

To Our Shareholders with Voting Rights

Koichi Mukaiyama
President
KOA CORPORATION
3672, Ina, Ina-shi, Nagano Prefecture, Japan

NOTICE OF THE 78th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder:

Please accept our congratulations on the ever-growing prosperity of you.
This is to notify you of the 78th Ordinary General Meeting of Shareholders to be held as described below. We are looking forward to your attendance at the meeting.

If you are unable to attend the meeting, you may exercise your voting rights in writing. Please read the attached documents and return the Exercise Voting Rights Form after indicating your approval for or disapproval of each of the proposals and affixing your registered seal to the form.

Notice

1. Date: 10:00 a.m., Saturday, June 10, 2006

2. Place: Conference room in Koa Pine Park,
14016-193, Oaza-Nakaminowa, Minowa-machi, Kamiina-gun, Nagano Prefecture, Japan

3. Meeting Agenda:

(1) Matters to report

- 1 The Business Report, Consolidated Balance Sheet and Consolidated Statement of Income as well as the Audit Reports of the Independent Auditors and Board of Corporate Auditors for consolidated financial statements for the 78th fiscal term (from April 1, 2005 to March 31, 2006)
- 2 The Non-consolidated Balance Sheet and Non-consolidated Statement of Income for the 78th fiscal term (from April 1, 2005 to March 31, 2006)
- 3 The purchase of treasury stock with a resolution adopted by the Board of Directors under the Articles of Incorporation

(2) Matters to be resolved

Proposal 1: Approval of the proposal for the appropriation of retained earnings for the 78th fiscal term

Proposal 2: Amendments to the Article of Incorporation

The main points of this proposal are summarized in the "Reference Document for the Exercise of Voting Rights" (pages 26-35).

Proposal 3: Election of six (6) directors

Proposal 4: Payment of condolence money to the late Junji Tsuji, director, and the payment of a retirement bonus to the retiring director

Note: For those attending, please present the enclosed Exercise Voting Rights Form at the reception desk upon arrival.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damage arising from the translation.

(Attached documents with regard to the NOTICE OF THE 78th ORDINARY GENERAL MEETING OF SHAREHOLDERS)

BUSINESS REPORT

(from April 1, 2005 to March 31, 2006)

1. Operating Performance

(1) Process and Results of Operations

During the year ended March 31, 2006, the global economy was steady and remained favorable in general, although there were some negative factors, such as high crude oil prices and the inventory curtailment of digital products at the beginning of the term.

In the electronic parts industry that the KOA Group (the "Group") serves, while in the first quarter the orders we received were inactive affected by the inventory cutback mentioned above, there appeared a clear tone of recovery in the acceptance of orders in the second quarter and after.

Under these circumstances, the Group worked to reduce its fixed costs and focused on various activities, including the sales and improvement in the quality of value-added products. We were also positive in the research and development area; for example, we developed world-level technology in the minute wiring of low-temperature fired ceramic multilayer boards.

As a result, the Group's consolidated sales amounted to ¥50,618 million, up ¥2,388 million over the previous year. The Group recorded a consolidated ordinary profit of ¥4,944 million, up ¥1,923 million, and a consolidated net income of ¥2,955 million, up ¥883 million, over the previous year, although DELPHI CORPORATION, the main customer of our marketing subsidiary in North America, filed an application under Article 11 of the United States Federal Bankruptcy Act and started a reorganization procedure, resulting in an extraordinary loss of ¥280 million for the present term.

We made a takeover bid on KOA DENKO (MALAYSIA) BERHAD, our affiliate accounted for by the equity method in Malaysia, through KOA DENKO (S) PTE. LTD., our consolidated subsidiary in Singapore. As a result, KOA DENKO (MALAYSIA) BERHAD became our consolidated subsidiary as of the end of the present term.

The breakdown of our consolidated sales by product type is as follows:

Product type	Sales (millions of yen)	Percentage of sales (%)
Integrated resistors	38,160	75.4
ICs and IC-related equipment	4,186	8.3
High-frequency inductors	1,899	3.8
Protective components	3,010	5.9
Others	3,155	6.2
Raw materials, parts and semi-finished goods	208	0.4
Total	50,618	100.0

(2) Our Tasks Ahead

While there are some apprehensions about an economic outlook, such as continued high crude oil prices, the global economy is likely to continue a slow growth as a whole. The Japanese economy is expected to remain steady, too. We foresee that in the electronic parts industry that the Group serves, too, we will have a firm acceptance of orders for some more time. On the other hand, we have also several concerns about profitability, such as an increasing pressure of the price hikes of raw materials and lowering selling prices due to price competition. To improve the profitability in this circumstance, it is essential for us to work hard on the cost reduction of general purpose goods and also to provide the market with higher value-added products and services.

With these perspectives in mind, the Group will endeavor to expand our business performance by adhering to the three basic guidelines: the "Quality First" principle for improving not only product quality but also operational quality; "Improving Profitability" through the Kaizen (improvement) Initiative for eliminating waste in management costs at every organizational level; and "Business Structural Reform" aiming at increasing the sales of high value-added products through engineering proposals to customers.

(3) Capital Expenditures

The Group's capital investments, principally in new product development and mass production, totaled ¥2,784 million. The funds spent for these investments were all our own money.

(4) Financing Activities

The Group raised no additional funds, such as by the issuance of bonds or new stocks, during the year under review.

(5) Operating Results and Financial Position (Consolidated/Non-consolidated)

1) The Group's Operating Results and Financial Position

(Millions of yen)

Fiscal term	75th (as of March 2003)	76th (as of March 2004)	77th (as of March 2005)	78th (as of March 2006)
Sales	56,836	55,074	48,230	50,618
Ordinary profit	2,146	3,179	3,021	4,944
Net income	195	1,881	2,072	2,955
Net income per share (yen)	4.49	43.02	47.69	69.98
Total assets	68,323	66,059	58,832	64,526

Notes:

1. The figures are rounded down to the nearest ¥1 million. For the net income (loss) per share, fractions below the third decimal place are omitted.
2. The net income (loss) per share is calculated based on the number of shares obtained by deducting the number of treasury stock from the average total number of outstanding shares during the term.

In the 75th fiscal term, we were able to realize a marginal net income because of a rise in sales and a focus on cost reductions for chip resistors, the staple product category.

In the 76th fiscal term, we were able to increase the net income despite reduced sales due mainly to decline in product prices, because we worked on various activities for a higher profitability.

In the 77th fiscal term, we strived to cut fixed costs and focused on the sales of high value-added products.

We carried out lots of activities aiming at implementing business structural reform and improving profitability, too.

The operating results and financial position for the 78th fiscal term, the year ended March 31, 2006, are discussed in "(1) Process and Results of Operations" in "1. Operating Performance" above.

2) Operating Results and Financial Position of KOA CORPORATION

(Millions of yen)

Fiscal term	75th (as of March 2003)	76th (as of March 2004)	77th (as of March 2005)	78th (as of March 2006)
Sales	34,483	34,464	35,535	36,400
Ordinary profit	575	861	1,046	1,669
Net income	122	296	688	1,006
Net income per share (yen)	2.83	6.81	15.92	23.88
Total assets	46,319	48,428	44,604	45,956

Notes:

1. The figures are rounded down to the nearest ¥1 million. For the net income (loss) per share, fractions below the third decimal place are omitted.
2. The net income (loss) per share is calculated based on the number of shares obtained by deducting the number of treasury stock from the average total number of outstanding shares during the term.

2. Current Status of the Group (as of March 31, 2006)

(1) Principal Business Activities

The Group's main business activities are the manufacture and sale of electric equipment and devices, telecommunications equipment and devices and their parts and components.

(2) Principal Offices and Plants

1) Principal Offices and Plants of KOA CORPORATION

Head office	3672, Ina, Nagano Prefecture, Japan
Administrative functions of head office	Earth Wing in Koa Pine Park, 14016, Oaza-Nakaminowa, Minowa-machi, Kamiina-gun, Nagano Prefecture, Japan
Branch	17-2, Midori-cho 2-chome, Fuchu-shi, Tokyo, Japan
Meguro Office	15-12, Nakane 2-chome, Meguro-ku, Tokyo, Japan
Sales offices	Sendai, Mito, Kumagaya, Tokyo, Musashino, Ina, Shizuoka, Nagoya, Osaka
Plants	East Wing, Minowa, Nishiyama, Takuminosato, Iida, Achi (all in Nagano Prefecture)

2) Principal Offices and Plants of KOA's Subsidiaries

Company name	Address
KOA ELECTRONICS CO., LTD.	733, Saijo, Anan-cho, Shimoina-gun, Nagano Prefecture, Japan
KOA TRADING CO., LTD.	3rd Fl., Takahashi Bldg., 7-1, Kandasuda-cho 1-chome, Chiyoda-ku, Tokyo, Japan
KOA DENKO (S) PTE. LTD.	72, Bendemeer Road, #06-02, Hiap Huat House, Singapore 339941
Minowa Koa Inc.	14016-30, Oaza-Nakaminowa, Minowa-machi, Kamiina-gun, Nagano Prefecture, Japan
Tama Electric Co., Ltd.	4-5, Yazaki-cho, Fuchu-shi, Tokyo, Japan
KOA Electronics (Tai Cang) CO., LTD.	111, Luo Yang, Tai Cang Economic Development Zone, Jing Su, China
KOA SPEER HOLDINGS CORP.	Bolivar Drive, P.O.Box 547, Bradford, PA., 16701 U.S.A.
KOA DENKO (MALAYSIA) BERHAD	Lots 7, 8 & 9, Batu Berendam FTZ, 75350, Malacca, Malaysia

(3) Shares

- 1) Number of shares authorized to be issued by the Company: 150,000,000
- 2) Number of outstanding shares: 43,479,724
- 3) Number of shareholders as of the balance sheet date: 9,669
- 4) Major Shareholders (Top 10)

Name	Investment in the Company		Company's investment in the shareholder	
	Number of shares held	Ratio of voting rights (%)	Number of shares held	Ratio of equity participation (%)
Japan Trustee Service Bank, Ltd. (trust account)	2,854,700	6.84	—	—
The Master Trust Bank of Japan, Ltd. (trust account)	2,767,500	6.63	—	—
Nippon Life Insurance Co.	2,220,650	5.32	—	—
The Bank of Tokyo-Mitsubishi UFJ	2,071,506	4.96	—	—
The Hachijuni Bank, Ltd.	2,071,000	4.96	212,895	0.03
The Koa Fire and Marine Insurance Co., Ltd.	1,442,100	3.45	155,125	0.01
Lombard Odier Darier Hentsch & Cie	1,013,300	2.42	—	—
The Chase Manhattan Bank N.A. London	900,000	2.15	—	—
NEC Corporation	868,333	2.08	—	—
Mitsubishi UFJ Trust and Banking Corp.	700,000	1.67	—	—

Note: Treasury stocks of 1,725,859 held by the Company are omitted.

(4) Acquisition, Disposition and Holding of Treasury Stocks

1) Shares acquired

Common shares: 720,260

Total purchase price: ¥772,045 thousand

Of which the treasury stocks purchased with a resolution adopted by the Board of Directors under the Articles of Incorporation after the 77th ordinary general meeting of shareholders

Common shares: 718,900

Total repurchase price: ¥770,501 thousand

Reason for the purchase:

To realize a more flexible use of capital so as to quickly respond to changes in the business environment.

2) Shares disposed

Common shares: 0

Total disposition price: ¥0 thousand

3) Shares held by the Company as of the balance sheet date

Common shares: 1,725,859

(5) Employees

1) Employees in the Group

Segment by business type	Number of employees	Year-over-year change (persons)
Electronic parts	3,584	(+) 465
General	57	(+) 2
Total	3,641	(+) 467

Note: The "General" section shows the number of employees in the administrative departments, such as general affairs, human resources, finance and system management departments.

2) Company Employees

Number of employees		Year-over-year change (persons)	Average age	Average length of service
Male	817	(-) 12	38 years	14 years and 2 months
Female	207	(-) 7	34 years and 7 months	10 years and 2 months
Total or average	1,024	(-) 19	37 years and 4 months	13 years and 4 months

Notes:

1. The figures exclude loan employees.
2. The figures include 10 non-regular staffers, 15 part-timers and 3 entrusted loan employees.

(6) Business Combinations

1) Important subsidiaries

Company name	Capital stock	Ratio of voting rights (%)	Principal business
KOA ELECTRONICS CO., LTD.	¥400 million	100.0	Manufacture of electronic parts
KOA TRADING CO., LTD.	¥10 million	100.0	Sale of electronic parts
KOA DENKO (S) PTE. LTD.	S\$100 thousand	100.0	Sale of electronic parts
Minowa Koa Inc.	¥1,122 million	99.3	Manufacture of electronic parts
Tama Electric Co., Ltd.	¥1,283 million	100.0	Manufacture of electronic parts
KOA Electronics (Tai Cang) CO., LTD.	¥1,900 million	100.0	Manufacture of electronic parts
SPEER HOLDINGS CORP.	US\$500	100.0	Sale of electronic parts
KOA DENKO (MALAYSIA) BERHAD	M\$48,104 thousand	92.4	Manufacture of electronic parts

2) Important affiliates

Company name	Capital stock	Ratio of voting rights (%)	Principal business
Dah hsing Electric CO., LTD.	NT\$39,000 thousand	50.0	Sale of electronic parts
Tohoku Electric Inc.	¥99 million	40.1	Manufacture of electronic parts

3) Results of business combinations

As of March 31, 2006, the Company's consolidated subsidiaries totaled 18, and the number of the affiliates accounted for by the equity method was two as mentioned above. As a result, the sales amounted to ¥50,618 million (an increase of 5.0% over the previous fiscal term) and the net income was ¥2,955 million (an increase of 42.6% over the previous fiscal term) on a consolidated basis.

(7) Major Lenders

Lender	Balance of borrowings (millions of yen)	Number of the Company's shares held by the lender	
		Number of shares held (thousands)	Ratio of voting rights (%)
Nagano Bank, Ltd.	100	226	0.52

(8) Directors and Corporate Auditors

President	In charge of Business Structural Reform Initiative and Environmental Business Field	Koichi Mukaiyama
Managing Director	In charge of Engineering Initiative, Global Quality Assurance Initiative, <i>Kami-Ina</i> Business Field and <i>Shimo-Ina</i> Business Field	Junji Tsuji
Managing Director	In charge of Business Structural Reform Initiative and Shanghai Office	Katsuhiko Kichiji
Director	In charge of Business Structural Reform Initiative	Scott Winston Rice
Director	In charge of Business Structural Reform Initiative and Japanese Sales Business Field	Kenzo Iga
Director	In charge of Administration Initiative	Kayoko Fukano
Director	In charge of Global Quality Assurance Initiative	Noriaki Nakata
Director	In charge of Engineering Initiative	Takuo Hayashi
Standing Corporate Auditor		Akio Ikegami
Corporate Auditor		Kazuhiro Miyagi
Corporate Auditor		Tetsuro Kamijikkoku

Notes:

1. Corporate auditors, Kazuhiro Miyagi and Tetsuro Kamijikkoku, are the outside auditors as stipulated in Article 18, Paragraph 1 of the old Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc. of Corporations (Kabushiki-Kaisha).

2. Personnel transfer of directors for this term

The following change was made as of June 11, 2005 (The position in parentheses is the one before the change):
Katsuhiko Kichiji elected as managing director (director).

3. Junji Tsuji, Managing Director, died on May 11, 2006 and retired as Managing Director.

(9) Compensation to be paid to the independent auditors

- | | |
|--|------------------|
| 1) Compensation to be paid by the Company and its subsidiaries to the independent auditors: | ¥36,500 thousand |
| 2) Amount of the compensation stated in 1) above which is to be paid to the independent auditors by the Company and its subsidiaries as consideration for the task stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law (Law No. 103, 1948) (audit certification): | ¥36,500 thousand |
| 3) Amount of the compensation stated in 2) above which is to be paid by the Company to the independent auditors for their services as such: | ¥22,000 thousand |

Note: The audit contract between the Company and the independent auditors does not distinguish the compensation for the audit under the Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc. of Corporations (Kabushiki-Kaisha) from the compensation for the audit under the Securities and Exchange Law. Because of this, the amount stated in 3) is the sum of these two types of compensation.

(10) Important Events Which Occurred to the Group after the Closing of the Settlement Term

No important events occurred to the Group after the closing of the settlement term.

Consolidated Balance Sheet

(Millions of yen)

Account item	Current fiscal term March 31, 2006	Previous fiscal term March 31, 2005	Account item	Current fiscal term March 31, 2006	Previous fiscal term March 31, 2005
	Amount	Amount		Amount	Amount
(Assets)			(Liabilities)		
Current Assets	37,519	33,720	Current Liabilities	13,935	11,646
Cash and deposits	15,232	13,509	Notes and accounts payable - trade	6,524	5,583
Notes and accounts receivable - trade	15,259	13,418	Short-term borrowings	1,462	2,385
Marketable securities	211	177	Accrued income taxes	799	372
Inventories	5,357	5,135	Accrued expenses	1,074	1,053
Deferred tax assets	989	989	Accrued employees' bonuses	989	973
Other current assets	640	767	Other current liabilities	3,084	1,278
Allowance for doubtful accounts	△171	△276	Fixed Liabilities	4,659	4,505
Fixed Assets	27,007	25,111	Long-term borrowings	203	181
Tangible fixed assets	18,856	17,354	Deferred tax liabilities	1,588	1,340
Buildings and structures	4,827	4,634	Allowance for employees' retirement benefits	1,052	1,090
Machinery, Equipment and Vehicles	7,219	6,191	Consolidation goodwill	61	459
Tools, furniture and fixtures	373	378	Other fixed liabilities	1,752	1,432
Land	5,791	5,918	Total Liabilities	18,594	16,151
Construction in progress	645	231	(Minority Interests)		
Intangible fixed assets	262	281	Minority interests	449	373
Investments and other assets	7,888	7,475	(Shareholders' Equity)		
Investments in securities	5,470	5,229	Capital stock	6,033	6,033
Deferred tax assets	578	520	Capital surplus	9,012	9,002
Other investments	3,109	3,215	Retained earnings	32,020	29,451
Allowance for doubtful accounts	△1,271	△1,489	Unrealized holding gain on securities	978	537
			Foreign currency translation adjustment	△975	△1,902
			Treasury stock	△1,586	△814
			Total Shareholders' Equity	45,482	42,307
Total Assets	64,526	58,832	Total Liabilities, Minority Interests and Shareholders' Equity	64,526	58,832

Note: The above figures are rounded down to the nearest ¥1 million.

Consolidated Statement of Income

(Millions of yen)

Account item			Current fiscal term (From April 1, 2005, to March 31, 2006)		Previous fiscal term (From April 1, 2004 to March 31, 2005)	
			Amount		Amount	
Ordinary Section	Operating Section	Operating revenue:				
		Sales		50,618		48,230
		Operating expenses:				
	Cost of sales	36,770		36,294		45,872
	Selling, general and administrative expenses	9,741	46,511	9,578		
	Operating profit		4,105		2,357	
	Non- operating Section	Nonoperating income:				
		Interest income	181		80	
		Dividends received	37		29	
		Other income	983	1,202	1,042	1,152
Nonoperating expenses:						
Interest expense		46		60		
Other expenses	318	364	428	488		
Ordinary profit			4,944		3,021	
Extraordinary Section	Extraordinary gains:					
	Gain on sales of fixed assets	28		17		
	Other extraordinary gains	7	35	92	109	
	Extraordinary losses:					
	Loss on disposal of fixed assets	67		64		
	Transfer to allowance for doubtful accounts	280		—		
Wastes and losses	140		—			
Other extraordinary losses	219	707	162	226		
Income before income taxes and minority interests			4,272		2,904	
Corporate income, inhabitant and enterprise taxes		1,326		599		
Income taxes-deferred		△48	1,278	147	746	
Minority interest in net income			38		85	
Net income			2,955		2,072	

Note: The above figures are rounded down to the nearest ¥1 million.

(Notes to the Consolidated Balance Sheet and the Statement of Income)

I Scope of Consolidation

Consolidated subsidiaries ······ 18 companies

Principal consolidated subsidiaries:

KOA ELECTRONICS CO., LTD., KOA TRADING CO., LTD., KOA DENKO (S) PTE. LTD., Minowa Koa Inc., Tama Electric Co., Ltd., KOA Electronics (Tai Cang) CO., LTD., KOA SPEER HOLDINGS CORP. and KOA DENKO (MALAYSIA) BERHAD

Non-consolidated subsidiaries ··· 5 companies

Principal non-consolidated subsidiaries:

Ina Mainichi Daily Newspaper Inc., Wuxi Koa Electroceramics Co.,Ltd. and Japan Electronic Application Co., Ltd.

Reason for exclusion from consolidation

These five non-consolidated subsidiaries were excluded from the scope of consolidation because all of them are small-sized companies and their total assets, sales, net income and retained earnings (the amount in accordance with the equity) had no significant impact on the consolidated financial statements.

II Application of the Equity Method

Non-consolidated subsidiaries accounted for by the equity method

None

Affiliates accounted for by the equity method ···· 2 companies

Companies accounted for by the equity method

Dah hsing Electric CO., LTD. and Tohoku Electric Inc.

Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method

Ina Mainichi Daily Newspaper Inc., Wuxi Koa Electroceramics Co.,Ltd. and Japan Electronic Application Co., Ltd.

Reason for exclusion from the equity method

The above three companies have not been accounted for by the equity method because their net income (loss) and retained earnings had no significant impact on a consolidated basis and were less important as a whole.

Special notes regarding the application of the equity method

As for the financial statements of the companies accounted for by the equity method that employed different account closing dates, we have used the financial statements for the fiscal term of such companies.

III Fiscal Term of the Consolidated Subsidiaries

The account closing date of Shanghai Koa Electronics Co., Ltd., KOA Electronics (Tai Cang) CO., LTD., and Shanghai Koa Electronics Trading Co., Ltd., which are among the consolidated subsidiaries, is December 31. The consolidated financial statements of these subsidiaries have been prepared using the financial documents dated as of December 31. However, adjustments have been made for all important transactions that took place between this date and the consolidated closing date.

IV Accounting Policies

1. Evaluation basis and methods for significant assets

Securities	a. Held-to-maturity securities:	Amortized cost method
	b. Other securities	
	Marketable securities classified as other securities:	Carried at market value as of the balance sheet date (Changes in unrealized holding gain or loss, net of the applicable income taxes, are directly included in the shareholders' equity. The cost of securities sold is determined by the moving-average method.)
	Non-marketable securities classified as other securities:	Carried at cost determined by the moving-average method

Evaluation method and standard for net receivables (and net debts) generated from derivative transactions:

Stated at fair market value

Inventories:

Mainly stated at cost determined by the moving average method

2. Depreciation method of significant depreciable assets

Tangible fixed assets:

The depreciation of tangible fixed assets is principally computed by the declining-balance method.

However, the straight-line method has been adopted for the buildings (excluding building improvements) acquired on or after April 1, 1998.

Intangible fixed assets:

Straight-line method

3. Accounting standard for principal reserves and allowances

Allowance for doubtful accounts:

The allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries is provided for possible bad debt at the amount estimated based on the past bad debt experience for normal receivables and at the uncollectible amounts determined by reference to the collectibility of individual doubtful receivables. That of our overseas-consolidated subsidiaries is provided for uncollectible amounts determined by reference to the collectibility of the specific receivables.

Accrued employees' bonuses:

The accrued employees' bonuses are provided for the payment of employees' bonuses based on the estimated amounts to be paid in the future.

Allowance for employees' retirement benefits:

The allowance for employees' retirement benefits of the Company and its consolidated subsidiaries is provided for the possible payment of employees' post-retirement benefits at the amount to be accrued at the balance sheet date, and is calculated based on the retirement benefit obligation and the fair value of pension plan assets at the end of this consolidated fiscal year.

The variance due to the change in the accounting standard (¥996 million) is charged off proportionally in the 15-year period.

Prior service cost is amortized as incurred on a straight-line basis over a certain period (10 years), which is within the average remaining service period of employees. The actuarial gain or loss is amortized by the straight-line method over a period of 10 years, which is within the average remaining service years of employees at the time of recognition in each consolidated fiscal year, beginning in the following consolidated fiscal year of recognition.

V Policies concerning the Conversion of Assets or Liabilities in Significant Foreign Currencies into Japanese Currency

Assets and liabilities in foreign currencies are converted into yen at the exchange rate on the final day of the accounting term and treated as losses or gains. The assets and liabilities of our overseas-consolidated subsidiaries are converted into yen at the exchange rate on the closing day, and income and expenses at the

average annual exchange rate for each period. The losses or gains arising from the exchange are recorded in "Foreign currency translation adjustment" in the "Shareholder's Equity" section.

VI Accounting of Significant Lease Transactions

The Company and its domestic consolidated subsidiaries adopt an accounting procedure similar to that for ordinary lease transactions for the finance leases which are other than those in which the ownership of leased property is transferred to the lessee. Overseas-consolidated subsidiaries mainly apply an accounting procedure similar to that for ordinary sales transactions.

VII Accounting of Consumption Tax

Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of the consumption tax.

VIII Evaluation of the Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of consolidated subsidiaries are determined using the all-fair-value method.

IX Amortization of Consolidation Goodwill

The consolidation goodwill is amortized equally over five years.

X Change in the accounting method

Beginning the present consolidated accounting term, we apply the "Accounting Standard on Depletion of Fixed Assets" ("Opinion on the Establishment of the Accounting Standard on the Deletion of Fixed Assets" (Business Accounting Council, August 9, 2002)) and the "Guideline for the Application of the Accounting Standard on the Depletion of Fixed Assets" (Guideline for the Application of the Business Accounting Standard No.6, Committee on Business Accounting Standard, October 31, 2003). As a result, the amount of the "Income before income taxes and minority interests" decreased by ¥140 million.

The total amount of losses is deducted directly from the amount of each of the assets.

XI Other Notes

1. Notes to the Consolidated Balance Sheet

Accumulated depreciation of tangible assets: ¥32,397 million

Assets pledged as collateral:

1) Assets pledged as collateral:

Time deposits	¥100 million
Buildings	¥212 million
Land	¥143 million
Investments in securities	¥1,189 million
Total	¥1,645 million

2) Assets pledged as a factory foundation:

Buildings	¥98 million
Machinery	¥8 million
Land	¥61 million
Total	¥168 million

The above assets are pledged as collateral for the short-term borrowings of ¥120 million.

Liabilities for guarantee outstanding:

Ina Mainichi Daily Newspaper Inc. ¥10 million

2. Notes to Consolidated Statement of Income

Net income per share: ¥69.98

3. The Group recorded losses for the following asset groups shown below:

Use	Type	Location	Amount (millions of yen)
Not in use	Land	Matsukawa, Nagano Prefecture	71
Not in use	Land	Hajima, Gifu Prefecture	68
Total			140

(Background)

We acquired the above lots of land as a site for the construction of an electronic parts plant and a site for the construction of an office. But due to decline in demand and other unfavorable situations resulting from stagnant business, these land lots are now not in use.

Because we have no plan to use these land lots and the price of the lots has greatly lowered, we regard them as losses.

(Grouping method)

Regarding the division as the basis and using offices as units for the sales division and plants as units for the manufacturing division, we group the assets that are not in use and we don't plan to use in the future according to each of the assets.

(Method of calculating the collectible amount, etc.)

Net selling price, real estate assessment standard

Certified copy of the independent auditors' report for consolidated financial statements

INDEPENDENT AUDITORS' REPORT

May 11, 2005

To the Board of Directors,
KOA CORPORATION

Yatabe & Co.
(4-7, Nishinippori 1-chome, Arakawa-ku, Tokyo)
Hidehiro Yatabe, CPA

Chuo Aoyama Audit Corporation
(Kasumigaseki Bldg., 2-5, Kasumigaseki 3-chome,
Chiyoda-ku, Tokyo)
Kikuo Nogawa, CPA
Designated Partner, Managing Partner
Tatsuya Arai, CPA
Designated Partner, Managing Partner

Pursuant to Article 19-2, Paragraph 3 of the Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc., of Corporations (Kabushiki-Kaisha), we have audited the consolidated balance sheet and statement of income of KOA CORPORATION (the "Company"), for the 78th fiscal term from April 1, 2005 to March 31, 2006. These consolidated financial statements are the responsibility of the Company's management, and our responsibility is to express an opinion on these financial statements as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. These standards require that we obtain reasonable reassurance 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 and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provided a reasonable basis for our opinion. Our procedures included those with respect to the Company's majority-owned subsidiaries, as we considered necessary in the circumstances.

As a result of our audit, it is our opinion that:

- (1) The consolidated financial statements present fairly the financial position and results of operation of the group consisting of KOA CORPORATION and its consolidated subsidiaries in conformity of the applicable laws and regulations and the Articles of Incorporation.
- (2) As stated in "X Change in the accounting method" above, the company applies the "Accounting Standard on Depletion of Fixed Assets" and the "Guideline for the Application of the Accounting Standard on the Depletion of Fixed Assets" beginning the present fiscal term. This change in the accounting method was made because the said accounting standard and the guideline were introduced beginning the fiscal term stated and was a reasonable one.

The audit corporation, Hidehiro Yatabe, CPA, and the managing partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Certified copy of the audit report by the Board of Corporate Auditors for the consolidated financial statements

AUDIT REPORT

To Koichi Mukaiyama
President
KOA CORPORATION

Regarding the consolidated financial statements (consolidated balance sheet and statement of income) for the 78th fiscal term beginning April 1, 2005 and ending March 31, 2006, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on reports from the respective corporate auditors concerning the methods and results of audits performed.

1. Outline of the Auditing Methods Employed by the Corporate Auditors

Based on the auditing policies, the assignment of tasks and other guidelines specified by the Board of Corporate Auditors, each Corporate Auditor has received reports and explanations regarding the consolidated financial statements by the Board of Directors and the independent auditors to review the financial documents.

2. Audit Results

In our opinion, the methods and results employed and rendered by the independent auditors, Yatabe & Co. and Chuo Aoyama Audit Corporation, are fair and reasonable.

May 16, 2006

Board of Corporate Auditors of KOA CORPORATION
Akio Ikegami, Standing Corporate Auditor
Kazuhiro Miyagi, Corporate Auditor
Tetsuro Kamijikkoku, Corporate Auditor

Note:

Corporate Auditors Kazuhiro Miyagi and Tetsuro Kamijikkoku are outside auditors as stipulated in Article 18, Paragraph 1 of the old "Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc., of Corporations (Kabushiki-Kaisha)."

Non-Consolidated Balance Sheet

(Millions of yen)

Account item	Current fiscal term March 31, 2006	Previous fiscal term March 31, 2005	Account item	Current fiscal term March 31, 2006	Previous fiscal term March 31, 2005
	Amount	Amount		Amount	Amount
(Assets)			(Liabilities)		
Current Assets	20,732	20,965	Current Liabilities	8,245	7,452
Cash and deposits	3,482	5,200	Notes payable-trade	3,739	3,405
Notes receivable-trade	3,129	3,259	Accounts payable-trade	2,303	2,070
Accounts receivable-trade	11,902	9,948	Short-term borrowings	100	279
Finished goods and merchandise	251	292	Accounts payable-other	474	294
Raw materials	157	123	Accrued expenses	239	242
Work in progress	883	945	Accrued income taxes	425	159
Stores	25	29	Accrued employees' bonuses	655	640
Prepaid expenses	1	5	Other current liabilities	307	360
Deferred tax assets	365	476	Fixed Liabilities	1,486	1,162
Short-term loans receivable	58	193	Deferred tax liabilities	689	493
Accounts receivable-other	365	465	Allowance for employees' retirement benefits	625	583
Other current assets	117	155	Other fixed liabilities	171	86
Allowance for doubtful accounts	△8	△131	Total Liabilities	9,732	8,614
Fixed Assets	25,223	23,639	(Shareholders' Equity)		
Tangible fixed assets	9,648	9,115	Capital stock	6,033	6,033
Buildings	2,552	2,610	Capital surplus	11,261	11,261
Structures	120	128	Additional paid-in capital	11,261	11,261
Machinery and equipment	3,254	2,640	Other capital surplus	0	0
Vehicles	1	2	Gain on disposal of treasury stock	0	0
Tools, furniture and fixtures	106	120	Retained earnings	19,623	18,998
Land	3,324	3,481	Legal reserve	916	916
Construction in progress	287	131	Voluntary reserves	16,765	17,096
Intangible fixed assets	117	135	Reserve for special depreciation	33	49
Telephone subscription right	8	8	Reserve for advanced depreciation of fixed assets	692	706
Utility right	5	6	General reserve	16,040	16,340
Software	54	58	Unappropriated retained earnings for the year	1,940	985
Other intangible fixed assets	49	62	Unrealized holding gain on securities	892	510
Investments and other assets	15,458	14,388	Treasury stock	△1,586	△814
Investments in securities	3,103	2,370			
Investments in stocks of subsidiaries	10,600	10,481	Total Shareholders' Equity	36,224	35,989
Investments	50	1			
Long-term loans receivable	431	453			
Long-term prepaid expenses	6	7			
Insurance reserve fund	627	627			
Long-term deposit money	700	500			
Other investments	108	104			
Allowance for doubtful accounts	△168	△157			
Total Assets	45,956	44,604	Total Liabilities and Shareholders' Equity	45,956	44,604

Note: The above figures are rounded down to the nearest ¥1 million.

Non-consolidated Statement of Income

(Millions of yen)

Account item			Current fiscal term (From April 1, 2005 to March 31, 2006)		Previous fiscal term (From April 1, 2004 to March 31, 2005)	
			Amount		Amount	
Ordinary Section	Operating Section	Operating revenue:				
		Sales		36,400		35,535
		Operating expenses:				
	Cost of sales	31,122		30,908		
	Selling, general and administrative expenses	4,328	35,450	4,242	35,150	
	Operating profit		950		385	
	Non- operating Section	Nonoperating income:				
		Interest income	19		12	
		Dividends received	607		560	
		Rent received	76		78	
Other income		68	772	104	755	
Nonoperating expenses:						
Interest expense		12		17		
Depreciation of lending assets		6		7		
Directors' retirement benefits	—		7			
Other expenses	34	53	62	94		
Ordinary profit				1,669		1,046
Extra- ordinary Section	Extraordinary gains:					
	Reversal of allowance for doubtful accounts	126		74		
	Other extraordinary gains	25	151	30	105	
	Extraordinary losses:					
	Loss on disposal of fixed assets	44		36		
	Wastes and losses	140		—		
Settlement expenses	—		96			
Other extraordinary losses	12	197	0	132		
Income before income taxes and minority interests				1,623		1,018
Corporate income, inhabitant and enterprise taxes			564		242	
Income taxes-deferred			52	616	87	329
Net income				1,006		688
Profit brought forward				1,124		492
Interim dividends				190		195
Unappropriated retained earnings for the year				1,940		985

Note: The above figures are rounded down to the nearest ¥1 million.

(Notes to the Non-consolidated Balance Sheet and Statement of Income)

I Significant Accounting Policies

1. Valuation basis and methods for securities

Investments in the stocks of subsidiaries and affiliates companies:

Carried at cost determined by the moving average method

Other securities

Marketable securities classified as other securities:

Carried at market value as of the balance sheet date.

(Changes in unrealized holding gain or loss, net of the applicable income taxes, are directly included in the shareholders' equity. The cost of securities sold is determined by the moving-average method.)

Non-marketable securities classified as other securities:

Carried at cost determined by the moving average method

2. Valuation basis and methods for inventories

Finished goods, merchandise, raw materials and work in progress:

Carried at cost determined by the moving average method

Stores:

Valuation at cost determined by the last purchase price method

3. Depreciation method of fixed assets

Tangible fixed assets:

The depreciation of tangible fixed assets is computed by the declining-balance method.

However, the straight-line method is adopted for buildings (excluding building improvements) acquired on or after April 1, 1998.

Intangible fixed assets:

The amortization of intangible fixed assets is computed by the straight-line method.

However, computer software for internal use is amortized by the straight-line method over the estimated useful life (five years).

Long-term prepaid expenses:

The straight-line method is adopted.

4. Accounting standard for reserves and allowances

Allowance for doubtful accounts:

The allowance for doubtful accounts is provided for possible bad debt at the amount estimated based on the past bad debt experience for normal receivables and at the uncollectible amounts determined by reference to the collectibility of individual doubtful receivables.

Accrued employees' bonuses:

The accrued employees' bonuses are provided for the payment of employees' bonuses based on the estimated amounts to be paid in the future.

Allowance for employees' retirement benefits:

The allowance for employees' retirement benefits is provided for the possible payment of employees' post-retirement benefits at the amount to be accrued at the balance sheet date, and is calculated based on the retirement benefit obligation and fair value of pension plan assets at the end of this fiscal year.

Prior service cost is amortized as incurred on a straight-line basis over a certain period (10 years), which is within an average remaining service period of employees.

The actuarial gain or loss is amortized by the straight-line method over a period of 10 years, which is within the average remaining service years of employees at the time of recognition of each period, beginning in the following year of recognition.

5. Accounting of lease transactions

The Company adopts an accounting procedure similar to that for ordinary lease transactions for the finance leases which are other than those in which the ownership of leased property is transferred to the lessee.

6. Accounting of consumption taxes

Transactions subject to the consumption tax and local consumption tax are recorded at amounts exclusive of the consumption tax.

II Change in the accounting method

Beginning the present fiscal term, we apply the "Accounting Standard on Depletion of Fixed Assets" ("Opinion on the Establishment of the Accounting Standard on the Deletion of Fixed Assets" (Business Accounting Council, August 9, 2002)) and the "Guideline for the Application of the Accounting Standard on the Depletion of Fixed Assets" (Guideline for the Application of the Business Accounting Standard No.6, Committee on Business Accounting Standard, October 31, 2003). As a result, the amount of the "Income before income taxes and minority interests" decreased by ¥140 million.

The total amount of losses is deducted directly from the amount of each of the assets.

III Notes to the Non-consolidated Balance Sheet

- 1. Short-term receivables due from subsidiaries: ¥5,907 million
- 2. Short-term payables due to subsidiaries: ¥2,991 million
- 3. Long-term receivables due from subsidiaries: ¥431 million
- 4. Assets pledged as collateral:
 - Investments in securities: ¥1,189 million
 - Tangible fixed assets: ¥471 million

We have no liabilities corresponding to the above-mentioned assets.

5. Fixed assets used under lease contracts

In addition to the fixed assets recorded in the non-consolidated balance sheet, the Company uses certain OA equipment and vehicles used in its business under lease contracts.

- 6. Accumulated depreciation of tangible fixed assets: ¥14,273 million
- 7. Liabilities for guarantee outstanding: ¥1,233 million
- 8. Restriction on dividends

Amount of the increase in net assets as stipulated in Article 124, Item 3, of the Enforcement Regulations of the Japanese Commercial Code: ¥892 million

IV Notes to the Non-consolidated Statement of Income

1. Transactions with subsidiaries

- Sales to subsidiaries: ¥13,974 million
- Purchases from subsidiaries: ¥14,134 million
- Transactions other than operating transactions: ¥1,880 million

2. Net income per share: ¥23.88

3. The Company recorded losses for the following asset groups shown below:

Use	Type	Location	Amount (millions of yen)
Not in use	Land	Matsukawa, Nagano Prefecture	71
Not in use	Land	Hajima, Gifu Prefecture	68
Total			140

(Background)

We acquired the above lots of land as a site for the construction of an electronic parts plant and a site for the construction of an office. But due to decline in demand and other unfavorable situations resulting from stagnant business, these land lots are now not in use.

Because we have no plan to use these land lots and the price of the lots has greatly lowered, we regard them as losses.

(Grouping method)

Regarding the division as the basis and using offices as units for the sales division and plants as units for the manufacturing division, we group the assets that are not in use and we don't plan to use in the future according to each of the assets.

(Method of calculating the collectible amount, etc.)

Net selling price, real estate assessment standard

Proposal for Appropriation of Retained Earnings

(Yen)

Account item	Amount
Unappropriated retained earnings for the year	1,940,800,661
Reversal of voluntary reserves	
Reversal of reserve for special depreciation	15,064,662
Reversal of reserve for advanced depreciation of fixed assets	11,616,513
Total	1,967,481,836
To be appropriated as follows:	
Dividends	271,400,123 (¥6.50 per share)
Retained earnings carried forward	1,696,081,713

Notes:

1. The reserve for special depreciation and the reserve for advanced depreciation of fixed assets were stated in accordance with the provisions of the Special Taxation Measures Law.
2. The Company distributed interim dividends at ¥4.50 per share on December 5, 2005.

Certified copy of the independent auditors' report

INDEPENDENT AUDITORS' REPORT

May 11, 2006

To the Board of Directors
KOA CORPORATION

Yatabe & Co.
(4-7, Nishinippori 1-chome, Arakawa-ku, Tokyo)
Hidehiro Yatabe, CPA

Chuo Aoyama Audit Corporation
(Kasumigaseki Bldg., 2-5, Kasumigaseki 3-chome,
Chiyoda-ku, Tokyo)
Kikuo Nogawa, CPA
Designated Partner, Managing Partner
Tatsuya Arai, CPA
Designated Partner, Managing Partner

Pursuant to Article 2, Paragraph 1, of the Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc., of Corporations (Kabushiki-Kaisha), we have audited the balance sheet, the statement of income, the business report (with respect to accounting matters only), the proposal for appropriation of retained earnings and the supporting schedules (with respect to accounting matters only) of KOA CORPORATION (the "Company"), for the 78th fiscal term from April 1, 2005, to March 31, 2006. The accounting matters that we have audited in the business report and the supporting schedules are based on the Company's books of account. These financial statements and the supporting schedules are the responsibility of the Company's management, and our responsibility is to express an opinion on these financial statements and supporting schedules as independent auditors.

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

As a result of our audit, it is our opinion that:

- (1) the balance sheet and the statement of income present properly the Company's financial position and the results of operations in accordance with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (2) As stated in "II Change in the accounting method" above, the company applies the "Accounting Standard on Depletion of Fixed Assets" and the "Guideline for the Application of the Accounting Standard on the Depletion of Fixed Assets" begging the present fiscal term. This change in the accounting method was made because the said accounting standard and the guideline were introduced beginning the fiscal term stated and was a reasonable one.
- (3) the business report (with respect to accounting matters only) presents properly the Company's affairs in accordance with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (4) the proposal for appropriation of retained earnings is presented in accordance with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (5) there is nothing to point out as to the supporting schedules (with respect to accounting matters only) in accordance with the provisions of the Japanese Commercial Code.

The audit corporation, Hidehiro Yatabe (CPA), and the managing partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Certified copy of the audit report by the Board of Corporate Auditors

AUDIT REPORT

To Koichi Mukaiyama
President
KOA CORPORATION

Regarding the performance of duties by the Directors for the 78th fiscal term beginning April 1, 2005, and ending March 31, 2006, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on reports from the respective corporate auditors concerning the methods and results of audits performed.

1. Auditing Methods Employed by the Corporate Auditors

Based on the auditing policies, the assignment of tasks and other guidelines specified by the Board of Corporate Auditors, each Corporate Auditor has attended the meetings of the Board of Directors and other important meetings, received reports on business operations from the Directors and other relevant personnel, examined important authorized documents and associated information, studied the operations and financial positions at the headquarters and principal offices, and, when necessary, visited the main subsidiaries to study their operations and financial positions. The Corporate Auditors have also received reports and explanations from the independent auditors and examined the financial documents and supporting schedules.

Regarding competitive trade by any of the Directors, trade implying conflict of interest involving the Company and any of its Directors, the Company's gratis allocation of benefits, actions of trade counter to general practices with any subsidiary or any shareholder, and the acquisition and disposal of the Company's treasury stock, we studied in detail the conditions of such trade, if any, and, when necessary, requested reports from the Directors and other relevant personnel, in addition to our auditing efforts using the aforementioned methods.

2. Audit Results

(1) In our opinion, the audit methods and results employed and rendered by the independent auditors, Yatabe & Co. and Chuo Aoyama Audit Corporation, are fair and reasonable.

(2) In our opinion, the business report fairly represents the Company's condition in accordance with the applicable laws and regulations of Japan and the Articles of Incorporation.

(3) With regard to the proposal for appropriation of retained earnings, we have found no matters to remark upon regarding the Company's financial status or other circumstances.

(4) In our opinion, the supporting schedules fairly represent the items to be stated. We have found no matters on which to remark upon in that regard.

(5) With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of applicable laws and regulations of Japan or the Articles of Incorporation.

We have neither found any breach of duty by the Directors with regard to competitive trade by any of the Directors, trade implying conflict of interest involving the Company and any of its Directors, the Company's gratis allocation of benefits, actions of trade counter to general practices with any subsidiary or any shareholder, and the acquisition and disposal of Company's treasury stock.

May 16, 2006

Board of Corporate Auditors of KOA CORPORATION
Akio Ikegami, Standing Corporate Auditor
Kazuhiro Miyagi, Corporate Auditor
Tetsuro Kamijikkoku, Corporate Auditor

Note: Corporate Auditors Kazuhiro Miyagi and Tetsuro Kamijikkoku are the outside auditors as stipulated in Article 18, Paragraph 1, of the old "Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc., of Corporations (Kabushiki-Kaisha)."

Reference Document for the Exercise of Voting Rights

1. Number of voting rights held by all shareholders: 417,167 votes

2. Proposal items and references

Proposal 1: Approval of the proposal for appropriation of retained earnings for the 78th fiscal term

The proposal for appropriation of retained earnings for the 78th fiscal term is as shown in the attached document (Page 21).

To take account of the need for internal reserves for investment in equipment and in research and development in answer to rapid technological innovations and also to reward our shareholders for their support, we hereby propose that the year-end dividend be ¥6.50 per share, an increase of ¥2 per share over the interim dividend. As a result, the total amount of dividend for the present fiscal term will be ¥11 per share including the interim dividend of ¥4.50 per share we already paid to you.

We also propose that directors' and corporate auditors' bonuses not be given in the 78th fiscal term.

Proposal 2: Amendments to the Article of Incorporation

1. Reasons for the amendments

(1) The Company Law (Law No. 86, 2005) was enforced on May 1, 2006 and as a result, we can now add some new provisions to our Articles of Incorporation. We propose to add new clauses or amend the existing ones as stated below. Unless otherwise specified, the article number is shown by that after amendment.

1) Article 11 (new)

The Company Law has abolished the odd lot system and gives the company the right to eliminate less-than-one-voting-unit shares in its articles of incorporation. We propose to establish a new clause about this new right.

2) Article 17 (new)

We propose to add this clause so as to increase the shareholders' convenience by the disclosure on the Internet and deemed provision of reference documents, etc. of the shareholders' meeting.

3) Article 29 (new)

We propose to add this clause so as to make it possible to hold a meeting of the Board of Directors by writing or other means, too.

4) Article 42, Paragraph 2 (new), Article 43, Paragraph 2 (new)

Under the Company Law, we can make a limited liability contract with outside auditors and independent auditors. We propose to add these clauses so as to make it easier for us to invite highly independent and excellent auditors from the outside.

(2) To improve the efficiency and mobility of management, we propose the following amendments:

1) Article 20 (amendment), Article 30 (amendment), Article 40 (amendment)

We propose to amend these clauses so as to make it possible to draw up the minutes of the ordinary general meetings of shareholders and the meetings of the Board of Directors and the Board of Corporate Auditors by electronic means, too.

2) Article 21 (amendment)

To raise the management efficiency further, we propose to reduce the number of directors.

3) Article 26 (new)

We propose to add this clause so as to shorten the period for advance notice of the meeting date so as to allow a more flexible holding of the meetings of the Board of Directors.

4) Article 33, Paragraph 1, Article 42, Paragraph 1 (new)

To secure the mobility of management and also to make it easier to promote excellent employees to officer positions, we propose to exempt directors and auditors from certain responsibilities within the scope stipulated by the laws and regulations. We have already obtained the consent of all of our corporate auditors to the creation of Article 33, Paragraph 1.

5) Article 33, Paragraph 2 (new)

To make it easier to invite highly independent and excellent people from the outside, we propose to create this new clause which will allow us to make a limited liability contract with outside directors. We have already obtained the consent of all of our corporate auditors to the creation of this clause.

- (3) Following the enforcement of the Company Law (Law No.86, 2005) and the Law concerning the Adjustments, etc. of Related Laws Associated with the Enforcement of the Company Law (Law No. 87, 2005) on May 1, 2006, we propose to make necessary amendments to and insertions into or removals from the following related clauses of the Articles of Incorporation:
Article 4 (Organs), Article 9 (Issuance of Share Certificates), Article 13 (Shareholders' List Manager).
- (4) Following the enforcement of the Company Law (Law No. 86, 2005) on May 1, 2006, the Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc., of Corporations (Kabushiki-Kaisha) was abolished. We propose to make necessary amendments to and insertions into or removals from the following related clauses:
Article 5 (Publication Method), Article 6 (Total Number of Shares the Company May Issue), Article 7 (Acquisition of Treasury Stock), Article 8 (Number of One-Voting-Unit Shares), Article 10 (Additional Purchase of Less-than-One-Voting-Unit Shares), Article 12 (Rules on the Handling of Shares), Article 14 (Date of Record), Article 15 (Convocation of Shareholders' Meeting), Article 18 (Method of Making Decisions at the Shareholders' Meeting), Article 22 (Election of Directors), Article 23 (Term of Office of Directors), Article 24 (Special Directors), Article 25 (Representative Director), Article 32 (Remuneration, etc. of Directors), Article 35 (Election of Corporate Auditors), Article 36 (Term of Office of Corporate Auditors), Article 37 (Standing Corporate Auditor), Article 41 (Remuneration, etc. of Corporate Auditors), Article 44 (Fiscal Term), deletion of Article 36 (Appropriation of Retained Earnings) of the present Articles of Incorporation, Article 45 (Distribution of Retained Earnings), Article 46 (Interim Dividends), Article 47 (Period of Exemption from Dividend Distribution).
- (5) We propose to make amendments to the expression, wording, etc. of the following clauses:
Article 16 (Authorized Convener and Chairman of Shareholders' Meetings), Article 19 (Voting by Proxy), Article 27 (Convener and Chairman of the Meeting of the Board of Directors), Article 28 (Method of Making Decisions of the Board of Directors), Article 34 (Number of Corporate Auditors).
- (6) We propose to move down the article numbers as needed.

2. Details of Proposed Amendments

The proposed amendments are as follows:

(Amendments shown by underlines.)

Current Articles	Proposed Amendments
<p style="text-align: center;">Chapter 1. General Provisions</p> <p>(Trade Name) Article 1. (Omitted)</p> <p>(Purposes of Incorporation) Article 2. (Omitted)</p> <p>(Location of the Head Office) Article 3. (Omitted)</p> <p style="text-align: center;">(New)</p> <p>(Publication Method) Article 4. <u>The public notice of the Company shall be given by an electronic means. However, if there is any unavoidable reason that prevents giving a public notice by an electronic means, such public notice will be given in the Nihon Keizai Shimbun.</u></p>	<p style="text-align: center;">Chapter 1. General Provisions</p> <p>(Trade Name) Article 1. (No amendment)</p> <p>(Purposes of Incorporation) Article 2. (No amendment)</p> <p>(Location of the Head Office) Article 3. (No amendment)</p> <p><u>(Organs)</u> <u>Article 4. The Company shall create the following organs in addition to the shareholders' meeting and directors:</u></p> <p style="margin-left: 40px;">(1) <u>Board of Directors;</u> (2) <u>Corporate Auditors;</u> (3) <u>Board of Corporate Auditors; and</u> (4) <u>Independent Auditors</u></p> <p>(Publication Method) Article 5. <u>The method of giving the public notice of the Company shall be that by an electronic means. However, if it is unable to give a public notice by an electronic means because of an accident or any other unavoidable reason, such public notice will be given in the Nihon Keizai Shimbun.</u></p>
<p style="text-align: center;">Chapter 2. Shares</p> <p>(Total Number of Shares <u>to Be Issued by the Company</u>) Article 5. <u>The total number of shares to be issued by the Company shall be 150,000,000. However, if some shares have been retired, the number of such retired shares shall be deducted from this total number.</u></p> <p>(Acquisition of Treasury Stock) Article 6. <u>The Company may, in accordance with the provisions of Article 211-3, Paragraph 1, Item 2 of the Commercial Code, purchase treasury stock by the decision of the Board of Directors.</u></p> <p>(Shared to Be Issued) Article 7. <u>The 100 shares of the Company shall be one voting unit of stock of the Company.</u> 2. <u>The Company shall issue no share certificate for less-than-one-voting- unit shares.</u></p>	<p style="text-align: center;">Chapter 2. Shares</p> <p>(Total Number of Shares <u>the Company May Issue</u>) Article 6. <u>The total number of shares the Company may issue shall be 150,000,000.</u></p> <p>(Acquisition of Treasury Stock) Article 7. <u>The Company may, in accordance with the provisions of Article 165, Paragraph 2 of the Company Law, acquire treasury stock by the decision of the Board of Directors.</u></p> <p>(<u>Number of One-Voting-Unit Shares</u>) Article 8. <u>The number of one-voting-unit shares of the Company shall be 100.</u> (Deleted)</p>

Current Articles	Proposed Amendments
<p style="text-align: center;">(New)</p> <p>(Additional Purchase of Less-than-One-Voting-Unit Shares)</p> <p>Article <u>8</u>. The shareholder (including the beneficial shareholder; the same hereinafter) <u>who holds the less-than-one-voting-unit shares</u> of the Company may, in accordance with the provisions of the Rules on the Handling of Shares, request the Company to sell him the number of the Company's shares which would allow him to hold <u>one voting unit of stock</u> together with <u>such</u> less-than-one-voting-unit shares he already holds.</p>	<p style="text-align: center;">(Issuance of Share Certificates)</p> <p><u>Article 9. The Company shall issue the share certificates for the shares of the Company.</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, the Company will not issue any share certificates for the less-than-one-voting-unit shares of the Company.</u></p> <p>(Additional Purchase of Less-than-One-Voting-Unit Shares)</p> <p>Article <u>10</u>. The shareholder (including the beneficial shareholder; the same hereinafter) of the Company may, in accordance with the provisions of the Rules on the Handling of Shares, request the Company to sell him the number of the Company's shares which would allow him to hold <u>one-voting-unit shares</u> together with <u>the</u> less-than-one-voting-unit shares he already holds.</p>
<p style="text-align: center;">(New)</p>	<p style="text-align: center;"><u>(Rights of Shareholders Holding Less-than-One-Voting-Unit Shares)</u></p> <p><u>Article 11. The shareholder of the Company may not, as for the less-than-one-voting-unit shares he holds, exercise any rights other than those mentioned below:</u></p> <p><u>(1) The right mentioned in each of the items of Article 189, Paragraph 2 of the Company Law;</u></p> <p><u>(2) The right to make a claim in accordance with the provisions of Article 166, Paragraph 1 of the Company Law;</u></p> <p><u>(3) The right to receive an allotment of the shares offered or the subscription right offered; and</u></p> <p><u>(4) The right to request the Company to sell less-than-one-voting-unit shares as provided for in the preceding article.</u></p>
<p>(Rules on the Handling of Shares)</p> <p>Article <u>9</u>. <u>The classes of shares, method of transfer, registration of the right of pledge, indication of trust assets, reissue of share certificates, purchase and additional purchase of less-than-one-voting-unit shares and other procedures and fees</u> as to the shares of the Company shall be provided for by the Rules on the Handling of Shares adopted by the Board of Directors.</p>	<p>(Rules on the Handling of Shares)</p> <p>Article <u>12</u>. <u>The handling and fees</u> as to the shares of the Company shall be provided for <u>by the laws and regulations and the Articles of Incorporation and also</u> by the Rules on the Handling of Shares adopted by the Board of Directors.</p>

Current Articles	Proposed Amendments
<p>(Transfer Agent)</p> <p>Article <u>10</u>. The Company shall appoint a <u>transfer agent for the shares of the Company</u>.</p> <p>2. The list of shareholders (including the list of beneficial shareholders; the same hereinafter) and the list of lost share certificates of the Company shall be kept at the <u>transfer agent's place of business, and the transfer agent shall be made to carry out and the Company will not carry out any matters related to shares, including the transfer of shares, registration of the right of pledge, indication of trust assets, reissue of share certificates, purchase and additional purchase of less-than-one-voting-unit shares.</u></p> <p>(Date of Record)</p> <p>Article <u>11</u>. The Company shall regard the shareholders with voting rights entered or recorded in the final list of shareholders as of March 31 each year as the shareholders who are to exercise their rights at the ordinary general meeting of shareholders for the <u>accounting term</u> concerned.</p> <p>2. The Company <u>may</u>, if necessary in the circumstance other than that mentioned in the preceding paragraph, <u>set a date of record by the decision of the Board of Directors and by giving a prior public notice.</u></p>	<p>(Shareholders' List Manager)</p> <p>Article <u>13</u>. The Company shall appoint a <u>manager of the list of shareholders</u>.</p> <p>2. The list of shareholders (including the list of beneficial shareholders; the same hereinafter), the list of lost share certificates <u>and the register of subscription rights of the Company</u> shall be kept at the <u>shareholders' list manager's</u> place of business, and <u>the Company shall entrust to the shareholders' list manager and will not carry out any matters related to shares and subscription rights, including entering and recording in the list of shareholders, the list of lost share certificates and the register of subscription rights and the purchase and additional purchase of less-than-one-voting-unit shares.</u></p> <p>(Date of Record)</p> <p>Article <u>14</u>. The Company shall regard the shareholders with voting rights entered or recorded in the final list of shareholders as of March 31 each year as the shareholders who may exercise their rights at the ordinary general meeting of shareholders for the <u>fiscal term</u> concerned.</p> <p>2. The Company <u>shall</u>, if necessary in the circumstance other than that mentioned in the preceding paragraph, <u>by the decision of the Board of Directors and by giving a prior public notice, regard the shareholders entered or recorded in the final list of shareholders as of a given date as the shareholders who may exercise their rights.</u></p>
<p style="text-align: center;">Chapter 3. Shareholders' Meeting</p> <p>(Convocation)</p> <p>Article <u>12</u>. The ordinary general meeting of shareholders of the Company shall be convoked in June each year, and the special meeting of shareholders shall be convoked at any time whenever necessary.</p> <p>2. <u>The shareholders who may exercise their rights at the ordinary general meeting of shareholders mentioned in the preceding paragraph shall be those who are recorded in the final list of shareholders as of March 31 each year.</u></p>	<p style="text-align: center;">Chapter 3. Shareholders' Meeting</p> <p>(Convocation of Shareholders' Meeting)</p> <p>Article <u>15</u>. (No amendment)</p> <p style="text-align: center;">(Deleted)</p>

Current Articles	Proposed Amendments
<p>(Convener and Chairman)</p> <p>Article <u>13</u>. The president of the Company shall convoke and preside over the meeting of shareholders. If the president is unable to attend, any other director shall take the chair in the order determined by the Board of Directors in advance.</p> <p style="text-align: center;">(New)</p>	<p><u>(Authorized Convener and Chairman of Shareholders' Meetings)</u></p> <p>Article <u>16</u>. <u>Unless otherwise provided for in the laws and regulations</u>, the president of the Company shall convoke and preside over the meeting of shareholders. If the president is unable to attend, any other director shall take the chair in the order determined by the Board of Directors in advance.</p> <p><u>(Disclosure on the Internet and Deemed Provision of Reference Documents, etc. of the Shareholders' Meeting)</u></p> <p>Article <u>17</u>. <u>If the Company discloses the information to be recorded or indicated upon the convocation of the shareholders' meeting in the reference document for the shareholders' meeting, business report, non-consolidated financial statements and consolidated financial statements on the Internet in accordance with the provisions of the ordinance of the Ministry of Justice, it may be deemed that the Company provides the shareholders with such information.</u></p>
<p>(Method of Making Decisions at the Shareholders' Meeting)</p> <p>Article <u>14</u>. Unless otherwise provided for in the laws and regulations or in the Articles of Incorporation, the shareholders' meeting shall make decisions by a majority of <u>votes of the shareholders present</u>.</p> <p>2. The decision to be made in accordance with the provisions of <u>Article 343 of the Commercial Code</u> shall be made by two-thirds or more of the voting rights of the shareholders present who have one-third or more of the voting rights of <u>the total shareholders</u>.</p>	<p>(Method of Making Decisions at the Shareholders' Meeting)</p> <p>Article <u>18</u>. Unless otherwise provided for in the laws and regulations or in the Articles of Incorporation, the shareholders' meeting shall make decisions by a majority of <u>the voting rights of the shareholders present who may exercise their voting right</u>.</p> <p>2. The decision to be made in accordance with the provisions of <u>Article 309, Paragraph 2 of the Company Law</u> shall be made by two-thirds or more of the voting rights of the shareholders present who have one-third or more of the voting rights of <u>the shareholders who may exercise their voting right</u>.</p>
<p>(Voting by Proxy)</p> <p>Article <u>15</u>. A shareholder may exercise his voting right at the shareholders' meeting by authorizing <u>any other shareholder</u> as his proxy.</p> <p>2. <u>The document evidencing the power of attorney shall be presented to the Company</u> at each meeting of shareholders.</p>	<p>(Voting by Proxy)</p> <p>Article <u>19</u>. A shareholder may exercise his voting right at the shareholders' meeting by authorizing <u>another shareholder having a voting right</u> as a proxy.</p> <p>2. <u>In the case of the preceding paragraph, the shareholder or his proxy shall present a document evidencing the power of attorney</u> at each shareholders' meeting.</p>

Current Articles	Proposed Amendments
<p>(Minutes) Article <u>16</u>. The proceedings and decisions of the shareholders' meeting shall be entered in the minutes of such meeting, <u>and the chairman and all the directors present shall sign and seal the minutes.</u></p> <p>Chapter 4. Directors and the Board of Directors</p> <p>(Number of Directors) Article <u>17</u>. The number of directors of the Company shall be <u>15</u> or less <u>and shall be elected at the meeting of shareholders.</u></p> <p>(Election of Directors) Article <u>18</u>. (New) The decision to elect directors shall be made by a majority of the voting rights of the shareholders present who hold <u>the shares equivalent to one-third or more of the voting rights of all the shareholders.</u> <u>2.</u> No cumulative voting shall be employed in the election of directors.</p> <p>(Term of Office of Directors) Article <u>19</u>. The term of office of directors shall be from the date of their <u>assumption of office</u> until the ordinary general meeting of shareholders for the final <u>accounting</u> term within one year after such date.</p> <p>(Special Directors) Article <u>20</u>. The Company may <u>elect</u> a Chairman of the Board of Directors, a President, Vice-Presidents and Directors, Managing Directors and Executive Directors by the decision of the Board of Directors.</p> <p>(Representative Director) Article <u>21</u>. The Representative Director shall be <u>appointed</u> by the decision of the Board of Directors. <u>2.</u> The Representative Director shall represent the Company and shall perform his tasks in accordance with the decisions of the Board of Directors.</p>	<p>(Minutes <u>of the Shareholders' Meeting</u>) Article <u>20</u>. The proceedings and decisions of the shareholders' meeting <u>and other matters provided for in the laws and regulations</u> shall be entered <u>or recorded</u> in the minutes of such meeting.</p> <p>Chapter 4. Directors and the Board of Directors</p> <p>(Number of Directors) Article <u>21</u>. The number of directors of the Company shall be <u>10</u> or less.</p> <p>(Election of Directors) Article <u>22</u>. <u>Directors shall be elected by the decision of the shareholders' meeting.</u> <u>2.</u> The decision to elect directors shall be made by a majority of the voting rights of the shareholders present who hold <u>one-third or more of the voting rights of the shareholders who may exercise their voting rights.</u> <u>3.</u> (No amendment)</p> <p>(Term of Office of Directors) Article <u>23</u>. The term of office of directors shall be from the date of their <u>election</u> until the ordinary general meeting of shareholders for the final <u>fiscal term of the fiscal terms ending</u> within one year after such date.</p> <p>(Special Directors) Article <u>24</u>. The Company may <u>select</u> a Chairman of the Board of Directors, a President, Vice-Presidents and Directors, Managing Directors and Executive Directors by the decision of the Board of Directors.</p> <p>(Representative Director) Article <u>25</u>. The Representative Director shall be <u>selected</u> by the decision of the Board of Directors. <u>2.</u> (No amendment)</p>

Current Articles	Proposed Amendments
<p style="text-align: center;">(New)</p> <p>(Convocation of the Meeting of the Board of Directors)</p> <p>Article <u>22</u>. Unless otherwise provided for in the laws and regulations, the president shall convoke and preside over the meeting of the Board of Directors. If the president is unable to attend, any other director shall <u>take the chair</u> in the order determined by the Board of Directors in advance.</p> <p>(Decisions of the Board of Directors)</p> <p>Article <u>23</u>. The decisions of the Board of Directors shall be made by a majority vote with a majority of the directors present.</p>	<p><u>(Notice of the Meeting of the Board of Directors)</u> <u>Article 26</u>. The notice of the meeting of the Board of Directors shall be given to all the directors and corporate auditors three days in advance of each meeting. However, in an emergency, the period for advance notice may be reduced to less than three days. <u>2. If all the directors and corporate auditors agree, the meeting of the Board of Directors may be held without any convocation procedure.</u></p> <p><u>(Convener and Chairman of the Meeting of the Board of Directors)</u> Article <u>27</u>. Unless otherwise provided for in the laws and regulations, the president shall convoke and preside over the meeting of the Board of Directors. If the president is unable to convoke and preside over the meeting, any other director shall <u>serve as the convener and chairman</u> in the order determined by the Board of Directors in advance.</p> <p><u>(Method of Making Decisions of the Board of Directors)</u> Article <u>28</u>. The decisions of the Board of Directors shall be made by a majority vote with a majority of the directors <u>who may take part in such decisions</u> present.</p>
<p style="text-align: center;">(New)</p> <p>(Minutes of the Meeting of the Board of Directors)</p> <p>Article <u>24</u>. The proceedings and decisions of the meeting of the Board of Directors shall be entered in the minutes of such meeting, and the chairman and all the directors <u>and auditors</u> present shall sign and seal the minutes.</p>	<p><u>(Omission of the Decision of the Board of Directors)</u> <u>Article 29</u>. If all the directors have expressed their intention to agree on the decision of the Board of Directors in writing or by an electronic means, the Company shall consider that the Board of Directors has approved of such decision. However, this shall not apply to the case where any corporate auditor has objected to such decision.</p> <p>(Minutes of the Meeting of the Board of Directors) Article <u>30</u>. The proceedings and decisions of the meeting of the Board of Directors <u>and other matters provided for in the laws and regulations</u> shall be entered <u>or recorded</u> in the minutes of such meeting, and the chairman and all the directors present shall sign and seal <u>or electronically sign</u> the minutes.</p>

Current Articles	Proposed Amendments
<p>(Corporate Advisors and Counselors) Article <u>25</u>. The Company may appoint some corporate advisors and counselors by the decision of the Board of Directors. Corporate advisers and counselors shall provide the president with advice and suggestions regarding the Company's business, and their term of office shall be within two years.</p> <p>(Remuneration) Article <u>26</u>. The remuneration of <u>directors</u> shall be determined by the decision of the shareholders' meeting.</p> <p>(New)</p> <p>Chapter 5. Corporate Auditors and the Board of Corporate Auditors</p> <p>(Number of Corporate Auditors) Article <u>27</u>. The number of corporate auditors of the Company shall be four or less <u>and shall be elected at the shareholders' meeting</u>.</p>	<p>(Corporate Advisors and Counselors) Article <u>31</u>. (No amendment)</p> <p>(Remuneration, etc. of Directors) Article <u>32</u>. The remuneration, <u>bonuses and other financial benefits the directors receive from the Company as consideration for the performance of their tasks (hereinafter referred to as "remuneration, etc.")</u> shall be determined by the decision of the shareholders' meeting.</p> <p>(Exemption of Directors from Liabilities) <u>Article 33. The Company may, if the liabilities for compensation of the directors (including the individuals who were once directors) mentioned in Article 423, Paragraph 1 of the Company Law meet, in accordance with the provisions of Article 426, Paragraph 1 of the Company Law, the requirements provided for in the laws and regulations, exempt such directors from their liabilities up to the amount obtained by deducting the minimum amount provided for in the laws and regulations from the amount of such liabilities.</u> <u>2. The Company may, if the liabilities for compensation mentioned in Article 423, Paragraph 1 of the Company Law meet, in accordance with the provisions of Article 427, Paragraph 1 of the Company Law, the requirements provided for in the laws and regulations, make a contract to limit such liabilities with an outside director. However, the limit to the liabilities under such contract shall be the amount fixed in advance of five million yen or more or the amount provided for in the laws and regulations, whichever is higher.</u></p> <p>Chapter 5. Corporate Auditors and the Board of Corporate Auditors</p> <p>(Number of Corporate Auditors) Article <u>34</u>. The number of corporate auditors of the Company shall be four or less.</p>

Current Articles	Proposed Amendments
<p>(Election of Corporate Auditors) Article <u>28</u>. The decision to elect corporate auditors shall be made by a majority of the voting rights of the shareholders present who hold shares equivalent to one-third or more of the voting rights of <u>all the shareholders</u>.</p>	<p>(Election of Corporate Auditors) Article <u>35</u>. The decision to elect corporate auditors shall be made by a majority of the voting rights of the shareholders present who hold shares equivalent to one-third or more of the voting rights of <u>the shareholders who may exercise their voting rights</u>.</p>
<p>(Term of Office of Corporate Auditors) Article <u>29</u>. The term of office of corporate auditors shall be from the date of their <u>assumption of office</u> until the ordinary general meeting of shareholders for the final fiscal term within four years after such date.</p> <p>2. The term of office of the corporate auditors who are elected <u>to fill vacancies</u> shall be until the end of the term of office of their predecessors.</p>	<p>(Term of Office of Corporate Auditors) Article <u>36</u>. The term of office of corporate auditors shall be from the date of their <u>election</u> until the ordinary general meeting of shareholders for the final fiscal term <u>of the fiscal terms ending</u> within four year after such date.</p> <p>2. The term of office of the corporate auditors who are elected <u>as the substitutes for the auditors who have retired before the end of their term of office</u> shall be until the end of the term of office of their predecessors.</p>
<p>(Standing Corporate Auditor) Article <u>30</u>. <u>The corporate auditors shall appoint a standing corporate auditor from among themselves.</u></p>	<p>(Standing Corporate Auditor) Article <u>37</u>. <u>The Board of Corporate Auditors shall elect a standing corporate auditor by its decision.</u></p>
<p>(Notice of the Meeting of the Board of Corporate Auditors) Article <u>31</u>. The notice of the meeting of the Board of Corporate Auditors shall be given to all the corporate auditors three days in advance of each meeting. However, in an emergency, the period for advance notice may be reduced to less than three days.</p>	<p>(Notice of the Meeting of the Board of Corporate Auditors) Article <u>38</u>. (No amendment)</p>
<p>(Decisions of the Board of Corporate Auditors) Article <u>32</u>. Unless otherwise provided for in the laws and regulations, the decisions of the Board of Corporate Auditors shall be made by a majority vote.</p>	<p>(<u>Method of Making</u> Decisions of the Board of Corporate Auditors) Article <u>39</u>. (No amendment)</p>
<p>(Minutes of the Meeting of the Board of Corporate Auditors) Article <u>33</u>. The proceedings and decisions of the meeting of the Board of Corporate Auditors shall be entered in the minutes of such meeting, and all the auditors present shall sign and seal the minutes.</p>	<p>(Minutes of the Meeting of the Board of Corporate Auditors) Article <u>40</u>. The proceedings and decisions of the meeting of the Board of Corporate Auditors <u>and other matters provided for in the laws and regulations</u> shall be entered <u>or recorded</u> in the minutes of such meeting, and all the auditors present shall sign and seal <u>or electronically sign</u> the minutes.</p>

Current Articles	Proposed Amendments
<p>(Remuneration) Article <u>34</u>. The remuneration of auditors shall be determined by the decision of the shareholders' meeting.</p> <p>(New)</p> <p>(New)</p> <p>Chapter <u>6</u>. Accounting</p> <p>(Fiscal Term) Article <u>35</u>. The fiscal term of the Company shall be one year beginning April 1 and ending March 31 the following year.</p>	<p>(Remuneration, etc. of Corporate Auditors) Article <u>41</u>. The remuneration, etc. of auditors shall be determined by the decision of the shareholders' meeting.</p> <p>(Exemption of Corporate Auditors from Liabilities) Article <u>42</u>. <u>The Company may, if the liabilities for compensation of the corporate auditors (including the individuals who were once corporate auditors) mentioned in Article 423, Paragraph 1 of the Company Law meet, in accordance with the provisions of Article 426, Paragraph 1 of the Company Law, the requirements provided for in the laws and regulations, exempt such corporate auditors from their liabilities up to the amount obtained by deducting the minimum amount provided for in the laws and regulations from the amount of such liabilities.</u></p> <p><u>2. The Company may, if the liabilities for compensation mentioned in Article 423, Paragraph 1 of the Company Law meet, in accordance with the provisions of Article 427, Paragraph 1 of the Company Law, the requirements provided for in the laws and regulations, make a contract to limit such liabilities with an outside auditor. However, the limit to the liabilities under such contract shall be the amount fixed in advance of five million yen or more or the amount provided for in the laws and regulations, whichever is higher.</u></p> <p><u>Chapter 6. Independent Auditors</u></p> <p>(Independent Auditors) Article <u>43</u>. <u>Independent auditors shall be elected by the decision of the shareholders' meeting.</u></p> <p><u>2. The Company may, if the liabilities for compensation mentioned in Article 423, Paragraph 1 of the Company Law meet, in accordance with the provisions of Article 427, Paragraph 1 of the Company Law, the requirements provided for in the laws and regulations, make a contract to limit such liabilities with an independent auditor.</u></p> <p>Chapter <u>7</u>. Accounting</p> <p>(Fiscal Term) Article <u>44</u>. The fiscal term of the Company shall be one year beginning April 1 and ending March 31 the following year.</p>

Current Articles	Proposed Amendments
<p data-bbox="164 205 586 233"><u>(Appropriation of Retained Earnings)</u></p> <p data-bbox="164 237 781 359"><u>Article 36. The retained earnings of the Company shall be appropriated by the decision of the shareholders' meeting and in accordance with the provisions of the laws and regulations.</u></p> <p data-bbox="164 396 298 424"><u>(Dividends)</u></p> <p data-bbox="164 428 764 550"><u>Article 37. Dividends shall be distributed to those shareholders or registered pledgees who are recorded in the list of shareholders as of the final day of each fiscal term.</u></p> <p data-bbox="164 684 386 711"><u>(Interim Dividends)</u></p> <p data-bbox="164 716 797 968"><u>Article 38. The Company may, by the decision of the Board of Directors, distribute cash (hereinafter referred to as "interim dividend") to the shareholders or registered pledgees who are recorded in the list of shareholders as of September 30 each year in accordance with the provisions of Article 293-5 of the Commercial Code.</u></p> <p data-bbox="164 1005 732 1033"><u>(Period of Exemption from Dividend Distribution)</u></p> <p data-bbox="164 1037 764 1222"><u>Article 39. If dividends and the interim dividends provided for in Article 38 are not received within three years from the day when the distribution is started, the Company shall be exempted from the obligation to pay such dividends.</u></p>	<p data-bbox="1084 205 1192 233">(Deleted)</p> <p data-bbox="824 396 1219 424"><u>(Distribution of Retained Earnings)</u></p> <p data-bbox="824 428 1442 646"><u>Article 45. The Company shall, by the decision of the shareholders' meeting, distribute its retained earnings in cash (hereinafter referred to as "term-end dividend") to the shareholders or registered share pledgees who are entered or recorded in the final list of shareholders as of March 31 each year.</u></p> <p data-bbox="824 684 1045 711"><u>(Interim Dividends)</u></p> <p data-bbox="824 716 1458 968"><u>Article 46. The Company may, by the decision of the Board of Directors, distribute retained earnings in cash as provided for in Article 454, Paragraph 5 of the Company Law (hereinafter referred to as "interim dividend") to the shareholders or registered share pledgees who are entered or recorded in the final list of shareholders as of September 30 each year.</u></p> <p data-bbox="824 1005 1393 1033"><u>(Period of Exemption from Dividend Distribution)</u></p> <p data-bbox="824 1037 1435 1192"><u>Article 47. If term-end dividends and the interim dividends are not received within three years from the day when the distribution is started, the Company shall be exempted from the obligation to pay such dividends.</u></p>

Proposal 3: Election of six (6) directors

The term of office of all the current 7 directors of the Company will expire at the conclusion of this 78th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that you elect 6 directors. The nominees for the new directors are as follows:

No.	Name (Date of birth)	Brief personal history and representative positions in other companies	Number of the Company's shares held
1	Koichi Mukaiyama (September 13, 1948)	<p>March 1972 Joins the Company June 1976 Takes office as director of the Company December 1977 Takes office as President of the Company (present position) October 2001 Takes charge of Environmental Business Field (present responsibility) October 2003 Takes charge of Business Structural Reform Initiative</p> <p>Representative positions in other companies: President, KOA TRADING CO., LTD. President, Ina Mainichi Newspaper Representative director, Da Xing Electronic Dian Gong Ltd.</p>	522,005
2	Katsuhiko Kichiji (May 9, 1939)	<p>April 1965 Joins the Company April 1990 Takes office as general manager of Global Sales Dept., Business Division. May 1996 Takes office as president of KOA Speer Electronics, Inc. July 2000 Takes office as president of Koa Speer Holdings, Inc. June 2004 Takes office as director of the Company; takes charge of Engineering Initiative and Shanghai Branch (present position) June 2005 Takes office as managing director of the Company (present position); takes charge of Business Structural Reform Initiative (present responsibility)</p> <p>Representative positions in other companies: Representative director, Shanghai Xing Ya Electronic Parts Ltd. Representative director, Xing He Electronics (Tai Cang) Ltd. Representative director, Shanghai He Er Electronics Trading Ltd. Representative director, Wu Xi Xing He Electronics Ltd. Representative director, Gaoxiong Xing Ya Co., Ltd.</p>	5,600

No.	Name (Date of birth)	Brief personal history and representative positions in other companies	Number of the Company's shares held
3	Scott Winston Rice (October 29, 1959)	<p>February 1996 Joins the Company</p> <p>June 1996 Takes office as director of the Company (present position)</p> <p>October 2001 Takes charge of Global Marketing Initiative</p> <p>October 2003 Takes charge of Business Structural Reform Initiative (present responsibility)</p> <p>Representative position in other company: Chairman, KOA SPEER ELECTRONICS INC.</p>	59,500
4	Kayoko Fukano (July 18, 1958)	<p>October 1995 Takes office as corporate advisor of the Company</p> <p>June 2002 Takes office as director of the Company (present position); takes charge of Administration Initiative and Human Resource Management Initiative</p> <p>October 2003 Takes charge of Administration Initiative (present responsibility)</p>	3,400
5	Noriaki Nakata (June 14, 1948)	<p>March 1967 Joins the Company</p> <p>May 1998 Takes charge of General manager of the Quality Assurance Center</p> <p>October 2003 Takes charge of General manager of the Quality Assurance Center, Quality Improvement Center & Procurement Management Center, Global Quality Assurance Initiative (present responsibility)</p> <p>June 2004 Takes office as Director of the Company (present position); Takes charge of Global Quality Assurance Initiative (present responsibility)</p>	1,900
6	Takuo Hayashi (March 3, 1952)	<p>March 1974 Joins the Company</p> <p>May 1998 Takes charge of General manager of the membrane Parts Workshop Division</p> <p>March 1999 Takes charge of General manager, Engineering Division</p> <p>October 2003 Takes charge of General manager, <i>Waza-zukuri</i> Center, Engineering Initiative of the Company (present position)</p> <p>June 2004 Takes office as Director of the Company (present position); Takes charge of Engineering Initiative</p>	2,200

Note: There is no special interest between each of the above nominees and the Company.

Proposal 4: Payment of condolence money to the late Junji Tsuji, director, and the payment of a retirement bonus to the retiring director

We hereby propose to pay condolence money to the late Junji Tsuji, director, and a bonus to Mr. Kenzo Iga who will retire as director of the Company at the conclusion of this shareholders' meeting so as to reward them for their service while in office according to the standard set by the Company.

We would like you to entrust the job of determining the amount, payment time and method and other related matters of the bonus to the discussion by the Board of Directors.

The brief personal history of the retiring director is as follows:

Name	Brief history
Junji Tsuji	June 1996 Takes office as director of the Company June 2003 Takes office as managing director of the Company May 2006 Dies
Kenzo Iga	June 2000 Takes office as director of the Company (present position)

<Note>

A series of horizontal dashed lines for writing notes, consisting of 20 lines.