

# Outline of the New Comprehensive Special Business Plan

Announced on January 15, 2014

TEPCO has pushed forward drastic streamlining and management reforms in line with the Comprehensive Special Business Plan (Previous Plan) formulated in tandem with the Nuclear Damage Liability Facilitation Fund (Fund). To remain responsive to subsequent changes in the business environment due to the national government policy regarding the clarification of the separation of roles between the national government and TEPCO in the reconstruction and progress in Electricity System Reform discussion, TEPCO made exhaustive revisions to the Previous Plan, upgrading it into the New Comprehensive Special Business Plan (New Plan). In line with the New Plan, TEPCO continues to strive to fulfill its responsibilities regarding the payment of compensation, the decommissioning of nuclear reactors and the revitalization of Fukushima while ensuring a stable electricity supply. Furthermore, TEPCO will remain at the forefront in the provision of innovative energy services in anticipation of the implementation of Electricity System Reform, thereby achieving greater corporate value.

## Main content presented in the Previous Plan

### Collective measures to secure necessary funds

- National Government/Fund: Investment of ¥1 trillion by the Fund, with ¥5 trillion in government bonds and a government-approved increase in electricity rates of 8.46% (regulated field)
- TEPCO: TEPCO must implement rationalization measures to save ¥3.4 trillion over 10 years, with a third party assessing the results, while obtaining ¥750 billion in asset sales and pursuing Governance reforms
- Financial Institutions/Shareholders: Financial institutions furnish ¥1 trillion in new credit, while 77 lines of ongoing refinancing; allow the dilution of voting rights (to 1/2).

### Management accountability

- Resignation of all executive officers, from the Chairman and President down
- Major reduction (up to 70%) in management salaries

### Changes in the Business Environment since the Previous Plan Was Drafted

#### (1) Environmental change relating to "responsibility" as a public utility responsible for the accident

- Compensation: The possibility that compensation may exceed the current level of government bonds (5 trillion yen)
- Decontamination: The calculated expectation that decontamination costs will be 2.5 trillion yen, and intermediate storage facility costs will reach 1.1 trillion yen
- Decommissioning: In addition to the approximately 1 trillion yen already set aside, assurance of a payment framework in the order of 1 trillion yen over the coming 10 years
- Kashiwazaki-Kariwa: Resumption of operations will take close to one year longer than assumed in the Previous Plan, which will have a significant impact on income and expenditure

#### (2) Environmental changes relating to "competitiveness" as a private-sector enterprise (Response to Electricity System Reform)

- Electricity transmission and distribution departments: Reduced costs and greater neutrality/fairness
- Generation/Retail departments: "Assurance of profits amid competition" including capital procurement

### The Clarification of Roles Shared by the Government and TEPCO

The Nuclear Emergency Response Headquarters' "Policy for Accelerating the Reconstruction of Fukushima from the Nuclear Disaster" (the Cabinet Decision on December 20, 2013)

The New Plan is positioned as a "TEPCO rebirth plan" centered around a raft of measures designed to increase the speed of revitalization.

## The Framework of the New Comprehensive Special Business Plan

### (1) Collective measures designed to accelerate revitalization in line with the government policy

#### National Government/Fund

- A stronger role in decommissioning and the construction of technical support systems
- Expand the current level of government guarantees by increasing the amount of bonds issued from ¥5 trillion to ¥9 trillion
- Appropriation of profits from the sale of Fund-owned shares equivalent to the costs of decontamination
- Budgetary measures equivalent to the costs of intermediate storage

#### Financial institutions/Shareholders

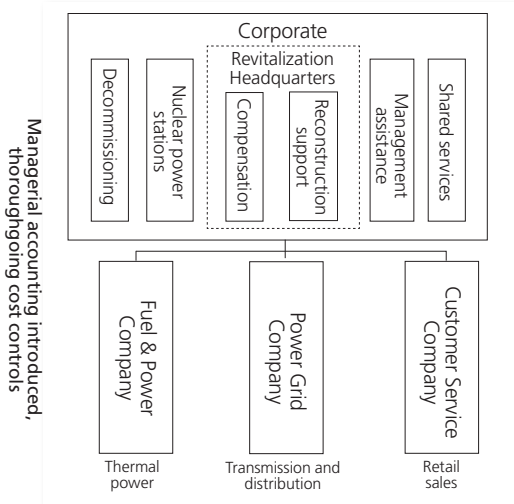
- Cooperation in maintaining credit, measures to restrict the use of private placement bond forms, and the splitting up of the company into special-purpose companies, etc.
- New credit for strategic rationalization and growth strategies (2 trillion yen scale)

#### TEPCO

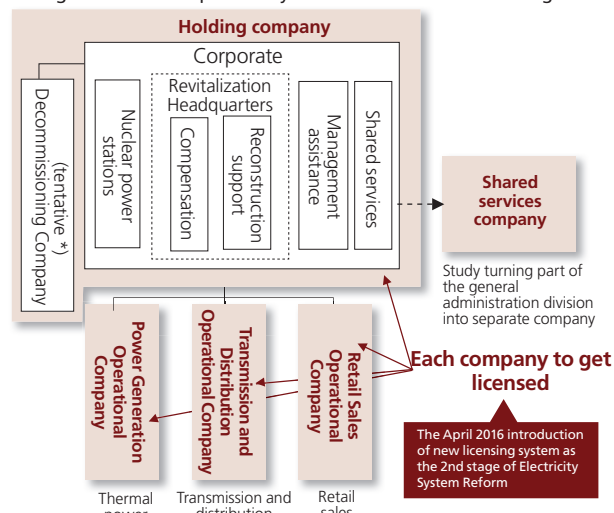
- Compensation payments to disaster victims (individual and companies) (right to the very last person, even if the cost exceeds 5 trillion yen)
- Decommissioning (commitment to a 1 trillion yen expenditure quota in addition to the 1 trillion yen already allowed)
- Decontamination and intermediate storage (receiving and taking on new support measures by the National Government)
- Reductions in personnel and additional costs that far outstrip the planned amounts
- Implementation of TEPCO reforms to achieve both "responsibility" and "competitiveness"

## (2) Achieving both “responsibility” and “competitiveness” by adopting a “Holding Company System”

Begun April 2013: Internal Company System

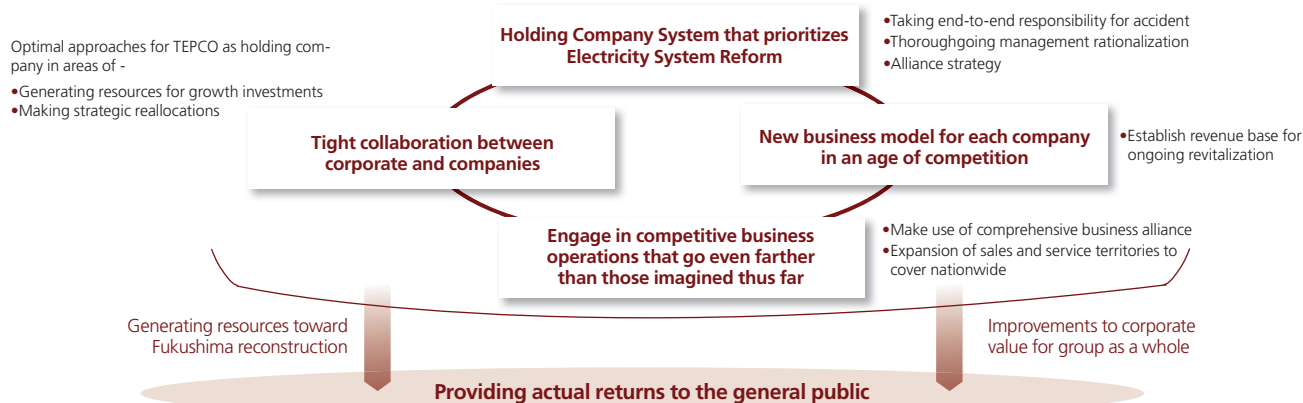


Launching in FY2016: Holding Company System  
Taking end-to-end responsibility for accident as TEPCO Holdings



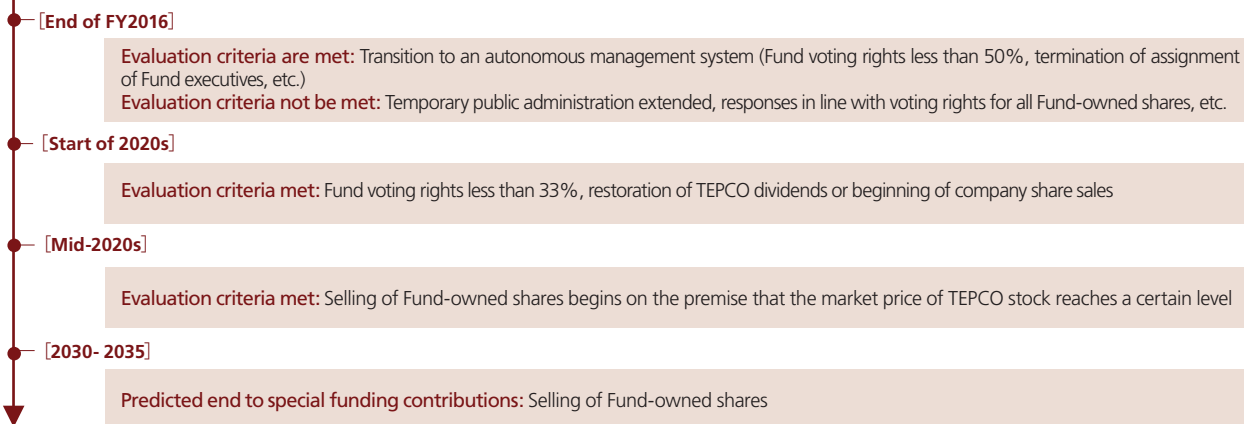
\*On March 25, 2014, TEPCO named the company Fukushima Daiichi Decontamination and Decommissioning Engineer Company

## (3) Reforms towards a “new electric utility model”



## (4) Approach toward corporate governance

the Fund will conduct “evaluation of management regarding responsibility and competition” every three years in consultation with TEPCO’s Outside Directors and the government as it aims to help TEPCO gradually transit a “temporary public administration” to an “autonomous management system”.



## Principal Initiatives Set Forth in the New Comprehensive Special Business Plan

- Strive further towards the revitalization of Fukushima while establishing the operating platform necessary to fulfill our obligations as a company responsible for the nuclear accident over the long term

### Responsibility

- (1) Compensation for Nuclear Damage:** Promptly and painstakingly provide compensation to every last person, with due respect given to mediation proposals made by the Nuclear Damage Claim Dispute Resolution Center
- (2) Efforts toward Fukushima Revitalization:** Continuation of the “100,000-person Dispatch Project,” assist with the development of industrial infrastructure and the creation of employment opportunities while reinforcing the functions of Fukushima Revitalization Headquarters
- (3) Stable Resolution and Decommissioning of the Damaged Reactors and Nuclear Power Safety:** Comprehensive implementation of both hardware and software solutions as well as measures to boost motivation at the accident site; Pursuit of rationalization efforts to raise more funds than are allowed for in the existing ¥1 trillion budget; Clean up of all contaminated water (RO concentrated salt water) in FY2014 (excluding tritium); Decommissioning of Units 5 and 6 of the Fukushima Daiichi Nuclear Power Station and their utilization in mock-up testing; Establishment of the “Decommissioning Company” (tentative\*) and the active use of personnel with specialist expertise; Promotion of the preparation of an international platform for research and development; and Reform safety in nuclear power departments

\*On March 25, 2014, TEPCO named the company Fukushima Daiichi Decontamination and Decommissioning Engineer Company

### Competitiveness

- (1) Policies to rationalize management:** Accumulate 1.4 trillion yen under the Previous Plan and reduce the accumulated total of 4.8 trillion yen in costs over 10 years; Return to public bond offerings on the market during FY2016; Implement a voluntary retirement plan to cut roughly 2,000 employees from the group as a whole; Establish mandatory retirements and assign them to Fukushima; and Change personnel management system
- (2) Directions in business administration under the HD Company System:**
  - i) **Holding Company:** Manage the entire Group while responsibly pursuing the payment of compensation and the decommissioning of the nuclear reactors as well as the revitalization of Fukushima
  - ii) **Fuel & Power Company:** Develop comprehensive business collaboration with alliance partner(s) (target FY2014); Introduce 10 million tons lean spec LNG; Increase LNG procurement volume (35-40 million tons); and Aim for early replacement of aged thermal power generation facilities (output 10 million kW) and thus achieve cost reductions of ¥650 billion per annum in the long term
  - iii) **Power Grid Company:** Invest at least ¥300 billion over three years (relative to the Previous Plan) and reduce infrastructure-related costs at least ¥150 billion (relative to the Previous Plan); Promote the expansion of operations beyond the TEPCO area; Install 27 million smart meters throughout TEPCO’s service area by FY2020
  - iv) **Customer Service Company:** Expand gas sales (at least 1 million tons after 10 years); Expand business area beyond the Kanto and surrounding area through such products as the “Electricity Housekeeping Book” (to 10 million members after three years and 10 billion kWh after 10 years); Promote open and fair power supply purchasing (base power supply approx. 2 million kW; replacement power sources 10 million kW) and, within 10 years, expand sales from heat source conversion to ¥400 billion, from gas and peripheral businesses to ¥200 billion and from electricity sales to ¥170 billion throughout Japan

### Initiatives Aimed at Achieving Both “Responsibility” and “Competitiveness”

**[By the start of the 2020s] Allocation of reserves to cut prices by up to 1 trillion yen annually while creating annual profits in the order of 100 billion yen**

**[By 2030-2035] Generation of assets to reduce charges by up to 300 billion yen annually; Creation of annual profits in the order of 300 billion yen**

**→ Achieve a total share value of over ¥4.5 trillion**