(Reference)

Summary of Written Response to TCI

1. Differences Regarding Our Business Results
   - We have positioned consolidated ordinary profit as a central indicator of performance management.
   - Based on this indicator, our results are trending smoothly, and we thus disagree with TCI's claims that the situation is one of "dramatic decline" or "a continued drop in corporate value."
   - Our ROA (return on assets = consolidated ordinary profit divided by average total assets at the beginning and the end of the period) has improved from 1.86% (FY2001) to 2.80% (FY2006), while the decline in ROE (rate of return on equity = consolidated current net profit divided by the average of consolidated shareholders' equity at the beginning and the end of the period) is a result of our efforts to improve our financial position by augmenting our shareholders' equity.
   - Additionally, both our ROA and our ROE are at levels comparable to the Japanese electric power sector as a whole.
   - This fiscal year is the final year of the group management plan first announced in fiscal year 2005, and we believe we will be able to achieve our dual goals of posting an average consolidated ordinary profit of more than 55.0 billion yen annually for the period and a consolidated shareholders' equity ratio of greater than 23% by the end of fiscal year 2007.
   - Revisions in our hydropower transmission rates were established on a cost valuation basis, and were submitted to the Ministry of Economy, Trade, and Industry upon discussions with the power companies. We believe the rate revisions are a reasonable move in light of our need to maintain our competitiveness with the power generation divisions of the other power companies, while also meeting broader expectations that the power industry overall will share the benefits of management streamlining with its customers.
   - We recognized opportunities to take on new challenges and create value for shareholders, but our ability to do so alone was limited due to regulatory restrictions for government-owned companies. We have therefore aggressively promoted alliances with other companies, including through acquisition of stock in companies offering future synergies. These moves have begun to produce results in both our wholesale power division and new business generation.

2. Differences Regarding Overseas Power Business
   - Our overseas business has been a strategic focus for the past ten years. Having identified Thailand and the rest of Southeast Asia, the U.S., and China as key markets, we have posted steady results, including booking more contracts, participating in more projects, and steadily increasing ouroverseas profits.
   - Internally, we have established rules for ensuring that each project is considered based on multifaceted discussions among all relevant divisions. Investment evaluation guidelines that reflect the cost of capital are also applied to these discussions. In essence, we seek to ensure at least double-digitreturns.

3. Differences Regarding Corporate Governance
   - Our current governance structure is composed of directors and executive officers intimately familiar with our operations as well as auditors, both internal and external, with extensive business experience. Management is overseen by an independent Board of Auditors, which consists of a majority of external appointees.
   - One of TCI's contentions is that "…director compensation has increasedagainst a background of declining corporate value" but in fact the majority of the increase in compensation for fiscal year 2006 resulted from changes that incorporated retirement bonuses for directors into their monthly compensation, which had previously been paid after retirement, and from an increase in the number of directors and outside auditors. In real terms, the actual compensation to directors has not increased.
   - In order to align management with shareholders , all directors and executive officers are required to make monthly purchases of company shares and to hold those shares for the

duration of their tenure in office.

4. <u>Toward Further Growth</u>
    - Because our core power wholesaling business is founded on cost-basis rates, it is structured such that margins tend to shrinkover time. Adding new sources of energy is thus the best way to increase revenue and generate profit.
    - In order to proceed smoothly through the facilities formation stage, we need to be able to obtain large volumes of financing on favorable terms. We have already utilized leveraged financing to a greater extent than any other domestic power company, in a business that already carries a high ratio of debt compared to other industries.. It is essential that we work quickly to improve our shareholders' equity ratio to a reasonable point while keeping an eye on industry levels.
    - As for the benefits from our investment plans, in our next group plan for FY2008, we expect to disclose plans for returns from growth investments.