Summary of Comments Made at a Press Conference
by Tsunehisa Katsumata, FEPC Chairman, on November 18, 2005

There are three topics I would like to comment on today. The first concerns changes in the startup schedule for Japan Nuclear Fuel Limited's Rokkasho Reprocessing Plant, the second is the progress that is being made in the development of a prototype integrated coal gasification combined cycle (IGCC) generating facility, and the third is electricity supply and demand during the coming winter.

With respect to the schedule change at the Rokkasho Reprocessing Plant, which I believe you have already been briefed on by Japan Nuclear Fuel Limited (JNFL), a full report was given by JNFL at this morning's General Policy Committee meeting.

In their report, JNFL stated that after reviewing the project's overall schedule, they felt it would be difficult to begin active testing with actual spent nuclear fuel in December of this year. As a result, they wish to postpone active testing until February of next year, and in line with this, to also postpone the start of operations by two months to July 2007.

The matter was then discussed by the General Policy Committee members, who concluded that the proposed scheduling change was unavoidable.

JNFL also stated that as the run-up to the start of active testing was a particularly important time, they had requested the Japan Nuclear Technology Institute to evaluate JNFL activities from the standpoint of a third-party observer. Since we of the FEPC firmly believe that active testing is an important step on the road to full-scale reprocessing plant operations, we urged JNFL to consider such evaluation and diligently apply themselves to the tasks of administration and quality control.

With respect to the uranium tests being conducted with simulated fuel since December of last year, JNFL reported that they are proceeding smoothly.

Starting today, public meetings to report uranium test results will be hosted by Aomori Prefecture in six locations: Aomori City, Rokkasho, Hachinohe, Hirosaki, and Goshogawara. At the meetings, I understand that JNFL will be given an

opportunity to explain matters to local citizens, and that representatives of the national government will explain their evaluation of the results that have been obtained.

We of the FEPC sincerely hope that such activities contribute to an even broader understanding within the local community, and we are determined to work closely with JNFL in the future for the establishment of a nuclear fuel cycle.

I would now like to comment briefly on our efforts to develop a working prototype IGCC (Integrated coal Gasification Combined Cycle) plant.

As you know, IGCC systems are highly efficient systems that produce flammable gas by causing coal and air to react at high temperatures. The gas produced is then used to generate electricity in a combined cycle process.

The IGCC prototype plant development project is a joint project initiated in 1999 by nine electric power companies, Electric Power Development Co., Ltd., and the Central Research Institute of Electric Power Industry. In June 2001, the Clean Coal Power R&D Co., Ltd. was established and active research was begun. In August of last year, construction of a prototype plant was started at the Joban Joint Power Co., Ltd. Nakoso Power Station. And just recently, assembly of the gasification pressure vessel at the heart of the plant was begun.

One of the most noteworthy characteristics of IGCC plants is that they use both steam and gas turbines to generate electricity, and are therefore far more efficient than conventional coal-fired plants that only use steam turbines. At present, the generating efficiency of the prototype under construction is expected to be equivalent to conventional advanced coal-fired plants (sending-end efficiency: 42%), but when commercial operations begin in the future, the use of high-capacity, high-performance, 1500°C-class gas turbines is expected to increase sending-end efficiency to 48~50%, which will contribute to significant savings in energy and resource use.

Another characteristic of IGCC plants is that they are much easier on the environment than conventional coal-fired plants. In addition to being more efficient, they also produce less CO2, fewer sulfur oxides, fewer nitrous oxides, and less soot and dusts. In addition, whereas conventional coal-fired plants

produce large amounts of coal ash, IGCC plants produce only about half as much waste, most of it in the form of vitrified slag that can be recycled and used to make cement and paving materials. IGCC plants also require less water to operate, and release less warm wastewater.

Another advantage of IGCC plants is that they can utilize coals with a lower combustion fusion point, which is difficult to do with conventional coal-fired plants. In the future, this will allow Japan to expand its use of coal and make more efficient use of available resources.

Japan's global warming prevention efforts are designed to strike a balance between environmental and economic benefits. Coal is notable for being a globally abundant resource, and with rigorously implemented environmental measures, our active involvement in clean coal technology research will allow us to utilize coal to provide a stable and economical source of power.

I would now like to comment on the electricity supply and demand forecast for the coming winter.

According to forecasts recently released by the Meteorological Agency for December through February, average temperatures are expected in northern Japan, and average to slightly above average temperatures are expected in eastern and western Japan. On the other hand, the forecast for the southwest islands indicates a warmer than average winter. However, the El Niño phenomenon is not expected to occur to any significant degree, so it is unlikely that we will experience a very warm winter.

In view of these weather forecasts and recent demand trends, we believe that peak demand across the 10 FEPC member companies this winter may reach 151.74 million kW (101.4% of last year). Against this, we expect to be able to secure a supply capacity of 184.05 million kW, and do not anticipate any problems in maintaining a stable supply of power.

Winter demand generally peaks at about 5~6PM each day, with heating demand accounting for about one quarter of overall seasonal demand. As a result, if temperatures drop by 1°C, we calculate that nationwide demand will increase by approximately 2.15 million kW (based on FY2004 statistics), an amount that is

equivalent to the electricity consumed by approximately 700,000 households, or to the output of two large power plants.

We therefore cannot relax our guard with respect to winter supply stability. Before the full onset of winter, we are communicating closely with each of our member companies and are making every effort to ensure a stable supply again this winter.

Following the "Cool Biz" campaign introduced this summer as part of the Team Minus 6% citizen movement against global warming, the government is promoting a "Warm Biz" campaign to encourage people to dress warmly.

We have been participating in the Team Minus 6% movement since the summer, when we undertook measures to reduce air conditioning use and CO2 production. During the winter, we plan to continue to cooperate with measures to reduce CO2 output and prevent global warming, and will control office heating temperatures and rigorously implement other energy-saving measures.

With regard to dress, we plan to leave it up to the individual to determine the most appropriate attire for the time, place, and occasion, with due regard for the circumstances that prevail in each region.

We ask for your understanding of our position on this matter, and will be most grateful for your cooperation.