPCO corporate officers and executive officers, the Fund will support the reformation efforts by the Chairman and President and ensure the implementation of this plan at the operations level.
- The Fund will also dispatch staff to the section under direct control of the Chairman/President.
- At the Steering Committee, the Fund will receive progress reports from management quarterly and from seconded staff periodically. The Management Reformation Committee will be dissolved once the report flow process has been established.

## 5. Assets & Budget Evaluation

<b>5. Assets &amp; Budget Evaluation</b> .....	P.68
<b>(1) The Asset Situation</b> .....	P.68
<b>(2) The Budget Situation</b> .....	P.68

## 6. Financial Aid

<b>6. Financial Aid</b> .....	P.68
<b>(1) Amount &amp; Detail of Financial Aid Supplied to     TEPCO</b> .....	P.68
<b>(2) Resource of Financial Aid including the     Requested Amount of Government Bonds</b>	P.68

## 7. The Fund's Present Financial Situation

<b>7. The Fund's Present Financial Situation</b> .....	P.68
--	------

## **5. Assets & Budget Evaluation**

### **(1) The Asset Situation**

- The Fund will treat the evaluation results received by the Committee as accurate, objective and basic data.
- Acceleration of asset sales is reflected based on present reevaluation results.

### **(2) The Budget Situation**

- Income/Expenditures projection for 3 years (from FY2012 to 2014) has been revised based on the evaluation results received from the Committee.

## **6. Financial Aid**

### **(1) Amount & Detail of Financial Aid Supplied to TEPCO**

- The Fund's financial support in response to the compensation payouts will be ¥2,426.271 billion. The necessary compensation amount is ¥2,546.271 billion and ¥120 billion already received based on the act of compensation for nuclear damage is deducted.
- The Fund will implement a capital injection (total paid amount of ¥1 trillion) after the Shareholders Meeting in June 2012.

### **(2) Resource of Financial Aid including the Requested Amount of Government Bonds**

- The Fund received government bonds of ¥5 trillion based on the committee's estimation in order to prepare enough capital for the compensation aid.
- A government guarantee of ¥4 trillion has been allocated in the FY 2012 budget in order to secure the Fund's capital aid. This government-backed allotment will allow the Fund to procure the necessary capital from financial institutions in order to implement a capital injection.

## **7. The Fund's Present Financial Situation**

- The FY2011 budget's general Fund contribution is ¥81.5 billion (FY2012 receipt) to be used to cover evacuee consultation costs and TEPCO monitoring expenses etc. Any remaining amount will be returned to the national treasury.