

Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman,
on December 19, 2014

Thank you for taking the time to be here. This is the last press conference for 2014. Today, I would like to say a few words on the following two topics: looking back on this year from the electric power industry's perspective, and our view on the current situation of the discussions on energy policies.

1. Year 2014 from the electric power industry's perspective

First, I would like to look back on this year from the electric power industry's perspective. In the press conference in January, I stated that "We would like to restart the nuclear power stations at an early stage to put the electric power business back on track." However, no plants have been restarted at this point, and the year is ending without any nuclear power plants in operation. As a result, the situation remains tight in terms of both the supply and demand for electricity and the finances of the companies. The electric power companies are deeply sorry for the enormous burden and inconvenience caused by asking our customers to save electricity and by raising electricity tariffs.

Kyushu Electric's Sendai Units 1 and 2 were selected as priority plants, received a permission for installation/alteration of reactors in September, and subsequently gained the understanding of the local community for restarting. With the recent approval of the "draft assessment report" for Kansai Electric's Takahama Units 3 and 4, and with several other plants having their reference ground motions fixed, we consider that the electric power companies are making steady progress in their response to the compliance reviews.

Meanwhile, this year saw various events concerning the energy policy discussions. In April, the Cabinet approved the new Basic Energy Plan, which stated the importance of building a well-balanced supply system which does not depend excessively on a particular electricity or supply

source based on the S+3E principle. We consider that this approval is very significant for clarifying the positions of nuclear power generation and the nuclear fuel cycle. From June onwards, multiple discussions have been held concurrently in the Nuclear Energy Subcommittee and the New and Renewable Energy Subcommittee to develop specific proposals based on the new Plan. Based on these discussions, we hope that the relevant authorities will promptly begin to consider a realistic energy mix consistent with the circumstances of Japan, and the measures for implementing it.

In summary, 2014 saw signs of progress starting to emerge slowly, although the situation remained tight. We would like to overcome the tough situation and achieve results in 2015, despite the many challenges we are likely to continue to face. To achieve our goal of securing a stable supply of electricity on a sustainable basis and to provide it as cheaply as possible, we believe that nuclear power is essential as a base source of electricity. We are determined to take all possible measures to achieve our goal of restarting our nuclear power plants early next year.

Further, with the launch of the Organization for Nationwide Coordination of Transmission Operators due for next April, and with full deregulation of the retail sector to start soon, we are aware of the need to accelerate the preparations and build the groundwork for full-scale competition in 2015. The power companies will work hard to be chosen by customers by competing with each other and improving our services. We will also continue to fulfill our unswerving mission and contribute to the comfortable lives of our customers and economic activities regardless of the changes in the business environment.

2. Our views on the discussions on the energy policy

Next, I would like to comment on our views on the discussions on the energy policy, namely on the three topics of nuclear power, renewable energies, and the reforms of the electric power system.

Regarding nuclear power, the discussions in the Subcommittee, including the future of the electric power business under increased competition, have been completed for the present, and a draft

interim report was presented in late November. Further, measures to ease the impact of plant decommissioning on finance and accounting are now being discussed in a separate working group set up under the Subcommittee. We hope that specific measures will be continually discussed for improving the business environment so that private power companies can continue to operate their nuclear businesses, including power generation, decommissioning and the nuclear fuel cycle, over a long term with foresight, even amid the increasingly competitive environment.

Regarding renewable energies, on December 16 this week, each company concerned reported to the working group on networks their estimates for renewable electricity connection capacity. The figures were obtained by setting the conditions to obtain the maximum connection capacity under the current rules, and also reflect multiple options for expanding the capacity. Further, the Subcommittee yesterday discussed various changes for improving the FIT system including revisions to the output control rule and the timing for changing the decision on purchase price, and subsequently, the government policy was announced. Based on the government policy, each power company will provide detailed explanations to the parties concerned, and resume answering the applications and connecting capacities based on the new rules.

The power companies will continue to work actively to introduce more renewable energy which helps to raise the energy self-sufficiency rate and is highly environment-friendly. Nevertheless, as further introduction will cause public burden, we believe that the program must be implemented cautiously based on a long-term schedule while gaining the understanding of consumers and industry.

Regarding the reforms of the electric power industry, the detailed design is currently underway heading toward full deregulation of the retail sector. The power companies will continue to actively cooperate to ensure that the reforms truly benefit customers. Further, the legislation of separation of electricity transmission and distribution, which is the third phase of the reforms, is due to be discussed in the next ordinary Diet session. As we have said before, we still believe that there are

issues and concerns about the separation of electricity transmission and distribution. As the introduction of renewable energies is expected to increase, network functionality and stability must be enhanced to ensure capacity and the supply-demand balance. To prevent any disruption to supply stability which so far has been maintained by the integrated system of the power companies, it is necessary to develop rules and systems to complement the separation.

Further, a sufficient supply capacity and stable supply-demand situation are prerequisites for the reforms to be effective; to achieve this, it is necessary to restart the nuclear power plants. To ensure that the electric power system remains compatible with the nuclear policy, we hope that the improvement of the nuclear business environment, which is currently being considered, will be appropriately addressed before full deregulation is introduced.

We believe that it is necessary to check and verify the feasibility of the measures to address these issues and concerns, and to carry out the reforms in a flexible manner.

This closes the review of this year and my comments on the discussions on the energy policy. To all members of the press club for energy-related issues, and to other representatives of the mass media, I sincerely thank you for your support this year, and ask for your continued support next year.

This is all for today.

Thank you for your kind attention.