

Intensive Reform Implementation Action Plan

- I : Fulfilling our responsibility for the Fukushima Nuclear Accidents
 - (1) Formation of a decommissioning framework for the Fukushima Daiichi NPS by concentrating domestic and overseas expert wisdom ... 1
 - (2) Deepening the efforts towards Fukushima's revitalization ... 2

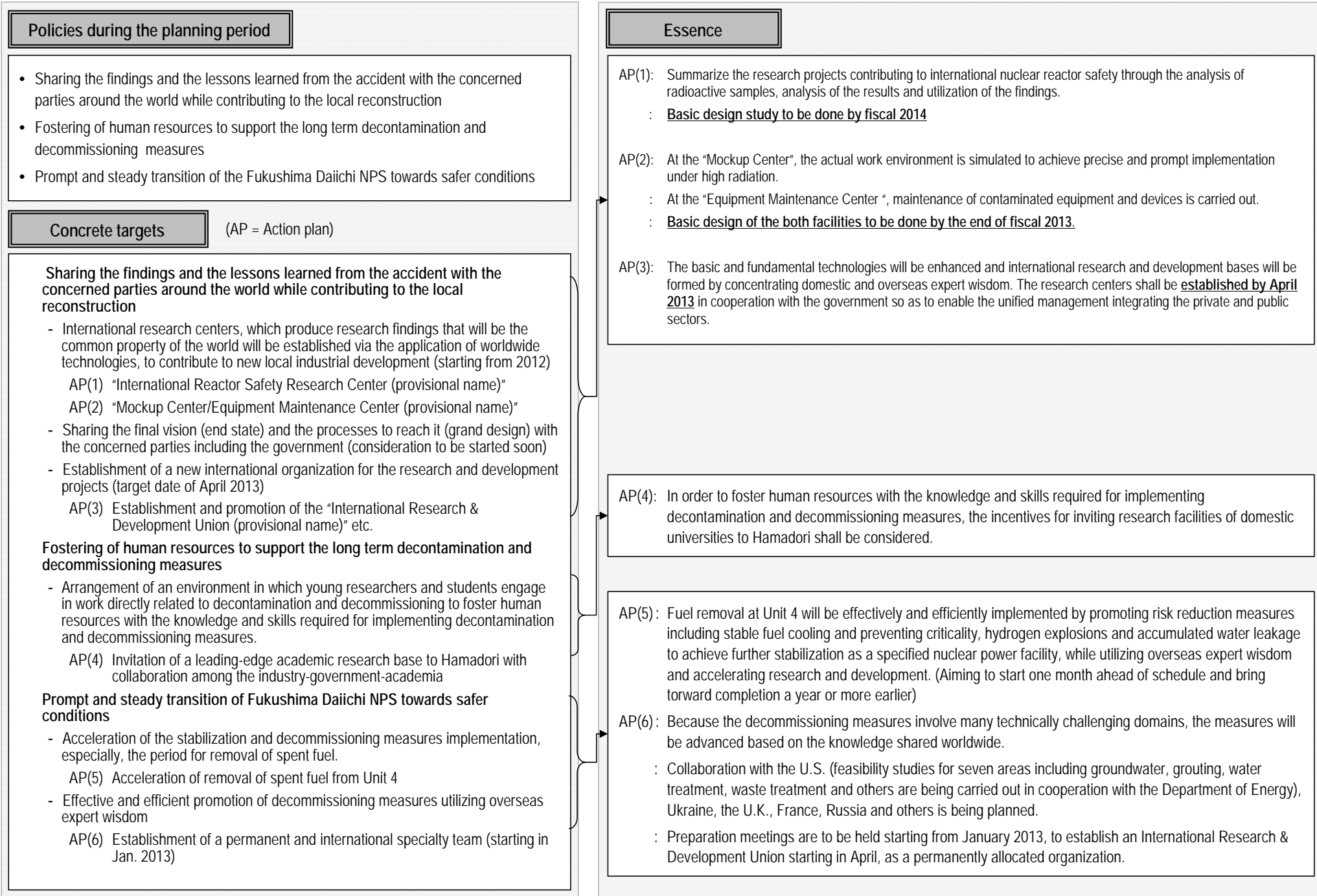
- II : Securing the world's highest level safety
 - (1) Nuclear reform ... 3
 - (2) Construction of disaster prevention and business continuation frameworks, which are not defeated by the crisis such as the Great Earthquake ... 4

- III : Financial base building to fulfill our responsibility
 - (1) Cost reduction for survival ... 5
 - (2) Thorough cost management by subdivided organization unit ... 6

- IV : Building a revenue base of new-born TEPCO
 - (1) Management reform bringing the HD company system into perspective ... 7
 - (2) Revenue base building toward restoration ... 8
 - (3) Operational reforms (human affairs, accounting, target setting and publication) ... 9

I: Fulfilling our responsibility for the Fukushima Nuclear Accidents (1) Formation of a decommissioning framework for the Fukushima Daiichi NPS by applying domestic and overseas expert wisdom

We will accelerate our efforts in applying domestic and overseas wisdom to impart a sense of safety and security to the residents of Fukushima prefecture, and create premier research centers (COE*) that will be the common property of the world.



Policies during the planning period

- Sharing the findings and the lessons learned from the accident with the concerned parties around the world while contributing to the local reconstruction
- Fostering of human resources to support the long term decontamination and decommissioning measures
- Prompt and steady transition of the Fukushima Daiichi NPS towards safer conditions

Concrete targets

(AP = Action plan)

Sharing the findings and the lessons learned from the accident with the concerned parties around the world while contributing to the local reconstruction

- International research centers, which produce research findings that will be the common property of the world will be established via the application of worldwide technologies, to contribute to new local industrial development (starting from 2012)
 - AP(1) "International Reactor Safety Research Center (provisional name)"
 - AP(2) "Mockup Center/Equipment Maintenance Center (provisional name)"
- Sharing the final vision (end state) and the processes to reach it (grand design) with the concerned parties including the government (consideration to be started soon)
- Establishment of a new international organization for the research and development projects (target date of April 2013)
 - AP(3) Establishment and promotion of the "International Research & Development Union (provisional name)" etc.

Fostering of human resources to support the long term decontamination and decommissioning measures

- Arrangement of an environment in which young researchers and students engage in work directly related to decontamination and decommissioning to foster human resources with the knowledge and skills required for implementing decontamination and decommissioning measures.
 - AP(4) Invitation of a leading-edge academic research base to Hamadori with collaboration among the industry-government-academia

Prompt and steady transition of Fukushima Daiichi NPS towards safer conditions

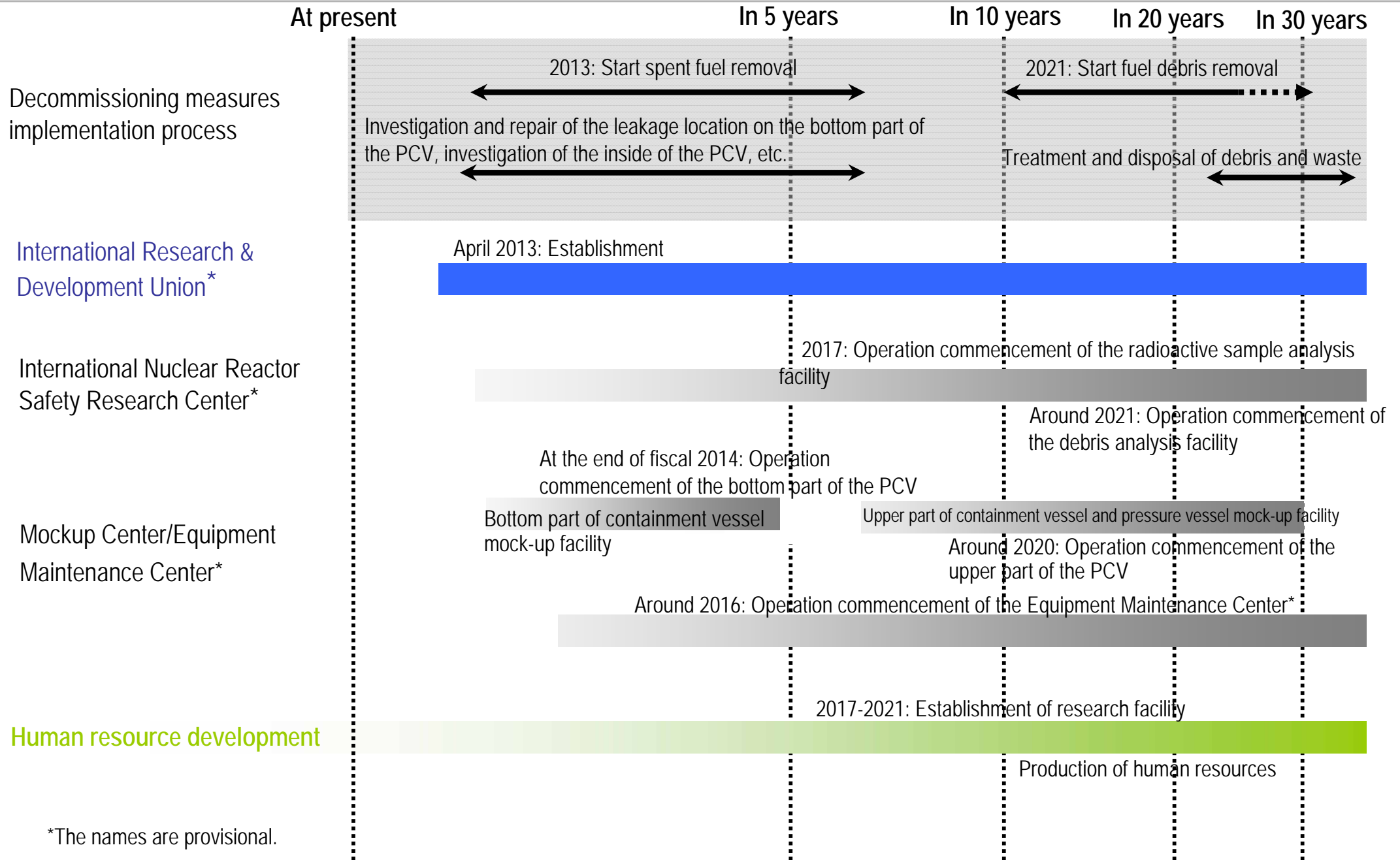
- Acceleration of the stabilization and decommissioning measures implementation, especially, the period for removal of spent fuel.
 - AP(5) Acceleration of removal of spent fuel from Unit 4
- Effective and efficient promotion of decommissioning measures utilizing overseas expert wisdom
 - AP(6) Establishment of a permanent and international specialty team (starting in Jan. 2013)

Essence

- AP(1): Summarize the research projects contributing to international nuclear reactor safety through the analysis of radioactive samples, analysis of the results and utilization of the findings.
 - : Basic design study to be done by fiscal 2014
- AP(2): At the "Mockup Center", the actual work environment is simulated to achieve precise and prompt implementation under high radiation.
 - : At the "Equipment Maintenance Center", maintenance of contaminated equipment and devices is carried out.
 - : Basic design of the both facilities to be done by the end of fiscal 2013.
- AP(3): The basic and fundamental technologies will be enhanced and international research and development bases will be formed by concentrating domestic and overseas expert wisdom. The research centers shall be established by April 2013 in cooperation with the government so as to enable the unified management integrating the private and public sectors.
- AP(4): In order to foster human resources with the knowledge and skills required for implementing decontamination and decommissioning measures, the incentives for inviting research facilities of domestic universities to Hamadori shall be considered.
- AP(5): Fuel removal at Unit 4 will be effectively and efficiently implemented by promoting risk reduction measures including stable fuel cooling and preventing criticality, hydrogen explosions and accumulated water leakage to achieve further stabilization as a specified nuclear power facility, while utilizing overseas expert wisdom and accelerating research and development. (Aiming to start one month ahead of schedule and bring forward completion a year or more earlier)
- AP(6): Because the decommissioning measures involve many technically challenging domains, the measures will be advanced based on the knowledge shared worldwide.
 - : Collaboration with the U.S. (feasibility studies for seven areas including groundwater, grouting, water treatment, waste treatment and others are being carried out in cooperation with the Department of Energy), Ukraine, the U.K., France, Russia and others is being planned.
 - : Preparation meetings are to be held starting from January 2013, to establish an International Research & Development Union starting in April, as a permanently allocated organization.

* Center of Excellence: An internationally-respected research center with excellent brains and cutting-edge facilities.

I (1). Outline of the schedule (Draft)



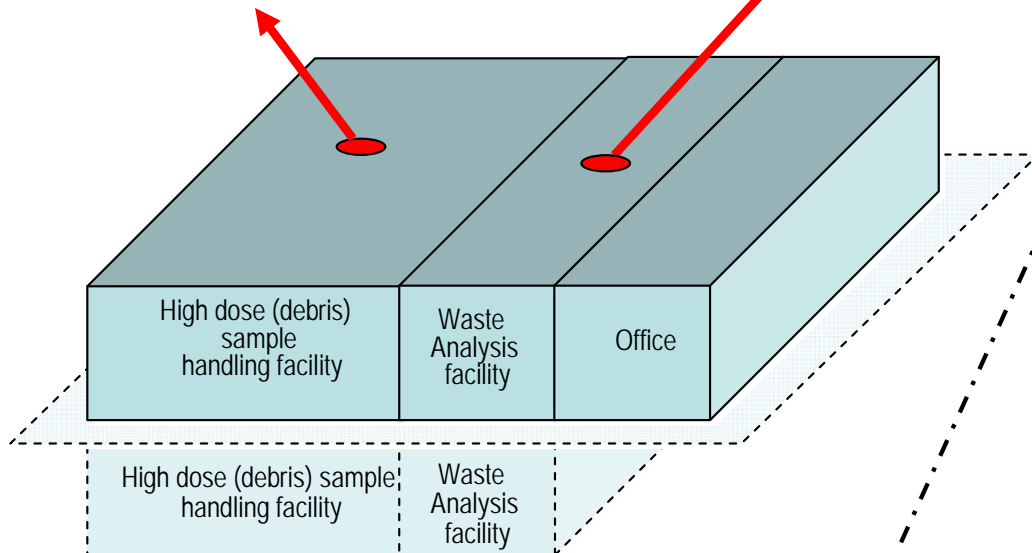
I (1). Research Facility (Draft)

International Nuclear Reactor Safety Research Center (provisional name)
Analysis Facility

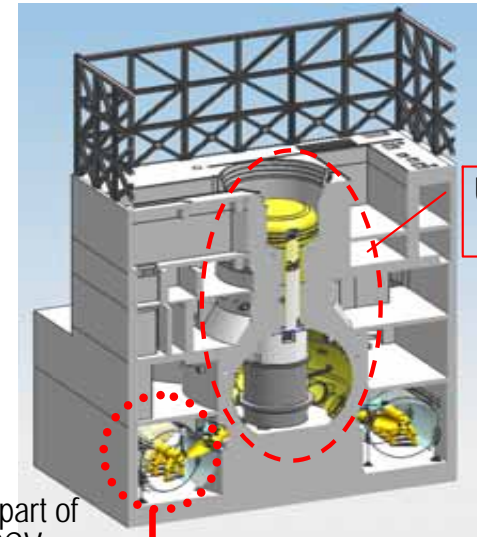


Example of a room with a high shielding function (hot cell) and remote control (manipulator)

Example of a glove box
Test atmosphere control, pollution dispersion prevention

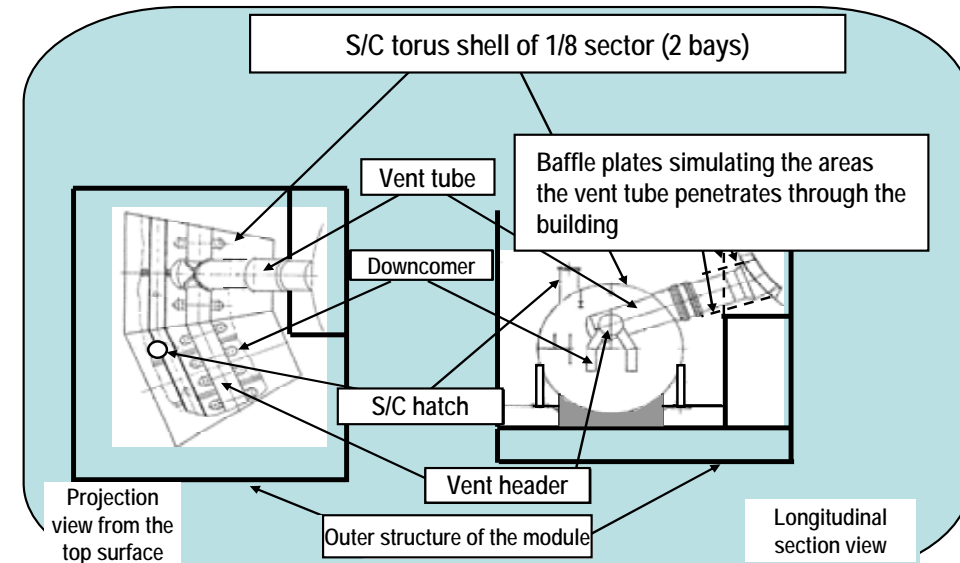


Mockup Center (provisional name)



Upper part of the PCV

Bottom part of the PCV



Test object (test object for repairing the bottom part of the PCV)

I: Fulfilling our responsibility for the Fukushima Nuclear Accidents (2) Deepening efforts towards Fukushima's revitalization

Motivated by the suffering of the people of Fukushima, in order to achieve full revitalization, we will fulfill our responsibilities by being in closer touch with the local communities.

Policies during the planning period

- Drastic enhancement of our commitment to Fukushima prefecture
- Thorough implementation of the "compensation payouts with courtesy and compassion"

Concrete targets

(AP = Action plan)

Drastic enhancement of our commitment to Fukushima prefecture (starting in January 2013 in series)

- Local-oriented management and drastic enhancement of local communications
 - AP(7) Establishment of the "Fukushima Revitalization Headquarters (provisional name)"
 - AP(8) Establishment of the "Fukushima Division (provisional name)" and branch offices (in the cities of Fukushima, Koriyama, Iwaki, Minamisoma and Aizuwakamatsu) in the Fukushima Revitalization Headquarters
 - AP(9) Promotion of Fukushima reconstruction and job creation projects
 - AP(10) Rearrangement of the places of operations and company housing
- Drastic enhancement of community-based operations
 - AP(11) Aiming to allocate 300 personnel (three times more than the current status) to advance decontamination
 - AP(12) A variety of operations to be implemented toward revitalization (Annual total of 100,000 personnel on rotation among all employees)

Thorough implementation of "compensation payouts with courtesy and compassion" (starting in 2012 in series)

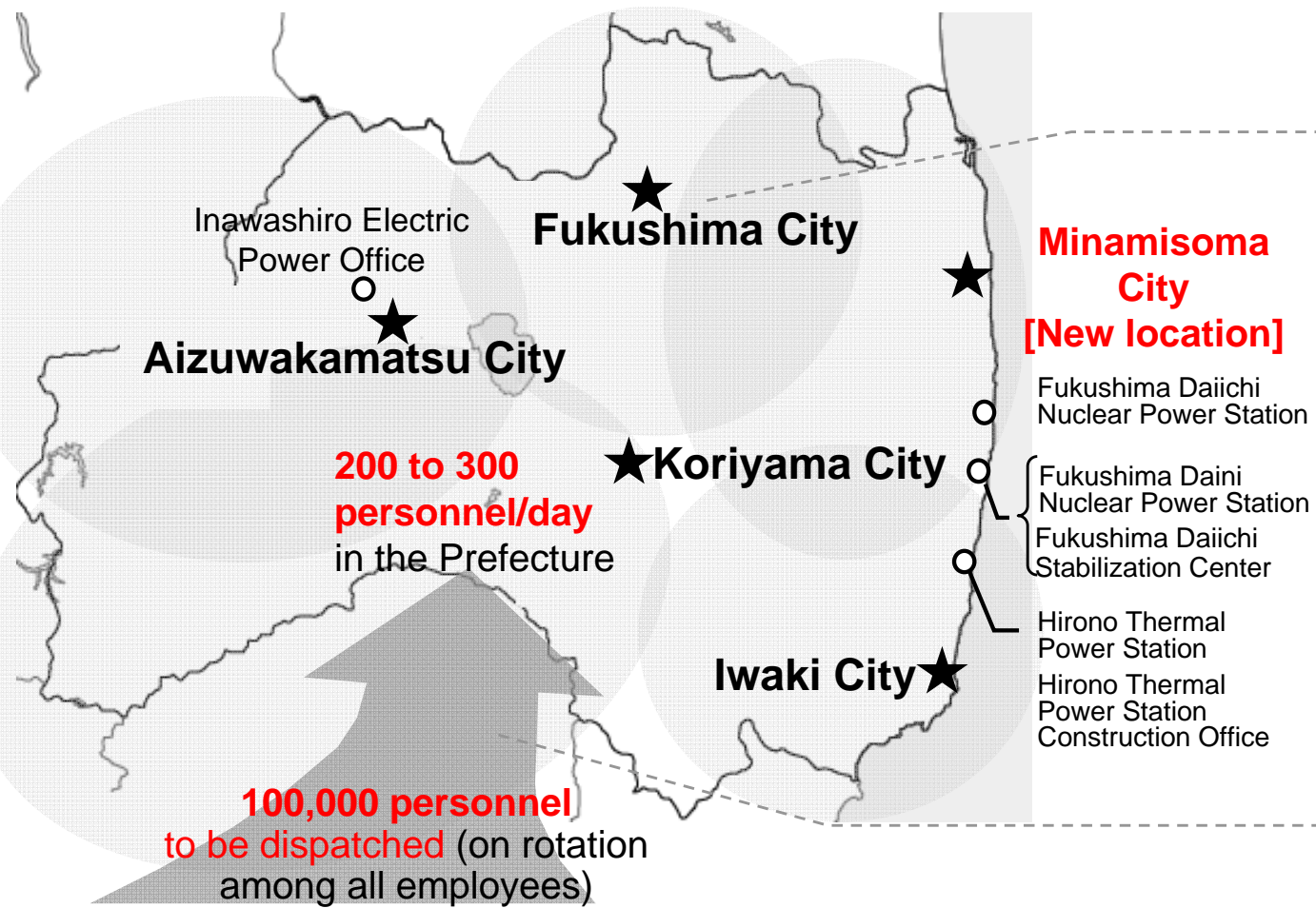
- Swift and accurate compensation payouts based on the restructured organization and function
 - AP(13) Integration of the departments in charge of compensation (the compensation department and the ADR department) and putting it under control of the Fukushima Division
- *ADR: Alternative Dispute Resolution
- Proper compensation in consideration of local demands
 - AP(14) Swift implementation of compensation for property damage to facilitate livelihood rehabilitation
 - AP(15) Compensation for voluntary evacuation (applied to January 2012 and later)

Essence

- AP(7): **The vice president is permanently stationed at the "Fukushima Revitalization Headquarters" as a dedicated engaged representative.** Several executive-class members shall be arranged under him to control the reconstruction related operations for all offices in the prefecture.
- : It shall be **reorganized and staffed with 500 personnel** through partial relocation of the departments and the management staff functions of the Head Office and the enhancement of decontamination and local support operations. The operations shall be conducted by **4,000 personnel or more in the prefecture** including those from the group companies.
 - : The Fukushima Division Meeting (which relevant board members participate in to make decisions on its operations) will be held once every quarter. Every time the meeting is held, visits to the prefecture and municipalities and press conferences with the chairman or the president are planned.
- AP(8): **Integrate various operations** including "compensation", "local support", "decontamination" and local correspondence, etc. and **enhance the collaboration among them by arranging the Headquarters and the branch offices** to achieve **swift decision making and implementation** at Fukushima.
- AP(9): Advance operations contributing to local economic reconstruction and job recovery/creation centering on Hamadori. Start consideration of the **"world's cutting-edge coal-fired thermal power station project" and the "reconstruction of J-village"**, etc.
- AP(10): The arrangement of and move-in to the company housing including alternative facilities for temporary dormitories for singles will be advanced, even in those areas where residents still have not returned to, in consideration of the demand of each municipality and the reconstruction plan.
- AP(11): Invest efforts into the decontamination to achieve the return of evacuees and a sense of safety and security among the residents of Fukushima.
- : Based on the knowledge of radiation and decontamination technologies, human resources and technical cooperation fulfilling the needs of the municipalities shall be developed via consultation with the Ministry of Environment.
- AP(12): Inclusion of support operations into the duties. Five times more personnel than the current status will be arranged. Not only areas of expertise such as dose monitoring and support provided for temporary entry of the residents, but also **all operations performed by general volunteers will be covered in principle.**
- : Develop a system to accept more personnel (Allocation of additional personnel to each branch). Start digging up the needs in advance. Enhance knowledge and skill training courses as well.
- AP(13): With the organizational integration and a change in the work responsibilities among executive officers (in January 2013), **the collaboration and information sharing between the department in charge of compensation at the Head Office and ADR will be further enhanced** for operations such as incorporation of the reconciliation cases of ADR into the standard used by the department in charge of compensation at the Head Office.
- : By putting the integrated organization in charge of compensation under the control of Fukushima Division (in January 2013), the compensation procedures will be accelerated through smooth implementation of local measures and the efficient collection of documented evidences, etc. while properly reflecting the individual circumstances of the victims into the compensation payouts.
- AP(14): As for the compensation for land and buildings, the negotiation and coordination with the government and municipalities regarding the handling of unregistered real estate and the method to obtain a minimum of documented evidences shall be swiftly advanced. The application for compensation for home contents or corporate depreciation assets **will be accepted in advance starting in December.**
- : Efficient collection of documented evidences by local employees at the site will allow for swift and smooth compensation procedures for property.
- AP(15): The negotiations with Fukushima prefecture and its municipalities shall proceed as quickly as possible in order to **start receipt of applications and payment in December.**

I (2). Drastic Enhancement of the Commitment to Fukushima Prefecture

- Establishment of the “Fukushima Revitalization Headquarters (provisional name)” to enable swift decision making and execution which will lead to a drastic enhancement of local management.
- Significant increase of personnel involved in decontamination and reconstruction support operations.



- The vice president is permanently stationed at the Fukushima Revitalization Headquarters as the exclusively engaged representative. The office controls the reconstruction related works at all the branch offices in the prefecture.
 - The partial relocation of the departments and the management functions of the Head Office and enhancement of decontamination and local support operations.
- ➔ 4,000 or more personnel to be involved

- Aiming to dispatch an annual total of 100,000 personnel based on a rotation among all employees (200 to 300 personnel engage in work at Fukushima prefecture at all times).

I (2). Drastic Enhancement of the Commitment to Fukushima Prefecture

- Various operations including “compensation”, “local support”, “decontamination” and local measures, etc. will be integrated to achieve enhanced collaboration through the establishment of the “Fukushima Division (provisional name)” and the branch offices.

Drastic enhancement of the activities closely related to the local area

[Compensation]

Compensation consultation service



[Support operations]

Room cleaning



[Decontamination]

Measurements during decontamination



II: Securing the world's highest level safety (1) Nuclear reform

We will autonomously achieve the world's highest level safety by renovating conventional safety awareness standards and corporate culture.

Policies during the planning period	Essence
<ul style="list-style-type: none"> To be reborn as an organization with the world's highest safety and technology standards and the capability to communicate with society 	<p>The Nuclear Reform Monitoring Committee shall establish four subcommittees (international cooperation, internal regulation, technology and emergency response and ethics), and the committee members shall share the responsibility to monitor and supervise the reforms.</p>
<p>Concrete targets (AP = Action plan)</p>	
<p>Establishment of the Nuclear Reform Monitoring Committee and the Nuclear Reform Special Task Force (established in September 2012)</p> <ul style="list-style-type: none"> Taking advice and suggestions from the committee members to heart, conventional safety awareness levels will be reformed from the ground up In order to prevent the reoccurrence of another accident, the reforms shall be advanced with no exceptions and bias for the results of the in-house nuclear accident investigation report <p>Compilation of the nuclear reform plan (in December 2012)</p> <ul style="list-style-type: none"> To create the basis whereby the safety culture (safety awareness, technological capability and communication capability) achieves thorough permeation from the top management to all employees, and to create an organization (human resources) supported on this basis, the following action plans shall be addressed: <ul style="list-style-type: none"> AP(16): Clarification of top management figures, establishment of an education system for executive officers and enhancement of staff members Organizational reform <ul style="list-style-type: none"> AP(17): Innovative changes towards an organization that can accumulate a defense in depth* AP(18): Reorganization of the emergency organizations (introduction of ICS) Operational process reform <ul style="list-style-type: none"> AP(19): Innovative changes to develop the operational processes in which a defense in depth can be accumulated AP(20): Review and enhance the programs to foster human resources with safety awareness and technological capability Reform of the relations with the regulatory authorities, local areas where the power stations are located and society <ul style="list-style-type: none"> AP(21): Realization of highly transparent relations with the regulatory authorities. Deployment of spokespersons for effective risk communications Verification and publication of the concrete results of the reforms mentioned above <ul style="list-style-type: none"> AP(22): Steady implementation of all measures. Make continuous efforts in the accumulation of a defense in depth and announce the results <p>Implementation of the nuclear reform plan (starting in January 2013)</p> <ul style="list-style-type: none"> AP(23): Manage, review and announce the progress status of the reform plan 	<p>AP(16): Appointment of top management, who has a solid understanding of the risks of nuclear power and a sense of mission committed to accident prevention. Establishment of an education system to foster the growth of top management. Enhancement and allocation of staffs (experts in each sector) to support the top management in exerting adequate leadership.</p> <p>AP(17): Alternation of an organization with a nuclear department which emphasizes the site in consideration of the circumstances of the power station and environmental changes that occurred after the accident.</p> <ul style="list-style-type: none"> Review of present organization's capability to switch over to emergency procedures in a smooth manner (including the GM system and the multilayer system of contractors) and the thorough penetration of safety awareness Establishment of an internal regulatory organization which monitors the execution side for safety measures implementation ahead of directions from the regulatory authorities based on risk analysis results and the collective knowledge of the organization members. For the internal regulatory organization, external human resources (including those from overseas) well-versed in safety culture protocol shall also be invited. <p>AP(18): Introduction of the ICS (Incident Command System), a standardized management system used for giving commands under a disastrous situation which was adopted by the U.S. Army and the Fire Department</p> <ul style="list-style-type: none"> For an appropriate emergency response, a system whereby the responsibilities, authorities and chain of command are clearly defined shall be established during normal (non-emergency) times. The system shall be operated with a focus on the emergency operations in order to verify and foster its capability. <p>AP(19): Wipe out the financial concerns in implementing safety improvement measures by allowing a certain amount of investment according to the amount of the power generation etc. Activate the safety improvement measures implementation by finding the time to give much consideration to safety through the standardization and systemization of the maintenance operation process which controls the equipment.</p> <p>AP(20): The development of equipment diagnosis technologies in addition to the efforts for the direct operations will lead to a higher level of technical capability and safety awareness which will contribute to adequate safety improvement measure implementation.</p> <ul style="list-style-type: none"> Personnel appointment for times of emergency and at normal (non-emergency) times based on clearly defined requirements and evaluation criteria with a systematic training course and job rotation etc. for the candidates. <p>AP(21): Disclosure of communication with the regulatory authorities on our web page, etc. for enhanced transparency</p> <ul style="list-style-type: none"> Foster spokespersons through risk communication with the local areas and society by announcing risk maps and progress reports <p>AP(22): Deployment of power supply cars, fire engines and vehicle-mounted heat exchangers in addition to the installation of seawalls, flood barrier walls and watertight doors. Preparation of operation manuals and training for operating these facilities.</p> <ul style="list-style-type: none"> The IAEA review of how the measures are implemented. The implementation status of the accumulation of the defense in depth shall be announced by the spokespersons. <p>AP(23): Monitor the progress status of the reform implementation in the nuclear department and revise the reform plan as necessary. The results will be summarized and announced in a quarterly report.</p>

* Defense in depth: To ensure high reliability and certainty of safety by repeating the process of assuming a higher degree of abnormality when implementing safety measures and implementing additional countermeasures.

II: Securing the highest level of safety in the world (2) Construction of disaster prevention and business continuation frameworks, which will not collapse during a time of crisis such as the Great Earthquake

We will improve our “stable provision” capability in order to prove ourselves worthy of society’s trust by reinforcing countermeasures to handle various kinds of risks that may occur during business operations making full use of the lessons learned from the Great East Japan Earthquake,

Policies during the planning period

- Formation and implementation of the disaster prevention plan adopting the approach of a defense in depth; assuming that serious events could occur, reflecting the experience and knowledge acquired through the Great East Japan Earthquake
- Formation of the new business continuance plan and the framework arrangement based on the latest estimation of disaster other than the Great Earthquake

Concrete targets (AP = Action plan)

Improvement and implementation of the disaster prevention plan reflecting the experience and knowledge acquired through the Great East Japan Earthquake (in March 2013)

AP(24) Total summary of the challenges to achieve disaster prevention which became obvious when the Great East Japan Earthquake occurred and new knowledge and arrangement of the study and promotion framework to address the challenges

AP(25) Study and implementation of the solutions to address the challenges in preparation for the earthquake that directly strikes the Tokyo area and the Great Earthquakes along the Nankai Trough based on AP(24) above.

AP(26) Study and implementation of the measures to address the challenges in the event of a complex disaster such as a nuclear disaster and a large scale blackout or others

AP(27) Improvement of the periodic training and implementation of measures to improve the emergency response capability of persons and organizations for the smooth implementation of the disaster prevention plan

AP(28) Formation of the disaster prevention frameworks, which can maintain the recovery capability even after the introduction of the in-house company system

AP(29) Enrichment of the training in the alternative facility in Tachikawa

Formation of the new business continuance plan and the framework arrangement based on the latest estimation of disasters other than the Great Earthquake

AP(30) Review and study of the action plan for the measures for new strains of influenza (in March 2013)

AP(31) Promotion of the measures against a flood disaster (continued in fiscal 2013)

AP(32) Review and study of challenges of the business continuity plan in the case of disasters (in March 2013)

Verification of the disaster prevention plan and business continuance plan adopting versatile viewpoints from outside the company

AP(33) Set up of a meeting committee structure to verify the disaster prevention plan and business continuance plan from perspectives outside the company

Essence

AP(24): Set up “measures for the equipment and restoration study working group”, “emergency disaster framework study working group” and the “software side improvement study working group” under the existing organizations, the “comprehensive technology committee” and the “disaster prevention measures committee”, to arrange the framework for dividing the studies of various challenges and sharing the information. (completed in September 2012)

AP(25): Extraction of the challenges mentioned below and study and implementation of the countermeasures at the newly set up working groups above and the branch manager liaison conference for the measures against the earthquake that directly hits the Tokyo area, etc.

- Cooperation with suppliers or enhancement of reserve measures for resolving fuel acquisition difficulties
- Improvement of the decision method for the person in charge of direction at the absence of the general manager (completed in September 2012)
- Enhancement of the system backup functions via the decentralization of the data center (completed in May 2012)
- Check the seismic capacity of facilities based on a new estimation of the earthquake damage
- Measures to secure alternative locations in case the control base has been damaged
- Arrangement of the evacuation rules and others when a tsunami occurs based on the hazard map
- Improvement of the relocation method to the alternative location when the building of Head Office is struck
- Enhancement of the response capability when the building of a branch office is struck
- Improvement of the operations of the disaster information system
- Improvement of the automatic calling and safety confirmation system, etc.

AP(26): Study and Implementation of the following challenges:

- Additional set up of **the Second Disaster Control Headquarters Room in the Head Office** to arrange the equipment for the disaster control headquarters including the Nuclear Disaster Emergency Control Headquarters (completed in July 2012)
- Study of the measures to improve the Headquarters’ framework and operations method, etc. in case a nuclear accident and a large scale blackout occur simultaneously
- Set up a studying system via the coordination between the departments for the measures, to which the nuclear department and other departments are related, such as the planning of the support base in case of a nuclear accident or the training of personnel to conduct monitoring or screening

AP(27): Review, execution, evaluation and getting feedback for the contents of the disaster control training

AP(28): Revising the framework so as not to cause the decline of disaster prevention control capability corresponding to the organizational framework of the company system to be implemented in the future and a study of the required conditions arrangement.

AP(29): Implementation of training for relocation to an alternative location in Tachikawa utilizing a helicopter and the setting up of disaster control headquarters

AP(30): Review and study the contents of the company’s action plan for measures against new strains of influenza following the revision of the government’s action plan for measures against new strains of influenza

- Implementation of measures for the challenges recognized in the previous training or study (partial change of the framework, improvement of body temperature measurement method, improving method of counting the number of infected patients and others)

AP(31): Promotion of the damage assumption in a series based on a flood hazard map and a continuous study of the measures against a flood or a high tide of the Tone River or Arakawa River.

AP(32): Reviewing the business continuation plan regarding the protection of employees other than the personnel of the emergency disaster control headquarters and functions other than the emergency disaster control and implementing necessary measures.

AP(33): **Setting up a meeting committee structure, led by the President, including external experts** in order to make it an entity to verify the various business continuation plans including the disaster prevention framework from external view points.

We will improve the profit structure via the drastic reduction of fixed costs and variable costs utilizing every available means to survive the competition on the market after deregulation

Policies during the planning period

- Based on the rate assessment, further additional cost reduction of the scale of 100 billion yen per year to the cost reduction amount of the comprehensive special business plan (average of 10 years: 336.5 billion yen)

Concrete targets (AP = Action plan)

Arrangement of the cost reduction system and implementation of additional cost reduction

- Arrangement of the cross-department cost reduction system (starting in fiscal 2012)
 - AP (34) Set up of the "Procurement Committee" to examine the procurement dealing (in November 2012)
Appointment of an external cost cutter and implement the drastic procurement reform
- Additional cost reduction (starting in fiscal 2012)
 - AP (35) Study and implementation of additional cost reduction of scale of 100 billion yen per year
 - AP (36) Study of the cost reduction considering even the change of risk limits
 - AP (37) Advance the expansion of competitive procurement (60% or more within 5 years)

Thoroughly efficient indirect operations

- AP (38) 30% efficiency improvement of indirect operations mainly in the Head Office (by fiscal 2015)
Simultaneous study for flat organizations also

Development of cost reductions to the group companies

- AP (39) 20% or more cost reduction of subsidiaries
- AP (40) Improvement of consolidated profit accompanied by the improvement of competitiveness of subsidiaries

Essence

AP(34): **Setting up the "Procurement Committee"** consisting of members of external knowledgeable persons skilled in corporate restructuring and cost reduction.
Continuous implementation of cost reduction via a **cross-department strict examination of the procurement dealings from external view points and a thorough review of the conventional procurement structure and customs** to certainly realize and study in depth the comprehensive special business plan and additional cost reduction.

AP(35): **Study and implementation of concrete measures for further additional cost reduction of the scale of 100 billion yen per year** against the reduction target of the comprehensive special business plan (10 years average of 336.5 billion yen) through the study of cost reduction measures for the fuel, repair and depreciation expenses and others utilizing every available means based on the rate assessment.

AP(36): Study of thorough cost reductions for every expense considering even the change of equipment risk limits from the perspective of the competition that will become entrenched following deregulation.

AP(37): Implementation of further study for the expansion and acceleration of competitive procurement at the "competition expansion subcommittee".

Acceleration of companywide efforts for the advancement of the achievement of a competitive procurement ratio of "60% or more within 5 years (by fiscal 2016)", as well as a review of the procurement structure, in which the enough principle of competition does not function, by the "Procurement Committee" etc.

AP(38): **30% improvement of the efficiency of management and indirect operations** by fiscal 2015 focusing on the Head Office via a thorough review of operations and streamlining of staff functions and others.
Detailed study and implementation of the efficiency improvement methods for indirect operations via the analysis of operations in the minimum unit organizations at the "indirect operations efficiency improvement project", to which external experts will also join.
Simultaneous study for flat organizations based on the introduction of the company system.

AP(39): **20% or more cost reduction of subsidiaries, which share the functions of the electricity business**, based on the rate assessment.
Detailed study and implementation of reduction measures for each company by the "subsidiaries and associated companies' cost reduction project", to which external experts join.

AP(40): Aiming to improve the consolidated profit by expanding business activities outside of the group accompanied by the improvement of the competitiveness of the subsidiaries.

III: Financial base building to fulfill our responsibility (2) Thorough cost management by subdivided organization unit

We will establish voluntary cost reduction and profit increase mechanisms via the subdivided organization unit as far as possible

Policies during the planning period

- Introduction of management accounting to enable voluntary cost management and reduction
- Introduction of checks and balances and competition mechanisms per the rule of in-house dealing
- Thorough utilization of the fruits mentioned above for the management decision making (resource distribution and human affairs, etc.)

Concrete targets

(AP = Action plan)

Introduction of the management accounting, which enables thorough cost management via a subdivided organization unit (in April 2013)

- AP(41) Introduction and operation start of management accounting with BS/PL etc.
- AP(42) Thorough cost management by further subdivision of the cost management organization unit
- AP(43) Introduction of the "accountability unit management system"

Introduction of checks and balances and the competition mechanisms per the rule of in-house dealing (in fiscal 2013)

- AP(44) Visualization of the cost structure for the promotion of the checks and balances and the competition between the organizations
- AP(45) Clarification of the relationship between the targets of the organization and individual to improve the cost and profit increase consciousness of each employee

Thorough utilization of the fruits of management accounting for management decision making (starting in fiscal 2013 in series)

- AP(46) Maximum utilization of the management accounting values for the business management (PDCA)
- AP(47) Utilization as an external communication tool also

Essence

- AP(41): Companywide introduction of the management accounting via each company and corporate organizational unit of fuel and thermal power, transmission and distribution, and retailing.
- : The management accounting is an in-house communication tool, which **visualizes the actual status of the company** as a tool for business management and provides information for the business decision to unite the site and management.
 - : Thorough monthly management by the values coincident with financial accounting through the introduction of the BS/PL of each company and corporate and in-house dealing.
- AP(42): Subdivision of the cost management not only to the in-house company and corporate unit, but also to the unit of department and business (units of six domains of fuel and thermal power, transmission and transformation, distribution, operations, sales and corporate × power station/ service office/ etc.).
- AP(43): For the "**accountability unit management system**", a **person in charge** for each management accounting indicator by each unit of department and business **shall be clarified**.
- AP(44): Bringing **the competitive environment accompanied by the full liberalization** into perspective, **three competitive mechanisms** "outside of the company", "between companies" and "within the company" **shall be introduced** according to the in-house dealing rules and the targets of the organizations.
- **Competition with entities outside the company**: Comparison of the price of the in-house dealing and the market
 - **Checks and balances between companies**: Explanation and consensual validation for in-house business activities
 - **Sound competition within the company**: Performance visualization between the same functions in the company
- AP(45): The link of the total profit of the company and the contribution of each employee shall be visualized to reflect the action targets and improve the cost consciousness.
- AP(46): Regarding the management account as an in-house common indicator and an in-house common language, it shall be thoroughly utilized in **every organization in the company**.
- Management: Decision of business resource allocation (funds, human resources) business target setting and a tool for external explanation
 - Head of organization: Organizational management via the management accounting indicator
 - Employee: Creation of a sense of unity per the visualization of the link with the total profit of the company
- AP(47): Utilization for the enhancement of transparency and IR activities towards information publication.

We will establish a mechanism to promote an increase in sales autonomously and voluntarily enhancing the competitiveness of each business department in accordance with electric power system reform

Policies during the planning period

- Introduction of an in-house company system and thorough sales management
- Formation of management strategy and a review of the organization framework in accordance with the electric power system reform (to be implemented along with full deregulation)

Concrete targets

(AP = Action plan)

Introduction of in-house company system and thorough sales management (progressively from 2013)

- AP(48) Promotion of autonomous operation and growth of each head of business domain
- AP(49) Sound competition between companies and within the company (between the same function organizations) and thorough cost management by the subdivided organization unit
- AP(50) A shared mindset that all employees are responsible for the total profit of the company

Formation and implementation of the management and organization strategies in accordance with future business environment change (progressively from 2013)

- AP(51) Formation and implementation of the management/organization strategies towards full deregulation
- AP(52) Reconstruction of the information system

Essence

AP(48): Introduction of the in-house company system for the organizational framework, which consists of fuel procurement & thermal generation/ transmission & distribution/ retail sectors, that divides deregulated/ competition departments and the neutral network department, considering the HD company system* to be introduced in the future.

(Note) The organization framework shall be flexibly studied, based on the argument of the electric power system reform and the competitive strategies and others.

- : Under the determination of top management, the head of each business domain shall autonomously implement business operations to enhance competitiveness and promote future growth.
- : Formation of rules of aggressive job rotation and fostering human resources for management in order to conquer sectionalism.

AP(49): Promotion of sound competition by setting organizational targets, introducing the management accounting rules in the company and corporate units for in-house business activities.

- : Thorough cost management within the subdivided unit of the section/ business (units of six domains of fuel procurement & thermal generation, transmission/ transformation, distribution, current business, sales and corporate × power station/ service office/ etc.).

AP(50): Promotion of rationalization via the checks and balances between the companies based on the in-house dealing rules (Reform of the cost and profit mindset of each employee).

AP(51): Revision of the organizational framework in accordance with the differences between the competitors, customers and the revenue structures, strategic exchange of business resources between sectors, sharing of technical knowhow.

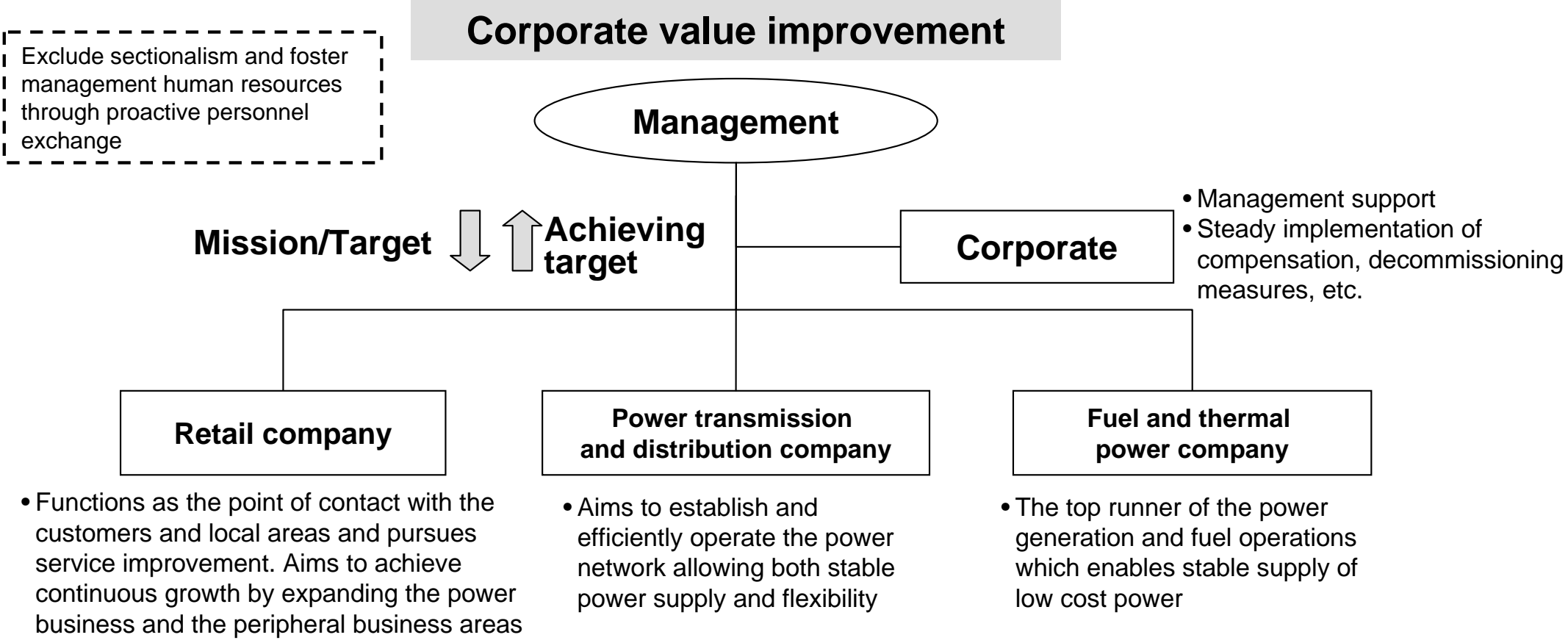
- : Promotion of the power plant development/ replacements and the cost saving of fuel procurement/ operations toward the top runner of the fuel procurement & thermal generation business.
- : Creation of new added values in the network department by deploying smart meters and others toward a “network service integrator to realize the world’s best next generation network” and the enhancement of functionality and the improvement of the efficiency of the power system control and operations, which leads to the expansion of new energy introductions.
- : Formation of the competitive strategy for each segment of the customers in the retail sector, which aims to be the “company chosen by customers”, reviewing the organizational framework in accordance with competitive strategy, clarification of the functions necessary for the future sales businesses and appropriate human resource development

AP(52): Drastic reconstruction of the information system to prepare for full deregulation (customer information (cutting off of information between sales and network sectors), supply and demand and power system operations, etc.)

* HD company system: An abbreviation of holding company system

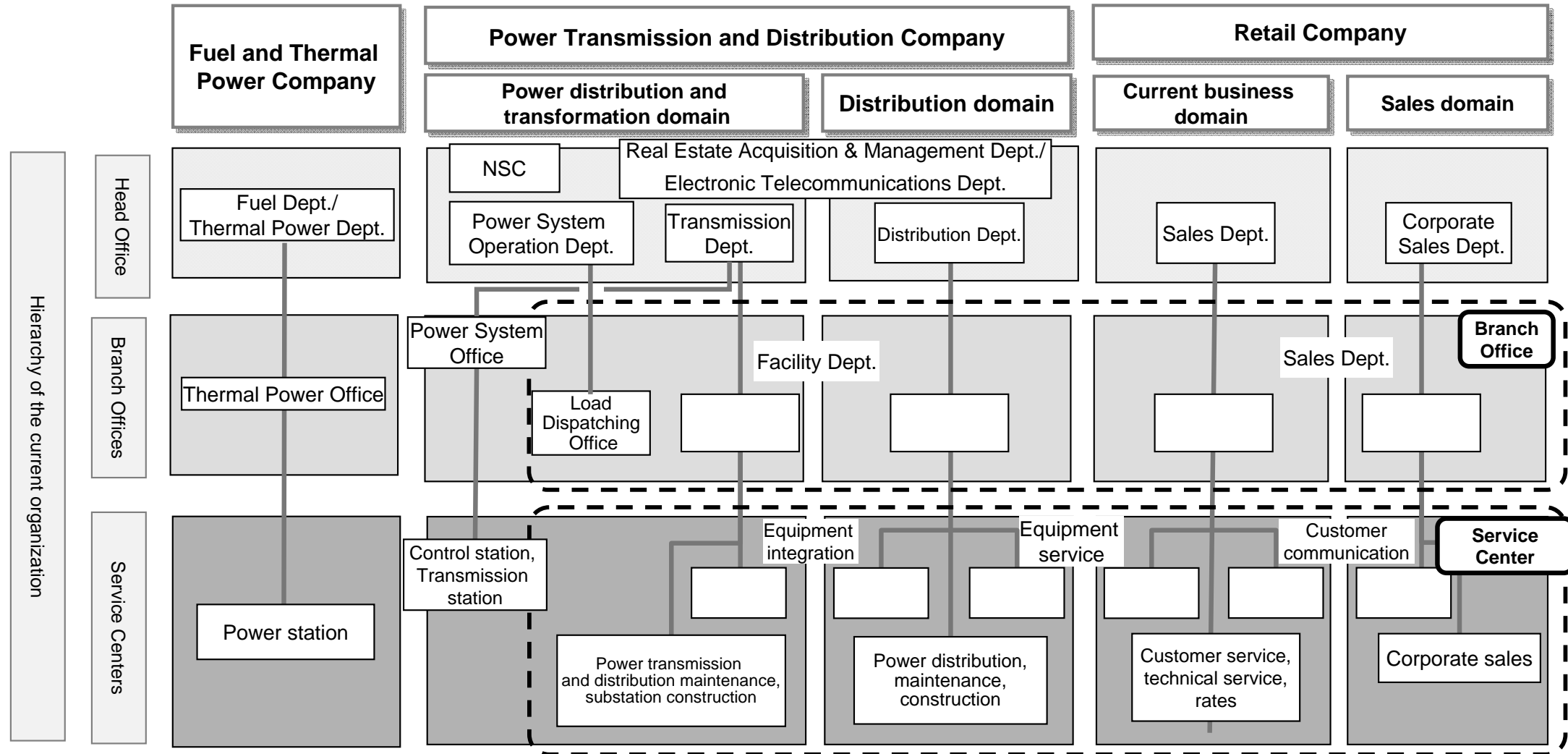
IV (1). Corporate Vision under the In-house Company System

- In accordance with power system reform, the deregulation sector (fuel, thermal power and retail) shall realize autonomous business operations to win over competitors and pursue future growth while achieving secure power supply. The neutral sector (network) shall secure further transparency and fairness in its access.
- The corporate value shall be improved by achieving both the autonomous growth of each company and the profit increase of the entire company.



IV (1). Overview of the In-house Company System at the Time of Introduction (April 2013)

- Shifting from the conventional management led by the head of the office to an autonomous business operation (governance) led by the head of each business domain.
- The responsible unit of cost management shall be subdivided from the branch office level to the service center level.



For the purpose of providing energy services chosen by customers at low cost, the base for the “top runner of power generation and fuel businesses”, “network service integrator, which realizes the world’s best next generation network” and “coping with the retail competition by segment” shall be constructed within 10 years

Policies during the planning period

- Fuel and thermal power company: Provision of low cost and stable electric power to customers and maximization of the profit and the company value via cost reductions and sales expansion
- Electric power transmission and distribution company: Realization of improvements to the neutrality and fairness of the usage of networks, and formation of a highly convenient network usage environment (introduction of smart meters etc.)
- Retail company: Formation of a strategy per segment and the establishment of a framework for the enhancement of sales strength by moving into new businesses

Concrete targets

(AP = Action plan)

Fuel and thermal power company

- AP(53) Drastic cost reduction of fuel expenses and fixed costs (starting in 2012)
- AP(54) Replacement of low-efficiency thermal power plants to coal-fired or high-efficiency LNG-fired thermal power plants (starting in 2012)
Reduction of fuel expenses focusing on LNG (starting in 2012)
- AP(55) Study and implementation of investing into overseas projects and fuel businesses (starting in 2013)

Electric power transmission and distribution company

- AP(56) Wheeling rate shall be the top-class level in business (Power system credibility also maintains the top-class level in business.) (starting in 2012)
- AP(57) Formation of various kinds of measures (promotion of the introduction of smart meters etc.) to increase profits (in 2013)

Retail company

- AP(58) Reconstruction of the solution proposal and formation of an action plan to realize the demand acquisition of 200 billion yen per year and the acquisition of sales profits through peripheral businesses of 100 billion yen per year after 10 years (in 2013)
- AP(59) New power supply procurement by bidding for IPP (in 2013)

Overseas projects

- AP(60) Arrangement of a system to achieve a sales amount of two billion yen through overseas consulting businesses by 2020 (no later than 2014)
- AP(61) Establishment of our company's fundraising and contributory scheme targeting three times the profit increase of the IPP investment business and the enhancement of the system with the alliance partners (no later than 2014)

Essence

- AP(53): **Study and implementation of all cost reduction measures** without being biased by conventional ideas.
 - : Maximizing operations of low-cost LNG-fired and coal-fired thermal power plants (shortening of periodic inspection outages and advancement of start-up power plants under construction).
 - : Procurement of fuel at competitive prices, and a reduction in equipment repair and maintenance costs.
- AP(54): Drastic improvement of the ratio of coal-fired thermal power generation and an achievement of a 10% improvement of the average thermal efficiency of LNG-fired thermal power plants through **a steady promotion of the development of cost competitive power plants by winning a competitive bid for IPP.**
 - : For the development of power supplies, **external capital shall be introduced through the formation of alliances with domestic and overseas energy industries, taking into account the medium and long term growth of the company.**
 - : Formulation of an action plan for **the drastic expansion of the usage of “lean LNG”** such as North American shale gas, up to around half of the procurement amount (up to 10 million tons per year)
 - : Study and implementation of further efficient operations through **the enhancement of a joint operation scheme of the fuel facilities** (such as LNG receiving terminals).
- AP(55): Involvement in the overseas power generation businesses through cooperation with domestic and overseas business partners.
 - : **Enhancing involvement in the fuel supply chain businesses via the package of investment and fuel procurement.**

- AP(56): For areas also where the strict safest policy has been adopted up until now, the possibility of a cost reduction shall be looked into in such a way so as not to damage the stable power supply or the safety to study more in-depth cost reduction measures.
 - : **Thorough risk control shall be performed in order to avoid the occurrence of a large scale blackout or a public disaster due to cost reductions.**
- AP(57): The introduction schedule of smart meters (starting in 2014, 5 million sets within 2 years and 14 million sets within 5 years) shall be advanced in line with the requests. Also, related knowhow and technologies in the company shall be combined.
 - : **Implementation of “procurement reforms” opened in and out** and without being biased by family companies or infrastructures of its own.

- AP(58): Formation of an action plan for growth utilizing **a solution model per customer segment.**
 - : Formation of an action plan for the promotion of a demand response (in 2012).
 - : Promotion of service improvements, diversification of the rate menu and the optimum proposal for energy through jobs, which has customer contacts.
 - : **Establishment of the businesses of added value services** with the group companies and the alliance partner companies.
 - : **Promotion of new smart meter businesses** (system development and industrialization (in 2013), start of the service (in 2014))
- AP(59): **All thermal power supplies newly procured shall be prepared through bidding.** For the purpose of the revival of competitiveness via the procurement of power supplies, **a plan to hold a 10 million kW-scale bid invitation** corresponding to the replacement of aged thermal power generators in addition to 2.6 million kW, of which bidding was already released, shall be formed. The proposal of **an optional rate based on the allocation of green power supplies.**

- AP(60): Establishing a system to realize exports of electric power systems utilizing our company's knowledge and knowhow of the overseas consulting businesses in cooperation with manufacturers and financial facilities
- AP(61): Arrangement and enhancement of the system for the expansion of medium and long term IPP investments, making the profit base more solid and strengthening the creditworthiness via the promotion of project developments through existing business corporations such as Eurus Energy or EGCO, Thailand.

Establishment of an appropriate and strict management system to accelerate the reforms of I to III

Policies during the planning period

- Personnel management system: Thorough merit system, and creation of talented persons as leaders, who carry out reforms and realize growth in an unpredictable changing business environment
- Management accounting: Establishment of a voluntary cost reduction mechanism per organizational units subdivided as far as possible
- Target setting: Clarification of responsibilities and thorough business management through target setting within the responsible entity
- Publication strategy: Recovery of social credibility through the thorough enhancement of transparency and public information and practice of the publication "Getting Our Message Across" (Improvement of the reliability evaluation of an opinion poll)

Concrete targets (AP = Action plan)

Personnel management system reform

AP(62) Thorough merit system and creation of "reform leading talented persons"

AP(63) Enhancement of middle management at site

Management accounting

AP(64) Introduction of "accountability unit management system"

AP(65) Introduction of the check and balance mechanism via in-house business activities

AP(66) Thorough utilization of the fruits of the management accounting for management decision making

Target setting

AP(67) Target setting of the improvement of the balance of payment and the enhancement of the foundation for growth, etc. for each company and each responsible entity

AP(68) Detailed business management (PDCA)

Publication reform

AP(69) Enhancement of transparency, disclosure of information and enrichment and enhancement of risk communication and risk management

AP(70) Publication putting top management forward and enhancement of the top management support system

AP(71) Set up the Fukushima Corporate Communications Department (provisional name) at the Fukushima Revitalization Headquarters

Essence

AP(62): Implementing **a review of the treatment system** (broad banding for the personnel grading and expansion of the annual salary system, etc.) and **a review of the evaluation system aiming to demolish seniority and replace it with a merit system** (introduction of additional points for improvements/reforms and an evaluation assessment, etc.), through operational improvements and reforms, realize the selection and appointment of human resources which rewards employees for their efforts in tune with the new age.

: Careful and detailed fostering of human resources including at the site level to encourage them to play an active part via **the review of human resources development** (introduction of the development record, establishment of the development system for top management candidates, etc.), **creation of human resources, who lead reforms** at each level of the site and through the selection of top management candidates and providing systematic training and exceptional promotion opportunities.

AP(63): **The creation of a team leader position**, will strengthen middle management particularly at the site level and will promote operational efficiency improvements and enhance the handing over of the technologies and skills at the site level.

AP(64): **Establishment of voluntary cost management and reduction mechanism via thorough cost management by the subdivided organization**, clarifying the responsible persons in the units of the sectors and business.

AP(65): Strengthen employees' mindsets to be focused on cost and sales increases via the introduction of **three competition mechanisms** by establishing in-house business activities.

AP(66): **Visualization of actual company status** as a tool for the management controls to provide information for management decisions. It shall be used for management resources distribution, decision of personnel allocation and the setting of management targets.

AP(67): **Setting up a target and KPI based on the mission of each company, along with the management accounting indicator. Development on the front lines as well.** Creation of a sense of organizational unity and the clarification of the responsibilities by visualizing the link of targets and actions.

AP(68): Implementation of PDCA through **the short interval management of the target achievement status of each organization** along with the monthly management of the management accounting.

AP(69): Swift and exact transmission of the potential risks and trouble of nuclear facilities etc., and the enhancement of a publication system and training in the event of an emergency to fulfill our obligations to society as the party involved in the accident.

AP(70): Publication support by top management appointing **an outside talented person or spokeswoman**.

: **Thorough publication to actively assuage people's concerns and expectations** through proactive transmission and visualization of safety measures, in-house nuclear power reforms and others, posture to weigh heavily on Fukushima and efforts for conscious/ action reforms, etc.

AP(71): Setting up the Fukushima Corporate Communications Department (provisional name) at the Fukushima Revitalization Headquarters to **transmit swift and accurate information to the local area and enhance dialogue with the local population**.