

Summary of Press Conference Comments Made by Makoto Yagi,
FEPC Chairman, on January 22, 2016

Thank you for taking the time to be here. Today, I would like to say a few words on our goals and challenges for 2016.

Recap of Last Year

First, let me look back on last year. The Japanese economy saw moderate recovery in 2015, though not quite achieving a virtuous economic cycle. 2016 is a crucial year for the Japanese economy for achieving stable growth, and we hope that the goals of overcoming deflation and revitalizing the economy will be accomplished.

Regarding electric power, steady progress was made including the restart of commercial operation of Sendai Units 1 and 2 and progress in the response of other plants to the safety assessments, although the situation remained tight in terms of both the supply and demand of electricity and business balance.

Progress was also made in energy policy, such as the finalization of the Energy Mix for FY 2030, revision of the law for unbundling the electricity transmission and distribution sector from the generation sector and preparing the administrative system for full retail liberalization.

2015 also saw other major developments, such as improvement of the business environment for steady and effective execution of the nuclear fuel cycle business, and progress in the discussions and decision on the direction of future actions for revising the FIT system, to increase renewable energy capacities while reducing the public burden.

Goals and challenges for 2016

Next, I would like to present our goals and challenges. This year, full retail liberalization will finally start on April 1. Full retail liberalization will allow all electricity consumers, including residential customers, to choose their own electricity producers, and the power companies of the FEPC will work actively with this new system.

Further, being in charge of actual operations, we will participate actively in the discussions on the outstanding items of the reforms of the electric power system, including full retail liberalization, to ensure that the reforms will be truly beneficial for the users.

Meanwhile, high quality and inexpensive electricity will remain the very foundation of the lives of the people and industrial activity even after the start of full retail liberalization. Further, securing a stable supply of electricity will firmly remain our top-priority mission.

Since the earthquake disaster, each power company has been making utmost efforts to secure a stable supply, with the cooperation of our customers in cutting back on electricity consumption. The power companies will continue to steadily fulfill their duty with a sense of responsibility, while cooperating with other power companies in ensuring supply stability and contributing to the comfortable lives of our customers and economic activities.

For Japan, which has limited energy resources, it is essential from the S+3E perspective to build a supply system that does not depend excessively on a particular electricity or supply source. The international energy situation is critical, with growing geopolitical risks in the Middle East, major fluctuations of oil prices and unstable economies of emerging countries.

While the power companies are making efforts to mitigate such risks by diversifying fuel sources, in order to secure a stable supply of electricity on a sustainable basis, nuclear power generation is essential as a base source of electricity and a semi-domestic energy source. From this perspective among others, we will continue to respond sincerely to the safety assessments so that the nuclear power plants will be restarted as soon as possible.

Meanwhile, we believe that the institutional measures for the nuclear fuel cycle business will be deliberated in the future Diet sessions. Under the new environment, we will continue to support Japan Nuclear Fuel Limited and make efforts to achieve the nuclear fuel cycle, leveraging to the maximum extent possible the skills, human resources and facilities that have been accumulated so far.

At COP21 held at the end of last year, the Paris Agreement was adopted as the new international climate framework 18 years after the Kyoto Protocol, its predecessor. Accordingly, the Japanese government has begun discussions on formulating the national plan to fight global warming. The power companies, too, will contribute to the global reduction of GHG emissions by achieving our voluntary goals set in the Action Plan for the Electricity Business for Achieving a Low-Carbon Society.

Lastly, this year, with the launch of full retail liberalization, the electric power industry will face an unprecedented transformation. The power companies will face up to the competition and work hard

to be selected by customers, such as by creating new values by each offering more diverse tariff options and new services, without being constrained by our existing approaches.

Meanwhile, the companies will continue to steadily do what needs to be done, including securing a stable electricity supply, to contribute to solving the challenges of the energy policy that forms the foundation of this country.

This is all for today. Thank you for your kind attention.