

**FY2013**

# **Business Operation Policy**

**Tokyo Electric Power Company**



**April, 2013**

TEPCO will push forward its corporate reforms to achieve its new mission to “fulfill all of our responsibilities for the nuclear power accident and realize the world’s highest standards of safety while achieving a stable power supply in a competitive environment.”



Upper left: Fukushima Daiichi NPS Unit 3 Reactor Building outer appearance (March 15, 2011)

Lower left: Shoveling snow at the temporary housing facilities

Lower right: Constructing a steel frame cover for fuel removal at Fukushima Daiichi NPS Unit 4 (March 13, 2013)

## 【Focus Initiatives for FY2013 and 2014】

In order to achieve the “Intensive Reform Implementation Action Plan” based on the “Management Policy towards Restoration” disclosed on November 7, 2012, we will implement the following intensive measures in FY2013/14.

Intensive measure ① Measures towards the “revitalization of Fukushima”

Intensive measure ② Nuclear safety measures

Intensive measure ③ Thorough cost reduction and management to ensure survival

Intensive measure ④ Management reforms via the introduction of the in-house company system

- To fulfill our responsibilities for the Fukushima Nuclear Accident, we will thoroughly implement initiatives for the revitalization of Fukushima.
- While coordinating with the national and local governments, the Tokyo Electric Power Company Group will come together as one to urge the thorough implementation of compensation payouts with courtesy and compassion and promote decontamination and revitalization led by the Fukushima Revitalization Headquarters.

## ① Intensifying our commitment to Fukushima

- Under the authority of the Fukushima Revitalization Headquarters established on January 1, 2013 at J-Village of Futaba-gun, Fukushima Prefecture, coordination of activities towards the revitalization of Fukushima including compensation, decontamination, revitalization promotion, and public relations, will be reinforced. Under the leadership of the Fukushima Revitalization Headquarters, decisions will be made and swiftly executed.
- Initiatives for regional economic revitalization and job restoration and creation will be promoted, focusing on the Hamadori area of Fukushima.
  - ▶ Fukushima School recruitment activities will be resumed for FY2014 new-hires.
  - ▶ Due consideration will be given to the relocation of the Head Office Service Center, which centrally handles labor relation activities, to the Hamadori area (planned for first half FY2014).
- An organization will be developed to mobilize 280 people/day, equivalent to an annual total of 100,000 TEPCO personnel, for activities in Fukushima to meet the requests of the residents of Fukushima as identified through local government and temporary housing visits and revitalization promotion activities.
- TEPCO personnel and technology will be provided for decontamination tasks conducted by the national, prefectural, and local governments to accelerate the return of evacuated residents and ease the anxiety that has arisen among the people of Fukushima.
  - ▶ The number of decontamination workers will be increased to approximately 300 by the end of 2013, three times the headcount when the Fukushima Revitalization Headquarters was established.

## ② Thorough and full implementation of compensation payouts with courtesy and compassion

- Under the Fukushima Revitalization Headquarters, the organizational structure for compensation activities and its functions will be rebuilt to achieve swift and accurate payouts.
  - ▶ Authority will be given to the compensation consultation centers, compensation consultation call centers, and compensation promotion units who are directly dealing with the victims to allow for autonomous work execution (organizational review completed in January of 2013).
  - ▶ Compensation payments for land, buildings, and household articles that are foundational to the restoration of lost livelihoods will be swiftly implemented.

## ③ Reinforcement of public relations activities placing first priority on the people of Fukushima

- Led by the Head Office, power stations, and the Fukushima Corporate Communications Department, coordination with relevant parties will be implemented to achieve swift and accurate information dissemination and timely updates on the conditions of the plants paying due consideration to public sentiment and the feelings of the people of Fukushima.

- To ease present anxiety amongst the people of Fukushima, decommissioning measures will be implemented according to the Mid-and-Long Term Roadmap to achieve the Decommissioning of Units 1-4 of TEPCO Fukushima Daiichi Nuclear Power Station.
- Conventional safety awareness standards and corporate culture will be renovated and nuclear reform initiatives will be executed in order to realize the world's highest safety standards.

## 1 Ensure a swift transition to a much safer Fukushima Daiichi NPS

- Proper decommissioning measures will be implemented according to the Mid-and-Long Term Roadmap to achieve the Decommissioning of Units 1-4 of TEPCO Fukushima Daiichi Nuclear Power Station.
  - ▶ Full operation of multi-nuclide removal equipment (ALPS) to sterilize contaminated water will be achieved in the first half of FY2013 to improve the safety of contaminated water storage.
  - ▶ The start of spent fuel removal at Unit 4 is targeted from November 2013, one month earlier than the Mid-and-Long Term Roadmap and is scheduled for completion by December 2014, more than one year earlier than the original plan.

## 2 Nuclear reform

- Under the monitoring and oversight of the Nuclear Reform Monitoring Committee comprised of experts from Japan and abroad, TEPCO will work towards restoration striving to achieve a high level of safety awareness, technological capability, and the ability to maintain open dialogue with society by implementing the Nuclear Safety Reform Plan which is based on the lessons learned from the accident.
- Specific activities provided in the Nuclear Safety Reform Plan will be executed, and its status will be disclosed in progress reports released each quarter.

## 3 Safety measures for Fukushima Daiichi NPS Units 5 & 6, Fukushima Daini NPS, Kashiwazaki-Kariwa NPS

- While maintaining and enhancing the reliability of the stable cooling facilities of Fukushima Daiichi NPS Units 5 & 6 and Fukushima Daini NPS, other facilities will also be managed appropriately.
- Facilities at Kashiwazaki-Kariwa NPS will be appropriately maintained, managed, and safety enhancement measures will be implemented.
  - ▶ As for the tsunami construction work, emergency measures such as ensuring emergency power supply have been completed. Currently, measures such as seawall construction work (until June 2013) and building flooding prevention work (until first half FY2013) are underway to further enhance safety.

## 4 Safety measures and awareness activities at Higashidori Nuclear Construction Office

- Safety quality measures will be implemented at Higashidori Nuclear Construction Office while also striving to gain the understanding of local residents regarding TEPCO activities.

## 5 Initiatives for nuclear fuel cycle business

- Support will remain ongoing to ensure the completion of the construction of the Japan Nuclear Fuel Limited reprocessing facility (October 2013) and the start of operations of the intermediate storage facility of the Recyclable-Fuel Storage Company (October 2013) which are the keys to the nuclear fuel cycle business.

- As a means to strengthen our financial base to ensure we will be able to meet our responsibilities, we will vigorously implement “Survival Cost Reductions” and strongly urge voluntary cost reductions and target management at each subdivided organization unit.
- In order to be able to compete following deregulation, fixed costs and variable costs will be reduced utilizing every available means to realize an additional 100 billion yen in further cost reductions from the cost reduction value stated in the comprehensive special business plan (ten-year average of 336.5 billion yen).
- By implementing management accounting, cost management under each responsible person for at each subdivided organization unit will be realized.

## ① Develop cost reduction organization and implement additional cost reduction

- To achieve an additional 100 billion yen in additional cost reductions from the reduction target in the comprehensive special business plan (ten-year average 336.5 billion yen), opinions from outside experts will be sought after and the utilization of all available means will be taken into consideration.
  - ▶ In order to strengthen our financial ground to fulfill our responsibilities, drastic cost reduction will be reviewed and implemented in all cost categories such as Fuel Costs, Repair Costs, and Depreciation Costs.
  - ▶ A fundamental review of the procurement structure and practices will be conducted by the Procurement Committee. This committee was established in November 2012 and is comprised of external experts skilled in corporate restructuring and cost reduction.

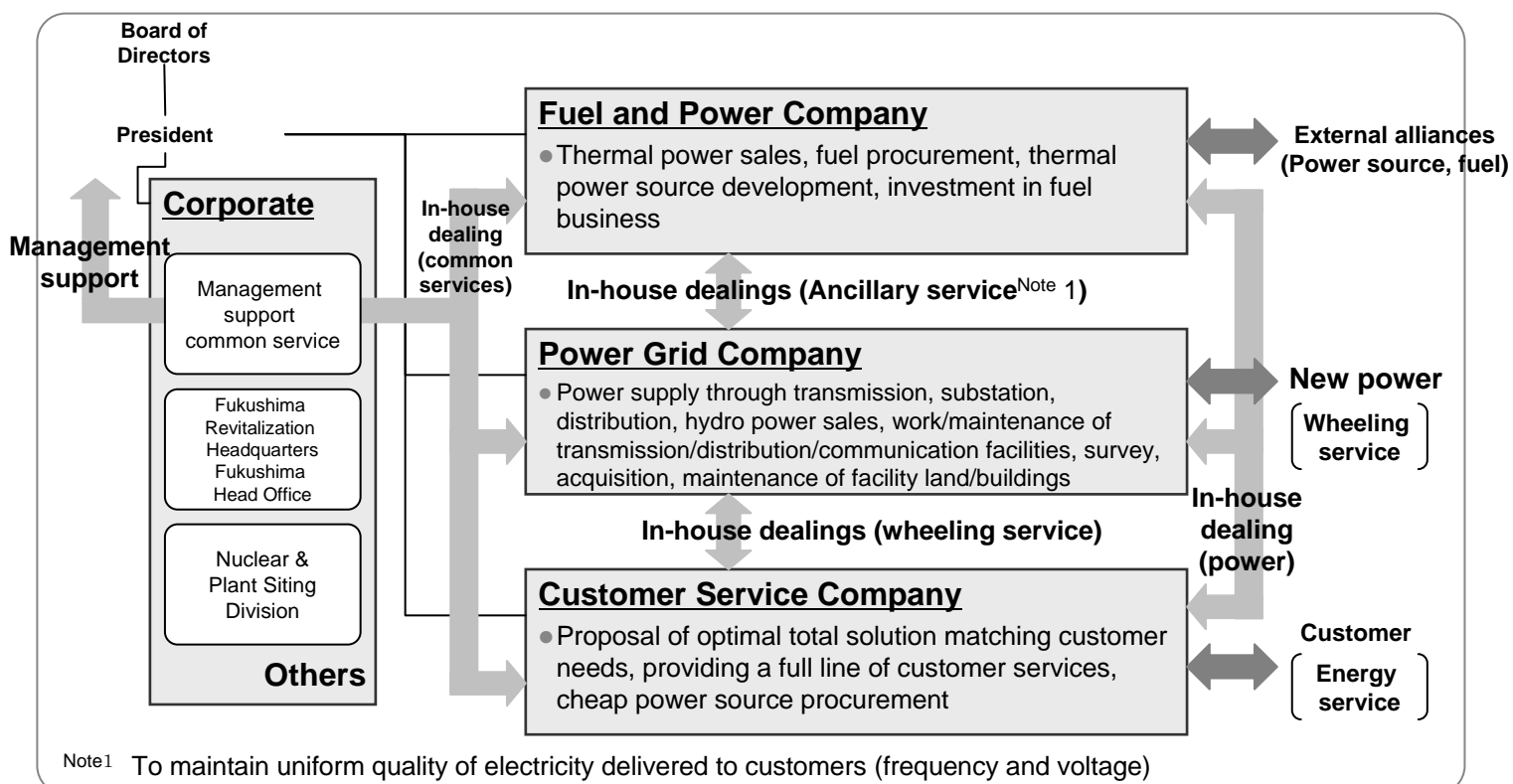
## ② Checks and balances and competition through introduction of management accounting and rules of in-house dealing

- Via the introduction of Management Accounting into each company and corporate organizational unit, tight monthly financial management will be achieved in accordance with the company’s overall financial accounting.
  - ▶ Accountable units for cost management will be defined by place of business and six domains (fuel and thermal power, transmission and substations, distribution, sales operations, selling, corporate) to thoroughly manage goals under the responsible personnel for each unit.
- Introduce the three competitive mechanisms of “Outside of TEPCO,” “Between In-house Companies,” and “Within the In-house Company” looking toward full deregulation to achieve cost reduction.
  - ▶ Competition with entities outside TEPCO: Lowering in-house dealing prices with awareness of market price
  - ▶ Checks and balances between in-house companies: Define an in-house dealing price that is mutually acceptable
  - ▶ Sound competition within the in-house companies: Visualization of performance of the same operation in different business branches within the same organization

- In order to develop a revenue base for the new-born TEPCO, mechanisms will be developed to deal with electric power system reforms planned for the future, encourage each business department to voluntarily engage in revenue expansion, and to establish a mechanism to sharpen competitive edge.
- As one pillar of the reforms, an in-house company system will be implemented from April 1 with the idea of shifting to a holding company system in the future. The three in-house companies “Fuel & Power Company,” “Power Grid Company” and “Customer Service Company” have been established.

### 1 Introduction of in-house company system

- The in-house company system was introduced from April 1, 2013 which segregates deregulated/competitive departments and neutral network departments looking to establish a holding company system into the future.
  - ▶ Under the company presidents who lead each company, autonomous business administration will be implemented to promote inter-company competition and the formation of external alliances to increase competitiveness and aim for future growth.
  - ▶ Organizations other than the three companies, referred to as Corporate, shall support management and efficiently provide common services to exercise its total capability as a group.
- Utilize internal business resources and technological know-how to establish business/organizational strategies to meet changes in the business climate.
  - ▶ An organization will be developed where each company’s strategic staff and Corporate staff come together to examine business strategies.
  - ▶ A future business format will be considered based on the detailed system design of electric power system reforms.



- While providing customers stable and low cost power, profit and company value will be maximized through cutting costs and expanding sales.
- By balancing drastic cost reductions on unprecedented levels and providing stable electricity, a strong foundation will be built to ensure competitive ability following full deregulation.

### ① Implementation of drastic cost reduction of fuel costs and fixed costs

- By utilizing the comprehensive capabilities of the company, wherever possible fuel costs and fixed costs (repair costs) will be drastically reduced.
  - ▶ By utilizing know-how acquired through urgent power supply expansion after the earthquake, a construction schedule for thermal power facilities under construction will be shortened to push forward the commencement of commissioning of cheap coal-fired thermal power ※<sup>1</sup> (total 1600MW) and high-efficiency LNG-fired thermal power ※<sup>2</sup> (total 2748MW).
    - ※<sup>1</sup>. Hirono Thermal Power Unit 6 (600MW, planned start of operation in FY2013), Hitachinaka Thermal Power Unit 2 (1,000MW, planned start of operation in FY2013)
    - ※<sup>2</sup>. Chiba Thermal Power Unit 3 system (1,500MW, planned start of operation in FY2014), Kashima Thermal Power Unit 7 system (1,248MW, planned start of operation in FY2014)
  - ▶ Operation of economically favorable coal/ LNG thermal power will be maximized by shortening periodic inspection schedules and responding to increases in coal ash generation.
  - ▶ For oil and coal thermal power plants, all fuel cost reduction measures that can be implemented in the immediate future such as expanding introduction of economically efficient low grade fuel (starting FY2013) will be implemented.
  - ▶ Drastic reduction of fixed costs such as equipment inspection and repair costs through careful selection of type of work to be conducted and scope of implementation.

### ② Replacement with coal-fired or high-efficiency LNG-fired thermal power plants, reduction of fuel costs focusing on LNG

- Aiming for drastic improvement of the generation cost structure, establish and implement plans to increase ratio of coal-fired thermal power, replacements and new or additional construction to increase LNG-fired thermal efficiency by 10%.
- Action plans to expand the significant introduction of lean LNG (maximum 10 million tons/year which is about half of the procured quantity in about ten years) will be established.
  - ▶ After deciding on a new supplier for 2 million tons/yr (FY2013), examine procurement candidates for 10 million tons/yr.
  - ▶ Start additional construction of LNG tanks※<sup>3</sup> which will be necessary to achieve expanded introduction of lean LNG.
    - ※<sup>3</sup>. Plan for additional construction of 2 two LNG tanks at Futtsu Thermal Power Plant
- Strengthen collaborative efforts with other operators at LNG receiving terminals to promote operational efficiency.

### ③ Examine/ execute investments in overseas projects and fuel businesses

- Business know-how and human resources will be enhanced, organization to expand international consulting business/ IPP business investment will be developed aiming for December 2013, and technological support and employee dispatching will be expanded.
- Existing fuel business will be steadily promoted, potential favorable investment projects will be identified, and detailed research, analysis, and assessments will be conducted.

- We will aim for strict cost reductions and detailed risk management, reduction of wheeling cost and maintaining system reliability.
- A neutral and fair power network utilization environment will be provided as part of our social mission.
- Revenue will be expanded utilizing technological capability.

### ① Apply investment/ repair cost reduction measures in a stepwise manner to achieve wheeling costs that are one of the lowest in the industry while also maintaining top class system reliability in the industry

- Conventional cost reduction measures for all areas of supply/demand/ system operations, maintenance, equipment specifications, construction methods, worker productivity will be taken as permanent measures and further streamlining will be reviewed in depth.
  - ▶ While conducting thorough cost reductions, stable provision, safety and quality, which is the foundation of the business, will be ensured (Fully maintain constitution of important facilities to prevent public disasters and maintain system reliability).
  - ▶ In order to use facilities longer, the policies for long-term maintenance of facilities will be reconsidered based on the latest knowledge and facility degradation management will be further advanced.

### ② Neutrality and fairness of network utilization, ensuring transparency of business operations, improving service quality

- Ensure fair treatment with the Power Producer and Supplier (PPS) and internal organizations (Fuel & Power Company, Customer Service Company) to ensure neutrality in wheeling services.
  - ▶ Through proactive disclosure of system information and approach to facility configuration, transparency of business operations will be ensured.
- Grid connection services will be strengthened to respond to various needs from grid users such as customers and power generation operators to provide fair, flexible, and speedy response measures.
- TEPCO will participate in the establishment of the wide area transmission organization under the electric power system reform.

### ③ Building system and environment for network utilization to respond to a massive introduction of renewable energy, and revenue expansion through technological capabilities

- Production system for devices will be built in FY2013 for the mass introduction of smart meters in FY2014.
  - ▶ FY2014 first half: 300,000 units, FY2014 second half: 1.6 million units, FY2015: 3 million units, by FY2018: 14 million+ units
- Reviews and development will be implemented for grid voltage measures and further utilization of regional interconnection lines to respond to the mass introduction of renewable energy and strengthen power interchange on a nationwide level.
  - ▶ For the expansion of renewable energy introduction and contribution to overseas business, an Engineering Center will be established targeting July 2013 bringing together internal grid technology and know-how.
- Revenue will be expanded by utilizing technological capability of TEPCO in an overseas business or group company business.



- Attractive total solutions will be offered for a smart society and smart life to win competition.
- New power demand of 200 billion yen/year will be captured in ten years time through promoting smart use of energy under competition through deregulation, while growth of 100 billion yen/year in related business will be achieved through total solutions and new services.
- Starting with power procurement, costs will be thoroughly cut to lower electricity rates.

## ① Provide total solutions to contribute to a smart society and enhance new service offerings

- By utilizing solution know-how accumulated in the past and widely incorporating external information by leveraging alliances to help build a smart society and smart life, total and optimal solutions that meet customer needs will be offered for not only electricity but for ancillary business areas as well.
- In addition to conventional tariffs, new electricity tariffs will be offered for customer selection to fit their lifestyle.
- A lineup of green tariffs for electricity generated by green power supplies such as renewable energy will be offered.
- With the introduction of smart meters, more detailed information on electricity use status and optimal rate menus will be provided to customers. Services for customer confidence and affluent lifestyle will be examined and provided.

## ② Initiatives to reduce electricity rates

- In addition to the IPP bid disclosed in February 2013, bids for the 10,000MW-scale replacement of aged thermal power generators will be conducted to procure cheap power sources so as to reduce electricity rates. (A bidding plan for this will be established by the end of FY2013)
- Wholesale power transactions will be proactively utilized to strive to procure cheap power sources.

## I. Fulfilling our responsibility for the Fukushima Nuclear Accident

1. Formation of a decommissioning framework for the Fukushima Daiichi NPS by utilizing domestic and overseas expert wisdom

### ① To help local reconstruction while providing findings to the world

Action plan	FY2013,14 Initiatives
1 International Nuclear Reactor Safety Research Center (provisional name)	<ul style="list-style-type: none"> <li>Japan Atomic Energy Agency acts as the establishing entity, while TEPCO participates in studies and design for establishment</li> </ul>
2 Mockup Center/ Equipment Maintenance Center (provisional name)	<ul style="list-style-type: none"> <li>Mockup Center: Japan Atomic Energy Agency acts as the establishing entity, while TEPCO participates in studies and design for establishment</li> <li>Equipment Maintenance Center: Organize approach to division of roles with the central government by the end of FY2013</li> </ul>
3 Establishment and promotion of International Research & Development Union (provisional name)	<ul style="list-style-type: none"> <li>Apply for establishment license with the central government in the beginning of FY2013 with related organizations (planned establishment June 2013)</li> </ul>

### ② Human resource development of people supporting long-term decontamination and decommissioning

4 Invite leading-edge academic research base to Hamadori area through joint efforts between industry-government-academia	<ul style="list-style-type: none"> <li>Continue communicating efforts with domestic universities which started in December 2012.</li> </ul>
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### ③ Swiftly ensure transition of Fukushima Daiichi NPS to safer conditions

5 Accelerate Unit 4 spent fuel	<ul style="list-style-type: none"> <li>Push forward schedule by one month and aim to start fuel removal work in November 2013</li> <li>Push forward schedule by over one year and aim to complete work by December 2014</li> </ul>
6 Permanent establishment of Overseas Expert Team	<ul style="list-style-type: none"> <li>Before establishing the International Research &amp; Development Union (provisional name), host a preparation meeting for the international advisory team</li> </ul>

## 2. Deepening the efforts towards Fukushima's revitalization

### ① Drastic enhancement of commitment to Fukushima

Action plan	FY2013, 14 initiatives
7 Establish Fukushima Revitalization Headquarters	<ul style="list-style-type: none"> <li>Establish offices at Fukushima Revitalization Headquarters, Fukushima Division, Fukushima City, Iwaki City, Kooriyama City, Aizuwakamatsu City, and Minamisoma City (completed January 2013)</li> <li>Establish the Fukushima Revitalization Headquarters Meeting consisting of the Director and Chairman, Executive Officer and President, representative of Fukushima Revitalization Headquarters and other related officers and head of sites/offices in Fukushima to discuss and disclose priority issues such as compensation, decontamination, and revitalization promotion. (January 2013-)</li> </ul>
8 Establish Fukushima Division and center at the Head Office	
9 Promote Fukushima reconstruction and job creation projects	<ul style="list-style-type: none"> <li>Continue consideration for "world cutting-edge coal-fired thermal power plant project" and "reconstruction of J-village"</li> </ul>
10 Develop/secure places of operation and company housing	<ul style="list-style-type: none"> <li>Develop/ secure/ start using company housing in Hamadori area targeting end of March 2016</li> </ul>
11 Aim for an organizational scale of 300 people to advance decontamination	<ul style="list-style-type: none"> <li>Allocate about 300 people as decontamination related workers by the end of 2013</li> <li>Provide people and technology for decontamination work conducted by the central, prefectural, or local government coinciding with the increase in personnel</li> </ul>
12 Development of various activities for Fukushima revitalization	<ul style="list-style-type: none"> <li>Develop an organization mobilizing a total of 100,000 people annually (280 people/day), and have each employee participate in activities for revitalization</li> </ul>

### ② Full and thorough implementation of compensation payouts with courtesy and compassion

13 Compensation departments will be integrated and allocated under the Fukushima Division	<ul style="list-style-type: none"> <li>A designated authority will be delegated to the compensation consultation centers, compensation consultation call centers, and compensation promotion units with direct interface with the victims to allow for autonomous work execution (January 2013).</li> </ul>
14 Early implementation of compensation for property damage, which is the basis of rebuilding lost livelihoods.	<ul style="list-style-type: none"> <li>Payments of compensation for land, buildings, and household articles, which are foundational to restoring lost livelihoods will be swiftly implemented.</li> </ul>
15 Damage compensation payouts for voluntary evacuation	<ul style="list-style-type: none"> <li>Started reception/payment since December 2012 for damage compensation for voluntary evacuation between January to August 2012.</li> </ul>

II. Securing the world’s highest level of safety

1. Nuclear reform

- ① Establish Nuclear Reform Monitoring Committee, Nuclear Reform Special Task Force (established September 2012)
- ② Establishment of Nuclear Safety Reform Plan (March 29, 2013)

Action plan	FY2013, 14 initiatives
16 Clarification of top management figures, establishment of an education system for executive officers, enhancement of staff members	<ul style="list-style-type: none"> <li>• Start training program to reform safety awareness in May 2013 onwards for executives, nuclear leaders (director in charge, site superintendents, head office general managers)</li> </ul>
17 Transform organization to one that can accumulate defense in depth <sup>Note 2</sup>	<ul style="list-style-type: none"> <li>• Establish Nuclear Safety Oversight Office by first half FY2013</li> <li>• Invite leaders from external organizations who are experts in practical work of nuclear safety</li> </ul>
18 Reorganize emergency organizations (introduction of ICS <sup>Note 3</sup> )	<ul style="list-style-type: none"> <li>• Develop an emergency organization based on the concept of ICS targeting April 2013</li> </ul>
19 Transformation to work process that can accumulate defense in depth	<ul style="list-style-type: none"> <li>• Introduce mechanism to receive suggestions for safety reinforcement measures and implement good proposals</li> <li>• Strengthen proposal capability and technological capabilities to quickly enhance safety</li> </ul>
20 Review/ reinforce programs to develop human resources with safety awareness and technological capability	<ul style="list-style-type: none"> <li>• Strengthen technological capability for increase in in-house site work, initial response by employees during emergencies, proposal of equipment restoration plan, and conducting restoration work.</li> </ul>
21 Provide appropriate information to the public and strengthen risk communication	<ul style="list-style-type: none"> <li>• Develop and allocate risk communicators <sup>Note 4</sup> that have technological expertise and social insight.</li> </ul>
22 Steady implementation and disclosure of equipment and operational measures	<ul style="list-style-type: none"> <li>• Complete equipment and operational measures that can be completed in the short term by the first half of FY2013</li> <li>• For mid-and-long term measures, disclose progress</li> </ul>

③ Execute/ disclose Nuclear Safety Reform Plan

23 Execute Nuclear Safety Reform Plan	<ul style="list-style-type: none"> <li>• Disclose progress report on reform plan execution status every quarter</li> </ul>
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Note 2 Concept to secure high level of reliability and certainty in ensuring safety by assuming escalation of abnormalities iteratively implementing prevention/ mitigation measures when preparing safety assurance measures.

Note 3 Incident Command System: Standardized management system for command of a disaster site adopted by the U.S. Army and Fire Department.

Note 4 Plays the role of understanding information in the nuclear division, proposing to executives what nuclear risks should be communicated to the public, and promoting risk communication in light of public concerns.

**II. Securing the world’s highest level of safety**

2. Construction of disaster prevention and business continuation frameworks, which are not defeated by crises such as the Great Earthquake

**① Enhancement and execution of a disaster prevention plan incorporating the experience and findings from the Great East Japan Earthquake**

Action plan	FY2013, 14 initiatives
24 Compile disaster preparedness issues and new findings which became apparent through the Great East Japan Earthquake and execution of improvement measures	<ul style="list-style-type: none"> <li>• Reinforce stockpiling methods by end of FY2014 to secure fuel for vehicles during disasters</li> <li>• Continue implementation of seismic checks for facilities for all transmission lines and substations that are 275kV or larger including nuclear offsite power lines based on new findings and earthquake assumptions.</li> <li>• Consider damage reduction measures when various risks become apparent due to an earthquake directly under Tokyo by end of FY2013 (such as securing alternative site in advance to prepare for damage of response center)</li> </ul>
25 Based on the above, consider and implement issue response measures in preparation of earthquakes directly under Tokyo and massive earthquake along the Nankai trough	
26 Consider and implement issue response measures during complex disasters such as nuclear accidents and large scale blackouts	<ul style="list-style-type: none"> <li>• Strengthen ability to respond to complex disasters such as nuclear accidents and large scale blackouts</li> </ul>
27 Implement measures to improve periodic training and improve emergency response capability of individuals and the organization	<ul style="list-style-type: none"> <li>• Review content of disaster response training and implement every fiscal year</li> <li>• Improve individual and organization emergency response capability by implementing the PDCA cycle for training, survey, analysis</li> </ul>
28 Establish a disaster preparedness framework to maintain restoration capability after implementing the in-house company system	<ul style="list-style-type: none"> <li>• Continuous review and improvement of necessary conditions so that the review of company mechanisms (organization, personnel, budget, etc.) does not impact disaster preparedness capabilities.</li> </ul>
29 Enhance training at the alternative facility in Tachikawa	<ul style="list-style-type: none"> <li>• Conduct transportation training using helicopters for the alternative facility in Tachikawa and response headquarters setup training every fiscal year</li> </ul>

**② Establish new business continuance plan based on newest disaster assumptions other than the Great Earthquake and develop a framework**

Action plan	FY2013, 14 initiatives
30 Review action plan for the measures for new strains of influenza	<ul style="list-style-type: none"> <li>• Considering the central government’s new strain influenza special measure law execution order, review content of TEPCO’s response activity plan by end of FY2013</li> </ul>
31 Promote flood disaster measures	<ul style="list-style-type: none"> <li>• Consider damage assumptions using the flood hazard map for flooding and high tide of Tone River and Arakawa River and consider equipment measures and early restoration measures targeting September 201</li> </ul>
32 Review and consider issues for the business continuance plan during disasters	<ul style="list-style-type: none"> <li>• Establish business continuance plan for work functions during disasters targeting September 2013</li> <li>• Establish a business continuance plan for work functions during disasters targeting September 2013</li> </ul>

**③ Reinforce risk management framework incorporating multi-faceted perspectives of external parties**

33 Establish a meeting body to examine the disaster prevention plan and business continuance plan from an external perspective	<ul style="list-style-type: none"> <li>• Considering the advice of external experts, reinforce the company-wide risk management framework focusing mainly on the recognition of low frequency high impact risk<sup>Note5</sup> and the consideration of damage reduction measures when risks become apparent.</li> </ul>
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Note 5 Risks where the possibility of occurrence is low but have a catastrophic impact if it occurs.

III. Financial base building to fulfill our responsibilities

1. Cost reduction for survival

① Develop cost reduction framework and implement additional cost reductions

Action plan		FY2013, 14 initiatives	
34	Establish a Procurement Committee that screens procurement dealings, employ external cost cutter, and implement fundamental procurement reforms	●	Fundamental review of conventional procurement structure and procurement practices by the Procurement Committee established in November 2012
		●	Expand procurement areas to be subject to screening for steady achievement and deeper cost reductions
35	Consider and implement additional cost reduction on a scale of 100 billion yen per year	●	Consider/ implement cost reduction measures using all available means, monitor target achievement status monthly
36	Consider cost reductions that look into even change in risk limits	●	Consider/ implement unlimited drastic cost reductions that look even into the review of facility risk limits for all costs
37	Push forward expansion of competitive procurement (over 60% within 5 years)	●	Monitor monthly progress towards pushing forward achievement of targets

② Achieve thorough efficiency of indirect operations

38	Consider 30% efficiency of indirect operations for mainly the head office and a flattening organization	Monitor progress and steadily implement fundamental review of work and streamlining staff functions (up to FY2015)	
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③ Expand cost reduction to group companies

39	Subsidiary cost reduction by 20% or more	●	Monitor implementation status of business plans incorporating cost reductions
40	Increase consolidated revenues by enhancing competitiveness of subsidiaries	●	Increase non-group dealings by 20% to improve consolidated revenue.

2. Thorough cost management by subdivided organization unit

① Introduction of management accounting for thorough cost management by subdivided organization unit

Action plan		FY2013, 14 initiatives	
41	Introduction/ start operation of management accounting using B/S, P/L	●	Company-wide introduction of management accounting and setup of in-house dealings between companies, and between companies and corporate organizational units
		●	Develop B/S and P/L for each company and corporate organizational units for full monthly management in accordance with the company's financial accounting
42	Thorough cost management by further subdividing to cost management organizational units	●	Accountable unit for cost management set for each office and 6 domains Thorough target management with P/L report under the management of each unit (implemented in AP 42, 43, 49, 64)
43	Introduction of "responsible unit management"	●	

② Introduction of mutual checks and balances/ competition mechanism through in-house dealing rules

44	Visualization of cost structure, and promote mutual checks and competition between organizations	●	Looking toward full deregulation, introduce three competition mechanisms of "external" "inter-company" and "intra-company" to achieve cost reduction (implemented in AP44, 65)
45	Improve individual employees' cost awareness and revenue increase awareness	●	Visualization of individual employees' contribution
		●	Conduct presentations of best improvement cases to provide motivation for reform and promote a competitive mindset (implemented in AP 45, 50)

③ Thorough use of management accounting results in executive decision making

46	Maximize utilization of management accounting by business management (PDCA)	●	Use management accounting in business resource allocation, defining management targets, and IR activities (implemented in AP46, 47, 66)
47	Use as external communication tool		

**IV. Building a revenue base of the new-born TEPCO**

1. Management reform bringing the HD company system into perspective

① Introduction of in-house company system and thorough revenue management

Action plan		FY2013, 14 initiatives	
48	Promote autonomous operation and growth by heads of each business area	●	Each company autonomously operates business under the overall executive strategy to achieve future growth through enhanced competitiveness
49	Thorough cost management through healthy competition between companies and within companies (between organizations with the same function) by the subdivided organization units	●	Included in AP42, 43
50	Share awareness that all employees are responsible for overall company revenue	●	Included in AP45

② Establish/ execute business and organizational strategies to respond to a changing business environment

51	Establish/ execute business and organizational strategy for full deregulation	●	Develop framework to consider business strategy with integration of each company's strategic staff and corporate organizational units
		●	Considering the detailed system design of the electric power system reform, consider the nature of future business format
52	Rebuilding of information systems	●	Start modification and development of consignment/ retail system

## IV. Building a revenue base of the new-born TEPCO

## 2. Revenue base building toward restoration

## ①Fuel &amp; Power Company

Action plan	FY2013, 14 initiatives
53 Drastic cost reduction of fuel expenses and fixed costs	<ul style="list-style-type: none"> <li>● Shorten construction schedule for thermal power facilities under construction to push forward start of commissioning</li> <li>● Maximize operation of economically efficient coal or LNG fired thermal by shortening periodic inspection schedule and responding to increase in coal ash production</li> <li>● Expand introduction of low grade fuel in oil/ coal-fired thermal plants (start FY2013)</li> <li>● Reduction of equipment inspection/ repair costs by carefully selecting content of work to be implemented and scope of implementation.</li> </ul>
54 Replacement with coal-fired or high-efficiency LNG-fired thermal power plants, reduction of fuel expenses focusing on LNG	<ul style="list-style-type: none"> <li>● Establish and implement replacement or new or additional construction plans to drastically improve the generation cost structure such as increasing ratio of coal-fired thermal and increase LNG-fired thermal efficiency by 10%.</li> <li>● Establish action plan to significantly expand introduction of lean LNG (maximum 10 million tons/year).</li> <li>● Strengthen common operation organization with other operators at LNG receiving terminals to promote operational efficiency.</li> </ul>
55 Study and implement investing into overseas projects and fuel businesses	<ul style="list-style-type: none"> <li>● Framework to expand international consulting business and IPP business investment will be developed and technological support and employee dispatch will be expanded aiming at December 2013</li> <li>● Steady promotion of existing fuel business, identification of potential favorable investment projects, and detailed research, analysis, and assessment</li> </ul>

## ②Power Grid Company

56 Business top-class wheeling rate (maintain business top-class system reliability)	<ul style="list-style-type: none"> <li>● Cost reduction in all areas of supply/demand/ system operation, maintenance, equipment specifications, construction methods, worker productivity are taken as permanent measures and further streamlining will be reviewed in depth.</li> <li>● While implementing thorough cost reductions, stable provision and maintaining safety and quality, the foundation of the business, will be ensured (fully maintain nature of important facilities to prevent public disasters and maintain system reliability)</li> <li>● Advance facility degradation management and review facility modification standards</li> </ul>
57 Develop framework that can respond to massive introduction of renewable energy and network utilization environment	<ul style="list-style-type: none"> <li>● Production system for smart meter devices will be built in FY2013 for mass introduction in FY2014.</li> <li>● Consider development of a new business model in FY2013 such as infrastructure development jointly with local communities with smart community development and develop framework for implementation in FY2014.</li> <li>● Revenue expansion by using technological capability of TEPCO in overseas business or group company business.</li> </ul>

## ③Customer Service Company

58 Redevelop solution proposals, and establish action plan to capture demand of 200 billion yen/year in ten years and 100 billion yen/year in peripheral business sales	<ul style="list-style-type: none"> <li>● Build joint organization with external partners to promote offerings of total solutions that not only look at electricity but overall energy and peripheral business areas (deregulated areas)</li> <li>● Rebuild relationship with housing operators in FY2013 to promote proposals for smart houses that utilize renewable energy such as photovoltaic and high-efficiency heat pump devices (regulated areas)</li> </ul>
59 New power supply procurement by IPP bid	<ul style="list-style-type: none"> <li>● After FY2013, establish and implement bid plans to procure cheap power sources through bids</li> </ul>

## ④Overseas projects

60 Develop system to achieve 2 billion yen in sales from overseas consulting business by 2020	<ul style="list-style-type: none"> <li>● Ensure win of ODA projects and win direct contracts with overseas power utilities.</li> <li>● Targeting first half of FY2013, establish new business entity jointly with manufacturers</li> </ul>
61 Aiming to triple profit from IPP project investment, establish TEPCO fundraising and contribution scheme and reinforce the framework with alliance partners	<ul style="list-style-type: none"> <li>● Reinforce revenue base by promoting project development through existing business company</li> <li>● Establish fundraising/ contribution scheme to expand mid-to-long-term investment and reinforce framework with alliance partners</li> </ul>

IV. Building the revenue base of the new-born TEPCO

3. Operational reforms (human affairs, accounting, target setting and publication)

① Human resource system reform

Action plan	FY2013, 14 initiatives
62 Thorough implementation of the merit system and development of reform leading talented persons	<ul style="list-style-type: none"> <li>From April 2013, review HR treatment system and evaluation system to abolish the seniority system and thoroughly implement the merit system.</li> <li>Use newly introduced development record and development system for top management candidates to develop autonomous human resources that can continue to lead growth and reform at all levels of the site and business administration (implemented in AP48, 62)</li> </ul>
63 Strengthen site middle management	<ul style="list-style-type: none"> <li>From April 2013, make team leaders a job position to reinforce middle management starting with the sites, thus strengthening work efficiency and transfer of technical skills at the site level.</li> <li>For better efficiency and further standardization of work and to promote the shared application of best practices, standardize branch/office organization starting in April 2013.</li> </ul>

② Management accounting

64 Introduction of accountability unit management system	<ul style="list-style-type: none"> <li>Included in AP42, 43</li> </ul>
65 Introduction of checks and balances mechanism for in-house dealings	<ul style="list-style-type: none"> <li>Included in AP44</li> </ul>
66 Full use of management accounting results in executive decision-making	<ul style="list-style-type: none"> <li>Included in AP46, 47</li> </ul>

③ Target setting

67 Set target for P/L improvement and strengthening growth foundation for accountable units in companies	<ul style="list-style-type: none"> <li>Set KPIs<sup>Note 6</sup> based on each company and corporate mission and apply to frontline workplaces (conducted in AP45, 67)</li> </ul>
68 Detailed business management (PDCA)	<ul style="list-style-type: none"> <li>With monthly control of management accounting, check achievement of target status for each organization in short intervals</li> </ul>

④ Public relations reform

69 Enhance/ strengthen transparency, information disclosure, risk communication, and crisis management	<ul style="list-style-type: none"> <li>To fulfill accountability to the public, quickly and accurately provide information on potential risks and problem information on nuclear facilities, strengthen emergency public relations framework, and training</li> </ul>
70 Public relations fronted by top executives and strengthen framework to support top management	<ul style="list-style-type: none"> <li>Provide information and visualize Fukushima-centered initiatives, safety measures, and internal reforms for nuclear to implement public relations that actively respond to the interests of the public</li> </ul>
71 Establish Fukushima Corporate Communications Department at Fukushima Revitalization Headquarters	<ul style="list-style-type: none"> <li>Established Fukushima Corporate Communications Department under the Fukushima Revitalization Headquarters (January 2013).</li> <li>Provide information quickly and accurately to the local community and strengthen dialogue with local communities.</li> </ul>

Note5 Key Performance Indicator