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AUTHOR: Howard Baker

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ADDRESSEE: Dale Klein

SUBJECT: Final acquisition of Westinghouse Electric Company by the Toshiba Corporation of Japan from the Government of Great Britain

ACTION: Appropriate

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ACKNOWLEDGED: No

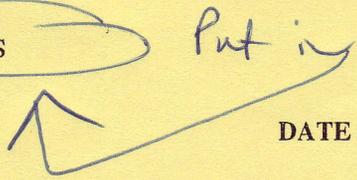
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October 4, 2006

The Honorable Dale E. Klein  
Chairman, U.S. Nuclear Regulatory Commission  
One White Flint North Building  
11545 Rockville Pike, Room 17D1  
Rockville, Maryland 20852-2738

Dear Chairman Klein:

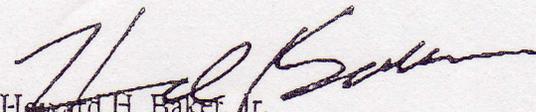
Earlier this year I wrote Chairman Diaz to apprise him of the acquisition of Westinghouse Electric Company by the Toshiba Corporation of Japan from the Government of Great Britain. I am writing today to inform you that now, after nearly seven months, all necessary regulatory filings and reviews, both in the United States and in the European Union, have been completed. It is anticipated that the final phase of the acquisition will be completed this month.

I took an active role in assisting Toshiba in obtaining U.S. Government approval for the acquisition, and I am very pleased that it is coming to a successful conclusion. I have long been a strong advocate for nuclear power in our country, and I firmly believe that this new commercial arrangement between the Toshiba Corporation and Westinghouse Electric Company will assist in the revitalization of the nuclear power industry in the United States and in the global energy markets.

As I stated in my earlier correspondence, it is my belief that this new venture will benefit and enhance the strong and close tie between the United States and Japan. This relationship between two great nations, two vibrant economies and two great friends is in our collective best interest.

I am enclosing a copy of the press release issued in Tokyo a few hours ago. If you desire additional information about this transaction, please do not hesitate to contact me.

Sincerely,



Howard H. Baker, Jr.

Enclosure

October 4, 2006

Toshiba Announces Major Milestone in Westinghouse Acquisition  
*Company Achieves all US and EU Regulatory Clearances*  
*Shaw Group and IHI to Co-invest in Westinghouse*

TOKYO--Toshiba Corporation today announced that it had passed a major milestone in its acquisition of BNFL USA Group Inc. and Westinghouse UK Limited (collectively Westinghouse): the completion and clearance of all necessary regulatory filings and reviews both in the United States and the EU including the anti-trust reviews, as of the end of September. Toshiba is now in the process of finalizing arrangements necessary to complete the transaction with BNFL, the current owner of Westinghouse, with a view to closing the acquisition in October 2006.

The company also announced that it has entered into partnership agreements with the Shaw Group, a major US engineering firm, and Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI), a leading Japanese heavy electrical engineering company, that ensures their participation as strategic investment partners in Toshiba's acquisition of Westinghouse.

Toshiba's successful February 2006 bid for Westinghouse immediately attracted attention from leading enterprises in Japan and overseas, which recognized that the acquisition would create a world-class enterprise in the highly promising field of nuclear power engineering. Toshiba has subsequently engaged in comprehensive discussions on capital participation with a number of potential partners in terms of (1) long-term business strategy, (2) shared market vision, and (3) complementary relations in conducting business. As a result, Shaw and IHI will be Toshiba's partners at the time of the closing, and Toshiba will continue to discuss potential partnerships with other companies.

At the closing, Toshiba's ownership interest will be 77%, Shaw's 20%, and IHI's 3%. Toshiba's investment in Westinghouse will amount to US\$4,158 million.

Nuclear energy is attracting renewed attention around the world as an environmentally friendly energy source. In the US, a number of utility companies have recently announced new projects, the UK government has reviewed its energy policy in favor of nuclear solutions, and many Asian countries are showing strong interest in nuclear energy.

In these circumstances, Toshiba is seeking to establish a new ownership structure that will accelerate operations by the ownership group and fully meet global market requirements. Under the new structure, the three partners will promote complementary relations in manufacturing, engineering and sales and marketing, with the goal of becoming the global leader in nuclear power generation, capable of providing comprehensive, one-stop solutions including machinery and services in both BWR (Boiling Water Reactor) and PWR (Pressurized Water Reactor) systems.

#### 1) Clearance of regulatory filings and reviews

Toshiba signed a US\$5.4 billion purchase and sale agreement with BNFL in February 2006. Since then the company has seen the proposed acquisition through all necessary regulatory filings and reviews in the US, Europe and other countries.

Key clearance dates include the following: Committee on Foreign Investment in the US (CFIUS), June 1; Nuclear Regulatory Commission (NRC), September 15; EU Commission, September 19; US Department of Justice, September 28. With the grant of these approvals and clearances, Toshiba and BNFL are now positioned to complete the transaction.

#### 2) Establishing Acquisition Companies and Contracts with Shaw and IHI

To accomplish the acquisition, Toshiba has established two acquisition companies in the U.S. and UK - Toshiba Nuclear Energy Holdings (US) Inc. and Toshiba Nuclear Energy Holdings (UK) Limited, and they will acquire Westinghouse. The Shaw Group will acquire a 20% interest in the acquisition companies for US\$1,080 million, and IHI will acquire a 3% interest for US\$162 million.

### 3) Outline of Partners

#### 1. The Shaw Group Inc.

The Shaw Group Inc. is a leading global provider of engineering, procurement, construction, technology, maintenance, fabrication, manufacturing, consulting, remediation, and facilities management services for government and private sector clients in the energy, chemical, environmental, infrastructure and emergency response markets. Headquartered in Baton Rouge, Louisiana, with over \$4 billion in annual revenues, Shaw employs approximately 22,000 people at its offices and operations in North America, South America, Europe, the Middle East and the Asia-Pacific region. For further information, please visit Shaw's website at [www.shawgrp.com](http://www.shawgrp.com).

#### 2. Ishikawajima-Harima Heavy Industries Co., Ltd

Established in 1853, IHI is one of Japan's leading heavy apparatus manufacturers, active in domains as diverse as airplane engines, power generation plants, and shipbuilding. Toshiba and IHI have a long established business relationship, especially in the nuclear power plant businesses. IHI manufactured and supplied reactor pressure vessels for all the BWR nuclear power systems in Japan where Toshiba was the prime contractor. Toshiba will continue to reinforce its relationship with IHI, seeking to extend their successful track record to the global market.

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