

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.

- Speedy compensation payouts, restoration measures such as decontaminating the affected area, reactor decommissioning by combining domestic and international know-how, securing stable & efficient power supply.

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".

2) TEPCO Measures & Stakeholder Support

TEPCO: Clarification of management responsibilities and thorough management streamlining, achieve "Compensation Payouts, Reactor Decommissioning and Stable Power Supply" in accordance with the needs of the afflicted and customers

National Government: 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

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

Financial Institutions: Necessary financial support to ensure that TEPCO will be able to execute management streamlining.

Shareholders: Stock dilution, continue to NOT payout dividends, etc.

Municipalities, Energy Companies, Customers, etc.: Achieving understanding, cooperation and goodwill from all relevant parties.

(2) Implementing the Emergency Special Business Plan

- 1) Compensation Payouts with Courtesy and Compassion, 2) Restoration from the Nuclear Power Accident,
- 3) Securing Stable Power Supply, 4) Streamlining Present Management

(3) The Organizational Issues TEPCO is Facing

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

"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

(1) The Future Direction of the "New TEPCO"

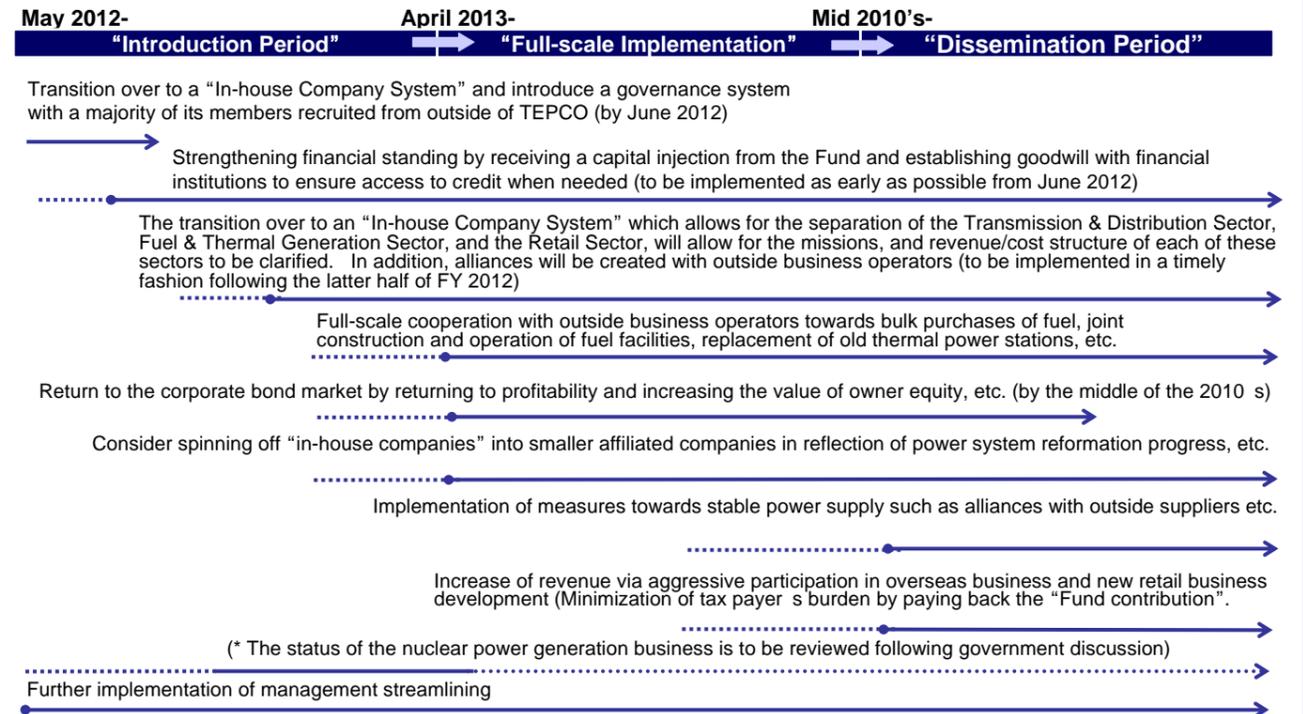
i) Fulfilling Our Responsibilities

ii) Promoting a Culture of Openness

iii) Reforming energy service in step with customer and societal expectations

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

(2) The Schedule 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

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

(1) The Present Situation of the Nuclear Damage

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

(2) Future Projections of Necessary Amount of Compensation Payouts

Taking into account the matters such as the development of the Secondary Supplement of the Interim Guideline by the Dispute Reconciliation Committee (March 16), the projected amount of compensation payouts has been increased to ¥ 2,546.271 billion as a reasonable estimation.

(3) Measures to Achieve Swift & Accurate Compensation Payouts

- 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.
- The Fund will monitor the implementation of expert consultation visits and compensation payouts, and will demand for improvements as appropriate.

4. TEPCO's Business Operation Plan

(1) Principle Business Philosophy (TEPCO will implement the following actions based on a direction of "New TEPCO.")

- 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 swift dissemination of easy-to-understand information to the afflicted, customers and broader society", "Open-door management policy", "Governance and Organizational reform", and "Procurement reforms." 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.

(2) Management Streamlining Measures (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.

- Costs will be reduced by over 3,365 billion yen from FY2012 to FY2021, including an additional cost reduction of 656.5 billion yen besides the target listed in the "Emergency Special Business Plan".
- From FY 2012 to 2021, curtail investments of over 934.9 billion yen higher than the figure at the time "The Emergency Special Business Plan" was developed.
- Sell off 707.4 billion yen of assets in principle within 3 years, and maximize acceleration of asset disposals. (Sell off more than 80% of the items listed in the planned sales target by FY2012.)

(Unit: billion yen)

Procurement expenses of materials and services	Encourage competitive bidding, review the transaction structures and order methods with business entities not affiliated with TEPCO	664.1	Real estate	247.2
Power purchase and fuel expenses	Reduction of fuel prices, application of efficient power sources, reduction of power purchase expenses	198.6	Securities	330.1
Personnel expenses	Personnel reductions, reduction of salaries and bonuses, revision of the retirement benefit scheme/benefit programs	1,275.8	Affiliates	130.1
Other expenses	Stop system outsourcing, reduce other expenses (donations, etc.), reduce promotion/ advertising costs	968.7	Total	707.4
Facility Investments	Implement demand control measures, procure power sources from outside via a bidding process for all new and replacement thermal power development projects.	257.8		
Total		3,365.0		

(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. 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. We will also encourage establishing and utilizing SPC.
- ii) Strategic Business Development to Stabilize Economical Fuel Procurement
 - a) Cost reductions by reviewing fuel receiving operations
 - b) Co-construction and co-operation of fuel related facilities
 - c) Coordination and consolidation in fuel procurement and diversification of procurement sources etc.
- iii) Utilization of facility operation know-how in emerging nations etc.

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

- i) Achieving Enhanced Neutralization & Thorough Transparency
 - 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
- iii) Expansion of domestic and international open procurement/introduction of smart meters

3) Retail Business Development

- i) Control peak demand by rewarding electricity saving efforts Provide a variety of rate menu options and create new business models in alliance with outside business partners
- ii) Executing new services and businesses that meet customer needs.
- iii) Developing new residential services etc. utilizing smart meters.

(4) A New Mindset

1) Moving in a New Direction

2) Three Ways to Transform our Vision into a Reality

- i) Governance Reforms: Change to a "Company with Committees" structure

The Board of Directors, which is mainly comprised of outside members, will be instrumental in the development of important corporate strategies and operations supervision. Reduce the number of board members. 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.

- ii) Organization Reforms: Adopt a "In-house Company System".

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.

- iii) Personnel System Reforms: Introduction of a new personnel-system

5. Strengthening our Financial Standing

- 1) Requests to Financial Institutions: Lenders to maintain TEPCO's credit line via refinancing etc. and provide additional credit up to approx. 1 trillion yen including the financing in the recovery plan.
- 2) The Fund's Capital Injection: Upon 1 trillion yen 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".
- 3) Requests to our Shareholders: Support the bill to receive the Fund's capital injection, agree on no dividends for the time being.
- 4) Supply-Demand & Income/Expenditure Projections
 - i) Supply-Demand projection: Secure a proper reserve margin via the installation of additional emergency power units and the promotion and development of demand-side control measures
 - ii) Electricity Rate Revision: After this plan is approved, the electricity rate revision (which is kept to minimum) will be proposed to the Minister of Economy, Trade and Industry. Clear and thorough explanation will be provided to customers along with the new rate menu.
 - iii) Income/Expenditures: Income/Expenditures plan will be set for the period from March 2013 to March 2015. The plan set for March 2016 to March 2016 is provided as reference.

6. Clarifying Management Responsibilities

All the Directors and Auditors will retire 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 "Advisor System" 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.

5. Assets & Budget Evaluation*

6. Financial Aid

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 yen and 120 billion yen 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)

7. The Fund's Present Financial Situation*

* Mainly covers items related to the Fund's business operation/management.