

# **New Comprehensive Special Business Plan**

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15 January 2014

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# 1. The Aim of Drafting the New Plan

## (1) The Existing Comprehensive Special Business Plan

- The **Comprehensive Special Business Plan** (CSBP) was drafted in April 2012 as a "collection" of initiatives, **aimed primarily at financing measures for TEPCO**, that included: (1) National Government support; (2) management streamlining in TEPCO; and (3) cooperation with concerned parties.
- In the CSBP, it was not possible to fully anticipate the extent of the damage or to clearly identify the pathways to revitalization, **nor were there sufficient investigations from the perspective of the extent of the burden placed on entities such as TEPCO**.

### Main content presented in the CSBP (April 2012)

#### (1) National Government/Fund

- Investment of 1 trillion yen by the Fund
- 5 trillion yen in government bonds
- Approval for increases of 8.46% (regulated field)

#### (2) TEPCO

- 3.4 trillion yen rationalization over 10 years
- 750 billion yen in asset sales
- Governance reforms

#### (3) Financial institutions/shareholders

- 1 trillion yen in new credit
- 77 lines of ongoing refinancing
- Dilution of voting rights (1/2)

#### Management accountability

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

# 1. The Aim of Drafting the New Plan

## (2) Changes in the Business Environment Since the Plan Was Drafted

- **The management environment predicated on the CSBP has changed significantly in the course of the 18 months since the plan was drafted, as summarized below, such that a thoroughgoing revision of the CSBP became inevitable.**

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

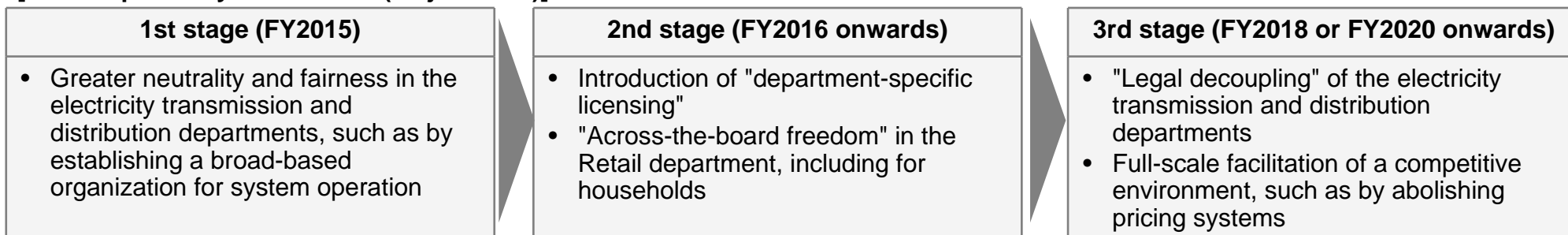
Compensation	<b>The possibility that compensation may exceed the current level of government bonds (5 trillion yen)</b>
Decontamination	The calculated expectation that <b>decontamination costs will be 2.5 trillion yen, and intermediate storage facility costs will reach 1.1 trillion yen</b>
Decommissioning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

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

**Due to future reforms to the power system**, there will be pressure to implement the following measures:

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

#### [Flow of power system reform (major items)]



# 1. The Aim of Drafting the New Plan

## (3) Clarification of the Separation of the Roles of the National Government and TEPCO

- TEPCO is **faced with an enormous financial burden** that it cannot handle as a single company, and because the future outlook is still unclear, **some issues are becoming evident, including problems such as the weakening of the company through the departure of key personnel, etc. and exhaustion at the site of the accident.**
- Given these circumstances, **a cabinet decision was made that clarified the separation of the roles of the National Government and TEPCO** based on a policy of "accelerating the Fukushima reconstruction, spearheaded by the Government" while at the same time "demanding more broad-ranging reforms in TEPCO".

### [Extract of TEPCO-related items from the cabinet decision (20 December 2013) (1)]

#### Meticulous accident resolution (decommissioning and contaminated water countermeasures)

The resolution of the accident at the Fukushima Daiichi nuclear power station is a major prerequisite for reconstruction in Fukushima. The responsibility for contaminated water countermeasures in particular should not be left solely to TEPCO. The National Government will take the lead in implementing the required measures.

#### **(1) Coordination and implementation of preventative, multilayered contaminated water countermeasures**

- Where there is a high level of technical difficulty and the National Government must take the lead, it will implement measures **using the supplementary budget for FY2013.**

#### **(2) Initiatives by the National Government and TEPCO**

##### **i) Government initiatives**

- Integration of the Council for the Decommissioning of TEPCO's Fukushima Daiichi Nuclear Power Station into the Inter-Ministerial Council for Contaminated Water and Decommissioning Issues
- To ensure positive progress in decommissioning policy and planning, the gathering of domestic and overseas experts and the construction of new support systems for technical issues

##### **ii) Initiatives by TEPCO**

- To ensure that it can fulfill its responsibility as the primary workforce, **the allocation of a total of 1 trillion yen over the next 10 years** in addition to the approximately 1 trillion yen already set aside
- With respect to measures for dealing with decommissioning and contaminated water countermeasures, steps such as **internal corporate subdivision** and **the establishment of a chief executive** for the measures

# 1. The Aim of Drafting the New Plan

## (3) Clarification of the Separation of the Roles of the National Government and TEPCO

[Extract of TEPCO-related items from the cabinet decision (20 December 2013) (2)]

### Clarifying the separation of the roles of the National Government and TEPCO

-- Specific responses relating to compensation, decontamination and intermediate storage facility costs --

The role of the National Government and TEPCO is to organize programs based on the policies shown below that will accelerate the business of decontamination and intermediate storage facilities while minimizing as far as possible the burden on the public purse, and at the same time provide a stable supply of power and rebuild Fukushima.

#### (1) Basic framework

- Providing individuals and businesses affected by the disaster with timely and appropriate **compensation on an ongoing basis, under the responsibility of TEPCO.**
- **The costs of already completed or currently planned decontamination and intermediate storage facility provision** will be **claimed from TEPCO** by the Ministry of the Environment, etc. after the work is carried out.
- To support the granting and redemption of government bonds to the Nuclear Damage Liability Facilitation Fund (hereafter referred to as "the Fund") for the financing required by TEPCO, **the limit on government bonds issued to the Fund will be raised** in the budget for FY2014.

#### (2) The new obligations on the National Government and TEPCO

- The **decontamination costs will be recovered by selling off TEPCO shares** owned by the Fund **in the medium- and long-term and then paying the equivalent portion of the profits into the national treasury.**
- Any surplus profit will be used to recover the costs of intermediate storage facilities. If the profits are not sufficient, ways of facilitating the reimbursement of the costs will be investigated so that there is no disruption to the stable supply of power.
- The costs of intermediate storage facilities will be paid back to the Fund under Article 68 of the Nuclear Damage Liability Facility Fund Law over the business period (30 years or less).

#### (3) Programs by TEPCO, etc.

- Following discussions with the Government, the Fund will periodically inspect the progress of the reforms at TEPCO and, based on the results of those inspections, will conduct further investigations into the sale and voting rights of shares owned by the Fund.



# 1. The Aim of Drafting the New Plan

## (4) The Framework of the New Comprehensive Special Business Plan

- Given such major changes in the business environment and in light of current Government decisions regarding the separation of roles from the National Government, the CSBP was completely revised and the New Comprehensive Special Business Plan (New CSBP) was drafted.
- The New CSBP is positioned as a **"TEPCO rebirth plan" centered around a raft of measures designed to increase the speed of revitalization.**
- TEPCO will work towards achieving **both "accountability" and "competitiveness"** while reforming towards a **"new electric utility model"**.

### 1) Collective measures designed to accelerate revitalization

#### National Government/Fund

- A stronger role in decommissioning and the construction of technical support systems
- 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 accountability and competitiveness

# 1. The Aim of Drafting the New Plan

## (4) The Framework of the New Comprehensive Special Business Plan

### 2) Achieving both "responsibility and competitiveness"

#### (1) Policies

##### Management Policy towards Restoration (November 2012)

To fulfill our responsibilities from the accident and succeed in providing a stable power supply while remaining competitive and ensuring the world's highest level of safety



##### New CSBP

To proceed with concurrent, integrated measures aimed at achieving accountability and competitiveness

#### (2) Holding company system to achieve both goals

- By a target date of April 2016, TEPCO will transition to a holding company system (referred to hereafter as an "HD company system") consisting of 3 companies and a corporation (operating holding company).
- A company, provisionally called the "Decommissioning Company", will be set up in the corporation to oversee all the decommissioning departments.

### 3) Reforms towards a "new electric utility model"

Rather than returning to the previous electric utility model, TEPCO will undertake management streamlining of unprecedented rigorousness to ensure that it can respond quickly and flexibly to new business environments.

#### **[Concrete courses of action]**

<b>Fuel and heating departments</b> <b>Retail departments</b>	● <u>To actively grow a business that extends beyond the region or industry type</u> , assuring a fixed share of the entire national market
<b>Electricity transmission and distribution departments</b>	● To invest in needed infrastructure under a comprehensive cost method even after the reform of the power system, achieving sustained <u>"public accountability" in the supply of power</u>

# 1. The Aim of Drafting the New Plan

## (4) The Framework of the New Comprehensive Special Business Plan

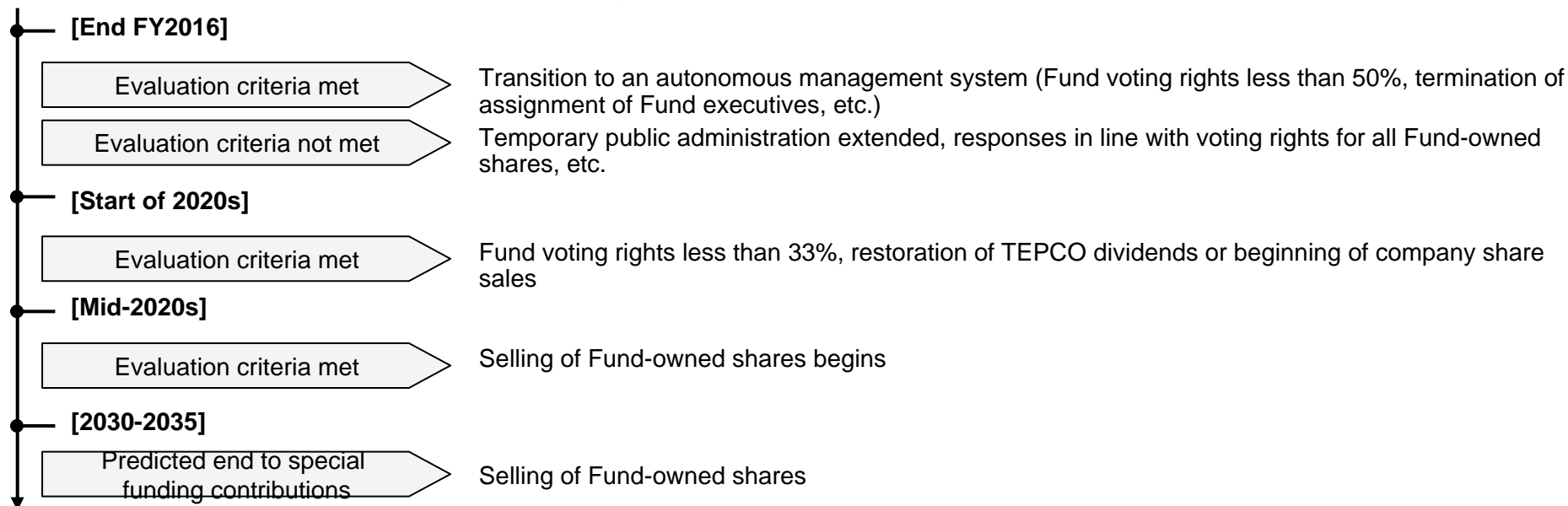
### 4) The nature of governance

#### (1) Policies

- i) In light of the Fund evaluation outcomes, to gradually transition from direct governance by the National Government or the Fund to **governance via the market**
- ii) So that market-based governance will function, **to review loan conditions and build an environment for the resumption of public offers of corporate bonds, etc.**
- iii) **To comprehensively boost diversity in the organization through measures such as recruiting outside personnel and promoting women and younger employees**

#### (2) Future "progress"

- Currently, the Fund has TEPCO under "temporary public administration", but in terms of minimizing the burden on the public purse, and to make the most of its corporate vitality, **it is preferable that TEPCO gradually transitions to an "autonomous management system"**.
- Accordingly, **the Fund will conduct a "management evaluation with regard to accountability and competitiveness" at the end of FY2016 and will publish the results of its evaluation of whether a gradual transition should proceed.** (As a general rule, the Fund will subsequently conduct a management evaluation every 3 years and publish the results.)



# 1. The Aim of Drafting the New Plan

## (5) Initiatives (Points) in the New Comprehensive Special Business Plan -- 1

### "Accountability" initiatives

- Completion of measures in the Fukushima Revitalization Headquarters
- Injection of maximum possible resources into water contamination problems and decommissioning

### "Competitiveness" initiatives

- The creation of an energy business that is a leader in the new era of competition and the establishment of a revenue base

### By the start of the 2020s

- Allocation of reserves to cut prices by up to 1 trillion yen annually
- Creation of 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

A share value in excess of 4.5 trillion yen

# 1. The Aim of Drafting the New Plan

## (5) Initiatives (Points) in the New Comprehensive Special Business Plan -- 2

### (1) Compensation for nuclear power damage

- TEPCO will **provide compensation to every last person**, irrespective of the increases in the compensation sum
- With an organization of around 10,000 people, every effort will be made to continuously ensure "prompt and highly targeted compensation"
- Respect will be given to mediation proposals from the Nuclear Damage Claim Dispute Resolution Center
- **For non-claimants**, direct mailing, telephone contact, and door-to-door visits have been supplemented in FY2013 by **calls put out through mass media advertising**

### (2) Efforts towards Fukushima revitalization

- Continuation of the "100,000-Person Dispatch Project" (in particular, **cooperation in supporting the resumption of agriculture, fisheries, commerce and industry as well as the provision of an everyday living environment**, etc.)
- **The appointment of some 500 full-time administrative staff to Fukushima** as part of efforts focused on growing an industrial base and generating employment, and achieving faster coordination with the National and local governments
- Fukushima Revitalization Headquarters **transferred from J Village to the evacuation zone**
- Working with the National Government to bring the "global center for advanced decommissioning technology concept" to fruition
- **Promotion of the construction of the world's most advanced high-efficiency coal-fired power plant**

# 1. The Aim of Drafting the New Plan

## (5) Initiatives (Points) in the New Comprehensive Special Business Plan -- 3

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### (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
- Devising an additional support framework in excess of 1 trillion yen through rationalization, etc.
- Augmenting the multi-nuclide removal equipment (ALPS) to clean up totally contaminated water (RO concentrated salt water) during FY2014 (excluding tritium)
- Decommissioning of Units 5 and 6 in the Fukushima Daiichi nuclear power station and their utilization in mock-up testing
- Establishment of the "Decommissioning Company" (provisional name) and the active use of both internal and external personnel with specialist expertise
- In conjunction with the National Government, promotion of the preparation of an international platform for research and development relating to decommissioning and nuclear power safety
- Programs to eliminate complacency and overconfidence in the existing safety culture and countermeasures, and an unwavering determination to reform safety in the nuclear power departments

### (4) Policies to rationalize management

- Accumulation of 1.4 trillion yen under the CSBP and reduction in the accumulated total of 4.8 trillion yen in costs over 10 years ⇒ Return to public bond offerings on the market during FY2016
- Due to problems such as the continued high levels in the loss of competent staff, there is now an urgent need for measures to deal with the degradation of staffing levels. Accordingly, the following measures will be implemented to rejuvenate the employee base and to ensure that the staff needed to respond to the accident are retained:
  - ✓ Voluntary retirement of around 1,000 staff, targeting employees aged 50 or more (roughly 2,000 employees in the group as a whole)
  - ✓ Mandatory retirement and full-time employment in Fukushima, targeting veteran management staff (approximately 500 employees)
  - ✓ The annual salaries of employees engaged in decommissioning or compensation work in Fukushima to be reviewed with the aim of cutting the level by 7% by July 2014
  - ✓ Introduction of a system to reflect the partial treatment of excessive accomplishments by cost reduction programs

# 1. The Aim of Drafting the New Plan

## (5) Initiatives (Points) in the New Comprehensive Special Business Plan -- 4

### (5) Directions in business administration under the HD company system

<b>Holding company</b>	<ul style="list-style-type: none"><li>● Holds the nuclear power business and group headquarters functions, including decommissioning and the Fukushima Revitalization Headquarters</li><li>● Manages the entire group and is also responsible for compensation, decommissioning and Fukushima Revitalization</li></ul>
<b>Fuel &amp; Power Company</b>	<ul style="list-style-type: none"><li>● Develop comprehensive business collaboration with alliance partner (s) (target FY2014)</li><li>● Introduce 10 million tons of lean spec LNG, increase LNG procurement volume (35-40 million tons), early replacement (of out dated 10 million kW)</li><li>● Achieve cost reductions of 650 billion yen per annum in the long term by way of reducing fuel and power generating cost</li></ul>
<b>Power Grid Company</b>	<ul style="list-style-type: none"><li>● Investment of at least 300 billion yen over 3 years (relative to CSBP) and reductions of at least 150 billion yen in infrastructure-related costs (relative to CSBP)</li><li>● Promotion of the expansion of operations beyond the TEPCO area</li><li>● Installation of 27 million smart meters throughout the entire TEPCO area by FY2020</li></ul>
<b>Customer Service Company</b>	<ul style="list-style-type: none"><li>● Expanded gas sales (at least 1 million tons after 10 years) and expansion of the business area beyond Kanto and its surrounding area, using products such as the "Electricity Housekeeping Book" (10 million members after 3 years) (10 billion kWh after 10 years)</li><li>● Open and fair power supply purchasing (base power supply approx. 2 million kW; replacement power sources 10 million kW)</li><li>● After 10 years, sales expanded to 400 billion yen from heat source conversion, 200 billion yen from the gas business and its peripherals, and 170 billion yen from electricity sales throughout Japan</li></ul>

## **2. Acceleration of Fukushima Revitalization**

- (1) Overall national guidelines for Fukushima revitalization
- (2) TEPCO initiatives for Fukushima revitalization



## 2. Acceleration of Fukushima Revitalization

### (1) Overall national guidelines for Fukushima revitalization

- Cabinet decisions set out the overall policy for "accelerating the recovery of Fukushima from the nuclear power disaster, spearheaded by the Government" and for dealing with problems such as decommissioning and contaminated water countermeasures, livelihood rehabilitation and decontamination.
- This is the overarching policy for the efforts by TEPCO towards Fukushima revitalization in collaboration with relevant bodies, such as the national and local governments.

#### [Extract of National Government policy from the cabinet decision (20 December 2013) (1)]

##### 1) Expanded measures aimed at lifting evacuation orders and enabling residents to return

<b>(1) More concrete safety and security measures</b>	<ul style="list-style-type: none"><li>● Devising comprehensive, multilayered prevention/protection measures to support autonomous activities by residents</li><li>● Devising more finely tuned measures to minimize radiation exposure and health concerns and, as a long-term goal, working towards keeping additional individual radiation exposure to no more than 1 millisievert/year</li></ul>
<b>(2) Necessary and sufficient compensation</b>	<ul style="list-style-type: none"><li>● Formulation of new directives by the Dispute Reconciliation Committee for Nuclear Damage Compensation, adding "Compensation for repairing or rebuilding homes", "Compensation for psychological distress" and "Compensation for early returnees"</li></ul>
<b>(3) Broad-ranging support for returnees</b>	<ul style="list-style-type: none"><li>● Establishment of new "Fukushima reconstruction acceleration grants" to drive faster reconstruction in Fukushima</li></ul>
<b>(4) Further measures to speed up decontamination</b>	<ul style="list-style-type: none"><li>● In response to calls from residents, measures will be drafted to speed up and facilitate decontamination</li><li>● Further programs to follow the existing planned decontamination to be implemented from the standpoint of a public utility</li><li>● Gain local people's understanding to identify locations for infrastructure such as intermediate storage facilities so that construction can begin as early as possible</li></ul>
<b>(5) Presentation of procedures for lifting evacuation orders</b>	<ul style="list-style-type: none"><li>● Provision of systems for ascertaining individual contamination doses and providing consultations with specialists and supplying accommodation in preparation for return, followed by the lifting of evacuation orders in consultation with the local people</li><li>● After the lifting of the orders, more full-scale implementation of measures aimed at revitalization and ongoing programs to deal with health concerns, etc.</li></ul>

## 2. Acceleration of Fukushima Revitalization

### (1) Overall national guidelines for Fukushima revitalization

### (2) TEPCO initiatives for Fukushima revitalization

[Extract of National Government policy from the cabinet decision (20 December 2013) (2)]

#### 2) Completion of initiatives aimed at starting new lives

<b>(1) Necessary and sufficient compensation for starting a new life</b>	<ul style="list-style-type: none"> <li>● Formulation of new directives by the Dispute Reconciliation Committee for Nuclear Damage Compensation, adding "Compensation for guaranteeing housing" and "Compensation for psychological distress"</li> </ul>
<b>(2) Provision of platforms for revitalization</b>	<ul style="list-style-type: none"> <li>● Ensuring domestic bases outside towns for residents for whom the return from evacuation extends over a long period</li> <li>● Provision of revitalization bases within towns using Fukushima reconstruction acceleration grants</li> </ul>
<b>(3) Studies into how to deal with zones where residents cannot return for a long time</b>	<ul style="list-style-type: none"> <li>● Joint investigations with local bodies into the future handling of such areas, including community development and decontamination, taking into account factors such as future commercial visions and the shape revitalization will take, as well as the intentions of residents to return and the likely levels of radioactivity in the future.</li> </ul>

#### TEPCO initiatives for Fukushima revitalization

- Fulfilling our responsibilities in close collaboration with local people and contributing to the region, primarily through the Fukushima Revitalization Headquarters
- As the main party responsible for the accident, directing all the resources of the entire company to continuing to fulfill our obligations with regard to decommissioning and compensation payouts.
- In light of the cabinet decisions above, working in concert with government programs to make our own contribution to accelerating the pace of reconstruction in Fukushima
- Initiatives taking as their priority areas "providing an everyday living environment conducive to the early return of the residents" and "creating an industrial base and employment opportunities"

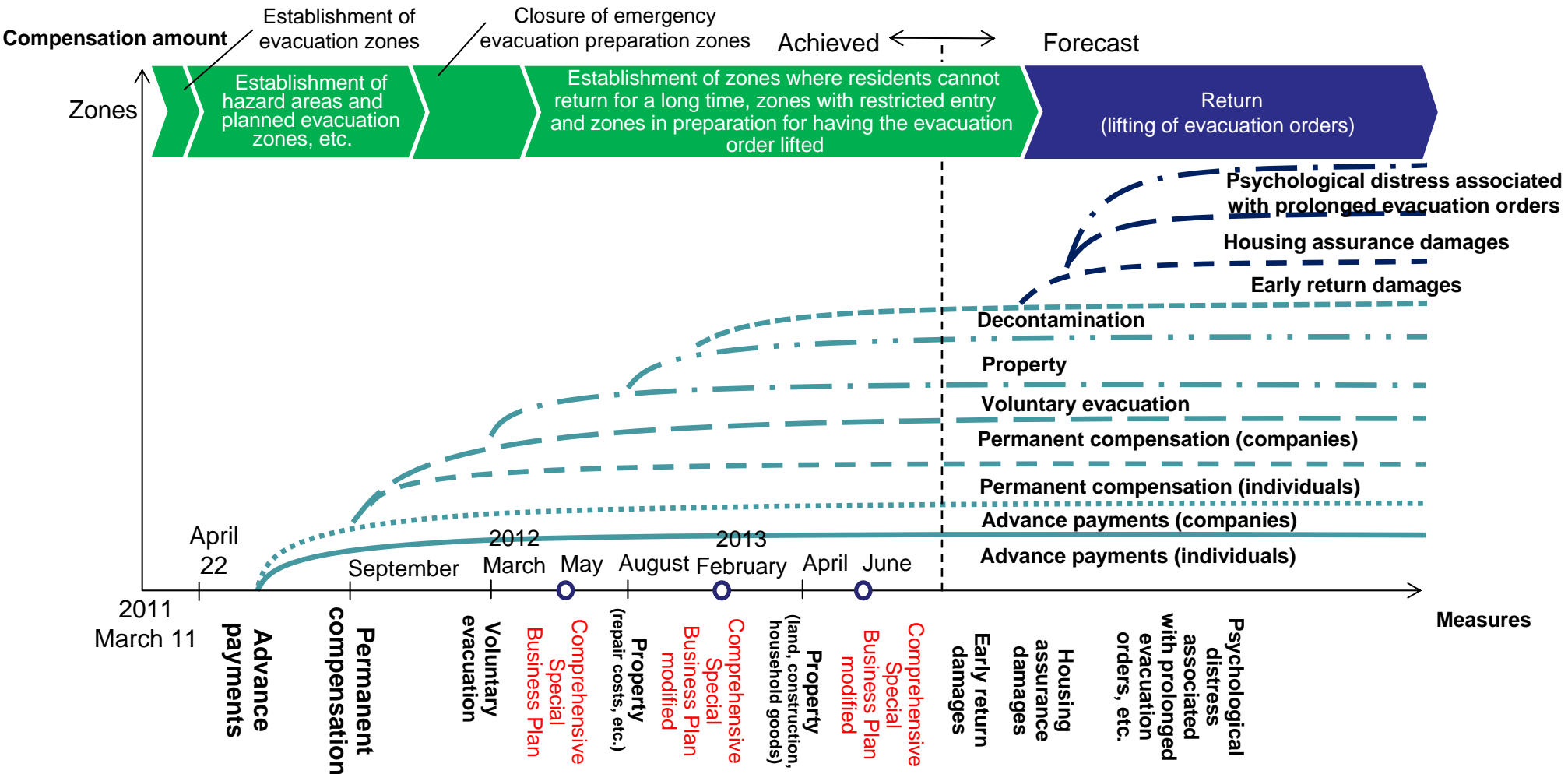
### 3. Compensation for nuclear power damage

- (1) Status of nuclear power damage
- (2) Forecast for required compensation
- (3) Policy to ensure prompt and appropriate implementation of compensation payouts ("three pledges")
- (4) Intensification of initiatives for Fukushima Revitalization
  - <1> Provision of a living environment for early returnees
  - <2> Creating an industrial base and employment opportunities
  - <3> Enhanced Fukushima Revitalization Headquarters functions

# 3. Compensation for nuclear power damage

## (1) Status of nuclear power damage

- Until now, TEPCO has taken steps such as reviewing its systems development and compensation guidelines in response to the supplements to the interim guidelines set out by the Dispute Reconciliation Committee.
- Now, further compensation items will be added in line with the drafting of the 4th supplement to the interim guidelines (December 2013)



### 3. Compensation for nuclear power damage

#### (2) Forecast for required compensation

- The 4th supplement to the interim guidelines outlined guidelines for compensation for housing guarantees and for psychological stress associated with prolonged evacuation orders, requiring new measures aimed at providing prompt and appropriate compensation.
- In light of this, the compensation amount was re-estimated and the forecast for the amount required was increased to 4,908.8 billion yen.

#### [Increase to the forecast amount required for compensation]

Special Business Plan  
(drafted 25/6/2013)

**3,909.3 billion yen**

#### Review of premises given the changed circumstances

##### (1) Enhanced property compensation

- Loss or depreciation of valuables relating to farming land, etc.

##### (2) Enhanced compensation following the drafting of the 4th supplement to the interim guidelines

- Housing assurance damage
- The unavoidable severe psychological distress suffered by people with long-term attachments to their homes who have no prospect of returning to the area for a long period and give up their lives there
- Psychological distress for a "corresponding period" after the lifting of evacuation orders

##### (3) Other

- Increases in the actual total amount associated with indirect damage and the extension of the estimated period for harmful rumors, etc.

**+ 999.5 billion yen**

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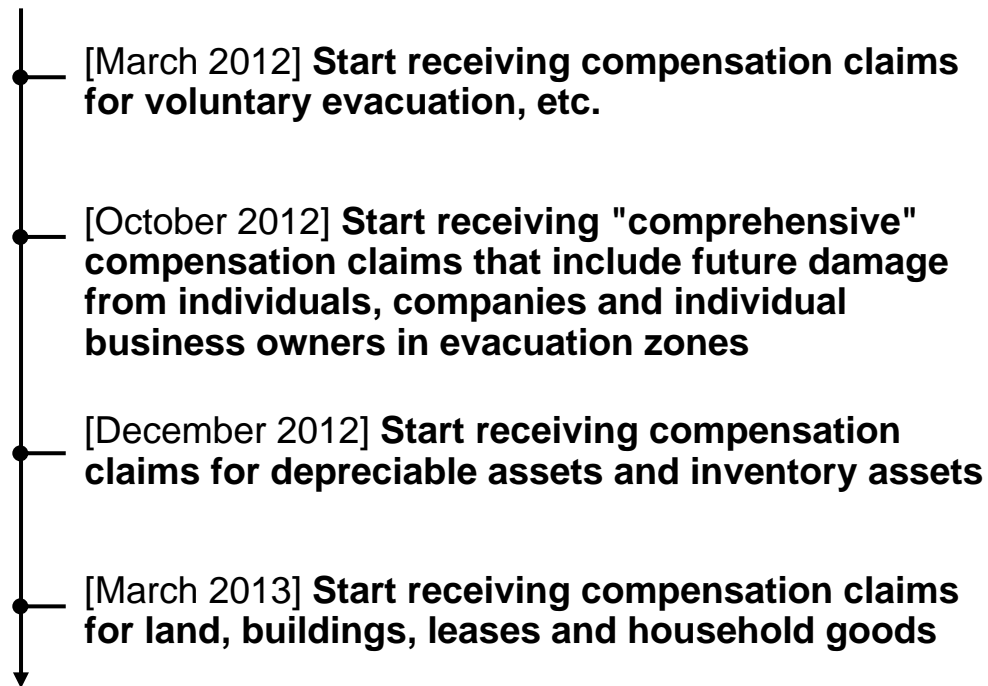
**4,908.8 billion yen**

### 3. Compensation for nuclear power damage

#### (3) Policy to ensure prompt and appropriate implementation of compensation payouts ("three pledges")

- In accordance with the "five promises", TEPCO will actively accelerate its "sincere and respectful compensation" by taking steps such as making the application process less onerous, speeding up the payment and dispute resolution procedures, and responding in ways that take the circumstances of the victims into consideration.

#### [Main initiatives since TEPCO started accepting permanent compensation claims]



#### [Results up to the end of November 2013]

- No. of claims received (total): Approx. 2,040,000 (Individuals: 520,000, companies/individual business owners, etc.: 220,000, Voluntary evacuation: 1,300,000)
- Proportion of permanent compensation claims received from people given advance compensation payments: 96%
- Total amount of advance compensation payments and permanent compensation paid: 3,168.7 billion yen
- No. days checking required documents: Individuals: Average 15 days; companies: Average 13 days

### 3. Compensation for nuclear power damage

#### (3) Policy to ensure prompt and appropriate implementation of compensation payouts

("three pledges")

- As a first step towards the speedy livelihood rehabilitation for accident victims, TEPCO now makes the "three pledges" below, which encompass its current "5 promises" and further clarify its intentions, and will commit the entire company to implementing each of the measures, over and above the measures taken thus far.

<b>i) Compensation made to every last person</b>	<ul style="list-style-type: none"><li>● Given the intention of the special law suspending the statute of limitations, TEPCO will stand by the victims and provide compensation until every last person is able to begin a new life</li></ul>
<b>ii) Thoroughly prompt and highly targeted compensation</b>	<ul style="list-style-type: none"><li>● TEPCO will review the working of troublesome items in the claims procedure to further speed up the early payment of compensation (on-site appraisal for property compensation, etc.)</li><li>● Collaboration with the Fund to actively provide information on the progress of compensation and future prospects to victims and local governments, etc. (refer to livelihood rehabilitation and business restart studies)</li><li>● Making door-to-door visits to actively assist with preparing claims and presenting vouchers</li></ul>
<b>iii) Due respect for mediation proposals</b>	<ul style="list-style-type: none"><li>● In line with the approach taken in the guidelines of the Dispute Reconciliation Committee, TEPCO will afford all due respect to mediation proposals presented by the Nuclear Damage Claim Dispute Resolution Center, which is the agency that implements mediation procedures under the auspices of the Dispute Reconciliation Committee. TEPCO will also work to further speed up procedures</li></ul>
<b>Other</b>	<ul style="list-style-type: none"><li>● For those who return to their homes soon after the evacuation order is lifted, additional compensation will be provided for the inconveniences faced in everyday life</li><li>● Clarification of the compensation criteria for additional costs relating to restarting businesses after evacuees return home</li><li>● Integrated programs with the National Government to ensure safe drinking water (for those using water supplies in which cesium is detected, compensation for the costs of digging wells and installing filters, etc.)</li><li>● Speedy investigation and drafting of compensation criteria for the costs of decontamination work carried out prior to the enactment of the Act on Special Measures concerning the Handling of Radioactive Pollution</li></ul>

### 3. Compensation for nuclear power damage

#### (4) Intensification of initiatives for Fukushima Revitalization

##### <1> Provision of a living environment for early returnees

- **Intensive introduction of human and technological resources directed towards early return**  
Provision of an environment conducive to worry-free living, free from concerns about radioactive materials
- **Cooperation in the resumption of farming, fishing, industry and commerce**  
Restoration of industries closely tied to people's lives, such as farming and commerce

**By intensively introducing human and technological resources, such as by assigning staff through the "100,000-Person Dispatch Project", and by cooperating with the National Government to speed up their decontamination program,** TEPCO will devote its full effort to pushing forward with the provision of a living environment and returning residents to their homes as quickly as possible.

- Cleaning and weeding at the houses of everyone wishing to return home and measurement of radiation levels in the house and grounds
- Measurement of personal radiation levels in accordance with the living environment and lifestyle patterns
- Study courses to gain nursing skills and knowledge
- Cooperation in weeding and monitoring in and around farm land with the aim of resuming farming as something that gives life meaning
- Sampling of seawater and seafood and publishing the survey results to dispel harmful rumors
- Cooperation in tidying up and cleaning shops and offices, and measuring radiation levels in work and business environments





# 3. Compensation for nuclear power damage

## (4) Intensification of initiatives for Fukushima Revitalization

### <2> Creating an industrial base and employment opportunities

- **Global center for advanced decommissioning technology concept**

Multiple new industrial facilities and research and development facilities that will be instrumental in decommissioning and treating radioactive waste will be brought together under the "global center for advanced decommissioning technology concept", solving problems in reactor decommissioning and, at the same time, creating new employment opportunities to take the place of nuclear power.

- **Mock-up center for robot development**

In the "Development and testing facility for remotely operated machinery and devices\*", research and development into the remote operation technology needed for each step of decommissioning will be pursued

- **Analysis center for analyzing highly radioactive materials such as fuel debris**

In the "Analysis and research facility for radioactive materials\*", technology will be developed to ascertain the properties of materials such as fuel debris and to treat and dispose of radioactive waste

- **Recycling center**

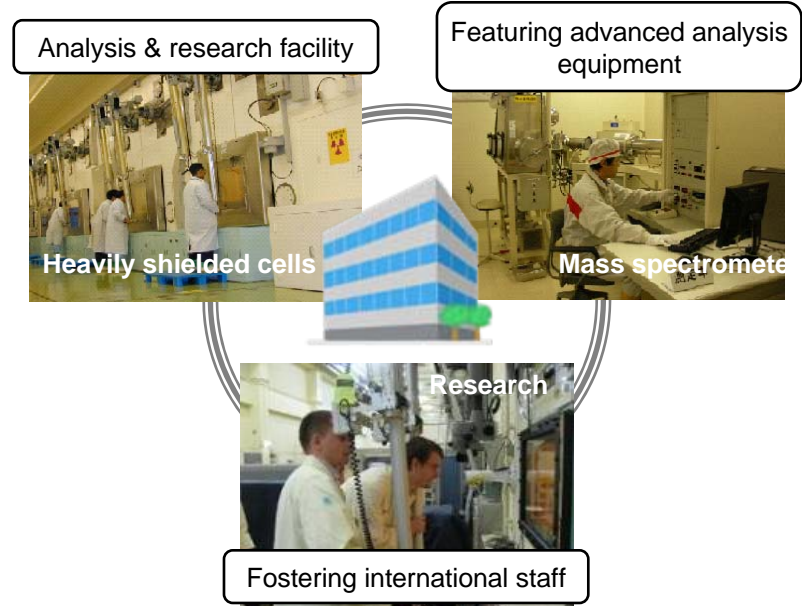
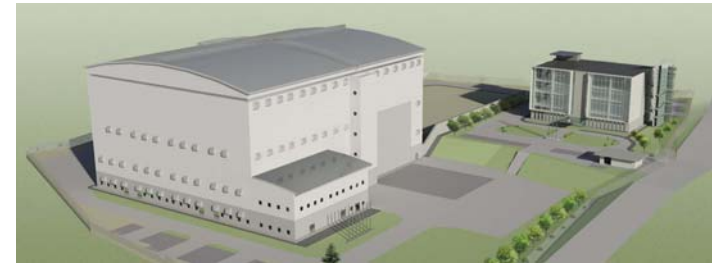
This will be a complex facility to foster the recycling of the waste metals and concrete generated by processes such as decommissioning, residents' return and the resumption of businesses

- **Satellite centers such as international conference venues and back offices for peripheral facilities**

- **Fukushima decommissioning technology center (provisional name)**

A research facility will be established with the aim of enhancing the front-line support functions for the site

\* Established by the Japan Atomic Energy Agency (JAEA)



### 3. Compensation for nuclear power damage

#### (4) Intensification of initiatives for Fukushima Revitalization

##### <2> Creating an industrial base and employment opportunities

- **Creating industry and employment through the construction of the world's most advanced high-efficiency coal-fired power plant**

In Fukushima, the large-scale IGCC\* facility, employing Japanese clean coal technology, leads the world in proving the technology and attracts global acclaim as a source of clean coal technology and as a symbol of Fukushima's revitalization

- **Generating employment through ongoing infrastructure repairs to small and medium-sized aging hydroelectric power stations**

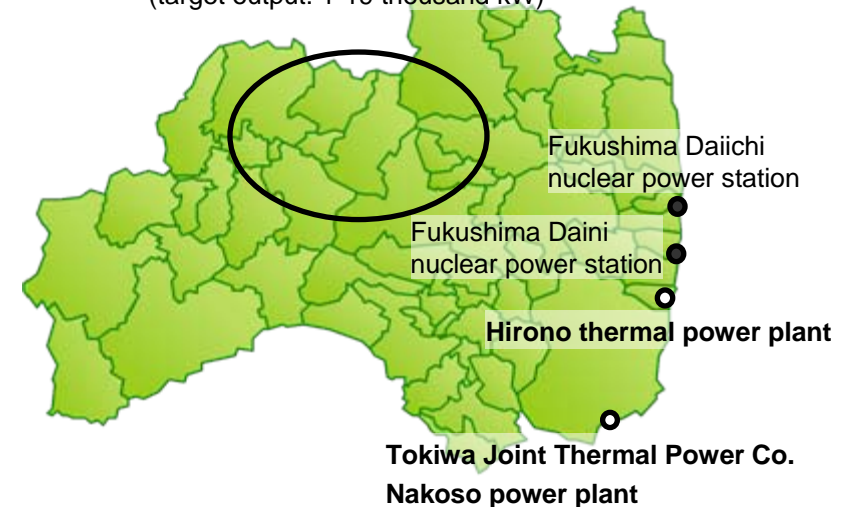
Over the next 10 years, small and medium-sized hydroelectric power stations in Fukushima's Inawashiro catchment area will be progressively refurbished, contributing to local employment and the economy

- **Transfer of part of TEPCO's operations to the Hamadori region**

Part of TEPCO's business operations (the salary accounting and customer materials mailout businesses) will be relocated to the Hamadori region

- On the premises of the Hirono thermal power plant (Futaba-gun) and the Nakoso power plant run by the Tokiwa Joint Thermal Power Co. (Iwaki City), a 500,000 kW-class trial project involving the **construction and operation of a coal-fired thermal power plant using world-leading high-efficiency technology (IGCC)**
- As far as possible, the construction equipment and materials used to refurbish the small and medium-sized aging hydroelectric power stations will be purchased from businesses in Fukushima prefecture.
- Relocation of part of the personnel-related operations, such as salary accounting, in the first half of FY2014, and part of the sales-related operations, such as the customer materials mailout business, during FY2013

**Within the Inawashiro Power System Office**  
(target output: 1-19 thousand kW)



\*IGCC (Integrated coal Gasification Combined Cycle)

### 3. Compensation for nuclear power damage

#### (4) Intensification of initiatives for Fukushima Revitalization

##### <3> Enhanced Fukushima Revitalization Headquarters functions

- **Relocation of the Fukushima Revitalization Headquarters to the evacuation zone**

The Fukushima Revitalization Headquarters will be relocated to the evacuation zone ahead of people who continue to be displaced so as to stand alongside all the residents as we rebuild the systems that will push ahead with decontamination and revitalization.

- **Additional personnel for the Fukushima Revitalization Headquarters**

As well as continuing to transfer staff to all parts of Fukushima prefecture under the "100,000-Person Dispatch Project", around 500 full-time management staff will be assigned to Fukushima.

- **Establishment of the Fukushima Nuclear Power Accident and Decommissioning Resource Center (provisional name)**

This center will hold the memories and records of the Fukushima nuclear power accident and the enormous damage it caused, and will also systematically document the progress of the enormous and lengthy task of reactor decommissioning

- Relocation of the Fukushima Revitalization Headquarters set up in J Village (Naraha-machi and Hirono-machi) to the evacuation zone, and rebuilding of systems to speed up decontamination and revitalization
- Rebuilding and restoration of the original National Training Center in cooperation with the Japan Football Association and the local government
- In addition to the various forms of assistance provided by the "100,000-Person Dispatch Project", such as cleaning, weeding and radiation level measurements at the homes of returning evacuees, faster collaboration with national and local governments by enhancing the planning functions of the Fukushima Revitalization Headquarters
- Information on the course of events from the accident to the present and the progress and future planning of decommissioning, provided in readily understandable displays using photos, videos and dioramas



## **4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety**

- (1) Promotion of the safe and steady decommissioning of the Fukushima Daiichi nuclear power station
  - <1> Consideration of the problems of contaminated water and tanks and future measures
  - <2> Responses to requests by the National Government
  - <3> Building an international decommissioning promotion
  - <4> Steady decommissioning over the medium- to long-term
- (2) Assuring nuclear power safety

## 4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety

### (1) Promotion of the safe and steady decommissioning of the Fukushima Daiichi nuclear power station

#### <1>Consideration of the problems of contaminated water and tanks and future measures

- Faced with ongoing problems with contaminated water and tanks, TEPCO established the Contaminated Water and Tank Countermeasures Headquarters in August 2013.
- In September 2013, the government established the Inter-Ministerial Council for Contaminated Water and Decommissioning Issues in the Nuclear Emergency Response Headquarters as part of an all-out effort to build systems for promoting countermeasures.

To counter problems such as cooling stoppages in the spent fuel pool (SFP) due to power failures and contaminated water leaks from underground reservoirs, measures to improve the reliability of facility and operation management were implemented.

Subsequently, problems such as contaminated water outflows into the power plant harbor and contaminated water leaks from tanks continued

In August 2013, TEPCO set up the "**Contaminated Water and Tank Countermeasures Headquarters**".

- Rapid and thorough strengthening of tank management
- Enhancement of analysis and risk management, and accelerated mid- to long-term countermeasures
- Introduction of opinions from Japanese and overseas experts leading to even better and faster countermeasures

In September 2013, the National Government **decided on a basic policy with the intention of formulating comprehensive measures that were both preventive and multilayered, with the Government itself to the fore**. It set up the following bodies, **establishing a system to promote an all-out effort by the Government to implement countermeasures**:

- Inter-Ministerial Council for Contaminated Water and Decommissioning Issues (chaired by the Chief Cabinet Secretary)
  - Decommissioning and Contaminated Water Countermeasures Team (led by the Minister of Economy, Trade and Industry)
  - Intergovernmental Liaison Office for Contaminated Water Issue and Decommissioning
  - Intergovernmental Council for Fostering Mutual Understanding on the Contaminated Water Issue
- } Established on the site

The National Government will fund measures such as the construction of an impermeable wall on the landward side using the frozen earth method, which poses significant technical difficulties, and the trialing of more powerful multi-nuclide removal equipment (ALPS), and TEPCO will steadily implement these system trials.

## 4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety

### (1) Promotion of the safe and steady decommissioning of the Fukushima Daiichi nuclear power station

#### <1>Consideration of the problems of contaminated water and tanks and future measures

- To speed up and improve the reliability of decommissioning and its measures to deal with the problems with contaminated water and tanks, TEPCO drafted its Emergency Safety Measures in November 2013. Employing all the company's resources, TEPCO is rapidly and steadily implementing comprehensive measures that include both hardware and software countermeasures and steps to improve on-site motivation.

#### i) Radical reform of the work environment, and faster and more reliable on-site work

- On-site decontamination (reduced radiation exposure and expansion of areas where full-face masks are not required)
- Establishment of new office buildings, large rest area and food service center.
- Increased funding for designed increases to worker bonuses, etc.

#### ii) Assured safety and product quality through systems enhancements and management reforms

- "Safety & Quality Supervision Office" established to bring together the safety and quality control departments under the Director of the Nuclear Power & Plant Siting Division
- Countermeasures workforce boosted by fully mobilizing in-house and outside staff (additional 220 people), etc.

#### iii) Greater equipment reliability through measures to acquire equipment permanently

- Establishment of a new central monitoring room, replacement of power supply equipment, provision of on-site infrastructure, etc.

#### iv) Appropriate management of contaminated water

- Prioritized equipment countermeasures based on the same type of tank allowing for the causes of contaminated water leaks, and ongoing strengthening of patrols
- Prevention of inundation from the tank dam and rainfall countermeasures such as minimizing rainwater inflows
- Steady implementation of measures to increase storage capacity due to increased tank sizes, to replace the current tanks with high-reliability welded tanks, and to enhance the multi-nuclide removal equipment (ALPS).



New office building interior (simulation)

## 4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety

### (1) Promotion of the safe and steady decommissioning of the Fukushima Daiichi nuclear power station

#### <1>Consideration of the problems of contaminated water and tanks and future measures

30

- The Nuclear Emergency Response Headquarters adopted additional preventive and multilayered countermeasures for the contaminated water issue in December 2013.
- TEPCO is moving to steadily implement those countermeasures.

#### (1) Eliminate contamination sources

##### Measures taken to date:

- Drawing up and blocking contaminated water from the trench
  - Contaminated water treatment by the advanced liquid processing system (ALPS)
  - Higher performance ALPS at national expense
- etc.

##### Major additional measures:

- ✓ Increase of ALPS
  - ✓ Tank water leakage countermeasure (collection of strontium contained in the soil)
  - ✓ Treatment of seawater in the port
- etc.

#### (2) Keep water away from contamination sources

##### Measures taken to date:

- Groundwater bypass
  - Drawing up water from the wells (sub drains) near the reactor building
  - Land-side impervious wall by soil freezing method at national expense
  - Paving of the building on the sea side
- etc.

##### Major additional measures:

- ✓ “Wide-area paving (surface lining)” or “additional lining and inner paving”
  - \* In consideration of radiation dose reduction by ground surface decontamination, etc.
- ✓ Installation of an eaves through to the tank top

#### (3) Prevent contaminated water leakage

##### Measures taken to date:

- Ground improvement by water glass
  - Sea-side impervious wall
  - Additional installation of tanks (replacement of bolt-tightened tanks with welded tanks)
- etc.

##### Major additional measures:

- ✓ Acceleration of the installation of welded tanks
- ✓ Large-scale tsunami countermeasures (watertight doors to reactor buildings, etc.)
- ✓ Prevention of contaminated water leakage from the reactor building
- ✓ Reduction of the contaminated water transfer loop, etc.

## 4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety

### (1) Promotion of the safe and steady decommissioning of the Fukushima Daiichi nuclear power station

#### <2> Responses to requests by the National Government

- TEPCO takes the Prime Minister's requests very seriously and will give priority to implementing contaminated water countermeasures.

#### The Prime Minister's requests

- i) Secure a funding/budget framework that allows funds to be used by the site at its own discretion so that there are no lapses in the safety measures for decommissioning
- ii) Set a firm time limit for decontaminating the contaminated water
- iii) Make the decision to decommission the suspended Units 5 and 6 at the Fukushima Daiichi nuclear power station so that efforts can be focused on accident management

#### TEPCO responses to the requests

- i) A disaster reserve fund of 969.4 billion yen has been set aside for the costs of the decommissioning work. In addition, to make doubly sure that future decommissioning proceeds smoothly and to ensure that any cost increases arising from unforeseen problems can be handled smoothly, **further funding totaling more than 1 trillion yen will be allocated over the 10 years from FY2013. This additional funding will be primarily for the investment and costs associated with water decontamination and stabilization measures** and will be generated by cutting costs and reducing investment.
- ii) **By installing and augmenting the multi-nuclide removal equipment (ALPS), we aim to complete the cleanup of all contaminated water (RO concentrated salt water) during FY2014 (excluding tritium).**  
Based on advice from the Nuclear Reform Monitoring Committee and outside experts, we will work with the national and local governments to draft **a unified and inclusive water management plan leading to a complete resolution of the problem.**
- iii) A decision on **decommissioning Units 5 and 6** to be made on December 18.  
**Mock-up trials will be used to aid research and development into the decommissioning of Units 1-4.**

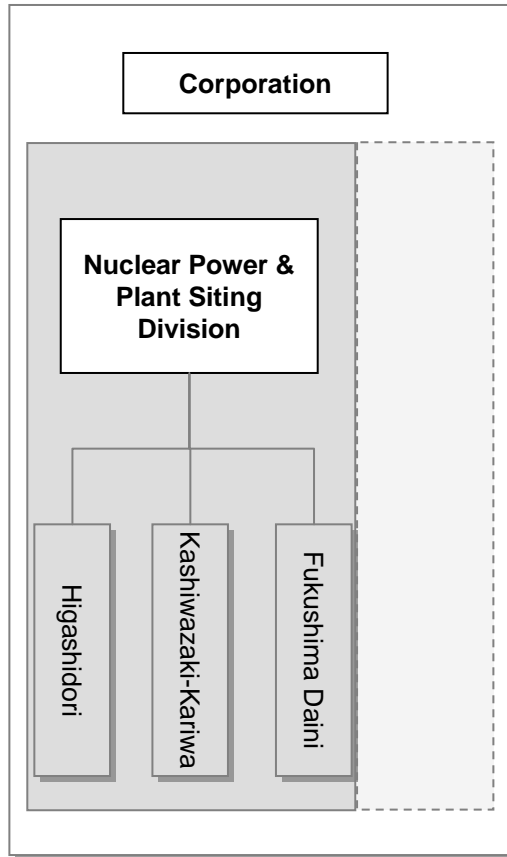


# 4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety

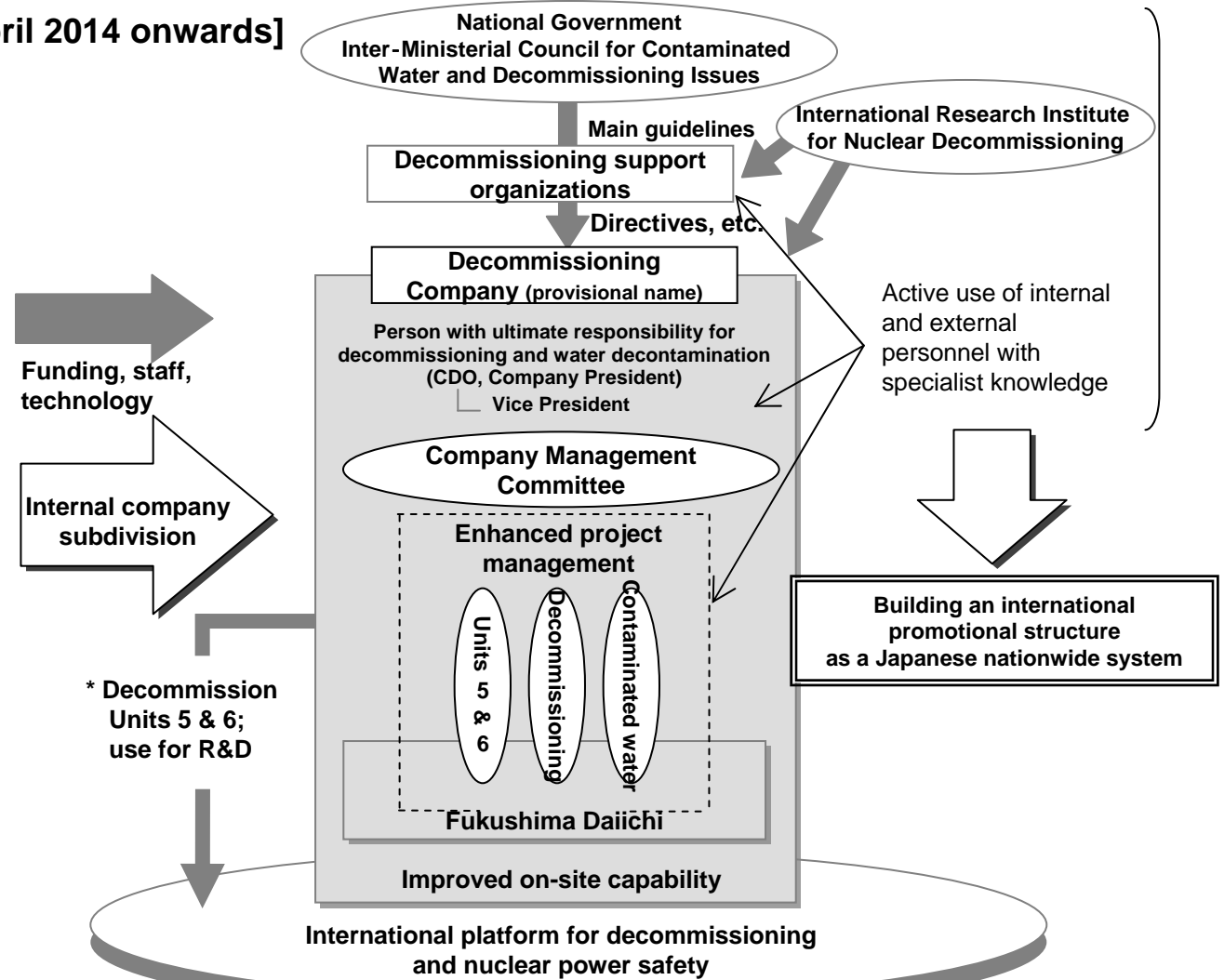
## (1) Promotion of the safe and steady decommissioning of the Fukushima Daiichi nuclear power station <3> Building an international decommissioning promotion system

- TEPCO will set up its own decommissioning company to supervise all decommissioning divisions and conduct decommissioning and water decontamination programs as a national project under a Japanese nationwide system that brings together concerned parties from inside and outside Japan.

[Currently]



[April 2014 onwards]

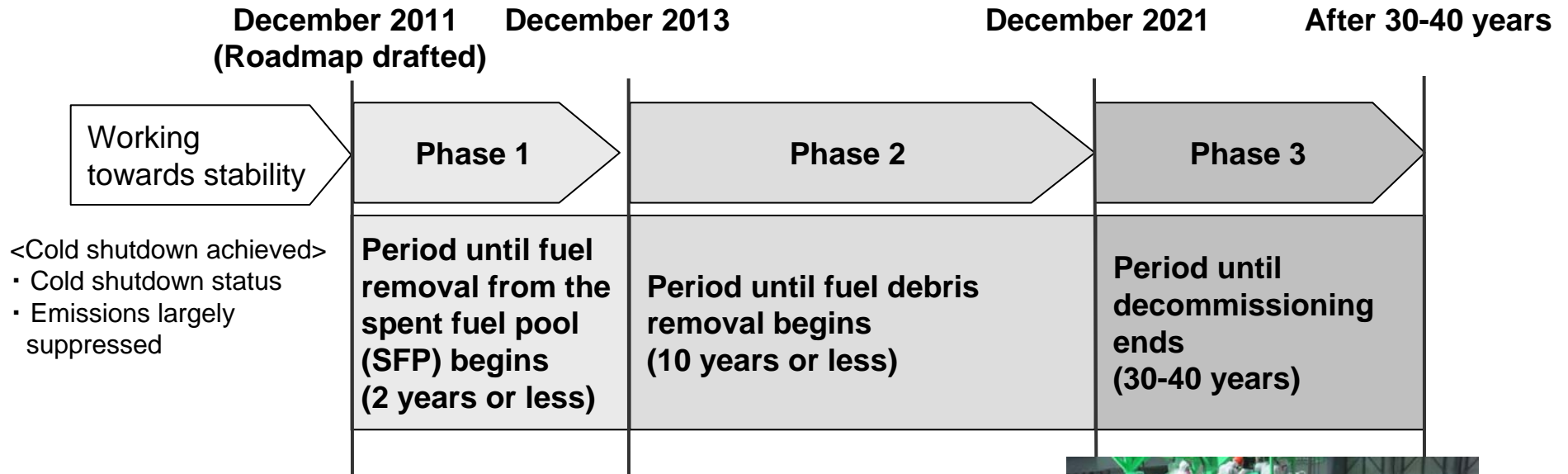


\* Decommission Units 5 & 6; use for R&D

## 4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety

### (1) Promotion of the safe and steady decommissioning of the Fukushima Daiichi nuclear power station <4> Steady decommissioning over the medium- to long-term

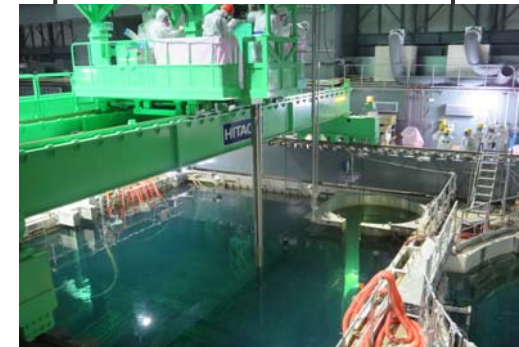
- TEPCO starts removing fuel rods from the Unit 4 spent fuel pool (SFP) and transitions to phase 2 of the Mid-and-Long-Term Roadmap.
- The aim is to move the removal of fuel debris forward approx. 18 months and start on the first reactor in the first half of FY2020 at the soonest.
- Together with the National Government, we will proceed with the long-term task of reactor decommissioning over 40 years, working carefully and safely and remaining vigilant.



18 November 2013



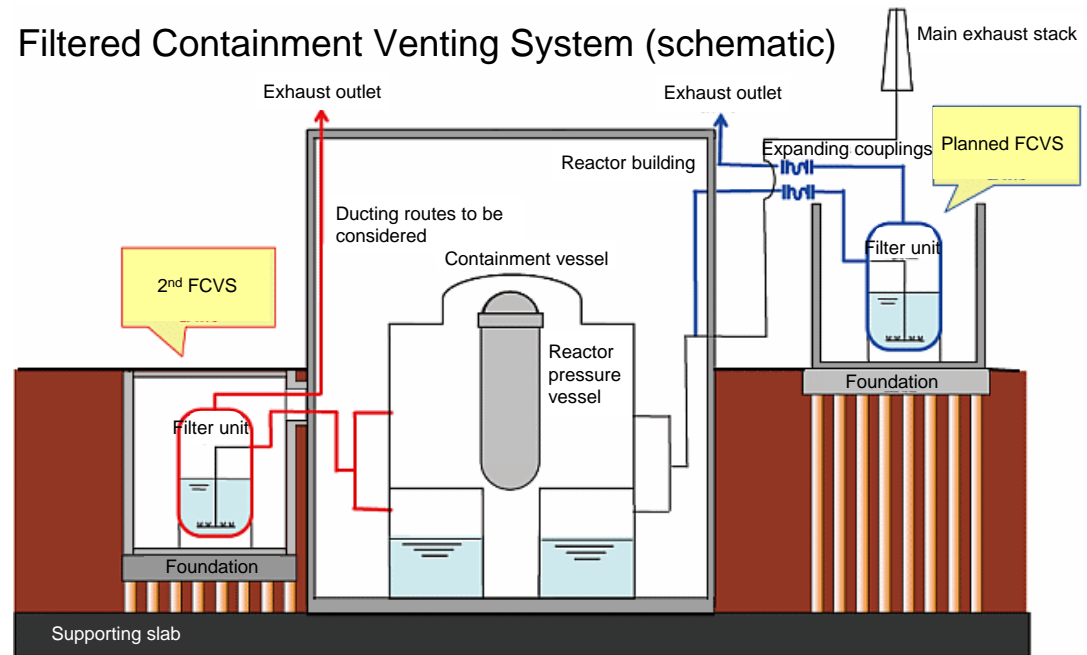
Currently: In November 2013, TEPCO started removing fuel rods from the Unit 4 spent fuel pool (SFP) and has moved to phase 2



## 4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety

### (2) Assuring nuclear power safety

- In September 2012, TEPCO set up the Nuclear Reform Special Task Force, headed by the TEPCO President, to promote reform under the monitoring and supervision of the Nuclear Reform Monitoring Committee, which is made up of domestic and overseas experts.
- In March 2013, the task force summed up the Fukushima nuclear accident by saying that "the cause of the accident cannot be simply be swept aside as a natural disaster. TEPCO was unable to avoid an accident that should have been avoided through advance preparations making every use of the human intellect". It went on to draft and publish a "Nuclear Safety Reform Plan" that brings together safety measures based on both hardware and software.
- At the Kashiwazaki-Kariwa nuclear power station, the installation of tsunami countermeasures (seawall, etc.) and the deployment of cooling mechanisms (alternative heat exchangers, water supply sources, power supplies, etc.) has been completed. These hardware countermeasures are based on the lessons learned from the accident. A FCVS for Units 6 and 7 is under construction.



## 4. Stable resolution and decommissioning of the damaged reactors and nuclear power safety

### (2) Assuring nuclear power safety

- In terms of software, we are rebuilding the safety culture and upgrading management by objectives, working towards an ideal for each countermeasure that we must continue to strive for.

Countermeasure	Ideal we must strive for	Implementation status
1. Reforms from management level	<ul style="list-style-type: none"> <li>• Management and nuclear power leaders are raising their own awareness of safety, resulting in heightened safety awareness throughout the entire organization and improved safety in nuclear power.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of education and training for nuclear power leaders to improve safety awareness, including feedback on "360-degree assessments of behavioral indicators".</li> </ul>
2. Enhanced management monitoring and support	<ul style="list-style-type: none"> <li>• Nuclear power safety is being improved by promoting reforms in executive divisions.</li> </ul>	<ul style="list-style-type: none"> <li>• The Nuclear Safety Oversight Office was established in May. Monitoring of safety campaigns and the safety culture from management levels down to the work site, encouraging reforms of executive divisions and also reporting to and advising the board of directors.</li> </ul>
3. Enhanced capacity to make defense in depth proposals	<ul style="list-style-type: none"> <li>• Nuclear power leaders work systematically, effectively and efficiently to set in place overlapping layers of defense in depth, working always to improve nuclear power safety and being active in campaigns that reform the entire organization with regard to improving nuclear power safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Measures implemented included the solicitation and selection of suggestions for extremely cost-effective safety measures via a "Safety Improvement Competition" aimed at all company employees, as well as directives to power plants on countermeasures required based on the analysis and evaluation of domestic and overseas operating experience information.</li> </ul>
4. Comprehensive risk communication activities	<ul style="list-style-type: none"> <li>• Management and nuclear power leaders prepare as many countermeasures as they can think of for a range of problems and then prioritize the countermeasures sensibly so as to minimize the overall risk. By doing so, they build a relationship of trust with the region and everyone in the community.</li> </ul>	<ul style="list-style-type: none"> <li>• In April, TEPCO opened a "Social Communication Office", operating directly under the president, and deployed Risk Communicators. This promotes the routine collection and analysis of information on potential risks as well as prompt and appropriate information disclosure.</li> </ul>
5. Power plant and head office reorganization in an emergency	<ul style="list-style-type: none"> <li>• At all times, the Station Chief has the confidence to quickly and confidently respond to a state of emergency.</li> </ul>	<ul style="list-style-type: none"> <li>• As of March, operation of an emergency organization structure using the ICS* approach began at the Kashiwazaki-Kariwa nuclear power station, with repeated comprehensive training sessions held at head office also. Operation began at the Fukushima Daiichi and Fukushima Daini nuclear power stations as of October.</li> </ul>
6. Review of power station organization during normal times and enhanced technical capability for direct management	<ul style="list-style-type: none"> <li>• The organization and each individual has the technical capability to continually promote reforms so as to improve nuclear power safety.</li> </ul>	<ul style="list-style-type: none"> <li>• In September, the Fukushima Daini and Kashiwazaki-Kariwa nuclear power stations transition to a new organizational structure with enhanced oversight functions with regard to nuclear power safety during normal times. Training is also being conducted in direct management work and basic skills are being upgraded, cultivating the capacity to respond to accidents.</li> </ul>

\* Incident Command System: A standardized approach to organizational structures for responding to states of emergency, used in the US

## 5. TEPCO's Business Operation Plan

- (1) Basic policy on business operations
- (2) Policies aimed at management rationalization
  - <1> Further steps taken toward management rationalization
  - <2> Personnel reforms (revamp personnel management system to encourage early retirements, organizational flattening, and cost reductions)
- (3) Create revenue base for ongoing revitalization
  - <1> Introduction of holding company structure (advanced implementation of decoupling of generation and transmission of electricity)
  - <2> Make strategic investments and engage in competitive business operations
  - <3> Growth Strategy of the Fuel & Power Company (FPC)
  - <4> Power Grid Company Neutrality and Investment Strategy
  - <5> Growth Strategy of Customer Service Companies (Retailers)
- (4) Measures for Clarification of Management Responsibility
- (5) Request for Cooperation from Financial Institutions and Shareholders
  - <1> Request for Cooperation from Financial Institutions with an Eye to Fund Procurement after Liberalization
  - <2> Request for Cooperation from Shareholders
- (6) Ensuring Steady Execution of the Special Business Plan

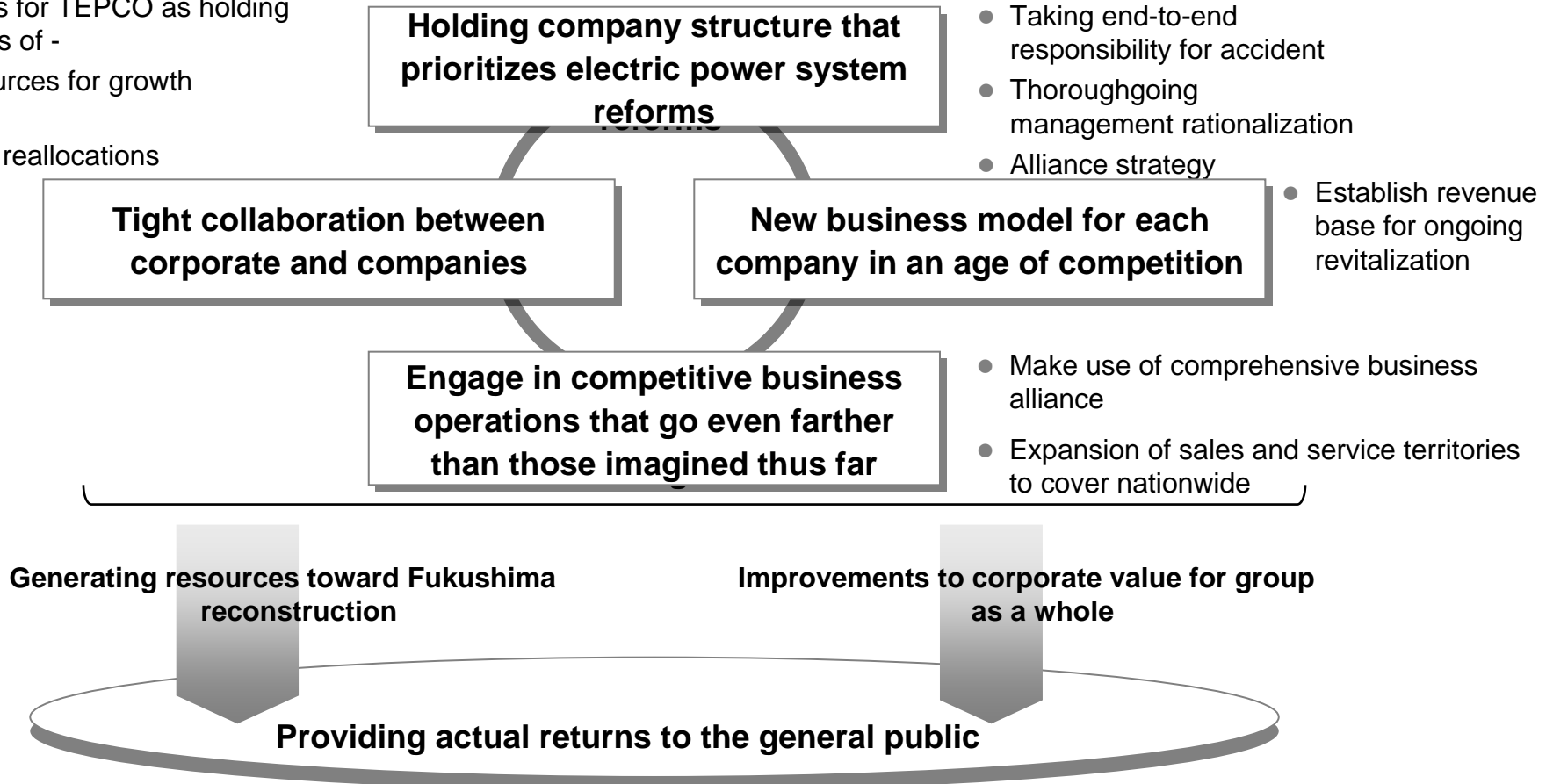
# 5. TEPCO's Business Operation Plan

## (1) Basic policy on business operations

- Based on the principle of seeking to address both its accountability and the maintaining of competitiveness, TEPCO through the TEPCO Group as a whole will work to fulfill its obligations with respect to compensation, decommissioning, and the reconstruction of Fukushima. The company will, at the same time, also direct its efforts toward fulfilling the stable supply of electricity, while also working to improve corporate value and provide new energy services in anticipation of reforms to the electric power system.

Optimal approaches for TEPCO as holding company in areas of -

- Generating resources for growth investments
- Making strategic reallocations



- Taking end-to-end responsibility for accident
- Thoroughgoing management rationalization
- Alliance strategy
- Establish revenue base for ongoing revitalization
- Make use of comprehensive business alliance
- Expansion of sales and service territories to cover nationwide

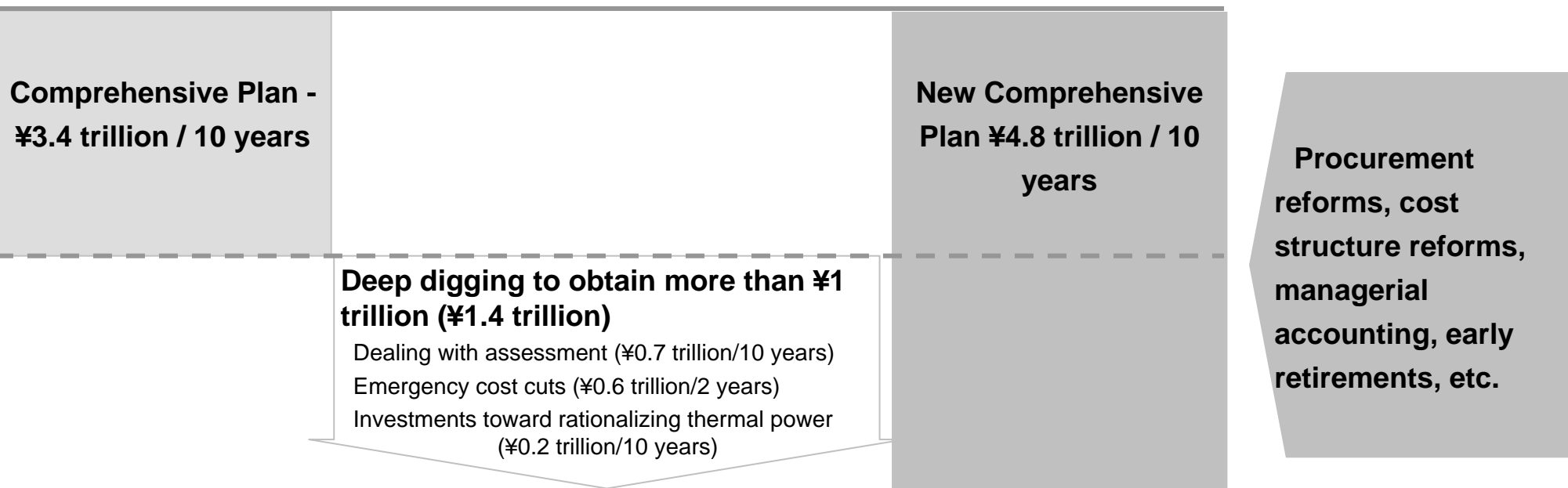
# 5. TEPCO's Business Operation Plan

## (2) Policies aimed at management rationalization

### <1> Further steps taken toward management rationalization

- As a response to the assessment of rates, work to reduce all costs including those for fuel, reconditioning, depreciation expenses, etc. on the order of up 100 billion yen annually.
- Furthermore, refine risk assessments based on the risk control knowledge accumulated through reducing costs since the earthquake. To deal with a restart of operations at the Kashiwazaki-Kariwa nuclear power station not being clearly foreseeable in FY2013 and FY2014, perform ahead of schedule even tasks like provisional reassessments of equipment risks and implement emergency cost cuts of up to 600 billion yen cumulative over 2 years.
- Through these efforts, together with digging deep to cut a further 1.4 trillion yen beyond the cost cut objectives in the Comprehensive Plan, achieve 4.8 trillion yen (4.8215 trillion yen) in cuts cumulatively over the 10-year period from FY2013 to FY2022.

### [Graphic representation of cost reductions under New Comprehensive Plan]



**5. TEPCO's Business Operation Plan**  
**(2) Policies aimed at management rationalization**  
<1> Further steps taken toward management rationalization

**[Breakdown of cost reductions under New Comprehensive Plan]**

(¥100 millions)

	Comprehensive Plan		New Comprehensive Plan (FY2013- FY2022)	
	FY2012 - FY2021	After period adjustments (FY2013 - FY2022)		Deep digging for cuts
<b>Resource and labor procurement-related costs</b> Reassess the timing for construction and inspection stops and starts, reassess the structure of dealings and methods for placing orders with affiliated companies and outside business partners, etc.	9,219	10,182	15,061	4,879
<b>Expenditures on purchasing power and fuel</b> Reduce fuel costs (unit price), optimize the use of higher fuel efficient power generating units, reduce power purchase price, etc.	1,986	1,720	7,622	5,902
<b>Labor costs</b> Personnel reductions, salary and compensation cuts, reassess retirement benefit and benefit package systems, dig deep for cuts based on assessments of rates, etc.	12,758	12,365	12,960	595
<b>Other expenses</b> Reductions in commission and supply expenses, etc.	9,687	9,754	10,930	1,177
<b>Expenditures related to rationalizing investments</b> Reduction in costs that comes with investment rationalization (upgrading existing thermal power gas turbines, etc)	—	—	1,641	1,641
<b>Totals</b>	<b>33,650</b>	<b>34,021</b>	<b>48,215</b>	<b>14,194</b>



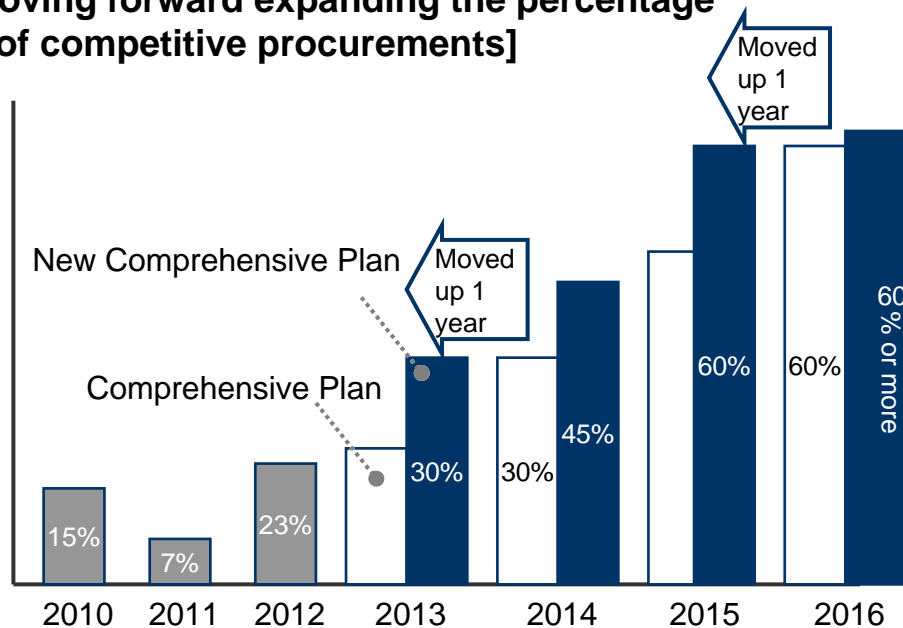
# 5. TEPCO's Business Operation Plan

## (2) Policies aimed at management rationalization

### <1> Further steps taken toward management rationalization

- Push forward with "procurement reforms" using outside parties to investigate each and every major investment and expense and dig deep with cost cutting through drastic reassessment into the structure of procurements and their practice.
- Regarding the percentage of competitive procurements, implement the Comprehensive Plan objective of "increasing their share to more than 30% within 3 years (by FY2014)" a year earlier, implementing it FY2013. Also bring forward by 1 year the "acceleration of the objective to increase by 60% or more within 5 years (by FY2016)" voiced when rates were revised, implementing it in FY2015.
- With advanced examples from overseas serving as benchmarks, the group will bring together its full technological capabilities to move forward on "using innovations in technology and operations to reorganize the cost structure on another dimension." This will entail performing a reassessment from the ground up of items including the design and specifications for each piece of equipment and each operation, the processes and procedures involved with each, and how business is managed, and then moving forward on that basis to achieve drastic improvements in cost competitiveness.

[Moving forward expanding the percentage of competitive procurements]



[Graphic representation of cost reductions due to technological and operational innovations]

[Typical steel tower] [SS steel tower]

**SS steel tower**  
(opening for the base smaller than that of existing steel towers)

Reduce the number of temporary steel facilities and reduce costs by constructing a new SS steel tower within the existing steel towers when the latter are rebuilt.

Lower costs using a traditional construction method (right) in which single steel pipes are built within existing steel towers.

New facility

Existing facility

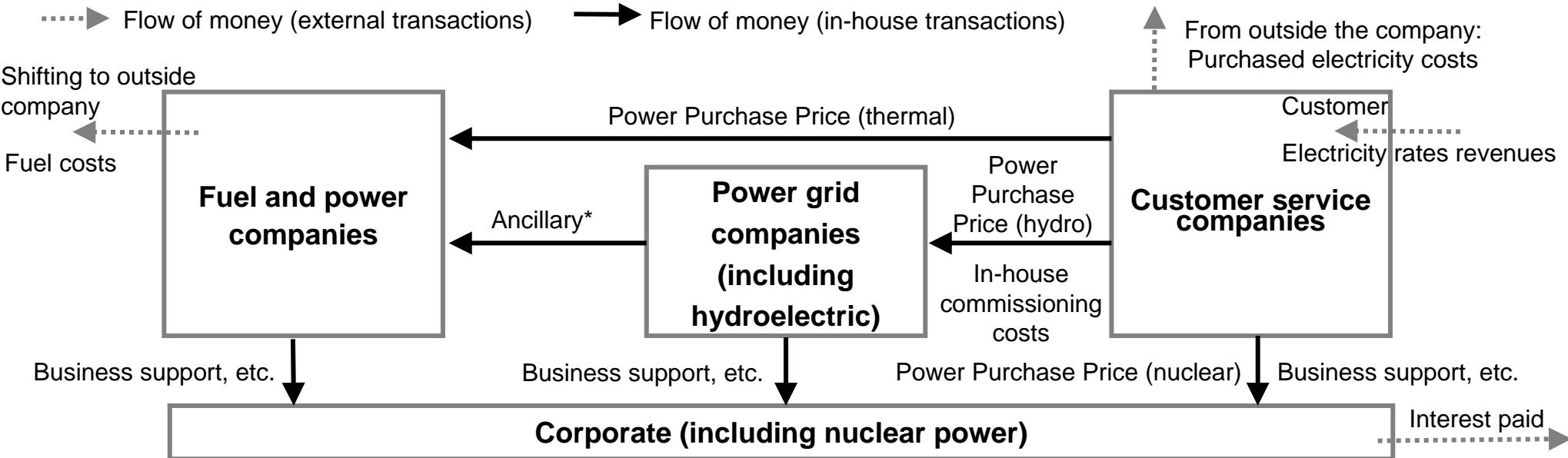
# 5. TEPCO's Business Operation Plan

## (2) Policies aimed at management rationalization

### <1> Further steps taken toward management rationalization

- Introduce managerial accounting as a way of completely rethinking the attitude toward costs in daily business with the goal of cost structure reforms.
- Make plain the profit and expense structures of all organizations, ranging from each company to individual organizations subdivided to the level of subsidiary and individual power station. Make clear who is responsible for what and what the objectives are (key performance indicators [KPI]), manage performance figures on a monthly basis, and encourage in-house competition over achievements.
- Contributions to digging deep on cutting costs will be made by improving transparency through the open disclosure of each company and unit's revenues and expenses, mutual checks among companies, keeping corporate expenses in check, and making not just managerial staff but each and every employee in an organization completely rethink their attitude toward costs.
- In the future, set up business operations by creating profit centers in each company and work to grow them into organizations to compete in the face of total liberalization, with the goal of making certain the transformation of mentalities from one oriented to deciding retail prices based on full cost pricing to one that stresses increasing profits.

#### [Graphic representation of main transactions for companies, etc., in-house and external]



\*Constantly maintain the quality of the electricity delivered to our customers (frequencies and voltages)

## 5. TEPCO's Business Operation Plan

### (2) Policies aimed at management rationalization

#### <1> Further steps taken toward management rationalization

42

- Regarding the sale of assets, **the objective set in the Comprehensive Plan to sell during the 3-year period through FY2013 707.4 billion yen worth of real estate, marketable securities, and subsidiary and affiliate companies has been achieved** (751.4 billion yen by the end of November 2013). Maximum efforts will continue to be made aimed at managing operations as efficiently as possible while taking growth strategies into account.
- Thoroughgoing rationalistic and cost reduction efforts will continue with regard to subsidiary and affiliate companies. **Deep digging was done to exceed by more than 100 billion yen** the cost-cutting objectives for the 10-year period (FY2013 - FY2022) in the **Comprehensive Plan, with resulting cuts totaling 351.7 billion yen.**
- In addition, to improve the competitiveness of subsidiary and affiliate companies, dealings with partners outside the group were expanded and profits from consolidated operations improved.

#### [Status of asset sales]

(¥100 millions)

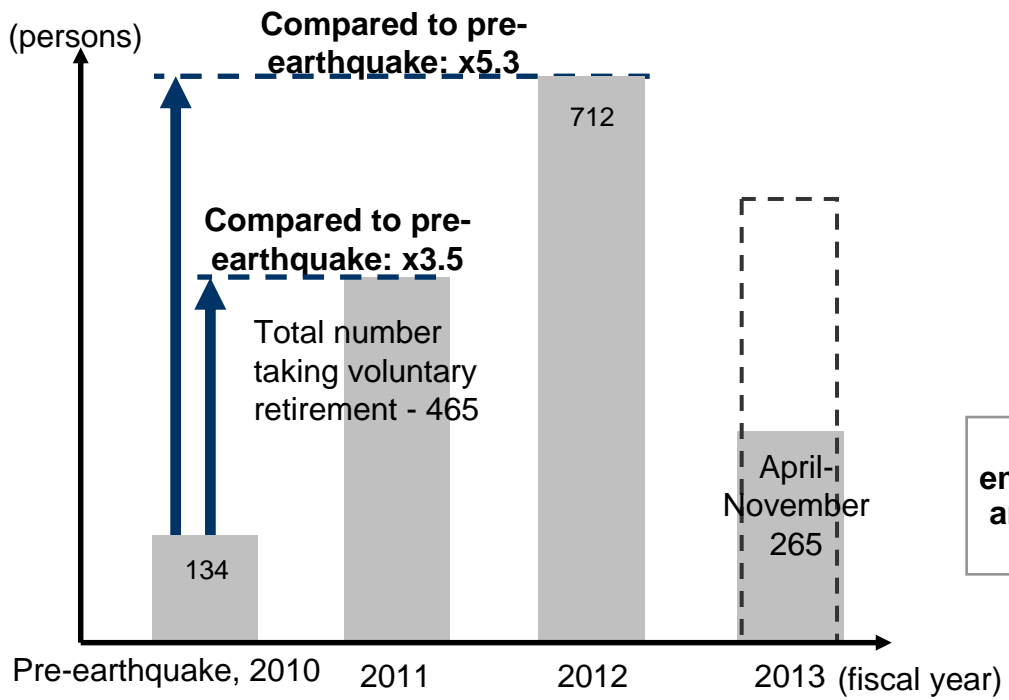
	Comprehensive Plan objectives	Proceeds from sales				Cumulative total for 2011-13 (rate of progress)
		FY2011	FY2012	FY2013 (as of November 30)		
Real estate	2,472	502	1,634	798	2,934 (118%)	
Marketable securities	3,301	3,176	72	20	3,269 (99%)	
Subsidiaries and affiliates	1,301	470	755	85	1,310 (100%)	
<b>Totals</b>	<b>7,074</b>	<b>4,148</b>	<b>2,462</b>	<b>904</b>	<b>7,514 (106%)</b>	

# 5. TEPCO's Business Operation Plan

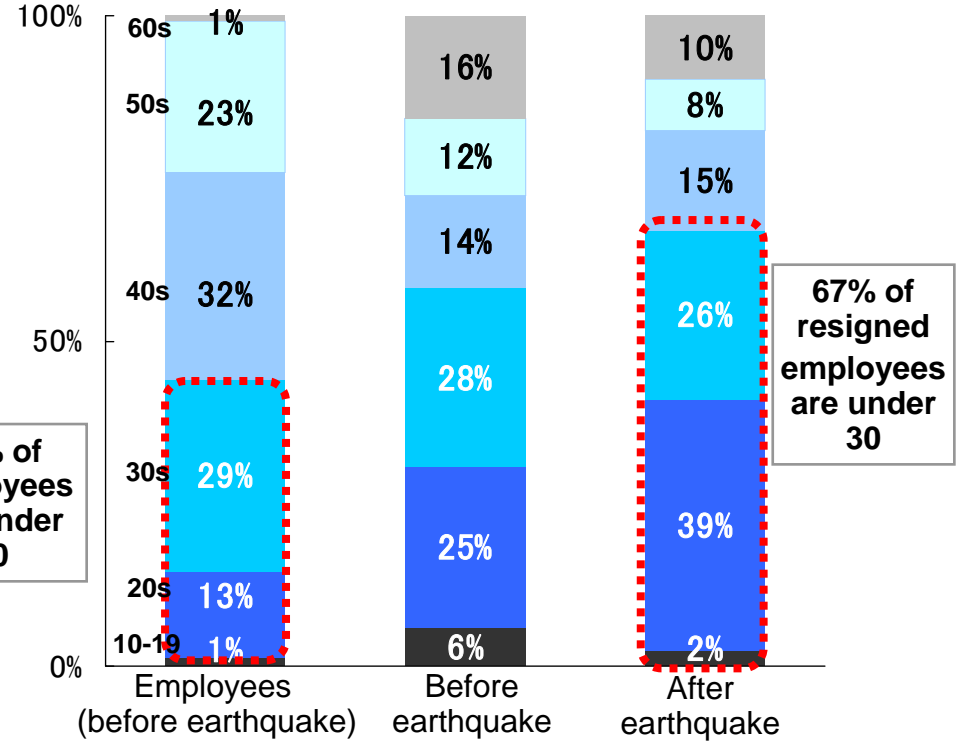
## (2) Policies aimed at rationalizing management <2> Personnel reforms (revamp personnel management system to encourage early retirement, flattening of organization, and cost reductions)

- Based on the Comprehensive Plan, etc., cut staff, reduce salaries (30% for management, 20% for general staff), reduce retirement benefits, etc. With this going on, the drain of personnel including managers at headquarters is continuing to a high degree, and depletion of the workforce is accelerating.
- TEPCO needs to retain for the mid- to long-term the staff to handle compensation, decommissioning, assisting with reconstruction, stably delivering electricity, etc. Meanwhile, it also must engage in "bold streamlining of management" based on a reassessment of the division of responsibilities between the government and the company.
- Bolster how Fukushima is handled and be resolute in further rationalization moves (early retirements, etc.) while turning TEPCO as quickly as possible (through changes to personnel management system, etc.) into a company whose employees can feel committed to, in order to improve corporate value and maintain end-to-end responsibility for the accident.

[Voluntary retirement trends]



[Age structure of employees taking voluntary retirement]

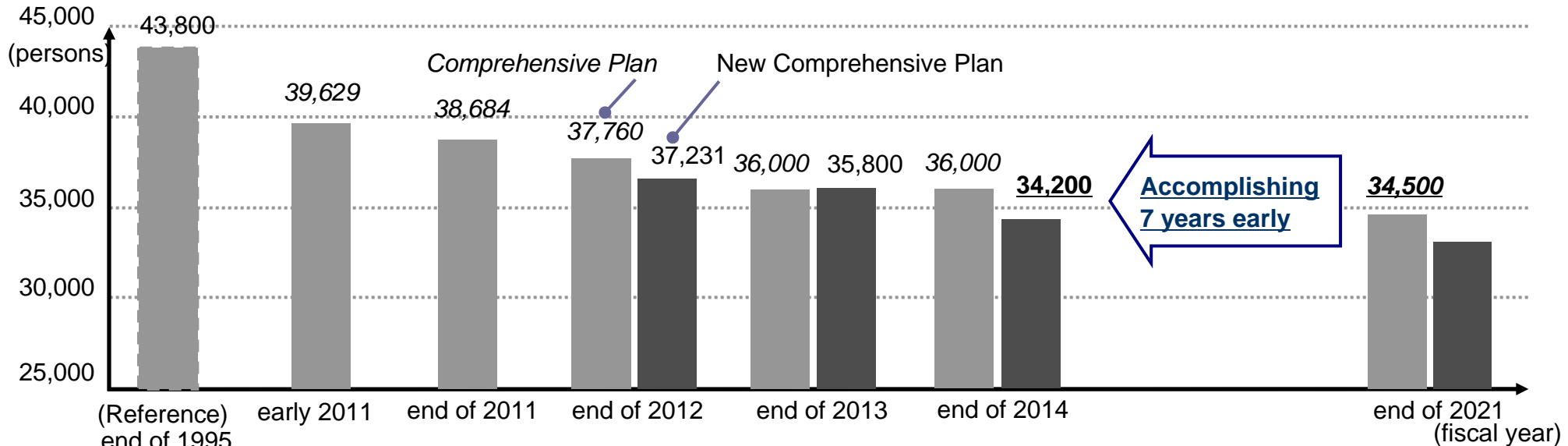


# 5. TEPCO's Business Operation Plan

## (2) Policies aimed at rationalizing management <2> Personnel reforms (revamp personnel management system to encourage early retirement, flattening of organization, and cost reductions)

- Expect to meet the Comprehensive Plan's staff cutting objectives (by 7,400 for consolidated group and 3,600 for non-consolidated company by FY2013).
- As a policy for taking management streamlining a step farther, **encourage around 1,000 staff mainly aged 50 or older to take early retirement** in FY2014 (negotiations to be conducted with the TEPCO union).
  - Workforce will be 34,200 by the end of FY2014, 7 years ahead of the 10-year plan within the Comprehensive Plan for rationalizing the workforce.
  - Cumulative early retirements in the TEPCO Group to be approximately 2,000.
- **Establish mandatory retirements for veteran managers who were 50 or older at the time of the earthquake, and assign them to Fukushima** (around 500).
  - Be resolute when it comes to beefing up the local systems for handling compensation, decontamination, assisting with reconstruction, etc., while refreshing the workforce of leaders who can grow the company and improve corporate value.

[Trends in number of employees (non-consolidated)]

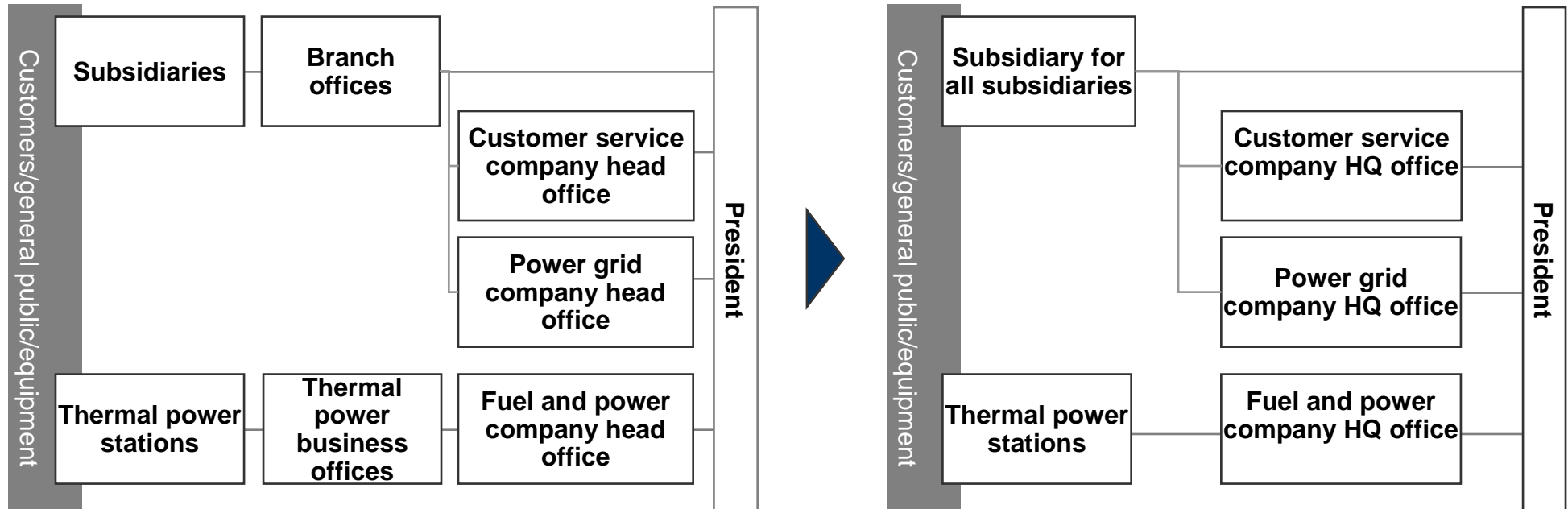


## 5. TEPCO's Business Operation Plan

### (2) Policies aimed at rationalizing management <2> Personnel reforms (revamp personnel management system to encourage early retirement, flattening of organization, and cost reductions)

- **Flatten out the organization during FY2014 and FY2015** through introduction of an internal company system and managerial accounting. Abolish the branch/office system (branches, thermal power business offices, etc.) while also simplifying operations and making them thoroughly efficient.
- This will result in business operations more closely in tune with customers and the public at large. It will also assist with workforce reductions through early retirements while securing the staff to handle compensations, decommissioning, assisting with reconstruction, etc.

#### [Organizational flattening]

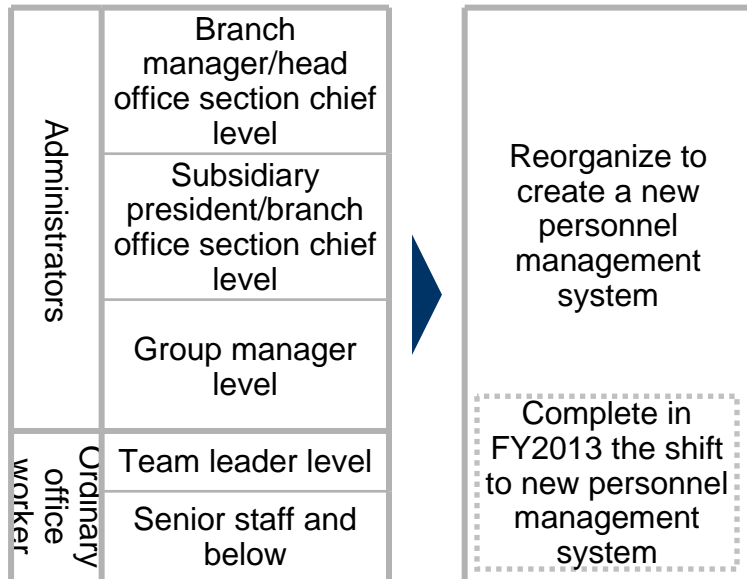


# 5. TEPCO's Business Operation Plan

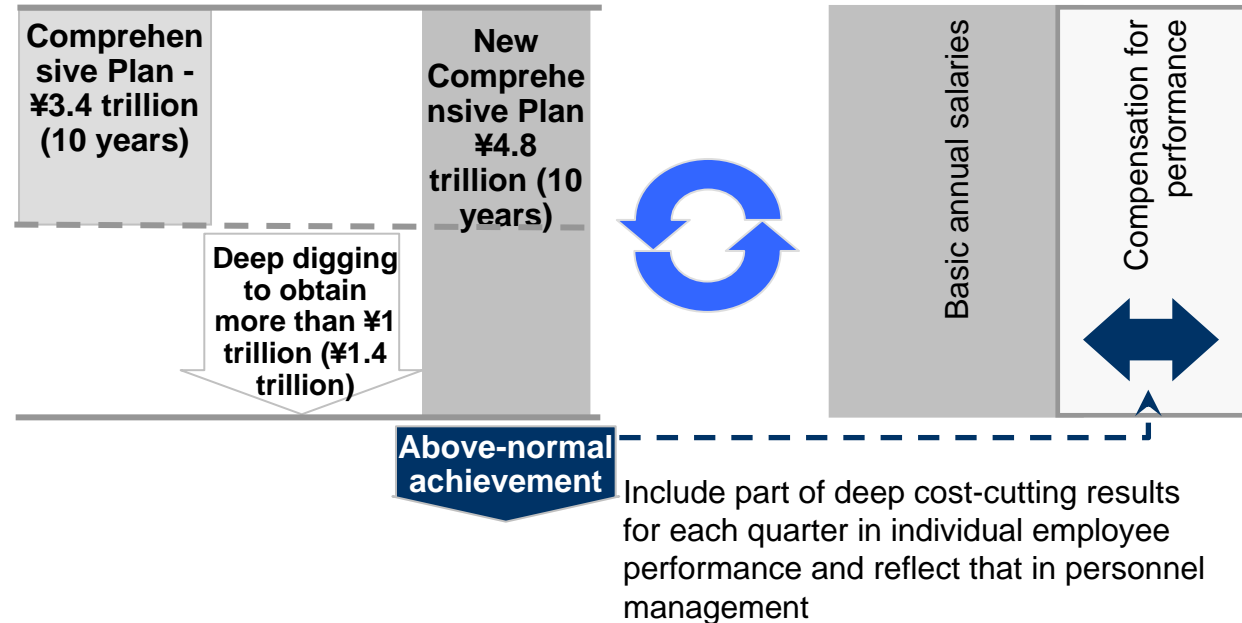
## (2) Policies aimed at rationalizing management <2> Personnel reforms (revamp personnel management system to encourage early retirement, flattening of organization, and cost reductions)

- Improve personnel management system for employees in Fukushima who are handling compensation, decommissioning, assisting with reconstruction, etc., and secure staff for the mid- to long-term.
- As an incentive to try to encourage digging deep to cut costs by more than 1 trillion yen, reorganize the personnel management system once the cost reduction plan has been achieved so that employees are assessed based on individual performance. Additionally, target replacement of the systems for other employees as well, both to bolster cost competitiveness even further, and to keep employee drain under control and stimulate the organization.
- Full scale restart of hiring in order to secure for the mid- to long-term the staff to handle compensation, decommissioning, assisting with reconstruction, and the electricity business.

Graphic representation of reorganizing the personnel management system



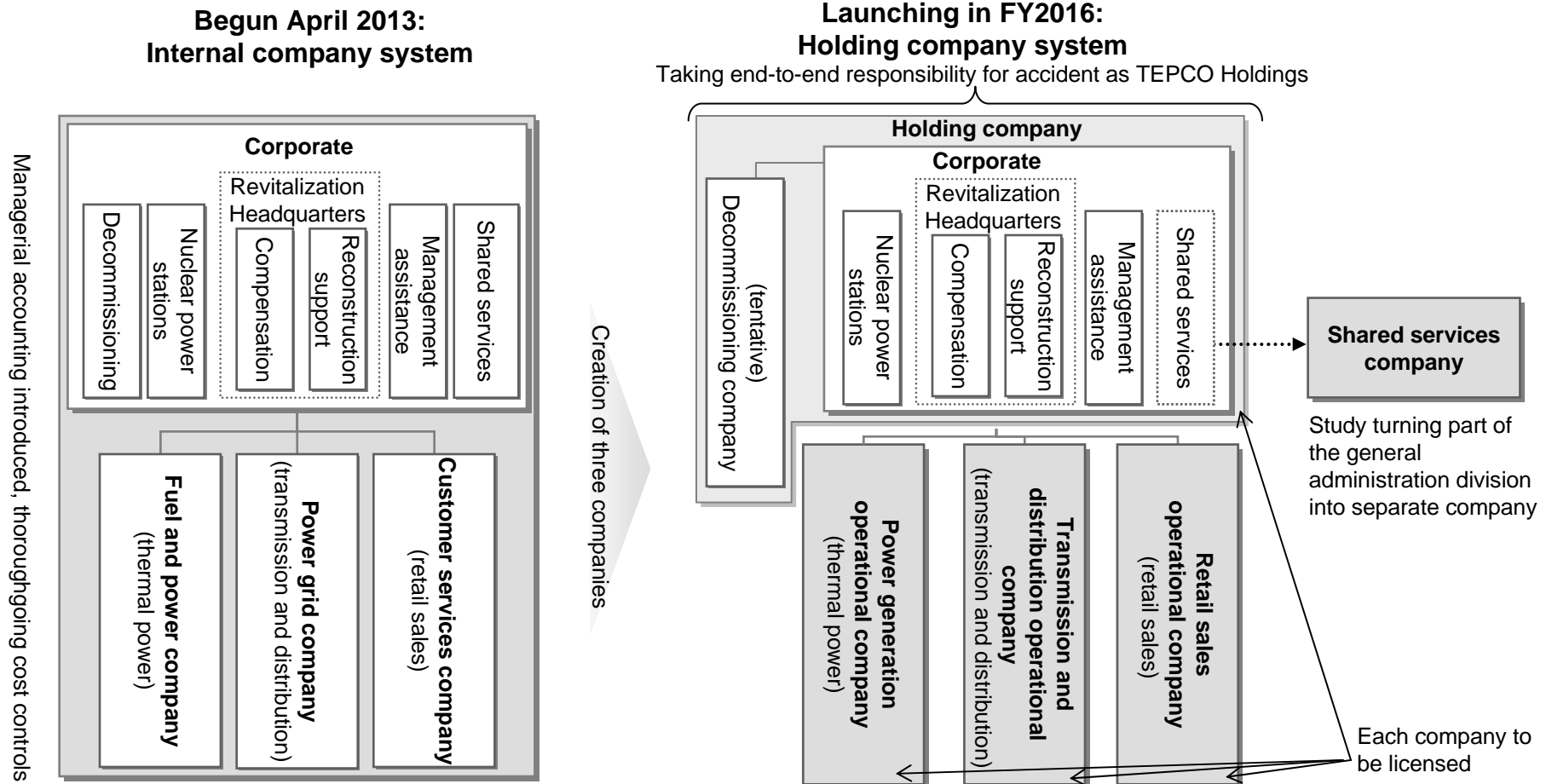
Graphic representation of deep digging to cut costs is reflected in personnel management



# 5. TEPCO's Business Operation Plan

## (3) Create revenue base for ongoing revitalization <1> Introduction of holding company structure (advanced implementation of decoupling of generation and transmission of electricity)

- In order to take end-to-end responsibility for the accident while implementing a business strategy that accounts for the unique features of the businesses of generating electricity, its transmission and distribution, and retail sales thereof, seek to introduce by April 2016 a holding company structure that anticipates reforms to the electric power system.
- Create operational subsidiary companies to respectively handle the fuel and power, transmission and distribution, and retail sales of electricity under a holding company that will function as the group headquarters company and handle nuclear power operations, including decommissioning, together with the Fukushima Revitalization Headquarters. Also study dividing up general administrative tasks that the group shares in common.



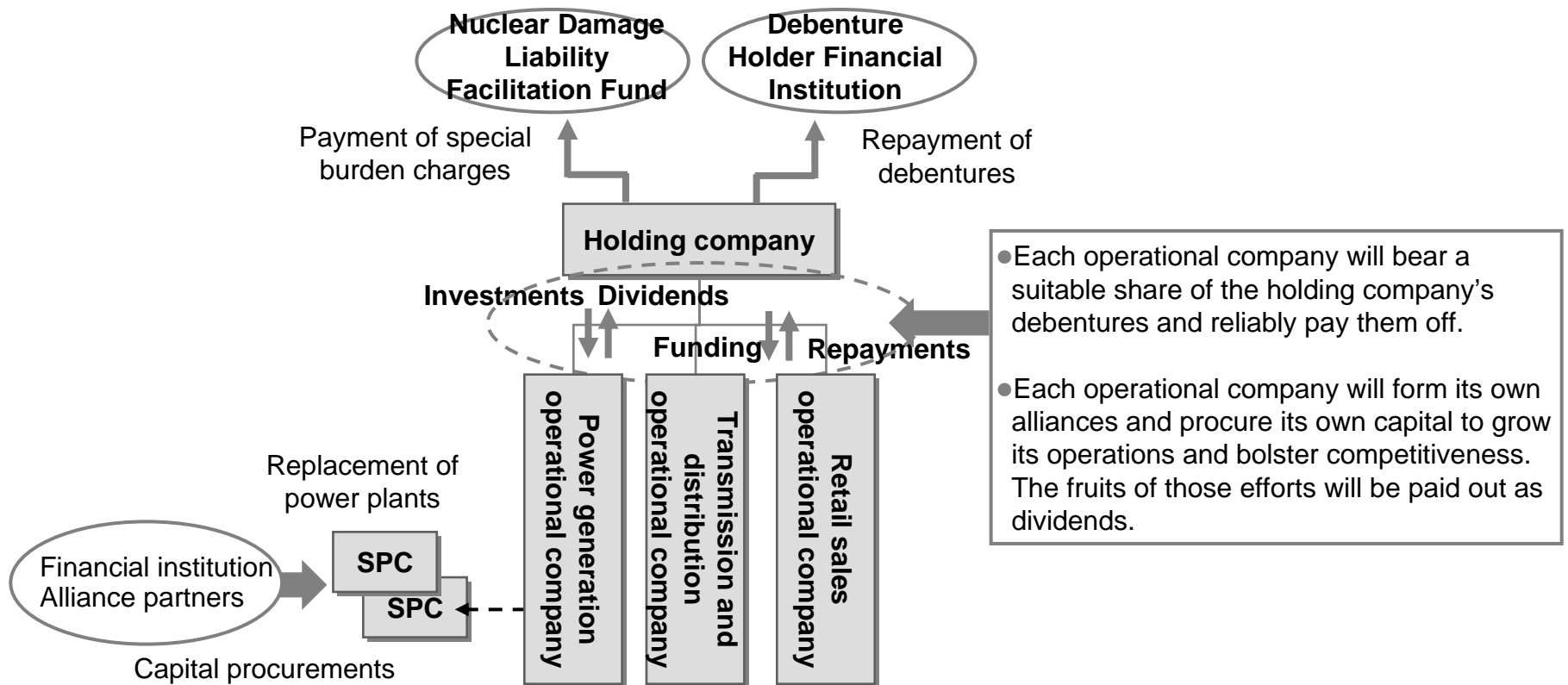


## 5. TEPCO's Business Operation Plan

### (3) Create revenue base for ongoing revitalization <1> Introduction of holding company structure (advanced implementation of decoupling of generation and transmission of electricity)

- With the holding company at the core, be resolute in taking end-to-end responsibility for the accident among the group as a whole, while each operational subsidiary company forms the necessary alliances, procures capital, and designs personnel strategies to grow their businesses and guarantee competitiveness, and thus establishes its basis for competition.
- Studying system details and accelerating improvements to conditions will be crucial when it comes to dealing with the responsibilities attendant upon legal separations under electric power system reforms, for example, or how matters are handled under the related systems.

#### Future approach to capital procurement



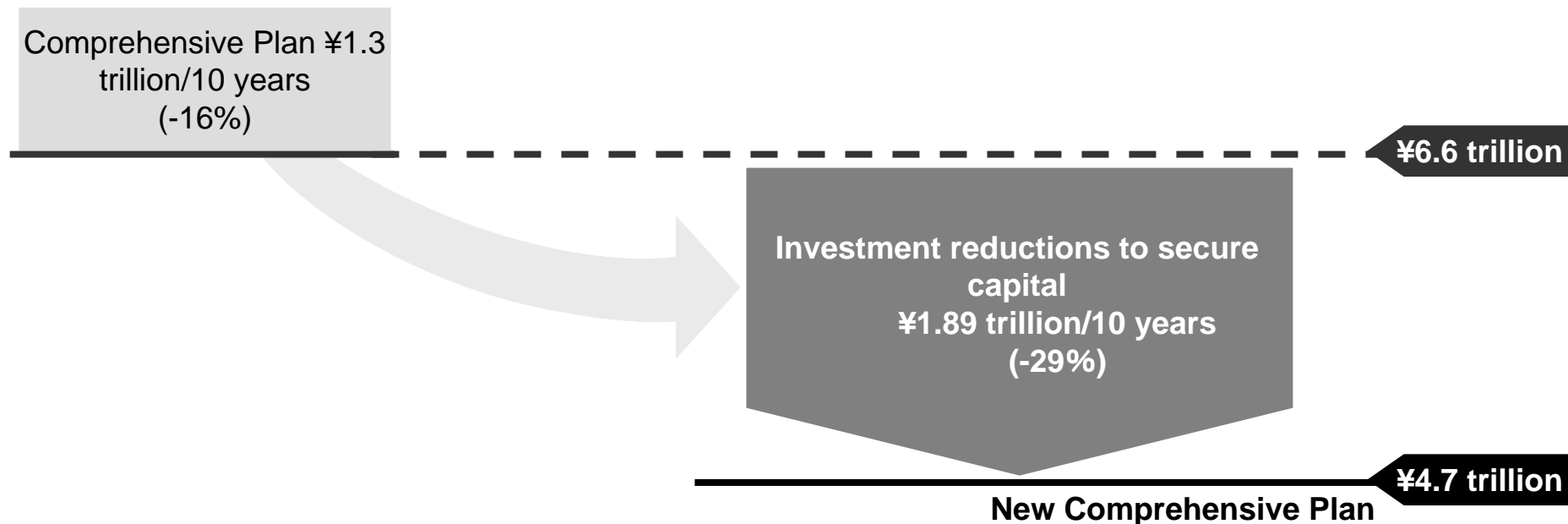
## 5. TEPCO's Business Operation Plan

### (3) Create revenue base for ongoing revitalization

#### <2> Make strategic investments and engage in competitive business operations

- TEPCO will need, on an ongoing basis, to fulfill its obligations in terms of compensation, decommissioning, assisting with reconstruction, and stably supplying electricity, while also working to grow its businesses and improve competitiveness.
- To generate these resources, it will need to reassess risk limits to the extent that they pose no obstacles in the way of public safety or stably supplying electricity, and again comb through and eliminate existing investments in electric facilities already factored in by the Comprehensive Plan. It will also work to reduce unit costs broadly through procurement reforms and through reductions to investments and costs through innovations in equipment and operations.
- Cutting on this scale is expected to generate a total of 1.89 trillion yen in cuts over 10 years, which amounts to about a one-third reduction off of the 6.57 trillion yen in investments under the Comprehensive Plan.

#### Graphic representation of investment reductions (total for 10-year period [2013-2022])



# 5. TEPCO's Business Operation Plan

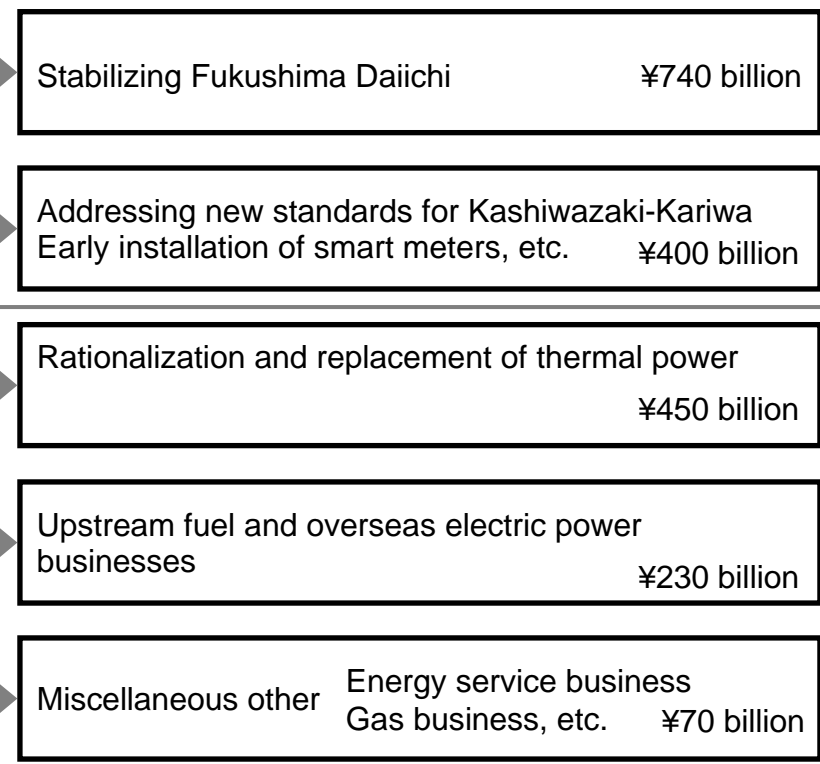
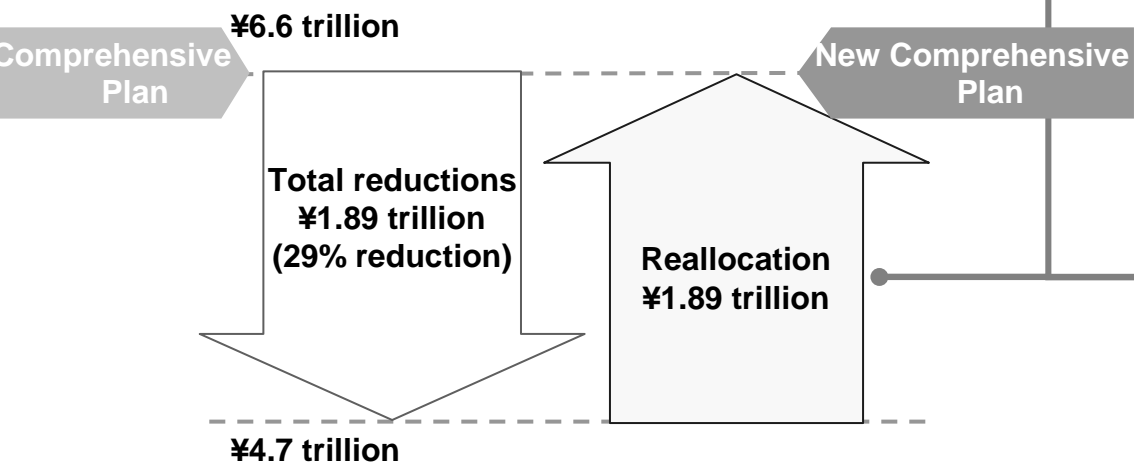
## (3) Create revenue base for ongoing revitalization

### <2> Make strategic investments and engage in competitive business operations

- The financial resources generated through investment reductions are expected to contribute to improving TEPCO's competitiveness and minimize the burden on the tax paying public. This will be accomplished by reallocating the funds toward the efforts to stabilize Fukushima Daiichi Nuclear Power Station; toward additional investments in the Kashiwazaki-Kariwa Nuclear Power Station; and toward strategic investments in projects including the rationalization of existing thermal power generation facilities, the replacement of thermal power sources, and in overseas business initiatives.

Graphic representation of reductions to and reallocations of investments, cumulative for 10-year period [2013-2022]

Detailed breakdown of reallocation



**Strategic investments:**  
¥750 billion

\* Among the stabilization measures, those steps being taken to deal with contaminated water at present include those whose use has yet to be confirmed. Also, more than 1 trillion yen will be secured along with the more than 300 billion yen for the related investments and expenses the measures require.

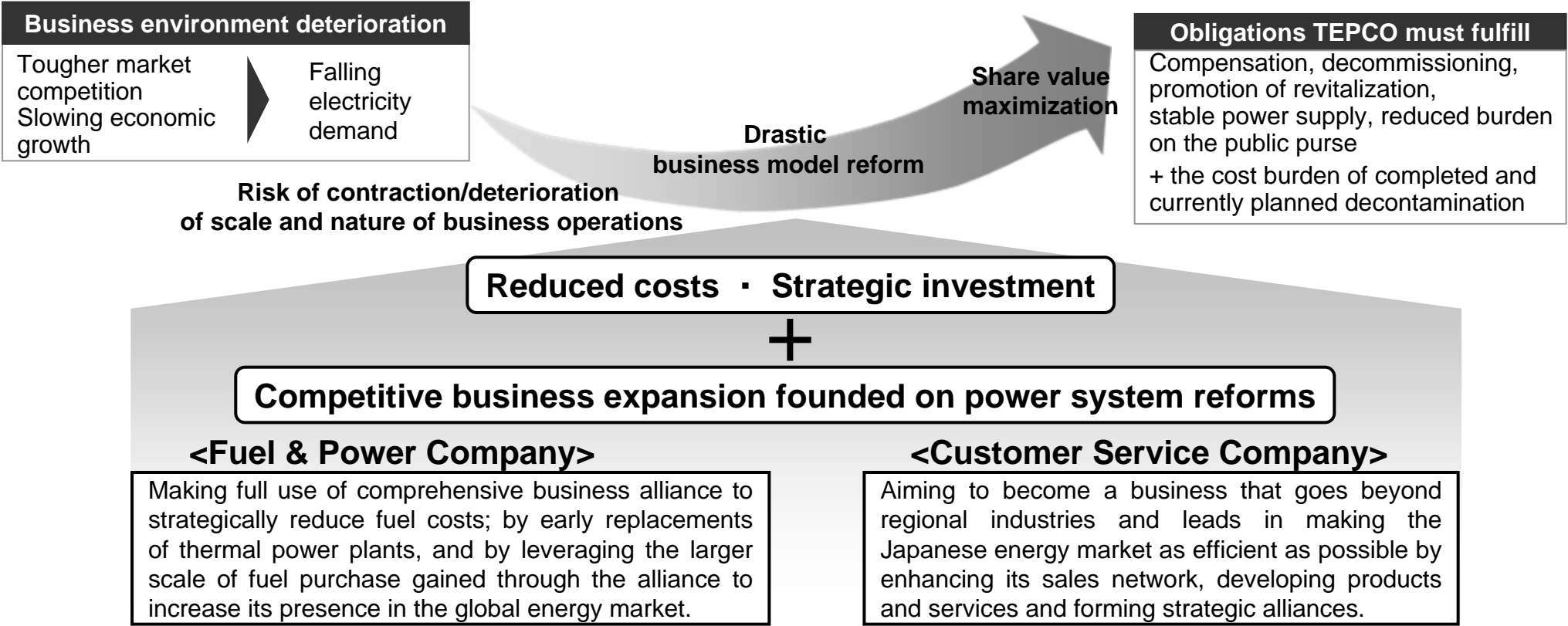
# 5. TEPCO's Business Operation Plan

## (3) Create revenue base for ongoing revitalization

### <2> Make strategic investments and engage in competitive business operations

- In order to curb public burden, even more in-depth measures are needed to boost corporate value.
- In an environment of deregulation in the electricity and gas business, we will do everything possible to rationalize and boost profits by dynamically expanding our business ahead of our competitors in response to the system reforms.

- Assets with reduced charges worth up to 300 billion yen annually
- By generating profits of around 300 billion yen annually, achieve a share value of over 4.5 trillion yen

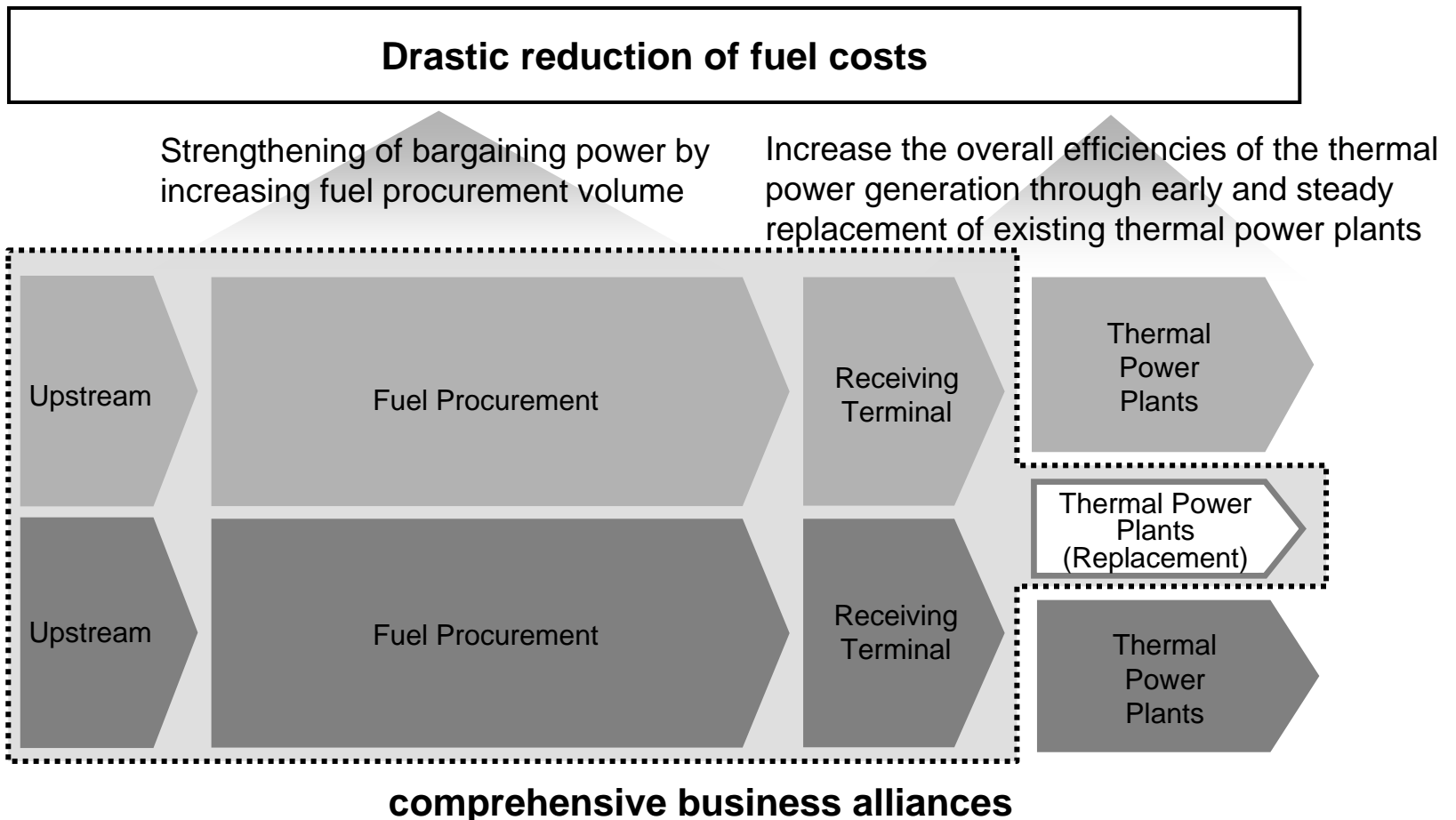


# 5. TEPCO's Business Operation Plan

## (3) Building a Revenue Base for Sustained Reconstruction

### <3>Growth Strategy of the Fuel & Power Company (FPC)

- The key mission of the FPC is to strategically reduce fuel procurement costs, which account for 90% of the power generation costs
- With the leadership of TEPCO, the FPC will strategically reduce fuel costs by making full use of comprehensive business alliance with underlying assumption of sharing the strategy and capital investment with the alliance partner(s) throughout the supply chain, from the upstream development to power generation



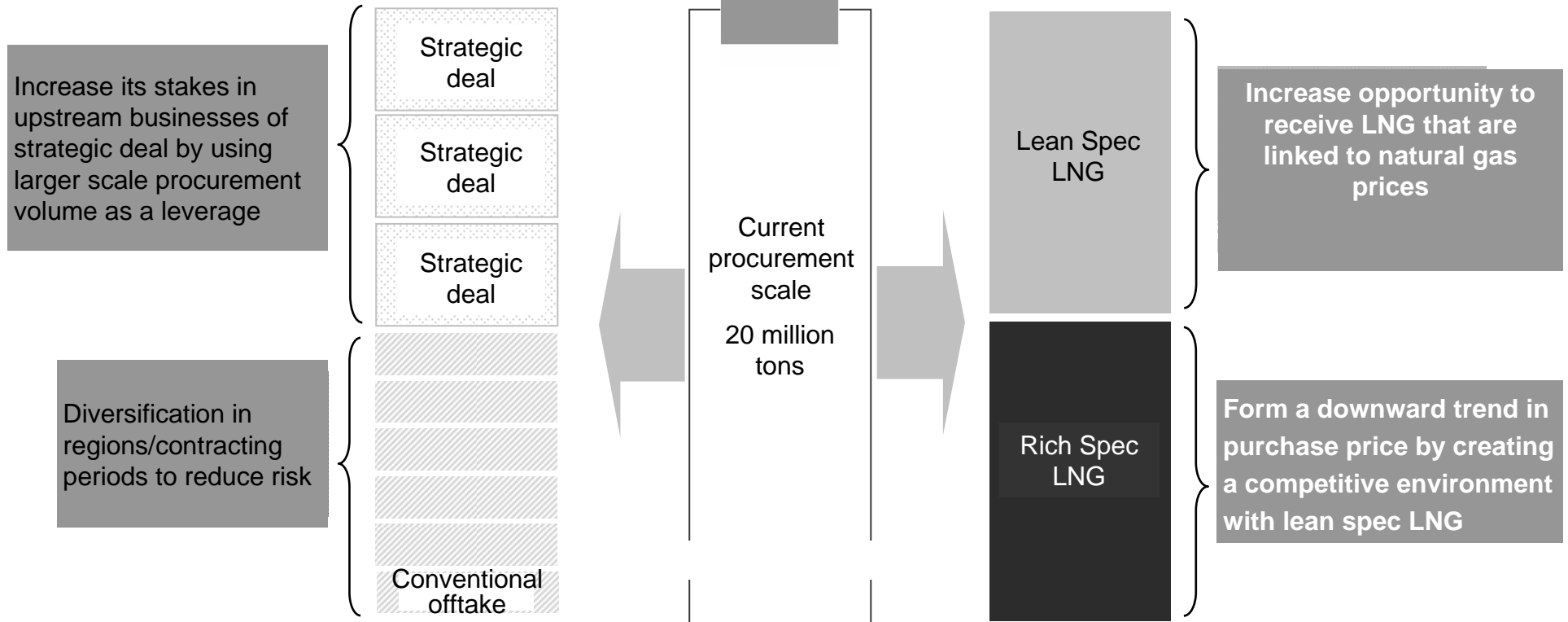
# 5. TEPCO's Business Operation Plan

## (3) Building a Revenue Base for Sustained Reconstruction

### <3>Growth Strategy of the Fuel & Power Company (FPC)

- The company will increase its LNG procurement volume to 35 to 40 million tons per annum by comprehensive business alliance. In addition to receiving 10 million tons of lean spec LNG, the company will expand its interest in upstream businesses and further reduce fuel costs by developing strategic deals
- FPC will also contribute to the national interest from the perspective of supplying low-cost energy and stable procurement of natural resources

**Increase its procurement volume to 35 to 40 million tons per annum by comprehensive business alliance**

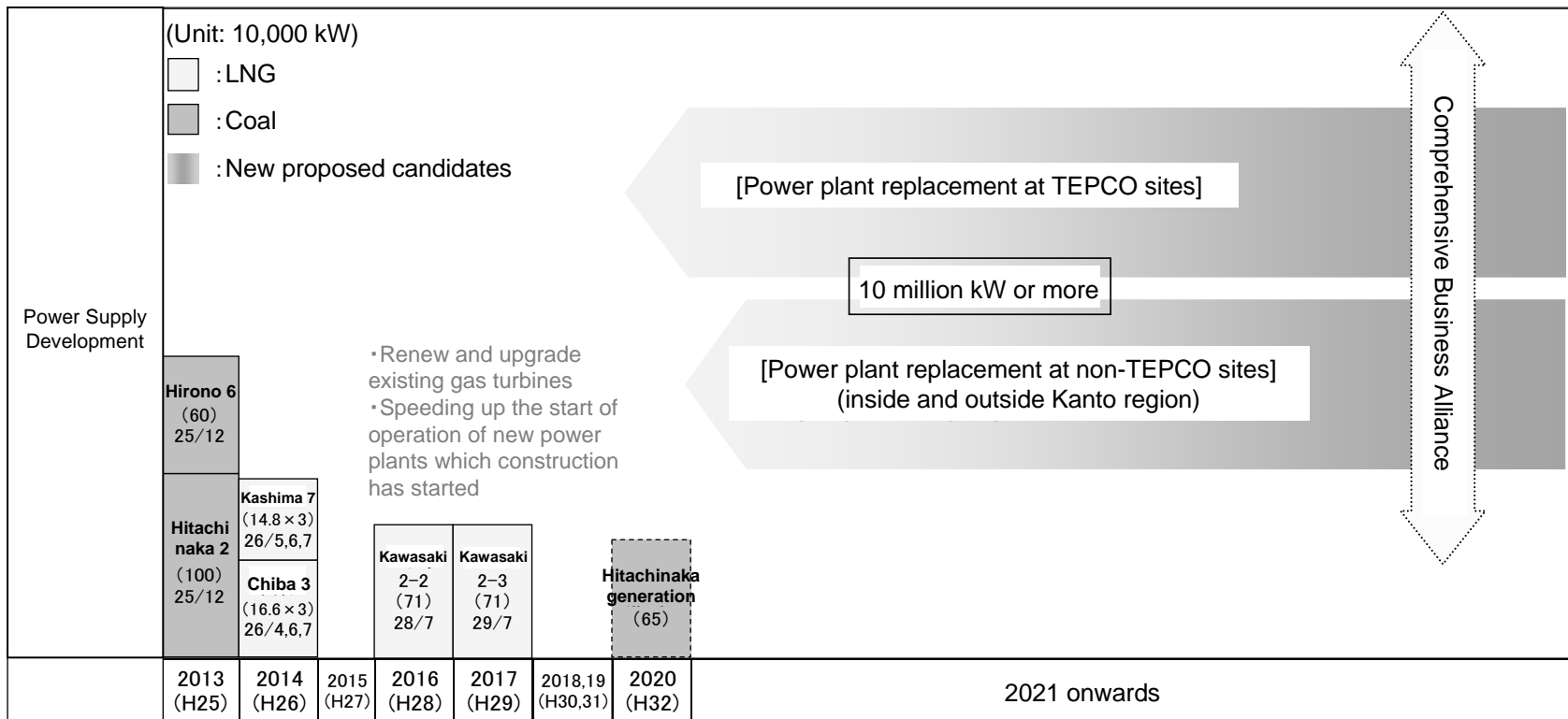


# 5. TEPCO's Business Operation Plan

## (3) Building a Revenue Base for Sustained Reconstruction

### <3>Growth Strategy of the Fuel & Power Company (FPC)

- In the short term, the company will (i) achieve permanent cost reductions, and (ii) pursue a steadfast development of new power stations now being built. In the medium term, it will (i) achieve higher-efficient power generation by partially upgrading existing gas turbines and (ii) construct fuel infrastructure to expand its capability of receiving lean spec LNG.
- In the long term, at least 10 million kW of aging thermal energy will be replaced over time. The company will boost the company's competitiveness and responsibly purchasing fuel and maintaining power supply operations by making full use of economies of scale through the comprehensive business alliance.
- FPC will develop new power plants outside our current sales and service territory with the comprehensive business alliance partner(s) (expand our service area).
- 10 years from now, the company will achieve cost reductions of 300 billion yen per annum compared with FY2013 (650 billion yen per annum in the future).

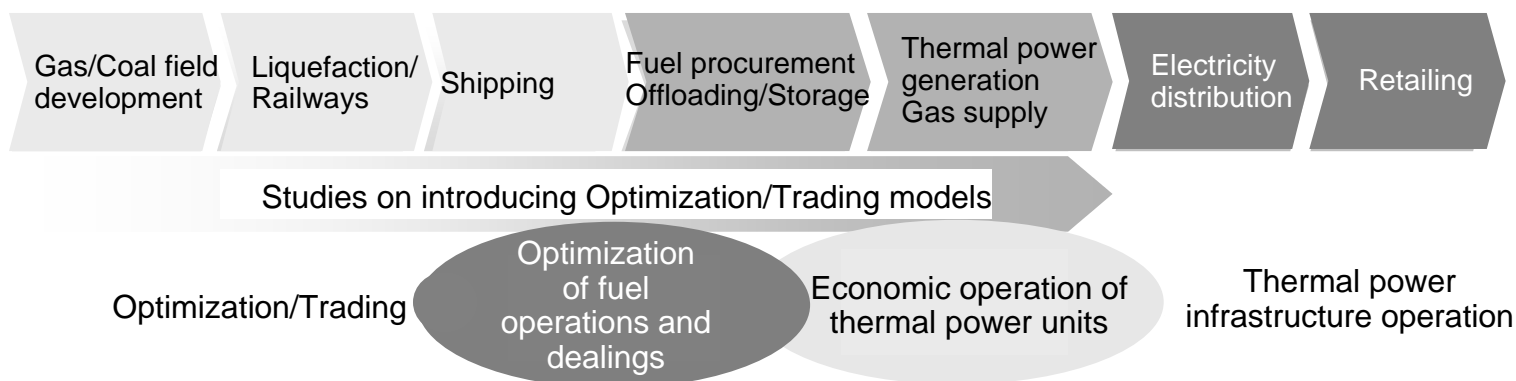


## 5. TEPCO's Business Operation Plan

### (3) Building a Revenue Base for Sustained Reconstruction

#### <3>Growth Strategy of the Fuel & Power Company (FPC)

- The company will extensively enhance its optimization and trading operations so as to develop systems that expand its capacity to respond to fluctuations of the costs of fuel and power generations. For the future, it will quickly move ahead with studies aimed at initiating systems for its optimization and trading operations during FY2014 in order to optimize all sections of the energy chain and ensuring sustainable profits.
- While closely watching the fluctuations of fuel and power costs, the company will also build systems that allow it to analyze fuel procurement, distribution and the performance characteristics of the different thermal power generation facilities in an integrated and quantitative way, enabling it to achieve the most economical power generation operations.



- The company will utilize its comprehensive business alliance to develop new types of overseas IPP business that produces virtuous cycles of profit growth and fuel purchasing. Also, it will strategically reduce fuel procurement costs and make full use of its alliance to actively expand its gas business.



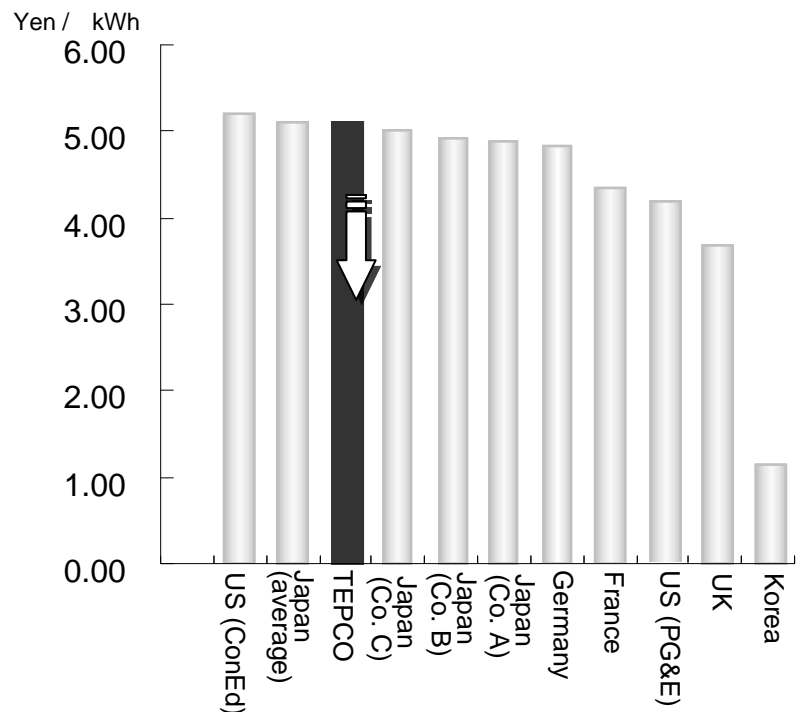
# 5. TEPCO's Business Operation Plan

## (3) Building a Revenue Base for Sustained Reconstruction

### <4> Power Grid Company Neutrality and Investment Strategy

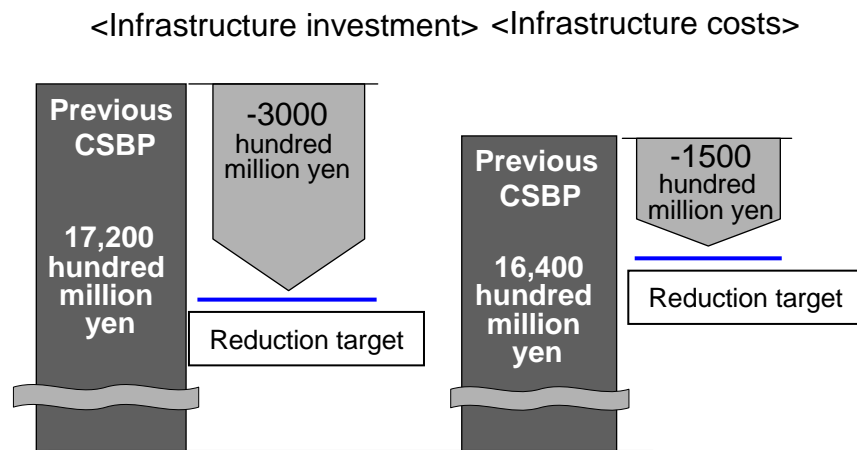
- Working on a premise of stable supply and the assurance of safety and product quality, the company will continue to generate the resources needed for Fukushima revitalization and work to lower the level of wheeling cost pricing using the leading overseas examples as a benchmark.
- Due to ongoing deterioration over time, the amount of infrastructure requiring replacement or maintenance is expected to increase significantly. Accordingly, the company will introduce procedures for assessing the need for infrastructure investment and will set up and standardize objective assessment methods.
- The company will closely and actively cooperate with the National Government in the design of systems for wheeling rates, including looking at the situation regarding equitable connection fees and the incentives offered to electricity transmission and distribution businesses.

[Comparison of Japanese and overseas wheeling rates]



(Source) Mitsubishi Research Institute, wheeling income and expenditure accounts for each company  
Overseas figures are estimates for FY '09-'10, domestic figures are results for FY '12.

[Cost reductions]



\* All amounts are totals for the 5 years from 2012 to 2016  
\* Infrastructure costs are the total for repair and removal

Reduction targets: Infrastructure investment 300 billion yen or more  
Infrastructure-related costs 150 billion yen or more  
(compared to previous CSBP; cumulative total to 2016)

# 5. TEPCO's Business Operation Plan

## (3) Building a Revenue Base for Sustained Reconstruction

### <4> Power Grid Company Neutrality and Investment Strategy

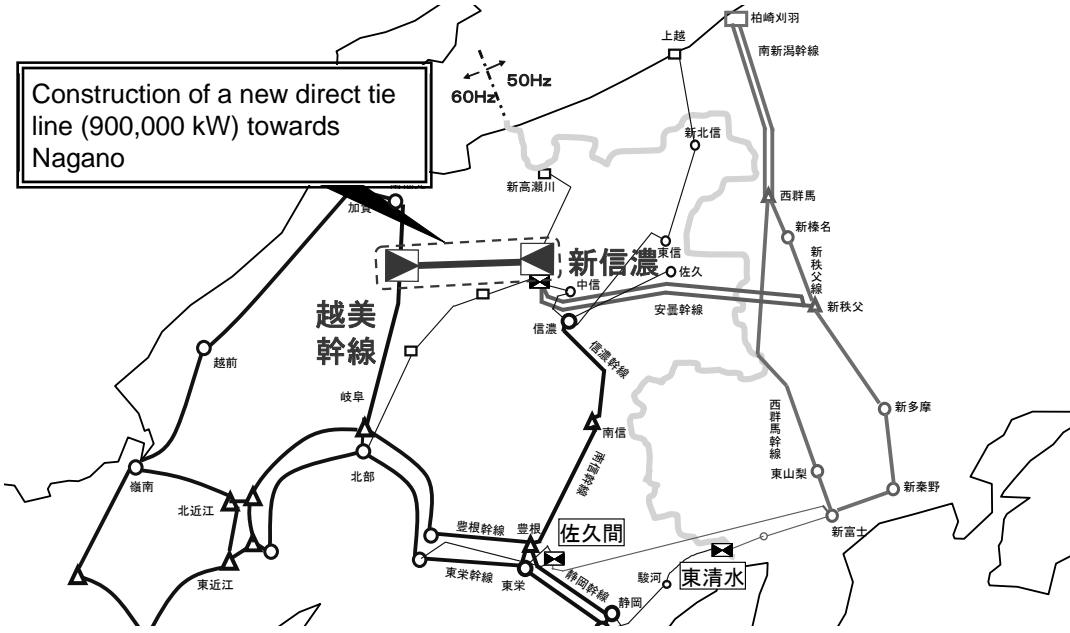
- Through initiatives such as helping to establish the Organization for Nationwide Coordination of Transmission Operators (FY2015), the company will significantly improve neutrality and fairness in business operations.
- The new Shinano substation frequency conversion equipment will be upgraded from 600,000 kW to 1.5 million kW (to begin operating in 2020).
- Inter-regional tie lines will be used to increase the amount of interconnected wind power. (Trials to begin from FY2016.)

#### <Frequency conversion equipment upgrades>

Current east-west interconnection infrastructure  
(Frequency conversion stations)

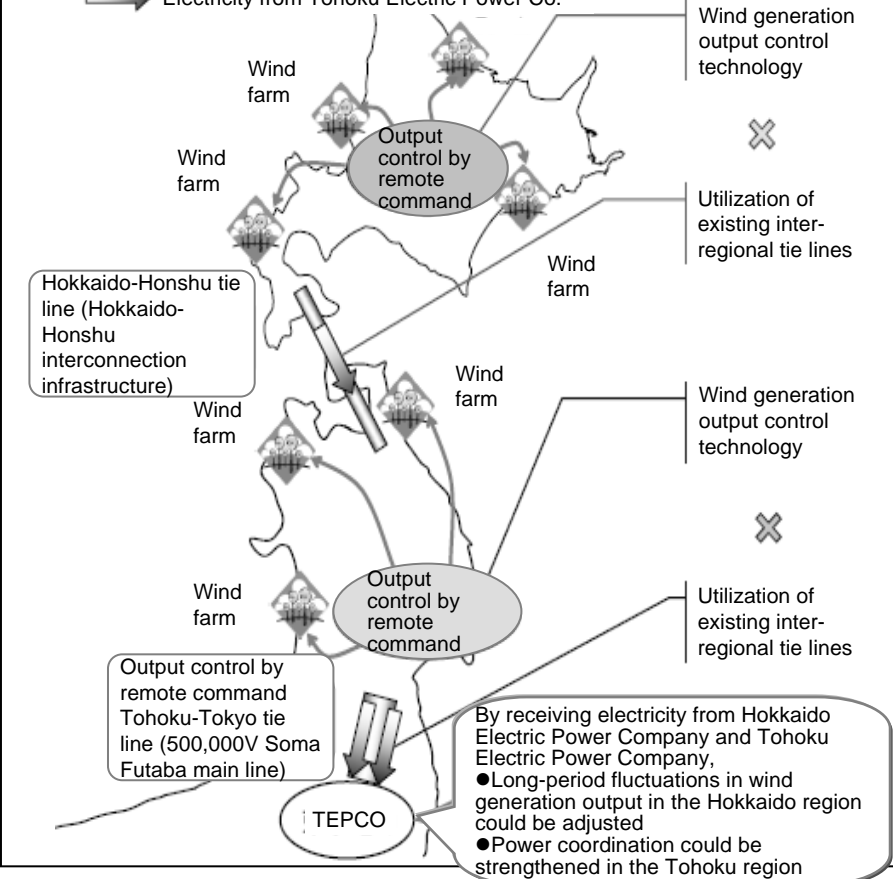
- Sakuma (power supply development) 600,000 kW
- Shinshinano (TEPCO)
- Higashi-Shimizu (Chubu) 300,000 kW
- Total 1.2 million kW

Construction of a new direct tie line (900,000 kW) towards Nagano



#### <Increased interconnected wind power using Inter-regional tie lines>

- ➡ Electricity from Hokkaido Electric Power Co.
- ➡ Electricity from Tohoku Electric Power Co.

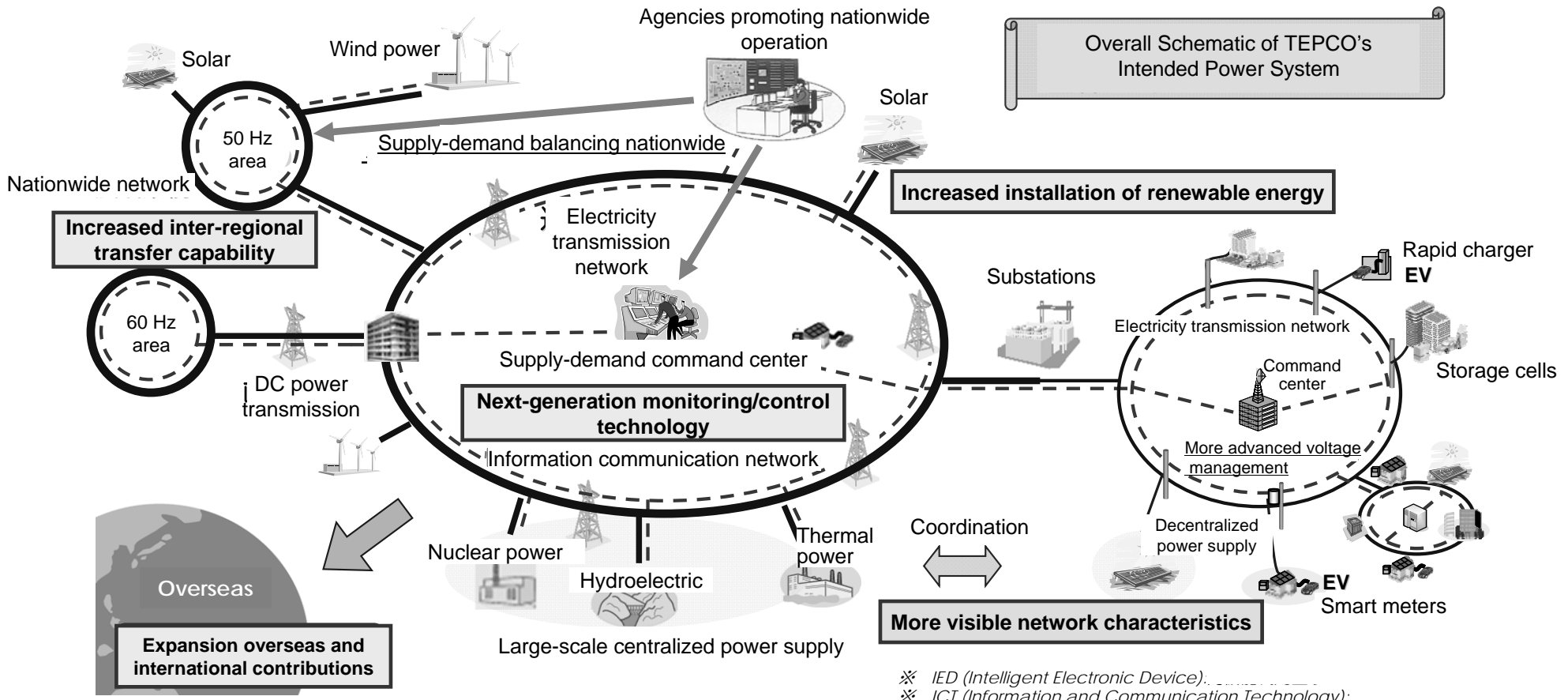


# 5. TEPCO's Business Operation Plan

## (3) Building a Revenue Base for Sustained Reconstruction

### <4> Power Grid Company Neutrality and Investment Strategy

- Beginning with initiatives such as using inter-regional tie lines, the company will lead the way in the transition to a framework that efficiently balances supply and demand by making the greatest possible use of the merits of scale afforded by nationwide interconnections.
- These initiatives will lead to greater competitiveness and improved technical capacity, and can be used to contribute to the nation as a whole.



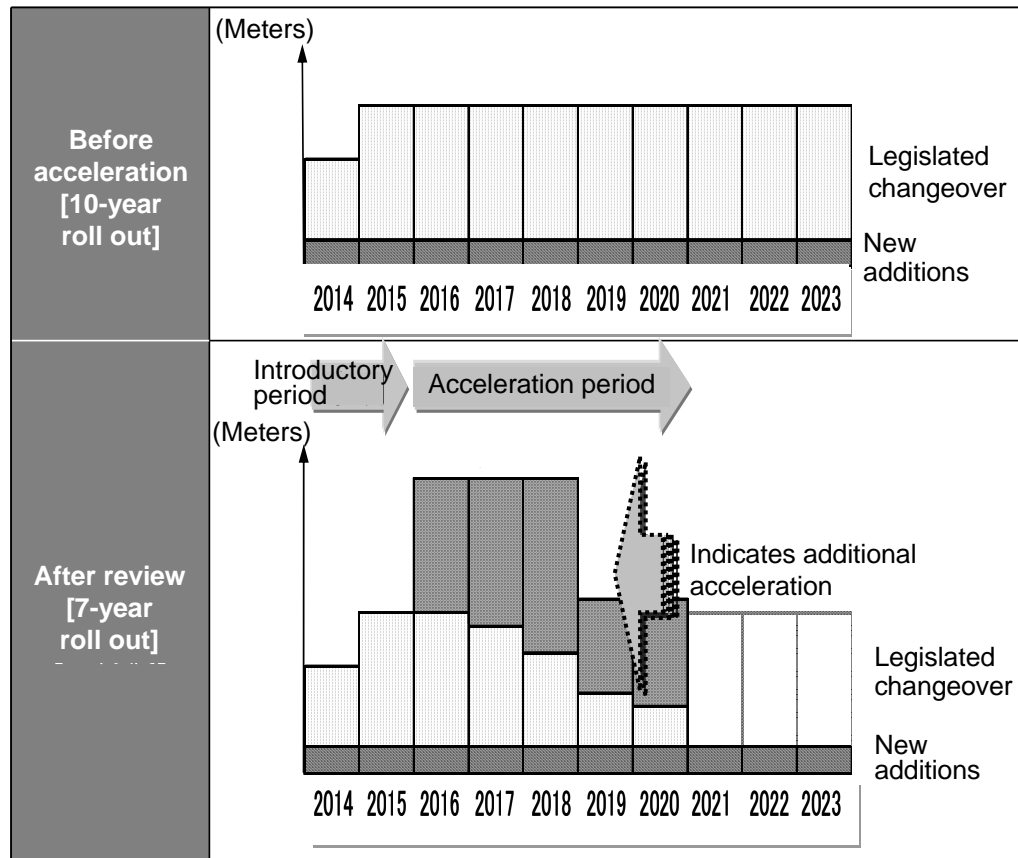
# 5. TEPCO's Business Operation Plan

## (3) Building a Revenue Base for Sustained Reconstruction

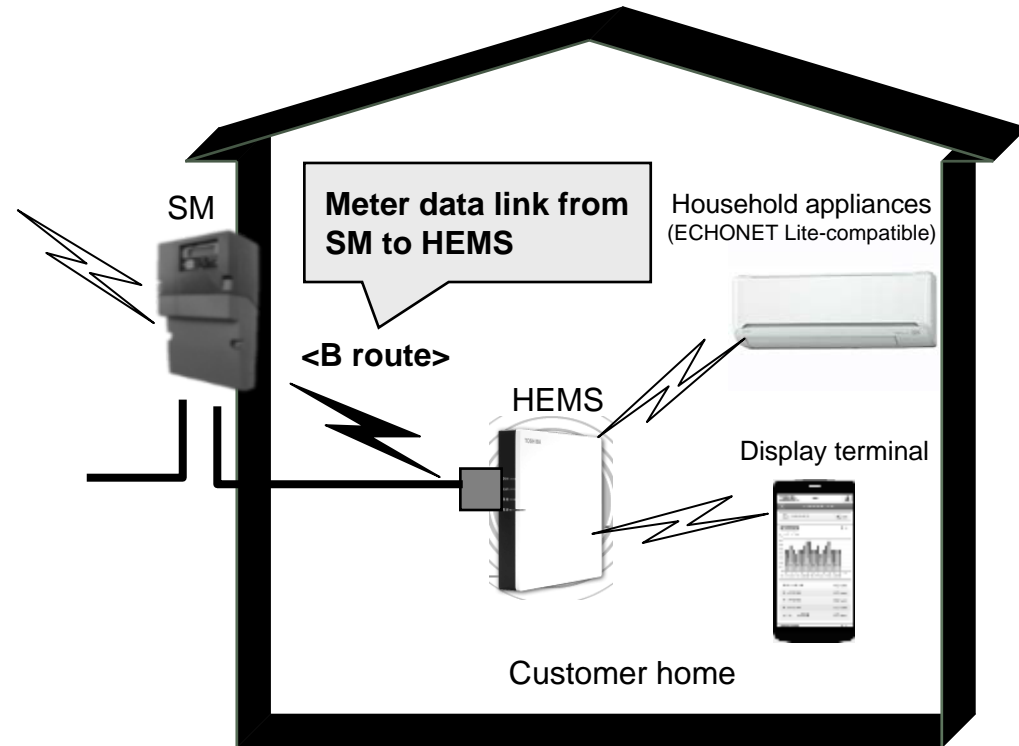
### <4> Power Grid Company Neutrality and Investment Strategy

- The smart meter installation program has been moved up 3 years, with meters to be installed throughout the entire TEPCO customer area by FY2020.
- In response to customer demand for early installation, the company aims to move the program forward an additional 1 year, focusing on Tokyo and the adjacent prefectures.
- From September 2014 at the soonest, advance trials will begin using meter data, and as the first step in a new initiative, joint meter reading will also be implemented for gas and water as of FY2015.

<Schematic of the accelerated roll out schedule>



<Schematic of the advance trials using meter data>  
(B-route service)

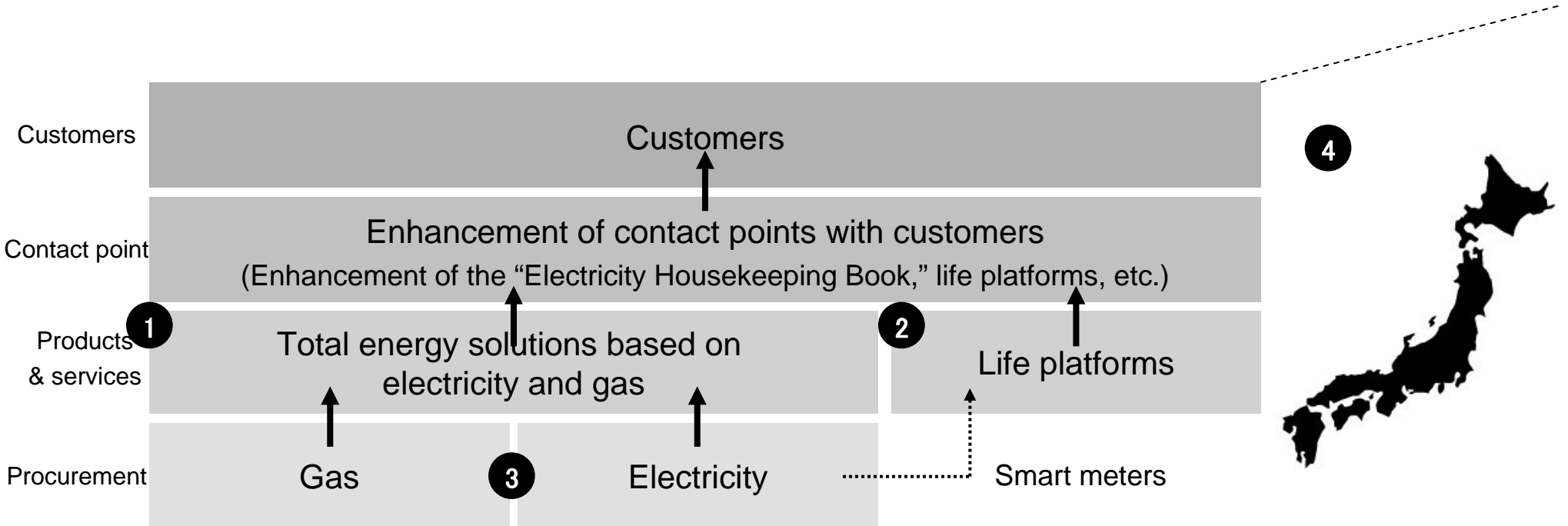


# 5. TEPCO's Business Operation Plan

## (3) Development of a Revenue Base toward Sustainable Revitalization

### <5> Growth Strategy of Customer Service Companies (Retailers)

- TEPCO will aim to become a futuristic infrastructure company that proposes the most efficient energy use for each customer and provides products and services that minimize the costs of medium to long-term infrastructure utilization, including customers' facilities.



- ① Total energy solutions based on electricity and gas .....> Propose the most efficient energy use that minimizes the costs
- ② Diverse convenient services (life platforms, etc.) .....> Provide open platforms for living and housing
- ③ Competitive electricity and gas procurement .....> Low-cost power procurement via tendering, utilization of exchange markets, etc.
- ④ Nationwide provision of services (nationwide electricity sales, etc.) .....> Development of a business framework and commencement of sales activities in FY2014

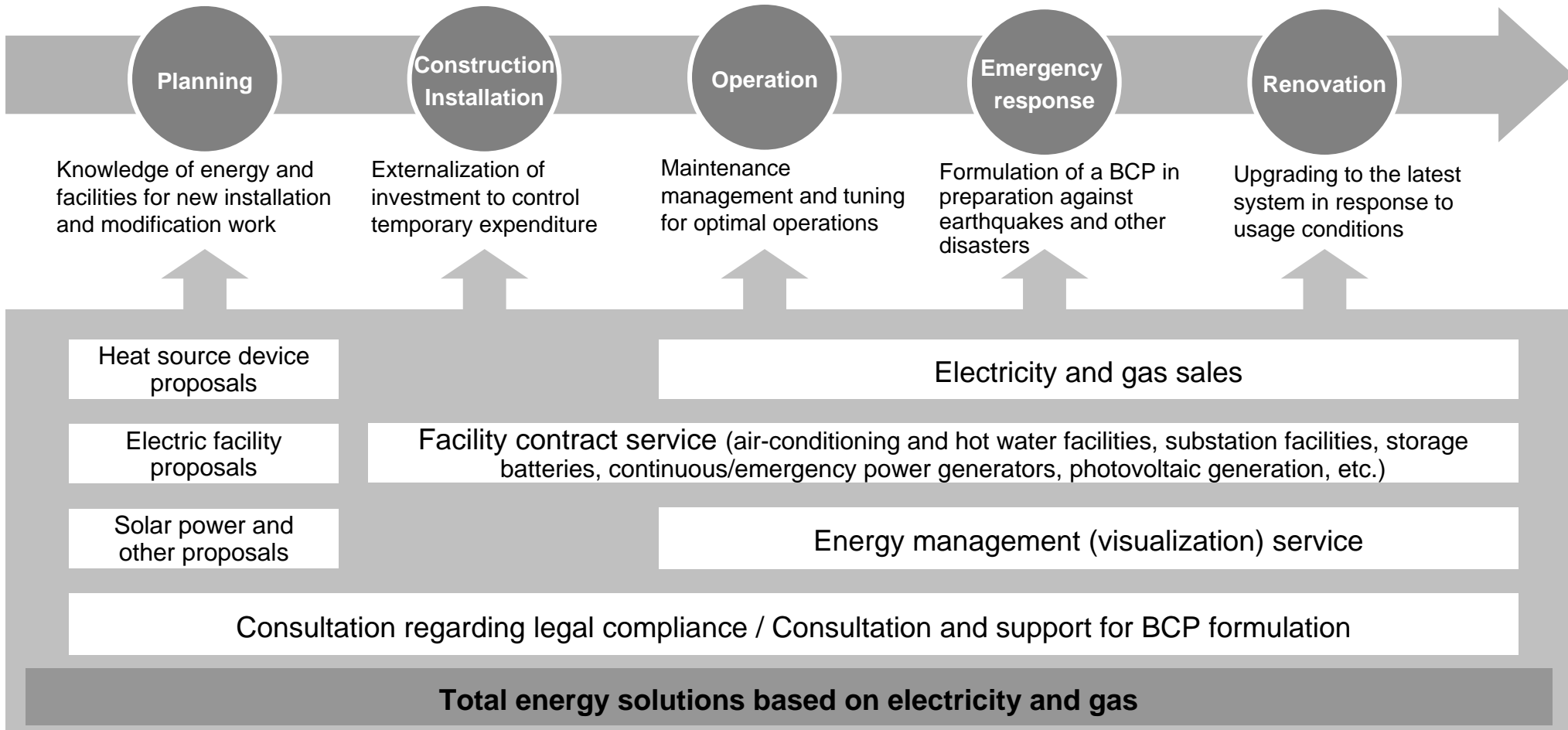
# 5. TEPCO's Business Operation Plan

## (3) Development of a Revenue Base toward Sustainable Revitalization

### <5> Growth Strategy of Customer Service Companies (Retailers)

- An environment will be created where customers can feel secure about using energy, by aiming to minimize energy cost as a whole (electricity and gas fees, equipment procurement, operational expenses, etc.) and proposing optimal energy usage.

#### Proposal of efficient energy use throughout the long life cycle of buildings and facilities



# 5. TEPCO's Business Operation Plan

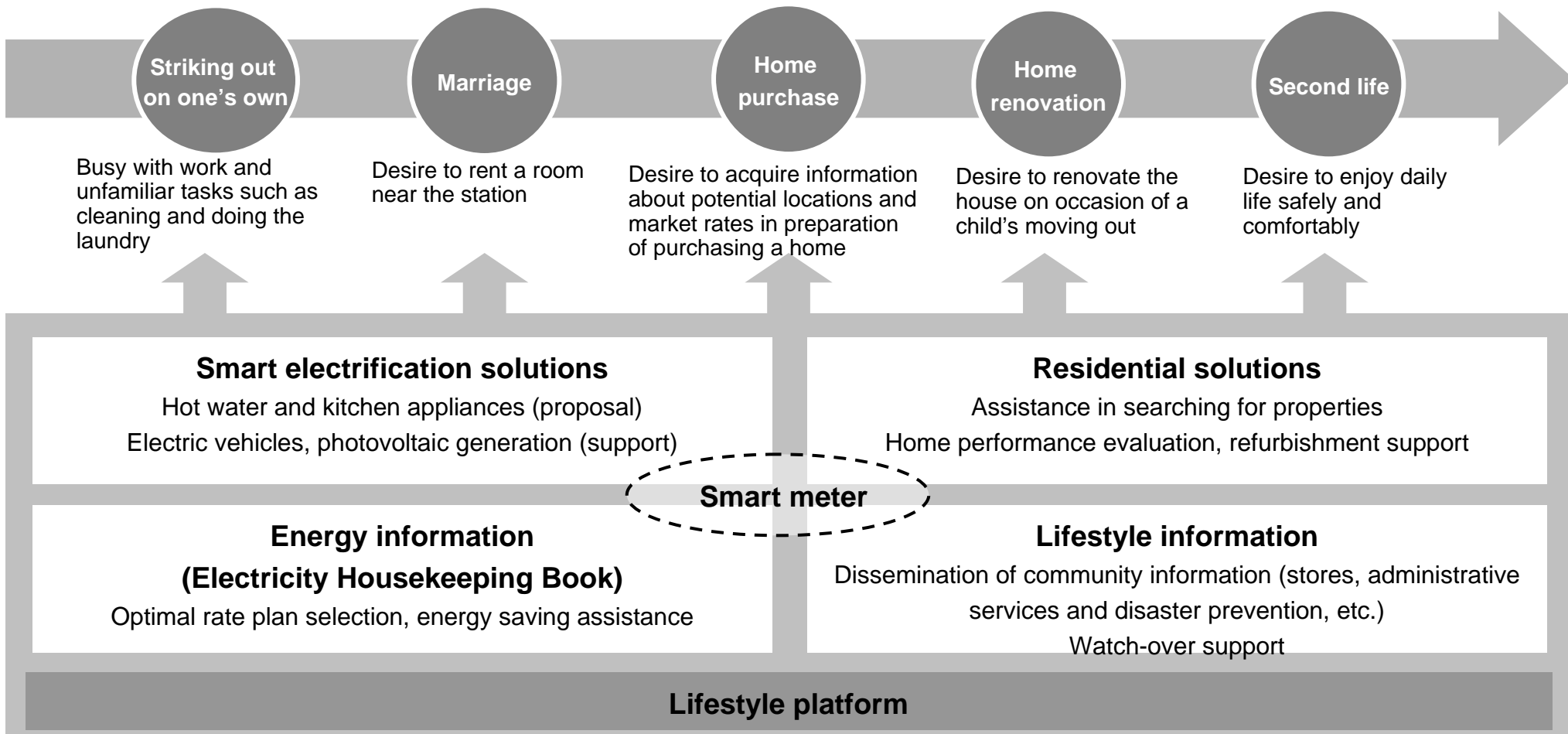
## (3) Development of a Revenue Base toward Sustainable Revitalization

### <5> Growth Strategy of Customer Service Companies (Retailers)

- The “Electricity Housekeeping Book”\* will be enhanced to offer knowledge about optimal rate plan selections and the benefits of energy conservation.
- In the future, an open platform will be offered to provide diverse lifestyle and household services.

\* An online service available at <http://www.tepco.co.jp/kakeibo/index-j.html>

#### Provision of even greater added value for lifestyles and households throughout customers' life events

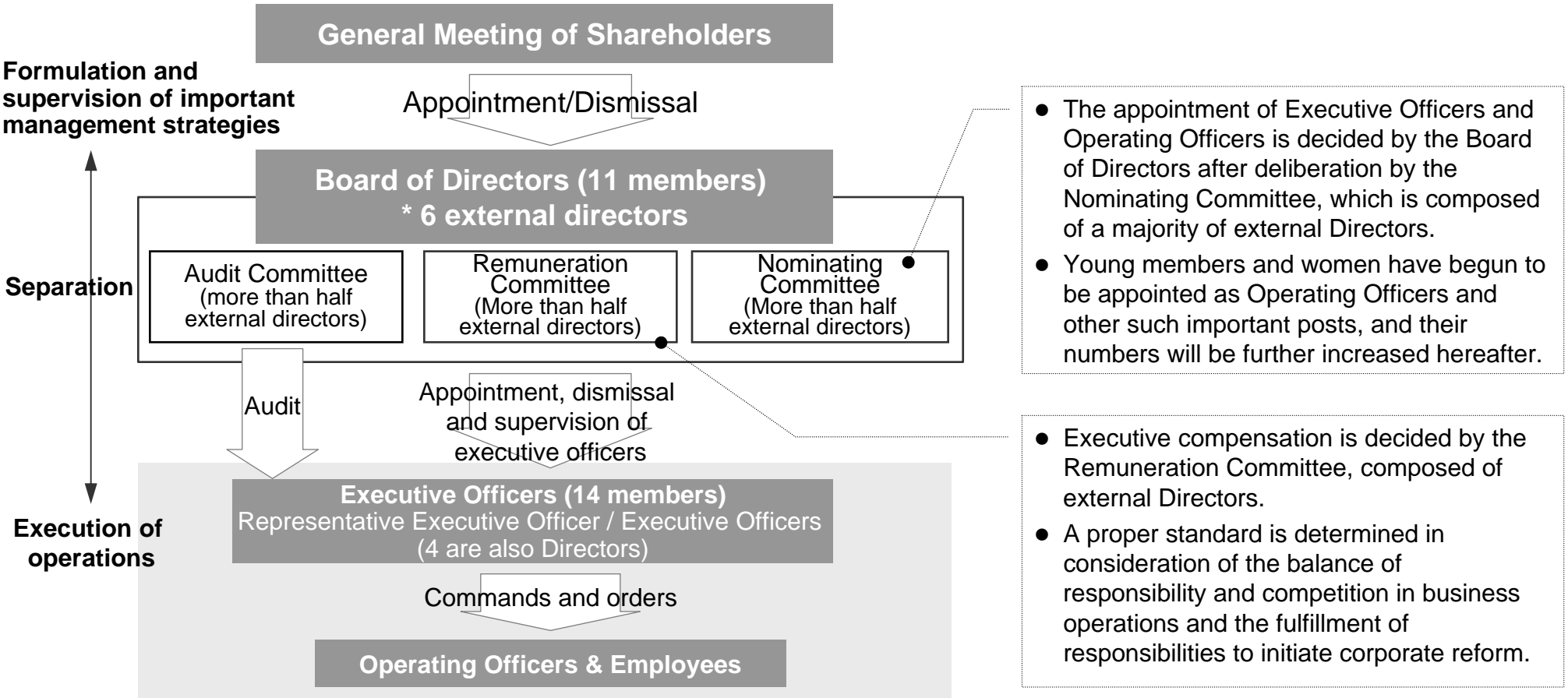


# 5. TEPCO's Business Operation Plan

## (4) Measures for Clarification of Management Responsibility

- TEPCO switched its management framework to a committee governance structure in June 2012. The Board of Directors, composed of a majority of external members, engage in the formulation of new management strategies, the designing of organizational and personnel policies, and business supervision, free of conventional constraints.

### [Management Framework]





## 5. TEPCO's Business Operation Plan

### (5) Request for Cooperation from Financial Institutions and Shareholders

#### <1> Request for Cooperation from Financial Institutions with an Eye to Fund Procurement after Liberalization

- Taking into consideration the government's role in nuclear decommissioning, decontamination and other such tasks, and TEPCO's initiatives for establishment of stronger frameworks for compensation and decommissioning and further management reform, all partner financial institutions are asked to respond appropriately to the following requests for cooperation toward achievement of the objectives of the new Comprehensive Special Business Plan based on discussion with the Fund and TEPCO.

#### [Detailed Requests for Cooperation from Financial Institutions]

- As requested in the previous Comprehensive Special Business Plan, all partner financial institutions shall maintain their credit line via refinancing efforts, etc.
- In the case of the above, when the total amount of credit by general security is expected to exceed the amount at the time of the earthquake disaster, no general security shall be newly required, and the credit shall be utilized so that the total amount of general security decreases continuously every fiscal year, in view of the steady execution of the new Comprehensive Special Business Plan.
- All partner financial institutions shall, based on the steady execution of the new Comprehensive Special Business Plan and on the premise that there are no particular obstacles to the fulfillment of obligations, engage in sincere discussion with the Fund and TEPCO at the earliest convenience, not to adopt the private placement method for new loans (a crediting method that is secured by privately-placed bonds issued by TEPCO).
- TEPCO's planned shifting to a holding company system in the year ending March 2017 provided that relevant legislative proceedings are completed, and the establishment of a special-purpose company and transfer of funds toward replacement by alliance, shall be approved under the premise that the rationality of detailed matters and absence of any particular obstacles to the performance of obligations can be confirmed in a company split plan, etc.
- For rights protection of existing bonds when shifting to a holding company system, a method shall be taken in which the bonds of subsidiary companies that are respectively secured by their whole property are issued to a holding company without the subsidiaries bearing a joint obligation or joint guaranty, and shall be approved (the continuation of publicly-issued bonds shall be approved) under the premise that the absence of any particular obstacles to the performance of obligations can be confirmed in a company split plan, etc.
- As a new fund procurement mechanism, new credits shall be made available in response to a credit requirement of some 2 trillion yen that is expected to be needed over the medium to long term for strategic rationalization of management and growth strategies of each subsidiary company, under the premise that the steady execution of the new Comprehensive Special Business Plan and absence of any particular obstacles to the performance of obligations can be confirmed in a company split plan, etc.

- Shareholders are asked to respond to the following cooperation requests toward minimization of public burden and achievement of the goals of the new Comprehensive Special Business Plan.

#### [Detailed Requests for Cooperation from Shareholders]

- Condone the continued non-payment of dividends over the near term from the perspective of minimizing public burden.
- Approve of the change to a holding company system, and support the necessary measures for organizational restructuring that are presented to the general meeting of shareholders.
- Approve of the transition of preferred shares owned by the Fund to common shares, and the further dilution of common shares in the market accompanying their sell-off.

## (6) Ensuring Steady Execution of the Special Business Plan

- Until certain progress is verified in the “management evaluation concerning responsibility and competition,” the Fund will directly support the promotion of management reform from within TEPCO through the officers and employees it dispatches to TEPCO, and will monitor the progress of reform efforts from the standpoint of the Fund.

<p>Formulation of a “management evaluation concerning responsibility and competition,” etc.</p>	<ul style="list-style-type: none"> <li>● The Fund will consult with TEPCO’s external directors and the government once every three years, as a rule, after the end of FY2016, and will implement and announce a “management evaluation concerning responsibility and competition” in regard to TEPCO’s management reform.</li> <li>● Evaluation items and criteria will be formulated by the Fund in consultation with TEPCO’s external directors and the government.</li> </ul>
<p>Framework for promotion of management reform within TEPCO</p>	<ul style="list-style-type: none"> <li>● TEPCO will engage in management reform efforts fully based on the new Comprehensive Special Business Plan.</li> <li>● Until the termination of provisional public management, the Fund will dispatch directors, executive officers and operating officers, as well as personnel to the management reform headquarters and business strategy offices in each company, to promote concentrated and bold reform efforts.</li> </ul>
<p>Monitoring system by the Fund</p>	<ul style="list-style-type: none"> <li>● The Fund’s steering committee will take the necessary response for execution of the new Comprehensive Special Business Plan based on regular progress reports from the officers and employees it dispatches.</li> <li>● The steering committee shall receive a report directly from the management once every quarter or so.</li> </ul>

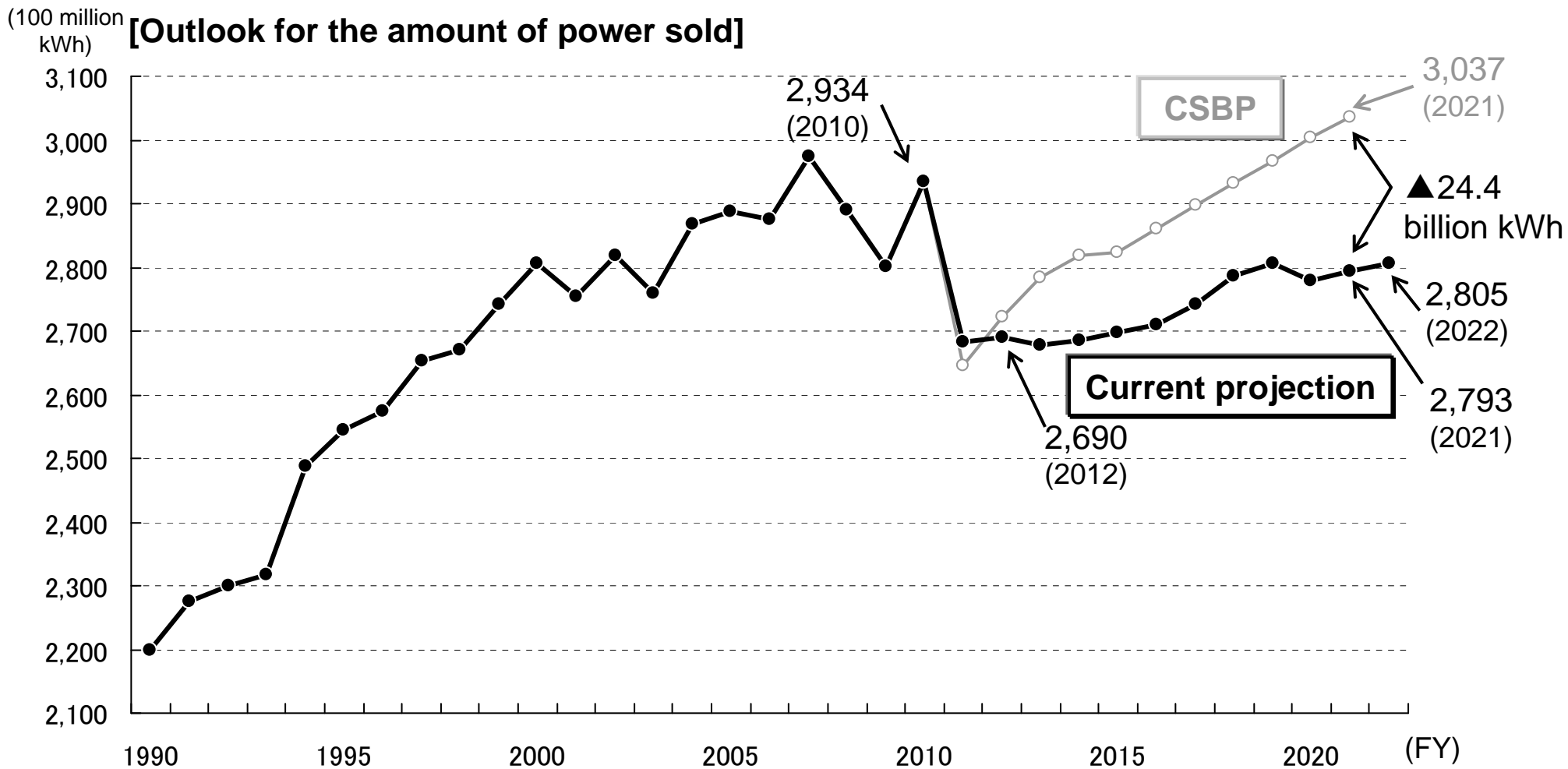
## **6. Items relating to the assessment of assets and income and expenditure situation**

- (1) Supply-demand & income-expenditure projections
  - <1> Supply-demand projections
  - <2> Income-expenditure projections
- (2) Assessment of investment and income-expenditure conditions

# 6. Items relating to the assessment of assets and income and expenditure situation

## (1) Supply-demand & income-expenditure projections <1> Supply-demand projections

● As a result of intensifying competition due to the broad deregulation as of FY2016 and the construction of new power sources for new low-voltage power as business operations push up anticipated demand, coupled with the expectation that reductions in power consumption will continue at the current pace, the amount of power sold in FY2021 is expected to be 24.4 billion kWh less than stated in the CSBP.

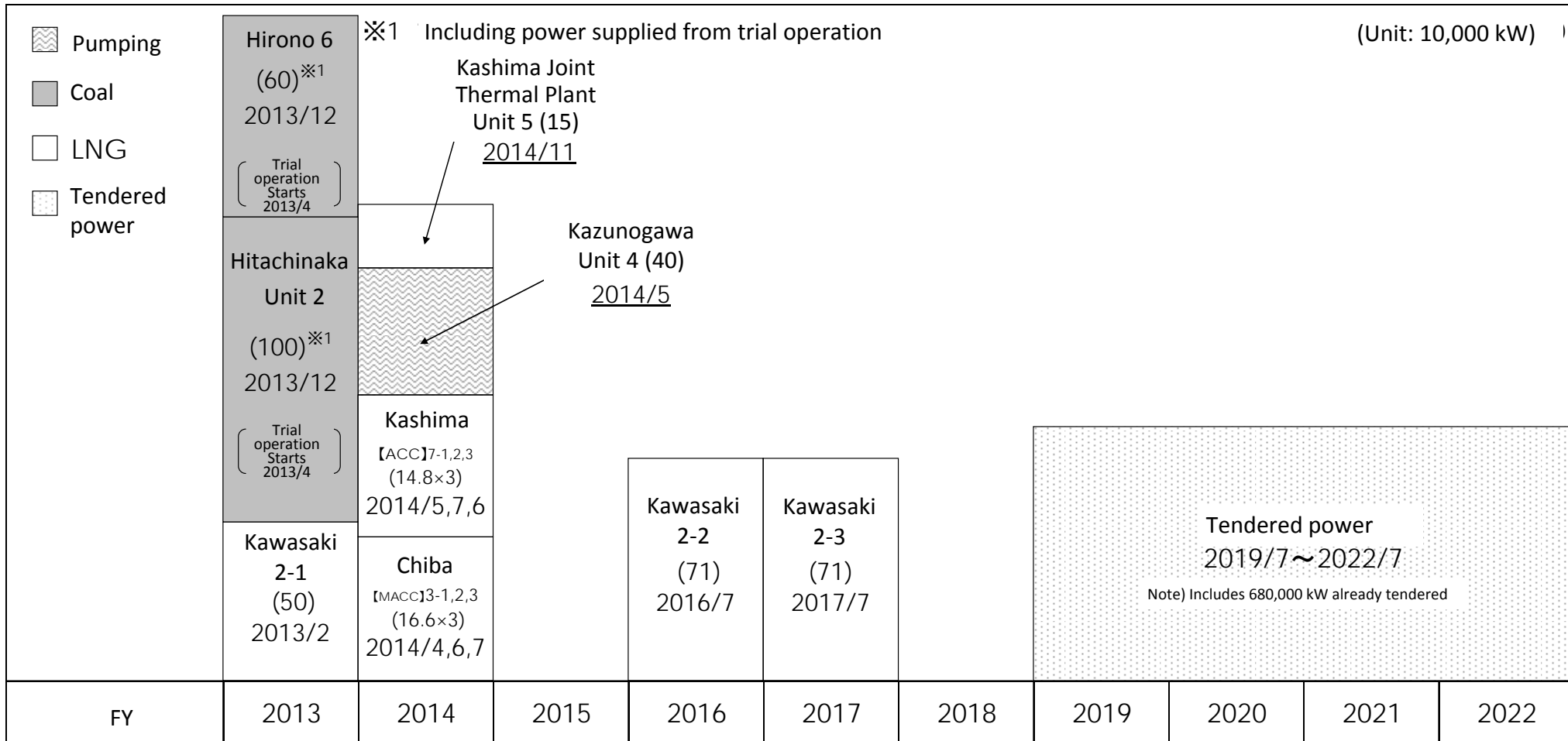


# 6. Items relating to the assessment of assets and income and expenditure situation

## (1) Supply-demand & income-expenditure projections <1> Supply-demand projections

- TEPCO will maintain the power supply and demand balance through measures including 2.6 million kW power supply tenders.
- Depending on the operating status of the Kashiwazaki-Kariwa nuclear power station, optimization on the portfolio of operating power generating units must be worked through, taking into account various factors including the continued operation of aged thermal power units.

### [Planned power supply development and procurement]



## 6. Items relating to the assessment of assets and income and expenditure situation

### (1) Supply-demand & income-expenditure projections <2>Income-expenditure projections

- As a result of emergency cost cutting, an operating profit of 99.7 billion yen will be returned in the period to March of 2014. The March 2015 period will see a favorable turn due to factors such as lower fuel costs, working on the assumption that the reactor units in the Kashiwazaki-Kariwa nuclear power station will be operating in series.
- The cash and cash-equivalent balance at the end of the period to March 2015 will be 514.1 billion yen as a result of investment cash flow through increased stabilization investment and expenditures of financial cash flow arising from redemption of corporate bonds, etc.

#### [Income-expenditure and capital projections (non-consolidated)]

(hundred million yen)

	Period to March 2014 (projected)	Period to March 2015 (planned)
Operating profit	997	2,507
Ordinary profit	271	1,677
Net income for the period	6,658	1,670
Operating cash flow	3,850	6,930
Investment cash flow	-2,906	-7,547
Financial cash flow	-2,922	-6,066
End-of-period balance in cash and cash equivalents	11,824	5,141

※ Actual results may vary due to changes in circumstances that occurred after these income and expenditure figures were compiled.

※ It is assumed that power plants at the Kashiwazaki-Kariwa Nuclear Power Station will resume operations in sequence from July 2014 in view of the income and expenditure plan. (Units 6 and 7: first half of FY2014; Units 1 and 5: second half of FY2014. For Units 2-4, considerable time will be required to resume operation, and the schedule is uncertain, so both included and not included patterns are estimated for income and expenditure figures.)

※ If the timing of the resumption of operation varies significantly from the postulated date of July 2014, it is projected that the price rises under the approvals system for changes to the power supply configuration must be implemented by the Fall quarter of 2014 at the latest, but this will be determined in view of the actual timing of the resumption of operation and the cost reduction margins.

## 6. Items relating to the assessment of assets and income and expenditure situation

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(1) Supply-demand & income-expenditure projections <2>Income-expenditure projections /

(2) Assessment of investment and income-expenditure conditions

[Excluding Kashiwazaki-Kariwa nuclear power station Units 2, 3 and 4 (non-consolidated)]

	Year ended March 31, 2014 (projected)	Year ended March 31, 2015 (planned)	Year ended March 31, 2016 (Ref.)	Year ended March 31, 2017 (Ref.)	Year ended March 31, 2018 (Ref.)	Year ended March 31, 2019 (Ref.)	Year ended March 31, 2020 (Ref.)	Year ended March 31, 2021 (Ref.)	Year ended March 31, 2022 (Ref.)	Year ended March 31, 2023 (Ref.)
<b>Balance sheet</b>										
Operating profit	64,340	66,289	63,515	62,587	62,998	63,097	63,269	62,306	61,264	61,164
Electricity business operating profit	62,991	65,031	62,176	60,839	61,126	61,226	61,398	60,435	59,393	59,293
Ancillary business operating profit	1,349	1,258	1,340	1,748	1,871	1,871	1,871	1,871	1,871	1,871
Operating costs	63,343	63,783	61,175	60,530	60,714	61,381	60,929	59,350	58,705	58,682
Electricity business operating costs	62,041	62,623	59,917	58,892	58,966	59,632	59,176	57,596	56,950	56,928
Ancillary business operating costs	1,301	1,160	1,257	1,638	1,748	1,749	1,753	1,754	1,755	1,754
Operating profit (loss)	997	2,507	2,341	2,057	2,284	1,716	2,341	2,957	2,559	2,482
Non-operating profit/loss	(726)	(830)	(711)	(655)	(720)	(727)	(803)	(884)	(1,023)	(1,186)
Ordinary profit (loss)	271	1,677	1,629	1,403	1,564	989	1,537	2,073	1,536	1,296
Contribution to reserves under special law (breakdown)	5	10	10	13	12	15	14	11	96	116
Special profit/loss	6,392	7	280	-	-	-	-	-	-	-
Net pre-tax profit for the period (loss)	6,658	1,673	1,899	1,390	1,552	974	1,523	2,061	1,440	1,181
Corporate tax, etc.	1	3	62	3	63	50	79	110	79	248
Net profit for the period (loss)	6,658	1,670	1,838	1,387	1,489	924	1,444	1,951	1,360	933
(Ref.) Net assets	14,978	16,648	18,486	19,873	21,362	22,286	23,730	25,681	27,041	27,974
<b>Cash Flow</b>										
Operating cash flow	3,850	6,930	8,310	7,756	8,377	7,921	8,321	8,713	7,353	7,001
Investment cash flow	(2,906)	(7,547)	(6,445)	(7,682)	(6,301)	(5,857)	(6,347)	(6,602)	(5,761)	(5,696)
Financial cash flow	(2,922)	(6,066)	(3,876)	(773)	(1,503)	(2,511)	(1,519)	(1,993)	4,706	3,208
Change in cash and cash equivalents	(1,978)	(6,683)	(2,011)	(699)	572	(447)	455	118	6,298	4,514
Cash and cash equivalent balance at period start	13,801	11,824	5,141	3,130	2,431	3,003	2,555	3,010	3,128	9,426
Cash and cash equivalent balance at period end	11,824	5,141	3,130	2,431	3,003	2,555	3,010	3,128	9,426	13,939



## 6. Items relating to the assessment of assets and income and expenditure situation

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(1) Supply-demand & income-expenditure projections <2> Income-expenditure projections /

(2) Assessment of investment and income-expenditure conditions

[Including Kashiwazaki-Kariwa nuclear power station Units 2, 3 and 4 (non-consolidated)]

	Year ended March 31, 2014 (projected)	Year ended March 31, 2015 (planned)	Year ended March 31, 2016 (Ref.)	Year ended March 31, 2017 (Ref.)	Year ended March 31, 2018 (Ref.)	Year ended March 31, 2019 (Ref.)	Year ended March 31, 2020 (Ref.)	Year ended March 31, 2021 (Ref.)	Year ended March 31, 2022 (Ref.)	Year ended March 31, 2023 (Ref.)
<b>Balance sheet</b>										
Operating profit	64,340	66,289	63,515	60,608	59,551	59,433	59,588	58,695	57,980	57,877
Electricity business operating profit	62,991	65,031	62,176	58,860	57,679	57,562	57,716	56,824	56,109	56,005
Ancillary business operating profit	1,349	1,258	1,340	1,748	1,871	1,871	1,871	1,871	1,871	1,871
Operating costs	63,343	63,783	61,062	58,611	57,265	57,624	57,274	55,860	55,383	55,478
Electricity business operating costs	62,041	62,623	59,805	56,972	55,517	55,874	55,521	54,106	53,628	53,724
Ancillary business operating costs	1,301	1,160	1,257	1,638	1,748	1,749	1,753	1,754	1,755	1,754
Operating profit (loss)	997	2,507	2,453	1,998	2,286	1,810	2,313	2,835	2,598	2,399
Non-operating profit/loss	(726)	(830)	(711)	(655)	(718)	(722)	(795)	(873)	(1,009)	(1,167)
Ordinary profit (loss)	271	1,677	1,742	1,343	1,568	1,088	1,518	1,963	1,589	1,232
Contribution to reserves under special law (breakdown)	5	10	10	13	12	15	14	11	96	116
Special profit/loss	6,392	7	280	-	-	-	-	-	-	-
Net pre-tax profit for the period (loss)	6,658	1,673	2,012	1,330	1,556	1,073	1,504	1,951	1,493	1,116
Corporate tax, etc.	1	3	67	3	60	53	76	100	80	155
Net profit for the period (loss)	6,658	1,670	1,944	1,327	1,496	1,020	1,428	1,851	1,413	961
(Ref.) Net assets	14,978	16,648	18,593	19,920	21,416	22,435	23,864	25,715	27,128	28,089
<b>Cash Flow</b>										
Operating cash flow	3,850	6,930	8,364	7,599	8,448	8,192	8,462	8,820	7,599	7,149
Investment cash flow	(2,906)	(7,547)	(6,445)	(7,682)	(6,301)	(5,857)	(6,347)	(6,602)	(5,761)	(5,696)
Financial cash flow	(2,922)	(6,066)	(3,876)	(773)	(1,503)	(2,511)	(1,519)	(1,993)	4,706	3,208
Change in cash and cash equivalents	(1,978)	(6,683)	(1,957)	(857)	644	(176)	595	226	6,544	4,661
Cash and cash equivalent balance at period start	13,801	11,824	5,141	3,184	2,327	2,971	2,795	3,390	3,616	10,160
Cash and cash equivalent balance at period end	11,824	5,141	3,184	2,327	2,971	2,795	3,390	3,616	10,160	14,821

## **7. Financial Aid Details**

- (1) Amounts & Details of Financial Aid Supplied to TEPCO
- (2) Items relating to funding the cost of government bonds to be provided and other financial aid

## **8. Financial Status of the Fund**

### [Amounts & Details of Financial Aid Supplied to TEPCO]

- The Fund will provide funding totaling 4,788,844 million yen, comprising the 4,908,844 million yen in compensation measures estimated for compensation payouts, minus the 120 billion yen already paid out.

### [Items relating to funding the cost of government bonds to be provided and other financial aid]

- Based on the estimated amount indicated in the Cabinet decision as the target for the funding framework to be prepared to ensure that the financial aid will be sufficient for the Fund to make compensation payouts, and provided that the proposed budget for FY2014 is passed in the Diet, the Fund needs the Government to provide a total of 9 trillion yen in government bonds in the budget.
- To assure funding for financial aid, the Fund needs a government-guaranteed total of 4 trillion yen for FY2014. If the budget for FY2014, including the government guarantee, is passed in the Diet, the Fund will use the guaranteed funds to procure future funding from financial institutions as required.

### [Financial Status of the Fund]

- The Fund's general contribution for FY2012 is 108.8 billion yen (FY2013 receipt) to be used to cover evacuee consultation costs and TEPCO monitoring expenses, etc. Any remaining amount will be returned to the national treasury.