



TOKYO ELECTRIC POWER COMPANY

# Transition to Holding Company System and a Protection Plan for the TEPCO Bonds with a Statutory Preferential Right

Tokyo Electric Power Company

May 1, 2015

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### **Regarding Forward-Looking Statements**

*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 involve risks and uncertainties, and these risks and uncertainties could cause the Company's actual results to differ materially from the forward-looking statements herein.*

*(Note)*

*Please note that the following to be an accurate and complete translation of the original Japanese version prepared for the convenience of our English-speaking investors. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*



# I -1. Background and Purposes of Transition to Holding Company System

TEPCO

■ The electric power market of Japan is witnessing a period of great change, such as full liberalization of the retail market in April 2016 as well as statutory-based separation of electricity transmission and distribution divisions in 2020. In this environment, to continue fulfilling the responsibilities for the Fukushima nuclear power accident and to maintain an inexpensive and stable power supply, it is essential for each business division of TEPCO to apply the best business strategies that suits its characteristics and work to improve the corporate value of the overall TEPCO group.

## 【Business Strategy of Each Business Division】

### < Fuel and Thermal Power Generation >

- Drastically rethink the business structures of the overall supply chain from upstream to power generation
- Aim to transform into an energy company that is spreading its dynamism around the world

### < Transmission and Distribution >

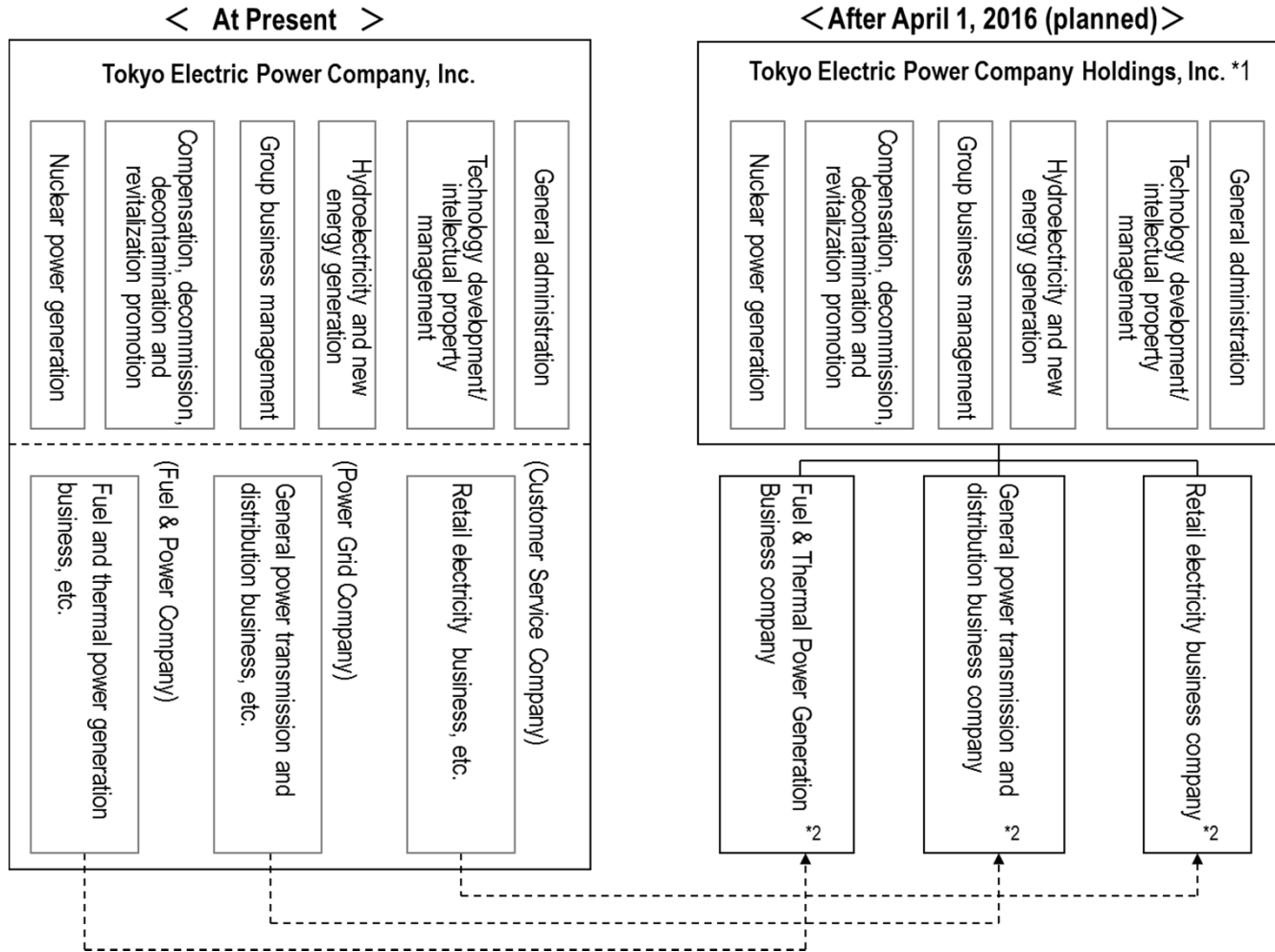
- Achieve the most competitive wheeling costs in Japan, in addition to continuing to ensure reliable power supply
- Promote improved transmission and distribution network convenience, optimization of operations, and coordination with other electric power companies, while maintaining and improving the neutrality and impartiality of business operations

### < Retail Electricity >

- Provide to customers throughout Japan products and services adopting the viewpoint of our customers as well as power and gas one-stop service, while leveraging alliances with other companies

- TEPCO will make a transition to a holding company system in April 2016, so that TEPCO can realize strategies of each business division and adapt flexibly and swiftly to post-liberalization business environment, based on achieving both “responsibility and competitiveness”.
- Through the transition, TEPCO will work to establish a revenue base towards sustainable regeneration, fulfill the responsibilities of the overall TEPCO group for the Fukushima nuclear accident, create resources for Fukushima’s revitalization, and improve the corporate value of the entire group.

Each business of “fuel and thermal power generation”, “transmission and distribution” and “retail electricity” will be transferred to a split preparation company (succeeding company) established on April 1, 2015, and then, TEPCO will make a transition to a holding company system.



\*1 Tokyo Electric Power Company, Incorporated plans to change its trade name to Tokyo Electric Power Company Holdings, Incorporated as of April 1, 2016.

\*2 Each of the succeeding companies plans to change its trade name as of April 1, 2016.



Succeeding Company	Business Description of Divisions Subject to Splits
Tokyo Electric Power Fuel & Thermal Power Generation Business Split Preparation Company, Incorporated (Fuel & Thermal Power Generation Business Company)	<ul style="list-style-type: none"><li>• Thermal power generation business (excluding the said business in remote islands)</li><li>• Fuel procurement, resource development, and steam supply businesses pertaining to thermal power generation</li><li>• Investment business in the foregoing</li></ul>
Tokyo Electric Power Transmission & Distribution Business Split Preparation Company, Incorporated (General Power Transmission & Distribution Business Company)	<ul style="list-style-type: none"><li>• General power transmission and distribution business</li><li>• Real property lease business</li><li>• Power generation business in remote islands</li></ul>
Tokyo Electric Power Retail Sales Business Split Preparation Company, Incorporated (Retail Electricity Business Company)	<ul style="list-style-type: none"><li>• Retail electricity business</li><li>• Gas business</li><li>• Steam supply business (excluding the said business in connection with thermal power generation)</li><li>• Energy equipment service business</li><li>• Internet service business</li></ul>



# I -4. Items and Amounts of Assets and Liabilities to be Transferred in Splits

i . Assets and Liabilities to be Transferred to Fuel & Thermal Power Generation Business Company (Unit: Billion yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current Assets	1,525.4	Non-current Assets	38.2
Current Assets	273.0	Current Assets	195.0
Total	1,798.4	Total	233.2

ii . Assets and Liabilities to be Transferred to General Power Transmission & Distribution Business Company (Unit: Billion yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current Assets	5,022.5	Non-current Assets	365.9
Current Assets	226.4	Current Assets	186.6
Total	5,249.0	Total	552.6

iii . Assets and Liabilities to be Transferred to Retail Electricity Business Company (Unit: Billion yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current Assets	91.2	Non-current Assets	60.2
Current Assets	605.6	Current Assets	139.7
Total	696.9	Total	200.0

Note: The amounts indicated in i. to iii. above were calculated based on the balance sheets as of March 31, 2015, and thus the amounts that will actually be transferred will reflect any increases or decreases made to the above amounts up to the day immediately preceding the effective date.



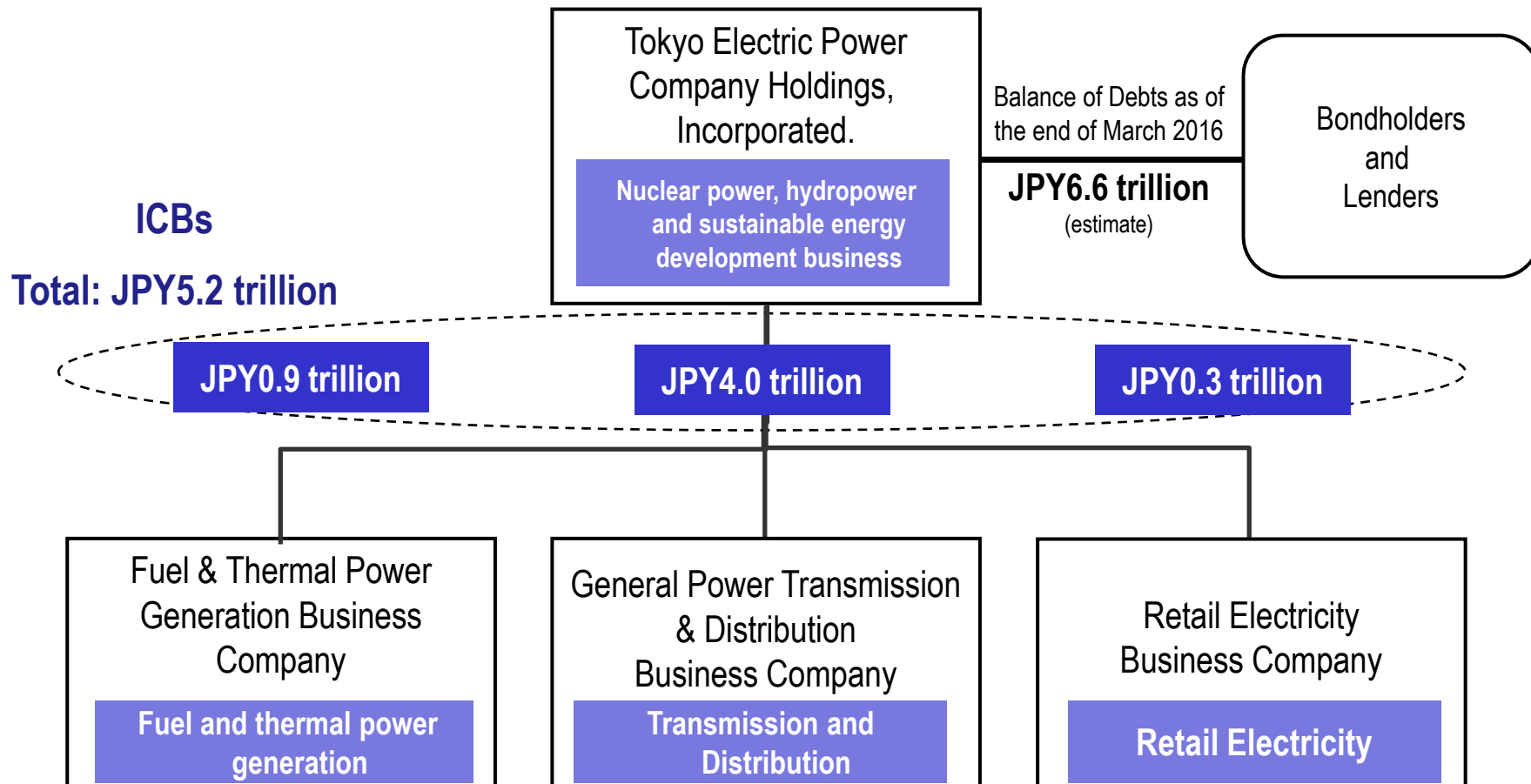
Dates	TEPCO	Each Succeeding Company
May 1, 2015	Board of directors meeting approving absorption-type company split agreements	Directors' decision approving absorption-type company split agreement
May 1, 2015	Execution of absorption-type company split agreements	
June 25, 2015	Ordinary general shareholders meeting approving absorption-type company split agreements*	Extraordinary general shareholders meeting approving absorption-type company split agreement
April 1, 2016 (planned)	Effective date of absorption-type split → <b><u>Transition to Holding Company System</u></b>	

\* The company splits in which Power Fuel & Thermal Power Generation Business Company and Retail Electricity Business Company will be the succeeding companies are planned to be carried out without the approval of a general shareholders meeting of TEPCO pursuant to the Companies Act, Article 784, Paragraph 2, but the effect of these company splits is subject to approval by a general shareholders meeting of TEPCO with respect to the company split in which General Power Transmission & Distribution Business Company will be the succeeding company.



## II -1. TEPCO's liabilities as of the effective date of the Split

- Tokyo Electric Power Company Holdings, Incorporated. ("**Hold Co**"), a holding company into which TEPCO transforms upon closing of the Splits, would continue to be responsible for TEPCO's financial debt outstanding as of the day immediately preceding a effective date of the Splits (i.e., the last day of March 2016).
- Following the effective date of the Splits, three business companies of TEPCO (or, Succeeding Company in the Splits) plan to issue bonds to Hold Co ("**ICBs**"), for which Hold Co will subscribe.



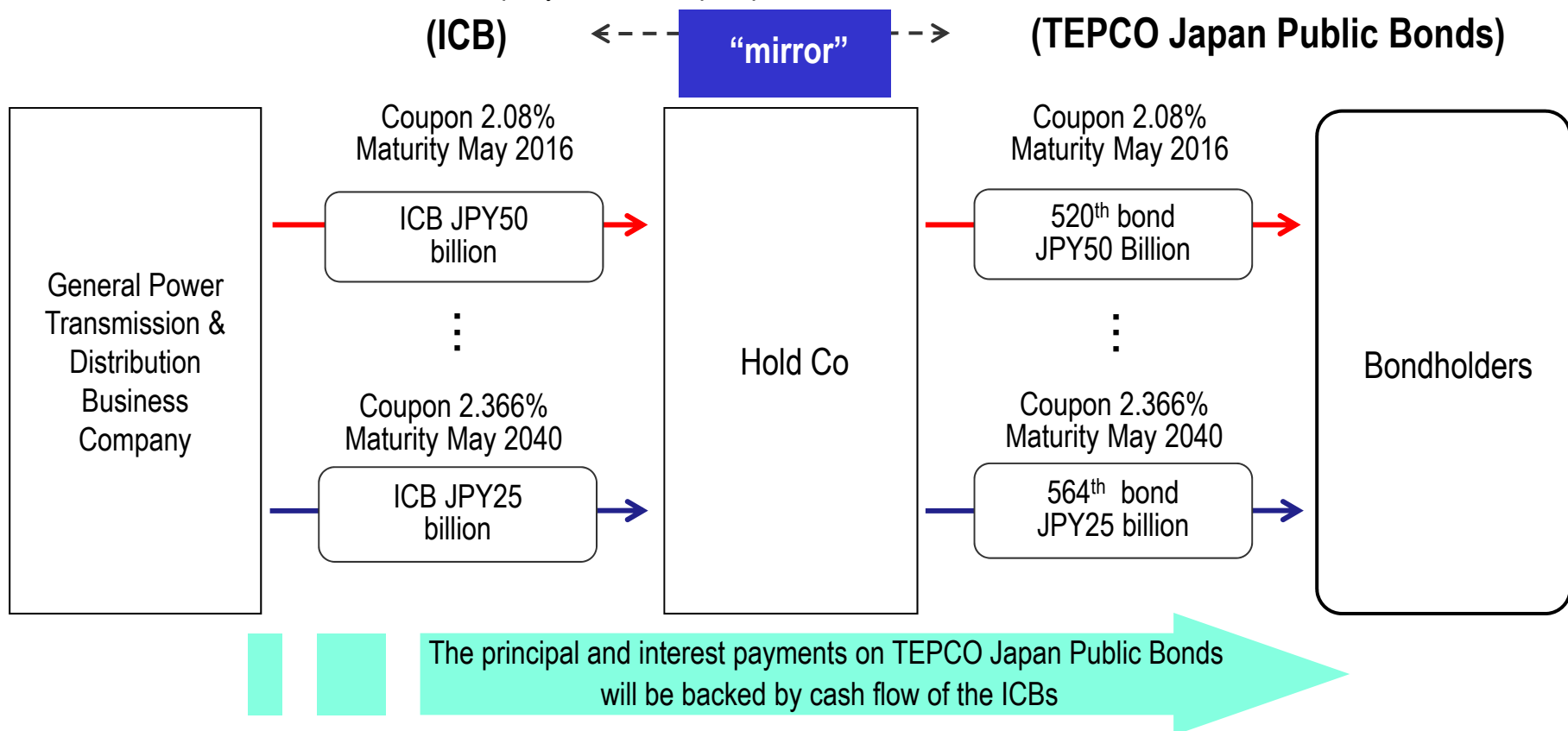




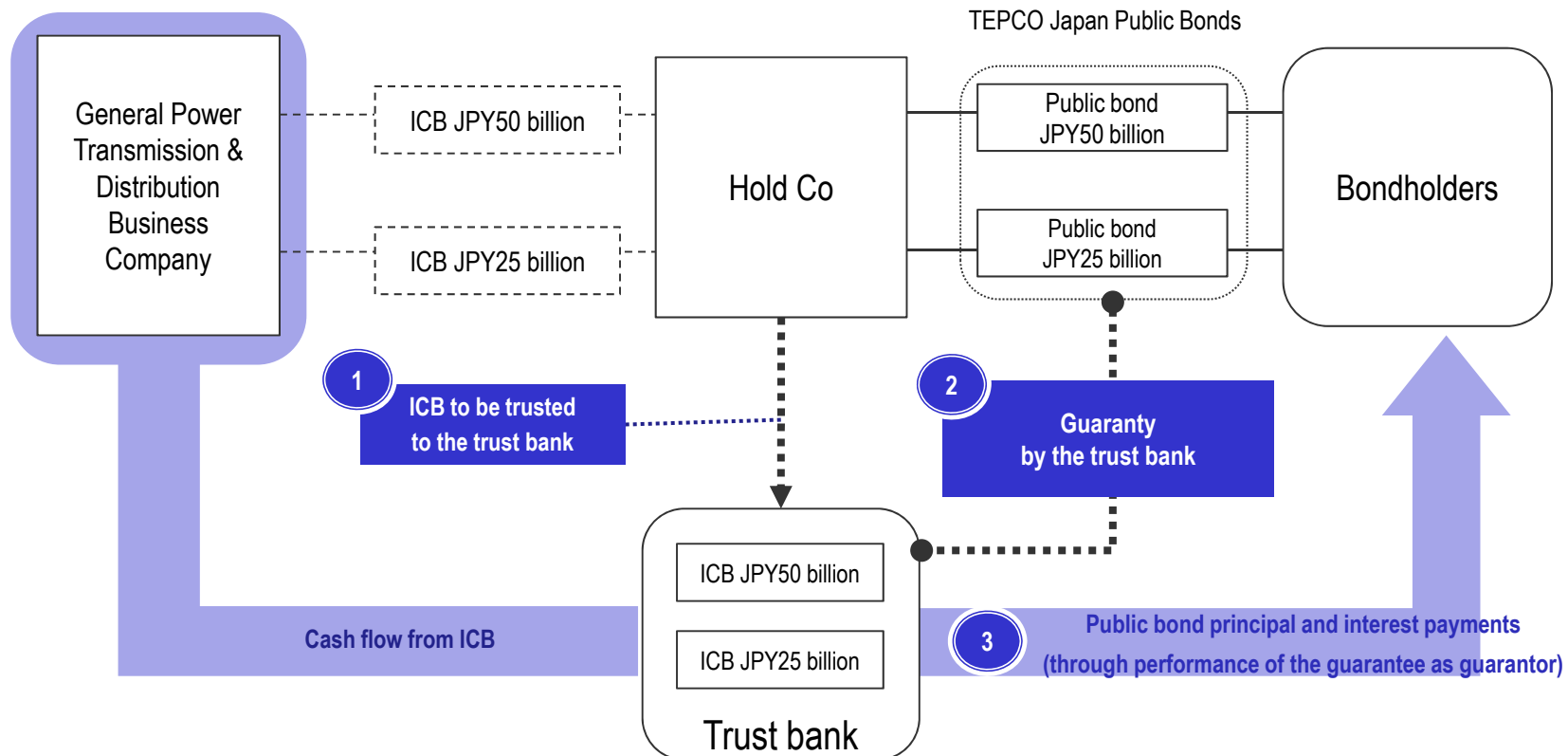
## II -2. Terms of ICB

- General Power Transmission & Distribution Business Company plans to issue ICBs with the same residual amount, redemption date and interest as each of the bonds with statutory preferential right issued by TEPCO through public offering in Japan (“**TEPCO Japan Public Bonds**”).
- Following the issue of the ICBs, repayment of principal and payment of interest of the TEPCO Japan Public Bonds would be backed by principal and interest of the ICBs. The cash flow of the TEPCO Japan Public Bonds would thus be maintained.

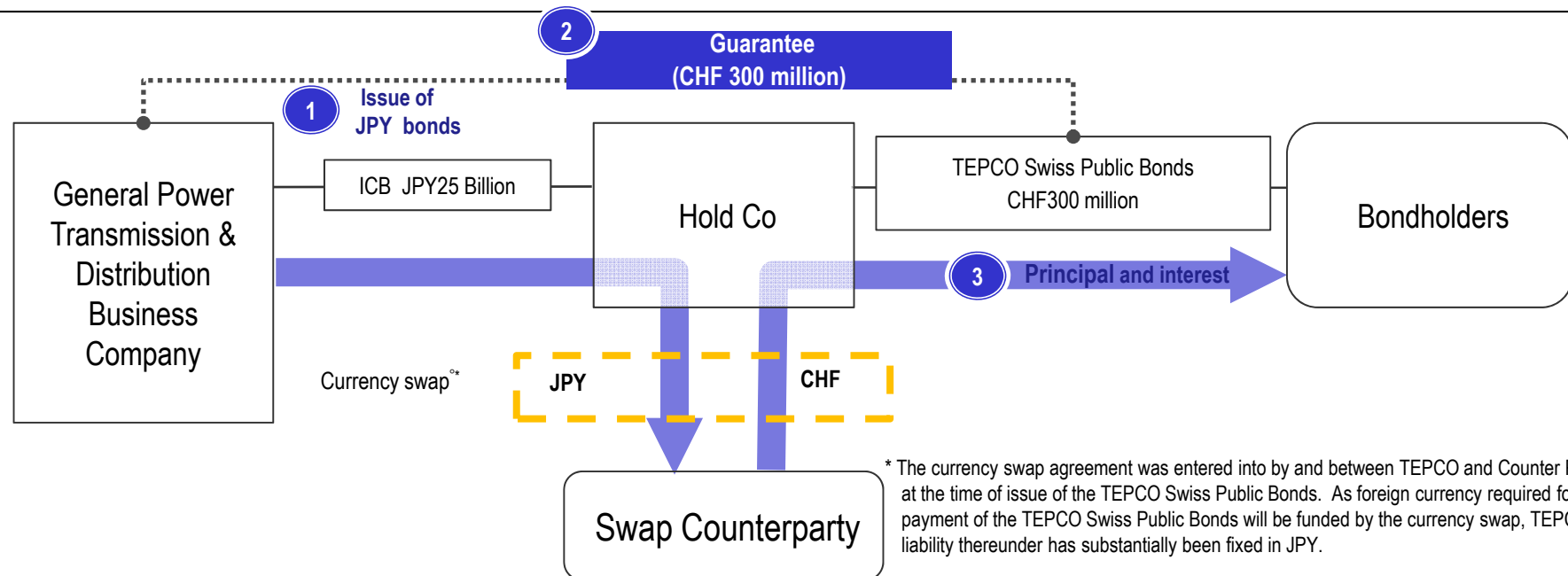
\* A statutory preferential right will be provided to the ICBs. Any bonds to be issued by General Power Transmission & Distribution Business Company would also be covered by a statutory preferential right. Thus, ICBs and those to be issued by General Power Transmission & Distribution Business Company would rank *pari passu*.



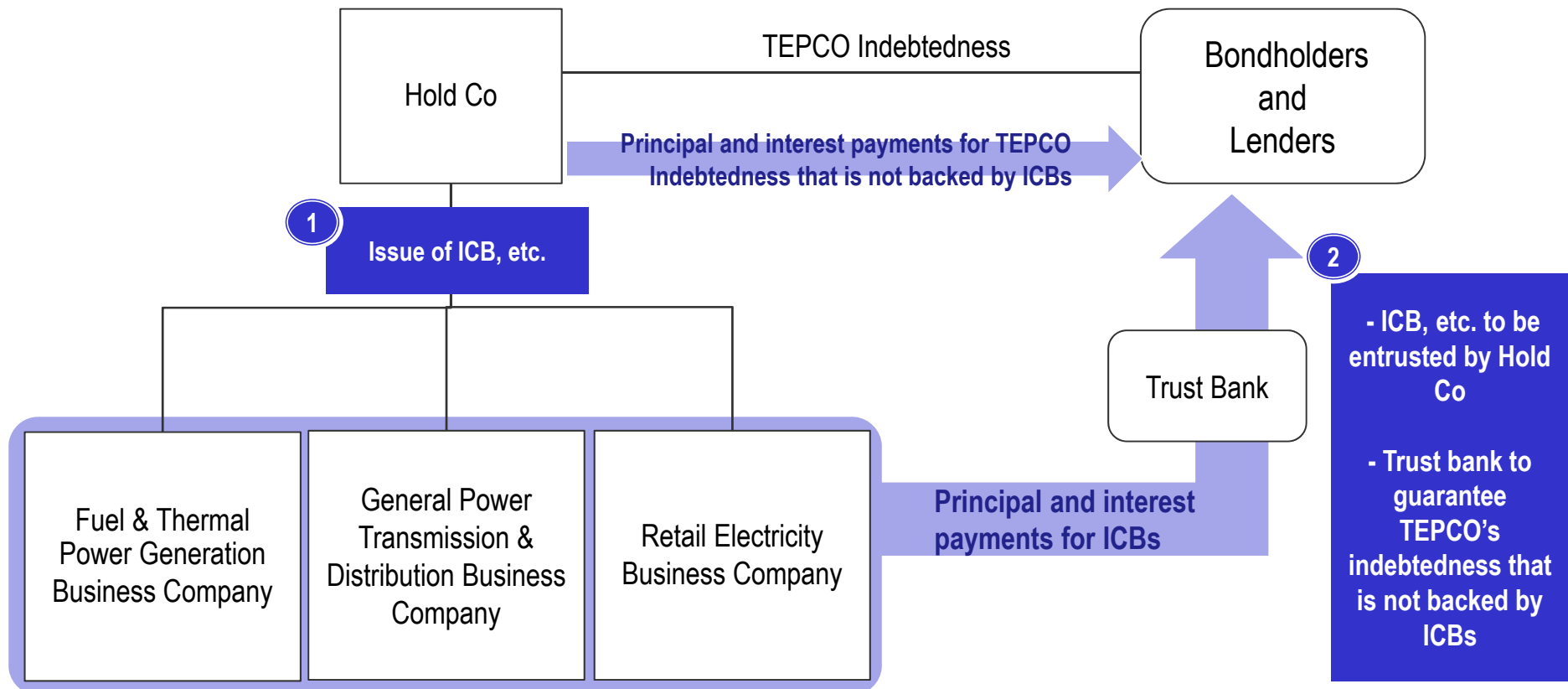
- Hold Co will enter into a trust agreement with the trust bank under which Hold Co is a settlor and beneficiary, the trust bank acts as trustee, and the ICBs and cash are trust assets (Fig. (1) ).
- The trust bank will also guarantee the TEPCO Japan Public Bonds jointly and severally with Hold Co (Fig. (2) ).
- Even after the guaranty by the trust bank takes effect, Hold Co will continue to be liable for any and all obligations under the TEPCO Japan Public Bonds. Pursuant to the guaranty, however, the trustee will essentially repay principal and pay interest under the TEPCO Japan Public Bonds through performance of the guarantee and in the capacity as a guarantor to the extent that the ICB will be paid by General Power Transmission & Distribution Business Company (Fig. (3) ).



- Protection plan for TEPCO's 17th Swiss Franc-denominated straight corporate bonds (CHF 300 million, redemption date: March 2017, a Statutory Preferential Right) ("**TEPCO Swiss Public Bonds**") is as follows:
  - i. General Power Transmission & Distribution Business Company will issue ICB in JPY with conditions that mirror the payment obligations, redemption date and interest rate of TEPCO Swiss Public Bonds;
  - ii. General Power Transmission & Distribution Business Company will guarantee Hold Co's liabilities under the TEPCO Swiss Public Bonds pursuant to Swiss law; and
  - iii. Hold Co would continue to be liable for the principal and interest payments on the TEPCO Swiss Public Bonds even after the guarantee in (ii) above is provided.
- Our bondholder protection plan applies to the TEPCO Japan Public Bonds and the TEPCO Swiss Public Bonds separately due in part to differing governing laws applicable to each of the bonds. TEPCO believes, however, that both groups of bondholders are equally and adequately protected under the bondholder protection plan.



- TEPCO’s financial debt (excluding the TEPCO Japan Public Bonds and the TEPCO Swiss Public Bonds) would be covered, in whole or in part, by ICBs issued by each Succeeding Company, and the certainty of principal and interest payments would be maintained (Fig. (1)).
- At the same time, ICBs would be entrusted by Hold Co to the trust bank, who would act as trustee and perform guarantee obligations for the benefit of bondholders and lenders. The trust bank shall use the trust assets (ICBs) to perform the guaranty obligations (Fig.(2)).





# (Reference) Financial Condition of Each Company (Preliminary Calculation) -1

Fiscal Year	Start Operation	2016	2017	2018	2019	2020
<b>【 i . Tokyo Electric Power Company Holdings, Incorporated 】</b>						
(Unit: Billion Yen)						
Total Assets	11,435.0	10,345.0	9,620.0	8,960.0	8,500.0	8,005.0
Net Assets	1,915.0	1,975.0	2,070.0	2,165.0	2,260.0	2,360.0
Interest-bearing Debt	6,610.0	5,595.0	4,935.0	4,175.0	3,605.0	3,025.0
Equity Ratio	17%	19%	21%	24%	27%	29%
Operating Income		20.0	5.0	15.0	10.0	20.0
Ordinary Income		55.0	95.0	105.0	95.0	105.0
Cash Flow from Operating Activities		90.0	195.0	330.0	335.0	340.0
<b>【 ii . Fuel &amp; Thermal Power Generation Business Company 】</b>						
Total Assets	1,825.0	1,945.0	2,005.0	2,050.0	2,090.0	2,125.0
Net Assets	590.0	640.0	655.0	675.0	685.0	705.0
Interest-bearing Debt	935.0	1,015.0	1,075.0	1,115.0	1,155.0	1,190.0
Equity Ratio	32%	33%	33%	33%	33%	33%
Operating Income		45.0	35.0	45.0	40.0	50.0
Ordinary Income		55.0	45.0	45.0	40.0	45.0
Cash Flow from Operating Activities		30.0	200.0	175.0	165.0	160.0
<b>【 iii . General Power Transmission &amp; Distribution Business Company 】</b>						
Total Assets	5,110.0	5,225.0	5,025.0	4,935.0	4,905.0	4,885.0
Net Assets	710.0	745.0	765.0	785.0	805.0	815.0
Interest-bearing Debt	3,955.0	3,985.0	3,775.0	3,670.0	3,625.0	3,590.0
Equity Ratio	14%	14%	15%	16%	16%	17%
Operating Income		125.0	125.0	125.0	120.0	120.0
Ordinary Income		65.0	65.0	70.0	65.0	60.0
Cash Flow from Operating Activities		305.0	385.0	400.0	385.0	385.0



# (Reference) Financial Condition of Each Company (Preliminary Calculation) -2

Fiscal Year	Start Operation	2016	2017	2018	2019	2020
<b>【 iv . Retail Electricity Business Company 】</b>						
(Unit: Billion Yen)						
Total Assets	610.0	1,020.0	1,050.0	1,070.0	1,075.0	1,100.0
Net Assets	135.0	165.0	175.0	195.0	220.0	245.0
Interest-bearing Debt	280.0	300.0	320.0	335.0	345.0	355.0
Equity Ratio	22%	16%	17%	18%	20%	22%
Operating Income		30.0	25.0	30.0	40.0	45.0
Ordinary Income		30.0	30.0	35.0	45.0	50.0
Cash Flow from Operating Activities		400.0	30.0	30.0	40.0	50.0

Fiscal Year	2015	2016	2017	2018	2019	2020
<b>【Summary of Consolidated Financial Statements (Currently, Tokyo Electric Power Company, non-consolidated basis)】</b>						
Total Assets	12,385.0	12,370.0	12,195.0	12,075.0	12,060.0	12,005.0
Net Assets	1,915.0	2,090.0	2,230.0	2,385.0	2,535.0	2,695.0
Interest-bearing Debt	6,610.0	6,535.0	6,385.0	6,135.0	5,985.0	5,785.0
Equity Ratio	15%	17%	18%	20%	21%	22%
Operating Income	245.0	225.0	195.0	215.0	215.0	235.0
Ordinary Income	180.0	170.0	145.0	165.0	155.0	165.0
Cash Flow from Operating Activities	865.0	790.0	715.0	840.0	830.0	840.0

(Note) Equity ratio may fluctuate depending on the schedule of the payments of nuclear damage compensation.

Fiscal Year	Start Operation	2016	2017	2018	2019	2020
Interest-bearing Debt etc. of three business companies	6,080.0	6,200.0	6,070.0	6,115.0	5,875.0	5,545.0