

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

Thank you for taking the time to be here. I would like to say a few words on the following two topics: the supply and demand outlook for electricity for this winter and the financial results of the power companies.

March 11 this week marks the third anniversary of the Great East Japan Earthquake. Before proceeding to the main topics, I would once again like to express our thoughts.

As a member of the electric power business, I once again sincerely apologize for the serious concern and inconvenience caused by the Fukushima Daiichi nuclear accident to all of Japan.

At the end of last year, new measures were presented for accelerating the reconstruction of Fukushima, led by the government. I sincerely hope that these efforts will enable the disaster victims to rebuild their lives as soon as possible. We will also continue to provide industry-wide support for dealing with plant decommissioning and the contaminated water issue.

To avoid a repetition of the accident, the electric power companies have been implementing extensive safety measures since immediately after the accident, in addition to measures for improving safety in accordance with the new regulatory safety requirements. We will continue to work hard to improve the safety and reliability of nuclear power stations and regain the trust of the public.

1. Supply and demand outlook for electricity for this winter

First, I would like to explain the supply and demand outlook for electricity for this past winter.

This winter, our customers in Hokkaido were asked to cut power consumption by at least 6%. This request with a numerical target ended successfully last week on March 7, 2014. We deeply apologize for the inconvenience caused, especially to our customers in cold Hokkaido, and thank them for their cooperation.

For other parts of Japan, the request to cut power consumption without a numerical target will end on March 31. We ask for their continued cooperation.

Let me now explain the results for the supply and demand of electricity. First, I would like to explain about the temperature. This winter, the temperature was slightly higher than last winter in December and January, but dropped in the first half of February when the country was hit by two heavy snow storms mainly on the Pacific coast.

Accordingly, the total electricity consumption of the ten power companies marked 149.34 million kW at 11 am on February 14, exceeding the figure for last winter by 3.84 million kW, or 2.6%.

The supply capacity was 161.63 million kW, and the usage rate reached 92%. By region, the total electricity consumption of the three power companies of east Japan and the six power companies of central and west Japan peaked at 6 pm and 11 am on the same day (February 14) at 67.87 million kW and 82.16 million kW, respectively, with a usage rate of 93% for both.

This was a cold day when record snowfall hit the Kanto and Koshinetsu regions at nighttime, and the national average temperature dropped to 1.6°C. As a result, the supply-demand situation became extremely tight throughout Japan, with the usage rate reaching 95% in the Chubu and Kansai regions and 94% in Tokyo.

Thanks to the utmost efforts of the electric power companies to increase their capacity and everyone's cooperation in cutting power consumption, we managed to maintain a stable supply to meet the demand, which was higher than last season.

However, with the nuclear power plants yet to be restarted, 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. The situation became particularly tight in the area of the Hokkaido Electric Power Company last December when Unit 4 of the large-capacity Tomato-Atsuma Thermal Power Plant had an unplanned shutdown. Considering the significant number of unplanned outages occurring due to plant troubles even in other areas as well, the situation is tight.

Verification of supply and demand for the summer should start shortly, and depending on the prospects for restarting the nuclear power plants, the supply-demand situation is likely to remain extremely tight. Regardless, we will carefully verify the situation and continue to make utmost efforts on both the supply and demand sides, while preparing for an increase in demand due to a particularly hot summer and the risk of fluctuation in demand due to facility troubles.

## 2. Financial results of the power companies

Next, I would like to summarize the financial results of the power companies. So far, despite improvements in the balance of payments by increasing the electricity tariffs and improved business efficiency, with no prospects for restarting the nuclear power plants, the fuel cost for thermal power remains higher than last year's level which was a record high (7 trillion yen for the full year) of 5.4 trillion yen as of the third quarter.

Among the nine companies that have released an outlook for this year's financial results, six companies (Hokkaido, Chubu, Kansai, Chugoku, Shikoku and Kyushu Electric) expect losses, with five companies expecting their third consecutive year of losses. The electric power industry is facing a business environment of unprecedented difficulty.

Under such circumstances, last month, Hokkaido Electric Power Company announced that it would consider another increase in electricity tariffs. Though as FEPC Chairman I am not in a position to comment on the revision of electricity tariffs, even for the power companies 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.

To maintain the current electricity tariffs for as long as possible, the power companies are making every effort to improve the efficiency of their businesses. However, speaking in general, if the nuclear power plants remain shut down for a long time and the finances of the power companies remain tight, they might have to take the tough decision to increase tariffs further in spite of their utmost business

efforts.

We believe that it is necessary to provide inexpensive electricity to customers in a stable manner to support the Japanese economy which is now recovering, and thus, it is essential to continue to use nuclear power strictly premised on safety.

We will respond sincerely and quickly to the compliance reviews by the Nuclear Regulation Authority, and 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.