

**Summary of Comments Made at a Press Conference by Shosuke Mori,  
FEPC Chairman, on January 22, 2010**

1. Important Challenges for the Electric Power Industry This Year

At this first press conference of 2010, I would like to speak about major challenges for the electric power industry this year.

The newspapers on New Year's Day were filled with articles on global warming. For the electric power companies of Japan, too, actions to address global environmental issues are the most important challenge this year.

Like last year but with greater intensity, we are committed to continuing our initiatives throughout the year on both the demand and supply sides to lead efforts toward creating a low carbon society.

For example, electric power companies including Kansai Electric Power and Kyushu Electric Power are working on a plan to build "mega solar generation plants" at about 30 locations around Japan, which will enter operation one after another starting from the fall of this year.

As another example, the electric power companies of Japan plan to introduce more than 1,000 electric vehicles this year for their own use, with the aim of eventually increasing the number to 10,000, or about half of their fleets.

With regard to the marketing of Eco-Cute water heaters, total shipments of which had exceeded two million units by October last year, we are going to step up our sales effort toward the target of installing ten million units.

As another challenge this year, we will actively start R&D on a scheme for the massive interconnection of photovoltaics without disturbing the stability of the power system, which is called the "Japanese-style Smart Grid."

We will be collecting data on photovoltaic generation technology at some 300 locations throughout Japan. In addition, demonstrative experiments on using micro grids in remote islands will be started by Kyushu Electric Power in

March and by Okinawa Electric Power in October.

From the aspect of national policy, we anticipate lively discussions on issues such as the system for full purchase of outputs from renewables, taxation to support global warming measures and the system for emissions trading.

Last month, the FEPC submitted a letter to the Ministry of the Environment which had solicited public opinions on the proposed the Basic Law on Global Warming Countermeasures. We must be aware that the actual burden and impacts of implementing such policy measures will fall on people and corporations.

According to a survey conducted by a private research company, more than 70% of the respondents had negative views about the financial burden that will arise from the new system for purchasing photovoltaic power that started in November last year.

We expect the government to make a decision on the acceptability of such policy measures only after publicly explaining in detail their contribution to reducing CO<sub>2</sub> emissions, their impacts on people's welfare and industrial activities, and their relationship with existing systems, and only after transparent general discussions with the public.

Another major challenge for us this year is to address the various issues involved as we progress toward the nuclear fuel cycle.

Events scheduled for this year include the start of full-scale operation at the Rokkasho Reprocessing Plant, the use of MOX fuel at more nuclear power plants ("plu-thermal" project), the restarting of Monju, and the startup of the project to construct a MOX fuel fabrication plant.

The plu-thermal project is particularly important as Shikoku Electric Power is going to be the second company after Kyushu Electric Power to begin plu-thermal operation when the use of MOX fuel starts next month at Ikata Unit 3. Recently, on January 8, approval of adaptation of the nuclear reactor equipment was given to Onagawa Unit 3 of Tohoku Electric Power, making it

the 10th reactor in Japan approved for plu-thermal operation. We will continue industry-wide efforts toward the announced aim of “starting up plu-thermal operation at 16 to 18 reactors in Japan by FY2015 at the latest.”

The reactors at the Kashiwazaki-Kariwa Nuclear Power Station, which had been shut down due to the Niigata Chuetsu Offshore Earthquake, were restarted one after another from last year. This year, through actions such as flexible operation cycles with the major premise of ensuring safety, we are actively committed to improving the nuclear plant capacity factors that play a major role for simultaneously achieving the Three-E's (Energy security, Economy and Environmental conservation).

After speaking about two important challenges for this year, I cannot avoid commenting on the economic prospects.

According to the electricity demand bulletin in December 2009 released today, the large industrial demand in December exceeded that recorded in the same month of the previous year after 15 months.

Even though this was due partially to growth compared to a major drop recorded a year ago, the economy appears to be gradually recovering thanks to stronger exports and the contribution of emerging economic measures.

We hope the economy will recover soon from the recession and that sustainable economic growth will continue.

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