

Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman,
on November 14, 2014

Thank you for taking the time to be here. Today, I would like to say a few words on the following two topics: Our request to save electricity this winter and the need to restart nuclear power plants; and our views on the current situation of the discussions on energy policies.

1. Request to Save Electricity This Winter and the Need to Restart Nuclear Power Plants

First, I would like to say a few words on our request to save electricity this winter and the need to restart nuclear power plants.

In the press conference last month, I reported on the supply and demand outlook for electricity for this winter. After that, the study meeting on supply and demand of electricity was held on October 31 to decide the government's policy on the supply-demand measures for this winter.

The areas of the nine electric power companies excluding Okinawa will be asked to cooperate in saving electricity at a reasonable level on business days between December 1 and March 31. Unlike last year, our customers in cold Hokkaido will not be asked to save electricity with numerical targets, but as the area is limited in transmission line capacity for receiving electricity in an emergency, the need for multi-layered measures were indicated, including an emergency adjustment program to avoid scheduled power cuts.

We apologize to everyone in the country for having to ask for their cooperation in saving electricity each summer and winter after the 2011 earthquake and tsunami disaster. We continue to ask for their further understanding and cooperation.

On our end, we will continue to make the utmost effort to meet needs on both the supply and demand sides.

At the end of last month, the 10 power companies announced their financial results for the first half of FY 2014. The results for the first half of the year are usually better than the second half when more costs tend to arise, and accordingly, for this year, the results for each company generally improved due to an increase in revenue from the raise in electricity tariffs, and deferral and reduction of costs by streamlining business. However, the total fuel cost burden for the 10 companies continues to remain extremely high at approx. 3.5 trillion yen, almost equal to the record high marked last year of approx. 3.6 trillion yen (declining only 68.6 billion yen). With no prospects for restarting the nuclear power plants, the power companies remain in extremely difficult circumstances.

The power companies will continue to make the utmost effort to improve the efficiency of our businesses and to reduce costs. However, we continue to believe that nuclear power is essential not only for ensuring the supply of electricity but also for maintaining our business viability, electricity tariffs, and mitigating the burden on the public. Thus, we will take all necessary measures to ensure the safety of nuclear power stations and gain the understanding of the hosting communities, as well as the people of Japan, so that the plants can be restarted as soon as possible.

Under such circumstances, the governor of Kagoshima Prefecture and the mayor of Satsuma-Sendai City expressed their understanding on restarting Kyushu Electric's Sendai Nuclear Power Plant. I express my heartfelt gratitude to all in the local community who have been keenly involved in discussions and who have helped make the decision. It is with much joy that the nuclear industry receives this decision and proceeds to take a significant step forward. Kyushu Electric will continue to respond fully to the reviews on the construction plans and operational safety programs, and we ask the Nuclear Regulation Authority to continue to perform the reviews efficiently and make decisions swiftly for the other plants.

2. Our Views on the Current Discussions on Energy Policies

Next, I would like to say a few words on our views on the current discussions on energy policies.

Regarding renewable energy, we reported at the press conference last month that the power companies are currently withholding their answers to applications for connection to the grid. Subsequently, the working group on networks presented guidelines for determining the amount of electricity that can be connected, and the companies concerned are now discussing the way forward based on these guidelines. We will continue to cooperate actively in expanding the introduction of renewable energies, by verifying the amount of electricity that can be connected and studying the measures for expansion.

Further, on November 5, the Subcommittee outlined the discussion topics for revising the Feed-in-Tariff system. These are based on the issues regarding operation of the Feed-in-Tariff system, such as the concerns for stable supply due to the soaring number of license applications for solar power generation, the rise in surcharge, and the concentration of applications at the end of the fiscal year. We hope that discussions for expanded introduction of renewable energies will be held from a wide range of perspectives, including the impartiality and transparency of the system, the burden on the public, and the measures for keeping the different renewable energies in balance.

Regarding the nuclear policy, an interim report was presented at the Nuclear Energy Subcommittee on November 13, wrapping up the discussions so far. We understand that the revision of the accounting system on nuclear plant decommissioning will be discussed in a separate working group

which is yet to be established. We hope that, in addition to the financial and accounting measures for easing the damage caused by an unplanned plant decommissioning, specific measures will be formulated for improving the business environment so that private power companies can plan and operate their businesses with foresight even in an increasingly competitive environment.

In addition to renewable energy and nuclear policies, various other energy policies are being discussed concurrently. These include the development of a mechanism and rules for maintaining a stable supply of energy under the ongoing reforms of the electric power system, promoting the final disposal of high-level radioactive wastes, and addressing the GHG reduction target beyond 2020. We sincerely hope that these important discussions will be advanced in a well-balanced manner, leading to the formulation of a realistic energy mix that reflects the limited resources of Japan. We also hope the energy policies will progress in a consistent manner.

This is all for today.

Thank you for your kind attention.