

*TRANSLATION: This is an English translation of the Japanese original, prepared only for the convenience of shareholders residing outside Japan. Please note that the notes to the financial statements are abbreviated in this translation. The original Japanese version will prevail should there be any difference in the meaning between the English version and the Japanese version. ELECTRIC POWER DEVELOPMENT CO., LTD. does not guarantee the accuracy and/or the completeness of the translation and shall have no liability for any errors or omissions therein.*



June 4, 2007

To Our Shareholders

Yoshihiko Nakagaki  
President and Representative Director  
Electric Power Development Co., Ltd. (J-POWER)  
15-1, Ginza 6-chome, Chuo-ku, Tokyo  
(Securities code: 9513)

### **Notice of Convocation of the 55<sup>th</sup> Ordinary General Meeting of Shareholders**

Notice is hereby given that the 55<sup>th</sup> Ordinary General Meeting of Shareholders of Electric Power Development Co., Ltd. (the “Company”) will be held as specified below. All shareholders of the Company are cordially invited to attend.

**If you are unable to attend the meeting, please note that you may exercise your voting rights either via postal mail or via electronic means (via the Internet, etc.), in which case we ask that you review the attached “Reference Materials for the General Meeting of Shareholders,” and, following the instructions provided in Section 4, below (Instructions for Voting), submit your votes no later than 5:30 p.m. on Tuesday, June 26, 2007 (Tokyo time).**

#### **Notice**

- 1. Date & Time:** Wednesday, June 27, 2007 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 and the Consolidated Financial Statements for the 55<sup>th</sup> fiscal year (April 1, 2006, through March 31, 2007), in addition to the result of the audit of the

Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors

Item 2: The Non-consolidated Financial Statements for the 55<sup>th</sup> fiscal year (April 1, 2006, through March 31, 2007)

**Items to be Resolved:**

**<Items from the Company (Items 1 through 3)>**

- Item 1:** Distribution of surplus
- Item 2:** Election of thirteen (13) Directors
- Item 3:** Election of three (3) Corporate Auditors

**<Items from Shareholders (Item 4)>**

- Item 4:** Approval of Dividend  
An outline of the proposal is provided on pages 46 of the “Reference Materials for the General Meeting of Shareholders,” attached.

**4. Instructions for Voting**

(1) Attending the General Meeting of Shareholders

If you will be attending the General Meeting of Shareholders, please submit the Exercise of Voting Rights form at the reception desk.

(2) Voting by Proxy

If you are unable to attend the General Meeting of Shareholders in person, you may assign another shareholder holding voting rights as your representative to attend the meeting in your place (if the shareholder is a corporation, then an employee of the corporation). Please have your representative submit a document certifying power of proxy at the reception desk.

(3) Voting via Postal Mail

To exercise your voting rights via postal mail, please indicate “for” or “against” for each item on the Exercise of Voting Rights form, and return it to us via postal mail.

(4) Exercise of Voting Rights Electronically

To exercise your voting rights via the Internet, please refer to the attached “Procedure for Exercising Voting Rights via the Internet” (abbreviated in this translation).

Shareholders participating in the ICJ’s Electric Voting Platform for institutional investors may vote using that platform.

(5) Handling of Duplicate Votes

If a shareholder has exercised their voting right in duplicate, both via postal mail and via electronic means, the vote submitted via electronic means shall be considered valid; if the duplicate votes were both submitted using the same method, then the vote submitted last shall be taken as valid.

(6) Informing Shareholders of Changes to Items in the Reference Materials for the General Meeting of Shareholders, etc.

Should any circumstances arise that require a revision of the Reference Materials for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements, and the Consolidated Financial Statements, revised items will be posted on the Company web site (<http://www.jpowers.co.jp/english>), and such posting shall serve as notification of said changes.

<p>The Company is formed under the laws of Japan, and the General Meeting of Shareholders shall be conducted in Japanese, and in accordance with the laws of Japan.</p>
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(Attachments)

**BUSINESS REPORT (April 1, 2006, through March 31, 2007)**

**I. Items Regarding Status of Group Operations**

**1. Overview of Operations**

While the Japanese economy during this period saw a slowdown in growth in consumer spending, with corporate earnings and capital investment both increasing, the economy as a whole continued on the track to recovery.

At the same time, demand for electric power was affected by the record warm winter, bringing a decrease in demand for heating, but, in a further reflection of the recovering economy, industrial demand from large-load customers increased from the previous period, pushing overall demand for this period slightly above the previous period.

In the wholesale electric power business, hydropower electricity sales volume increased by 23.9% to 10.6 billion kWh due to higher-than-average streamflow (water flow rates increased from 90% to 112%), but thermal electricity sales volume decreased by 11.1% to 48.0 billion kWh as a result of a decrease of the load factor due to periodic inspections. As a result, electricity sales volume in the wholesale electric power business, combining hydropower and thermal power, decreased by 6.3% from the previous period to 58.6 billion kWh.

In the other electric power business, while Green Power Setana Co., Ltd.'s Setana Seaside Wind Power Farm went on line for the full fiscal year, and Green Power Koriyama-Nunobiki Co., Ltd.'s Koriyama-Nunobiki Kogen Wind Farm started operations (in February, 2007), electricity sales volume decreased by 2.6% to 1.7 billion kWh due to a decrease of the load factor at both IPP (Independent Power Producers) power plants and power plants selling electricity to PPSs (Power Producers and Suppliers). As a whole, electricity sales volume in the electric power business decreased by 6.2% from the previous period to 60.3 billion kWh.

Operating revenues decreased by 7.8% from the previous period to 573.3 billion yen, due in part to revised rates effective from October 2005 on hydropower and transmission contracts, as well as the lower load factor at our thermal power plants due to periodic inspections. Non-operating revenue increased by 70.8% to 13.0 billion yen due to an increase in equity method profits from overseas business. As a result, ordinary revenues decreased by 6.9% from the previous period to 586.3 billion yen.

Operating expenses decreased by 4.7% from the previous period to 496.1 billion yen due to a decrease of depreciation expenses, and fuel costs resulting from the lower load factor at our thermal plants, despite an increase of repair costs at our thermal power plants as a result of periodic inspections, and personnel costs related to pension benefit liabilities. Non-operating expenses also decreased by 15.9% from the previous period to 34.7 billion yen due to lower interest payments. As a result, total ordinary expenses decreased by 5.5% to 530.8 billion yen

from the previous period.

As a result, ordinary income decreased by 18.2% to 55.5 billion yen, and after the provision for reserve for fluctuation in water levels from high water flows, net income decreased by 19.3% from the previous period to 35.2 billion yen.

Overall, with its wholesale electric power business as its core business, the Company and its subsidiaries and affiliates (collectively, the “Group”) saw its group operations expand successfully in a wide variety of operations.

## **2. Current Challenges**

### **(1) Non-Compliance Issues**

Since November 2006, the Company has received various orders and requests for investigation into the possible existence of deficiencies in mandated procedures, manipulation of power plant data, and other issues, from both central and local governments, in response to which we established an Inspection and Investigations Management Task Force, under the auspices of the company-wide Compliance Committee. At the same time, we set up sub-groups in each of our hydropower and thermal power divisions, and conducted inspections and further investigations, under the advice and appraisal of outside experts. As a result, we found that there were indeed cases of mishandling in our hydropower and thermal power divisions, including manipulation of data, and deficiencies in meeting required procedures, and we were subsequently served by the relevant government agencies with severe warnings, and orders to revise our safety regulations.

In addition, we received official guidance from the Japan Coast Guard regarding three specific incidents representing infringement of environmental laws concerning marine pollution and other areas (the incidents took place at the Oma Nuclear Power Project Construction Preparation Office, the Isogo Thermal Power Plant, and the Takehara Thermal Power Plant).

We would like to offer our deepest apologies for causing these non-compliance issues, which damaged the trust relationship between us and not only our shareholders, but the public at large as well. We take the situation seriously, and upon the most sincere reflection, have implemented cuts in Directors’ remuneration, and taken other steps in terms of management responsibility. With these steps in place, we would like to work to regain the public trust, and assure prevention of any recurrence of such incidents, by strengthening compliance, establishing and effectively managing internal control systems, and implementing changes to our corporate culture and the attitudes of our employees.

### **(2) Efforts Towards New Growth**

Regarding the environment surrounding our business today, while the creation of conditions for competition in a free market continues to move forward, growth in the domestic market for electric power is lower, and as the world prepares to address global environmental

issues with the start of the first commitment period of the Kyoto Protocol in 2008, signs are apparent of major changes ahead.

Given these circumstances, we have established our “2007 J-POWER Group Management Plan,” outlined in sections (a) through (e), below, and as a group, intend to work toward maximization of the corporate value.

(a) Steady Growth in Power Generation Facilities

The Group currently holds domestic power generation capacity of about 17 million kW and transmission facilities, and continues to strive to provide a stable supply of electric power. Further, we are developing new facilities, including the Isogo New No. 2 thermal power plant (located in Kanagawa Prefecture, and scheduled to start commercial operation in July, 2009, with a capacity of 600,000 kW), for which construction began in fiscal year 2005, and the Oma nuclear power plant (located in Aomori Prefecture, and scheduled to start commercial operation in March, 2012, with a capacity of 1,383,000 kW), for which we are currently undergoing government safety inspections prior to the start of construction in fiscal year 2007. Construction on these large-scale capital projects will proceed with a primary emphasis on safety, while we work to adhere closely to project schedules and restrain construction costs.

(b) New Project Development with Technology Innovation

As the owner of many coal-fired power plants, the Group is under increasing pressure to take measures to address the issue of global warming, and in terms of the coexistence of energy and the environment, the question of how to continue to utilize coal resources is a significant one.

In our development of integrated coal gasification combined cycle (IGCC) for the reduction of CO<sub>2</sub>, we completed pilot testing in fiscal year 2006, and in fiscal year 2007 will begin zero emissions testing, aimed primarily at CO<sub>2</sub> recovery. We will also undertake large-scale proof of concept testing in collaboration with The Chugoku Electric Power Company. Further, in the future we expect to be adapting to other technologies, including the growing use of synthetic fuels, and hybrid power technology that combines fuel cells with integrated coal gasification fuel cells (IGFC). These efforts will be tied to the implementation of our projects to replace existing thermal power plants.

(c) Enhancing the Value of Business Assets

For our wholesale electric power business, the main business of the Group, we believe that our ability to raise overall corporate value lies in increasing the efficiency of our existing power plants, thus we are working to invest in the renewal of aging facilities as we improve their efficiency and lower costs.

Among these, we aim to improve the value of our power generation facilities by

investing in plant improvements, including the management of maintenance operations and a renewal of primary equipment. For power transmission facilities, recognizing the importance of this infrastructure to the electric power industry overall, we are working to ensure fairness and transparency, while properly operating and maintaining that infrastructure.

Through these efforts, we hope to improve management efficiency and build growth by raising the economic efficiency and reliability of our facilities, while also enhancing their environmental capabilities, and greatly strengthen our sales, which are focused on wholesale to electric power companies, building the competitiveness of our existing power sources for the long term.

#### (d) Global Business Expansion

In the overseas power generation business, using the technology, human resources, and networks we have built in each country through our overseas consulting business, we are participating in 17 IPPs in 7 countries and regions, focused in Asia, where high growth in demand for electric power is expected. Of these, 16, totaling about 5,750,000 kW, are already in operation.

Moving forward, while managing risk appropriately, we will continue strengthening our sales and management system, making use of our dry desulphurization and other environmental technology, while working in combination with our coal sales business to create new revenue growth that can serve as a second core business for the Group.

#### (e) Power Generation as the Core of a Diversified Business

While power generation is the core competence of the Group, we are also working to diversify our business. On the environmental side, we are developing renewable energy resources, including wind power (12 power generation facilities in operation domestically and abroad, with one facility under construction, for a total of about 320,000 kW), and power generation from waste, while overseas, we are working on development projects that will help bring concrete shape to the flexible measures (JI, CDM<sup>\*1</sup>, etc.) incorporated in the Kyoto Protocols.

Further, in response to the deregulation of the power market, we are engaged in efforts to supply wholesale electricity to electric power companies (EPCOs) through IPPs (3 projects, 520,000 kW), and supplying wholesale power to PPSs (3 projects, 320,000 kW), in addition to conducting transactions on the Japan Electric Power Exchange, which began operations in 2005. Going forward, using our capability in procuring and transporting coal, we plan to further expand our current coal sales business, and we will continue our efforts in non-energy business areas, including the PFI<sup>\*2</sup> scheme-based water supply business, the dry desulphurization engineering business, and others.

Note 1: JI (Joint Implementation) is a mechanism that allows advanced countries to jointly implement CO<sub>2</sub> emissions reduction and recovery projects, enabling

the investing countries to earn credits from the emissions reductions that can then help them achieve their numerical targets.

CDM (Clean Development Mechanism) allows advanced countries and developing nations to collaborate on projects to reduce greenhouse gases in developing countries, with the advanced countries earning credits for a portion of the reductions achieved.

Note 2: PFI (Private Finance Initiative) is a method for using private sector capital, management expertise, and technical capabilities in the construction, operation, and maintenance of public facilities.

### 3. Capital Investment

Total capital investment 90.704 billion yen

#### Primary Construction Projects

Category	Power Generation Facility	
Under Construction	(Hydropower) Tokuyama Power Plant*	(153,000kW)
Under Construction	(Thermal Power) Isogo New No.2 Thermal Power Plant	(600,000kW)
Preparing for Start of Construction	(Nuclear Power) Oma Nuclear Power Plant	(1,383,000kW)

\*Once the Tokuyama Dam is completed (scheduled for the end of fiscal year 2007), Chubu Electric Power Company will become the primary corporate entity.

### 4. Financing Activities

A combination of corporate bond issues and long-term loans was used, primarily to fund capital investment and pay down interest-bearing debt.

Category	Amount	Remarks
Corporate Bonds	90,000 million yen	Domestic straight bonds
Long-term Loans	62,811 million yen	
Total	152,811 million yen	

## 5. Trend in Assets and Profit/Loss

### (1) Trend in Assets and Profit/Loss (Consolidated)

Category	52 <sup>nd</sup> Term FY2003	53 <sup>rd</sup> Term FY2004	54 <sup>th</sup> Term FY2005	55 <sup>th</sup> Term FY2006
Operating revenues (millions of yen)	569,854	594,375	621,933	573,277
Ordinary income (millions of yen)	44,446	57,093	67,906	55,513
Net income (millions of yen)	27,623	35,559	43,577	35,167
Earnings per share (yen)	304.88	255.01	260.76	211.14
Total assets (millions of yen)	2,076,107	2,021,655	1,964,667	1,999,794
Net assets (millions of yen)	359,645	391,327	433,028	462,654

Notes:

1. Figures reflect application of the "Accounting Standard for Current Net Profit Per Share" (Corporate Accounting Standard Part 2, final revision January 31, 2006) and the "Policy for Applying the Accounting Standard for Current Net Profit Per Share" (Policy For Applying Corporate Accounting Standard Part 4, final revision January 31, 2006).
2. Figures for the 52<sup>nd</sup> Term reflect an increase in capital due to a third party allocation of 68,208,000 shares on December 18, 2003.
3. Figures for the 54<sup>th</sup> Term reflect a 1:1.2 stock split carried out on March 1, 2006.
4. Figures for the 55<sup>th</sup> Term reflect application of the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standard Part 5, December 9, 2005) and the "Policy for Applying the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Policy for Applying the Corporate Accounting Standard Part 8, December 9, 2005).

### (2) Trend in Assets and Profit/Loss (Non-consolidated)

Category	52 <sup>nd</sup> Term FY2003	53 <sup>rd</sup> Term FY2004	54 <sup>th</sup> Term FY2005	55 <sup>th</sup> Term FY2006
Operating revenues (millions of yen)	552,595	546,702	566,016	517,273
Ordinary income (millions of yen)	33,522	47,415	51,234	37,540
Net income (millions of yen)	21,718	31,266	33,382	23,897
Earnings per share (yen)	240.25	224.89	200.08	143.48
Total assets (millions of yen)	2,004,703	1,949,660	1,888,333	1,893,678
Net assets (millions of yen)	338,336	370,137	398,717	411,789

Notes:

1. Figures reflect application of the "Accounting Standard for Current Net Profit Per Share" (Corporate Accounting Standard Part 2, final revision January 31, 2006) and the "Policy for Applying the Accounting Standard for Current Net Profit Per Share" (Policy For Applying Corporate Accounting Standard Part 4, final revision January 31, 2006).
2. Figures for the 52<sup>nd</sup> Term reflect an increase in capital due to a third party allocation of 68,208,000 shares on December 18, 2003.
3. Figures for the 54<sup>th</sup> Term reflect a 1:1.2 stock split carried out on March 1, 2006.
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## 6. Principal Subsidiaries (As of March 31, 2007)

Company Name	Capitalization (millions of yen)	Equity Share (%)	Primary Areas of Business
Bay Side Energy Co., Ltd	2,400	100	Electric power supplier
Green Power Kuzumaki Co., Ltd.	490	100	Wind power facilities construction and operation
Green Power Setana Co., Ltd.	100	100	Wind power facilities construction and operation
Green Power Koriyama-Nunobiki Co., Ltd.	100	100	Wind power facilities construction and operation
Dream-Up Tomamae Co., Ltd.	10	100	Wind power facilities construction and operation
Green Power Aso Co., Ltd.	490	81	Wind power facilities construction and operation
ITOIGAWA POWER Inc.	1,006	80	Electric power supplier
Nagasaki-Shikamachi Wind Power Co., Ltd.	490	70	Wind power facilities construction and operation
Nikaho-kogen Wind Power Co., Ltd.	100	67	Wind power facilities construction and operation
J-Wind TAHARA., Ltd.	245	66	Wind power facilities construction and operation
Ichihara Power Co., Ltd.	600	60	Electric power supplier
JPOWER GENEX CAPITAL Co., Ltd.	100	100	Management of IPP joint venture projects
JPec Co., Ltd.	500	100	Construction, engineering, design, consulting, and maintenance inspections for thermal and nuclear power plants; unloading and transport of coal for thermal plants, sales of fly ash, and marine transport of coal fuel for electricity generation; study, implementation, and maintenance management of forestation landscaping; environmental protection studies and planning.
JPHYTEC Co., Ltd.	500	100	Consulting, engineering, design, consulting, and maintenance inspections for hydropower plants and power transmission facilities; real estate indemnity, land surveying, civil engineering work, general architecture, project management.
Kaihatsu Denshi Gijutsu Co., Ltd.	110	100	Installation and maintenance of electronic and communications equipment
EPDC CoalTech and Marine Co., Ltd.	20	100 (100)	Marine transport of coal ash, fly ash
Kaihatsu Sekkei Consultant Co., Ltd.	20	100	Civil engineering, general architecture, power generation facility design, project supervision.
J-POWER EnTech Co., Inc.	120	100	Engineering of equipment for removal of atmospheric and water pollutants.
J-POWER RESOURCES Co., Ltd.	1,000	100	Coal surveying, prospecting, and development, and related investments.
J-POWER AUSTRALIA PTY.LTD.	10 (million AUD)	100 (100)	Investment in coal mine development projects in Australia.
JP Business Service Corporation	450	100	Operation of public welfare facilities; building maintenance; administrative, labor, and accounting services; computer software development.
J-Power Investment Netherlands B.V.	68 (million USD)	100	Management of overseas investments
J-POWER INVESTMENT U.K. LIMITED	5 (thousand USD)	100	Management of overseas investments
J-POWER North America Holdings Co., Ltd.	1 (USD)	100	Management of overseas investments
J-POWER Holdings(Thailand) Co., Ltd.	2,968 (million bahts)	100 (100)	Management of overseas investments

Company Name	Capitalization (millions of yen)	Equity Share (%)	Primary Areas of Business
J-POWER Generation(Thailand)Co., Ltd.	39 (million bahts)	100 (100)	Management of overseas investments
J-POWER USA Investment Co., Ltd.	8 (USD)	100 (100)	Management of overseas investments
J-POWER USA Development Co., Ltd.	1 (USD)	100 (100)	Research and development of overseas investments
Omuta Plant Service Co., Ltd.	50	100	Operation and maintenance of waste power generating facility
Japan Network Engineering Co., Ltd.	50	100	Telecommunications; operation and maintenance of telecommunications facilities.
Kaihatsu Hiryou Co., Ltd.	25	100 (100)	Production of coal ash-based fertilizer
Kaihatsu Hiryou Hanbai Co., Ltd.	20	100 (100)	Production of coal ash-based fertilizer

Notes:

1. Equity share in parentheses indicates level of indirect holdings.
2. In recognition of the critical importance of consolidated results, we have consolidated all subsidiaries starting with this period.
3. Including the key subsidiaries listed above, we have 55 consolidated subsidiaries, and 32 equity-method affiliate companies.
4. In April, 2007, Kaihatsu Hiryou Hanbai Co., Ltd. was absorbed in a merger with Kaihatsu Hiryou Co., Ltd..

## 7. Principal Areas of Operation

The Group is comprised of three business segments, centered on its main electric power business. The other segments are the “electric power-related businesses,” which complement the electric power business and contribute to its smooth and efficient operation, and “other businesses,” which utilize the management resources and expertise of the Group.

Segment	Prinsipal Areas of Activity
Electric Power Business	Wholesale electric power business, other electric power businesses
Electric Power-Related Businesses	Design, installation, inspection, and repair of power generation equipment for power plants; operation of port facilities for fuel and coal ash; coal mine development; coal importing and transport; operation of welfare facilities; computer services.
Other Businesses	Investment in overseas power generation; waste power generation; thermal and electric supply systems; environment-related businesses; information technology; domestic and overseas engineering and consulting.

A brief overview of income and expenditures (before deletion of internal transactions between segments) is provided below.

(Electric Power Business)

In our wholesale power business, as a result of a reduction in the load factor due to periodic inspections at thermal power plants, sales decreased by 8.3% from the previous period to 527.0 billion yen.

Operating income decreased by 29.4% from the previous period to 61.4 billion yen due to an increase of repair costs at our thermal power plants as a result of periodic inspections, and personnel costs related to pension benefit liabilities, despite a decrease of depreciation expenses, and fuel costs resulting from the lower load factor at our thermal plants.

(Electric Power Related Businesses)

With the addition of revenue from subsidiaries newly consolidated in this period, operating revenues increased by 4.1% from the previous period to 250.1 billion yen. Cost reductions at consolidated subsidiaries also contributed to an increase of 16.3% in operating income over the previous period to 15.6 billion yen.

(Other Businesses)

With the addition of revenue from subsidiaries newly consolidated in this period, operating revenues increased by 68.9% from the previous period to 28.5 billion yen. Operating income, boosted by the increase in revenue, increased 0.8 billion yen from the previous period to 1.2 billion yen.

**8. Principal Business Locations** (As of March 31, 2007)

(1) The Company's Principal Offices and Power Plants

(a) Offices

Office Name		Location
Head Office		Chuo-ku, Tokyo
Branches	Hokkaido Branch	Sapporo, Hokkaido
	Eastern Japan Branch	Kawagoe, Saitama Prefecture
	Central Japan Branch	Kasugai, Aichi Prefecture
	Western Japan Branch	Osaka, Osaka Prefecture

## (b) Power Plants

Sector	Power Plant Name (Location)
Hydropower (Output greater than 100,000 kW)	Okutadami, Tagokura, Otori, Shimogo (all in Fukushima Prefecture), Okukiyotsu, Okukiyotsu #2 (both in 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 other plants with output below 100,000 kW)
Thermal Power	Isogo (Kanagawa Prefecture), Takasago (Hyogo Prefecture), Takehara (Hiroshima Prefecture), Tachibanawan (Tokushima Prefecture), Matsuura, Matsushima (both in Nagasaki Prefecture), Ishikawa coal-thermal (Okinawa Prefecture), Onikobe Geothermal (Miyagi Prefecture)

## (2) Location of Principal Subsidiaries

Company Name	Head Office Location
Bay Side Energy Co., Ltd	Chuo-ku, Tokyo
Green Power Kuzumaki Co., Ltd.	Kuzumaki-cho, Iwate-gun, Iwate Pref.
Green Power Setana Co., Ltd.	Setana-cho, Kudo-gun, Hokkaido
Green Power Koriyama-Nunobiki Co., Ltd.	Koriyama, Fukushima Pref.
Dream-Up Tomamae Co., Ltd.	Tomamae-cho, Tomamae-gun, Hokkaido
Green Power Aso Co., Ltd.	Nishihara, Aso-gun, Kumamoto Pref.
ITOIGAWA POWER Inc.	Itoigawa, Niigata Pref.
Nagasaki-Shikamachi Wind Power Co., Ltd.	Shikamachi-cho, Kitamatsuura-gun, Nagasaki Pref.
Nikaho-kogen Wind Power Co., Ltd.	Nikaho, Akita Pref.
J-Wind TAHARA., Ltd.	Tahara, Aichi Pref.
Ichihara Power Co., Ltd.	Ichihara, Chiba Pref.
JPOWER GENEX CAPITAL Co., Ltd.	Chuo-ku, Tokyo
JPec Co., Ltd.	Chuo-ku, Tokyo
JPHYTEC Co., Ltd.	Chiyoda-ku, Tokyo
Kaihatsu Denshi Gijutsu Co., Ltd.	Bunkyo-ku, Tokyo
EPDC CoalTech and Marine Co., Ltd.	Chuo-ku, Tokyo
Kaihatsu Sekkei Consultant Co., Ltd.	Nakano-ku, Tokyo
J-POWER EnTech Co., Inc.	Minato-ku, Tokyo
J-POWER RESOURCES Co., Ltd.	Chuo-ku, Tokyo
J-POWER AUSTRALIA PTY. LTD.	Australia
JP Business Service Corporation	Koto-ku, Tokyo
J-Power Investment Netherlands B.V.	The Netherlands

Company Name	Head Office Location
J-POWER INVESTMENT U.K. LIMITED	U.K.
J-POWER North America Holdings Co., Ltd.	U.S.A.
J-POWER Holdings(Thailand) Co., Ltd.	Thailand
J-POWER Generation(Thailand) Co., Ltd.	Thailand
J-POWER USA Investment Co., Ltd.	U.S.A.
J-POWER USA Development Co., Ltd.	U.S.A.
Omuta Plant Service Co., Ltd.	Omuta, Fukuoka Pref.
Japan Network Engineering Co., Ltd.	Chuo-ku, Tokyo
Kaihatsu Hiryou Co., Ltd.	Takehara, Hiroshima Pref.
Kaihatsu Hiryou Hanbai Co., Ltd.	Shinjuku-ku, Tokyo

Note: In April, 2007, Kaihatsu Hiryou Hanbai Co., Ltd. was absorbed in a merger with Kaihatsu Hiryou Co., Ltd..

## 9. Employees (As of March 31, 2007)

### (1) Employees of the Group

Segment	Number of Employees
Electric Power Business	2,193
Electric Power-Related Businesses	4,112
Other Businesses	189
Total	6,494

Note: The number of temporary employees is less than 10% of the total, and thus is not reflected here.

### (2) Employees of the Company

Number of Employees	Change Since Previous FY	Average Age	Average Years of Service
2,174	Up by 42	39.0	18.4

Notes:

- 1.Number of Employees does not include 858 employees on loan.
- 2.The number of temporary employees is less than 10% of the total, and thus is not reflected here.

## 10 Principal Lenders

Bank	Loan Balance at End of this Period
Mizuho Corporate Bank, Ltd.	101,388 million yen
Nippon Life Insurance Company	70,934 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	67,104 million yen
Sumitomo Mitsui Banking Corporation	64,771 million yen
The Norinchukin Bank	54,860 million yen

## II. Items Regarding Shares of the Company

### 1. Shares (As of March 31, 2007)

- (1) Number of shares authorized for issue                      660,000,000 shares
- (2) Number of shares issued and outstanding                      166,569,600 shares (including 13,506 shares of treasury stock)
- (3) Number of shareholders    36,106
- (4) Major shareholders

Shareholder Name	Status of Investment	
	Shares (thousands)	Equity Ratio (%)
The Children's Investment Master Fund	16,498	9.90
Nippon Life Insurance Company	9,120	5.48
Mizuho Corporate Bank, Ltd.	8,269	4.96
Deutsche Bank AG London 610	8,195	4.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,140	2.49
Daido Life Insurance Company	3,658	2.20
Morgan Stanley and Company, Inc.	3,492	2.10
The Master Trust Bank of Japan, Ltd. (Account in Trust)	3,132	1.88
Japan Trustee Services Bank, Ltd. (Account in Trust)	3,084	1.85
National Mutual Insurance Federation of Agricultural Cooperatives	3,039	1.82

### III. Items Regarding Officers of the Company

#### 1. Directors and Corporate Auditors (As of March 31, 2007)

Title	Name	Responsibilities
President (Representative Director)	Yoshihiko Nakagaki	
Vice-President (Representative Director)	Hisao Nakagami	<ul style="list-style-type: none"> <li>· Assistant to the president for businesses described below [Business Planning Dept., Power Sales Dept., Technology Development Center]</li> <li>[Nuclear Power Dept. (matters under special assignment)]</li> <li>· Regional Operations (Central)</li> </ul>
Vice-President (Representative Director)	Katsuhiko Miyashita	<ul style="list-style-type: none"> <li>· Assistant to the president for businesses described below [Civil and Electrical Engineering Dept., Thermal Power Engineering Dept., Power System Operation Dept., Hydropower &amp; Transmission System Dept., Thermal Power Dept., Nuclear Power Dept.]</li> <li>· Regional Operations (East and West Regions)</li> </ul>
Vice-President (Representative Director)	Shinichiro Ota	<ul style="list-style-type: none"> <li>· Assistant to the president for businesses described below [Corporate Planning &amp; Administration Dept., Accounting &amp; Finance Dept., Environment &amp; Energy Business Dept., International Power Business Dept.]</li> </ul>
Vice-President (Representative Director)	Kiyoshi Sawabe	<ul style="list-style-type: none"> <li>· Assistant to the president for businesses described below [Secretarial Affairs &amp; Public Relation Dept., Personnel &amp; Employee Relations Dept., General Affairs Dept., Energy Business Dept.]</li> <li>· Regional Operations (Central Region)</li> </ul>
Managing Director	Masayoshi Kitamura	<ul style="list-style-type: none"> <li>· Corporate Planning &amp; Administration Dept.</li> <li>· Environment &amp; Energy Business Dept.</li> <li>· Regional Operations (West Region)</li> </ul>
Managing Director	Masashi Hatano	<ul style="list-style-type: none"> <li>· Thermal Power Engineering Dept., Technology Development Center, Thermal Power Dept., International Power Business Dept. (matters under special assignment)</li> <li>· Regional Operations (Central Region)</li> </ul>
Managing Director	Yasuo Maeda	<ul style="list-style-type: none"> <li>· Civil and Electrical Engineering Dept.</li> <li>· Thermal Power Engineering Dept., Hydropower &amp; Transmission System Dept., Nuclear Power Dept., Environment &amp; Energy Business Dept., International Power Business Dept. (matters under special assignment)</li> </ul>
Director	Kanji Shimada	<ul style="list-style-type: none"> <li>· Power Sales Dept.</li> <li>· Power System Operation Dept.</li> </ul>
Director	Yoshihiko Sakanashi	<ul style="list-style-type: none"> <li>· Business Planning Dept.</li> <li>· Energy Business Dept.</li> </ul>
Director	Minoru Hino	<ul style="list-style-type: none"> <li>· Nuclear Power Dept.</li> </ul>
Director	Masaharu Fujitomi	<ul style="list-style-type: none"> <li>· Technology Development Center</li> <li>· Nuclear Power Dept. , global environmental problems (matters under special assignment)</li> </ul>
Director	Toshifumi Watanabe	<ul style="list-style-type: none"> <li>· Accounting &amp; Finance Dept.</li> <li>· Corporate Planning &amp; Administration Dept. (matters under special assignment)</li> </ul>
Senior Corporate Auditor	Masayuki Hori	(Full-time)

Title	Name	Responsibilities
Senior Corporate Auditor	Akio Ushio	(Full-time)
Corporate Auditor	Yasuo Matsushita	
Corporate Auditor	Terukazu Inoue	

Notes:

1. Yasuo Matsushita and Terukazu Inoue are both outside corporate auditors.
2. Akio Ushio (Corporate Auditor) has experience as a Director of the Company (in charge of Accounting & Finance), and is knowledgeable in both finance and accounting.
3. Yasuo Matsushita (Corporate Auditor) has experience managing financial institutions, and is knowledgeable in both finance and accounting.
4. Corporate Auditor Toshimichi Yagi passed away on September 19, 2006, and is no longer a Corporate Auditor of the Company.
5. Corporate Auditor Terukazu Inoue passed away on April 19, 2007, and is no longer a Corporate Auditor of the Company. As a result, the Company fell short of the number of outside corporate auditors required by law. Subsequently, the Company has petitioned the Tokyo District Court to elect a temporary outside corporate auditor who can assume this role. On April 25, 2007, the Court informed us that Mutsutake Otsuka had been elected for this temporary corporate auditor position, and he is now serving in that capacity.

## 2. Directors' and Corporate Auditors' Remuneration

Category	Number of Persons	Total Amount
Directors	13	406 million yen
Corporate Auditors (Outside Corporate Auditors)	5 (3)	66 million yen (12 million yen)
Total	18	473 million yen

Notes:

1. Per a resolution passed at the 54<sup>th</sup> Ordinary General Meeting of Shareholders on June 28, 2006, Directors' remuneration was capped at 625 million yen annually (a fixed monthly salary calculated according to position and once-yearly performance pay. Employee salaries for those also working as employees are excluded).
2. Per a resolution passed at the 54<sup>th</sup> Ordinary General Meeting of Shareholders on June 28, 2006, Corporate Auditors' remuneration was capped at 120 million yen annually (a fixed monthly salary calculated according to position).
3. Directors' remuneration includes a performance pay of 51 million yen for this period.
4. Retirement benefits paid to Directors and Corporate Auditors in this period, per shareholder resolution, were as follows. At the Board of Directors meeting held on May 22, 2006, it was decided that officer retirement benefit system would be abolished as of the end of the 54<sup>th</sup> Ordinary General Meeting of Shareholders held on June 28, 2006.

Retiring Directors (two)	34 million yen
Retiring Corporate Auditors (one)	13 million yen

In addition to the above, employee salary of 3 million yen was also paid for Director(s) also serving as employee(s).

### 3. Items Regarding Outside Officers

(1) Officers also serving as outside officers at other companies

Name (Title)	Other Position
Terukazu Inoue (Corporate Auditor)	Outside Director, Resona Bank, Limited

(2) Key Activities in this Period

Name (Title)	Key Activities
Yasuo Matsushita (Corporate Auditor)	With the exception of a single absence, attended all Board of Directors and Board of Corporate Auditors meetings. Primarily contributed his keen insights and broad experience as an executive in the financial industry, and after certain regulatory violations came to light, was valuable in providing advice and recommendations regarding prevention of future such incidents.
Terukazu Inoue (Corporate Auditor)	With the exception of two absences, attended all Board of Directors and Board of Corporate Auditors meetings. Primarily contributed his keen insights and broad experience as both director and corporate auditor at public companies, and after certain regulatory violations came to light, provided advice and recommendations for enhancing and strengthening our internal controls to prevent future recurrences.
Toshimichi Yagi (Corporate Auditor)	Attended two Board of Directors meetings and one Board of Corporate Auditors meeting before passing away on September 19, 2006.

(3) Overview of Limitation of Liability Contracts

In accordance with Article 427, paragraph 1 of the Corporation Law, the company has entered into contracts with its outside corporate auditors that limit their liability for damages arising from failure to perform duties. The limit of their liability under these contracts is the amount prescribed by the relevant law.

#### **IV. Status of Accounting Auditors**

##### **1. Name of Accounting Auditor**

Ernst & Young Shin Nihon

##### **2. Amount of Accounting Auditor Remuneration in this Period**

Segment	Amount Paid
Amount of compensation paid in this period	34 million yen
Total amount owed to accounting auditors by the Company and its subsidiaries in the form of cash or other financial benefit.	77 million yen

Notes:

1. According to the Auditing Agreement between the Company and its accounting auditors, no separation is made in auditor remuneration between auditing under the Corporation Law and auditing under the Securities and Exchange Law, and since the two cannot, in fact, be distinguished, the amount noted above represents total compensation for services under both categories in the current period.
2. Of our key subsidiaries, five companies, including J-POWER AUSTRALIA PTY., Ltd. use the accounting audit services of other audit firms.

##### **3. Non-audit Work**

The Company has consigned certain work, such as advisory work for the so-called J-SOX laws, outside of that defined in Article 2, Section 1 of the Certified Public Accounting Law (non-audit work), to its Accounting Auditor.

##### **4. Policy Regarding Discharge or Non-reelection of Accounting Auditors**

In addition to the discharge of Accounting Auditors by the Board of Corporate Auditors, as provided for in Article 340 of the Corporation Law, the Company, at the behest and with the agreement of its Board of Corporate Auditors, may put forth a resolution at its General Meeting of Shareholders calling for the discharge or non-reelection of its Accounting Auditors if they are deemed unable to adequately perform their duties, or for other justifiable reason.

## **V. Corporate Structure and Policies**

### **1. Ensuring Appropriate Business Operations**

- (1) Creating a structure that ensures all Directors and employees perform their duties in accordance with the appropriate laws and regulations

In accordance with our Corporate Philosophy and our Corporate Code of Conduct, our Directors shall take the lead in conducting themselves in fairness and with good faith, based on a firm respect for compliance with the law and a sense of ethics, and shall work to disseminate these values among all employees.

In order to ensure appropriate business practices, the Internal Audit Department, an organization that reports to the President, conducts internal audits of our operations, in addition to the internal audits that each organization in the Company carries out on itself.

In order to promote broader compliance activities, the Company has established a Compliance Conduct Policy, a standard for decision-making by which all employees, including management, can more concretely view their actions in the performance of their business. In addition, we are considering other company-wide compliance promotion measures, and, as a way of responding quickly and accurately to any compliance issues, have established a Corporate Compliance Committee, with our president as Committee Chairman. Further, we have set up a Compliance Consulting Desk within the Internal Audit Department, where employees can go for advice when faced with compliance issues.

Finally, in an effort to improve both transparency and accountability in our business activities, we have established an Information Disclosure Committee, also headed by the president, which will be responsible for the proactive, equitable, and transparent disclosure of corporate information in a timely manner.

- (2) Preservation and management of information related to the business activities of Directors

Directors shall report on the status of their business activities to the Board of Directors and/or the Executive Committee on a regular basis or as may be required. Minutes of such reports shall be created in accordance with relevant laws and internal Company regulations, and shall be kept and maintained in an appropriate manner. Other documents regarding business activities shall also be created, stored, and maintained in accordance with the internal regulations.

- (3) Internal regulations regarding risk management

Regarding risk associated with the conduct of business, the Company shall work to ensure risk awareness and prevention through checks and balances in our decision-making process, and through risk management measures established in the course of normal business through our various meeting structures and internal regulations, and shall further work to

minimize the effects of any risks that do occur.

(4) Ensuring that Directors are efficient in the conduct of business

In addition to holding meetings of the Board of Directors once a month, as a rule, or as otherwise necessary, we also hold a weekly Executive Committee meeting, attended by all Directors, executive officers, and full-time Corporate Auditors. This meeting is an opportunity to discuss items to be brought before the Board of Directors, as well as any actions by the president based on policies decided on by the Board of Directors which may be critical to the entire company. This discussion brings clarification to issues of responsibility and authority, and provides for precise and timely decision-making and more efficient corporate management. Further, in addition to maintaining a structure that separates the duties of the Directors and the executive officers, we also have Management Executing Committee that meets, in principle, twice monthly, and consists of the president and vice-presidents, relevant Directors, executive officers, and full-time Corporate Auditors. By distributing decision-making functions between meetings of the Board of Directors, the Executive Committee, and the Management Executing Committee, we work to enhance the efficiency of our board members in the performance of their duties.

(5) Ensuring appropriate business practices in the Group

Our fundamental policy in the management of the subsidiaries and affiliates is to work toward the collective growth of the Group, based on our group management plan, and while managing our companies in accordance with our internal regulations, establish a group-wide management committee that can work to further enhance the use of appropriate business practices in our subsidiaries and affiliates. At the same time, the Corporate Auditors and the Internal Audit Committee will be responsible for inspections of our subsidiaries and affiliates, helping to ensure that such appropriate practices are in place throughout the organization.

(6) Requests from Corporate Auditors for assignment of supporting staff; maintaining independence of such staff from the Directors.

Regarding support staffing for Corporate Auditors, the Company shall establish a Corporate Auditors' Office, independent of the Directors' chain of command, which office shall have its own staff, responsible for assisting the Corporate Auditors in their audit work. Issues regarding selection of staff for the Corporate Auditors' Office shall be addressed in consultation with the Company's full-time Corporate Auditors.

(7) Structure for enabling Directors and employees to report to the Corporate Auditors; other reporting to Corporate Auditors

The following shall be reported to the Corporate Auditors:

- (a) Issues that cause or may cause serious harm to the Company.
- (b) Audit results from the Internal Audit Department
- (c) Other issues as may be necessary in the performance of the Corporate Auditors' duties

(8) Other steps to enable auditors to perform their audits effectively

In addition to providing their opinions at meetings of the Board of Directors and the Executive Board, the Corporate Auditors shall also conduct hearings with Directors and others regarding the status of their business activities, as well as investigating internal divisions and key subsidiaries regarding their operations and assets. The Corporate Auditors, the accounting auditors, and the Internal Audit Department shall work cooperatively in developing an Audit Plan and in reporting on the results of audits.

## **2. Basic Policy Regarding Control of the Company**

In the more than half-century since the Company was founded in 1952 to help augment the domestic supply of electric power, it has continued to deliver low-cost, stable power, and to build and operate a nationwide infrastructure of primary transmission lines, contributing to the growth of our nation's economy and improvement of the standard of living of its citizens.

During this time, the Company has continued to hold as its corporate philosophy the mission to meet the peoples' need for energy with an uninterrupted supply, and to contribute to the sustainable growth of Japan and the world, while making the coexistence of energy and the environment the keynote of our business, working to build an attractive business with stable growth, and continuing our never ending efforts to build corporate value.

Our business is most characterized by investment in power plants and other public infrastructure, and in recovering that investment through the long-term operation of those facilities. We believe that over the course of these long-term operations, it is through cooperation with our many stakeholders, and our ability to deliver stable growth, that we are able to maximize the corporate value of the Company.

While we hope that our shareholders will understand the unique characteristics of our business, we also believe that our shareholders should naturally be free to exercise their own will in buying or selling Company stock.

Nevertheless, when it comes to large-scale acquisition of Company shares with the intent to acquire management control, the Directors of the Company, who serve at your mandate, also believe that a response needs to be based on careful consideration, in light of corporate value, of the benefits to our shareholders collectively.

As a result, in cases where the shareholders and Directors have not been provided with sufficient time or information to properly consider such a move, or when, upon consideration, it is

determined that such an attempt represents potentially serious damage to the collective interests of our shareholders, and consequently to our corporate value, the Company's policy shall be to take such measures as are appropriate under the sanctions of the Corporate Law and other relevant laws.

**CONSOLIDATED BALANCE SHEETS** (As of March 31, 2007)

Assets	(millions of yen)
<b>Property, plant and equipment</b>	1,861,818
<b>Power plants</b>	1,351,994
Hydroelectric power production facilities	469,750
Thermal power production facilities	555,959
Internal combustion power generation facilities	15,471
Transmission facilities	242,675
Transformation facilities	36,581
Communication facilities	9,626
General facilities	21,928
<b>Other property, plant &amp; equipment</b>	33,682
<b>Construction in progress</b>	248,710
<b>Investments and other assets</b>	227,430
Long-term investments	180,325
Deferred tax assets	43,094
Other investments	4,223
Allowance for doubtful accounts	(213)
<b>Current assets</b>	137,976
Cash and bank deposits	35,029
Notes and accounts receivable	47,204
Short-term investments	376
Inventories	20,783
Deferred tax assets	5,421
Other current assets	29,214
Allowance for doubtful accounts	(53)
<b>Total assets</b>	1,999,794

**CONSOLIDATED BALANCE SHEETS (As of March 31, 2007) — (Continued)**

<b>Liabilities</b>	(millions of yen)
<b>Long-term liabilities</b>	<b>1,193,139</b>
Bond	573,229
Long-term loans	576,615
Accrued employee retirement benefits	32,611
Other allowances	474
Deferred tax liabilities	1,260
Other long-term liabilities	8,948
<b>Current liabilities</b>	<b>341,844</b>
Current portion of long-term debt and other	173,638
Short-term loans	2,115
Commercial paper	95,944
Notes and accounts payable	13,248
Income and other taxes payable	8,752
Other allowances	528
Deferred tax liabilities	21
Other current liabilities	47,595
<b>Reserves under special laws</b>	<b>2,155</b>
Reserve for fluctuation in water levels	2,155
<b>Total liabilities</b>	<b>1,537,140</b>
<b>Net Assets</b>	
<b>Shareholders' equity</b>	<b>444,956</b>
Common stock	152,449
Capital surplus	81,849
Retained earnings	210,713
Treasury stock	(56)
<b>Valuation and translation adjustments</b>	<b>16,230</b>
Unrealized gain on other securities	14,271
Deferred hedging gain or loss	(4,131)
Foreign currency translation adjustments	6,090
<b>Minority interests</b>	<b>1,468</b>
<b>Total net assets</b>	<b>462,654</b>
<b>Total liabilities and net assets</b>	<b>1,999,794</b>

**CONSOLIDATED STATEMENTS OF INCOME** (Year ended March 31, 2007)

<b>Revenues</b>	(millions of yen)
<b>Operating revenues</b>	573,277
Electric power	523,782
Other	49,494
<b>Non-operating revenues</b>	13,011
Dividend income	1,384
Interest income	899
Equity income of affiliates	5,560
Other	5,167
<b>Total ordinary revenues</b>	586,289
<b>Expenses</b>	
<b>Operating expenses</b>	496,136
Electric power	444,463
Other	51,673
[Operating income	77,141]
<b>Non-operating expenses</b>	34,639
Interest expenses	22,585
Other	12,054
<b>Total ordinary expenses</b>	530,775
<b>Ordinary income</b>	55,513
(Provision for) reversal of reserve for fluctuation in water levels	756
<b>Income before income taxes and minority interests</b>	54,757
Income taxes - current	18,461
Income taxes - deferred	1,431
Minority losses	(302)
<b>Net income</b>	35,167

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY** (Year ended  
March 31, 2007)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
					(millions of yen)
<b>Balance at March 31, 2006</b>	152,449	81,849	182,760	(17)	417,042
<b>Changes during the period</b>					
Dividends on retained earnings	—	—	(9,993)	—	(9,993)
Bonuses to Directors and Corporate Auditors	—	—	(161)	—	(161)
Net income	—	—	35,167	—	35,167
Increase in retained earnings due to increase in consolidated subsidiaries	—	—	4,533	—	4,533
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	(1,671)	—	(1,671)
Increase due to the addition of affiliates accounted for by the equity method	—	—	66	—	66
Decrease due to the addition of affiliates accounted for by the equity method	—	—	(6)	—	(6)
Increase resulting from decrease of consolidated subsidiaries	—	—	19	—	19
Acquisition of treasury stock	—	—	—	(39)	(39)
Changes in items other than shareholders' equity (net)	—	—	—	—	—
<b>Total</b>	—	—	27,953	(39)	27,913
<b>Balance at March 31, 2007</b>	152,449	81,849	210,713	(56)	444,956

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY** (Year ended March 31, 2007) — (Continued)

Year ended March 31, 2007

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gain on other securities	Deferred hedging gain or loss	Foreign currency translation adjustments	Total valuation and translation adjustments		
						(millions of yen)
<b>Balance at March 31, 2006</b>	14,050	—	1,935	15,985	1,206	434,234
<b>Changes during the period</b>						
Dividends on retained earnings	—	—	—	—	—	(9,993)
Bonuses to Directors and Corporate Auditors	—	—	—	—	—	(161)
Net income	—	—	—	—	—	35,167
Increase in retained earnings due to increase in consolidated subsidiaries	—	—	—	—	—	4,533
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	—	—	—	(1,671)
Increase due to the addition of affiliates accounted for by the equity method	—	—	—	—	—	66
Decrease due to the addition of affiliates accounted for by the equity method	—	—	—	—	—	(6)
Increase resulting from decrease of consolidated subsidiaries	—	—	—	—	—	19
Acquisition of treasury stock	—	—	—	—	—	(39)
Changes in items other than shareholders' equity (net)	220	(4,131)	4,155	244	261	506
<b>Total</b>	220	(4,131)	4,155	244	261	28,419
<b>Balance at March 31, 2007</b>	14,271	(4,131)	6,090	16,230	1,468	462,654

**NON-CONSOLIDATED BALANCE SHEETS** (As of March 31, 2007)

Assets	(millions of yen)
<b>Property, plant and equipment</b>	1,802,277
<b>Power plants</b>	1,338,430
Hydroelectric power production facilities	458,977
Thermal power production facilities	562,071
Transmission facilities	246,578
Transformation facilities	37,819
Communication facilities	10,423
General facilities	22,559
<b>Incidental business-related property, plant &amp; equipment</b>	1,825
<b>Non-operating property, plant &amp; equipment</b>	626
<b>Construction in progress</b>	251,250
<b>Investments and other assets</b>	210,144
Long-term investments	77,343
Long-term investments in affiliated companies	106,808
Long-term prepaid expenses	2,678
Deferred tax assets	23,759
Allowance for doubtful accounts	(446)
<b>Current assets</b>	91,400
Cash and bank deposits	5,008
Accounts receivable	41,661
Accrued income	5,424
Inventories	18,439
Prepaid expenses	1,125
Short-term loans to affiliated Companies	6,521
Deferred tax assets	3,232
Other current assets	10,005
Allowance for doubtful accounts	(17)
<b>Total assets</b>	1,893,678

**NON-CONSOLIDATED BALANCE SHEETS** (As of March 31, 2007) — (Continued)

<b>Liabilities</b>	(millions of yen)
<b>Long-term liabilities</b>	<b>1,136,290</b>
Bond	573,229
Long-term loans	533,539
Long-term accrued liabilities	4
Long-term accrued liabilities in affiliated companies	17
Accrued employee retirement benefits	21,543
Other long-term liabilities	7,955
<b>Current liabilities</b>	<b>343,441</b>
Current portion of long-term debt and other	170,884
Short-term loans	2,000
Commercial paper	95,944
Accounts payable	3,713
Accrued accounts	12,219
Accrued expenses	10,643
Income and other taxes payable	4,404
Deposits received	389
Short-term debt to affiliated companies	41,041
Advances received	334
Other current liabilities	1,865
<b>Reserves</b>	<b>2,155</b>
Reserve for fluctuation in water levels	2,155
<b>Total liabilities</b>	<b>1,481,888</b>

**NON-CONSOLIDATED BALANCE SHEETS** (As of March 31, 2007) — (Continued)

<b>Net Assets</b>	(millions of yen)
<b>Shareholders' equity</b>	398,912
<b>Common stock</b>	152,449
<b>Capital surplus</b>	81,852
Additional paid-in capital	81,852
<b>Retained earnings</b>	164,667
Legal reserve	6,029
Other retained earnings	158,638
Reserve for special disaster	38
Exchange-fluctuation preparation reserve	1,960
General reserve	117,861
Retained earnings carried forward	38,778
<b>Treasury stock</b>	(56)
<b>Valuation and translation adjustments</b>	12,877
Unrealized gain on other securities	12,761
Deferred hedging gain or loss	116
<b>Total net assets</b>	411,789
<b>Total liabilities and net assets</b>	1,893,678

**NON-CONSOLIDATED STATEMENTS OF INCOME** (Year ended March 31, 2007)

<b>Ordinary revenues</b>	(millions of yen)
<b>Operating revenues</b>	517,273
<b>Electric power</b>	510,248
Electric power sales to other companies	450,034
Transmission revenues	55,184
Other electricity revenues	5,029
<b>Incidental business revenues</b>	7,024
Consulting business	2,801
Coal sales business	3,582
Other incidental business	640
<b>Non-operating revenues</b>	8,386
<b>Financial revenues</b>	4,521
Dividend income	3,586
Interest income	935
<b>Non-business revenues</b>	3,865
Gain on sale of fixed assets	370
Other	3,494
<b>Total ordinary revenues</b>	525,659
<b>Ordinary expenses</b>	
<b>Operating expenses</b>	456,433
<b>Electric power</b>	450,203
Hydroelectric power production expenses	63,728
Thermal power production expenses	290,013
Power purchased from other companies	433
Transmission expenses	30,502
Transformation expenses	6,595
Selling expenses	1,237
Communication expenses	6,191
General and administrative expenses	44,837
Enterprise tax	6,662
<b>Incidental business expenses</b>	6,229
Consulting business	2,081
Coal sales business	3,410
Other incidental business	737
<b>[Operating income]</b>	60,840

**NON-CONSOLIDATED STATEMENTS OF INCOME** (Year ended March 31, 2007) —

(Continued)

	(millions of yen)
<b>Non-operating expenses</b>	31,686
<b>Financial expenses</b>	21,565
Interest expenses	21,276
Bond issue expenses	288
<b>Non-business expenses</b>	10,121
Loss on sale of fixed assets	4
Other	10,117
<b>Total ordinary expenses</b>	488,119
<b>Ordinary income</b>	37,540
(Provision for) reversal of reserve for fluctuation in water levels	756
<b>Income before income taxes</b>	36,783
Income taxes - current	11,865
Income taxes - deferred	1,020
<b>Net income</b>	23,897

## NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Abbreviated) (Year ended March 31, 2007)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
					(millions of yen)
<b>Balance at March 31, 2006</b>	152,449	81,852	150,819	(17)	385,103
<b>Changes during the period</b>					
Dividends on retained earnings	—	—	(9,993)	—	(9,993)
Bonuses to Directors and Corporate Auditors	—	—	(55)	—	(55)
Net income	—	—	23,897	—	23,897
Acquisition of treasury stock	—	—	—	(39)	(39)
Changes in items other than shareholders' equity (net)	—	—	—	—	—
<b>Total</b>	—	—	13,848	(39)	13,808
<b>Balance at March 31, 2007</b>	152,449	81,852	164,667	(56)	398,912

	Valuation and translation adjustments			Total net assets
	Unrealized gain on other securities	Deferred hedging gain or loss	Total valuation and translation adjustments	
				(millions of yen)
<b>Balance at March 31, 2006</b>	13,613	—	13,613	398,717
<b>Changes during the period</b>				
Dividends on retained earnings	—	—	—	(9,993)
Bonuses to Directors and Corporate Auditors	—	—	—	(55)
Net income	—	—	—	23,897
Acquisition of treasury stock	—	—	—	(39)
Changes in items other than shareholders' equity (net)	(852)	116	(736)	(736)
<b>Total</b>	(852)	116	(736)	13,072
<b>Balance at March 31, 2007</b>	12,761	116	12,877	411,789

**THE AUDIT REPORT OF THE ACCOUNTING AUDITOR CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS**

**Report of Independent Auditor**

May 14, 2007

To the Board of Directors  
Electric Power Development Co., Ltd.

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 the provisions of Article 444, paragraph 4 of the Corporate Law, we have audited the consolidated financial statements of Electric Power Development Co., Ltd (the “Company”), for the period between April 1, 2006, and March 31, 2007. These statements consist of the consolidated balance sheets, the consolidated statements of income, the consolidated statement of changes in shareholders’ equity, and notes on significant accounting policies used in preparation of the consolidated financial statements. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an independent opinion regarding these financial statements based on our audit as independent auditor.

We conducted our audit in accordance with generally accepted auditing standards in Japan. Those audit standards require that we 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, the methods of application thereof, and 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the financial results of operations of the Company and its consolidated subsidiaries for the period covered by the aforesaid financial statements in conformity with the generally accepted accounting principles in Japan.

Our firm and engagement partners have no interests in the Company required to be disclosed pursuant to the relevant provisions of the Certified Public Accountant Law of Japan.

**THE AUDIT REPORT OF THE ACCOUNTING AUDITOR CONCERNING THE  
NON-CONSOLIDATED FINANCIAL STATEMENTS**

Report of Independent Auditor

May 14, 2007

To the Board of Directors  
Electric Power Development Co., Ltd.

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 the provision of Article 436, paragraph 2 (1) of the Corporate Law, we have audited the non-consolidated financial statements of Electric Power Development Co., Ltd (the “Company”), for the period between April 1, 2006, and March 31, 2007. These statements consist of the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statement of changes in shareholders’ equity, notes on significant accounting policies used in preparation of the non-consolidated financial statements and supplemental statements. These non-consolidated financial statements and supplemental statements are the responsibility of the Company’s management. Our responsibility is to express an independent opinion regarding these financial statements and supplemental statements based on our audit as independent auditor.

We conducted our audit in accordance with generally accepted auditing standards in Japan. Those audit standards require that we obtain reasonable assurance about whether the non-consolidated financial statements and supplemental statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements and supplemental statements. An audit also includes assessing the accounting principles used, the methods of application thereof, and estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and supplemental statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, non-the consolidated financial statements and supplemental statements referred to above present fairly, in all material aspects, the financial results of operations of the Company for the period covered by the aforesaid financial statements in conformity with the generally accepted accounting principles in Japan

Our firm and engagement partners have no interests in the Company required to be disclosed pursuant to the relevant provisions of the Certified Public Accountant Law of Japan.

**REPORT OF THE BOARD OF CORPORATE AUDITORS**

Audit Report

The Board of Corporate Auditors hereby reports as follows regarding the performance of duties by the Directors of the Electric Power Development Co., Ltd. (the “Company”) during its 55<sup>th</sup> fiscal year, from April 1, 2006 through March 31, 2007, based on reports prepared by each Corporate Auditor and subsequent deliberations of the Board of Corporate Auditors.

1. Method of the audits by the individual Corporate Auditors and the Board of Corporate Auditors; content of audits

In addition to receiving reports on the progress in and results of audits by the individual Corporate Auditors, based on the Board of Auditors’ policies and audit plans, the Board of Corporate Auditors also received reports on business performance from the Directors and the Accounting Auditors, and requested explanations from them as necessary.

In accordance with the auditing standards, policies, and plans set forth by the Board of Corporate Auditors, each of the Corporate Auditors worked to communicate with the Directors, the Internal Audit Department, and other employees in collecting information and establishing an appropriate audit environment. Corporate Auditors also participated in meetings of the Board of Directors and other key meetings, received reports from the Directors and other employees regarding the performance of their duties, and when necessary, requested explanations of those reports. Corporate Auditors also reviewed key decision documents, and conducted surveys of the operations and assets of both the head office and other local offices.

Further, Corporate Auditors were responsible for monitoring and verifying the status of various corporate structures, including those necessary to ensure compliance by Directors with relevant laws and the Articles of Incorporation, and those needed for ensuring the fair performance of the Company’s operations as a public corporation, namely decisions by the Board of Directors regarding the establishment of systems as set forth in Article 100, Paragraphs 1 and 3 of the Enforcement Regulation of the Corporate Law (the internal control system).

Additional consideration was given to the policies set forth in Article 127, Section 1 of the Enforcement Regulation of the Corporate Law, as noted in the Business Reports, based on the status of deliberations at the meeting of Board of Directors and other key meetings.

Regarding subsidiaries, Corporate Auditors worked to communicate with the Boards of Directors, Corporate Auditors, and other parties at those subsidiaries, and when necessary conduct hearings with them regarding the status of their performance of duties, including surveys of operations and assets of those subsidiaries.

Based on the above methods, Corporate Auditors examined the Business Report regarding the fiscal year under review.

Further, while also monitoring and reviewing the audit of the Accounting Auditor to ensure they maintained an independent position and conducted their audits fairly, Corporate Auditors received reports from them regarding the performance of their duties, and when necessary, asked for further explanation regarding those reports.

Corporate Auditors also received notice from the Accounting Auditor in accordance with “the system for ensuring appropriate execution of their duties” (as enumerated in Article 159 of the Company Accounting Regulation Ordinance) in compliance with the “Quality Control Standards Relating to Auditing” (adopted by the Business Accounting Deliberations Council in October 28, 2005), and, where necessary, Corporate Auditors requested further explanation regarding that notice.

Based on the above methods, Corporate Auditors proceeded to review the non-consolidated financial statements (consist of the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statement of changes in shareholders’ equity, and notes on significant accounting policies used in preparation of the non-consolidated financial statements) with supplemental statements, and the consolidated financial statements (consist of the consolidated balance sheets, the consolidated statements of income, the consolidated statement of changes in shareholders’ equity, and notes on significant accounting policies used in preparation of the consolidated financial statements) for the fiscal year under review.

## 2. Audit Results

### (1) Results of Audit of Business Reports, etc.

- (i) The Board of Corporate Auditors confirms that the Business Reports conformed to the applicable laws and the Articles of Incorporation, and that they accurately present the situation of the Company.
- (ii) With respect to the performance of the Directors, the Board of Corporate Auditors confirmed that there has been no improper act committed, nor important violation of applicable law or the Articles of Incorporation.
- (iii) The Board of Corporate Auditors confirmed that decisions by the Board of Directors regarding the Company’s internal control systems to be fair and adequate, and found no areas that require mention regarding their performance of duties with respect regarding the internal control systems.
- (iv) The Board of Corporate Auditors confirmed no items that need to be pointed out regarding the Basic Policy Regarding Control of the Company, noted in the Business Report.

### (2) Results of Audit of Non-consolidated Financial Statements and Supplemental Statements

The Board of Corporate Auditors confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young Shin Nihon, to be fair and adequate.

### (3) Results of Audit of Consolidated Financial Statements

The Board of Corporate Auditors confirms that the methods used and results achieved by the Accounting Auditors, Ernst & Young Shin Nihon, to be fair and adequate.

Finally, in the fiscal year under review, manipulation and mishandling of data, along with procedural deficiencies were found in the Company's power plants. The Board of Corporate Auditors intend to continue monitoring the situation, both the implementation of steps designed to prevent a recurrence, and the Company's progress in promoting compliance.

May 18, 2007

Board of Corporate Auditors  
Electric Power Development Co., Ltd.

Masayuki Hori (seal)  
Senior Corporate Auditor (Full-time)

Akio Ushio (seal)  
Senior Corporate Auditor (Full-time)

Yasuo Matsushita (seal)  
Corporate Auditor (outside corporate auditor)

Mutsutake Otsuka (seal)  
Corporate Auditor (outside corporate auditor)

Notes:

1. Corporate Auditor Toshimichi Yagi (outside corporate auditor) passed away on September 19, 2006, and is no longer a Corporate Auditor of the Company.
2. Corporate Auditor Terukazu Inoue (outside corporate auditor) passed away on April 19, 2007, and is no longer a Corporate Auditor of the Company.
3. As a result of Terukazu Inoue no longer serving as a Corporate Auditor, the Company fell short of the number of outside corporate auditors required by law. Subsequently, the Company has petitioned the Tokyo District Court to elect a temporary outside corporate auditor who can assume this role. On April 25, 2007, Mutsutake Otsuka had been elected for this temporary corporate auditor position by the decision of the Tokyo District Court.

## REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

### <Items from the Company (Items 1 through 3)>

#### **Item 1: Distribution of surplus**

The most prominent characteristic of the Company's business is that the Company secures returns on its investments in power plants and other infrastructure through the long-term operation of these facilities by utilizing the Company's enterprise management expertise over the long term, including the construction of power plants and other infrastructure. The Company continues to appropriately allocate its internal reserves to investment in business for a new growth, as well as to strengthen its equity base in the recognition that enhancement of its financial strength is essential.

Taking into account this characteristic of the Company's business, with respect to profit distribution to its shareholders, the Company places the utmost importance on paying dividends at a stable level. Furthermore, it seeks to continuously increase its corporate value through long-term efforts and to enhance profit distribution through achievement of growth.

Based on this policy, the Company's proposal with respect to distribution of surplus is as follows:

#### 1. Matters regarding the year-end dividend for the 55<sup>th</sup> fiscal year

##### (1) Matters regarding allocation of dividends to shareholders and total amount thereof

30 yen per share of common stock of the Company

Total amount: 4,996,682,820 yen

##### (2) Effective date of dividends from surplus

June 28, 2007

#### 2. Other matters regarding distribution of surplus

##### (1) Item of surplus to be increased and amount of increase

General reserve: 15,000,000,000 yen

##### (2) Item of surplus to be decreased and amount of decrease

Retained earnings carried forward: 15,000,000,000 yen

## Item 2: Election of thirteen (13) Directors

The term of appointment for all thirteen (13) Directors expires as of the end of this meeting. Therefore, we propose the election of thirteen (13) Directors.

The Director candidates are as follows:

Candidate Number	Name (Date of Birth)	Brief Personal History, Representative Position 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)	<p>April 1961      Joined the Company</p> <p>March 1992      Department Director of Power Development Dept.</p> <p>September 1995      Department Director of Planning Dept.</p> <p>June 1996      Director, Department Director of Planning Dept.</p> <p>June 1998      Managing Director</p> <p>June 2000      Vice President and Representative Director</p> <p>June 2001      President and Representative Director (current position)</p>	11,140 shares
2	Shinichiro Ota (May 13, 1946)	<p>July 1969      Joined the Ministry of International Trade and Industry</p> <p>July 2002      Commissioner of the Japan Patent Office</p> <p>September 2003      Advisor to Sampo Japan Inc.</p> <p>June 2005      Vice President and Representative Director of the Company (current position)</p>	1,900 shares
3	Kiyoshi Sawabe (September 11, 1946)	<p>July 1969      Joined the Company</p> <p>June 1998      Department Director of General Affairs Dept.</p> <p>June 2001      Director</p> <p>June 2004      Managing Director</p> <p>June 2005      Vice President and Representative Director (current position)</p>	3,620 shares
4	Masayoshi Kitamura (May 11, 1947)	<p>April 1972      Joined the Company</p> <p>June 2000      Department Director of Planning Dept.</p> <p>June 2001      Director, Department Director of Planning Dept.</p> <p>April 2002      Director</p> <p>June 2004      Managing Director (current position)</p>	7,440 shares
5	Masashi Hatano (January 19, 1947)	<p>April 1969      Joined the Company</p> <p>January 2001      Department Director of Thermal Power Dept.</p> <p>April 2002      Officer, Department Director of Thermal Power Dept.</p> <p>June 2003      Officer, Senior Advisor</p> <p>June 2004      Director</p> <p>June 2005      Managing Director (current position)</p>	5,940 shares

Candidate Number	Name (Date of Birth)	Brief Personal History, Representative Position in Other Corporations, and Position if Currently a Director of the Company	Number of Shares of the Company Held
6	Yasuo Maeda (January 31, 1951)	<p>April 1974      Joined the Company</p> <p>October 2002    Officer, Department Director of Engineering Dept.</p> <p>June 2004      Director, Executive Officer and Department Director of Engineering Dept.</p> <p>June 2006      Managing Director (current position)</p>	4,280 shares
7	Kanji Shimada (March 29, 1952)	<p>April 1975      Joined the Company</p> <p>June 2000      Department Director of New Business Development Dept.</p> <p>July 2001      Department Director of Business Development Dept.</p> <p>April 2002      Executive Officer, Department Director of Business Development Dept.</p> <p>June 2003      Department Director of General Affairs Dept.</p> <p>June 2004      Director (current position)</p>	5,580 shares
8	Yoshihiko Sakanashi (November 12, 1953)	<p>April 1976      Joined the Company</p> <p>July 2001      Office Director of Business Development Strategy Office</p> <p>October 2002    Executive Officer, Department Director of Business Planning Dept.</p> <p>June 2004      Director (current position)</p>	3,940 shares
9	Minoru Hino (November 11, 1947)	<p>April 1971      Joined the Company</p> <p>June 2000      Department Director of Nuclear Power Dept.</p> <p>April 2002      Executive Officer, Department Director of Nuclear Power Dept</p> <p>June 2004      Executive Officer, Senior Advisor</p> <p>June 2006      Director (current position)</p>	2,900 shares
10	Masaharu Fujitomi (October 17, 1949)	<p>April 1973      Joined the Ministry of International Trade and Industry (currently METI)</p> <p>September 1999 Deputy Director-General of the Agency for Natural Resources and Energy</p> <p>January 2001    Deputy Director-General of Nuclear and Industrial Safety Agency, the Ministry of Economy, Trade and Industry</p> <p>October 2002    Director of the Institute of Energy Economics, Japan</p> <p>June 2003      Managing Director of the Institute of Energy Economics, Japan</p> <p>June 2006      Director of the Company (current position)</p>	200 shares

Candidate Number	Name (Date of Birth)	Brief Personal History, Representative Position in Other Corporations, and Position if Currently a Director of the Company	Number of Shares of the Company Held
11	Toshifumi Watanabe (March 10, 1955)	<p>April 1977      Joined the Company</p> <p>April 2002      Department Director of Planning Dept. and Office Director of Privatization Office</p> <p>October 2002    Department Director of Corporate Planning &amp; Administration Dept. and Office Director of Privatization Office</p> <p>June 2004      Department Director of Corporate Planning &amp; Administration Dept.</p> <p>June 2006      Director (current position)</p>	1,100 shares
12	Tomoo Kosugi (May 8, 1948)	<p>April 1973      Joined the Company</p> <p>June 2003      Executive Officer, Department Director of Hydropower &amp; Power Network Dept.</p> <p>June 2005      Executive Officer, Senior Advisor</p> <p>June 2006      Executive Managing Officer (current position)</p>	1,200 shares
13	Koichi Tazawa (May 29, 1952)	<p>April 1977      Joined the Company</p> <p>June 2003      Superintendent of Tachibanawan Thermal Power Plant, Thermal Power Dept.</p> <p>June 2004      Executive Officer, Department Director of Thermal Power Dept.</p> <p>June 2006      Executive Managing Officer (current position)</p>	2,100 shares

Notes:

1. There is no conflict of interest between any of the Director candidates and the Company.
2. Candidates Yoshihiko Nakagaki, Shinichiro Ota, Kiyoshi Sawabe, Masayoshi Kitamura, Masashi Hatano, Yasuo Maeda, Kanji Shimada, Yoshihiko Sakanashi, Minoru Hino, Masaharu Fujitomi, and Toshifumi Watanabe are currently Directors of the Company. Please see page 16 for their areas of responsibility.

### Item 3: Election of three (3) Corporate Auditors

The term of appointment for Corporate Auditor Yasuo Matsushita expires as of the end of this meeting.

Corporate Auditor Toshimichi Yagi passed away on September 19, 2006, and is no longer a Corporate Auditor of the Company. Corporate Auditor Terukazu Inoue passed away on April 19, 2007, and is no longer a Corporate Auditor of the Company. As a result, the Company fell short of the number of outside corporate auditors required by law. Subsequently, the Company petitioned the Tokyo District Court to elect a temporary outside corporate auditor capable of assuming this role. On April 25, 2007, Mutsutake Otsuka had been elected for this temporary auditor position by the decision of the Tokyo District Court, and he is now serving in that capacity. His term of appointment, however, expires when a successor to the position of outside corporate auditor assumes office.

Therefore, we propose the election of three (3) Corporate Auditors.

The Board of Corporate Auditors has approved this Item.

The Corporate Auditor candidates are as follows:

Candidate Number	Name (Date of Birth)	Brief Personal History, Representative Position in Other Corporations, and Position if Currently a Corporate Auditor of the Company	Number of Shares of the Company Held
1	Yasuo Matsushita (January 1, 1926)	<p>April 1950      Joined the Ministry of Finance</p> <p>June 1982      Administrative Vice Minister of the Ministry of Finance</p> <p>June 1987      President, Taiyo Kobe Bank, Limited</p> <p>April 1992      Chairman, Sakura Bank, Limited</p> <p>December 1994 Governor of the Bank of Japan</p> <p>June 2000      Corporate Auditor of the Company (current position)</p>	0 shares
2	Mutsutake Otsuka (January 5, 1943)	<p>April 1965      Joined Japan National Railways</p> <p>April 1987      Joined East Japan Railway Company</p> <p>June 1990      Director, East Japan Railway Company</p> <p>June 1992      Managing Director, East Japan Railway Company</p> <p>June 1997      Vice President and Representative Director, East Japan Railway Company</p> <p>June 2000      President and Representative Director, East Japan Railway Company</p> <p>April 2006      Chairman and Director, East Japan Railway Company (current position)</p> <p>April 2007      Temporary Corporate Auditor of the Company (current position)</p>	0 shares

Candidate Number	Name (Date of Birth)	Brief Personal History, Representative Position in Other Corporations, and Position if Currently a Corporate Auditor of the Company	Number of Shares of the Company Held
3	Hideaki Miyahara (July 20, 1942)	<p>April 1965      Joined Toyota Motor Sales Co., Ltd.</p> <p>June 1996      Director, Toyota Motor Corporation</p> <p>June 1999      Managing Director, Toyota Motor Corporation</p> <p>June 2000      Full-time Corporate Auditor, Toyota Motor Corporation (current position)</p>	0 shares

Notes:

1. Corporate Auditor candidate Hideaki Miyahara intends to resign his position as a full-time Corporate Auditor at Toyota Motor Corporation as of June 22, 2007.
2. There is no conflict of interest between any of the Corporate Auditor candidates and the Company.
3. Corporate Auditor candidates Yasuo Matsushita, Mutsutake Otsuka, and Hideaki Miyahara are each candidates for outside corporate auditors.
4. Following is the reasons they have been elected as candidates for outside corporate auditors
  - (1) Yasuo Matsushita, with his keen insights and experience as an executive in the financial industry, is expected to contribute strong management oversight, and we ask that he be elected as an outside corporate auditor.  
He currently serves as an outside corporate auditor, and will have served seven years in that position as of the end of this meeting. In accordance with Article 427, paragraph 1 of the Corporate Law, the Company has entered into contract with him that limits his liability for damages arising from failure to perform duties. The limit under that contract is the amount prescribed by the relevant laws. Should you choose to elect him, the Company intends to continue that contract with him.  
After November 2006, during his term as outside corporate auditor to the Company, mishandling and manipulations of data, along with procedural deficiencies, were found in our hydropower and thermal power plants. In addition, the Company received official guidance from the Japan Coast Guard regarding three specific incidents representing infringement of environmental laws concerning marine pollution and other areas (the incidents took place at the Oma Nuclear Power Project Construction Preparation Office, the Isogo Thermal Power Plant, and the Takehara Thermal Power Plant). He provided valuable advice and recommendations regarding prevention of future such incidents.
  - (2) Mutsutake Otsuka, with his keen insight and experience as a director of a public corporation, is expected to contribute strong management oversight, and we ask that he be elected as an outside corporate auditor. Should you choose to elect him, the Company intends to enter into contract with him that limits his liability for damages arising from failure to perform duties. The limit under that contract will be the amount prescribed by the relevant laws.
  - (3) Hideaki Miyahara, with his keen insight and experience as a director of a public corporation, is expected to contribute strong management oversight, and we ask that he be elected as an outside corporate auditor. Should you choose to elect him, the Company intends to enter into contract with him that limits his liability for damages arising from failure to perform duties. The limit under that contract will be the amount prescribed by the relevant laws.

## <Items from Shareholders (Items 4)>

### Item 4: Approval of Dividend

- **Proposed resolution**

The year-end dividend for the fiscal year ended on 31 March 2007 shall be JPY 100 per share.

- **Reasons for the proposal**

(i) The proposal will make the dividend yield around 2% which is more in line with the JGB 10-year bond yield, a minimum benchmark for attractive returns.

(ii) The Company's stable cash generation is a result of past investment by the Company as well as management effort, however, dividends to shareholders are too small.

When compared to the Company's guidance that it intends to allocate approx. JPY40b to maintenance capital expenditure and approx. JPY80b to new capital expenditure (including Oma and Isogo plants as well as new overseas investments), the dividends, which have been approx. JPY10b seem very low. This is particularly the case given the stability of the Company's business model. Our proposal will allow approx. JPY21b of operating cash flow to be shared by shareholders. This is fair and reasonable, and still incorporates considerable room to strengthen the Company's financial position as well as maintain Company's guidance related to maintenance and new capital expenditures.

(iii) The proposal will allow the Company's dividend payout ratio (currently only approx. 25%) to be comparable with other electric power companies in Japan.

(iv) Using cash flow to pay down too much debt is value destructive for the Company.

(Company note): The above is an exact transcription of the translation, as provided by the shareholder, of the proposed resolution and the reasons for proposal.

### **Opinion of the Board of Directors Regarding the Item 4**

#### **The Board of Directors of the Company has announced its objection to the proposal.**

Based on the policy regarding profit distribution to its shareholders, outlined in Item 1, the Company has increased total annual dividends from approximately 4 billion yen before the Company's IPO to approximately 8 billion yen for the year ended March 31, 2005 following its capital increase in December 2003, with a further increase to approximately 10 billion yen, an effective dividend increase of 20% by means of a stock split implemented in March 31, 2006. Meanwhile, despite the Company's favorable operating results to date, various factors are now

coming into play that will put pressure on future operating results, including measures for the global warming issue, the ongoing aging of generating and other facilities of the Company and slower growth in domestic demand for electricity. Under these circumstances, the Company needs to further expand the basis of its competitiveness, in order to achieve ongoing growth and to maximize its corporate value and its shareholders' common interests. The Company believes that various management challenges should be viewed as opportunities for new growth, and based on this position, for the next five to six years, it plans to focus its resources on capital investment in fields in which it can make the best of its potential, including an investment of approximately 400 billion yen to enhance the capacity of the Oma Nuclear Power Plant Project, the Isogo New No. 2 Thermal Power Plant Project and other generation facilities, an investment of approximately 250 billion yen to upgrade operating asset value through replacement of major equipment, and an investment of approximately 120 billion yen to pursue global expansion utilizing competitive advantages such as its environmental technologies which reach the highest global standards. The Company will pursue sureness in its operations and business management to make these investments stable sources of revenue for many years to come.

Entering the upcoming business phase in which it will construct and upgrade facilities necessary to sustain ongoing growth as described above, the Company will need a large amount of funds. The Company intends to preferentially allocate cash flows to enhancement of its operating base, but at the same time, in order to continue to ensure its profitability in business, the Company needs to maintain and further improve its competitive position with respect to funding terms, by pursuing and building financial strength at least equal to that of industry standard. Moreover, taking into account accelerating deregulation and the expansion and diversification of the Company's business in and outside Japan, the Company needs to further strengthen its own ability to endure risks. In light of these factors, the Company believes that further strengthening of its equity base is essential. If the Company implements a financial strategy that will result in increasing its dependency on interest-bearing debt, as indicated in the reasons for the proposal of Item 4, and if the financial indices of the Company change adversely, its cost competitiveness may be weakened, which in turn may have an adverse affect on its operating results in the medium to long term and even on its corporate value.

Taking into account the points stated above, the Company believes that it is in its shareholders' common and best interest that the Company seeks to maintain a basis of operations in which its current cash flows constitute a resource for new growth, and that, while maintaining the current level of profit distribution to shareholders, which has reflected its business achievements to date, it endeavors to enhance future profit distribution through achievement of further growth.

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