

FY2013 Business Operation Policy (Outline)

Announced April 1, 2013

TEPCO has established its "FY2013 Business Operation Policy," which is aimed at achieving the goals set forth in the "Intensive Reform Implementation Action Plan" formulated in line with the "Management Policy towards Restoration" announced on November 7, 2012. The FY2013 Business Operation Policy consists of four intensive measures encompassing key issues that all Group companies must address during FY 2013 and 2014.

Intensive measure I

Measures towards the "revitalization of Fukushima"

Intensive measure II

Nuclear safety measures

Intensive measure III

Thorough cost reductions and management to ensure survival

Intensive measure IV

Management reforms via the introduction of the in-house company system

Under the business operation policy, we will rally our utmost managerial efforts to achieve thorough corporate reforms, and, further, strive to accomplish our new mission to "fulfill all of our responsibilities for the nuclear power accident and realize the world's highest standards of safety while achieving a stable power supply in a competitive environment."

Intensive measure I Measures towards the "revitalization of Fukushima"

- To fulfill our responsibilities for the Fukushima Nuclear Accident, we will thoroughly implement initiatives for the revitalization of Fukushima.
- While coordinating with the national and local governments, the Tokyo Electric Power Company Group will come together as one to urge the thorough implementation of compensation payouts with courtesy and compassion and promote decontamination and revitalization led by the Fukushima Revitalization Headquarters.

1. Intensifying our commitment to Fukushima

- Under the authority of the Fukushima Revitalization Headquarters established on January 1, 2013, at J-Village of Futaba-gun, Fukushima Prefecture, the coordination of activities towards the revitalization of Fukushima, including compensation, decontamination, revitalization promotion, and public relations, will be reinforced. Under the leadership of the Fukushima Revitalization Headquarters, decisions will be made and swiftly executed.
- Initiatives for regional economic revitalization and job restoration and creation will be promoted, focusing on the Hamadori area of Fukushima.
- An organization will be developed to mobilize 280 people/day, equivalent to an annual total of 100,000 TEPCO personnel, for activities in Fukushima to meet the requests of the residents of Fukushima as identified through local government and temporary housing visits and revitalization promotion activities.
- TEPCO personnel and technology will be provided for decontamination tasks conducted by the national, prefectural and local governments to accelerate the return of evacuated residents and ease the anxiety that has arisen among the people of Fukushima.

2. Thorough and full implementation of compensation payouts with courtesy and compassion

- Under the Fukushima Revitalization Headquarters, the organizational structure for compensation activities and its functions will be rebuilt to achieve swift and accurate payouts.

3. Reinforcement of public relations activities placing first priority on the people of Fukushima

- Led by the Head Office, power stations and the Fukushima Corporate Communications Department, coordination with relevant parties will be implemented to achieve swift and accurate information dissemination and timely updates on the conditions of the plants paying due consideration to public sentiment and the feelings of the people of Fukushima.

Intensive measure II Nuclear safety measures

- To ease present anxiety amongst the people of Fukushima, decommissioning measures will be implemented according to the Mid-and-Long Term Roadmap to achieve the Decommissioning of Units 1-4 of TEPCO Fukushima Daiichi Nuclear Power Station.
- Conventional safety awareness standards and corporate culture will be renovated and nuclear reform initiatives will be executed in order to realize the world's highest safety standards.

1. Ensure a swift transition to a much safer Fukushima Daiichi NPS

- Proper decommissioning measures will be implemented according to the Mid-and-Long Term Roadmap to achieve the Decommissioning of Units 1-4 of TEPCO Fukushima Daiichi Nuclear Power Station.

2. Nuclear reform

- Under the monitoring and oversight of the Nuclear Reform Monitoring Committee comprised of experts from Japan and abroad, TEPCO will work towards restoration, striving to achieve a high level of safety awareness, technological capability, and the ability to maintain open dialogue with society by implementing the Nuclear Safety Reform Plan which is based on the lessons learned from the accident.
- TEPCO will undertake a quarterly review of the progress of the "Nuclear Safety Reform Plan," which sets forth concrete steps now being implemented by the Company, and share the results of the review on a Companywide basis as well as with the general public in a timely fashion.

3. Safety measures for Fukushima Daiichi NPS Units 5 & 6, Fukushima Daini NPS, Kashiwazaki-Kariwa NPS

- While maintaining and enhancing the reliability of the stable cooling facilities of Fukushima Daiichi NPS Units 5 & 6 and Fukushima Daini NPS, other facilities will also be managed appropriately.
- Facilities at Kashiwazaki-Kariwa NPS will be appropriately maintained and managed. Also, safety enhancement measures will be implemented.

4. Safety measures and awareness activities at Higashidori Nuclear Construction Office

- Safety measures will be implemented at Higashidori Nuclear Construction Office, which will also strive to gain the understanding of local residents regarding TEPCO activities.

5. Initiatives for nuclear fuel cycle business

- Support will remain ongoing to ensure the completion of the construction of the Japan Nuclear Fuel Limited reprocessing facility (October 2013) and the start of operations of the intermediate storage facility of the Recyclable-Fuel Storage Company (October 2013), which are key to the nuclear fuel cycle business.

Intensive measure III Thorough cost reductions and management to ensure survival

- As a means to strengthen our financial base to ensure we will be able to meet our responsibilities, we will vigorously implement "Survival Cost Reductions" and strongly urge voluntary cost reductions and target management at each subdivided organization unit.
- In order to be able to compete following deregulation, fixed costs and variable costs will be reduced utilizing every available means to realize an additional 100 billion yen in further cost reductions from the cost reduction value stated in the comprehensive special business plan (ten-year average of 336.5 billion yen).
- By implementing management accounting, cost management under each responsible person for at each subdivided organization unit will be realized.

1. Develop cost reduction organization and implement additional cost reductions

- To achieve an additional 100 billion yen in additional cost reductions from the reduction target in the comprehensive special business plan (ten-year average 336.5 billion yen), opinions from outside experts will be sought out and the utilization of all available means will be taken into consideration.

2. Checks and balances and competition through the introduction of management accounting and rules of in-house dealing

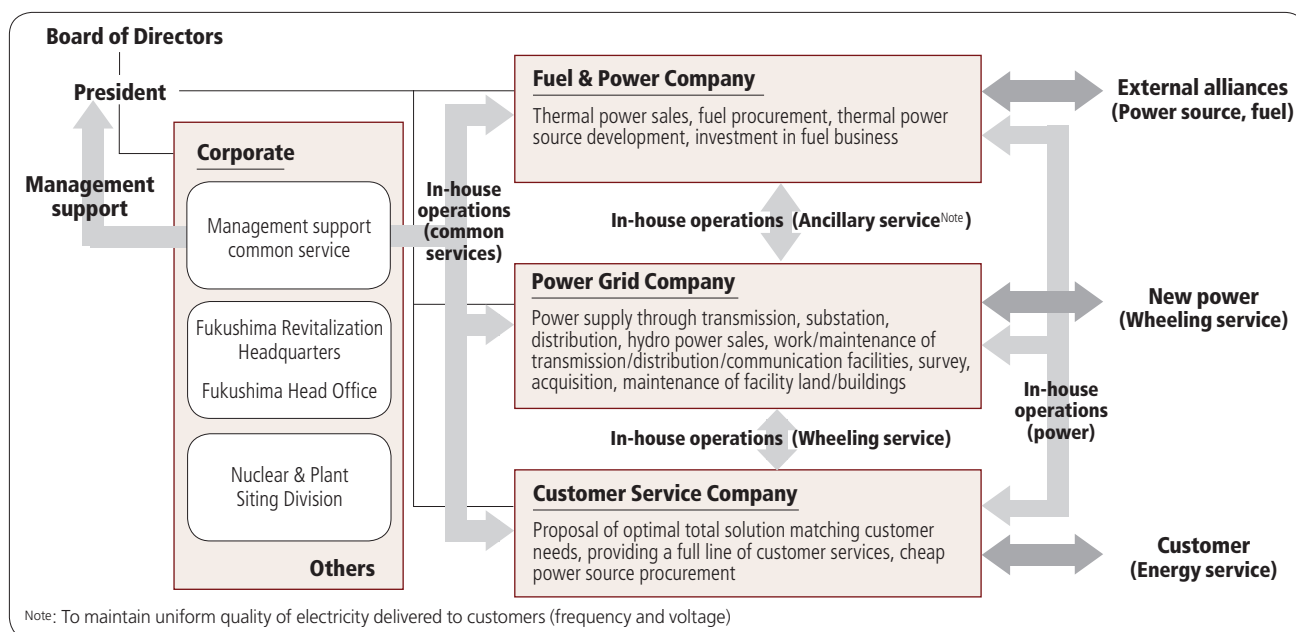
- Via the introduction of Management Accounting into each company and corporate organizational unit, tight monthly financial management will be achieved in accordance with the company's overall financial accounting.
- Having introduced the three competitive mechanisms of "Competition with Entities outside TEPCO," "Checks and Balances between In-house Companies," and "Sound Competition among the In-house Companies," we are looking toward full deregulation to achieve cost reduction.

Intensive measure IV Management reforms via the introduction of the in-house company system

- In order to develop a revenue base for the new-born TEPCO, mechanisms will be developed to deal with electric power system reforms planned for the future, encourage each business department to voluntarily engage in revenue expansion and to establish a mechanism to sharpen competitive edge.
- As one pillar of the reforms, an in-house company system will be implemented from April 1, 2013, with the idea of shifting to a holding company system in the future. The three in-house companies "Fuel & Power Company," "Power Grid Company" and "Customer Service Company," have been established.

Introduction of in-house company system

- The in-house company system, introduced from April 1, 2013, segregates deregulated/competitive departments and neutral network departments, with an eye to establishing a holding company system in the future.
- Utilize internal business resources and technological know-how to establish business/organizational strategies to meet changes in the business climate.



The following are key issues being addressed by each in-house company.

(1) Fuel & Power Company

- While providing customers with stable and low-cost power, profit and company value will be maximized by cutting costs and expanding sales.
- By balancing unprecedented drastic cost reductions and providing stable electricity, a strong foundation will be built to ensure competitive ability following full deregulation.

1) Implementation of drastic cost reductions of fuel costs and fixed costs

- By utilizing the comprehensive capabilities of the company, wherever possible fuel costs and fixed costs (repair costs) will be drastically reduced.

2) Replacement with coal-fired or high-efficiency LNG-fired thermal power plants, reduction of fuel costs focusing on LNG

- Aiming for drastic improvement in the power generation cost structure, establish and implement plans to increase the ratio of coal-fired thermal power, replacements and new or additional construction to increase LNG-fired thermal efficiency by 10%.
- Action plans to expand the significant introduction of lean LNG (maximum 10 million tons/year, which is about half of the quantity presently procured over about ten years) will be established.
- Strengthen collaborative efforts with other operators at LNG receiving terminals to promote operational efficiency.

3) Examine/ execute investments in overseas projects and fuel businesses

- Business know-how and human resources will be enhanced and the organization expanded into an international consulting business/ IPP investment business, aiming for set up by December 2013, and technological support and employee dispatching will be expanded.
- Existing fuel business will be steadily promoted, potential favorable investment projects will be identified and detailed research, analysis, and assessments will be conducted.

(2) Power Grid Company

- We will aim for strict cost reductions and detailed risk management, the reduction of wheeling costs and maintaining system reliability.
- A neutral and fair power network utilization environment will be provided as part of our social mission.
- Revenue will be expanded utilizing technological capability.

1) Apply investment/ repair cost reduction measures in a stepwise manner to achieve wheeling costs that are one of the lowest in the industry while also maintaining top class system reliability in the industry

- Conventional cost reduction measures for all areas of supply/demand/ system operations, maintenance, equipment specifications, construction methods and worker productivity will be taken as permanent measures and further streamlining will be reviewed in depth.

2) Neutrality and fairness of network utilization, ensuring transparency of business operations and improving service quality

- Ensure fair treatment with the Power Producer and Supplier (PPS) and internal organizations (Fuel & Power Company, Customer Service Company) to ensure neutrality in wheeling services.
- Grid connection services will be strengthened to respond to various needs from such grid users as customers and power generation operators to provide fair, flexible and speedy response measures.
- TEPCO will participate in the establishment of the wide area transmission organization under the electric power system reform.

3) Building system and environment for network utilization to respond to a massive introduction of renewable energy and to achieve revenue expansion through technological capabilities

- Production system for devices will be built in FY2013 for the mass introduction of smart meters in FY2014.
- Reviews and development will be implemented for grid voltage measures and further utilization of regional interconnection lines to respond to the mass introduction of renewable energy and strengthen power interchange on a nationwide level.
- Revenue will be expanded, utilizing the technological capability of TEPCO in an overseas business or Group company business.

(3) Customer Service Company

- Attractive total solutions will be offered for a smart society and smart life to win against the competition.
- New power demand of 200 billion yen/year will be captured in ten years time by promoting the smart use of energy under competition through deregulation, while growth of 100 billion yen/year in related business will be achieved through total solutions and new services.
- Starting with power procurement, costs will be thoroughly cut to lower electricity rates.

1) Provide total solutions to contribute to a smart society and enhance new service offerings

- By utilizing solution know-how accumulated in the past and widely incorporating external information by leveraging alliances to help build a smart society and smart life, total and optimal solutions that meet customer needs will be offered for not only electricity but for ancillary business areas as well.
- In addition to conventional tariffs, new electricity tariffs will be offered for customer selection to fit their lifestyles.
- A lineup of green tariffs for electricity generated by green power supplies such as renewable energy will be offered.
- With the introduction of smart meters, more detailed information on electricity use status and optimal rate menus will be provided to customers. Services for customer confidence and promoting affluent lifestyles will be examined and provided.

2) Initiatives to reduce electricity rates

- In addition to the IPP bid disclosed in February 2013, bids for the 10,000MW-scale replacement of aged thermal power generators will be solicited to procure cheap power sources so as to reduce electricity rates. (A bidding plan for this will be established by the end of FY2013)
- Wholesale power transactions will be proactively utilized to strive to procure cheap power sources.