

Thank you for taking the time to be here.

Today, I would like to say a few words on the possibility of a rise in electricity tariffs, supply and demand outlook for electricity this winter and a request to save electricity, and establishment of the Japan Nuclear Safety Institute.

## 1. Rise in Electricity Tariffs

First, I would like to speak about the possibility of a rise in electricity tariffs. At the end of last month, Kansai Electric Power Company and Kyushu Electric Power Company each announced at their financial results briefing that they have begun to look into the possibility of raising electricity tariffs.

With no clear prospects for restarting its nuclear power plants other than Ohi Units 3 and 4, causing fuel costs to increase tremendously and its financial condition to tighten, Kansai Electric Power Company has been making every effort to improve the situation, including improving the efficiency of its business. However, if the nuclear power plants remain shut down, the company's financial position could worsen and threaten our most important mission, which is to provide a stable supply of electricity. Thus, the company has taken the tough decision to start considering raising its electricity tariffs.

Kyushu Electric Power Company has reportedly done the same. We sincerely apologize to all customers for the significant concern and inconvenience this will cause, and ask for their understanding.

The rising burden of thermal fuel costs is seriously damaging the finances of not only Kansai and Kyushu but also of other electric power companies, regardless of their financial situation.

The power companies will take every possible measure, such as increasing business efficiency, to fulfill our most important mission, which is to provide a stable supply of electricity.

## 2. Supply and Demand Outlook for Electricity This Winter and Request to Save Electricity

Next, I would like to say a few words on the supply and demand outlook for electricity this winter and a request to save electricity. On October 12, the electric power companies reported to the government

their supply and demand outlook for electricity this winter. These reports then went through four objective and thorough reviews by the government's Electricity Supply-Demand Verification Committee.

Consequently, in the Energy and Environment Council on November 2, the government set a numerical target for Hokkaido Electric Power Company to cut electricity consumption by 7% from 2010 levels on weekdays from December 10 to March 8, and required all other areas except Okinawa to save electricity on weekdays from December 3 to March 29 but without specifying numerical targets. The government also decided to introduce in Hokkaido an emergency adjustment program to avoid planned blackouts by asking bulk electricity users to cut their consumption even more when the supply and demand situation tightens.

Thanks to everyone's continued awareness and help in saving electricity and by securing as much additional supply capacity as we can by installing additional power supplies, purchasing electricity from private electrical power facilities, and increasing the output of thermal power generation, Hokkaido is likely to be able to secure a 5.8% supply reserve margin and a reserve capacity of 330 MW.

However, this reserve capacity would instantly become negative if a single typical 350 MW thermal power plant were to shut down, since the peak power demand in snowy, cold Hokkaido occurs in the winter. We understand that the government's target of cutting electricity usage by 7% was decided considering the risk of an unplanned shutdown, as well as the limitations of power interchange with other power companies through the HVDC Hokkaido-Honshu, which has a maximum capacity of only 600 MW.

The situation is uncertain also for other power companies even though they have managed to secure a minimum reserve margin of 3%, in view of the risk of troubles in thermal power plants. Since the March 11 disaster, these power companies have been operating according to emergency plans, such as putting off periodic inspections of thermal power plants and restarting those thermal plants that had been shutdown, since there are no clear prospects for restarting the nuclear power plants.

Despite these circumstances, we will continue to make utmost efforts on both the supply and demand sides. It is with great reluctance that we must ask our customers, especially those in cold Hokkaido, to reduce their electricity consumption for a prolonged period. We apologize for the significant inconvenience and trouble this will cause, and ask for their understanding and cooperation.

In view of the financial situation, electricity tariff, and the supply and demand for electricity mentioned earlier, we will continue to make utmost efforts to ensure the safety of nuclear power plants, and strive to gain public understanding on restarting those plants that have been proven to be safe.

### 3. Establishment of Japan Nuclear Safety Institute

Third, I would like to speak about the establishment of the Japan Nuclear Safety Institute.

Following the Fukushima Daiichi accident, the electric power companies announced this January a plan to establish a new organization to improve the safety of nuclear power plants, including dealing with severe accidents, and have been developing the plan since then. With the completion of the preparatory work, the Japan Nuclear Safety Institute was formally established yesterday.

The Japan Nuclear Safety Institute will firmly guide the efforts of the electric power companies by technically evaluating their safety improvement activities, as well as providing advice and support. The evaluations, advice and criticisms made by the Institute will be based on technical requirements, independent of the electric power companies' intentions.

Further, the advice and criticisms will be made directly by the head of the Institute to a power company president in the presence of all the other power company presidents, and thus the president will have to pledge strong determination to improve safety in front of the other power companies.

Highlighting any issue in this manner will help it be shared throughout the industry, thus encouraging the power companies to jointly tackle the issue.

This system is expected to promote friendly competition between the power companies, and should raise the level of nuclear safety nationwide.

It is the mission and responsibility of the power companies to ensure the safety of nuclear power stations. While steadily complying with the safety standards which will be introduced by the Nuclear Regulation Authority, the electric power companies consider the establishment of the Institute as an opportunity to renew our determination to improve ourselves and fulfill our mission, and to achieve the highest level of safety in the world through utmost efforts.

Thank you for your kind attention.