

*TRANSLATION: This is an English translation of the Japanese original, prepared only for the convenience of shareholders residing outside Japan, and does not include the notes to the financial statements. In the case of any discrepancy between the translation and the Japanese original, the Japanese original shall prevail.*

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Securities code: 9513

June 5, 2006

Dear Shareholders

15-1, Ginza 6-chome, Chuo-ku, Tokyo

Electric Power Development Co., Ltd.

Yoshihiko Nakagaki

President and Representative Director

## **Notice of Convocation of the 54th Ordinary General Meeting of Shareholders**

We are pleased to notify you of the 54th Ordinary General Meeting of Shareholders as detailed below, and look forward to your attendance.

**Even if you are unable to attend, you can still exercise your right to vote by mail or electronic means such as the Internet. Please kindly review the attached Reference Materials for the General Meeting of Shareholders and exercise your voting right according to the instructions in “Section 4. Instructions for Voting” by Tuesday, June 27, 2006, 5:30 p.m. (Japan Standard Time).**

Sincerely,

Details

**1. Date & Time:** Wednesday, June 28, 2006, 10:00 a.m.

**2. Place:** 3-1 Shibakoen 3-chome, Minato-ku, Tokyo  
Tokyo Prince Hotel

### **3. Agenda**

**Items to be Reported:** Item 1: The Business Report, the Balance Sheet, and the Statement of Income for the 54th fiscal year (April 1, 2005-March 31, 2006)

Item 2: The Consolidated Balance Sheet and the Consolidated Statement of Income for the 54th fiscal year (April 1, 2005-March 31, 2006), in addition to the results of the audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors

### **Items to be Resolved**

**Item 1:** Approval of the proposed appropriation of retained earnings for the 54th fiscal year

**Item 2:** Partial amendment to the Articles of Incorporation

**Item 3:** Election of thirteen (13) directors

**Item 4:** Election of three (3) auditors

**Item 5:** Payment of retirement benefit to the retiring directors and auditor as well as the final payment in connection with the abolishment of officer retirement benefit system

**Item 6:** Revision of amount of remuneration for directors and auditors

#### **4. Instructions for voting**

##### **(1) Attendance at the General Meeting of Shareholders**

If attending the meeting in person, please kindly submit your voting ballot form at the reception desk.

##### **(2) Voting by proxy**

If you cannot attend the meeting in person, you may have another shareholder with voting rights (or an employee if the shareholder is a company) attend the meeting as your proxy. Please submit written verification of proxy rights at the reception desk.

##### **(3) Voting by mail**

To exercise your right to vote by mail, please mark the enclosed voting ballot form indicating whether you are for or against each resolution, and return it to us by mail.

##### **(4) Voting by electronic means**

To exercise your vote over the Internet, please refer to “Procedures for Voting over the Internet” (Omitted in this translation) and exercise your vote.

Shareholders with access to the ICJ’s Electric Voting Platform for institutional investors may vote using that platform.

##### **(5) Duplicate voting**

If duplicate votes are received through the mail and electronic means, the vote received electronically will be held as valid. If duplicate votes are received using the same means, the last vote received will be held as valid.

##### **(6) Procedure for notifying shareholders of corrections to particulars in the Reference Materials for Shareholders**

If circumstances should arise necessitating a correction to the Reference Materials for the General Meeting of Shareholders, financial statements, or consolidated financial statements attached to this notice, notification will be made at the Company’s website (<http://www.jpowers.co.jp/english>).

END

## Attachments

### **BUSINESS REPORT (April 1, 2005 - March 31, 2006)**

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#### **I. Operating Results**

##### **1. Overview of Operation**

During the period under review, the fundamental direction of the Japanese economy was toward recovery. While there were areas of concern such as a substantial rise in the price of crude oil, improvements in corporate earnings, increased capital investment, and improved employment led to an expansion in individual consumption.

In this business environment, industrial demand for electric power in Japan increased compared to the previous fiscal year as a result of demand from large-load customers in key industries such as machinery. This reflected the underlying economic recovery. Consumer demand was also higher due to an increase in demand for heating in the record cold winter weather, despite a decline in air conditioning demand because of an overall decrease in summer temperatures. As a result, combined industrial and consumer electric power demand increased in fiscal 2005 over the previous fiscal year.

Under these circumstances, electricity sales volume for hydroelectric power decreased 23.2% to 8.6 billion kWh compared to the previous fiscal year, as rainfall in the Pacific Ocean side of Western Japan and Eastern Japan was sparse in spring and summer, causing low-water flow (streamflow decrease from 118% to 90%). Demand for thermal power was stable, rising 9.5% to 54 billion kWh over the previous fiscal year due to few periodic inspections stemming from an increase in the number of days of operation. As a result, total electricity sales volume increased 3.5% over the previous fiscal year to 62.6 billion kWh.

Operating revenues for electric power sales in this period grew 3.3% compared to the previous fiscal year to ¥558,306 million, reflecting the increase in the revenues of thermal power, despite the low-water flow for hydroelectric power and a decrease in revenues from the revision of hydroelectric power and transmission contracts rates that went into effect in October 2005. Operating revenues for incidental business rose 27.7% to ¥7,709 million due to an increase in the revenues of the consulting and coal sales business. As a result, the total operating revenue grew 3.5% to ¥566,016 million. Ordinary revenues, which include non-operating revenues such as financial revenues, rose 3.8% to ¥571,234 million.

On the other hand, operating expenses were affected by negative factors such as the rise in fuel costs from soaring coal prices and long operation hours for thermal power plants, as well as increased depreciation expenses arising from a change in the depreciation methods employed by some of our thermal power plants. However, these were partially mitigated by a large drop in personnel expenses, reflecting an increase in the actual return on the company's retirement pension plans. As a result, operating expenses for electric power sales increased 6.8% compared to the previous fiscal year to ¥473,056 million. Total operating expenses including incidental business expenses rose 7.2% over the previous fiscal year to ¥480,041 million. Non-operating expenses fell 27.6% to ¥39,958 million due to a decline in interest expenses. Overall, ordinary expenses rose 3.3% to ¥520,000 million. As a result, ordinary income increased 8.1% compared to the previous fiscal year to ¥51,234 million, and after the reversal of reserve for fluctuation in water levels and deducting income taxes, the net profit was ¥33,382 million, an increase of 6.8% compared to the previous fiscal year.

## 2. Issues Facing the Company

The Company achieved the listing of its shares on the First Section of the Tokyo Stock Exchange during fiscal year 2004, and has since worked to strengthen its business foundations and expand its businesses with the goal of stable long-term growth.

In fiscal year 2005, competition in the electric power industry became increasingly intense, as the government expanded the scope of deregulation in the retail electricity supply, and the Japan Electric Power Exchange commenced operation.

The Company is taking the following initiatives in response to this business environment.

### (1) Pursuing Stable Growth in the Domestic Electricity Business

In the wholesale electric power business, which is the main domain of the Company's business, we are working to increase earning power by rigorously improving the competitiveness of our existing operating facilities by reducing various costs, taking into account the changes occurring in the business environment. Under the Third Phase of the Restructuring Plan, initiated in fiscal year 2001, we undertook to overhaul management structure for the entire group, improve employee efficiency and reduce various costs, increase our financial strength, and achieve other objectives. In fiscal year 2005, we achieved the goals that we had set out to accomplish, and the plan was completed. In the future, we will continuously implement measures to reduce costs and increase our financial strength. At the same time, we will strive to improve management efficiency and pursue continued growth by increasing sales, with a focus on wholesaling electric power to electric power companies, and maintaining and improving the competitiveness of our existing power-generation facilities.

Regarding our new facilities, construction work began in fiscal year 2005 on the Isogo New No. 2 thermal power plant (located in Kanagawa Prefecture and scheduled to commence commercial operation in July 2009, with a capacity of 600,000 kW). In addition, we are currently undergoing government safety inspections to pave the way for the start of construction of the Oma nuclear power plant in 2006 (located in Aomori Prefecture and scheduled to commence commercial operation in March 2012, with a capacity of 1,383,000 kW). For these large-scale capital projects, we will strive to adhere to construction schedules and restrain construction costs, while striving to properly allocate cash flows and achieve appropriate financing.

In response to the deregulation of the electric power industry, the Company has engaged in the wholesale electricity supply business for electric power companies through IPPs (independent power producers) (three projects with a total capacity of 520,000 kW), as well as the wholesale electricity supply business for PPSs (power producers and suppliers) (three projects with a total capacity of 320,000 kW). In addition, the Company engages in transactions on wholesale electricity exchange markets, such as the Japan Electric Power Exchange, which commenced operation in fiscal year 2005.

### (2) Steady Progress of Overseas Power Generation Business and New Businesses

In the Company's overseas power generation business, we are involved in fourteen IPP projects in five countries and regions centering on Asia, where there is projected high growth in demand for electric power. Twelve of these fourteen IPP projects are already in commercial operation (with a total capacity of 2,830,000 kW). We will continue to strive to make overseas power-generation business a second business domain of earnings, while implementing proper risk management.

As part of our efforts to develop new businesses, the Company has been working on the development of wind energy. We have at present eight wind power-generation plants in commercial operation and one under construction, which together provide a capacity of 210,000 kW. In our other businesses, in order to increase our corporate value through ensuring harmony between energy and the environment, we will aim to create new earnings bases by capitalizing on the Company's core competencies in business and technology that we have cultivated in Japan and overseas over the past half century.

(3) Response to Global Environmental Issues

As a company which owns a number of coal-fired thermal power plants, the Company is actively implementing a wide range of measures to address global warming issues. In the development of coal gasification technology, both to strengthen our competitive edge in our electric power businesses as well as to reduce CO2 emissions, we expect to complete a pilot test in fiscal year 2006, after which we will move towards commercialization of the technology. In addition to the Oma Nuclear Power Plant construction project, which will provide power without emitting CO2 during the power-generation process, we have embarked upon projects that involve power generation from wind and waste materials. We have also been pursuing initiatives overseas, such as the development of projects in anticipation of the emergence of flexible measures (such as JI, CDM and others)\* that were adopted in the Kyoto Protocol.

The Company has established a "J-POWER Group Management Plan for Fiscal Year 2006" which outlines the goals and measures we are undertaking as described in sections (1) to (3) above. Based on this plan, the Company intends to work to continuously increase our corporate value by increasing our earnings power through rigorous measures to improve management efficiency and by developing businesses in areas with growth potential.

We would like to thank our shareholders for your continued support.

\* The Joint Implementation (JI) is a mechanism that allows advanced countries to jointly implement projects to reduce emissions of, or remove carbon dioxide from the atmosphere and allows the investing countries to earn credits from the emission reductions to help achieve their numerical targets.

The Clean Development Mechanism (CDM) allows advanced and developing countries to jointly implement projects to reduce greenhouse gases in the developing country and allows the advanced country to earn credits for a portion of the reductions achieved.

**3. Capital Investment**

Total capital investment: ¥62,364 million

Major construction projects

	Power generation facilities	
Under construction	(Hydroelectric power) Tokuyama Power Plant	(153,000 kW)
Pre-construction	(Nuclear power) Oma Nuclear Power Plant	(1,383,000 kW)



#### (4) Major shareholders

Shareholder name	Number of shares held	Equity stake	Investment by the Company in shareholder	
			Number of shares held	Equity stake
	(thousands)	(%)	(thousands)	(%)
Goldman Sachs International	9,659	5.80	—	—
Japan Trustee Services Bank, Ltd. (Account in trust)	8,048	4.83	—	—
Goldman, Sachs & Co. Regular Account	7,825	4.70	—	—
Nippon Life Insurance Company	7,620	4.57	—	—
Mizuho Corporate Bank, Ltd.	7,579	4.55	—	—
UBS AG London Asia Equities	5,669	3.40	—	—
The Master Trust Bank of Japan, Ltd. (Account in Trust)	5,486	3.29	—	—
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,140	2.49	—	—
Daido Life Insurance Company	3,658	2.20	—	—
Deutsche Bank AG London 610	3,393	2.04	—	—

Note: 1.As of March 31, 2006, the Company held 10,000 shares of preferred stock in Mizuho Financial Group, the wholly owning parent company of Mizuho Corporate Bank, Ltd.

2.As of March 31,2006, the Company held 2,876,525 of common stocks (1.17% equity stake) of T&D Holdings Corporation, the wholly owning parent company of Daido Life Insurance Company.

### 3. Acquisition of Company shares for inclusion in treasury stock, and for disposal and holding of shares in treasury

#### (1) Shares acquired

Ordinary shares: 4,268

Acquisition cost: ¥15,683 thousand

#### (2) Shares disposed of:

None

#### (3) Shares cancelled:

None

#### (4) Shareholdings at closing:

Ordinary shares: 4,908

### 4. Employees

Number of employees (change from end of previous term)	Average age	Average years of service
2,132 (Down by 12)	38.6	18.1

## 5. The Company's Group

### (1) Major subsidiaries

Company name	Capital (¥ million)	Equity stake (%)	Major businesses
Bay Side Energy Co., Ltd. (Tokyo)	2,400	100	Electric power supply
Green Power Kuzumaki Co., Ltd. (Iwate Prefecture)	490	100	Construction and operation of wind power plants
Green Power Setana Co., Ltd. (Hokkaido Prefecture)	100	100	Construction and operation of wind power plants
Dream-Up Tomamae Co., Ltd. (Hokkaido Prefecture)	10	100	Construction and operation of wind power plants
Green Power Aso Co., Ltd. (Kumamoto Prefecture)	490	81	Construction and operation of wind power plants
ITOIGAWA POWER Inc. (Niigata Prefecture)	1,006	80	Electric power supply
Nagasaki-Shikamachi Wind Power Co., Ltd. (Nagasaki Prefecture)	490	70	Construction and operation of wind power plants
Nikaho-kogen Wind Power Co., Ltd. (Akita Prefecture)	100	67	Construction and operation of wind power plants
J-Wind TAHARA., Ltd. (Aichi Prefecture)	245	66	Construction and operation of wind power plants
Ichihara Power Co., Ltd. (Chiba Prefecture)	490	60	Electric power supply
JPOWER GENEX CAPITAL Co., Ltd. (Tokyo)	100	100	Management of IPP projects
JPec Co., Ltd. (Tokyo)	500	100	Construction, technical development, design, consulting, maintenance and research for thermal and nuclear power plants; unloading and transporting of coal to thermal power plants; sale of flied ash; shipping of coal for thermal power plants; research, construction and maintenance for environmental engineering; research and planning of environmental conservation
JPHYTEC Co., Ltd. (Tokyo)	500	100	Construction, technical development, design, consulting, maintenance and research for hydroelectric power plants, substations and transmission lines; surveying and compensation of construction sites; civil engineering, construction management and construction services
Kaihatsu Denshi Gijutsu Co., Ltd. (Tokyo)	110	100	Construction and maintenance of electronic and communications facilities
EPDC CoalTech and Marine Co., Ltd. (Tokyo)	20	100 (100)	Marine transportation of ash and flied ash from thermal power plants
Kaihatsu Sekkei Consultant Co., Ltd. (Tokyo)	20	100	Design and construction management of electric power facilities; engineering and construction
J-POWER RESOURCES Co., Ltd. (Tokyo)	1,000	100	Research, exploration and development of, and investments in coal mines
J-POWER AUSTRALIA PTY.LTD. (Australia)	10 million A\$	100 (100)	Investments in development projects of coal mines in Australia
JP Business Service Corporation (Tokyo)	450	100	Operation of welfare facilities; facility maintenance; business process outsourcing; development of computer software
J-Power Investment Netherlands B.V. (Netherlands)	68 million dollars	100	Management of overseas investments

Note: The equity stake values shown in parentheses are indirect holding ratios.

The total operating revenues for the major affiliated companies listed above was 270,751 million yen with a net income of 11,946 million yen for the period.



(2) Major affiliated companies

C o m p a n y n a m e	Capital	Equity stake (%)	Major businesses
Mihama Seaside Power Co., Ltd. (Chiba Prefecture)	490 million yen	50	Electric power supply
TOSA POWER Inc. (Kochi Prefecture)	2,755 million yen	45	Electric power supply
GENEX COMPANY,LIMITED (Kanagawa Prefecture)	2,800 million yen	40 (40)	Electric power supply
CBK Netherlands Holdings B.V. (Netherlands)	24 thousand dollars	50 (50)	Management of overseas investments
Gulf Electric Public Co. Ltd.. (Thailand)	6,054 million baht	49	Holding company for thermal power generation companies
TLP Cogeneration Co. Ltd.. (Thailand)	1,060 million baht	20	Electric power supply
Thaioil Power Co, Ltd. (Thailand)	2,810 million baht	19	Electric power supply
SEC HoldCo, S.A. (Spain)	121 thousand Euros	50 (50)	Operation of wind power generation facilities
Chiahui Power Corporation (Taiwan)	4,300 million NT\$	40 (40)	Electric power supply
CBK Power Co, Ltd. (Philippines)	137 million dollars	— [100]	Operation of hydroelectric companies
Gulf Power Generation Co, Ltd. (Thailand)	1,850 million baht	— [100]	Electric power supply
Nong Khae Cogeneration Co, Ltd. (Thailand)	1,241 million baht	— [100]	Electric power supply
Samutprakarn Cogeneration Co, Ltd. (Thailand)	981 million baht	— [100]	Electric power supply
Gulf Cogeneration Co, Ltd. (Thailand)	850 million baht	— [100]	Electric power supply
Gulf Yala Green Co, Ltd. (Thailand)	444 million baht	— [98]	Construction and operation of bio-mass power plants
Independent Power (Thailand) Co, Ltd. (Thailand)	1,771 million baht	— [56]	Electric power supply

Note: The equity stake values shown in parentheses are indirect holding ratios, while those shown in brackets are the ratios held by closely-related parties or parties in agreement.

(3) Changes in corporate relationships

The Company has 20 major subsidiaries as listed above and 26 equity method affiliates including major affiliates listed above.

From the current fiscal year, as companies important in the Company's medium- to long-term management strategy, Bay Side Energy Co., Ltd. and Green Power Setana Co., Ltd. were included in the scope of consolidation. Mihama Seaside Power Co., Ltd., TOSA POWER Inc., TLP Cogeneration Co., Ltd., CBK Netherlands Holdings B.V., and CBK Power Co., Ltd and other 7 companies were also included in the affiliated companies accounted for under the equity method.

## 6. Major Lenders

Lender	Loan balance as of the end of the fiscal year	Shares of the Company held by lender	
		Number of shares held	Equity stake
	(¥ million)	(thousands)	(%)
Mizuho Corporate Bank, Ltd.	80,205	7,579	4.55
Nippon Life Insurance Company	73,600	7,620	4.57
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	68,612	4,140	2.49
Sumitomo Mitsui Banking Corporation	68,000	2,555	1.53
The Norinchukin Bank	55,600	2,061	1.24

## 7. Major Facilities

(1) Head Office (Chuo-ku, Tokyo)

(2) Branches: Hokkaido Branch (Sapporo City, Hokkaido Prefecture); Eastern Japan Branch (Kawagoe City, Saitama Prefecture); Central Japan Branch (Kasugai City, Aichi Prefecture); Western Japan Branch (Osaka City, Osaka Prefecture)

(3) Major Power Plants

a. Hydroelectric (100,000 kW or more)

Okutadami, Tagokura, Otori, Shimogo (Fukushima Prefecture); Okukiyotsu, Okukiyotsu #2 (Niigata Prefecture); Numappara (Tochigi Prefecture); Shintoyone (Aichi Prefecture); Sakuma (Shizuoka Prefecture); Miboro (Gifu Prefecture); Nagano (Fukui Prefecture); Tedorigawa #1 (Ishikawa Prefecture); Ikehara (Nara Prefecture); Sendaigawa #1 (Kagoshima Prefecture)

(45 plants with output less than 100,000 kW)

b. Thermal

Isogo (Kanagawa Prefecture); Takasago (Hyogo Prefecture); Takehara (Hiroshima Prefecture), Tachibanawan (Tokushima Prefecture); Matsuura, Matsushima (Nagasaki Prefecture); Ishikawa coal-thermal (Okinawa Prefecture), Onikobe Geothermal (Miyagi Prefecture)

## 8. Directors and Auditors

The position, name, and responsibilities of each director and auditor as of March 31, 2006, are as follows.

Position	Name	Responsibilities
President (Representative Director)	Yoshihiko Nakagaki	Assistant to the president for businesses described below (Business Planning Dept., Technology Development Center, Power Sales Dept., Nuclear Power Dept., Business Development Dept.) Regional Operations (central and eastern regions)
Vice President (Representative Director)	Hisao Nakagami	Assistant to the president for businesses described below ( Power System Operation Dept., Hydropower & Transmission System Dept., Thermal Power Dept., Nuclear Power Dept. (matters under special assignment), International Activities Dept.) Regional Operations (western region)
Vice President (Representative Director)	Katsuhiko Miyashita	Assistant to the president for businesses described below (Corporate Planning & Administration Dept., Accounting & Finance Dept., Engineering Dept.)
Vice President (Representative Director)	Shinichiro Ota	Assistant to the president for businesses described below (Personnel & Employee Relations Dept., General Affairs Dept., Energy Business Dept.) Regional Operations (mid- region)
Vice President (Representative Director)	Kiyoshi Sawabe	Business Development Dept. (matters under special assignment) Global Environmental Administration (matters under special assignment) Energy Business Dept. (matters under special assignment)
Managing Director	Akinobu Yasumoto	Corporate Planning & Administration Dept. Power Sales Dept. (matters under special assignment) Procurement Administration Environmental Administration Regional operations (mid-region and western region)
Managing Director	Masayoshi Kitamura	Technology Development Center Thermal Power Dept. International Activities Dept. (matters under special assignment) Regional operations (eastern region)
Managing Director	Masashi Hatano	Accounting & Finance Dept. Oma Nuclear Power work preparatory to construction (matters under special assignment) International Activities Dept. (matters under special assignment) (also serving as Executive Officer and Engineering Dept. Director)
Director	Akio Ushio	Power Sales Dept.
Director	Yasuo Maeda	Business Planning Dept. Energy Business Dept. (full-time)
Director	Kanji Shimada	Energy Business Dept. (full-time)
Director	Yoshihiko Sakanashi	
Standing Auditor	Masayuki Hori	
Auditor	Takeshi Sone	
Auditor	Yasuo Matsushita	

- Notes: 1. Yasuo Matsushita is an outside Auditor as provided for in former Article 18, Paragraph 1 of “the Law for special provisions for the Commercial Code concerning Audit, etc. of Joint Stock Corporations.”  
2. Shinichiro Ota was appointed as a new director at the 53rd Ordinary General Meeting of Shareholders on June 29, 2005 and was installed as Vice President and Representative Director that same day.  
3. On June 29, 2005, Kiyoshi Sawabe was promoted from Managing Director to Vice President and Representative Director, and Masashi Hatano from Director to Managing Director.  
4. Vice President and Representative Director Youki Kawata retired from the board on June 15, 2005.

## 9. Amounts Paid as Remuneration to Directors and Auditors

Category	Fixed remuneration		Director bonuses approved at the General Meeting of Shareholders	
	Number of officers	Amount paid	Number of officers	Amount paid
Directors	13	¥289 million	18	¥43 million
Auditors	3	¥49 million	3	¥6 million
Total	16	¥339 million	21	¥50 million

Notes: 1. The maximum remuneration as resolved at the General Meeting of Shareholders is as follows.

Directors: ¥481 million annually (resolution of the General Meeting of Shareholders dated June 29, 1992) (excluding portion paid as salary when director also serves as employee)

Auditors: ¥80 million annually (resolution of the General Meeting of Shareholders dated June 30, 1994)

2. The amounts paid in retirement benefits this term to retiring directors and an auditor in accordance with a resolution of the General Meeting of Shareholders are as follows.

Directors: 1 individual, ¥25 million

3. "Number of officers" includes the seven retired directors and one retired auditor for the reporting term.

4. In addition to the above, ¥8 million was paid in salaries to individuals concurrently serving as employees as well as directors.

## 10. Amounts Paid as Compensation to Accounting Auditor

	Payment amount
a. Total amount of compensation paid by the Company and its subsidiaries to auditing firms	¥81 million
b. Of the amount in a), total amount of compensation paid for audit verification duties as defined in Article 2, Paragraph 1 of the Certified Public Accountant Law	¥77 million
c. Of the amount in b), amount paid in compensation by the Company to auditing firm for services as accounting auditor	¥52 million

Note: Under the Company's contracts with the auditing said firms, amounts paid for auditing under former "the Law for special provisions for the Commercial Code concerning Audit, etc. of Joint Stock Corporations" and auditing under the Securities Exchange Law are determined in lump-sum, and as such amounts cannot be distinguished in practice, the Company posts the total amount in c).

## 11. Important Corporate Matters Occurring After the End of the Fiscal Year

### Equity injection and debt guarantee for the acquisition of an interest in the Tenaska Frontier Power Project

The Company has entered into agreements on April 4, 2006 for the acquisition of a 62% interest in a gas combined cycle power plant located in Houston, Texas from Tenaska Energy, Inc. and CES Acquisitions Corp. The acquisition will be made via the Company's wholly owned subsidiary, J-POWER North America Holdings Co., Ltd.

In order to purchase the above mentioned interest, the Company established J-POWER Frontier, L.P. and J-POWER Frontier GP, LLC in April, 2006 as wholly owned subsidiary entities held through J-POWER North America Holdings Co., Ltd. The Company has also made an equity injection of 78.5 million dollars (approximately 9,000 million yen) to J-POWER North America Holdings Co., Ltd. on April 28, 2006.

Prior to non-recourse loan financing for this project being finalized, a bridge loan agreement with a maximum facility amount of 195 million dollars (approximately 22,000 million yen) was concluded on May 1, 2006 by J-POWER Frontier Capital, L.P. (a wholly owned subsidiary established in April, 2006 under J-POWER North America Holdings Co., Ltd.). The Company has provided a parent company guarantee in respect of the whole of the liabilities related to this agreement.

The Tenaska Frontier Generating Station with 3 gas turbines and 1 steam turbine has a Power Purchase Agreement to sell its entire 830-megawatt output to Exelon Generation Company, LLC until September, 2020.

## NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2006

(Unit: millions of yen)

(Assets)	
Fixed Assets	1,791,860
Power plants	1,428,485
Hydroelectric power production facilities	475,920
Thermal power production facilities	619,059
Transmission facilities	261,139
Transformation facilities	39,744
Communication facilities	9,919
General facilities	22,701
Incidental business-related property, plant & equipment	493
Non-operating property, plant & equipment	917
Construction in progress	200,807
Investments and other assets	161,155
Long-term investments	56,109
Long-term investments in affiliated companies	78,577
Long-term prepaid expenses	3,017
Deferred tax assets	23,796
Allowance for doubtful accounts	(344)
Current assets	96,473
Cash and bank deposits	6,501
Acceptance receivable	3
Accounts receivable	51,244
Accrued income	5,721
Inventories	16,471
Prepaid expenses	1,228
Short-term loans to affiliated companies	5,124
Deferred tax assets	3,801
Other current assets	6,376
Total assets	1,888,333

As of March 31, 2006

(Unit: millions of yen)

(Liabilities)	
Long-term liabilities	1,182,685
Bond	521,684
Long-term loans	625,039
Long-term accrued liabilities	961
Accrued employee retirement benefits	25,089
Other long-term liabilities	9,910
Current liabilities	305,531
Current portion of long-term debt and other	103,954
Short-term loans	23,000
Commercial paper	111,000
Accounts payable	3,495
Accrued accounts	4,254
Accrued expenses	9,961
Income and other taxes payable	16,699
Deposits received	229
Short-term debt to affiliated companies	30,099
Advances received	413
Other current liabilities	2,424
Reserves under special laws	1,399
Reserve for fluctuation in water levels	1,399
Total liabilities	1,489,616
(Shareholders' equity)	
Common stock	152,449
Capital surplus	81,852
Additional paid-in capital	81,852
Retained earnings	150,819
Legal reserve	6,029
Voluntary reserve	94,897
Reserve for loss from overseas investment, etc.	56
Reserve for special disaster	19
Exchange-fluctuation preparation reserve	1,960
General reserve	92,861
Unappropriated retained earnings at the end of the term	49,892
Unrealized gain on securities	13,613
Treasury stock	(17)
Total shareholders' equity	398,717
Total Liabilities and Shareholders' Equity	1,888,333

## NON-CONSOLIDATED STATEMENTS OF INCOME

Year ended March 31, 2006

(Unit: millions of yen)

Ordinary revenues	
Operating revenues	566,016
Electric power	558,306
Electric power sales to other companies	495,061
Transmission revenues	58,255
Other electricity revenues	4,989
Incidental business revenues	7,709
Consulting business	4,152
Coal sales business	3,209
Other incidental business	347
Non-operating revenues	5,218
Financial revenues	3,327
Dividend income	2,521
Interest income	806
Non-business revenues	1,890
Gain on sale of fixed assets	111
Other	1,779
Total ordinary revenues	571,234
Ordinary expenses	
Operating expenses	480,041
Electric power	473,056
Hydroelectric power production expenses	69,844
Thermal power production expenses	308,191
Power purchased from other companies	81
Transmission expenses	35,250
Transformation expenses	6,737
Selling expenses	1,439
Communication expenses	5,655
General and administrative expenses	38,571
Enterprise tax	7,285
Incidental business expenses	6,985
Consulting business	3,568
Coal sales business	2,998
Other incidental business	417
( Operating income )	85,974
Non-operating expenses	39,958
Financial expenses	35,737
Interest expenses	35,088
Amortization of stock issue expenses	10
Amortization of bond issue expenses	590
Amortization of bond issue discount	49
Non-business expenses	4,220
Loss on sale of fixed assets	126
Other	4,094
Total ordinary expenses	520,000
Ordinary income	51,234
(Provision for) reversal of reserve for fluctuation in water levels	(399)
Income before income taxes	51,633
Income taxes – current	20,143
Income taxes – deferred	(1,892)
Net income	33,382
Retained earnings brought from previous term	20,673
Interim dividends	4,164
Unappropriated retained earnings	49,892



## PROPOSED APPROPRIATION OF RETAINED EARNINGS

Year ended March 31, 2006

(Unit: yen)

Retained earnings	49,892,733,675
Transfer from the reserve for losses on overseas investment	50,917,069
Total	49,943,650,744
Appropriations shall be made as follows	
Dividends	4,996,940,760 (¥ 30 per share)
Bonuses to directors and auditors (to auditors)	55,200,000 (7,400,000)
Transfer to the reserve for overseas investment	1,177,776
Reserve for special disasters	4,180,480
General reserve	25,000,000,000
Balance to be carried forward	19,886,151,728

Note: The company paid an interim dividend of ¥4,164 million (¥ 30 per share) on December 1, 2005.

**Independent Auditor's Report**

The Board of Directors  
Electric Power Development Co., Ltd.

May 15, 2006

Ernst & Young Shin Nihon

Nobutaka Motohashi (seal)  
Designated and Engagement Partner Certified Public Accountant

Satoshi Tamai (seal)  
Designated and Engagement Partner Certified Public Accountant

In accordance with Article 2 (1) of “The Law for Special Provisions in the Commercial Code concerning Audits, etc. of Joint Stock Corporations,” we have audited the financial statements. That is to say, we have audited the balance sheet, the statement of income, the business report (limited to matters related to accounting), the proposal for appropriation of retained earnings, and the supplementary schedules (limited to matters related to accounting) of Electric Power Development Co., Ltd. applicable to the 54th fiscal year from April 1, 2005 to March 31, 2006. The accounting matters audited in the business report and the supplementary schedules were derived from the accounting books and records of the Company and its subsidiaries. These financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements and the supplementary schedules.

We conducted our audit in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules. We believe that our audit provides a reasonable basis for our opinion. Our audit included procedures applied to the accounts of the Company's subsidiaries as considered necessary.

As a result of our audit, our opinions are as follows:

(1) The balance sheet and statement of income present properly the assets and profits and losses of the

Company in accordance with the related regulations and the Articles of Incorporation.

As indicated in balance sheet (Note) 1., beginning in the fiscal year under review, the company has changed its depreciation method for the buildings and structures (excluding pollution control machinery and equipment) of the Matsuura thermal power plant and the Tachibanawan thermal power plant from the straight-line method to the fixed percentage on reducing balance method. This change allows the company to respond to changes in its business environment, unifying the depreciation methods of its administrative accounting, which regards its thermal electric power business as a whole, and its financial accounting for individual power-generating assets. The aim of this is to enhance the efficiency of operations, and we see it as appropriate.

- (2) the accounting matters stated in the business report present properly the Company's affairs in accordance with the related regulations and the Articles of Incorporation,
- (3) the proposal for appropriation of retained earnings is presented in accordance with the related regulations and the Articles of Incorporation, and
- (4) there is nothing to point out as to the accounting matters stated in the supplementary schedules in accordance with the provisions of the Commercial Code.

Important corporate matters occurring after closing noted in the business reports may have an important influence on the Company's assets or earnings after the term under review.

Between the Company and Ernst & Young Shin Nihon there exist no interests that should be disclosed in compliance with the Certified Public Accountants Law.

We, as an accounting auditor, continue to undertake actions under Article 2, Paragraph 2 of the Certified Public Accountants Law allowing the Audit Certificate to be submitted simultaneously to the Company.

End

## **Auditors' Report**

Having received the reports of each of the Auditors on the methods and results of the audit in regard to the performance of duties by the Directors of Electric Power Development Co., Ltd. (the "Company") for the 54th fiscal year (from April 1, 2005 to March 31, 2006), the Board of Auditors of the Company has deliberated upon and prepared this audit report as follows:

### 1. Outline of the auditing methods used by the Auditors

Each Auditor, according to, inter alia, the audit standards, the audit policy and the audit plan set up by the Board of Auditors, has attended meetings of the Board of Directors and other meetings as deemed important. In addition, each Auditor has received from Members of the Board of Directors, etc. reports on the execution of their duties, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and principal operating offices.

As for the subsidiaries of the Company, we examined their business and financial conditions, having received explanations from Members of the Board of Directors, etc., as well as having asked the subsidiaries for reports on their business conditions.

In addition, we received reports and explanations from the Accounting Auditor on their audit and examined the statutory report and the supplementary schedules.

With respect to the competitive transactions of the Members of the Board of Directors, conflict-of-interest transactions between the Company and the Members of the Board of Directors, benefits furnished by the Company other than compensation, irregular transactions with subsidiaries or shareholders and acquisition and disposal, etc., of treasury stocks, we have examined these matters by such methods as requesting for reports from the directors, etc. as needed in order to conduct a full investigation, in addition to the auditing methods mentioned above.

### 2. Results of the audit

- (1) We confirm that the auditing methods and results made by Ernst & Young Shin Nihon, the accounting auditor, are appropriate.
- (2) We confirm that the business report accurately describes the situation of the Company in accordance with all relevant laws and regulations and the Articles of Incorporation.
- (3) With respect to the proposed appropriation of retained earnings, we confirm that there is no matter that should be disclosed in light of the state of the Company's assets or other circumstances.
- (4) The supplementary schedules present fairly the information required, and we confirm that there is no other matter to be disclosed.
- (5) With respect to the performance of the Members of the Board of Directors' duties, including those associated with the Company's subsidiaries, we confirm that there has been no improper act committed, nor important violation of applicable laws and regulations or the Articles of Incorporation.

In addition, with respect to the competitive transactions of the Members of the Board of Directors,

conflict-of-interest transactions between the Company and the Members of the Board of Directors, benefits furnished by the Company other than compensation, irregular transactions with subsidiaries or shareholders and acquisition and disposal, etc., of treasury stocks, we confirm that there has been no breach in the duties of the Members of the Board of Directors.

May 18, 2006

The Board of Auditors

Electric Power Development Co., Ltd.

Masayuki Hori (seal)

Standing Auditor (Full-time)

Takeshi Sone (seal)

Auditor (Full-time)

Yasuo Matsushita (seal)

Auditor

Note: Yasuo Matsushita is an outside Auditor as provided for in Article 18, Paragraph 1 of “the Law for Special Provisions for the Commercial Code concerning Audit, etc. of Joint Stock Corporations.”

## CONSOLIDATED BALANCE SHEET

As of March 31, 2006

(Unit: millions of yen)

(Assets)	
Fixed Assets	1,827,868
Power plants	1,438,443
Hydroelectric power production facilities	481,068
Thermal power production facilities	613,349
Internal combustion power generation facilities	16,931
Transmission facilities	257,253
Transformation facilities	38,605
Communication facilities	9,170
General facilities	22,065
Other property, plant & equipment	28,336
Construction in progress	199,524
Investments and other assets	161,564
Long-term investments	114,600
Deferred tax assets	42,944
Other investments	4,018
Allowance for doubtful accounts	(0)
Current assets	136,798
Cash and bank deposits	28,961
Notes and accounts receivable	56,484
Short-term investments	1,556
Inventories	18,160
Deferred tax assets	5,635
Other current assets	25,999
Total assets	1,964,667

As of March 31, 2006

(Unit: millions of yen)

(Liabilities, Minority Interests and Shareholders' Equity)	
Long-term liabilities	1,215,033
Bond	521,684
Long-term loans	644,340
Accrued employee retirement benefits	36,233
Other allowances	417
Deferred tax liabilities	602
Other long-term liabilities	11,756
Current liabilities	313,999
Current portion of long-term debt and other	106,772
Short-term loans	24,436
Commercial paper	111,000
Notes and accounts payable	9,936
Income and other taxes payable	20,867
Other allowances	273
Deferred tax liabilities	0
Other current liabilities	40,713
Reserves under special laws	1,399
Reserve for fluctuation in water levels	1,399
Total liabilities	1,530,432
Minority interests	1,206
(Shareholders' equity)	
Common stock	152,449
Capital surplus	81,849
Retained earnings	182,760
Unrealized gain on other securities	14,050
Foreign currency translation adjustments	1,935
Treasury stock	(17)
Total shareholders' equity	433,028
Total Liabilities, Minority Interests and Shareholders' Equity	1,964,667

## CONSOLIDATED STATEMENTS OF INCOME

Year ended March 31, 2006

(Unit: millions of yen)

(Revenues)	
Operating revenues	621,933
Electric power	573,198
Other	48,734
Non-operating revenues	7,620
Dividend income	1,937
Interest income	711
Equity income of affiliates	2,042
Other	2,928
<b>Total Ordinary Revenues</b>	<b>629,553</b>
(Expenses)	
Operating expenses	520,464
Electric power	469,720
Other	50,744
( Operating income )	101,469
Non-operating expenses	41,182
Interest expenses	35,732
Other	5,449
<b>Total Ordinary Expenses</b>	<b>561,646</b>
<b>Ordinary income</b>	<b>67,906</b>
(Provision for) reversal of reserve for fluctuation in water levels	(399)
<b>Income before income taxes and minority interests</b>	<b>68,305</b>
Income taxes - current	26,151
Income taxes - deferred	(1,488)
Minority interests or losses	65
<b>Net income</b>	<b>43,577</b>



**Independent Auditor's Report**

The Board of Directors  
Electric Power Development Co., Ltd.

May 15, 2006

Ernst & Young Shin Nihon

Nobutaka Motohashi (seal)  
Designated and Engagement Partner Certified Public Accountant

Satoshi Tamai (seal)  
Designated and Engagement Partner Certified Public Accountant

In accordance with Article 19-2(3) of "The Law for special provisions for the Commercial Code concerning Audits, etc. of Joint Stock Corporations," we have audited the consolidated balance sheet and the consolidated statement of income of Electric Power Development Co., Ltd. to the 54th fiscal year from April 1, 2005 to March 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion. Our audit included procedures applied to the accounts of the Company's consolidated subsidiaries as considered necessary.

As a result of our audit, it is our opinion that the consolidated balance sheet and the consolidated statement of income present properly the consolidated financial position of the Company and consolidated subsidiaries and the consolidated results of their operations in accordance with the related regulations and the Articles of Incorporation.

As stated in "Change of Accounting Policies," starting with the fiscal year under review, the Company has changed its depreciation method for the buildings, other structures and machinery (excluding pollution control

equipment) used at the Matsuura thermoelectric power plant and the Tachibanawan thermoelectric power plant from the straight line method to the fixed percentage on reducing balance method. This change allows the company to respond to changes in its business environment, unifying the depreciation methods of its administrative accounting, which regards its thermoelectric power business as a whole, and its financial accounting for individual power-generating assets. The aim of this is to enhance the efficiency of operations, and we see it as appropriate.

Subsequent events noted in the business reports may have an important influence on the Company's assets or earnings after the term under review.

Between the Company and Ernst & Young Shin Nihon, there exist no interests that should be disclosed in compliance with the Certified Public Accountants Law.

We, as an accounting auditor, continue to undertake actions under Article 2, Paragraph 2 of the Certified Public Accountants Law allowing the Audit Certificate to be submitted simultaneously to the Company.

END

**Board of Auditors' Report**

(consolidated)

Having received the reports of each of the Auditors on the methods and results of the audit in regard to the Consolidated Financial Statements (the consolidated balance sheet and the consolidated statement of income) of Electric Power Development Co., Ltd. (the "Company") for the 54th fiscal year from April 1, 2005 to March 31, 2006, the Board of Auditors of the Company has deliberated upon and prepared this audit report, as follows:

1. Outline of the auditing methods used by the Auditors

Each Auditor audited the Consolidated Financial Statements, having received reports and briefings from the Directors and the auditors, in accordance with, inter alia, the audit standards, the audit policy and the audit plan established by the Board of Auditors.

2. Results of the audit

We confirm that the auditing methods and results made by Ernst & Young Shin Nihon, the accounting auditor, are appropriate.

May 18, 2006

Board of Auditors

Electric Power Development Co.

Masayuki Hori (seal)

Standing Auditor (Full-time)

Takeshi Sone (seal)

Auditor (Full-time)

Yasuo Matsushita (seal)

Auditor

Note: Yasuo Matsushita is an outside Auditor as provided for in Article 18, Paragraph 1 of "the Law for special provisions for the Commercial Code concerning Audit, etc. of Joint Stock Corporations."

## REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Items to be resolved and references

#### **Item 1: Approval of the proposed appropriation of retained earnings for the 54th fiscal year**

Details of this item can be found in the attached 54th fiscal year report (page 17).

Recognizing that it is necessary to continue to increase our financial strength, the Company, while adhering to a basic policy of reducing interest-bearing liabilities through enhancing our retained earnings, will allocate our internal reserves appropriately to new investments in businesses for the growth of the company.

With respect to returning profits to our shareholders, we will place our highest priority on the continued payment of stable dividends, while taking into account the results of our efforts to increase profits in the medium- to long-term.

The year-end dividend for the fiscal year ending on March 31, 2006 is based on the above policy, and with concern for the outlook of future earnings, our financial position, and the size of investments, we propose a per-share dividend of 30 yen.

The annual dividend including the interim dividend will therefore be 60 yen per share, the same amount as the annual dividend for the previous fiscal year. However, due the March 1, 2006, 1:1.2 share split, this represents a substantial increase of 6 yen per share when compared to the dividend before the split.

The bonus for directors takes into account factors such as performance for the current term, and we propose a total amount of 47,800,000 yen for the twelve (12) directors at the end of the fiscal year ending on March 31, 2006 and the one (1) director retired mid-term. In addition, we propose paying a bonus of 7,400,000 yen for the two (2) auditors at the end of the fiscal year ending on March 31, 2006, excluding the outside auditors. The total amount of bonus for directors and auditors mentioned above will be 55,200,000 yen.

#### **Item 2: Partial amendment of the Articles of Incorporation**

##### 1. Reasons for the Amendments

- (1) To clarify the management responsibilities of the Directors and to build a management framework which can quickly respond to changes in the environment, it is proposed that the term of Directors be shortened from two years to one year by making the required changes (Article 20 of the Articles of Incorporation after amendment).
- (2) To further strengthen the auditing system and promote thoroughness in auditing operations, it is proposed that the number of auditors be changed from “no more than four (4)” to “no more than five (5).” (Article 25 of the Articles of Incorporation after amendment)
- (3) The following changes are to be made in line with the Corporation Law (Law No. 86, 2005) which went into effect on May 1, 2006:
  - a. To clarify matters where there are deemed to be provisions in the Articles of Incorporation pursuant to the Law Concerning the Coordination, Etc. of Laws Relating to the Enforcement of the Corporation Law (Law No. 87 of 2005), it is proposed that the Company add provisions stating that the Company appoints a Board of Directors, Auditors, a Board of Auditors and Accounting Auditor(s) and provisions stating that the Company issues share certificates for its shares (Article 4 and 7 of the

Articles of Incorporation after amendment).

- b. To further promote the disclosure of reference materials relating to the General Meeting of Shareholders and other documents, it is proposed that the Company add a provision stating that such information is deemed to have been provided to shareholders when such reference materials for the General Meeting of Shareholders are provided via the Internet at the time of convocation of the General Meeting of Shareholders (Article 15 of the Articles of Incorporation after amendment).
- c. A new provision stating that the Company can enter into liability limitation agreements with outside auditors so that the Company will be able to recruit personnel who will be valuable to the Company is to be added (Article 31, Paragraph 2 of the Articles of Incorporation after amendment).
- d. In addition to the above, changes are to be made to amend wording, references and quotations, delete provisions, and make other required adjustments in line with the enactment of the Corporation Law.

## 2. Details of the Amendments

(Portions to be amended are underlined. Please note that some of the amendments are the matter of Japanese terminology and not reflected in this translation. Such portion is marked with asterisk (\*).)

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p style="text-align: center;"><b>CHAPTER I</b> <b>GENERAL PROVISIONS</b></p> <p>(Trade name) <b>Article 1.</b> The name of the Company shall be DENGEN KAIHATSU KABUSHIKI KAISHA and its English name shall be ELECTRIC POWER DEVELOPMENT CO., LTD.</p> <p>(Purposes) <b>Article 2.</b> The purposes of the Company shall be to undertake the following businesses in Japan and abroad: (1)~(13) Omitted</p> <p>(Head office) <b>Article 3.</b> The head office of the Company shall be located in Chuo-ku, Tokyo. (Newly established)</p> <p>(Public notice) <b>Article 4.</b> Public notices of the Company shall appear in the <i>Nihon Keizai Shimbun</i>.</p>	<p style="text-align: center;"><b>CHAPTER I</b> <b>GENERAL PROVISIONS</b></p> <p>(Trade name) <b>Article 1.</b> (Unchanged)</p> <p>(Purposes) <b>Article 2.</b> (Unchanged)</p> <p>(Head office) <b>Article 3.</b> (Unchanged)</p> <p>(Governing bodies) <b>Article 4.</b> <u>In addition to the General Meeting of Shareholders and the Directors, the Company shall appoint the following governing bodies:</u> (1) <u>Board of Directors</u> (2) <u>Auditors</u> (3) <u>Board of Auditors</u> (4) <u>Accounting Auditor(s)</u></p> <p>(Method of public notice) <b>Article 5.</b> (Unchanged)</p>	<p>This is to be added as clarification of matters deemed to be provided for in the Articles of Incorporation.</p> <p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p style="text-align: center;"><b>CHAPTER II</b> <b>SHARES</b></p> <p>(Total number of shares) <b>Article 5.</b> The total number of shares authorized to be issued shall be six hundred and sixty million (660,000,000) shares. (Newly established)</p> <p>(Acquisition by the Company of its own shares) <b>Article 6.</b> The Company may <u>purchase</u> its own shares by resolution of the Board of Directors pursuant to the provisions of <u>Article 211-3, paragraph 1, item 2 of the Commercial Code.</u></p> <p>(Number of shares constituting one unit) <b>Article 7.</b> The number of shares constituting one unit of shares of the Company shall be one hundred (100). 2. The Company shall not issue <u>any share certificates representing shares constituting less than one unit</u> (hereinafter, “<u>Shares Constituting Less than One Unit</u>”); provided, however, that the foregoing shall not apply with regard to matters provided for in the Share Handling Regulations.</p> <p>(Share Handling Regulations) <b>Article 8.</b> The kinds of share certificates to be issued by the Company <u>and registration of transfer of shares,</u> purchase of Shares Constituting Less than One Unit and other handling and fees pertaining to shares, other than as provided by law or regulation or the Articles of Incorporation, shall be governed by the Share Handling Regulations set forth by the Board of Directors.</p>	<p style="text-align: center;"><b>CHAPTER II</b> <b>SHARES</b></p> <p>(Total number of shares) <b>Article 6.</b> The total number of shares authorized to be issued shall be six hundred and sixty million (660,000,000) shares.* <u>(Issuance of share certificates)</u> <b>Article 7.</b> <u>The Company shall issue share certificates for its shares.</u></p> <p>(Acquisition by the Company of its own shares) <b>Article 8.</b> The Company may <u>acquire</u> its own shares <u>through market transactions and other applicable methods</u> by resolution of the Board of Directors pursuant to the provisions of <u>Article 165, paragraph 2 of the Corporation Law.</u></p> <p>(Number of shares constituting one unit) <b>Article 9.</b> The number of shares constituting one unit of shares of the Company shall be one hundred (100).* 2. <u>Provisions of Article 7 notwithstanding,</u> the Company shall not issue <u>share certificates representing Shares Constituting Less than One Unit;</u> provided, however, that the foregoing shall not apply with regard to matters provided for in the Share Handling Regulations.</p> <p>(Share Handling Regulations) <b>Article 10.</b> The kinds of share certificates to be issued by the Company, <u>changes in the details of shareholders recorded in the register of shareholders including the names of shareholders, etc.</u> (hereinafter, “<u>shareholders</u>” <u>includes beneficial shareholders recorded or set forth in the register of beneficial shareholders,</u> purchase of Shares Constituting Less than One Unit and other handling and fees pertaining to shares, other than as provided by law or regulation or the Articles of Incorporation, shall be governed by the Share Handling Regulations set forth by the Board of Directors.</p>	<p>This is to be added as clarification of a matter deemed to be provided for in the Articles of Incorporation. Changes are to be made to amend wording and citations in the text in line with the enactment of the Corporation Law.</p> <p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p> <p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p><u>(Record date)</u>  <b>Article 9.</b> <u>The Company shall deem the shareholder (hereinafter, including a beneficial shareholder) having voting rights as recorded or set forth in the register of shareholders (hereinafter, including the register of beneficial shareholders) at the closing thereof on March 31 of each year to be the shareholder entitled to exercise voting rights at the Ordinary General Meeting of Shareholders for such accounting period.</u></p> <p><u>2. Other than as provided in the preceding paragraph, whenever necessary, an extraordinary record date may be set by resolution of the Board of Directors with public notice thereof to be given in advance of such record date.</u></p> <p><u>(Transfer agent)</u>  <b>Article 10.</b> <u>The Company shall appoint a transfer agent with respect to the shares issued by the Company.</u></p> <p><u>2. The transfer agent and its share handling office shall be designated by resolution of the Board of Directors.</u></p> <p><u>3. The register of shareholders of the Company and the register of lost share certificates of the Company shall be kept at the share handling office of the transfer agent and the registration of transfer of shares, purchase of Shares Constituting Less than One Unit and other matters relating to shares shall be handled by the transfer agent and not by the Company.</u></p> <p style="text-align: center;"><b>CHAPTER III  GENERAL MEETING OF  SHAREHOLDERS</b></p>	<p style="text-align: center;">(Deleted)</p> <p><u>(Shareholders' Register Administrator)</u>  <b>Article 11.</b> <u>The Company shall appoint a Shareholders' Register Administrator.</u></p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;"><b>CHAPTER III  GENERAL MEETING OF  SHAREHOLDERS</b></p>	<p>In line with the enactment of the Corporation Law, provisions which affirm matters already established by law are to be deleted. In addition, provision for the record date of the Ordinary General Meeting of Shareholders is to be moved to Chapter III.</p> <p>Changes are to be made to amend wording and to delete provisions which affirm matters already established by law in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p>(Convocation of General Meeting of Shareholders)</p> <p><b>Article 11.</b> The Ordinary General Meeting of Shareholders of the Company shall be convened in the month of June each year, and an Extraordinary General Meeting of Shareholders may be convened whenever necessary, by the President in accordance with resolution of the Board of Directors.</p> <p>2. In the event the President is unable to act, one of the other Directors shall act in his stead in the order predetermined by the Board of Directors.</p> <p>3. The General Meeting of Shareholders shall be convened in any of the Wards of Tokyo. (Newly established)</p>	<p>(Convocation of General Meeting of Shareholders)</p> <p><b>Article 12.</b> (Unchanged)</p> <p><u>(Record date of Ordinary General Meeting of Shareholders)</u></p> <p><b>Article 13.</b> <u>The record date for voting rights at the Ordinary General Meeting of shareholders of the Company shall be March 31 each year.</u></p>	<p>Contents of this Article are to be moved here from Article 9 in the current Articles of Incorporation.</p>
<p>(Chairman of General Meeting of Shareholders)</p> <p><b>Article 12.</b> The President shall act as chairman of the General Meeting of Shareholders.</p> <p>2. In the event the President is unable to act, one of the other Directors shall act in his stead in the order predetermined by the Board of Directors. (Newly established)</p>	<p>(Chairman of General Meeting of Shareholders)</p> <p><b>Article 14.</b> (Unchanged)</p> <p><u>(Disclosure of reference materials, etc. for General Meeting of Shareholders via the Internet and deemed as provided)</u></p> <p><b>Article 15.</b> <u>At the time of convocation of the General Meeting of Shareholders, the Company may be deemed to have provided shareholders with necessary information that should be contained or presented in statutory documents including reference materials for the General Meeting of Shareholders, business reports, and non-consolidated and consolidated financial reports when it is disclosed via the Internet in accordance with the Ministry of Justice Ordinance.</u></p>	<p>To further promote the disclosure of reference materials relating to the General Meeting of Shareholders and other documents, this new provision is to be added.</p>



Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p>(Resolutions of General Meeting of Shareholders)</p> <p><b>Article 13.</b> Except as otherwise provided by law or regulation or by the Articles of Incorporation, resolutions of the General Meeting of Shareholders shall be adopted by a majority of the voting rights of shareholders present thereat.</p> <p>2. Any <u>special</u> resolution under <u>Article 343 of the Commercial Code</u> shall require the attendance at the relevant General Meeting of Shareholders of shareholders representing not less than one-third (1/3) of the total number of voting rights of all shareholders and shall be adopted by a majority of not less than two-thirds (2/3) of the voting rights represented thereat.</p> <p>(Exercise of voting rights by proxy)</p> <p><b>Article 14.</b> A shareholder may exercise his/her voting right by a proxy who is another shareholder of the Company entitled to vote; provided, however, that in the event a legal entity is a shareholder of the Company, <u>an</u> employee thereof may exercise voting rights as proxy for such legal entity.</p> <p>2. In the case of the preceding paragraph, such shareholder or the proxy thereof shall submit a document evidencing such proxy's authority to the Company at each General Meeting of Shareholders.</p> <p style="text-align: center;"><b>CHAPTER IV</b></p> <p style="text-align: center;"><b>DIRECTORS, BOARD OF DIRECTORS, ETC.</b></p> <p>(Number of Directors)</p> <p><b>Article 15.</b> The Company shall have no more than thirteen (13) Directors.</p>	<p>(Resolutions of General Meeting of Shareholders)</p> <p><b>Article 16.</b> Except as otherwise provided by law or regulation or by the Articles of Incorporation, resolutions of the General Meeting of Shareholders shall be adopted by a majority of the voting rights of shareholders <u>entitled to exercise voting rights</u> present thereat.</p> <p>2. Any resolution under <u>Article 309, paragraph 2 of the Corporation Law</u> shall require the attendance at the relevant General Meeting of Shareholders of shareholders representing not less than one-third (1/3) of the total number of voting rights of all shareholders <u>entitled to exercise voting rights</u> and shall be adopted by a majority of not less than two-thirds (2/3) of the voting rights represented thereat.</p> <p>(Exercise of voting rights by proxy)</p> <p><b>Article 17.</b> A shareholder may exercise his/her voting right by <u>one (1)</u> proxy who is another shareholder of the Company entitled to vote; provided, however, that in the event a legal entity is a shareholder of the Company, <u>one (1)</u> employee thereof may exercise voting rights as proxy for such legal entity.</p> <p>2. In the case of the preceding paragraph, such shareholder or the proxy thereof shall submit a document evidencing such proxy's authority to the Company at each General Meeting of Shareholders.*</p> <p style="text-align: center;"><b>CHAPTER IV</b></p> <p style="text-align: center;"><b>DIRECTORS, BOARD OF DIRECTORS</b></p> <p>(Number of Directors)</p> <p><b>Article 18.</b> (Unchanged)</p>	<p>Changes are to be made to amend wording and citations in the text in line with the enactment of the Corporation Law.</p> <p>The number of proxies is to be established in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p>(Resolutions for election of Directors)</p> <p><b>Article 16.</b> The Directors shall be elected at a General Meeting of Shareholders.</p> <p>2. Resolutions for election of Directors shall require the attendance at the relevant General Meeting of Shareholders of shareholders representing not less than one-third (1/3) of the voting rights of all shareholders and shall be adopted by a majority of the voting rights represented thereat.</p> <p>3. Resolutions for election of Directors shall not be adopted by cumulative voting.</p> <p>(Term of office of Directors)</p> <p><b>Article 17.</b> The term of office of a Director shall expire at the close of the Ordinary General Meeting of Shareholders for the last business year ending within <u>two</u> years after such Director <u>assumed office</u>.</p> <p><u>2. The term of any Director elected to fill a vacancy or to increase the number of members of the Board of Directors shall expire when the term of office of the other Directors in office shall expire.</u></p>	<p>(Resolutions for election of Directors)</p> <p><b>Article 19.</b> (Unchanged)</p> <p>2. Resolutions for election of Directors shall require the attendance at the relevant General Meeting of Shareholders of shareholders representing not less than one-third (1/3) of the voting rights of all shareholders <u>entitled to exercise voting rights</u> and shall be adopted by a majority of the voting rights represented thereat.</p> <p>3. (Unchanged)</p> <p>(Term of office of Directors)</p> <p><b>Article 20.</b> The term of office of a Director shall expire at the close of the Ordinary General Meeting of Shareholders for the last business year ending within <u>one</u> year after such Director <u>elected to office</u>.</p> <p>(Deleted)</p>	<p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p> <p>To clarify the management responsibilities of the Directors and to build a management framework which can quickly respond to changes in the environment, it is proposed that the term of Directors be shortened from two years to one year by making the required changes, including the deletion of the provision for adjusting the term of Directors. Changes are also to be made to amend wording in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p>(Representative Directors; Directors with managerial positions)</p> <p><b>Article 18.</b> The Company shall have one President, and one or more Vice Presidents and Managing Directors as needed, who shall be <u>elected</u> from among the Directors by resolution of the Board of Directors.</p> <p>2. The President shall represent the Company.</p> <p>3. In addition to the President, one or more Directors representing the Company may be <u>elected</u> by resolution of the Board of Directors.</p> <p>4. The President shall preside over the affairs of the Company in accordance with resolution of the Board of Directors.</p> <p>5. In the event the President is unable to act or the office of the President is vacant, one of the other Directors shall act as the President's proxy or in his stead in the order predetermined by the Board of Directors.</p> <p>(Meeting of the Board of Directors)</p> <p><b>Article 19.</b> A meeting of the Board of Directors shall be convened by the President who shall act as Chairman.</p> <p>2. In the event the President is unable to act, the meeting of the Board of Directors shall be convened by one of the other Directors in the order predetermined by the Board of Directors, and such Director shall act as Chairman.</p> <p>3. A meeting of the Board of Directors shall be convened by dispatching notice thereof to the respective Directors and Auditors not later than two days prior to the date on which such meeting is to be held; provided, however, that the above term may be shortened in the event of an emergency.</p> <p>4. Other matters pertaining to the meetings of the Board of Directors shall be governed by the Regulations of the Board of Directors as established by the Board of Directors.</p>	<p>(Representative Directors; Directors with managerial positions)</p> <p><b>Article 21.</b> The Company shall have one President, and one or more Vice Presidents and Managing Directors as needed, who shall be <u>selected</u> from among the Directors by resolution of the Board of Directors.</p> <p>2. (Unchanged)</p> <p>3. In addition to the President, one or more Directors representing the Company may be <u>selected</u> by resolution of the Board of Directors.</p> <p>4. (Unchanged)</p> <p>5. (Unchanged)</p> <p>(Meeting of the Board of Directors)</p> <p><b>Article 22.</b> (Unchanged)</p>	<p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p><u>(Power of the Board of Directors)</u>  <b>Article 20.</b> <u>The Board of Directors shall decide important businesses of the Company, in addition to such matters as provided for by law or regulation or the Articles of Incorporation.</u></p>	<p>(Deleted)</p>	<p>In line with the enactment of the Corporation Law, provisions which affirm matters already established by law are to be deleted.</p>
<p><u>(Method of resolutions of the Board of Directors)</u>  <b>Article 21.</b> <u>Resolutions of the Board of Directors shall require the attendance at the relevant meeting of a majority of Directors composing the Board of Directors and shall be adopted by a majority of Directors present thereat.</u></p>	<p>(Deleted)</p>	<p>In line with the enactment of the Corporation Law, provisions which affirm matters already established by law are to be deleted.</p>
<p><u>(Remuneration of Directors)</u>  <b>Article 22.</b> <u>The remuneration of Directors shall be determined by resolution of the General Meeting of Shareholders.</u></p>	<p><u>(Remuneration, etc. of Directors)</u>  <b>Article 23.</b> <u>Remuneration, bonuses and other proprietary benefits received by Directors as compensation for services rendered (hereinafter, “remuneration, etc.”) shall be determined by resolution of the General Meeting of Shareholders.</u></p>	<p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p>
<p><u>(Exemption from liabilities for Directors)</u>  <b>Article 23.</b> <u>The Company may exempt Directors (including former Directors) from liabilities relating to misconduct as provided for in Article 266, paragraph 1, item 5 of the Commercial Code to the extent permitted by law or regulation, by resolution of the Board of Directors pursuant to the provisions of Article 266, paragraph 12 of the Commercial Code.</u></p> <p>2. The Company may enter into agreements with outside Directors, which limit the amount of liability for damages of such Directors arising from <u>misconduct provided for in Article 266, paragraph 1, item 5 of the Commercial Code</u> pursuant to the provisions of <u>Article 266, paragraph 19 of the Commercial Code</u>; provided, however, that the maximum amount of liability for damages under such agreement shall be the amount provided by law or regulation.</p>	<p><u>(Exemption from liabilities for Directors)</u>  <b>Article 24.</b> <u>The Company may exempt Directors (including former Directors) from liability for damages arising from failure to perform duties to the extent permitted by law or regulation, by resolution of the Board of Directors pursuant to the provisions of Article 426, paragraph 1 of the Corporation Law.</u></p> <p>2. The Company may enter into agreements with outside Directors, which limit the amount of liability for damages of such Directors arising from <u>failure to perform duties</u> pursuant to the provisions of <u>Article 427, paragraph 1 of the Corporation Law</u>; provided, however, that the maximum amount of liability for damages under such agreement shall be the amount provided by law or regulation.</p>	<p>Changes are to be made to amend wording and citations in the text in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p style="text-align: center;"><b>CHAPTER V AUDITORS AND THE BOARD OF AUDITORS</b></p> <p>(Number of Auditors) <b>Article 24.</b> The Company shall have no more than <u>four (4)</u> Auditors.</p> <p>(Resolutions for election of Auditors) <b>Article 25.</b> Auditors shall be elected at the General Meeting of Shareholders. 2. Resolutions for election of auditors shall require the attendance at the relevant General Meeting of Shareholders of shareholders representing not less than one-third (1/3) of the voting rights of all shareholders and shall be adopted by a majority of the voting rights represented thereat.</p> <p>(Term of office of Auditors) <b>Article 26.</b> The term of office of an Auditor shall expire at the close of the Ordinary General Meeting of Shareholders for the last business year ending within four years after such Auditor <u>assumed office</u>. 2. The term of office of any Auditor elected to fill a vacancy shall expire when the term of office of the predecessor of such Auditor would have otherwise expired.</p> <p>(Full-time Auditors and Standing Auditors) <b>Article 27.</b> Full-time Auditors shall be <u>elected by the Auditors from among themselves</u>. 2. Standing Auditors may be <u>elected by the Auditors</u> from among the Full-time Auditors.</p>	<p style="text-align: center;"><b>CHAPTER V AUDITORS AND THE BOARD OF AUDITORS</b></p> <p>(Number of Auditors) <b>Article 25.</b> The Company shall have no more than <u>five (5)</u> Auditors.</p> <p>(Resolutions for election of Auditors) <b>Article 26.</b> (Unchanged) 2. Resolutions for election of auditors shall require the attendance at the relevant General Meeting of Shareholders of shareholders representing not less than one-third (1/3) of the voting rights of all shareholders <u>entitled to exercise voting rights</u> and shall be adopted by a majority of the voting rights represented thereat.</p> <p>(Term of office of Auditors) <b>Article 27.</b> The term of office of an Auditor shall expire at the close of the Ordinary General Meeting of Shareholders for the last business year ending within four years after such Auditor <u>elected to office</u>. 2. The term of office of any Auditor elected to fill a vacancy shall expire when the term of office of the predecessor of such Auditor would have otherwise expired.*</p> <p>(Full-time Auditors and Standing Auditors) <b>Article 28.</b> Full-time Auditors shall be <u>selected by resolution of the Board of Auditors</u>. 2. Standing Auditors may be <u>appointed</u> from among the Full-time Auditors <u>by resolution of the Board of Auditors</u>.</p>	<p>To further strengthen the auditing system and promote thoroughness in auditing operations, it is proposed that the number of auditors be changed from “no more than four (4)” to “no more than five (5).”</p> <p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p> <p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p> <p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p>(Meeting of the Board of Auditors)</p> <p><b>Article 28.</b> A meeting of the Board of Auditors shall be convened by dispatching notice thereof to the respective Auditors not later than two days prior to the date on which such meeting is to be held; provided, however, that the above term may be shortened in the event of an emergency.</p> <p>2. Other matters pertaining to the meeting of the Board of Auditors shall be governed by the Regulations of the Board of Auditors as established by the Board of Auditors.</p> <p><u>(Method of resolutions of the Board of Auditors)</u></p> <p><u>Article 29. Resolutions of the Board of Auditors shall be adopted by a majority of Auditors in office, unless otherwise provided for by law or regulation.</u></p> <p><u>(Remuneration of Auditors)</u></p> <p><b>Article 30.</b> The <u>remuneration</u> of Auditors shall be determined by resolution of the General Meeting of Shareholders.</p> <p><u>(Exemption from liabilities for Auditors)</u></p> <p><b>Article 31.</b> The Company may exempt Auditors (including former Auditors) from <u>liabilities</u> to the extent permitted by law or regulation by resolution of the Board of Directors pursuant to the provisions of <u>Article 280, paragraph 1 of the Commercial Code.</u></p> <p>(Newly established)</p>	<p>(Meeting of the Board of Auditors)</p> <p><b>Article 29.</b> (Unchanged)</p> <p>(Deleted)</p> <p><u>(Remuneration, etc. of Auditors)</u></p> <p><b>Article 30.</b> The <u>remuneration, etc.</u> of Auditors shall be determined by resolution of the General Meeting of Shareholders.</p> <p><u>(Exemption from liabilities for Auditors)</u></p> <p><b>Article 31.</b> The Company may exempt Auditors (including former Auditors) from <u>liability for damages arising from failure to perform duties</u> to the extent permitted by law or regulation by resolution of the Board of Directors pursuant to the provisions of <u>Article 426, paragraph 1 of the Corporation Law.</u></p> <p>2. <u>The Company may enter into agreements with outside Auditors, which limit the amount of liability for damages arising from failure to perform duties pursuant to the provisions of Article 427, paragraph 1 of the Corporation Law; provided, however, that the maximum amount of liability for damages under such agreement shall be the amount provided by law or regulation.</u></p>	<p>In line with the enactment of the Corporation Law, provisions which affirm matters already established by law are to be deleted.</p> <p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p> <p>A new provision stating that the Company can enter into limited liability agreements with outside auditors so that the Company will be able to recruit personnel who will be valuable to the Company will be added.</p> <p>Changes are also to be made to amend wording in line with the enactment of the Corporation Law.</p>

Current Articles of Incorporation	Proposed Amendment	Reason for Amendment
<p style="text-align: center;"><b>CHAPTER VI ACCOUNTING</b></p> <p>(Business year)  <b>Article 32.</b> The business year of the Company shall begin on April 1 of each year and shall end on March 31 of the following year.</p> <p>(Dividends)  <b>Article 33.</b> <u>Dividends shall be paid to the shareholders or registered pledgees whose names appear on the register of shareholders of the Company at the closing thereof on March 31 of each year.</u>            (Newly established)</p> <p>(Interim dividends)  <b>Article 34.</b> The Company may, by resolution of the Board of Directors, pay interim dividends to the shareholders or registered pledgees whose names appear on the register of shareholders of the Company at the closing thereof on September 30 of each year.</p> <p>(Prescription period for dividends, etc.)  <b>Article 35.</b> In the event that <u>any dividend or interim dividend</u> has not been received within three (3) years after the due date of such payment, the Company shall be relieved of the obligation for the payment thereof.</p> <p>2. No interest shall accrue with respect to such <u>dividends or interim dividends</u> for the period of delay stipulated in the preceding paragraph.</p>	<p style="text-align: center;"><b>CHAPTER VI ACCOUNTING</b></p> <p>(Business year)  <b>Article 32.</b> The business year of the Company shall begin on April 1 of each year and shall end on March 31 of the following year.*</p> <p>(Distribution of retained earnings)  <b>Article 33.</b> <u>With March 31 of each year as the record date, year-end dividends may be paid by resolution of the General Meeting of Shareholders.</u></p> <p>2. <u>With September 30 of each year as the record date, interim dividends may be paid by resolution of the Board of Directors.</u></p> <p style="text-align: center;">(Deleted)</p> <p>(Prescription period for dividends, etc.)  <b>Article 34.</b> In the event that <u>distribution of retained earnings in cash</u> has not been received within three (3) years after the due date of such payment, the Company shall be relieved of the obligation for the payment thereof.</p> <p>2. No interest shall accrue with respect to such <u>distribution of retained earnings in cash</u> for the period of delay stipulated in the preceding paragraph.</p>	<p>Changes are to be made to amend wording in line with the enactment of the Corporation Law. In addition, provisions relating to interim dividends are to be moved here from Article 34 in the current Articles of Incorporation.</p> <p>In line with the enactment of the Corporation Law, this Article is to be moved to the preceding Article as distribution of retained earnings.</p> <p>Changes are to be made to amend wording in line with the enactment of the Corporation Law.</p>

**Item 3: Election of thirteen (13) directors**

The term of appointment for all twelve (12) directors expires as of the end of this meeting.

In this regard, we propose the election of thirteen (13) directors, increasing the number of directors by one (1) to better pursue stable growth and improve corporate governance in response to changes in the business environment.

If Item 2 is approved, the term of directors elected in this item will be one (1) year.

The director candidates are as follows:

Candidate number	Name (Date of Birth)	Brief Personal History, Representative Positions in Other Corporations, and Position if Currently a Director of the Company	Number of Shares of the Company Held
1	Yoshihiko Nakagaki (March 10, 1938)	April 1961      Joined the Company March 1992      Power Development Dept. Director September 1995      Planning Dept. Director June 1996      Director, Planning Dept. Director June 1998      Managing Director June 2000      Vice President and Representative Director June 2001      President and Representative Director (Current position)	9,940 shares
2	Hisao Nakagami (March 13, 1941)	April 1964      Joined the Company June 1996      Nuclear Power Dept. Director June 1998      Director June 2000      Managing Director June 2003      Vice President and Representative Director (Current position)	8,600 shares
3	Katsuhiko Miyashita (April 5, 1944)	April 1967      Joined the Company June 1998      Thermal Power Construction Dept. Director June 2000      Director April 2002      Managing Director June 2004      Vice President and Representative Director (Current position)	8,000 shares
4	Shinichiro Ota (May 13, 1946)	July 1969      Joined the Ministry of International Trade and Industry (currently METI) July 2002      Commissioner of the Japan Patent Office (under the jurisdiction of METI) September 2003      Advisor to Sompo Japan Inc. June 2005      Vice President and Representative Director (Current position)	500 shares
5	Kiyoshi Sawabe (September 11, 1946)	July 1969      Joined the Company June 1998      General Affairs Dept. Director June 2001      Director June 2004      Managing Director June 2005      Vice President and Representative Director (current position)	2,820 shares
6	Masayoshi Kitamura (May 11, 1947)	April 1972      Joined the Company June 2000      Planning Dept. Director June 2001      Director, Planning Dept. Director April 2002      Director June 2004      Managing Director (current position)	5,940 shares
7	Masashi Hatano (January 19, 1947)	April 1969      Joined the Company January 2001      Thermal Power Dept. Director April 2002      Officer, Thermal Power Dept. Director June 2003      Officer, Senior Advisor June 2004      Director June 2005      Managing Director (current position)	4,540 shares
8	Yasuo Maeda (January 31, 1951)	April 1974      Joined the Company October 2002      Officer, Engineering Dept. Director June 2004      Director, Executive Officer and Engineering Dept. Director (current position)	3,380 shares



Candidate number	Name (Date of Birth)	Brief Personal History, Representative Positions in Other Corporations, and Position if Currently a Director of the Company	Number of Shares of the Company Held
9	Kanji Shimada (March 29, 1952)	April 1975      Joined the Company June 2000      New Business Development Dept. Director July 2001      Business Development Dept. Director April 2002      Executive Officer, Business Development Dept. Director June 2003      General Affairs Dept. Director June 2004      Director (current position)	3,980 shares
10	Yoshihiko Sakanashi (November 12, 1953)	April 1976      Joined the Company July 2001      Business Development Strategy Office Director October 2002   Executive Officer, Business Planning Dept. Director June 2004      Director (current position)	3,140 shares
11	Minoru Hino (November 11, 1947)	April 1971      Joined the Company June 2000      Nuclear Power Dept. Director April 2002      Executive Officer, Nuclear Power Dept Director June 2004      Executive Officer, Senior Advisor (current position)	2,500 shares
12	Masaharu Fujitomi (October 17, 1949)	April 1973      Joined the Ministry of International Trade and Industry (currently METI) September 1999 Deputy Director-General of the Agency for Natural Resources and Energy January 2001   Deputy Director-General of Nuclear and Industrial Safety Agency, the Ministry of Economy, Trade and Industry October 2002   Director of the Institute of Energy Economics, Japan June 2003      Managing Director of the Institute of Energy Economics, Japan (current position)	0 shares
13	Toshifumi Watanabe (March 10, 1955)	April 1977      Joined the Company April 2002      Planning Dept. Director and Privatization Office Director October 2002   Corporate Planning & Administration Dept. Director and Privatization Office Director June 2004      Corporate Planning & Administration Dept. Director (current position)	600 shares

- Notes: 1. Director candidate Masaharu Fujitomi is scheduled to resign his post as Managing Director at the Institute of Energy Economics, Japan, on or prior to the date of this meeting.
2. There is no conflict of interest between any of the director candidates and the Company.
3. Of the director candidates, current directors of the Company are: Yoshihiko Nakagaki, Hisao Nakagami, Katsuhiko Miyashita, Shinichiro Ota, Kiyoshi Sawabe, Masayoshi Kitamura, Masashi Hatano, Yasuo Maeda, Kanji Shimada, and Yoshihiko Sakanashi. Please see the attached document (page 11) for their areas of responsibility.

#### Item 4: Election of three (3) auditors

Auditor Takeshi Sone will retire as of the end of this meeting.

In addition, while there are currently three (3) auditors, we would like to propose that in order to strengthen the audit system we increase their number by two (2) to five (5) under the condition of the approval of Item 2. In conjunction with this, we would like to propose that three (3) auditors be elected in conformance with Article 335, Paragraph 3 of the Corporation Law requiring no less than the half of the auditors be from outside the company. This would also serve the purpose of establishing an auditing system with a multi faceted perspective. The Board of Auditors has approved this Item.

Candidates for auditors are as follows:

Candidate number	Name (Date of Birth)	Brief Personal History, Representative Positions in Other Corporations, and Position if Currently an Auditor of the Company	Number of Shares of the Company Held
1	Akio Ushio (March 28, 1950)	<p>April 1972      Joined the Ministry of Finance</p> <p>July 1998      Regional Commissioner of Hiroshima Regional Taxation Bureau</p> <p>July 1999      Deputy Director-General of Bureau of Recruitment, the Secretariat of the National Personnel Authority</p> <p>January 2002    Director-General of National Institute of Public Administration, the National Personnel Authority</p> <p>September 2002 Director-General of Equity and Investigation Bureau, the Secretariat of the National Personnel Authority</p> <p>June 2004      Director of the Company (current position)</p>	1,660 shares
2	Terukazu Inoue (January 14, 1936)	<p>March 1958      Joined Toyota Motor Sales Co., Ltd.</p> <p>September 1986 Executive Director, Toyota Motor Corporation</p> <p>September 1991 Executive Managing Director, Toyota Motor Corporation</p> <p>June 1996      Full-time Corporate Auditor, Toyota Motor Corporation</p> <p>October 1999    Chairperson of the Japan Corporate Auditors Association</p> <p>June 2003      Corporate Advisor, Toyota Motor Corporation (current position)</p> <p>June 2003      Full-time Corporate Auditor, Toyoda Gosei Co., Ltd. (current position)</p> <p>June 2003      External Executive Director, Resona Bank, Limited (current position)</p>	0 shares
3	Toshimichi Yagi (May 27, 1935)	<p>January 1960    Joined the Procurement Agency</p> <p>July 1991      Deputy Director-General of the Management and Coordination Agency</p> <p>July 1993      Director-General of Administrative Management Bureau, the Management and Coordination Agency</p> <p>July 1994      Deputy Secretary General</p> <p>July 1995      Professor, Faculty of Law, Nihon University</p> <p>May 2005      Nihon University Graduate School Part-Time Lecturer (current position)</p>	0 shares

Notes: 1.Auditor candidate Terukazu Inoue will retire as Full-time Auditor of Toyoda Gosei Co., Ltd., as of June 27, 2006.

2.There is no conflict of interest between any of the auditor candidates and the Company.

3.Of these candidates, Terukazu Inoue and Toshimichi Yagi are candidates for outside auditors.

#### **Item 5: Payment of retirement benefit to the retiring directors and auditor as well as the final payment in connection with the abolishment of officer retirement benefit system**

Directors Akinobu Yasumoto and Akio Ushio as well as auditor Takeshi Sone will retire from office as of the end of this meeting. To reward them for the services they rendered, the Board of Directors proposes to pay retirement benefit in an amount deemed reasonable in accordance with the rules prescribed by the Company. It is proposed that the Board of Directors be authorized to determine the details of the terms of the amount, and the time and method of payment for said directors, and that the auditors be authorized to determine by consultation among the auditors the details of the terms of the amount and the time and method of payment for said auditor. As part of a review of the officer remuneration system, the Company decided at its Board of Directors Meeting on May 22, 2006, to abolish the officer retirement benefit system as of the end of this meeting. The Board of Directors therefore proposes that should Item 3 be passed, the ten (10) reappointed directors (Yoshihiko Nakagaki, Hisao Nakagami, Katsuhiko Miyashita, Shinichiro Ota, Kiyoshi Sawabe, Masayoshi Kitamura, Masashi Hatano, Yasuo Maeda, Kanji Shimada, and Yoshihiko Sakanashi) as well as the one (1) auditor in office (Masayuki Hori), excluding the outside auditor, be paid a retirement benefit deemed reasonable in accordance with the rules prescribed by the Company to reward them for the services they have rendered, each

in accordance with the time of appointment from installation until the end of the meeting today. It is proposed that the timing of the payment shall be the time of retirement for each director and auditor, that the Board of Directors be authorized to determine the details of the terms of the amount and method of payment for the directors, and that the auditors be authorized to determine by consultation among the auditors the details of the terms of the amount and method of payment for the auditor.

Should this Item be approved, the total estimated amount that would be paid out for the retirement benefit is 320 million yen.

A brief history of the retiring directors and auditor follows:

Name	Brief History
Akinobu Yasumoto	June 2001 Director June 2004 Managing Director (current position)
Akio Ushio	June 2004 Director (current position)
Takeshi Sone	June 2003 Auditor (current position)

A brief history of the directors and auditors who would receive the final payment follows:

Name	Brief History
Yoshihiko Nakagaki	June 1996 Director June 1998 Managing Director June 2000 Vice President and Representative Director June 2001 President and Representative Director (current position)
Hisao Nakagami	June 1998 Director June 2000 Managing Director June 2003 Vice President and Representative Director (current position)
Katsuhiko Miyashita	June 2000 Director April 2002 Managing Director June 2004 Vice President and Representative Director (current position)
Shinichiro Ota	June 2005 Vice President and Representative Director (current position)
Kiyoshi Sawabe	June 2001 Director June 2004 Managing Director June 2005 Vice President and Representative Director (current position)
Masayoshi Kitamura	June 2001 Director June 2004 Managing Director (current position)
Masashi Hatano	June 2004 Director June 2005 Managing Director (current position)
Yasuo Maeda	June 2004 Director (current position)
Kanji Shimada	June 2004 Director (current position)
Yoshihiko Sakanashi	June 2004 Director (current position)
Masayuki Hori	June 2004 Standing Auditor (current position)

**Item 6: Revision of amount of remuneration for directors and auditors**

The maximum amount of annual remuneration has not changed since an annual remuneration was approved for of maximum of 481 million yen for directors (excluding employee salaries for those also working as employees) at the 40th Ordinary General Meeting of Shareholders on June 29, 1992, and a maximum of 80 million yen for auditors at the 42nd Ordinary General Meeting of Shareholders on June 30, 1994. Considering the general circumstances such as the revision of the officer remuneration system by abolishing bonuses from the retained earnings and the officer retirement benefit system, as well as the number of directors and auditors should items 3 and 4 be approved, we propose that the annual remuneration for directors (a fixed monthly salary calculated according to position and once-yearly performance pay) be revised to a maximum of 625 million yen (excluding employee salaries for those also working as employees) and for auditors (a fixed monthly salary calculated according to position) to a maximum of 120 million yen.

The current number of directors is twelve (12) and auditors are three (3). Should items 3 and 4 be approved, this will be amended to thirteen (13) directors and five (5) auditors as of the end of this meeting.

END