

## Summary of Press Conference Comments Made by FEPC Chairman, on January 21, 2011

Since this is the first press conference of 2011, I would like to speak about the major challenges facing the electric power companies of Japan this year.

### 1. Major Challenges Facing the Electric Power Companies of Japan

The newspapers on New Year's days carried many articles on global environmental issues. Once again this year, the electric power industry must tackle such issues.

The world failed to reach a final decision by the end of last year concerning the post-Kyoto framework. Since no further postponement is allowed, difficult negotiations will take place in preparation for COP17 to be held in Durban, South Africa, at the end of this year.

Meanwhile in Japan, discussions will intensify on national policies for global environmental issues and stronger initiatives toward creating a low carbon society through green innovations.

In response to such activities in Japan and abroad, we are committed to making industry-wide efforts to achieve the target of a 50% share from non-fossil power by fiscal 2020. One major effort will be promotion of installation of photovoltaic power generation facilities.

By fiscal 2020, we plan to have mega solar power plants at about 30 locations in Japan, with a total generation capacity of about 140,000kW. Four projects by Kansai Electric Power, Okinawa Electric Power, etc. with the total capacity of 12,000kW already started producing power by the end of the last year, and even more photovoltaic plants will come on-stream this year.

We have also started developing technologies to enable the power quality (in terms of frequency, etc.) to be maintained and to ensure a stable electricity supply even when huge photovoltaic systems will be connected to the power grids in the future.

Last year, we installed solar radiation sensors and other instruments at 321 locations in Japan, which are continually collecting data.

For example, solar radiation measuring instruments in the Chubu area in June 2010 show that even though solar radiation fluctuated greatly at four separate locations, the fluctuations are much less when the solar radiation at 41 locations is averaged. This is referred to as the “smoothing effect.” This is the first time for such a detailed analysis to be conducted in different regions covering the whole of Japan.

We have not yet accumulated sufficient data on photovoltaic power fluctuations, etc. Therefore, we will continue collecting and evaluating data until the end of fiscal 2011 in order to develop state-of-the-art systems for accommodating the massive interconnection of photovoltaic power.

Yesterday, the electric power companies applied for approval for a surcharge rate (“solar surcharge”) under the Buyback Program for Photovoltaic Generation, a mechanism which started in November last year.

If approved, a surcharge under the Program will be imposed on power consumers for the first time from April this year.

While each electric power company will ensure that no confusion arises among customers, we also expect the government to fulfill its responsibility to inform the public and build public acceptance.

Next week, at the meeting of the Electricity Industry Committee on January 24, a framework for the proposed system for the full purchase of renewable energy is expected to be decided. Concerning this system, we submitted a letter of opinions to the Ministry of Economy, Trade and Industry on January 14.

Since the proposed system will have great and long-lasting impacts on people’s welfare and industrial activity, we expect the government to introduce such a system only after building a solid understanding from not only industry, but also people in various positions concerning the level of burden and the method for

sharing it.

We believe that, even after introducing the system, the government should remain flexible and be ready to quickly modify the system by constantly observing the consequences of the burden on people and industry and the benefits to related industries in Japan.

Another challenge for us this year is to stabilize the use of nuclear power and to establish the nuclear fuel cycle.

Concerning steady utilization of nuclear power, it is important, in addition to building and renewing nuclear power plants, to maximize the efficiency of existing plants, in order to simultaneously achieve the three Es of energy security, economy and environmental conservation.

As for building new nuclear power plants and adding new reactors in existing sites, progress has been made in the Higashidori Unit 1 project (Tokyo Electric Power) and the Sendai Unit 3 project (Kyushu Electric Power), for example, and Shimane Unit 3 (Chugoku Electric Power) is scheduled to begin commercial operation in December this year, which will be the 55th commercial reactor in commission in Japan.

Last week, on January 12, Tokyo Electric Power published a specific plan concerning long cycle operation, following Tohoku Electric Power.

A longer operation cycle enables electric power companies to improve safety using the latest scientific and reasonable findings, thus contributing to the stability of electricity supply and the prevention of global warming.

Each electric power company is actively committed to improving the capacity factor at the existing plants by steadily implementing safe and steady operations.

Concerning the nuclear fuel cycle, we have been making good progress: Kansai Electric Power started plu-thermal (MOX) operation at the end of last year, bringing the number of such plants in Japan to four. This year, we will also

focus on the selection of candidate sites for research regarding high level radioactive waste disposal facility, which is essential to the establishment of the nuclear fuel cycle.

While working with the government and NUMO, both individual power companies and the whole industry will work to solicit understanding and make progress this year.

## 2. Additional Remarks

As I remarked at the last press conference last year, this year we celebrate the 60th anniversary since the electric power companies of Japan were established in their present form, which means we have completed a 60-year cycle.

This is the year when we must look back at the past, consolidate our foundation, and also look forward to the future and have the courage to tackle the challenges I have just mentioned.

To you, the members of the press club for energy-related issues, I would be most grateful for your support once again this year.

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