

Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman, on February 17, 2012

I am Makoto Yagi, Chairman of FEPC. Thank you for taking the time to be here today.

This month, I had the opportunity to explain the views of the electric power utilities at three committee meetings related to the electric power business. I would like to summarize our views here.

1. Expert panel for reviewing the electricity tariff system and its operation

First, I would like to explain the "Expert panel for reviewing the electricity tariff system and its operation" held on February 3.

This expert panel has been engaged in discussions to verify the current electricity tariff system and how it should be operated. For the first time, the electric power utilities were given the opportunity to explain their views in this meeting.

Electric power utility is a facility-intensive industry requiring an enormous amount of fixed assets. It is necessary to recover these investment costs steadily over a long time by means of the "overall cost-based tariff system" and continuously develop and maintain the infrastructure.

What I would like to emphasize is the fact that the overall cost-based tariff system has undergone several reforms in the past, and the system now encourages efficiency while respecting corporate autonomy, and accordingly, the electric power companies have been voluntarily streamlining their businesses.

Our achievements in streamlining include reductions in facility investment, fixed assets, employment costs, repair expenses and miscellaneous expenses, and as a result, we have lowered the electricity tariffs for our customers by approximately 20% in the past 10 years and have improved our financial standings to keep the electricity tariff as stable and as low as possible in the mid- to long-term.

I hear that a report is due to be issued next month. We hope that the system that arises from the upcoming review will be designed with room for the electric power companies to continue to make innovations and efforts at their own initiative.

We will listen to the advice of the expert panel and the opinions of society, strive for further streamlining, and also release more information to promote public understanding of the efforts of the electric power companies, to further enhance the soundness and transparency of our

business.

2. Framework for Nuclear Energy Policy

Secondly, I would like to report on what I explained at the meeting on the Framework for Nuclear Energy Policy held on February 7 last week. [Please look at Document 2*](#).

*) Document 1 is omitted on this web release.

Determined to prevent a repetition of the March 11 accident, the electric power companies have taken thorough safety measures for emergencies by adding redundancy and diversifying power supply and core-cooling functions. They have also performed stress tests to quantitatively demonstrate that the plants are sufficiently robust to withstand even incidents of unforeseeable intensity.

By combining these safety measures with organizational efforts and continuous facility improvements, the power utilities will strive to achieve the highest safety level in the world.

"Organizational efforts" refers to the establishment of a new organization for promoting safety on a continuous basis, which was mentioned during last month's press conference.

On February 1, representatives of FEPC visited the Institute of Nuclear Power Operations (INPO) to convey my intention of building a mechanism for Japanese electric power companies to not only follow regulations but also take the initiative in improving safety by themselves, to which Mr. Ellis, CEO of INPO, provided the reassurance of cooperation.

The new organization will incorporate the latest knowledge and information through collaboration with various overseas organizations, such as the INPO, and is scheduled to be launched this year.

With regard to "continuous facility improvement", we will work on preventing damage to the core and the reactor vessel, while also minimizing the long-term evacuation.

In particular, a ventilator featuring a filter to minimize the release of radioactive substances into the atmosphere will be installed to avoid the necessity for long-term evacuation of local residents and diminish soil contamination as much as possible even in the event of an accident.

While building a mechanism to constantly ensure and improve mid- to long-term safety through these measures, I will take the initiative to ensure that the mechanism works effectively, while remembering that there is no end to ensuring safety.

3. Basic Energy Policy Subcommittee of the Advisory Committee for Natural Resources and Energy

Thirdly, I would like to report on the electric power utilities' views on the optimal combination of power sources, which I explained at the Basic Energy Policy Subcommittee of the Advisory Committee for Natural Resources and Energy held on February 14 this week. [Please look at Document 3.](#)

In Japan, which imports most of its energy resources, a well-balanced combination of power sources has been developed taking into account changes in social conditions and energy policy. The electric power companies have constantly fulfilled their duty to provide high quality and inexpensive electricity to customers in a stable manner based on the 3E policy (energy security, economic efficiency and environmental conservation).

Although the Great East Japan Earthquake raised many issues, with an extremely low energy self-sufficiency rate of 4%, Japan needs to continue to work on the 3E's, and discussions on its energy policy must consider the long term, taking into account the "3 Es + S" approach, which newly incorporates "S" for safety in addition to the conventional 3E's after the March 11 accident.

As each energy source has both advantages and disadvantages, it is extremely important to secure diverse options for the future.

To do so, we will make various efforts including demand side measures, expansion of renewable energy utilization and further improvement of efficiency of thermal power generation.

Although Japan is forced to depend on thermal power generation for the time being, in order to ensure a stable supply of resources and maintain the leverage over negotiations for fuel procurement, with the backdrop of growing tensions concerning Iran, Japan must avoid overdependence on fossil fuels and secure a well-balanced combination of diverse energy resources.

We believe that Japan must continue to utilize nuclear power generation as an important power source to sustain its stable energy supply.

The electric power companies are committed to taking thorough safety measures based on the lessons learned from the March accident and on newly acquired information, in order to restore confidence among the Japanese public, including the communities that host nuclear power plants. At the same time, in using nuclear energy, we hope that the Japanese government will

firmly keep nuclear power generation as a national policy of Japan.

Lastly, I would like to say a few words on the reforms of the electric power system, which the expert committee is due to start discussing in March based on the agenda presented at the end of 2011.

Our view is that while the upcoming discussions should aim to promote competition and increase options, it is important to keep electrical power generation, transmission and distribution together under one organization of which the collective strength can be effectively utilized to ensure a stable electricity supply, and to establish mechanisms to keep the public benefits compatible with promotion of market competition.

I hope that the issue will be discussed thoroughly from a broad perspective, together with the future direction of the optimum energy combination of Japan.

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