

**Summary of Comments Made at a Press Conference
by Shosuke Mori, FEPC Chairman, on January 23, 2009**

This is our first press conference of the new year, and I ask for your continued support again this year.

Today I am going to speak on three subjects. Firstly, I will speak about major challenges this year for the electric power industry. Secondly, I will comment on the economic trend in terms of electricity demand. Thirdly, I will speak about the review of the fuel cost adjustment system by the Electricity Industry Committee of the Ministry of Economy, Trade and Industry.

Major Challenges This Year for the Electric Power Industry

Reading newspaper editorials and other articles on new year's day that attempted to predict events this year, my attention was drawn to the frequency of words and phrases such as "simultaneous depression all over the world," "the global environment and a low-carbon society," and "oil and energy." There was also the news that natural gas supplies to Europe had been interrupted due to a conflict between Russia and Ukraine, news that could not be ignored.

I believe these phrases in the newspapers accurately describe the most important challenges this year for us, the electric power companies of Japan, and we are poised to make even greater efforts this year to overcome them.

Particularly important are efforts to solve global environmental issues: this is going to be an important year as the world must agree upon a post-Kyoto framework during COP15 in December. In preparation for this, Japan has established a committee to start serious discussions toward formulating mid-term goals.

The electric power companies of Japan will continue to make industry-wide efforts to achieve the goals stipulated in the present environmental action plan.

In the mid-term, we are committed to the development of nuclear power, which will play a key role in our efforts to increase the share of non-fossil energy to 50% and to ensure a stable supply of energy. At the end of last year, as part of these efforts, Chubu Electric Power submitted to local governments a plan to decommission Units 1 and 2 and to build Unit 6 at the Hamaoka Nuclear Power Plant. Meanwhile, at the beginning of this year, Kyushu Electric Power submitted to local communities a plan to build Unit 3 at the Sendai Nuclear Power Plant.

Other challenges include improving the capacity factor by operating nuclear power plants steadily and various tasks to establish the nuclear fuel cycle, such as the full-scale operation of the reprocessing plant, early realization of MOX fuel utilization at LWRs, and siting of the high-level radioactive waste disposal facility. All the electric power companies of Japan will also collaborate to achieve the industry's goals that we announced last year. These included increasing the share of non-fossil energy to 50% by FY2020, building mega-scale photovoltaic generation facilities with the total capacity of about 140,000kW, and deploying about 10,000 electric vehicles.

Comments on the Economic Trend in Terms of Electricity Demand

Next, I would like to comment on the recent economic trend illustrated by electricity demand.

The index of mining and industrial output for November 2008, announced on January 19, 2009, was down 8.5% from the previous month, recording a fall for two consecutive months.

Sensitively reflecting this economic trend, the large industrial electricity demand in December 2008 (total for the 10 regional electric power companies of Japan), announced on January 21, 2009, was down 13.0% from the previous year, the third consecutive monthly fall. This two-digit drop in large industrial electricity was the first since statistics covering the 10 electric regional electric power companies including Okinawa Electric Power began to be collected in 1972.

Prior to this, the greatest downturn after 1972 was 9.5%, recorded in May 1975 following the first oil crisis, but the recent decrease was even larger, reflecting the plunging economy.

Looking at the breakdown by major industries, in November 2008 every industry posted decrease from the previous year, for the first time in six years and seven months. The trend continued into December 2008, resulting in two consecutive months of fall, including a 24.8% decrease for the steel industry and 18.1% decrease for the machinery industry, the worst downturn on record.

The cumulative electricity sales in the present fiscal year up to December 2008 were only 0.9% lower year on year, thanks to firm growth in electricity demand from large consumers during the first half of the fiscal year. However, the deficit is expected to increase in the remaining part of the fiscal year.

It is hoped that the series of economic measures taken may soon bring about an upturn. We will continue to monitor changes in the electricity demand.

Review of the Fuel Cost Adjustment System

Finally, I would like to comment briefly on the review of the fuel cost adjustment system by the Electricity Industry Committee.

As reported earlier, a framework for revising the fuel cost adjustment system was established last week by a meeting of the Electricity Industry Committee.

This revision will enable fluctuations in fuel prices to be reflected more quickly in electricity prices, and allow electricity prices to be adjusted monthly instead of once every three months.

As I mentioned in the committee meeting, we welcome this improvement toward a more balanced adjustment system. It will make fuel cost adjustments easier for customers to understand, and the change is also favorable for electric power companies because there will be less income-expenditure discrepancies in each fiscal period.

We have a tight schedule ahead because we must prepare for the introduction of the new system from May. Each electric power company must be completely ready for the change by formulating and reporting to authorities an electric supply contract based on the new fuel adjustment system, and by making necessary changes to the calculation system of electricity bills.

Under the new system, adjusted electricity prices must be notified to customers more quickly. Each electric power company intends to offer detailed explanations to customers via the website, meter-reading slips, and so forth.

The present review did not address the need to revise the upper limit for fuel cost adjustments. However, remembering sharp rises in crude oil prices last year, we fear that, even in a very short time, a rise in the mean fuel price may hit the upper limit for fuel cost adjustment. If this happens, the revising of electricity tariff under the present procedure for approval may take so long that we may not be able to adjust electricity prices appropriately according to fuel price fluctuations.

From February, the subcommittee will discuss the involvement of administrative agencies in setting electricity rates. We expect the committee to take note of changes in the competitive environment as a result of liberalization in recent years and the importance of ensuring stable electricity supply in the long term, and to seriously discuss the reasonableness of present approval procedures.

Final Words

In this era of uncertainty and dramatic changes, the electric power companies of Japan intend to collaborate to overcome the challenges that I have outlined today.

This is all for today. Thank you for your kind attention.