

Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman, on April 19, 2013

I would like to start by saying a few words on the rise in electricity tariffs. On April 2, the Kansai Electric Power Company and the Kyushu Electric Power Company received permission from the METI Minister to raise their electricity tariffs. Starting from May 1, the electricity tariffs for the regulated segment will be raised on average by 9.75% for Kansai Electric and 6.23% for Kyushu Electric.

We deeply apologize for the enormous burden this will cause on the lives of our customers, including the liberalized segment whose tariffs were raised earlier, and on industrial activity. We pledge to continue to make every effort to improve the efficiency of our businesses, and ask for the understanding of our customers.

Furthermore, Tohoku Electric and Shikoku Electric are currently applying for, and Hokkaido Electric is considering, a rise in electricity tariffs. Once again, we apologize to all customers for the inconvenience and trouble this will cause, and ask for their understanding.

Today, I would like to say a few words on the following three topics: supply and demand outlook for electricity for this summer, and actions to be taken in response to the new nuclear regulatory requirements and to the reforms of the electric power system.

1. Supply and demand outlook for electricity for this summer

First, I would like to comment on the supply and demand outlook for electricity for this summer. On April 9, each electric power company reported to the government its supply and demand outlook for electricity for this summer as part of the collection of reports required under the Electricity Business Act, and the reports are currently being reviewed by the Electricity Supply and Demand Verification Subcommittee.

The supply and demand outlooks of all the electric power companies for this summer are based on the assumption that no nuclear power plants will be in operation except Ohi Units 3 and 4, since it is still not clear when the plants will restart.

In summary, all electric power companies are expected to be able to just secure a reserve margin of 3% or higher thanks to their efforts to build as much supply capacity as possible, including interchanging electricity with other power companies, and most importantly, thanks to the enormous

efforts of all our customers to save electricity which have now taken root.

However, since the March 11 disaster, the power companies have been operating under emergency plans, such as putting off periodic inspections of their thermal power plants and restarting those that had been shut down, since there are no clear prospects for restarting the nuclear power plants. Furthermore, considering that some thermal power plants will have to undergo periodic inspections, and in view of the risks of fluctuations in supply due to unforeseen troubles, the supply and demand situation will remain uncertain.

In addition, due to the present high proportion of thermal power among the power sources, the fossil fuel consumption for 2012 has risen by over 2.5 times for petroleum fuels and over 1.3 times for LNG, significantly pushing up Japan's thermal fuel costs and strongly affecting the economy.

We believe that the government is going to review the need for measures such as electricity conservation. Based on the results of the review, we will continue to make utmost efforts on both the supply and demand sides.

2. Response to the new nuclear safety regulatory requirements

I would now like to comment on our response to the new nuclear safety regulatory requirements. Relevant regulations and internal rules were released in draft form on April 10 following reviews and discussions on the proposed gist, and have been opened for public comment since April 11.

Based on these draft regulations and internal rules and on the discussions so far by the study team, each power company will consider and implement specific measures for each plant, in addition to the timely and thorough emergency safety measures and the voluntary and continuous measures already implemented.

Meanwhile, regarding the procedure for confirming compliance with the new regulatory requirements, the Chairman of the Nuclear Regulation Authority has indicated the basic policies as a personal opinion.

We are planning to proceed with confirming compliance as soon as we are ready, and then will ask the Nuclear Regulation Authority to efficiently check whether the plants comply with the new regulatory requirements and decide whether to permit the plants to continue or restart operation, in order not to leave the plants unchecked for a long time.

The electric power companies will continue to make utmost efforts to ensure the safety of nuclear power plants, including further improving their safety and reliability, to restart those nuclear power plants which have been proved to be safe, and will inform the details of their efforts to the residents of the plant-hosting communities and to the general public in order to win their understanding on the restart.

3. Response to the reforms of the electric power system

Lastly, regarding the reforms of the electric power system, after approving the government policy on the reforms on April 2, the Cabinet approved the bill for the reforms on April 12, which has just been submitted to the Diet.

As we have said many times, we will continue to fully cooperate with the detailed studies on full deregulation of the electricity retail market and activation of the electricity wholesale market, establishing an organization for wide-area grid operation, and neutralizing (separating) the electricity transmission and distribution departments to implement reforms that are beneficial for the public.

However, regarding neutralization of the transmission and distribution departments of electricity, as companies in charge of actual operations, we still foresee difficulties and concerns. In order for the reforms to be successful, it is necessary to steadily proceed with the verifications and rule-making to ensure the stability of supply and to improve the management environment as a pre-requisite for the reforms.

During further discussions, we ask that the opinions of experts and the electric power companies be fully considered in reviewing the technical issues and for improving the business environment, and that revisions be made flexibly in case any problems are identified in the reviews. We ask that this approach also be taken in the recent discussions on drafting the bill.

Thank you for your kind attention.