

Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman, on April 18, 2014

Thank you for taking the time to be here. Today, I would like to say a few words on the following two topics: the supply and demand outlook for electricity this summer and the Basic Energy Plan.

1. Supply and demand outlook for electricity this summer

First, I would like to say a few words on the supply and demand outlook for electricity this summer. Yesterday, each electric power company reported to the METI Minister its supply and demand outlook for electricity at this summer as part of the collection of reports required under the Electricity Business Act. The reports will be reviewed by the Electricity Supply and Demand Verification Subcommittee to determine if any additional measures need to be taken.

The reports of all the electric power companies are based on the assumption that no nuclear power plants will be in operation, since it is still not clear at this stage when the plants will restart. We are expecting a tight supply-situation particularly in central and west Japan, since the capacity outlook for this summer is 2.36 million kW less than last summer when Ohi Units 3 and 4 were operating, and in addition, the trouble at J-Power's Mitsuura Unit 2, a major electricity source, will take time to resolve.

Under the circumstances, the electric power companies are expected to be able to just secure a reserve margin of at least 3% thanks to their efforts to build as much supply capacity as possible, including bringing forward the scheduled start of new thermal power plants and adjusting the interval between periodic inspections of thermal power plants, and interchanging electricity between the power companies of east and west Japan, as well as thanks to the ongoing efforts of all our customers to save electricity. However, without the interchange of electricity between east and west Japan, the reserve margin of central and west Japan would be 2.7%, which is below the minimum level needed to ensure supply stability.

Further, the thermal power plants are suffering cumulative fatigue due to being fully operated since the earthquake disaster. The power companies will continue to make utmost efforts to ensure security and maintain stable operation, including checking for signs of trouble more closely by more frequent patrols.

However, as the possibility of repair outages during periods of high demand continues to rise and failures could occur at any time, the supply and demand situation remains uncertain.

Based on the results of the government review, we will continue to make utmost efforts on both the supply and demand sides, to fulfill our mission of providing a stable supply of electricity.

[The reference document](#) shows that the fossil fuel consumption for FY 2013 was 24 million kiloliters for petroleum and 56 million kiloliters for LNG. In particular, LNG consumption has reached record-highs for three consecutive years since FY 2011, and has more than tripled since the earthquake disaster. The huge increase in cost is still unavoidable, showing the importance of nuclear power not only for ensuring the supply of electricity but also maintaining electricity tariffs at reasonable levels and mitigating the burden on the public.

Currently, the Nuclear Regulation Authority (NRA) is working hard on the reviews of the nuclear power plants, including the prioritized plants that they have selected. We hope that they will continue to conduct the reviews efficiently and swiftly reach a conclusion.

We will respond earnestly, quickly and accurately to the reviews, and carefully explain our efforts to the local residents and the public to gain their understanding, in order to restart the nuclear power stations as soon as possible.

2. The Basic Energy Plan

Next, I would like to say a few words on the Basic Energy Plan which was approved by the Cabinet last week. The new Basic Energy Plan is based on the “Opinions” finalized by the Strategic Policy Committee last December and on the public comments, and has gone through various processes including discussions within the government and the ruling party before being adopted. We sincerely appreciate everyone who worked hard on the discussions for reviewing the Plan.

Based on the S+3E principle, the new Plan shifted from the former administration's policy to “aim at achieving zero nuclear power by the 2030s”, and stated the importance of building a well-balanced supply

system which does not depend excessively on a particular electricity or supply source. On that basis, the Plan clearly stated that nuclear power will be positioned as “an important baseload power source” and that the nuclear fuel cycle will continue to be “promoted”. The government’s confirmation of this policy marks a major step forward.

Regarding the direction of nuclear power generation, the Plan states the policy to “restart those plants that have been recognized by the NRA to have met the regulatory requirements” and to “determine its capacity” considering various factors such as supply stability, cost reduction and global warming prevention.

For Japan, which has limited energy resources, nuclear power offers an excellent 3E balance and thus has an important role to play. To pass on and develop the highest level of nuclear safety and other technologies of Japan and to secure the necessary human resources, we think it is crucial to keep a certain level of nuclear power among the energy mix.

The Plan also states that “the future nuclear business environment will be considered” as the reforms of the electric power system proceed. As nuclear power involves unique business risks such as the response in the event of an accident, measures to limit these risks are needed. In addition, as nuclear power requires massive long-term investment, a mechanism should be introduced to help ensure that the investment can be recouped. While the details will be considered in future discussions, we ask the relevant parties to promptly discuss the new role of private operation under government policy, to enable the private sector to be able to operate nuclear power even under an increasingly competitive environment.

Regarding renewable energies, the Plan states the policy to strengthen current efforts and “aim at introducing new capacity at a higher level” than the current target. We agree that environment-friendly renewable energies should be maximized to raise the energy self-sufficiency rate, while considering technological feasibility.

However, solar and wind power have major challenges in terms of supply stability, and cannot serve as core energy sources in this respect. Further, as the introduction of renewables expands, it will impose a burden on people’s lives and economic activity, so it is important to discuss the burden that the public is willing to accept. Thus, renewables need to be steadily addressed based on a long-term schedule, while placing high

hopes on their potential and technological innovation.

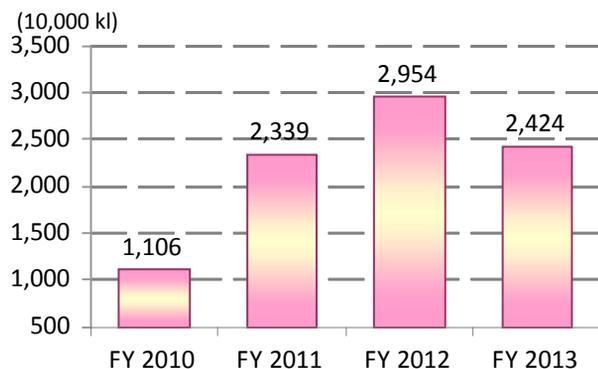
Now that the new Basic Energy Plan has been finalized as the guiding principle of Japan's energy policy, we hope that the Plan will be steadily promoted, and that a new and realistic energy mix consistent with Japan's lack of energy resources will be considered as soon as possible. The electric power companies are determined to continue to cooperate with the national energy policy mainly by operating nuclear power strictly premised on safety.

This is all for today.

Thank you for your kind attention.

Thermal Fuel Consumption Trend (ten-utility total)

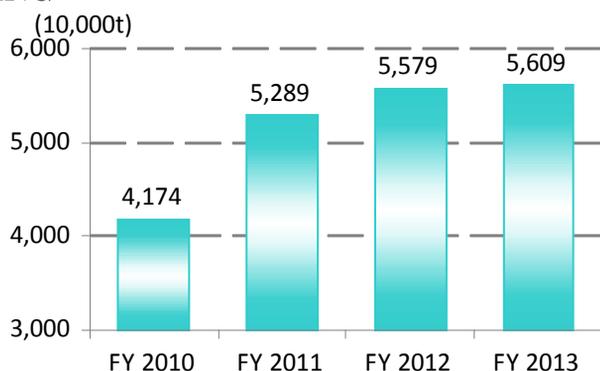
■ Petroleum



FY 2013 Petroleum consumption:
24.24 million kl

⇒ **More than twice** FY 2010 levels (219%)
(82% Y-o-Y)

■ LNG

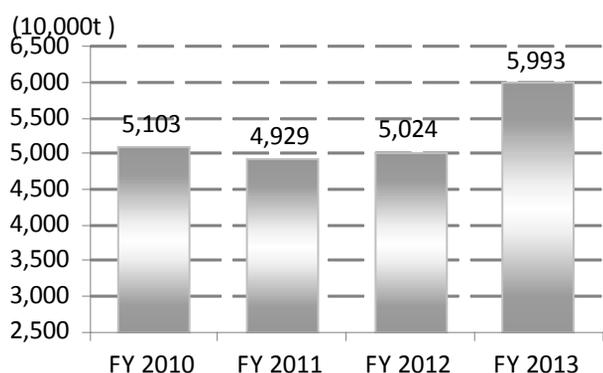


FY 2013 LNG consumption:
56.09 million t (record-high)

⇒ **Up more than 30%** from FY 2010 levels
(134%)

(101% Y-o-Y)

■ Coal



FY 2013 Coal consumption:
59.93 million t (record-high)

⇒ **Up 20%** from FY 2010 levels (117%)
(119% Y-o-Y)

Reference: Fuel Cost Trend (ten-utility total)

	FY 2010	FY 2011	FY 2012	FY 2013 (till 3Q)
Fuel cost	3.6 trillion yen	5.9 trillion yen	7 trillion yen	5.4 trillion yen
Increase from FY 2010	—	+2.3 trillion	+3.4 trillion	—