

**Summary of Comments Made at a Press Conference
by Tsunehisa Katsumata, FEPC Chairman, on June 16, 2006**

There are three topics that I would like to comment on today. The first is the summer electricity supply and demand forecast, and the second is electricity demand trends. The third is the first Japan-China Energy Conservation Forum.

First, let me report on the summer supply and demand forecast.

According to the three-month forecast released by the Meteorological Agency on May 25, the temperature from June through August is expected to be “the same as in an average year in the north and east; the same as in an average year or higher in the west and the southwest islands.”

In view of these forecasts and past supply and demand, we estimate that peak demand across the 10 member companies will reach approximately 178 million kW.

On the supply side, we plan a capacity of a little over 200 million kW, with ample reserves of approximately 23 million kW, and fully expect to maintain power supply stability.

However, peak demand is extremely sensitive to temperature, and for every degree Celsius the temperature rises, peak demand increases by about 5 million kW – roughly equivalent to the power consumed by all of Ibaraki Prefecture. So we are remaining cautious, and are prepared to do our utmost to ensure stable power supply.

I would now like to comment on demand trends in recent years. Although electricity demand is easily affected by heat waves and cold snaps, the demand figures since 1989, the first year of Heisei, reveal other trends, as well. Most notable is a softening of demand beginning in about 1997. Average annual electricity sales growth between 1989 and 1997, adjusted for temperature, was 3.2%; between 1997 and 2005, it was just 1.1%. Increasing market deregulation after 2000 and the switchover of customers to new competitors, did in fact, depress average annual demand by about 0.1~0.2% between 1997 and 2005.

“Economic trends” are cited as the likely cause of softening demand, and as a graph of the large industrial user and IIP (Index of Industrial Production) figures shows, when production rises, so does electricity use. The two are obviously very closely linked.

Although the economic outlook is improving somewhat, from 1989 to 1997, real GDP grew an average of 1.9% annually, and the IIP rose by 0.5%. But between 1997 and 2005, real GDP grew only 1.2%, and the IIP rose just 0.2%. When you look at the average figures, there is clearly an underlying softness in the economy. And we believe it plays a major role in weakening electricity demand.

Other contributing factors include a gradual decline in the growth rate of individual and household populations, and increased use of energy-efficient appliances, in particular air conditioners, which are now about 40% more efficient than they were in 1995. Other reasons for softening demand include adoption of the COP3 accords in Kyoto in December 1997, the revision of the Energy Conservation Act in May of the following year, and the implementation of a “top runner” approach to electric appliance design.

All of these changes affect electricity demand and the environment in which we do business. One recent trend to note is the easing of maximum demand in comparison to total sales. If we look at the annual load factor, which is the ratio of average annual demand to annual maximum demand, we can see that when the ratio of maximum demand to total sales rises, the load factor falls. On the other hand, when the increase in maximum demand is relatively low in comparison to total sales, the load factor rises. Since 1997, the load factor has generally been on the rise.

Although the reasons for these load factor trends, and in particular, the easing of maximum demand, are difficult to quantify, they include: (1) greater customer cost-consciousness, resulting in more efficient energy utilization and demand management (including private power generation and gas air conditioners); (2) increased use of energy-efficient air conditioners, refrigerators, and other appliances; (3) progress in load leveling measures at electric power companies (by promoting thermal storage systems and more diverse pricing plans). In addition, lifestyle changes have brought an increase in the number of convenience stores and other commercial establishments that stay open late at

night, leading to a relative increase in nighttime demand that has also helped to improve the load factor.

In short, electricity demand is heavily affected by a variety of factors, and we will continue to keep a cautious eye on emerging trends.

I would now like to report on the first Japan-China Energy Conservation Forum that was held in Tokyo on May 29 through 31.

From China, the Forum was attended by the Deputy Minister of Commerce and the Vice-Deputy of the National Development and Reform Commission, the Chinese Ambassador to Japan, and some 300 business, government, and academic leaders. From Japan, attendees included the Minister of Economy, Trade and Industry Toshihiro Nikai, the Minister of the Environment Yuriko Koike and some 500 others. With 800 people on hand, the forum discussed energy conservation and environmental protection issues in depth.

As part of a technical tour on the last day of the Forum, participants from China visited the Hokkaido Electric Power Tomatoh plant, the Kyushu Electric Power Company Karita plant, and the head office of Kansai Electric Power Company. I have been told that the visitors expressed great interest in DeSOx and DeNOx equipment used to protect the environment at both of the thermal plants, and that there were many questions asked and answers provided. At Kansai Electric Power Company's head office, the visitors were shown leading-edge environmental energy-saving technologies such as district heating and cooling systems that make use of existing streams and watercourses. One participant is said to have commented, "For those of us with limited energy resources, it has been most instructive."

Next year, the Forum will be held in Beijing, and those of us in the electric power industry hope to improve energy efficiency, reduce environmental impact, and work aggressively to solve the issues we face by drawing on our energy-saving and environmental technology expertise.

In conclusion, I would like to announce some changes in Federation of Electric Power Company directors.

On June 28, our two Vice Chairmen, Shigeo Shirakura and Fumio Kawaguchi, are retiring, and at this morning's General Policy Committee Meeting, President Shingo Matsuo of Kyushu Electric Power and President Tatsuo Kondo of Hokkaido Electric Power were elected as their successors. Information on other personnel changes is available and will be posted separately.