

11 IPP (Independent Power Producer) Business

(1) Outline of power station and power supply contract

- ① Name: Sumitomo Metals Kashima Thermal Power Station
- ② Place: Sumitomo Metals Kashima Steel Works
- ③ Maximum output: 507,000kW
- ④ Supplied electric power: 475,000kW (equivalent to the power demand of all households in Ibaraki Prefecture)
- ⑤ Method of generation: Coal-fired thermal generator (using a pulverized coal boiler and a turbine)
- ⑥ Capital expenditure: 57 billion yen
- ⑦ Customer: The Tokyo Electric Power Company, Incorporated (TEPCO)
- ⑧ Term of contract: 15 years (from the commencement of operation in June 2007)

(2) Background of the IPP business

Kashima Steel Works was selected by TEPCO for wholesaling thermal power, thanks to its competitiveness.

- ① Utilization of infrastructure at the steel works
Land, harbor, coal stocking yard, transmission lines, etc.
- ② Utilization of technology and skill in private power generation
Operational and maintenance skill in private power generation based on a long time experience
- ③ Environmental conditions
Capability to meet emission quotas and preventing negative impacts on environmental conditions in steel works

(3) Features of the IPP business

- ① Minimized capital expenditures by utilizing the infrastructure of steel works
- ② Enhanced energy saving effects
 - Power generation with high efficiency by using a super critical boiler
- ③ Environmental measures
 - Helps to greatly reduce nitrogen oxide, sulfur oxide and soot dust to the lowest level among domestic coal thermal power stations.
 - Green area ratio is 51%
 - Full Recycling of by-products
 - Recycling coal ash for production of cement and emitted plaster for production of plaster boards and cement