

**Summary of Comments Made at a Press Conference
by Tsunehisa Katsumata, FEPC Chairman, on October 20, 2006**

There are two topics that I would like to comment on today. The first is economic trends viewed from the standpoint of large industrial user demand. The second is nuclear power industry trends at home and abroad.

As is shown in the latest electricity sales bulletin, approximately 81 billion kWh were sold in September across the ten companies, up 0.9% on the same month last year, marking the thirteenth consecutive month of sales growth. The large industrial user demand that is a key economic indicator was also up by 3.1%, marking its fourteenth consecutive month of growth.

As you know, there is a good chance that the period of continuing economic growth that began in February 2002 will next month surpass the record of 57 consecutive months set during the Izanagi Boom, which lasted from November 1965 to July 1970. If it does so, it will become the longest period of continuous economic growth in the postwar period. And looking at the figures for large industrial user demand, I think this growth will continue for some time.

Although large industrial user demand strongly reflects economic trends and is a diffusion index-coincident indicator used in determining the Cabinet's official economic index, the relationship between large industrial user demand and the index has changed somewhat since the days of the Izanagi Boom, and of the Bubble Economy that lasted from December 1986 through February 1991.

If we look at seasonally adjusted figures for large industrial user demand and GDP, assign a value of 100 to both at the start of the growth period, and plot changes quarterly, we can see that the growth this time is much more gradual than in the previous two economic booms.

To put it another way, the Izanagi Boom wasn't just long, it also had momentum, and was extremely dynamic.

If we look at large industrial user demand and GDP, they moved virtually in synch during the Izanagi Boom. But during the current growth cycle, they diverge considerably. Plotted as a distribution graph, the relationship between the two appears to be somewhat weaker.

Two possible reasons for this change are: the shift from a manufacturing-based economy to a service-based economy; and the hollowing-out of domestic manufacturing.

If we look at a breakdown of electricity sold across the nine companies by market segment, large industrial users account for a decreasing share of the total.

In 1970, the final year of the Izanagi Boom, large industrial users accounted for 55%; in 1990, the final year of the Bubble Economy, they accounted for 38%. As of last year, they accounted for only 31%.

On the other hand, over the past 35 years, commercial electricity demand has grown from just 7% of sales to 23% of sales. Lighting demand has likewise increased, rising from 20% of sales to 32%.

In addition, the decline in large industrial user demand has been compounded by a structural change away from heavy industry, and toward light industry.

Looking at large industrial users by industry segment, industries such as steel that are heavy consumers of electricity accounted for more than 60% of sales in the final year of the Izanagi Boom. Last year, they only accounted for about 30%.

In the long term, these structural changes in the industry will no doubt have an effect. Keeping this in mind, we believe nonetheless that large industrial user demand does mirror economic trends, and we will continue to keep a close watch on it in the future.

I would now like to briefly comment on developments at home and abroad in the area of nuclear power.

On the 29th of last month, Tokyo Electric Power Company (TEPCO) applied for permission to install the Higashidori Nuclear Power Plant No. 1 Reactor (ABWR, generating capacity 1.385 million kW).

This is the first time TEPCO has requested such permission since it filed for the Kashiwazaki-Kariwa No. 6 and No. 7 reactors 18 years ago. Industry-wide, it has been seven years since J-Power applied for permission to build the Ohma Nuclear Power Plant.

Overseas, the high price of oil, the need for a stable power supply, and the need to combat global warming have rekindled interest in new nuclear power plant construction.

As of December 2005, there were 439 nuclear power reactors operating worldwide, representing a combined generating capacity of approximately 385 million kW, the highest on record.

30 new reactors became operational in the 2000–2005 period, and of these, 60% are located in China, India, or other parts of Asia.

In addition to those currently operating, 36 new reactors, with a combined generating capacity of approximately 31 million kW, are under construction. Another 39 are planned, representing an additional 40 million kW.

Looking at nuclear energy policy in the region, China has notable plans to increase its current output of 9 million kW to 36~40 million kW by the year 2020.

There are similar moves to reevaluate nuclear power in Europe and the United States.

In the United States, no new nuclear power plants have been constructed since the 1970s. Now, however, numerous new plants are slated to become operational in the relatively near future.

In Sweden, which had moved to phase out nuclear energy in the wake of the Three Mile Island and Chernobyl accidents, a coalition of opposition parties took power in an election last month, and has taken a softer stance on the issue. And Finland has repealed a freeze on new reactor construction and begun constructing the Olkiluoto No. 3 Reactor.

In the United Kingdom, where no new nuclear plants have been built for almost 20 years, the government announced in July that it had concluded there was a valid case for new nuclear power plants. And there are also reports of a new willingness to consider the issue in countries such as Holland, Germany, Spain, Switzerland, and Italy, which have previously taken an anti-nuclear stance.

As Japan's power suppliers, we hope these trends continue to grow — and we pledge to maintain safe, secure operations to help ensure that they do.

In conclusion, I would like to mention that the noted British scientist and researcher Dr. James Lovelock has been invited by the Japan Atomic Energy Relations Organization (JAERO) to speak in Tokyo and Osaka.

Dr. Lovelock authored the Gaia Theory, which proposes that the living matter of planet Earth functions as a single, self-regulating organism. In his book, *The Revenge of Gaia*, he warns that humankind is in danger of angering the Earth, and states that nuclear energy can play an extremely important role in protecting our planet from further damage.

I hope members of the Energy Press Club will take this opportunity to hear Dr. Lovelock speak.