

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

Thank you for taking the time to be here today. I would like to say a few words on the “preparatory consortium” set up last month (January 30), to establish the “Organization for Nationwide Coordination of Transmission Operators”. Then, I would like to summarize the financial results of the power companies.

1. Establishment of the “preparatory consortium for launching the Organization for Nationwide Coordination of Transmission Operators”

First, I would like to comment on the launch of the preparatory consortium for launching the Organization for Nationwide Coordination of Transmission Operators.

We have proposed the organization for wide-area operation in order to achieve efficient, wide-area usage of supply capacity, and to address the post-earthquake public targets of “wide-area adjustment of supply and demand in a major emergency” and “expanding the introduction of renewable energies”.

Subsequently, the establishment of the organization was stipulated in the Electricity Business Act revised last year as the first step of the reforms of the electric power system, and since then, working-level reviews were conducted by a “review committee” of volunteers. Recently, a preparatory consortium was formally launched to apply for permission to establish the organization and to conduct full-scale reviews to launch the organization in April 2015.

After the new wide-area organization has been officially launched, the ten electric utilities will continue to be responsible for stably supplying electricity to each area. The organization will monitor the situation of the inter-area connection lines and higher voltage systems, while finalizing facility plans and making adjustments and instructions for operation. Thus, the ten electric utilities and the wide-area organization must work closely and carry out their respective responsibilities.

The preparatory consortium involves 48 companies in total, including PPSs and other electricity producers, in addition to the ten electric power companies. The members will jointly develop the organizational structure and the rules for grid operation, and conduct detailed reviews for system development.

We will work hard to ensure that the new organization strengthens the foundations for supply stability.

Meanwhile, full deregulation of the electricity retail market, which is the second phase of the reforms, is being discussed in the ongoing ordinary Diet session.

Full deregulation will offer more options to the public, and we will contribute actively such as by increasing the tariff options for the benefit of our customers.

However, there are still technical challenges to be solved for maintaining a stable supply of electricity, which need to be considered in detail. For example, can the supply and reserve capacities required for the medium to long term be secured if electricity retailers and producers act solely based on economic efficiency, amid increasing competition due to full deregulation? For example, to mitigate the impact, electricity producers should be urged to develop their power sources systematically, and a mechanism should be introduced to help ensure that investments can be recouped.

For the reforms to be effective, it is necessary to resolve the current tight supply-demand situation and ensure a stable supply and demand of electricity. One key factor is to steadily restart the nuclear power plants that have been proven to be safe.

We also ask the relevant parties to reconfirm the roles of the government and the electric power companies, and to consider improving the business environment in an increasingly competitive world, such as by limiting the risks specific to nuclear power and helping to ensure that investments can be recouped.

As we have said many times, the electric companies will actively cooperate with full deregulation. However, we strongly ask those concerned to verify the technical issues involved in maintaining a stable supply of electricity and fully check the progress of resolving the various barriers to the reforms before proceeding with the discussions.

2. Financial results of the power companies.

Next, I would like to summarize the financial results of the power companies.

As already reported, the ten electric utilities announced their financial results for the third quarter by the end of last month. Despite the rise in electricity tariffs and improvement of business efficiency, six companies (Hokkaido, Chubu, Kansai, Chugoku, Shikoku and Kyushu) suffered losses, with the total thermal fuel costs for the ten companies reaching a record high of 5.4 trillion yen for the third quarter, exceeding the same quarter last year of 5.1 trillion yen (7.0 trillion yen for the whole financial year). The business situation remains extremely tight, with five of the eight

utilities that have released a financial outlook (Hokkaido, Chubu, Kansai, Chugoku and Kyushu) expecting to post losses for the full-year, of which four utilities (Hokkaido, Chubu, Kansai and Kyushu) are expecting their third consecutive quarter of losses.

So far, none of the nuclear power plants in the country has been restarted since they were shut down, even though 17 units of ten plants have applied for the compliance review. As a result, additional thermal fuel costs are weighing heavily on financial results. Even for the utilities that have raised their tariffs, the burden of fuel costs is continuing to grow as the nuclear power plants are unable to restart as scheduled when the tariffs were revised.

In terms of supply and demand, we continue to barely manage to secure a sufficient supply of electricity by operating our thermal power plants at full capacity, even the aged ones, and asking everyone to cut back on electricity consumption. With the risk of unplanned outages due to power plant troubles, the situation remains uncertain.

Accordingly, we will continue to thoroughly improve business efficiency while responding sincerely to the compliance reviews required under the new regulatory requirement by the Nuclear Regulation Authority. We will also continue to make utmost efforts to gain the understanding of the hosting communities and the people of Japan, so that the nuclear power plants can be restarted as soon as possible.

This is all for today.

Thank you for your kind attention.