

October 7, 2014

**Statement by Yasuchika Hasegawa, Chairman of Keizai Doyukai
On TEPCO/Chubu Electric Comprehensive Tie-up for Fuel/Thermal Power Business**

TEPCO (Tokyo Electric Power) and Chubu Electric Power announced today that the two companies entered into a basic agreement for a comprehensive tie-up for their fuel and thermal power businesses. We respect their decision as the business tie-up across the barrier between two General Electricity Utilities (hereinafter referred to as “GEU” or “GEUs”) is an initiative that will break through the sixty-years-old regional monopoly by the nine GEUs.

Japan’s electricity system reform is now in progress following the three pillars stipulated in “The Policy on Electricity System Reform” (Cabinet decision on April 2, 2013). They are; (1) Enhancing nationwide system operation, (2) Full retail choice and full liberalization of power generation, and (3) Further securing neutrality of the transmission/distribution sector through the legal unbundling. The diversification of energy sources and further development of the sound competition are sought after in the power generation field through more market entries by various companies besides GEUs.

As about 90% of the current total power generation depends on the thermal power using fossil fuels, the fuel price hike due to the weak Yen is significantly impacting the competitiveness of corporations suffering from higher electricity bills.

We appreciate that unlike the conventional idea of the utility industry, this tie-up can lead to the enhanced efficiency in the thermal power generation business and the reduction of the electricity price since it drives at a globally competitive business entity by way of joint operations in the fuel procurement and R&D.

Two companies’ decision this time reflects the initiative led by the Abe administration for the reforms in bedrock-like regulations and stays ahead of what Japan’s electricity system reform aims at. We expect all parties in the utility industry to act on a decision toward further full-fledged reforms by changing the business environment to the one where the players compete under the sound conditions, which will consequently lower the electricity price comparatively higher than that of other countries at present. This will be the real fruit of the electricity system reform.

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