

Summary of Press Conference Comments Made by FEPC Chairman on September 10, 2010

It has been two months since we last met as we did not hold a press conference in August. Today, I would like to talk about three recent topics.

1. Follow-up of the Environmental Action Plan

First of all, I would like to comment on our follow-up activities for the Environmental Action Plan.

The Environmental Action Plan is an action agenda within the electric utility industry, stating our policies and timetables for tackling global warming issues and creating a recycling-oriented society. This action plan has been integrated into the Kyoto Protocol Target Achievement Plan by the Japanese Government.

To ensure that it is transparent and that its final goals are achieved, the Action Plan is reviewed every year. This year's follow-up review, which is the thirteenth, newly includes actions for biodiversity as well as the CO₂ emissions results for fiscal 2009.

The electric utility industry set a goal to reduce the CO₂ emissions intensity by an average of 20% compared to the 1990 level, or approximately 0.34 kg-CO₂/kWh from FY2008 to FY2012, which is the first commitment period of the Kyoto Protocol. We have been taking various measures to meet this target and in FY2009 achieved an emissions intensity of 0.351 kg-CO₂/kWh, 5.9% lower than the previous year.

One of the main reasons for this reduction in CO₂ emissions intensity was the improved capacity factor of nuclear power plants due mainly to the partial resumption of commercial operations at the Kashiwazaki-Kariwa Nuclear Power Plant.

If we include about 52 million tons of Kyoto-mechanism credits, the reduction is 15.8% compared to the reference year of FY1990.

In the future, we will promote nuclear power generation with a priority on safety, improve the thermal efficiency of thermal power generation, and steadily develop and commercialize renewable energies. These efforts, together with about 260 million tons of Kyoto-mechanism credits to be acquired by 2012, will be instrumental in achieving our goals.

Regarding developments in the international community, COP16 will be held in Cancun, Mexico in late November.

However, following the Copenhagen agreement reached last December, the United States has abandoned efforts to enact the Climate Change Bill, which inevitably diminishes their influence on other nations in international negotiation. Furthermore, the group of developing nations could split in half. This situation is causing uncertainties for the future negotiations toward the Post-Kyoto Protocol framework.

Therefore, the developing nations, in the Adhoc Working Group meeting held last month in Bonn, Germany, proposed extending the Kyoto Protocol to avoid a blank period until the next framework of international cooperation is created, and EU nations appear to be following suit, as they wish to keep their EU-ETS.

The last Adhoc Working Group meeting for COP16 will be held from October 4 in Tianjin, China. If it becomes apparent that an agreed framework to follow the Kyoto Protocol will be delayed, the international community may converge on extending the Kyoto Protocol.

As everyone knows, the scope of the Kyoto Protocol covers only 30% of total CO₂ emissions worldwide. Since the United States and China, which together account for 40% of global emissions, are not parties to the Kyoto Protocol and developing nations, whose CO₂ emissions are rising, have no obligations whatsoever, the effect of extending the Kyoto Protocol would be extremely limited.

Furthermore, if the current Kyoto Protocol is extended as it is, Japanese companies, whose marginal abatement cost is higher than those in EU nations or the United States, would be forced to purchase significant amounts of credits. This would hinder our development and capital investments on advanced environmental technologies.

Since extending the Kyoto Protocol could have an adverse impact on global warming, I sincerely hope that our Government will strongly resist doing so, and will continue negotiations on establishing a fair and effective international framework and an agreement on ambitious targets by all the major economies.

2. Power Supply and Demand of This Summer

Next, let me report on the electric power supply and demand of this summer.

This summer's maximum power output for all ten utilities combined reached a peak of 177.75 million kW on August 23, the fifth-highest on record. The maximum power production of a day was 3,396.68 million kWh, on August 24, the third-largest on record.

Individually, the maximum power output reached a record high for two utilities, and the

power production of a day reached a record high for four utilities, including the maximum supply in the summer.

The daily maximum temperatures significantly exceeded the average throughout this summer. Although a detailed analysis is yet to be made, demand for air conditioning due to the unusually hot weather surely boosted the power demand.

As noted, the supply and demand for power in July and August were high due to the record heat wave. However, this autumn and beyond, the yen's sharp appreciation and falling stock prices might dampen and delay the much-awaited economic recovery.

We will continue to monitor the trend of power supply and demand.

3. Capital Increase of Japan Nuclear Fuel Limited

Finally, I would like to say a few words about the postponement of completing the reprocessing facilities of Japan Nuclear Fuel and the third party allocation of shares.

For the electric utility industry, establishing the nuclear fuel cycle is crucial. With top priority on safety and quality assurance, we have been working together with Japan Nuclear Fuel Limited (JNFL) to develop and establish the fuel cycle business.

Today, JNFL officially announced that completion of the reprocessing plant would be postponed to October 2012. In the announcement, JNFL clearly stated its decision to start full-scale operations after carefully conducting various tests, prioritizing safety, and tackling various technological challenges.

The whole industry continues to support JNFL and seeks to earn the trust and understanding of the people of Rokkasho Village and Aomori Prefecture.

The capital increase will strengthen the financial basis of JNFL, thus enabling stable capital procurement for the reprocessing business as well as the planned MOX fuel fabrication and uranium enrichment businesses. I believe this will benefit not only JNFL but also the overall business of Japanese utilities.

Consequently, each utility is actively considering underwriting increased shares.

Thank you for your attention.