

Outline of Special Business Plan

- **“The emergency Special Business Plan” for “the empathy-based compensation payouts” -**

**The Nuclear Damage Compensation Facilitation Corporation
T o k y o E l e c t r i c P o w e r C o m p a n y**

1. Plan – Foundation and Basic Principles

① The current status

- We cannot afford to delay one moment in the actual implementation of compensation payouts.
- We are gradually working to reach a clear and rational estimate of the total costs for the compensation payouts and the decommissioning. In order to achieve full-scale implementation of management streamlining measures, it is necessary to set aside a certain amount of time to further engage in the meticulous analysis of management and financial conditions.

② Speedy implementation of compensation payouts and necessary restructuring– development for this “emergency Special Business Plan”

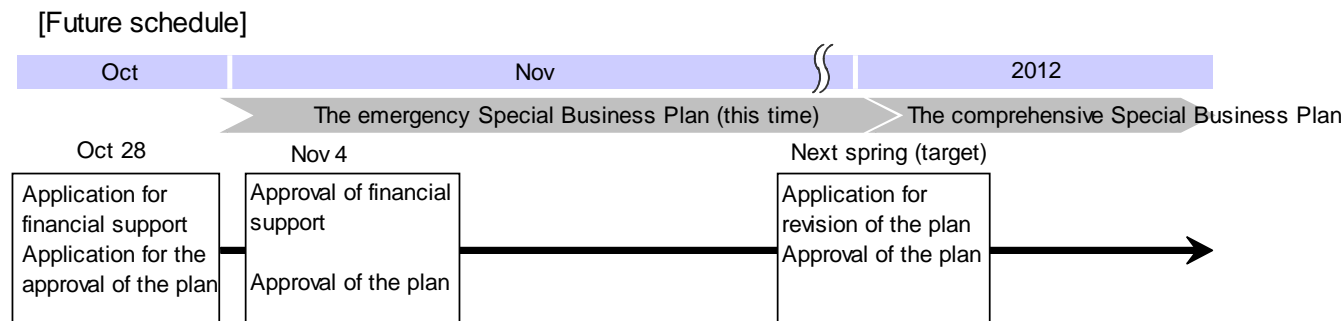
- **Secure comfort of those afflicted** by improving the procedures for compensation claims etc. and secure payment of compensation.
- Clearly spell out the ongoing transformational reform **steps comprised of** restructuring efforts, management and financial transparency and **management streamlining**.

③ Full-scaled reform – development of “the comprehensive Special Business Plan” -

- Consider further management streamlining and **develop a comprehensive Special Business Plan by around next spring based on the revision of this plan**. Taking into account the restructuring trends of the electric power industry, **review TEPCO management with an eye towards drastic reforms from a mid to long-term perspective**.

④ Thorough execution of issues identified in the Committee’s Report

- Thorough execution of management streamlining identified in the TEPCO Management and Finance Investigation Committee Report.
- **Achieve cost reductions of “over ¥2,545.5 billion over ten years”** provided in the report.
- Request the government to consider necessary measures such as amendments to the support scheme for the afflicted and the energy sector scheme as and when necessary.



2. Compensation for Nuclear Damage

(1) The Status of the Nuclear Damage

(2) Prospects of Necessary Compensation Amount and Measures for Compensation

(1) The Status of the Nuclear Damage

- ① Background of nuclear damage
- ② Cases of nuclear damage affliction
- ③ Future prospects for containment of nuclear damage
- ④ Action Items for the Appropriate Treatment of the Damaged Nuclear Reactors

(2) Prospects of Necessary Compensation Amount and Measures for Prompt and Appropriate Compensation Payouts

① Prospects of Necessary Compensation ⇒ ¥1,010,908 million

(reasonable amount currently estimated with utmost accuracy)

② Measures for prompt and Appropriate Implementation of Compensation Payouts

i) TEPCO action initiatives

- a. Actions Taken Thus Far (development of compensation standard, establishment of organization for compensation, actual operation of compensation)

b. Improvement of Future Actions ~ “5 promises” to the afflicted



P3

ii) The Corporation action initiatives

- Prompt establishment of “directing functions” for overall compensation process

• 3 initiatives for the empathy-based compensation



P4

2. Compensation of Nuclear Damage

(2) ② i) TEPCO Action Initiatives

b. Improvement of Future Actions ~"5 Promises" to the afflicted

"5 Promises for the empathy-based compensation"

1 Speedy payments of compensation

- TEPCO will thoroughly manage the process flow, and will pay compensation speedily and appropriately, following the standards below.
 - Complete the verification of the necessary documents within around three weeks after the invoice and relevant application materials arrive.
 - Payment within one or two weeks after returning the Agreement Form for Indemnification.

2 Handle Payments Promptly with Consideration

- Especially for sole proprietors in a tight cash flow situation, TEPCO will promptly pay out a need-based compensation etc. based on the estimate of damages due to the suspension of business following the speedy payment of the first compensation payout.
- For those with an unusually small amount of compensation, TEPCO will double check whether or not an error was made during the initial stages of the application process.

3 Due Attention will be Paid to Reconciliation Proposals

- In consideration of the afflicted, TEPCO will pay due attention to the reconciliation proposals presented by the Dispute Reconciliation Committee for Nuclear Damage Compensation towards the speedy reconciliation of disputes.

4 Simplified Paperwork Procedures

- Assist with fill-out procedures of invoices using the "Easy claim instructions" sent on Oct. 12.
- Fundamentally improve the paperwork procedures, by simplifying the application forms with very clear instructions etc. In consideration of the opinions and requests from the afflicted, amendments will be finalized by November, and will be incorporated into the procedures for the second application process.

5 Sincere actions towards requests

- Major requests and inquiries received from the afflicted regarding compensation will be compiled and organized. TEPCO Policy and Actions (frequently asked questions regarding this compensation, etc) will be released on the homepage.
- Improvement measures based on requests and inquiries will be shared with all related departments, and promptly implemented together while thoroughly monitoring the situation.

2. Compensation for Nuclear Damages

(2) ② ii) The Corporation Action Initiatives

“Three Initiatives for Empathy-based Compensation”

1. Touring Consultation by the Specialists’ Team

- Organize “Touring Consultation Teams” (consisting of 5 members each) with approx. 100 specialists including lawyers and gyoseishoshi (certified administrative procedure specialists) who will visit evacuation centers etc. in order to provide free explanatory meetings and face-to-face consultation services on both weekdays and weekends.
- Establish a Fukushima Office in Koriyama city and provide explanatory meetings about claims and statements for damage compensation and free face-to-face individual consultation services by lawyers and gyoseishoshi.
- Provide free telephone information services by gyoseishoshi and other specialists on both weekdays and weekends at the headquarters of the Corporation as well as free face-to-face consultation services by lawyers twice a week.

2. Compensation Progress Monitoring

- The Corporation will establish a “Monitoring Group” and station its employees at TEPCO to monitor the progress of the compensation payouts.
- Establish an exclusive account for compensation payouts and deposit the necessary amounts after the monthly monitoring by the Corporation.

3. Communication of Voices from the Afflicted

- The Corporation as a “Liaison” will intimately grasp the needs of the afflicted and share such information with TEPCO, the government, and the municipalities in a timely manner resulting in effective follow-up action.
- Realize steady improvement of TEPCO’s actions and request that TEPCO specifically spell out the actions being taken in response to the demands being leveled toward them in adherence to the “Five Promises”.

3. TEPCO's Business Operation Plan

(1) Middle-term Business and Financial Performance Plan

1) Basic Policy of Business Operations

- Conduct business with emphasis on the **“proper handling and sufficient support of those afflicted”**, **“stabilization of the accident at Fukushima Daiichi NPS”**, and **“management streamlining”** while securing stable power supply.

2) Ensuring the Reliable Implementation

- TEPCO and the Corporation will immediately establish the following cooperation framework in order to rigorously implement TEPCO's business plan including the recommendations in the TEPCO Management and Finance Investigation Committee Report.
 - Establish a **“Reform promotion team”** comprised of TEPCO's junior and middle level employees and the Corporation's employees. **The Corporation's employees will maintain a continuous presence inside TEPCO** in order to facilitate sufficient communication and information sharing.
 - **Establish a “Working group”** comprised of a reform promotion team and TEPCO's employees in charge of all major issues including management streamlining, finance/cash management, and timely and appropriate compensation payouts.
 - **Establish an “Action plan” by the end of this year at the latest**, laying out the necessary actions needed to realize, for example, the improvements in compensation payouts and management streamlining. The Corporation will review its contents.
 - **Establish a “Management Reform Committee”** in which the Corporation and TEPCO's top management participate in order to secure the commitment of TEPCO's top management and to implement effective monitoring. TEPCO management will provide periodic reports to the Corporation's steering committee. Onsite action progress will also be monitored by different parties such as the working group.

3. TEPCO's Business Operation Plan

(1) Middle-term Business and Financial Performance Plan

3) Financial Performance Outlook

i) Income and Losses

- **Operating income** for the year ending March 2012 (fiscal year: 2011) will be **-¥332.7 billion**, drastically worse than the previous year mainly due to the fuel cost increase. (change from previous year: -¥689.4 billion)
- **Net Income** for the period will be **-¥576.3 billion**, mainly due to additional extraordinary losses from natural disasters.

ii) Cash Flow

- **Cash flow from operating activities** will be **-¥439.8 billion**, drastically worse than the previous year due to the fuel cost increase and costs for nuclear power plant stabilization. (change from previous year: -1.3632 trillion yen).
- **Cash and cash equivalents at the end of the FY** will be **¥953.6 billion** as revenues from the asset sales will be offset by expenditures such as bond redemption. (change from the previous yearend: -¥1.1808 trillion).

	Year ending March 2011	Year ending March 2012	Increase / decrease (¥billion)
Operating income	356.7	-332.7	-689.4
Net Income for the period	-1,258.6	-576.3	+ 682.3
CF from operating activities	923.4	-439.8	-1,363.2
Cash and cash equivalents	2,134.4	953.6	-1,180.8
Net asset at the end of the year	1,264.8	708.8	-556.0

iii) Financial plan after the year ending March 2012 (FY: 2011)

- **The business plan established in TEPCO Management and Finance Investigation Committee Report will be reviewed and revised in "The comprehensive special business plan", which will be established next spring.**

3. TEPCO's Business Operation Plan

(2) Management Streamlining Measures

① Revision of Investment Plan, etc.

- Investment plan is to be revised from the perspective of long term management streamlining and stable electricity supply, based on the current situation that the depreciation costs and the maintenance expenses account for 20% of the total electric utility operating expenses.
- i) **Electricity Supply Facilities** (construction/replacement of power stations)
 - Review the demand forecast which is the premise of the investment plan
 - Suppress/streamline facility investments by making full use of other companies' power sources such as IPPs when the construction or replacement of power station is planned.
- ii) **Transmission and Distribution Facilities**
 - Reevaluate the current investment plan and revise when necessary, based on network power flow alterations due to the change of energy sources following the earthquake.
- iii) **Maintenance Expenses**
 - Continuously withhold on unnecessary/non-urgent maintenance, and reduce the unit price via Procurement Reforms described later, on the condition that the necessary maintenance for securing stable supply are not overlooked, in consideration of the decreasing trend of maintenance expenses due to deferring maintenance over the past 10 years.

3. TEPCO's Business Operation Plan

(2) Management Streamlining Measures

② Thorough Cost Cuts

- All the costs were revised from the aspects of **"Quantity" and "Unit Price"**, and 237.4 billion yen will be reduced in FY 2011.
- Deeper and new cost cut measures will be conducted as much as possible after FY 2012 as well.
- i) **Procurement Expenses of Materials and Services** (Total reduction in FY 2011: **¥86.5 billion**)
 - **Focus on the reduction of the "Unit Price" for the medium and short term plan.** In addition, the viable reduction of "Quantity", which included construction works and system development commissions, etc. was achieved.
 - Revise how to place orders with affiliate companies (expand competitive procurement, improve the efficiency of construction works, etc.)
 - Revise the business transaction structures and order placing procedures with external business partners (revise the structure of present trading agents and affiliate companies as the primary contractors, etc.)
 - Specification standardization and design methods (revise the design methods applied to power plants and the standardization of equipment specifications, etc.)
 - **Suppress the depreciation costs via the Revision of Investment Plan (as described in the previous page) as the reduction of "Quantity" in the medium and long-term plan.**
 - **Standardize the designs and specifications of the equipment including the standardization for smart-metering, etc,** study the cross-industrial measures such as the reorganization of affiliate companies of each electric power company **as the reduction of "Unit Price" in the medium and long-term plan.**
- ii) **Power Purchase and Fuel Expenses** (Total reduction in FY 2011: **¥11.1 billion**)
 - **Revise the unit price of power purchases including the utilization of Japan Electric Power Exchange (JEPX), and revise the unit price of fuel** via fuel conversions, etc, as the short term plan
 - **Revise the contracted purchase price with other power companies when the contracts are updated,** as the medium and long-term plan. In addition, the cross-industrial cost reduction such as the joint purchase and interchange of fuel etc. will be considered.

3. TEPCO's Business Operation Plan

(2) Management Streamlining Measures

iii) Personnel expenses (Cost reduction for FY2011: ¥61.4 billion)

【Personnel Cuts】

- By the end of FY 2013, **we will cut approx. 7,400 employees (consolidated basis) and approx. 3,600 employees (non-consolidated basis)** compared to the start of FY 2011 by cutting back on hiring and implementing voluntary retirement etc.
 - We will review a concrete schedule of personnel cuts etc based on a long-term perspective including the future arrangement of age-specific personnel, the long-term relationship between management and labor, and prevention of the loss of qualified personnel.

【Reduction of Salaries and Bonuses】

- **We will continue to cut annual earnings across the board for the time being (Supervisory employee: 25%, General Employee: 20%).**
- **We will shift to a new personnel evaluation system** in 2 years to maintain employee motivation while maintaining the recently reduced total personnel expenses level.
- **We will consider the schedule and level of increasing bonuses in consideration of the new personnel evaluation system and the status of the special contribution payments etc.**
- We will reduce the premium rate of overtime work to the bottom limit of the legal standard.

【Revision of the Retirement Benefit Scheme】

- **Regarding the pension system, we will work to reduce the lower limit of the interest rate on lump sum paid annuity (to 1.5% for active employee and 2.25% for retirees) and whole life annuity (by 30%) for both active employees and beneficial owners (retirees) and aim for the introduction of a new pension system** before the end of FY 2012.

【Revision of Benefit Programs】

- Reduction of the company contribution percentage of health insurance, abolishment of the asset-building pension scheme (abolishment of the guaranteed rate) , abolishment of the “Refreshment” asset-building scheme, reduction of incentives in the employee stock ownership plan, and reducing the cafeteria plan.

3. TEPCO's Business Operation Plan

(2) Management Streamlining Measures

iv) Other expenses (Cost reduction for FY2011 : ¥73.4 billion)

- On both sides of the amount and the unit price, we can continuously cut costs in the short to medium-and-long term.

We will make efforts to reduce the quantity and unit price of all expenditure items.

Ex.)

- Cease donation activities etc.
- Reduction of welfare facility-related expenses.
- Reduction of electricity sales and promotion
- Cancellation of theme studies etc.
- Maximize Reduction of expendable supply costs.
- Reduction of training.

v) Operating expense of incidental business (Cost reduction for FY2011 : ¥5 billion)

- Regarding the gas supply business, we will carry out cost-cutting measures of both the quantity and unit price by extending the interval of the maintenance and changing outside service suppliers.

3. TEPCO's Business Operation Plan (2) Management Streamlining Measures

Main Cost Reduction Measures ①

	Short Term (First Year)	Mid Term (2nd to 5th Year)	Long Term (After 6th Year)
① Cost for Materials and Services	86.5 billion Yen		
Revision of order placing measures with affiliated companies	Execution of specific measures	Continuation of specific measures after 2nd year	
Revision of transaction structure with business partners	Formulation of action plans		Continuation of specific measures after 6th year
Standardization of specifications and design methods within TEPCO Group	Formulation of action plans		Continuation of specific measures after 6th year
Suspension of maintenance work for buildings, etc.	Execution of specific measures	Continuation of specific measures after 2nd year	
Suspension of contracts for system programming, etc.	Execution of specific measures	Continuation of specific measures after 2nd year	
Reduction of depreciation costs by optimizing capital investment	Execution of specific measures	Continuation of specific measures after 2nd year	
Standardization for specifications and design among electric utilities	Considering a course of action	Formulation of action plan, execution of specific measures (according to the consideration of the course of action)	
Cross-industry reorganization of companies affiliated with electric utilities	Considering a course of action	Formulation of action plan, execution of specific measures (according to the consideration of the course of action)	
② Power Purchase and Fuel Expenses	11.1 Billion Yen		
Revision of the unit price of short term power purchases etc.	Execution of specific measures		
Revision of the fuel unit price including fuel conversion etc.	Execution of specific measures	Continuation of specific measures after 2nd year	
Revision of the unit price of power purchases in the long term agreement	Formulation of action plan		Continuation of specific measures after 6th year
Study of cooperative purchases and fuel interchanges etc.	Considering a course of action	Formulation of action plan, execution of specific measures (according to the course of action)	



3. TEPCO's Business Operation Plan (2) Management Streamlining Measures

Main Cost Reduction Measures ②

	Short Term (First Year)	Mid Term (2nd to 5th Year)	Long Term (After 6th Year)
③ Personnel Expenses	61.4 Billion Yen		
Personnel Cuts	Formulation of action plan		Continuation of specific measures after 6th year
Reduction of salaries and bonuses	Execution of specific measures	Continue of specific measures after 2nd year (in consideration of the new personnel evaluation system)	
Revision of the retirement benefit scheme	Formulation of action plan		Continuation of specific measures after 6th year
Revision of the welfare program	Formulation of action plan		Continuation of specific measures after 6th year
④ Other Expenses	73.4 billion Yen		
Cease donation activities etc.	Execution of specific measures	Continuation of specific measures after 2nd year	
Reduction of the welfare facility-related expenses.	Execution of specific measures	Continuation of specific measures after 2nd year	
Reduction of electricity sales and promotion	Execution of specific measures	Continuation of specific measures after 2nd year	
Cancellation of theme studies etc.	Execution of specific measures	Continuation of specific measures after 2nd year	
Maximize Reduction of expendable supply costs.	Execution of specific measures	Continuation of specific measures after 2nd year	
Reduction of training	Execution of specific measures	Continuation of specific measures after 2nd year	
⑤ Incidental Business Operation Expenses	5.0 billion Yen		
Reduction of Operating Expense Related to the Gas Supply Business	Execution of specific measures		
TOTAL	Cost reduction by over 2,545,5 billion Yen (over 10 years)		
	(This Fiscal Year) 237.4 billion Yen	* Further investigation of potential cost reduction measures and the implementation of new cost reductions as much as possible.	

3. TEPCO's Business Operation Plan

(2) Management Streamlining Measures

③ Sales of Assets, etc.

i) Real estate (FY2011: Targeting sales equiv. to **¥15.2 billion** at market value)

- Classify disposal plans of real estate not directly used for the electric power business based on usage patterns etc. **In principle sell real estate equiv. to ¥247.2 billion at market price within 3 years**, except for the property having complicated administrative procedures such as redevelopment projects.
- Also promote effective usage of real estate not to be sold such as rent properties.

ii) Securities (FY2011: Targeting sales equiv. to **¥300.4 billion**)

- **In principle, sell securities equiv. to ¥330.1 billion within 3 years**, except those securities essential to the electric power business.

iii) Business/affiliated companies (FY2011: Targeting sales equiv. to **¥32.8 billion**)

- **In principle, sell affiliated companies equiv. to ¥130.1 billion within 3 years, which were determined to be sold per the Committee's report.**
- Also conduct due diligence of business companies not determined to be sold, and in principle decide whether the business is to be continued or not within this year. Consider sales at wider range.
- Concerning those affiliated companies that have been determined to not be sold off in accordance with the aforementioned explanation, **restructuring of the business** as well as cost reductions including **(1) reduction of costs for external services from in-house production, (2) reduction of non-essential and non-urgent investments, and (3) reduction of personnel costs will be implemented.**

iv) Incidental businesses

- Home Network businesses and Power Supply Stand businesses are classified as "discontinued operations" and an immediate decision regarding their disposal will be made.
- Real-estate Rental businesses and Energy Facility Service businesses and Consulting businesses will be downscaled and an immediate decision regarding their disposal will be made.

(Others)

- Taking into consideration Stable Supply and Economic Feasibility, the sale of electricity business assets will be considered.
- Regarding securing interest rights, the development of Smart-meters, energy conservation services and others, we will consider concrete measures such as accepting the proposal of a superior business plan from outside parties along with other measures.

- Per The Corporation Law, *"In order to realize speedy and appropriate implementation of compensation payouts for nuclear damage, it is necessary to seek the cooperation of shareholders and other stakeholders."* (The corporation law, supplementary provision Article 3, Paragraph 2)

① Request cooperation from financial institutions

As reported in the TEPCO Management and Finance Investigation Committee Report, TEPCO's basic approach to their debt is 1) maintain long-term credit by refinancing 2) restore the outstanding debt amount as of March 2011, and 3) increase present credit limit from major financial institutions of which TEPCO has a relationship. Based on this approach, TEPCO will seek the following forms of cooperation:

- The contents of TEPCO's request for cooperation from related institutions

(until the comprehensive special business plan is approved)

- Maintenance of TEPCO's credit at the time of approval of the emergency special business plan (Refinancing both short-term and long-term debt etc.)
- Obtaining a credit line for short-term loan(s) amounting to ¥300 billion from the Development Bank of Japan as soon as possible, for the purpose of the loan to only compensation for the afflicted.
- Expand the purpose of the emergency loan acquired from major related financial institutions.

② Request Cooperation from Shareholders

- To minimize the burden of Japanese citizens, request shareholder cooperation is a must.
 - Continuation of non-dividends for the time being.

3. TEPCO's Business Operation Plan

(4) Measures to Ensure Smooth Business Operations

Measures to Achieve Clear Management Accountability

(4) Measures to Secure Smooth Business Operations

- Maintained power supply and demand balance during the summer
 - Peak demand this summer (at generation end, peak demand on one day, as the case may be) was 49.22GW and the supply capacity was 55.6GW.
- To secure a certain amount of reserve capacity for this winter exceeding last winter's peak demand
 - Power supply for this winter will be 54.57GW (Last winter's peak demand was 51.5GW).
- Capital investments such as the installation of emergency power sources including gas turbines and proceeding with power source development, which is presently under construction, will be made. (the cost of investment for new equipment in 2011 will be ¥719.9 billion).
- However, the appropriateness of the investments will be continuously verified and we will make efforts to reduce investment amounts.

(5) Measures to Achieve Clear Management Accountability

- In addition to decreasing the board members' compensation, the former President and Executive Vice President in charge of nuclear power retired this June.

Representative Directors (Chairman, President, Executive Vice President)	April Only: 50% reduction	Ongoing since May: 100% reduction
Managing Directors	April Only: 50% reduction	Ongoing since May: 60% reduction
Outside Directors	April and May Only: 25% reduction	Ongoing since June: 50% reduction
Executive Officers	Ongoing since April : 40% reduction	

※ Auditor compensation was decreased in the same manner as the directors per mutual discussion

- Per this plan, **we will continue to decrease the aforementioned compensation.** Furthermore **we will reach an appropriate decision regarding clarifying management responsibility such as having board member(s) opt for retirement and the waiving of retirement benefits** in the “comprehensive special business plan”.

4. Assessment of Asset Status and Business Performance
5. Contents of Financial Support
6. Financial Status of the Corporation

4. Assessment of Asset Status and Business Performance

(1) Asset Status

- The assessment of asset status in the Committee report is rigid and objective, and can be evaluated as appropriate.
- We will further evaluate the assets that are to be sold and reflect the results in the plan.

(2) Business Performance

- Validity of the assessment of the committee confirmed.
- Scrutinize the current financial status, evaluate the balance of fiscal year 2012 and reflect the results in the plan.

5. Contents of the Financial Support

(1) Amount of the Financial Support

- The necessary compensation amount (¥1,010.908 billion) deducted by the financial security amount will be delivered in fiscal year 2011.

(2) The resources of the requested amount of government bonds and other financial support

- The delivery of JPY two trillion which will be approved in this year's government budget as government bonds are requested (in case a JPY three trillion third supplementary budget is approved, the delivery of government bonds totaling JPY five trillion will be requested).

6. Financial Status of the Corporation

- In order to conduct the delivery according to this plan, the delivery of government bonds is requested.
- Expenses connected with consultation activities of those afflicted and the monitoring of TEPCO activities will be fully covered by the appropriated investment.