Summary of Press Conference Comments Made by Kazuhiro Ikebe, FEPC Chairman, on May 20, 2022

I am Kazuhiro Ikebe, Chairman of the Federation of Electric Power Companies (FEPC).

The global landscape surrounding energy continues to be in turmoil with no off ramp in sight in the invasion of Ukraine by Russia, a global power house as a producer of energy resources, that began in February. Countries are scrambling to secure alternate sources of energy, contributing to energy prices which remain at a high level.

Domestically, the possibility of an electricity supply and demand crunch has become an almost constant concern due to a variety of factors, causing concern to the public. In this environment, we believe that securing stable supply while also decarbonizing is an urgent and critical mission for the FEPC. We have long maintained that energy security is national security. With that in mind, today, we want to expand on the importance of securing supply capacity in the mid-to-long term and the need for nuclear power.

<Importance of securing supply capacity in the mid-to-long term and the need for nuclear power>

[Discussions regarding the tightening of supply and demand in March]

On May 17, a government verification committee discussed the March 22 tightening of supply and demand in the Tohoku and Tokyo areas. The Committee discussed supply and demand side measures: when demand and supply forecasts should be published, when demand and supply tightening warning and alarms should be issued, demand response and other electricity saving measures to reduce demand, and securing reserve power sources that can be quickly brought online, development of systems to encourage investment into new power sources, and strengthening of power interchange networks to

increase supply. As operators, we will continue to discuss necessary measures given this incident and the committee discussions.

[Securing supply capacity]

Increases in instances of extreme weather, unpredictable natural disasters, globally soaring fossil fuel prices, and difficulties in securing fuel due to the conflict in Ukraine has further increased uncertainty in the stable supply of electricity. In summer of 2022 and the winter from 2022 to 2023, the need to “secure supply capacity in preparation for uncertainty” is also increasing, as electricity supply and demand is expected to tighten.

As mentioned before, the root cause of the difficulty in securing supply capacity lies in the worsening business environment surrounding power generation. Creating a business environment that incentives maintaining of existing power facilities and building of new power sources is the pressing issue. In addition, there needs to be a mechanism to ensure generating operators can plan for fuel procurement in the mid-to-long term. Given the recent tightening of electricity supply and demand, we ask that the government again identify root problems and have meaningful discussions about specific mechanisms to create an attractive business environment for power generators to secure stable supply. We as operators are ready to cooperate in these discussions.

Looking to the near term, fuel adjustment costs for many companies have been at hovering at the upper limit of the allowed range due to the rise in fossil fuel prices. We are concerned about the downstream effects of this phenomenon. Maintaining a healthy business environment for operators for stable supply is important as is ensuring that customers’ electricity charges are at manageable levels. In addition to that, last resort supply prices, which should be higher than retail prices, have been lower than the retail market prices, disincentivizing companies from finding retail contracts quickly, and increasing the demand for

last resort supply which is provided by transmission and distribution operators. We believe this may cause a shortage of balancing capacity that is being kept to balance frequency and supply and demand. This recent phenomenon may also make securing supply capacity appropriately and continuously more difficult. The government will need to quickly formulate effective measures to address the state of fuel cost adjustment system including the adjustment cost ceiling and the set the last resort supply prices to reflect the purpose of the last resort supply system as a temporary safety net.

[Need for nuclear power, preventing wealth from flowing out of the country, and contributing to the world]

Next, I will talk about the need for nuclear power. In terms of wealth flowing out of the country, it was widely reported that in FY2021, Japan recorded a trade deficit for the first time in two years of more than 5 trillion yen due to the global tightening of supply and demand in fossil fuels and rising fuel prices. According to trade statistics, import value of oil, coal and natural gas grew by 87% in FY2021 on a year-on-year basis, by more than 9 trillion yen, and was a leading cause of Japan's trade deficit. Calculated simply, this is equivalent to an per capita outflow of wealth of around 70,000 yen—a significant sum. Import some fossil fuels is unavoidable for resource-poor Japan but there needs to be action taken to address large fluctuations in fuel price. Such action will include using renewable energy such as solar and wind as much as possible and we also believe that nuclear power, which has a high fuel to energy ratio, will have large role to play. Using existing nuclear power plants with safety as the main priority, as much as possible is necessary from the perspectives of S+3E—energy security, economic efficiency, and achieving carbon neutrality by 2050.

According to research by the Japan Oil, Gas and Metals National Corporation (JOGMEC), within this global move trend toward decarbonization, if upstream investment into LNG were to stall and all new project development were to stop,

then the world's excess LNG supply capacity will decrease until 2025 plunging the world into a mad scramble over LNG. If natural gas supply from Russia were also to dry up, global demand for LNG will outstrip supply and LNG supply and demand may tighten in the near term. In this environment, Japan using nuclear power will not only be a way to secure strategic edge in fuel procurement, but also be a way for Japan to contribute to easing the demand and supply fuel crunch that the world is facing.

[Nuclear Energy Subcommittee/Working Group on Advanced Reactors]

To this end, the Nuclear Energy Subcommittee is engaging in discussions to enable the continuous use of nuclear power. The Subcommittee has established the need to sustainably use nuclear power, fleshing out and clarifying how it should be used taking into account the challenges of securing stable supply of electricity, achieving carbon neutrality, and reducing energy costs. The new Working Group on Advanced Reactors established within the Subcommittee is going to redefine the societal value of nuclear power generation and to forge a path forward for the development new reactors in Japan.

We believe that the plan is to use light water reactors which is an established technology that have been updated to improve safety in the short-term and conducting R&D domestically and overseas to potentially use advanced reactors such as SMRs in the mid-to-long term. We believe that reactors other than light water reactors could be one option to explore in replacing, expanding and building new reactors in the future in addition to light water reactors with enhanced safety. We will be participating in these discussions to provide a operators' perspective, bringing up the importance of maintaining and strengthening the nuclear power supply chain while keeping an eye on the latest trends in engineering.

Today, we have mainly talked about the big picture but we as operators will

first work to meet the new regulatory requirements, continue initiatives to secure a higher level of safety for existing nuclear power plants, and explain our initiatives to the siting regions and to society at large carefully in an easily understandable manner to recover the trust of society. We will do our utmost to restart nuclear power plants early with safety as the premise and to operate our plants safely and stably.

＜Replacement of FEPC Directors＞

Lastly, I would like to announce some personnel changes within the FEPC.

I would like to report that the General Policy Committee Meeting today decided on the replacement for a part-time Vice Chairman following his retirement.

This concludes my remarks today.

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