March 19, 2007

Electric Power Development Co., Ltd. (J-POWER)

Our Basic Policy Regarding Profit Distribution to Shareholders

As the Company publicly announced in its press release entitled “Statement Regarding Today’s Media Report” dated March 13, 2007, the Company has received a letter dated March 9, 2007 from The Children’s Investment Master Fund (“TCI”) concerning the exercise of a shareholder proposal right for the Company's Ordinary General Meeting of Shareholders scheduled to be held in June 2007. The Company's Board of Directors intends to carefully consider such proposal and inform its shareholders of its opinion upon confirming the proposing shareholder’s status as a registered shareholder meeting the applicable requirements of the Corporation Law of Japan as of March 31, 2007, which is the record date for the Ordinary General Meeting of Shareholders; however, the Company today presents its current basic policy regarding profit distribution to its shareholders.

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 utilizing the Company's well-established enterprise management expertise, including the construction of power plants and other infrastructure. Therefore, the Company’s current profits are derived from power generating assets that the Company has developed over decades, and the new power generating assets that the Company develops in the years ahead will become the source of its future revenues. Isogo New No. 2 Thermal Power Plant, which is now under construction, and Oma Nuclear Power Plant Project, which is expected to start construction, will enlarge the Company’s generation capacity to a great extent and contribute to stable electricity supply. In addition, the Company aims to enhance the reliability, efficiency and environmental performance of its existing power plants to accomplish further growth. Moreover, the Company will engage in technical innovation in response to the global warming issue, and will seek future business growth by utilizing this as a competitive edge. Overseas, the Company seeks to increase revenues with a particular focus on Asian markets, in which the Company is building a presence, and the United States market, into which the Company has already entered.

The Company has already begun to implement some of these specific operating strategies. As a result, net cash used in investing activities for the first three quarters of the fiscal year ending March 31, 2007 increased approximately 51.1 billion yen to approximately 87.4 billion yen, as compared to the same period in the previous fiscal year, while net cash provided by operating activities for the same three quarters was approximately 109.7 billion yen. As a consequence of these, free cash flow has decreased. Furthermore, the Company believes that in circumstances where the Company plans a substantial amount of capital expenditure in the upcoming years, an increase in dividends, even to the extent of liquidating resources needed for future growth, is not in its shareholders' common interest.

Any large scale capital expenditure requires a large amount of funds, and the Company needs to maintain a high grade bond rating to enable it to procure such funds on competitive terms. If the Company implements a financial strategy that will result in increasing its dependency on interest-bearing debt, and if it becomes unable to maintain a high grade bond rating due to adverse change in its financial data, its cost competitiveness in business may be weakened, which in turn may have an adverse affect on its operating results in the medium to long term. It is imperative for the Company to continue to accumulate retained earnings at the same time as it undertakes large scale capital expenditures.

Taking into account the business development and management environment of the Company, as described above, with respect to profit distribution to shareholders, the Company places the utmost importance on continuing to pay dividends at a stable level, reflecting the results of its efforts to achieve medium to long term profit growth, and after securing the resources for maximizing its corporate value on the continuous basis, as the Company has previously announced. Accordingly, the Company believes that TCI's position differs from the Company's management policy and its basic policy regarding profit distribution to shareholders.

Please also refer to the Group Management Plan for the fiscal year ending March 31, 2008, which is scheduled to be released on April 2, 2007.

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