



FY 2005 Business Management Plan Presentation Materials

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Tsunehisa Katsumata

President

Tokyo Electric Power Company



Regarding Forward Looking Statements (Performance Projections)

Certain statements in the following presentation regarding Tokyo Electric Power Company's business operations may constitute "forward looking statements." As such, these statements are not historical facts but rather predictions about the future, which inherently involves risks and uncertainties, and these risks and uncertainties could cause the Company's actual results to differ materially from the forward looking statements (performance projections) herein.



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1. FY 2005 Business Management Plan: Key Points ³

Position

This **FY 2005 Business Management Plan** has been drafted as an action plan for items to be addressed over the coming three years under the TEPCO Group's new medium-term management policy **Management Vision 2010** (announced in Oct. 2004).

Key Points

Concretely, the FY 2005 Business Management Plan stipulates the issues and main management goals that TEPCO will address on a priority basis, in accordance with the following three Group Management Guidelines specified by Management Vision 2010.

“Win the Trust of Society”

- Strictly observe corporate ethics, laws and regulations
- Implement thorough measures to ensure safety and control quality; upgrade crisis management
- Maintain thorough information disclosure, improve public relations and build up new relations with local communities
- Help establish a society that emphasizes the environment
- Secure stable supply and energy security

“Survive the Struggle in Competition”

- Advance business activities aimed at gaining customer satisfaction
- Promote cost reductions
- Develop profitable new businesses to ensure future growth

“Foster People and Technologies”

- Enhance workplace vitality; secure and foster personnel
- Strengthen and improve front-line technologies and skills
- Positively utilize information technologies
- Advance technology strategies that will support future growth

Work toward the further growth and development of the TEPCO Group, and aim at increasing the Group's enterprise value

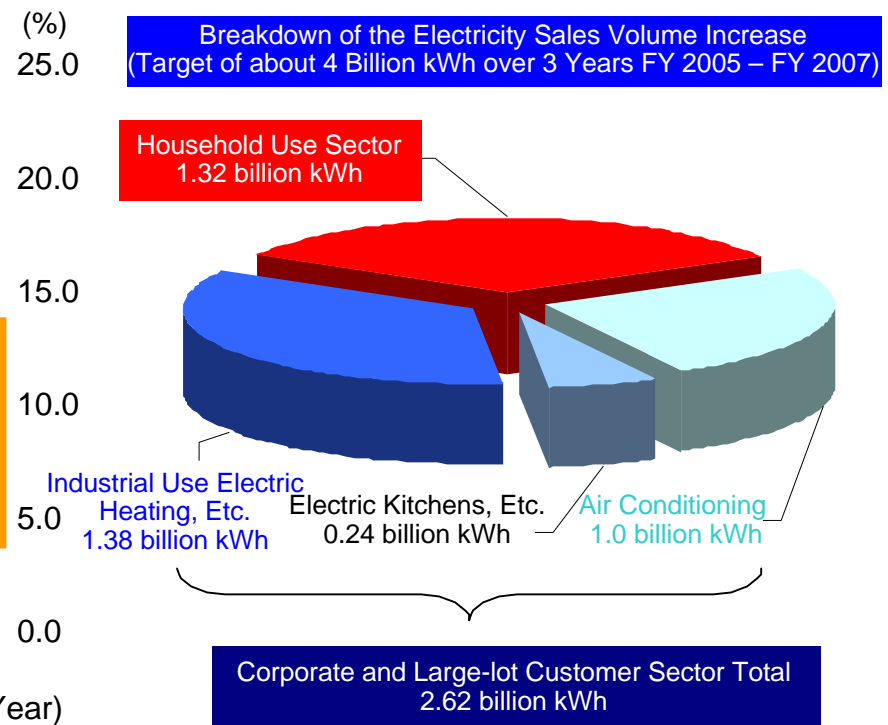
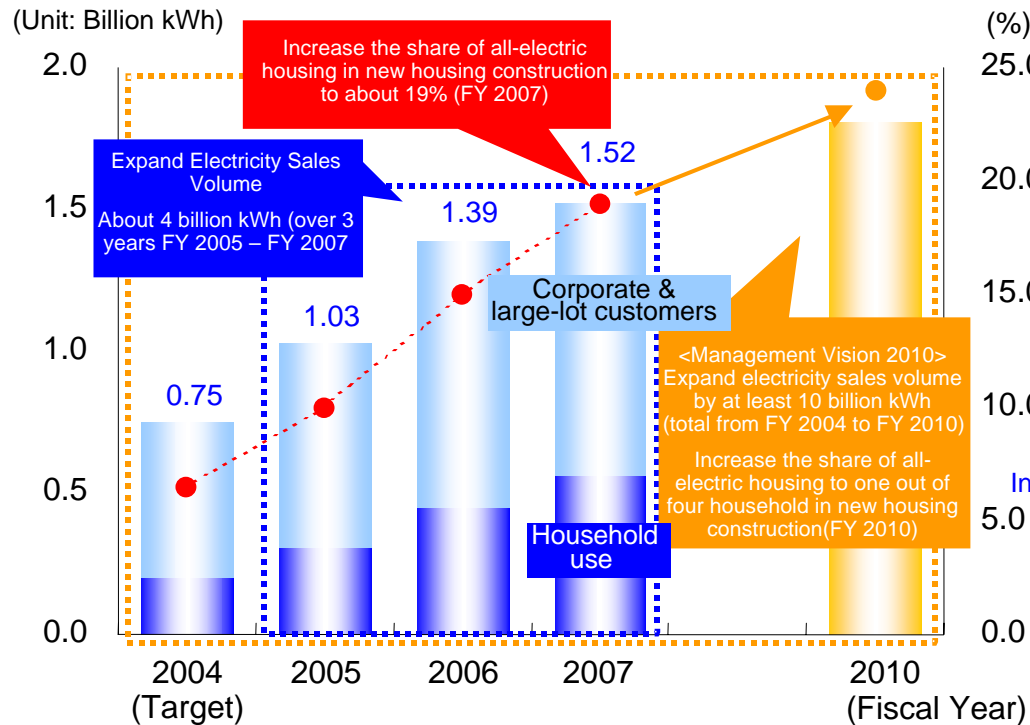


2. Management Targets

Targets		FY2005 Business Management Plan (FY2005-FY2007)	Management Vision 2010 (FY2010 Targets)	
Electric Power Business Targets	Increase Sales	Expand Electricity Sales Volume	About 4 billion kWh over 3 years	At least 10 billion kWh from FY 2004 to FY 2010
	Reduce Costs	Capital Expenditures (excluding incidental businesses)	About ¥620 billion	Improve efficiency by at least 20% compared with FY 2003 (with facilities safety and securing quality as major premises)
		Maintenance Costs	About ¥460 billion	
		Number of Employees	37,500 or less at the end of FY 2007	
	Profit and FCF Targets	Ordinary Profit	At least ¥350 billion	—
		FCF	About ¥500 billion	
		ROA	4% or higher	
Improve TEPCO's Balance Sheet	Shareholders' Equity Ratio	At least 22% at the end of FY 2007	Shareholders' Equity Ratio of at least 25%	
	Interest-bearing debt reduction	At least ¥1 trillion over 3 years		
New Businesses Targets	Business Growth Targets	Sales from Businesses other than Electric Power	About ¥500 billion in FY 2007	At least ¥600 billion in FY 2010
		Operating Profit from Businesses other than Electric Power	About ¥25 billion in FY 2007	At least ¥60 billion in FY 2010

Targets are on a non-consolidated basis (FCF and ROA are both consolidated and non-consolidated). Except as otherwise indicated, figures are averages over the three years FY 2005 – FY 2007.

3. Electricity Sales Volume Expansion Targets



Specific Measures for Developing Electricity Sales Volume

○ Expand electricity sales volume by about 4 billion kWh over 3 years from FY 2005 through FY 2007.

○ The specific goals are as follows (all as of FY 2007).

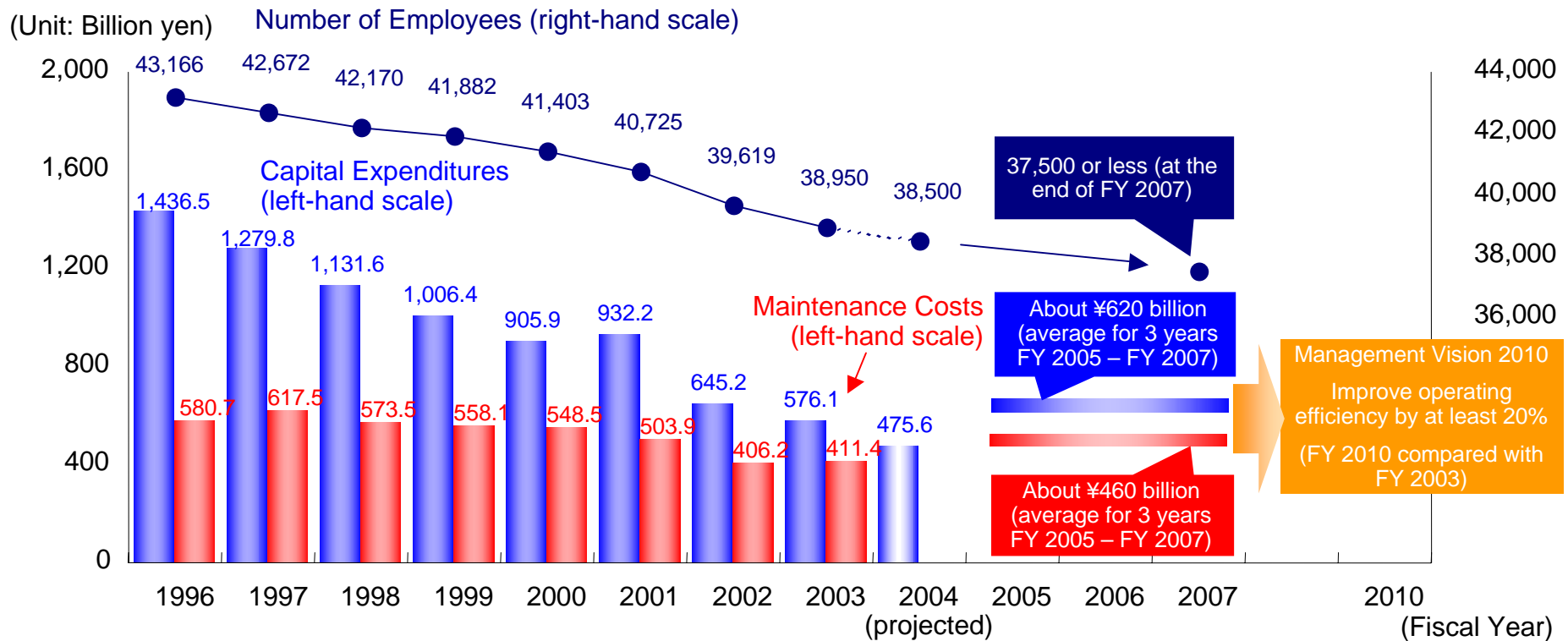
<Corporate and Large-lot Customer Sector; 960 million kWh>

- ① Develop sales of 18,000 Eco Ice units for air conditioning at office buildings and factories
- ② Introduce electric kitchens and other electric devices to 1,100 restaurants
- ③ Introduce industrial use electric heating to 180 factories.

<Household Use Sector; 560 million kWh>

Increase the share of all-electric housing in new housing construction to about 19%, which is approximately 84,000 homes.

4-1. Promotion of Cost Reductions



Cost Reduction Approach and Specific Targets

- Continue to promote cost reductions in all fields, but reinforce operating capabilities and implement necessary facilities measures certainly to ensure future facilities safety and soundness, and secure sufficient personnel to promote the development of new businesses.
- The specific cost reduction targets are to reduce capital expenditures by about ¥620 billion per year and maintenance costs by about ¥460 billion per year (both averages for the 3 years FY 2005 – FY 2007), and to decrease the number of employees to 37,500 or less (by the end of FY 2007).



4-2. Specific Measures for Promoting Cost Reductions 7

Cost Reductions

○ Restrict Capital Expenditures and Reduce Depreciation Expenses

Depreciation expenses are declining along with the restriction of capital expenditures in recent years; continue advancing efficient facilities formation and maintenance

○ Increase nuclear power plant operating ratio
→ Increase the nuclear power plant operating ratio over the middle to long term, with ensuring safety and security as major premises

○ Reduce fuel expenses
→ Restrict fuel expenses via procurement and contract measures

○ Reduce maintenance expenses
→ Restrict maintenance expenses via the stringent selection and slimming down of operation and maintenance plans, and the optimization of inspection periods

Promote cost reductions in all other fields, including administrative procedures

Development of Electricity Sales Volume

○ Advance the development of electricity sales volume

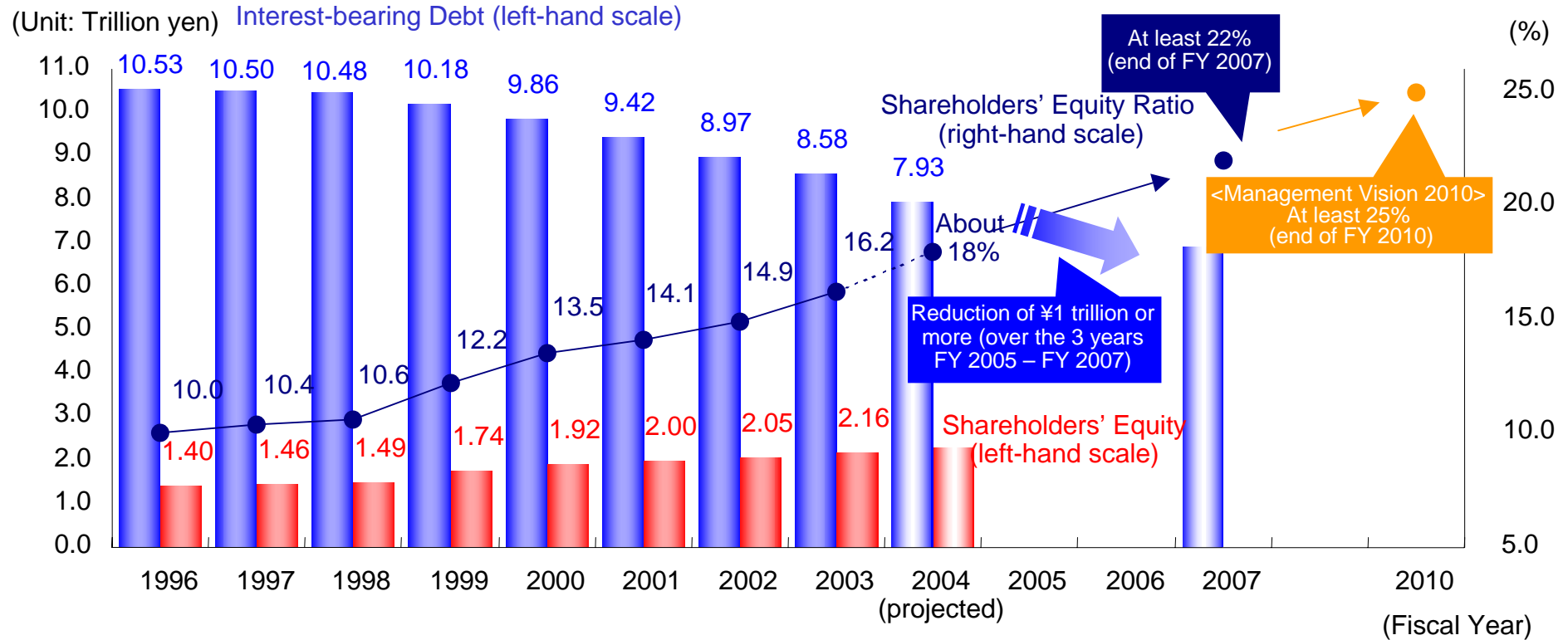
Management Vision 2010 Operating Efficiency Improvement Target

“Improve efficiency by at least 20% compared with FY 2003 (with facilities safety and securing quality as major premises)”

(Specific Examples)

- Rationalize design specifications
- Adopt common-use parts and equipment
- Order construction works in a well-planned and systematic manner
- Set inspection intervals in accordance with actual facilities conditions
- Take advantage of reusable goods
- Utilize electronic procurement, international procurement, reverse auctions and other novel procurement methods

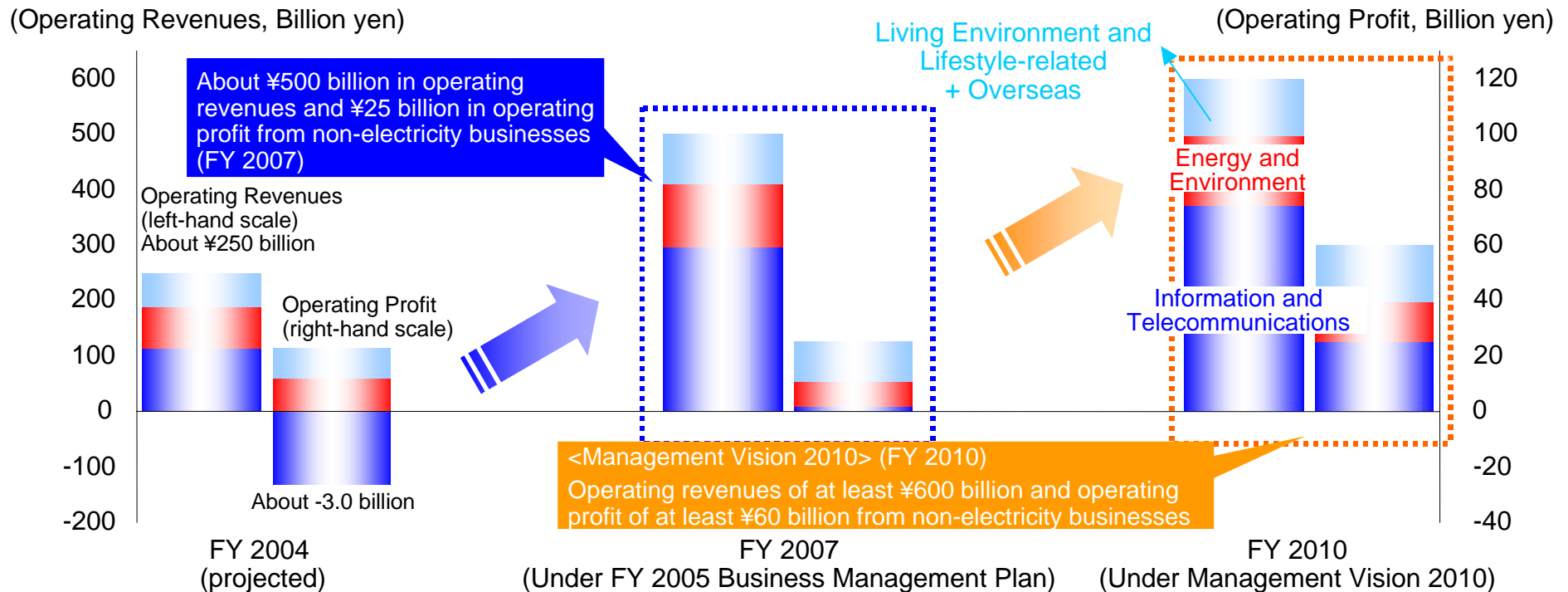
5. Balance Sheet Improvement



Balance Sheet Improvement Approach and Specific Targets

- As TEPCO's business environment is greatly changing, improving the balance sheet is an urgent issue. While intensively allocating free cash flow to greatly reduce interest-bearing debt, TEPCO will continue increasing retained earnings and lifting the shareholders' equity ratio.
- Specifically, the target is to increase the shareholders' equity ratio to at least 22% by the end of FY 2007.

6-1. Approach to New Businesses

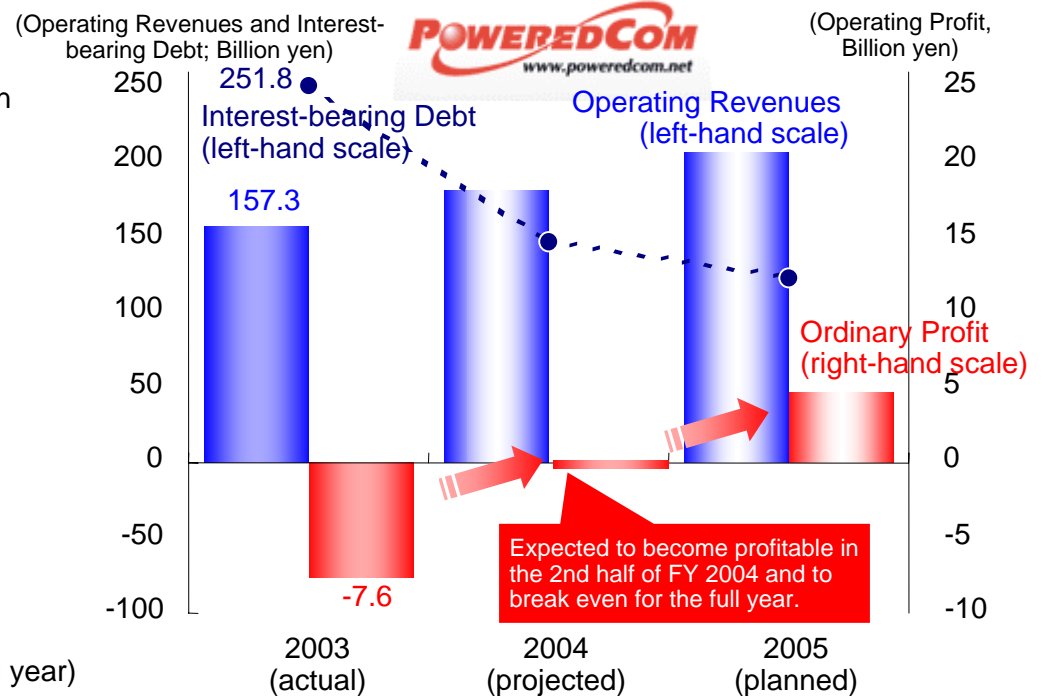
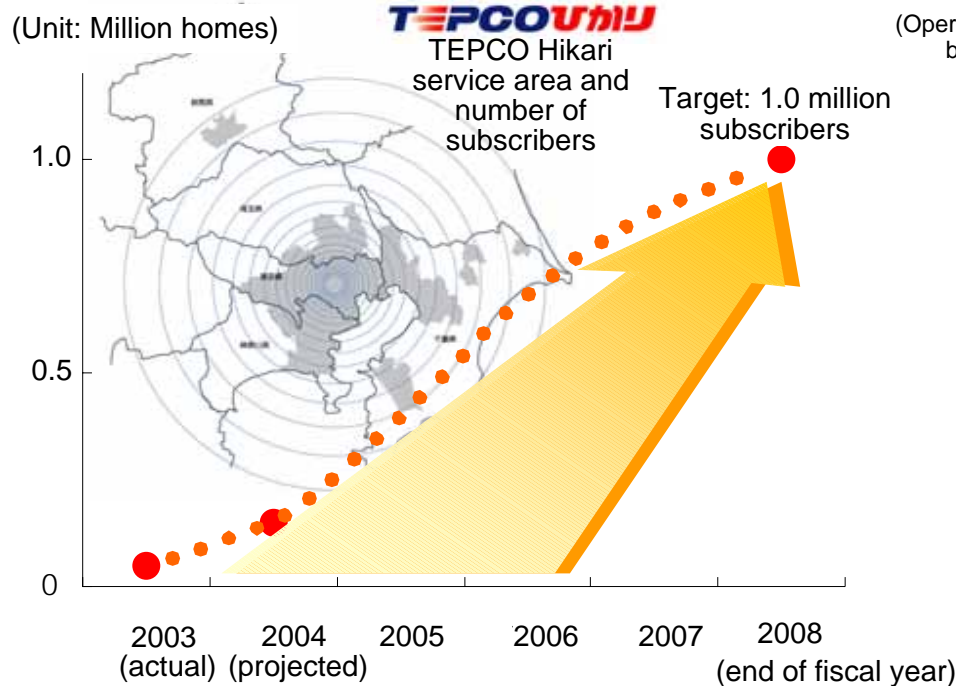


Developing New Businesses to Ensure Future Growth

- With the electric power business at the core, position the four business fields “Information and Telecommunications,” “Energy and Environment,” “Living Environment and Lifestyle-related,” and “Overseas” as strategic business areas for the entire TEPCO group.
- Toward achieving the targets stipulated under Management Vision 2010, the FY 2005 Business Management Plan targets about ¥500 billion in operating revenues and ¥25 billion in operating profit (FY 2007) from businesses other than electric power.



6-2. Information and Telecommunications Businesses¹⁰



Main Approaches and Targets

<FTTH Business "TEPCO Hikari">

- Further expand the service area, and target 1 million subscribers in FY 2008.
- Sales to single-family homes and small to mid-sized housing complexes are presently favorable.

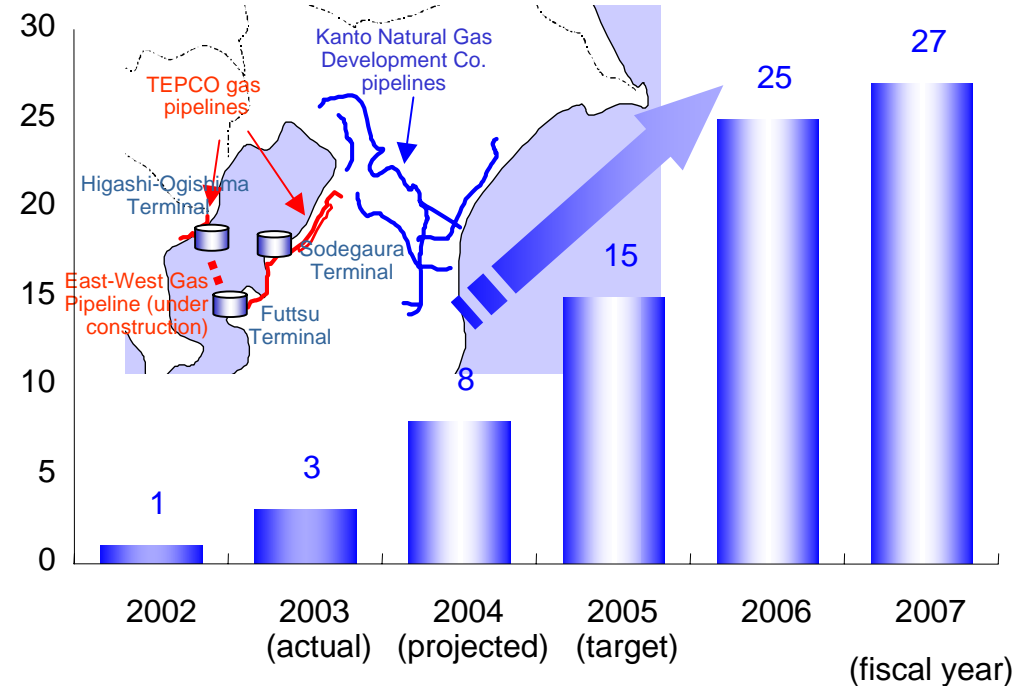
<POWEREDCOM>

- Advance balance sheet improvements; expected to become profitable in the 2nd half of FY 2004 and to break even for the full year (on a consolidated basis).

Energy and Environmental Solutions

Gas provision Dispersed power sources ESCO	Gas company My Energy Corporation JAPAN FACILITY SOLUTIONS, Inc. Etc.
District heating and cooling	Tokyo City Service Co., Ltd. Etc.
Environmental and recycling	Japan Natural Energy Company Limited. TOKYO WATERFRONT RECYCLE POWER CO., LTD. Etc.

(Unit: Billion yen) Gas Business Operating Revenues



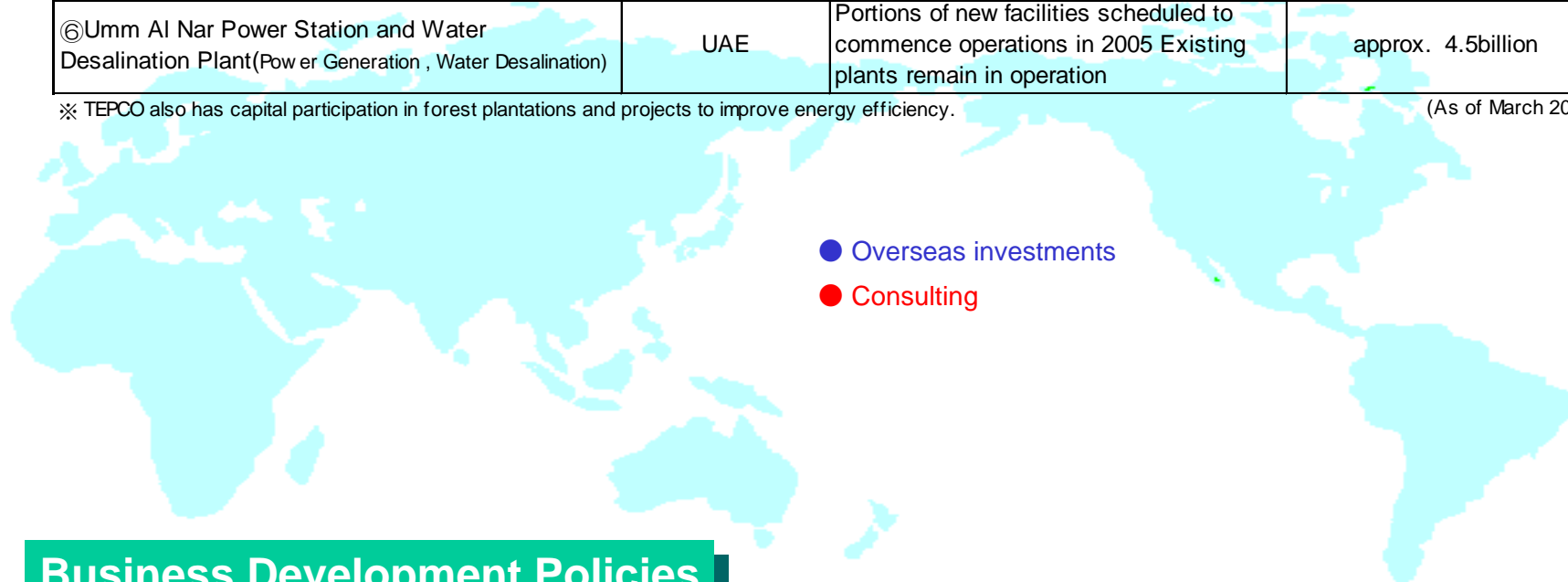
Business Development Policies

- Proactively develop total energy solutions to meet customers' wide-ranging needs.
- Particularly in the gas business, in line with deregulation (expanded range of liberalization, establishment of a wholesale consignment system), strive to expand large-lot gas sales in the coastal areas of Chiba Prefecture together with TEPCO affiliate Kanto Natural Gas Development Co., Ltd. and its subsidiary Otaki Gas Co., Ltd.

Company or Project Name	Location	Operations Starting Date, Etc.	TEPCO Investment
①Eurus Energy Holdings	US, UK, Italy, etc.	Capital participation Sept. 2002	approx.14.7billion
②Tarong North Power Station(Pow er Generation)	Australia	Commenced operations August 2003	approx. 7.1billion
③Chang Bin & Fong Der Power Stations(Pow er Generation)	Taiwan	Commenced operations March 2004	approx. 5.9billion
④Loy Yang A Power Station(Pow er Generation)	Australia	Capital participation April 2004 Operating since 1984	approx.16.6billion
⑤Phu My 2-2 Power Station(Pow er Generation)	Vietnam	Commenced operations Feb. 2005	approx. 1.6billion
⑥Umm Al Nar Power Station and Water Desalination Plant(Pow er Generation , Water Desalination)	UAE	Portions of new facilities scheduled to commence operations in 2005 Existing plants remain in operation	approx. 4.5billion

※ TEPCO also has capital participation in forest plantations and projects to improve energy efficiency.

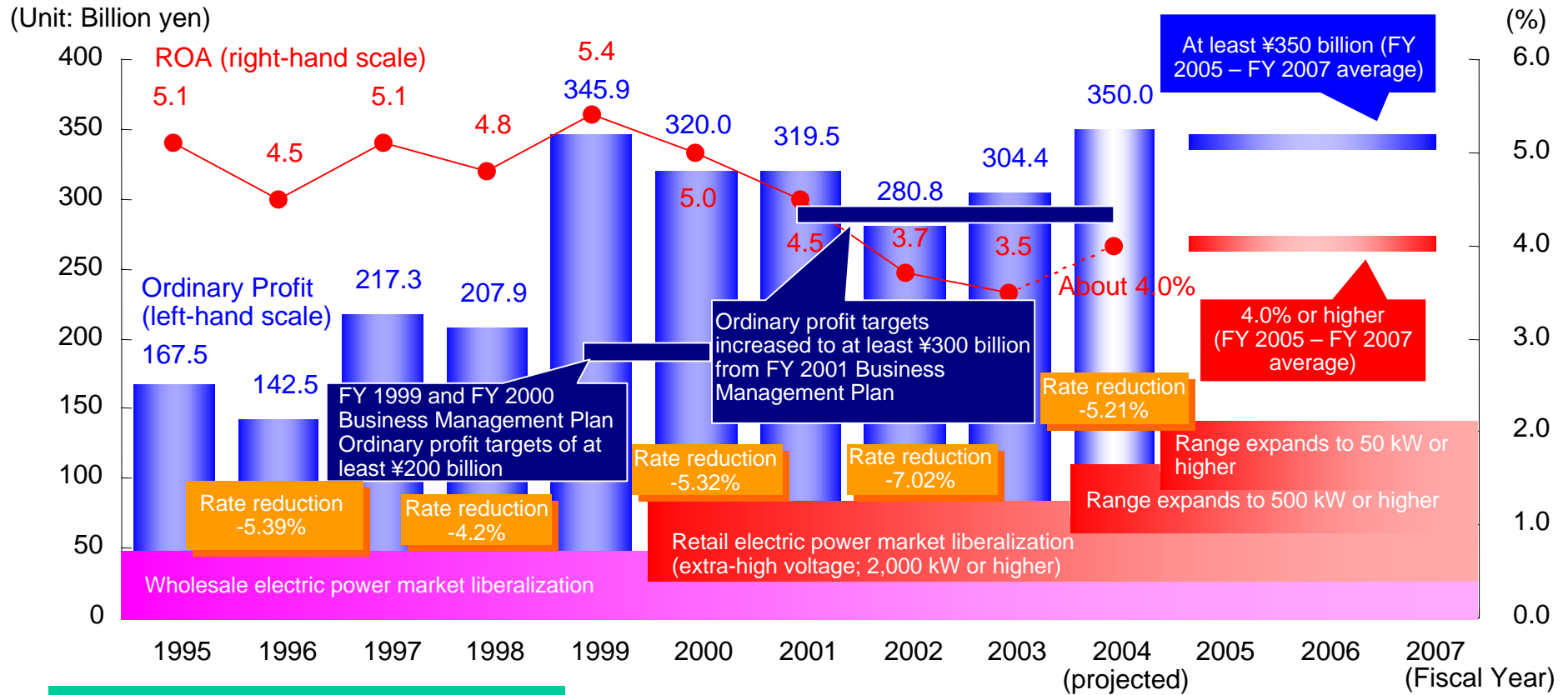
(As of March 2005)



Business Development Policies

- Advance overseas power plant projects and diverse overseas investments to realize new growth and development.
- Advance the overseas consulting business taking advantage of TEPCO's technological strengths and know-how.

7. Ordinary Profit Targets



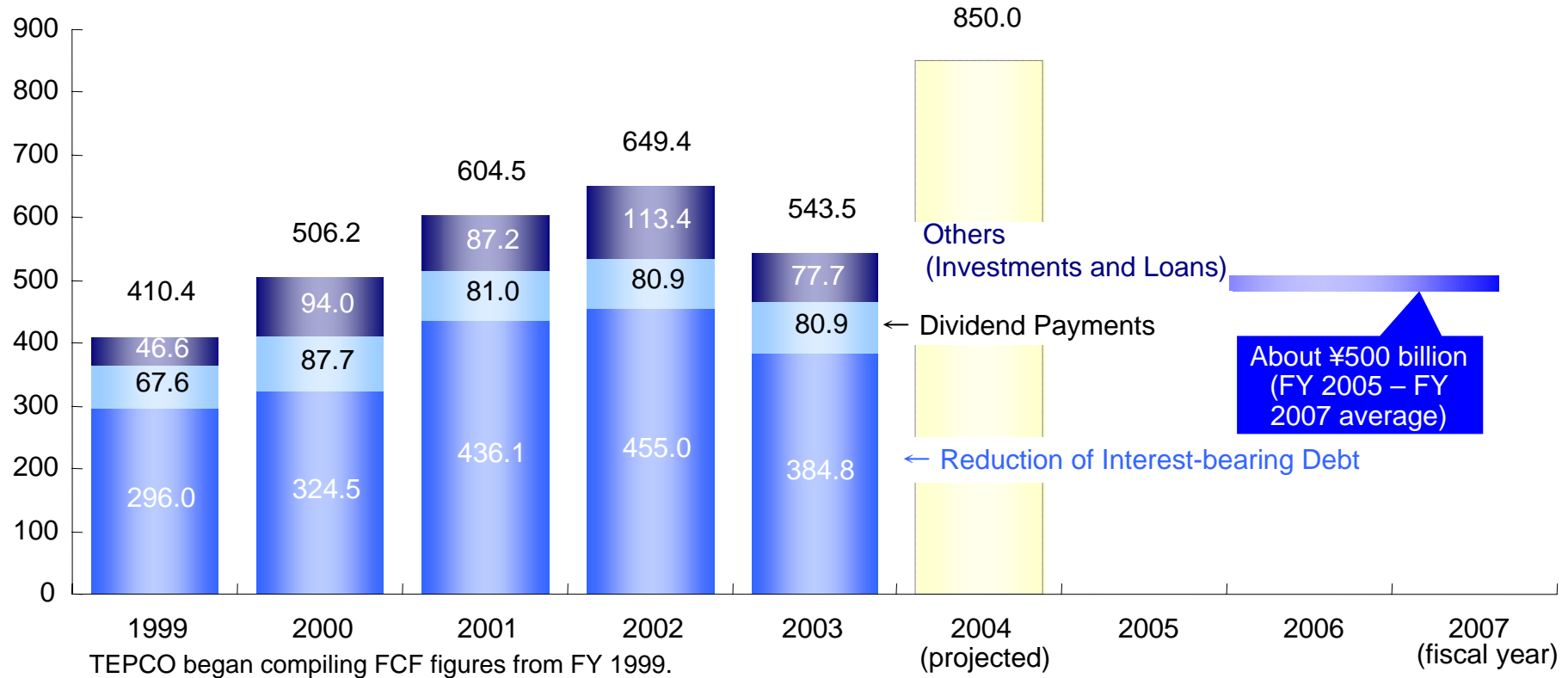
Ordinary Profit Targets

- The ordinary profit target of at least ¥300 billion was increased from the FY 2005 Business Management Plan to at least ¥350 billion (average over the 3 years FY 2005 – FY 2007).
- TEPCO is also targeting an ROA of 4% or higher (average over the 3 years FY 2005 – FY 2007).



8. Free Cash Flow Targets

(Unit: Billion yen)



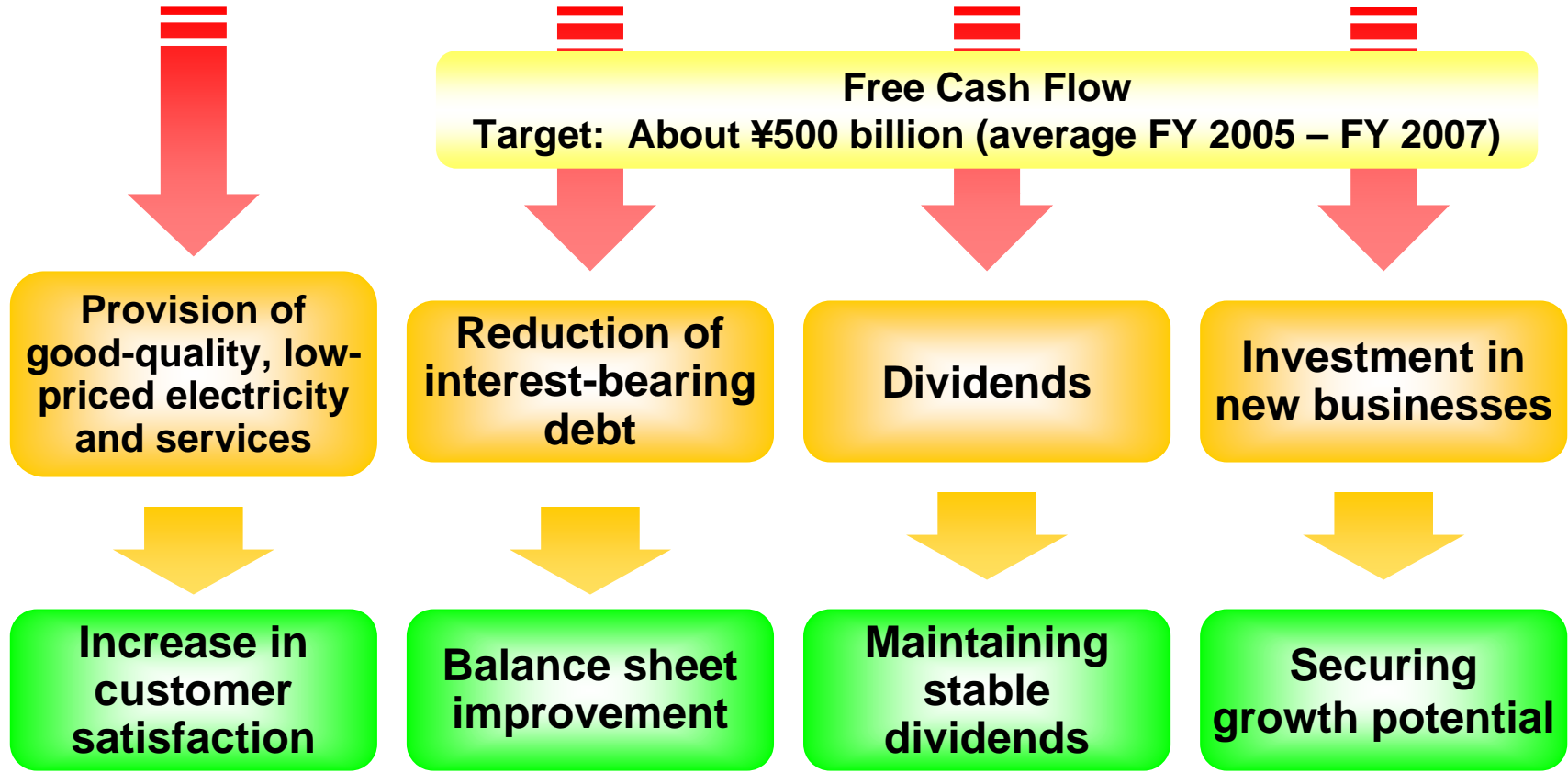
Free Cash Flow Targets

- Free cash flow has been allocated to reducing interest-bearing debt on a priority basis to improve the balance sheet.
- TEPCO will continue to target free cash flow on the order of ¥500 billion (average over the 3 years FY 2005 – FY 2007).

Efficiency gains through company-wide streamlining



Efficiency gains distributed based on the profit-sharing concept





(Reference) Demand Outlook and Main Changes to Facilities Plans

(Unit: Billion kWh, %)

Demand Outlook		FY 2003 (actual)		FY 2004 (preliminary)		FY 2005 (projected)		FY 2014 (projected)		Yearly Average Increase Rate (FY 2003 – FY 2014)	
Other than eligible customers' use	Lighting	-2.7	(1.5) 86.9	5.8	(1.3) 92.0	0.0	(2.6) 92.0	102.1		1.5	(1.3)
	Low voltage	-8.9	(0.6) 10.7	6.7	(-2.6) 11.3	-5.4	(-0.2) 10.7	10.3		-0.3	(-0.6)
	Other electric power	-4.1	(-4.4) 2.4	-3.0	(-2.8) 2.4	-4.1	(-4.1) 2.3	3.0		2.1	(2.1)
Other than eligible customers' use		-3.4	(1.2) 100.0	5.7	(0.7) 105.7	-0.6	(2.2) 105.0	115.4		1.3	(1.1)
Eligible customers' use		-1.3	(-0.7) 176.0	2.5	(1.6) 180.4	-1.1	(-0.3) 178.5	200.8		1.2	(1.2)
Total		-2.1	(-0.0) 276.0	3.6	(1.3) 286.0	-0.9	(0.6) 283.5	316.3		1.2	(1.2)

*Notes: (1) Upper figures show percentage change from the prior year; figures in parentheses are adjusted for temperature variations.
(2) Figures from FY 2005 forward assume the liberalized classifications with eligible customers defined as those using high voltage or higher.

Changes to Facilities Plans	Location or Project Name	Output / Scale	Operations Start	(Operations Start – Prior Plan)
Electric Power Development Projects	[Nuclear Power] Fukushima Daiichi Units No. 7 and No. 8	1.38 million kW each	Oct. 2011, Oct. 2012	Oct. 2010, Oct. 2011
	[Nuclear Power] Higashidori Units No. 1 and No. 2	1.385 million kW each	FY 2013, FY 2015 or later	FY 2012, FY 2014 or later
	[Hydro (pumped storage)] Kazunogawa	1.6 million kW	Dec. 1999, June 2000, FY 2015 or later	Dec. 1999, June 2000, FY 2014 or later
	[Hydro (pumped storage)] Kannagawa	2.82 million kW	Dec. 2005, July 2010, FY 2015 or later	July 2005, July 2010, FY 2014 or later
Supply Facilities Plans	Kawasaki-Takanawa Line new construction (275 kV)	18.5 km	June and Dec. 2006, June 2007	June and Nov. 2006, Nov. 2007
	Naka-Tokyo Trunk Line additional line (275 kV)	16.0 km	Oct. 2008	March 2008
	Nishi Joubu Trunk Line new construction (500 kV)	112 km	May 2012	May 2010
Wide-area (inter-company) Network	Higashi-Shimizu FC new construction (by Chubu Electric Power Co.)	0.3 million kW capacity	Sept. 2007 (partial use March 2006)	Sept. 2005
	Fujigawa Line new construction (154 kV)	34 km line length	Nov. 2005	May 2005



(Reference) Capital Investment Plan

(Unit: Billion yen)

Capital Investment Plan		FY 2003 (actual)	FY 2004 (planned)	FY 2004 (preliminary)	FY 2005 (planned)	FY 2006 (planned)	
	Hydroelectric	23.2	24.6	18.2	27.3	4.5	
	Thermal	81.9	47.5	42.1	35.2	74.9	
	Nuclear	0	0	0	0	0	
	Power Sources Subtotal	105.1	72.1	60.3	62.5	79.4	
	Transmission	Transmission	60.6	63.3	40.9	70.0	75.5
		Transformation	12.3	13.6	11.5	18.4	26.5
		Distribution	74.5	72.2	74.3	85.1	85.9
		Others	5.3	11.5	7.0	7.6	6.1
	Supply Facilities Subtotal	152.9	160.6	133.7	181.1	194.0	
	Capacity Expansion Works Total	258.0	232.7	194.0	243.6	273.4	
Improvements	204.4	221.2	178.5	240.8	232.0		
Survey Expenses	9.4	27.1	8.9	15.7	40.2		
Nuclear Fuel	104.2	90.3	94.2	107.8	54.7		
Electric Power Grand Total	576.1	571.4	475.6	607.9	600.3		
Incidental Businesses	16.6	26.4	Approx. 26.0	Approx. 53.0	Approx. 43.0		

Group Management Principle
 Contribute to the realization of affluent living and pleasant environment by offering optimal energy services



◆ Group Management Guidelines

The TEPCO Group promotes this Management Principle, and strives to become the top energy service provider in line with the following three Group Management Guidelines

Management Guideline No. 1 “Win the trust of society”	Management Guideline No. 2 “Survive the struggle in competition”	Management Guideline No. 3 “Foster people and technologies”
<p>Eligibility to participate in the competitive market is “trust” that society places in us.</p> <p>To gain firm trust, we will:</p> <ul style="list-style-type: none"> • Carry out all business operations in compliance with the Code of Conduct concerning Corporate Ethics, and fulfill with sincerity corporation’s social responsibilities such as creating an even better environment. • Steadfastly enhance the quality of business operations and services in all places of work. • Foster an awareness of “Give top priority to safety” and make it widespread to become a company that boasts the world’s top in safety and security. 	<p>Nothing makes TEPCO Group happier than customer satisfaction.</p> <p>To win customer satisfaction, we will:</p> <ul style="list-style-type: none"> • Unite as a group to identify customer needs sensitively, and to offer optimal energy-related services that our customers will continue to prefer. • Strive to reduce costs and boost company character, increase competitive edge, improve profitability and make business prosper. • Promote new business projects in four sectors, i.e., information and telecommunications, energy and environment, living environment and lifestyle-related, and overseas, and ensure sustainable growth for the group as a whole. 	<p>People and technologies open up the future for our group.</p> <p>To continue to reform ourselves with the power of people and technologies, we will:</p> <ul style="list-style-type: none"> • Step up communications between corporation ranks, between organizations, and enhance workplace vitality and motivation of each and every employee regardless of whether inside or outside the group. • Strive to maintain and bolster employee technologies and skills, and try to renovate daily work operations and make them more efficient. • Take up technological challenges that will help to gain society’s trust, boost competitive edge, and expand business.



(Reference) Numerical Targets 2010

* Prior targets under "Challenge 20 Plus 1"

Challenge 20 Plus 1

[target year of FY 2005]

Numerical Targets 2010

[target year of FY 2010]

Operating Efficiency

Improve efficiency by at least 20% compared with FY 1999

Improve efficiency by **at least 20%** compared with FY 2003 (with facilities safety and securing quality as major premises)

Financial Constitution

Reduce interest-bearing debt by at least 20% over five years

Increase equity ratio to **at least 25%**

Business Growth

Expand revenues outside the TEPCO Group by at least ¥500 billion

Electricity sales volume of **at least 10 billion kWh**

In fields aside from electric power:

Revenues*1 of **at least ¥600 billion**

Operating profits*2 of **at least ¥60 billion**

(1) Total of all sales vis-à-vis external customers of consolidated subsidiaries and incidental businesses

(2) Total of all operating profits from consolidated subsidiaries and incidental businesses

Global Environment

Reduce basic unit for CO2 emissions by **at least 20%** compared with FY 1990 (target year of FY 2010)