



JERA's Initiatives to Foster Evolution in the Asian LNG Market

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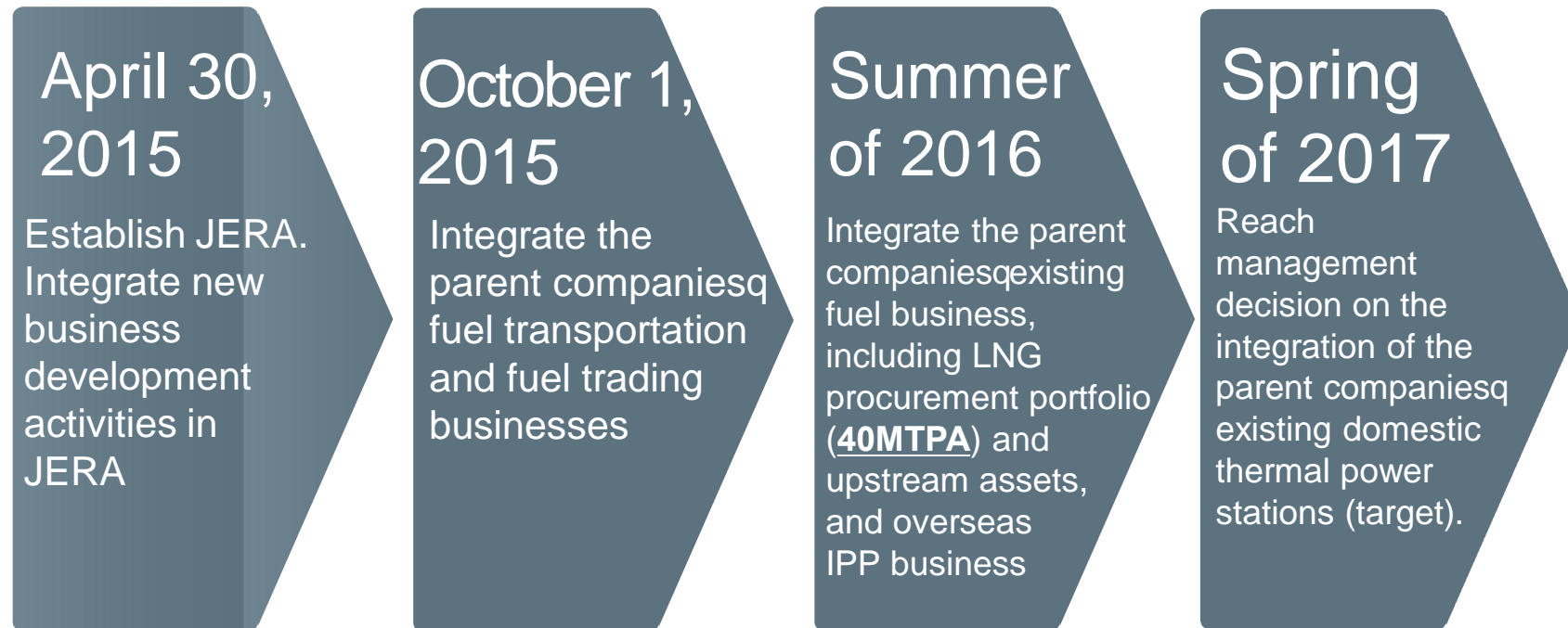
President, JERA Co., Inc.

JERA – the New Joint Venture of TEPCO & Chubu

“ JERA aspires to become a global leader in the fuel procurement and thermal power generation business by integrating the fuel and power related assets of Chubu and TEPCO.

“ JERA will expand its business step-by-step following the Road Map below:

Road Map for Expansion of JERA's Business Domain



Change on Supply Side

- “ In the 2020s, Asian LNG Markets will become highly liquid and transparent.
- “ From the late-2010s, large quantities of US LNG will be imported to Asia.
- “ The import of non oil-linked, highly flexible US LNG will have a crucial impact on Asian LNG Markets.
- “ Five US export projects are under construction, with production capacity of more than 60MTPA of LNG, and additional projects are planned.

Projects of under construction

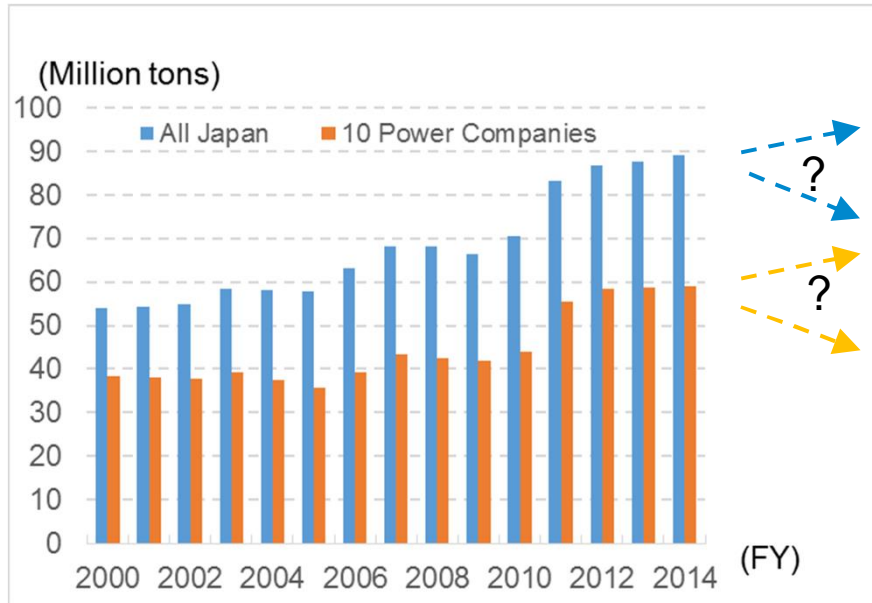


Map	Project	Train	Design Capacity (MT)	Expected Start Date
1	Sabine Pass	1-4	18	2015
2	Freeport	1-3	13.9	2018
3	Cameron	1-3	13.5	2018
4	Cove Point		5.75	2017
5	Corpus Christi	1-3	13.5	2018

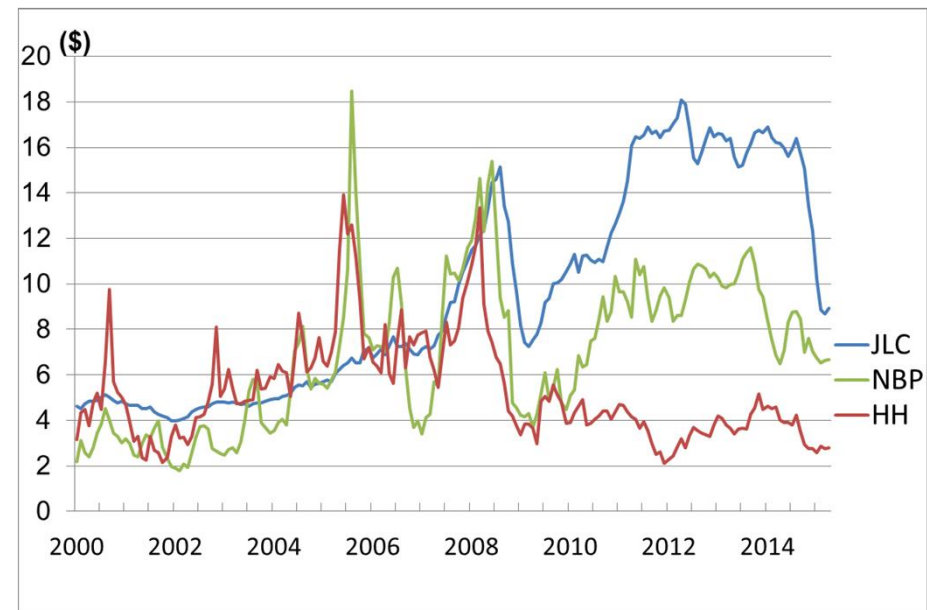
Change on Demand Side

- Big change is expected in Japan, the world's largest LNG importer.
 - ✓ Uncertainties as to the volume of LNG needed are increasing.
 - ✓ Deregulation of Japanese gas and power sectors makes more rational and transparent pricing indispensable.

LNG Import to Japan



Gas and LNG Price



JERA's Initiatives

- “ JERA intends to establish new procurement models ahead of these supply and demand side changes.
- “ As one of a biggest buyers of LNG in the world, JERA will support innovation and change in Asian LNG Markets.

Portfolio Diversification	Diversify our procurement portfolio by optimizing our portfolio of long-term, mid-term, short-term and spot transactions
Use of index pricing	Strongly support the development, use and acceptance of market index pricing in Asian LNG transactions, not only for spot transactions but also for term contracts, so as to broaden the traded market
Enhancement of trading functions	Enhance our trading function to enable flexible response to demand fluctuations and market conditions
Contribution to project development	Contribute to LNG project development through investments and/or train capacity sized procurement

Challenge to sellers

- “ For successful sellers, it will be important to understand the changing needs of buyers and to work with buyers to create solutions.
- “ Sellers that are able to understand buyers needs and develop solutions will have good business opportunities with JERA and other buyers.

Buyers Needs

1	<u>Timely development of new LNG projects</u> , at reduced cost through the introduction of new technology, better project development and management techniques, more economical financing, etc.
2	<u>Contract terms</u> allowing for greater flexibility and optimization in fuel management (e.g., no destination restrictions, index-linked pricing)
3	<u>Increased supply of spot LNG</u> to the market from the projects that have amortized construction financing, so as to create a broad-based traded market for LNG in Asia