

**Summary of Comments Made at a Press Conference
by Tsunehisa Katsumata, FEPC Chairman, on December 15, 2006**

Today, I would first like to comment on the power plant inspection order issued to all electric power companies by the Nuclear and Industrial Safety Agency on the 30th of last month.

The order was issued after it came to light there had been past deficiencies in documentation, inappropriate handling of data, and other problems relating to power plants at Tokyo Electric Power Company (TEPCO) and several other power companies.

Each of the companies is now reviewing past documentation and data, and I would like to deeply apologize for the concern this has caused local residents and society as whole, and for having shaken the public trust.

At TEPCO, the issues raised include the following:

- Construction without the permits required under the River Law was confirmed at hydro power plants, and there was inappropriate handling of the data used in reports required by water use regulations at Nozori Dam in Gunma prefecture.
- Inappropriate handling of intake and outflow water temperature differences and outflow water temperatures was found at the Kashiwazaki Kariwa Nuclear Power Plant and the Fukushima Daiichi Nuclear Power Plant.

To restore trust, we (TEPCO) have until now promoted measures such as creating a climate in which workers will never engage in dishonest practices and establishing a system that will never allow workers to engage in dishonest practices on a group-wide basis to ensure the implementation and firm establishment of business operations that respect corporate ethics. We therefore view the issues raised as a very serious matter, because the fact that many examples of inappropriate handling have been found in spite of these efforts shows that these efforts have been inadequate.

In addition, we (TEPCO) also reported cases of reinforcing steel that readily reacted with hydrogen being found in some utility poles, which in some cases

resulted in the failure of those poles, and submitted an inspection and replacement plan to the Nuclear and Industrial Safety Agency.

In view of the fact that we (TEPCO) have placed a vast number of facilities in various areas with the understanding of our customers, we feel a need to reflect on our awareness of public safety.

As the president of TEPCO, I wish to express my heartfelt apologies for allowing these things to occur.

In light of these issues, the Risk Management Committee that I chair has established a countermeasure subcommittee that will consult with experts from outside the company to determine the cause and implement countermeasures to ensure that such problems do not occur again. In addition, I have issued strict instructions to all directors, relevant department heads, and frontline business unit managers to take action. I have also instructed all employees and group companies to:

- properly conduct inspections and reviews,
- immediately report anything questionable,
- henceforth never engage in inappropriate handling.

In addition to strictly performing inspections, all TEPCO employees and group companies will work together to actively determine the cause and implement countermeasures to ensure that these problems never occur again.

Each of the electric power companies will also perform stringent inspections, and if any problems are found, will determine the cause, enact countermeasures, and organize and publicly announce the result of their efforts.

Now, as this is our final press conference of 2006, I would like to briefly review electricity and energy-related developments during the past year.

In a word, I think we can say that this year has been one in which energy issues have received a great deal of attention both at home and abroad.

The price of crude oil has risen and competition to acquire other resources has intensified. Against this background, interest in energy security has increased, and the movement to reevaluate nuclear power has accelerated.

At the beginning of the year, Russia abruptly stopped supplying the Ukraine with natural gas, throwing into relief the problem of relying on a particular country for energy. The price of crude oil also rose rapidly, and in July the closing price for WTI reached the record-breaking level of US\$77 per barrel.

At the G8 summit meeting held in St. Petersburg in July, an action plan to strengthen worldwide energy security was formulated, and a consensus was reached to promote energy conservation and reevaluate the role of nuclear power.

In the United States, where a reevaluation of nuclear power is already under way, the Global Nuclear Energy Partnership was announced in February, marking a major shift to the promotion of reprocessing, and in the United Kingdom, the government officially reversed its previous policy of moving away from the use of nuclear power.

Here in Japan, a New National Energy Strategy emphasizing energy security was announced in May, and a Nuclear Energy National Plan based on the Framework for Nuclear Energy Policy was announced in August. We feel it is highly significant that these developments have once again confirmed our energy resource-poor country's need for nuclear power as a matter of medium- to long-term national policy.

Nuclear reactor manufacturers have responded to these developments with major realignments in the industry, including Toshiba's acquisition of Westinghouse, Mitsubishi Heavy Industries' partnership with Areva of France, and Hitachi's partnership with General Electric of the U.S.

Looking back on the year domestically, active testing started at Japan Nuclear Fuel Limited's Rokkasho Reprocessing Plant in March, and production of powdered MOX (mixed plutonium-uranium oxide) compounds began last month. Having taken 22 years since the Rokkasho site was selected, these are truly welcome developments.

We owe it all to the understanding of Aomori prefecture residents and other concerned parties, and are deeply grateful for their support.

Next year, the facility will officially begin operating, and we intend to work closely

with Japan Nuclear Fuel Limited, with safety and quality control as our highest priorities.

With regard to the “pluthermal” plan to utilize reclaimed plutonium as MOX fuel in conventional light water reactors, there were significant advances at Kyushu Electric Power Company’s Genkai No. 3 reactor, Shikoku Electric Power Company’s Ikata No. 3 reactor, Chubu Electric Power Company’s Hamaoka No. 4 reactor, and Chugoku Electric Power Company’s Shimane No. 2 reactor.

Another noteworthy development in the electric power industry this year was the fact that we were able to maintain electricity rate stability amid rapidly rising energy prices.

This was made possible by efforts to improve management efficiency at each of the power companies, and by earnest efforts to diversify our electricity sources through nuclear, LNG, and coal-fired thermal generation. Considering that we were forced to raise electricity rates by 57% during the first Oil Crisis, and by 52% during the second Oil Crisis, it seems that the times have indeed changed.

In August, we were reminded once again of the high level of quality expected of electric power companies when a barge-mounted crane came in contact with high-voltage power lines in the metropolitan area, causing a major power outage. And as I stated at the beginning of today’s press conference, with problems such as deficiencies in documentation relating to power plants and inappropriate handling of data, we were made to reflect on, and once again realize the difficulty of, ensuring that people at every level of an organization understand the importance of compliance with regard to ethics, socially acceptable behavior, and even morals.

That concludes my brief review of the year’s most significant developments.

With only two weeks remaining in the year, I would like to conclude by extending my heartfelt thanks to all members of the Energy Press Club for their support during the year.

Next year, will we again face a mountain of issues, including discussions on liberalization by the Electricity Industry Committee of the Advisory Committee for Natural Resources and Energy, the start of reprocessing operations, and

responses to global environmental issues.

We will therefore continue to depend on the cooperation of Energy Press Club members, and ask for your support in this regard.