

October 12, 2006

KDDI Corp.
Tokyo Electric Power Co.

Notice Concerning Conclusion of Corporate Separation Agreement

The Board of Directors of KDDI Corp. (represented by President and Chairman Tadashi Onodera; hereinafter referred to as "KDDI") and The Tokyo Electric Power Company, Inc. (represented by President Tsunehisa Katsumata; hereinafter referred to as "TEPCO") have made the following decision to separate the internal optical network company of TEPCO and transfer its business to KDDI as of January 1, 2007.

Particulars

1. Purpose of Corporate Separation

KDDI and TEPCO aim to realize a more sturdy communications business group through the integration of both companies' management resources, and to provide highly convenient information communication services that meet a wide range of customer needs through the combination of communications and electricity, which are indispensable to society. To achieve these goals, TEPCO will separate its optical network company and transfer the business to KDDI.

2. Outline of Separation

(1) Schedule

Approval of the Board of Directors: October 11, 2006 (TEPCO), October 12, 2006 (KDDI)

Conclusion of corporate separation agreement: October 12, 2006

Approval of the General Shareholders' Meeting: TEPCO will conduct the corporate separation pursuant to Article 784 Section 3 of the Company Law and KDDI will take over the business pursuant to Article 796 Section 3 of the Company Law. As the action involves simple separation and absorption, it shall be performed without obtaining the approval of the General Shareholders' Meeting.

Date of separation (effective date): January 1, 2007 (planned)

Share allotment date: January 4, 2007 (planned)

In case unavoidable circumstances arise under the provisions of the aforementioned regulations during the procedure, the date may be changed upon deliberation between the two companies.

(2) Separation method

TEPCO (transferor company) will separate and transfer the business to KDDI (transferee company).

(3) Allotment of shares

a. Number of shares to be allotted

Upon corporate separation, 144,569 shares of KDDI will be allotted to TEPCO. KDDI will announce the number of treasury stock and new shares to be allotted to TEPCO as soon as it has been settled.

b. Basis of share allotment calculation

In the interest of ensuring fairness and appropriateness, KDDI and TEPCO commissioned third-party institutions to calculate a share allocation ratio, thereafter jointly deciding the share allocation ratio, making reference to the results of the third party calculations. KDDI retained Mizuho Securities Co., Ltd. (hereinafter referred to as "Mizuho Securities") and TEPCO retained Morgan Stanley Japan Limited (hereinafter referred to as "Morgan Stanley") to make the calculations.

Mizuho Securities and Morgan Stanley performed Comparative Stock Price Performance Analysis, DCF (Discounted Cash Flow) Analysis, Comparable Company Analysis and other analyses it deemed appropriate to make the calculations. In arriving at its opinions, Mizuho Securities and Morgan Stanley considered the results of all of its analyses before calculating the range for the number of shares to be allotted.

Based on such advice, KDDI and TEPCO negotiated and came to agreement regarding the number of shares to be allotted.

KDDI and TEPCO were given the opinion from Mizuho Securities and Morgan Stanley, respectively, that, from a financial standpoint, the number of shares to be allotted is fair.

(4) Increase in capital due to the separation

There will be no increase in capital or additional paid-in capital.

The increase in other additional paid-in capital shall be the difference in the amount of capital paid to shareholders as set forth in Article 63, Paragraph 1-1 of the Company Accounting Regulation .

(5) Outline of accounting procedure

The assets and liabilities of the company to be separated shall be recorded at market value in accordance with procedures set forth in accounting standards for business combinations and business separations. The estimated amount of goodwill and others shall be disclosed at the optimal time as soon as it has been determined.

(6) Rights and obligations transferred to KDDI

KDDI shall assume from TEPCO assets, liabilities and certain contractual rights pertaining to the business to be transferred.

(7) Prospects for fulfillment of obligations

KDDI and TEPCO both expect to fulfil obligations becoming due after the effective date of corporate transfer.

3. Overview of Company to be Separated

(As of March 31, 2006)

(1)	Company name	KDDI Corp. (transferee company)	Tokyo Electric Power Co. (transferor company)
(2)	Description of business	Telecommunications business	Electric utilities, Telecommunications business etc.,
(3)	Date of foundation	June 1, 1984	May 1, 1951
(4)	Address of head office	3-2, Nishishinjuku 2-chome, Shinjuku-ku, Tokyo	1-3, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo 100-8560
(5)	Representative	Tadashi Onodera, President and Chairman	Tsunehisa Katsumata, President
(6)	Capital	141,851 million yen	676,434 million yen
(7)	Total number of stocks issued	4,427,256.86	1,352,867,531
(8)	Shareholders' equity	1,272,524 million yen	2,555,012 million yen
(9)	Total assets	2,451,456 million yen	13,031,464 million yen
(10)	Accounting period ending on	March 31	March 31
(11)	Number of employees	10,201	38,235
(12)	Major shareholders and equity ownership	<p>Kyocera Corp. 12.93%</p> <p>Toyota Motor Corp. 11.23%</p> <p>The Master Trust Bank of Japan, Std. (Trust Account) 4.96%</p> <p>Japan Trustee Services Bank, Ltd. (Trust Account) 4.83%</p> <p>The Tokyo Electric Power Company, Incorporated 4.81%</p>	<p>Japan Trustee Services Bank, Ltd.(Trust Account) 4.21%</p> <p>The Dai-ichi Mutual Life Insurance Company 4.07%</p> <p>Nippon Life Insurance Company 3.90%</p> <p>The Master Trust Bank of Japan, Std. (Trust Account) 3.80%</p> <p>Tokyo Metropolitan Government 3.15%</p>
(13)	Main banks	<p>Development Bank of Japan</p> <p>The Bank of Tokyo-Mitsubishi UFJ, Ltd</p> <p>Sumitomo Mitsui Banking Corporation</p> <p>Mitsubishi UFJ Trust and Banking Corp</p> <p>Mizuho Corporate Bank, Ltd.</p>	<p>Sumitomo Mitsui Banking Corporation</p> <p>Mizuho Corporate Bank, Ltd.</p> <p>The Bank of Tokyo-Mitsubishi UFJ, Ltd</p>
(14)	Relevant ties between the two companies	Capital	TEPCO possesses 212,971.40 shares in KDDI.
		Personal	One director for TEPCO serves concurrently as an outside director for KDDI.
		Business	KDDI uses optical fibers installed by TEPCO and provides communication services to said company.

(15) Financial results over the past three years

Fiscal year ended March 31	KDDI Corp. (transferee company)			Tokyo Electric Power Co. (transferor company)		
	2004	2005	2006	2004	2005	2006
Operating revenues(millions of yen)	2,340,221	2,547,078	2,881,344	4,734,565	4,823,259	4,941,098
Operating income (millions of yen)	245,232	259,636	273,449	472,200	535,491	536,763
Ordinary income (millions of yen)	231,326	257,121	272,650	304,480	384,503	397,248
Net income (millions of yen)	90,617	137,363	162,756	151,818	244,822	260,827
Net income per share (yen)	21,483.07	32,601.49	38,487.60	112.25	181.13	192.99
Cash dividend per share (yen)	3,600.00	6,900.00	8,000.00	60.00	60.00	60.00
Shareholders' equity per share (yen)	254,246.44	277,948.96	211,130.88	1,605.48	1,728.13	1,891.48

4. Contents of Business Department to be Transferred

(1) Contents of optical network company

FTTH business and fiber wholesale business undertaken by the optical network company

(2) Business results of the optical network company for the year ended March 31, 2006

	Optical network company (a)	TEPCO (b)	Ratio (a/b)
Net sales	¥20,310 million	¥4,941,098 million	0.4%
Operating income	(¥35,813 million)	¥536,763 million	—
Ordinary income	—	¥397,248 million	—

(3) Assets, liabilities and monetary amounts to be transferred (as of March 31, 2006)

Assets		Liabilities	
Item	Book value	Item	Book value
Assets	¥64,916 million	Liabilities	¥8,191 million

5. Condition after Corporate Separation

(1) Company name	KDDI Corporation	Tokyo Electric Power Co.
(2) Line of business	Telecommunications business	Electric utilities, Telecommunications business etc.,
(3) Principal Office	3-2, Nishi-shinjuku 2-chome, Shinjuku-ku, Tokyo	1-3, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo 100-8560
(4) Representative	Tadashi Onodera President and Chairman,	Tsunehisa Katsumata, President
(5) Capital	141,851 million yen	676,434 million yen
(6) Total Assets	N.A.	N.A.
(7) Accounting period	March 31	March 31
(8) Effect on business performance	Business outlook, organizational structure and other matters subsequent to the corporate separation shall be announced as soon as the matters have been investigated and determined by the joint preparatory committee.	An extraordinary gain is expected from the corporate separation; the financial forecast for the full year shall be announced as soon as it has been settled.

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