

May 25, 2005

**To Those Shareholders with Voting Rights**

Koichi Mukaiyama  
President  
KOA CORPORATION  
3672, Oaza-Ina, Ina, Nagano, Japan

**NOTICE OF THE 77th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We hereby inform you of the 77th Ordinary General Meeting of Shareholders to be held as described below:

If you are unable to attend the meeting, please read through the attached documents and return the Exercise Voting Rights Form with your selections and registered seal.

Notice

**1. Date:** 10 a.m., Saturday, June 11, 2005

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

**3. Meeting Agenda:**

- 1) Matters to report
- 1 Business Report, Consolidated Balance Sheet and Consolidated Statement of Income as well as Audit Reports of Independent Auditors and Board of Corporate Auditors for consolidated financial statements for the 77th fiscal term (from April 1, 2004, to March 31, 2005)
  - 2 Non-consolidated Balance Sheet and Non-consolidated Statement of Income for the 77th fiscal term (from April 1, 2004, to March 31, 2005)
  - 3 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 appropriation of retained earnings for the 77th fiscal term

Proposal 2: Partial amendments to the Articles of Incorporation  
The main points of the proposals are summarized in the "Reference Document for the Exercise of Voting Rights" (Pages 24–26).

Proposal 3: Election of eight (8) directors

Proposal 4: Election of one (1) corporate auditor

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

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**BUSINESS REPORT**  
(from April 1, 2004, to March 31, 2005)

**1. Operating Performance**

(1) Process and Results of Operations

During the year ended March 31, 2005, the global economy experienced a boom thanks to the robust performance of the US and Chinese economies. In the latter part of the current period, however, it turned into a gradual expansion due to a sharp increase in oil prices as well as the slowdown of the US and Chinese economies.

In the electronic parts industry that KOA CORPORATION ("the Company" or "we") and its corporate group ("the Group" or "we") serves, favorable sales development in digital video equipment and rising customer demand for vehicle-based electronic equipment expanded the market as a whole. However, as production bases continuously shift to other Asian countries, price competition is becoming increasingly severe.

Under these circumstances, the Group reduced its fixed expenses and focused on sales of value-added products to achieve business structural reform and improve profitability. In terms of quality, we strengthened our design capability to enhance our competitive advantage in the global market and improved quality and reliability in the manufacturing department.

In addition, we are now streamlining group businesses to invest managerial resources into our core project, the electronic parts business. As a part of this operation, we transferred the liquid-crystal backlight section of Tama Electric Co., Ltd. to OMRON Corporation.

As a result, the Group's consolidated sales amounted to ¥48,230 million, down ¥6,844 million from the previous year. The Group recorded an ordinary profit of ¥3,021 million, a decrease of ¥157 million, and net income of ¥2,072 million, an increase of ¥190 million from the previous year.

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

Product type	Sales (millions of yen)	Percentage of sales (%)
Carbon-film chip resistors	2,456	5.1%
Metal-film chip resistors	29,567	61.3%
Integrated resistors	1,686	3.5%
Potentiometers	357	0.7%
Other resistors	2,498	5.2%
ICs and IC-related equipment	3,231	6.7%
High-frequency inductor	1,977	4.1%
Protective components	2,375	4.9%
Backlight	565	1.2%
Others	3,293	6.8%
Raw materials, parts and semifinished goods	224	0.5%
Total	48,230	100.0%

(2) Our Tasks Ahead

In the foreseeable future, we anticipate the gradual growth of the global economy though the US and Chinese economies will temporarily enter an adjustment phase in the first-half of 2005. In the electronic parts industry, expanding demand and robust development are continuously expected in the areas of digital video equipment and vehicle electronic equipment despite slight stock adjustment. On the contrary, the industry is facing several negative factors such as pressure to increase prices for materials and the expected reduction of product prices due to intensifying competition. Accordingly, we must supply high-value-added products and services while ensuring radical cost reductions to eliminate negative effects and further improve profitability.

With these perspectives in mind, we will endeavor to expand business performance by adhering to three basic guidelines: the "Quality First" principle to improve not only product quality but also operational quality, "Improving Profitability" through the Kaizen (improvement) initiative to eliminate unprofitable management costs at every organizational level, and "Business Structural Reform" to enhance sales of high-value-added products through engineering proposals to customers.

### (3) Capital Expenditures

The Group's capital investments, principally for development of new products and investments in mass products, totaled ¥1,621 million. Capital used for these investments are appropriated by funds on hand.

### (4) Financing Activities

The Group did not raise additional funds such as by the issuance of bonds or new stocks during the year under review.

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

#### 1) Changes in Operating Results and Financial Position of Group

(Millions of yen)

Fiscal term	74th (2002/3)	75th (2003/3)	76th (2004/3)	77th (2005/3)
Sales	51,299	56,836	55,074	48,230
Ordinary profit (loss)	Δ 402	2,146	3,179	3,021
Net income (loss)	Δ 1,610	195	1,881	2,072
Net income (loss) per share (¥)	Δ 37.45	4.49	43.02	47.69
Total assets	72,938	68,323	66,059	58,832

Notes:

1. The above amounts are rounded down to the nearest ¥1 million unit. Fractions for net income (loss) per share below two decimal places are rounded off.
2. Net income (loss) per share is calculated based on the existing number of shares after deducting the average amount of treasury stock during the fiscal term from the average number of shares issued during the fiscal term.

Sales for the 74th fiscal term fell mainly due to the effects of production and stock adjustments by chip-setting manufacturers. Despite cost-cutting efforts and restrictions on personnel expenses to reduce fixed expenses, the Group recorded an ordinary loss and a net loss for the year.

A rise in sales and a focus on cost reductions for the mainstay chip resistors in the 75th fiscal term resulted in marginal net income for the year.

In spite of a decrease in sales due to falling product prices, our efforts to improve profitability yielded a considerable increase in profit.

The operating results and financial position for the 77th fiscal term, the year ended March 31, 2005, are discussed in “(1) Process and Results of Operations” in “1. Operating Performance” above.

#### 2) Changes in Operating Results and Financial Position of KOA Corporation

(Millions of yen)

Fiscal term	74th (2002/3)	75th (2003/3)	76th (2004/3)	77th (2005/3)
Sales	29,208	34,483	34,464	35,535
Ordinary profit (loss)	Δ 429	575	861	1,046
Net income (loss)	Δ 601	122	296	688
Net income (loss) per share (¥)	Δ 13.83	2.83	6.81	15.92
Total assets	45,224	46,319	48,428	44,604

Note:

1. The above amounts are rounded down to the nearest ¥1 million unit. Fractions for net income (loss) per share below two decimal places are rounded off.
2. Net income (loss) per share is calculated based on the existing average number of shares issued during each fiscal term for the 74th fiscal terms, and on the number of shares after deducting the average number of treasury stock during the year from the average number of shares issued during the year for the 75th, 76th and 77th fiscal terms.

## 2. Current Status of the Company

### (1) Principal Business Activities

The Group mainly engages in 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, Oaza-Ina, Ina, Nagano, Japan
Administrative function of head office	Earth Wing in Koa Pine Park, 14016, Oaza Naka-minowa, Minowa-machi, Kamiina-gun, Nagano, Japan
Branch	17-2, Midori-cho 2-chome, Fuchu-shi, Tokyo, Japan
Sales offices	Sendai, Mito, Kumagaya, Tokyo, Musashino, Ina, Shizuoka, Nagoya, Osaka, Kyushu
Plants	East Wing, Minowa, Nishiyama, Takuminosato, Iida, Achi (all in Nagano Prefecture)

#### 2) Principal Offices and Plants of KOA's Subsidiaries

Company names	Addresses
KOA ELECTRONICS CO., LTD	733, Saijo, Anan-cho, Shimoina-gun, Nagano, Japan
KOA TRADING CO., LTD	Takahashi Bldg., 1-7-1, Suda-cho, Kanda, Chiyoda-ku, Tokyo, Japan
KOA DENKO (S) PTE. LTD.	72 BENDEMEER ROAD #06-02HIAP HUAT HOUSE SINGAPORE 339941
Minowa Koa Inc.	14016-30, Oaza Naka-minowa, Minowa-machi, Kamiina-gun, Nagano, Japan
Tama Electric Co., Ltd.	4-5, Yazaki-cho, Fuchu-shi, Tokyo, Japan
Xing He Electronics (Tai Cang) 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 USA

### (3) Shares

1) Number of shares authorized to be issued by Company: 150,000,000

2) Number of shares issued: 43,479,724

3) Number of shareholders as of balance sheet date: 11,788

#### 4) Major Shareholders

Name	Investment in the Company		Investment by the Company in these shareholders	
	Number of shares held	Ratio of voting rights (%)	Number of shares held	Ratio of equity participation (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,939,300	6.92%	—	—
Nippon Life Insurance Co.	2,220,650	5.23%	—	—
The Hachijuni Bank, Ltd.	2,101,000	4.95%	212,895	0.04%
Japan Trustee Service Bank, Ltd. (trust account)	1,692,000	3.98%	—	—
The Koa Fire and Marine Insurance Co., Ltd.	1,442,100	3.39%	155,125	0.02%
The Chase Manhattan Bank N.A. London	1,086,600	2.56%	—	—
Lombard Odier Darier Hentsch & Cie	1,013,200	2.38%	—	—
NEC Corporation	868,333	2.04%	—	—
The Bank of Tokyo-Mitsubishi, Ltd.	790,900	1.86%	—	—
UFJ Equity Investments Co., Ltd.	782,500	1.84%	—	—

Note: Treasury stocks of 1,005,599 held by the Company are omitted.

#### (4) Acquisition, Disposition and Holding of Treasury Stock

##### 1) Shares acquired

Common shares: 1,001,132  
Total repurchase price: ¥810,713 thousand

##### 2) Shares disposed

Common shares: 108  
Total disposition price: ¥91 thousand

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

Common shares: 1,005,599

##### 4) Treasury stock purchased with a resolution adopted by the Board of Directors under the Articles of Incorporation after the 76th ordinary general meeting of shareholders

###### Reason for the purchase

For flexible use of capital to quickly respond to changes in business environment

Common shares: 1,000,000,  
Total repurchase price: ¥809,743 thousand

#### (5) Employees

##### 1) Employees in the Group

Segments by business type	Number of employees	Year-over-year change (persons)
Electronic parts	3,119	(-) 61
General	55	0
Total	3,174	(-) 61

Note: The General column shows the number of employees in 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	829	(-) 42	38 years 3 months	14 years 3 months
Female	214	(-) 9	34 years 0 months	9 years 10 months
Total or average	1,043	(-) 51	37 years 5 months	13 years 4 months

Note:

1. Loan employees are excluded from the employee count.
2. Twenty six (26) non-regular staff and two (2) entrusted loan employees are included in the employee count.

## (6) Business Combinations

### 1) Important subsidiaries

Company names	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.	US\$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
Xing He Electronics (Tai Cang) Ltd.	¥1,700 million	100.0%	Manufacture of electronic parts
KOA SPEER HOLDINGS CORP.	US\$1,000	98.0%	Sale of electronic parts

Note: K-TECH DEVICES CORPORATION changed its trade name to Minowa Koa Inc. as of August 1, 2004.

### 2) Important affiliates

Company names	Capital stock	Ratio of voting rights (%)	Principal business
KOA DENKO (MALAYSIA) BERHAD	M\$ 18,000 thousand	38.1%	Manufacture of electronic parts
Da Xing Electronic Dian Gong 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, 2005, the consolidated subsidiaries of the Company totaled 17, and the number of affiliates accounted for by the equity method was three as mentioned above. As a result, sales amounted to ¥48,230 million (a decrease of 12.4% compared to the end of the previous fiscal term) and net income was ¥2,072 million (an increase of 10.1% compared to the end of 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 lenders (thousands)	
		Number of shares held	Ratio of voting rights (%)
The Hachijuni Bank, Ltd.	129	2,101	4.95%
Nagano Bank, Ltd.	100	226	0.53%
Sumitomo Mitsui Banking Corporation	50	—	—

(8) Directors and Corporate Auditors (As of March 31, 2005)

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
Director	In charge of Business Structural Reform Initiative	Scott Winston Rice
Director	In charge of Business Structural Reform Initiative and Japan Sales Business Field	Kenzo Iga
Director	In charge of Administration Initiative	Kayoko Fukano
Director	In charge of Engineering Initiative and Shanghai Branch	Katsuhiko Kichiji
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

Note:

1. Corporate auditors, Kazuhiro Miyagi and Tetsuro Kamijikkoku, are outside auditors as stipulated in Article 18, Paragraph 1, of the "Law Concerning Special Exceptions to the Commercial Code with respect to Auditing, etc. of Corporations (Kabushiki-Kaisha)."
2. The personnel transfer of directors for this term was as follows:
  - 1) Hideo Ogasawara and Akitoshi Nakamura retired from their positions as director at the conclusion of the 76th Ordinary General Meeting of Shareholders held on June 12, 2004
  - 2) Katsuhiko Kichiji, Noriaki Nakata and Takuo Hayashi were elected and assumed the office of director at the 76th Ordinary General Meeting of Shareholders held on June 12, 2004.

- (9) Compensation to be paid to independent auditors
- |  |                  |
|--|------------------|
| 1) Compensation to be paid by the Company and subsidiaries to independent auditors:  | ¥41,500 thousand |
| 2) Of the amount in 1), compensation to be paid to independent auditors by the Company and subsidiaries for certification of audit stipulated in Article 2, Paragraph 1, of the Certified Public Accountants Law (Law No.103, 1948): | ¥41,500 thousand |
| 3) Of the amount of 2), compensation to be paid for the services other than the above  | ¥21,000 thousand |
- Note: Since in the audit contract the KOA and the independent auditors do not distinguish the compensation for audit on the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc., of Corporations (Kabushiki-Kaisha)" basis from the amount on the Securities and Exchange Law basis, the amount in 3), above includes both.

- (10) Important Subsequent Events of the Group after the Closing of Settlement Term  
None applicable

## Consolidated Balance Sheet

(Millions of yen)

Account item	Current fiscal term March 31, 2005	Previous fiscal term March 31, 2004	Account item	Current fiscal term March 31, 2005	Previous fiscal term March 31, 2004
	Amount	Amount		Amount	Amount
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Current Assets</b>	<b>33,720</b>	<b>40,665</b>	<b>Current Liabilities</b>	<b>11,646</b>	<b>19,002</b>
Cash and deposits	13,509	16,616	Notes and accounts payable - trade	5,583	8,740
Notes and accounts receivable - trade	13,418	15,550	Short-term borrowings	2,385	6,120
Marketable securities	177	152	Accrued income taxes	372	429
Inventories	5,135	5,406	Accrued expenses	1,053	1,445
Deferred tax assets	989	1,084	Accrued employees' bonuses:	973	1,003
Other current assets	767	2,048	Other current liabilities	1,278	1,262
Allowance for doubtful accounts	△ 276	△ 193	<b>Fixed Liabilities</b>	<b>4,505</b>	<b>5,009</b>
<b>Fixed Assets</b>	<b>25,111</b>	<b>25,394</b>	Long-term borrowings	181	308
<b>Tangible fixed assets</b>	<b>17,354</b>	<b>17,751</b>	Deferred tax liabilities	1,340	1,295
Buildings and Structures	4,634	4,581	Allowance for employees' retirement benefits	1,090	1,302
Machinery, Equipment and Vehicles	6,191	6,552	Consolidation goodwill	459	970
Tools, furniture and fixtures	378	500	Other fixed liabilities	1,432	1,132
Land	5,918	5,898	<b>Total Liabilities</b>	<b>16,151</b>	<b>24,012</b>
Construction in progress	231	218	<b>(Minority interests)</b>	<b>373</b>	<b>603</b>
<b>Intangible fixed assets</b>	<b>281</b>	<b>300</b>	<b>Minority interests</b>		
<b>Investments and other</b>	<b>7,475</b>	<b>7,341</b>	<b>(Shareholders' Equity)</b>		
Investments in securities	5,229	5,055	<b>Capital stock</b>	<b>6,033</b>	<b>6,033</b>
Deferred tax assets	520	506	<b>Capital surplus</b>	<b>9,002</b>	<b>9,002</b>
Other investments	3,215	3,552	<b>Retained earnings</b>	<b>29,451</b>	<b>27,778</b>
Allowance for doubtful accounts:	△ 1,489	△ 1,772	<b>Unrealized holding gain on securities</b>	<b>537</b>	<b>555</b>
			<b>Foreign currency translation adjustment</b>	<b>△ 1,902</b>	<b>△ 1,922</b>
			<b>Treasury stock</b>	<b>△ 814</b>	<b>△ 3</b>
			<b>Total Shareholders' Equity</b>	<b>42,307</b>	<b>41,443</b>
<b>Total Assets</b>	<b>58,832</b>	<b>66,059</b>	<b>Total Liabilities, Minority interests and Shareholders' Equity</b>	<b>58,832</b>	<b>66,059</b>

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

## Consolidated Statement of Income

(Millions of yen)

Account item		Current fiscal term (From April 1, 2004, to March 31, 2005)		Previous fiscal term (From April 1, 2003 to March 31, 2004)		
		Amount		Amount		
<b>Ordinary Section</b>	<b>Operating Section:</b>	<b>Operating revenue:</b>		<b>48,230</b>		<b>55,074</b>
		Sales				
		<b>Operating expenses:</b>				
		Cost of sales	<b>36,294</b>		<b>41,957</b>	
	Selling, general and administrative expenses	<b>9,578</b>	<b>45,872</b>	<b>10,518</b>	<b>52,476</b>	
	Operating profit		<b>2,357</b>		<b>2,598</b>	
	<b>Nonoperating Section:</b>	<b>Nonoperating income:</b>				
		Interest income	80		65	
		Dividends received	29		39	
		Other income	1,042	<b>1,152</b>	1,099	<b>1,204</b>
<b>Nonoperating expenses:</b>						
Interest expense		60		94		
Other expenses	428	<b>488</b>	530	<b>624</b>		
	<b>Ordinary profit</b>		<b>3,021</b>		<b>3,179</b>	
<b>Extraordinary Section</b>	<b>Extraordinary gains:</b>					
	Gain on sales of fixed assets	17		15		
	Other extraordinary gains	92	<b>109</b>	0	<b>15</b>	
	<b>Extraordinary losses:</b>					
	Loss on disposal of fixed assets	64		76		
	Difference in change due to application of retirement benefits accounting	—		368		
Other extraordinary losses	162	<b>226</b>	138	<b>583</b>		
<b>Income before income taxes and minority interests</b>			<b>2,904</b>		<b>2,611</b>	
Corporate income, inhabitant and enterprise taxes		599		836		
Income taxes—Deferred		147	<b>746</b>	△ 113	<b>723</b>	
Minority Interest in Net Income			<b>85</b>		<b>7</b>	
<b>Net income</b>			<b>2,072</b>		<b>1,881</b>	

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

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

### I Scope of Consolidation

Consolidated subsidiaries..... 17 companies

Principal consolidated subsidiaries

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

Non-consolidated subsidiaries..... 5 companies

Principal non-consolidated subsidiaries

Ina Mainichi Newspaper Inc., Wu xi Xing he Electronic Ltd, Nippon Denshi Corporation

Reason for exception

Because all of these seven non-consolidated subsidiaries are small-sized companies, total assets, sales, net income and retained earnings (the amount in accordance with the equity) have 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 equity method.....3 companies

Companies accounted for by the equity method

KOA DENKO (MALAYSIA) BERHAD, Da Xing Electronic Dian Gong Ltd., Tohoku Electric  
Inc

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

Ina Mainichi Newspaper Inc., Wu xi Xing he Electronics Ltd., Nippon Denshi Corporation

Reason for exclusion

Net income (loss) and retained earnings of such companies have no significant impact on a consolidated basis and are less important as a whole.

Special notes regarding application of the equity method

As for the financial statements of companies accounted for by the equity method that employ different account closing dates, we use the statements as is for calculation.

### III The fiscal term of consolidated subsidiaries

Among the consolidated subsidiaries, Shang hai Xing Ya Electronic Parts Ltd., Xing He Electronics (Tai Cang) Ltd., and Shang hai Ke Er Electronics Trading Ltd. employ the account closing date of December 31. Consolidated financial statements have been prepared from financial documents dated as of December 31. However, adjustments have been made for any important transactions that took place between this date and consolidated closing date.

### IV Accounting Policies

#### 1. Evaluation basis and methods for significant assets

- Securities
- a. Held-to-maturity securities: Amortized cost method
  - b. Available-for-sale securities

Marketable securities clarified as other securities:	Carried at market value as of the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes included directly in shareholders' equity. The cost of securities sold is determined by the moving-average method.
Non-marketable securities clarified as others:	Carried at cost determined by the moving-average method

Evaluation method and standard for net debts and receivables 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 is adopted for 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 domestic consolidated subsidiaries is provided for possible bad debt at the amount estimated based on the past bad debt experience for normal receivables, plus uncollectible amounts determined by reference to the collectibility of individual doubtful receivables. That of 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 payments of employees' bonuses based on the estimated amounts.

Allowance for employees' retirement benefits:

The allowance for employees' retirement benefits of the Company and consolidated subsidiaries is provided for 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 consolidated 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 shorter than the average remaining service years for employees at the time of recognition in each consolidated fiscal year, from the following consolidated fiscal year of recognition.

## V Policies concerning the conversion of assets or liabilities in significant foreign currency into Japanese currency

Assets and liabilities in foreign currency are converted into yen at the exchange rate on the final day of the accounting term and treated as losses or gains. Assets and liabilities of 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 of Shareholder's Equity.

## VI Accounting for significant lease transactions

Finance leases that do not transfer the ownership of leased property to the lessee are accounted for operating leases. Overseas-consolidated subsidiaries mainly apply an accounting procedure similar to that for ordinary sales transactions.

## VII Accounting for consumption tax

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

## VIII Evaluation of 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 uniformly over five years.

## X Other notes

### 1. Notes to the Consolidated Balance Sheet

Accumulated depreciation of tangible assets: ¥28,604 million

Assets pledged as collateral:

#### 1) Assets pledged as collateral:

Time deposits	¥100 million
Buildings	¥282 million
Land	¥144 million
Investments in securities	¥873 million
Total	¥1,401 million

#### 2) Assets pledged as factory foundation:

Buildings	¥104 million
Machinery	¥9 million
Land	¥61 million
Total	¥176 million

The above assets are pledged as collateral for the short-term borrowings of ¥249 million.

Liabilities for guarantee outstanding: Ina Mainichi Newspaper Inc. ¥10 million

### 2. Notes to Consolidated Statement of Income

Net income per share: ¥47.69

## IX Additional Information

In accordance with the enactment of the "Law Regarding Partial Revision of the Local Tax Law, etc" (2003, Law No. 9) on March 31, 2003, the external standard taxation was applied from the consolidated fiscal year starting April 1, 2004. In compliance with "Practical Treatment of Presentation of External Standards Taxation portion of Enterprise Taxes on the Statement of Income" (Accounting Standards Board of Japan, Report of Practical Issues No.12, February 13, 2004) value-added and capital components of enterprise taxes are recorded in selling, general and administrative expenses from the 77th fiscal term.

As a result, selling, general and administrative expenses increased ¥86 million and operating profit, ordinary profit and Income before income taxes and minority interests decreased ¥86 million.

**INDEPENDENT AUDITOR'S REPORT**

May 11, 2005

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, Engagement Partner  
Tatsuya Arai, CPA  
Designated Partner, Engagement 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 77th fiscal term from April 1, 2004, to March 31, 2005. 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. Those 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 provide 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 the consolidated financial statements mentioned above present fairly the financial position and results of operation of the group corporation consisting of KOA CORPORATION and consolidated subsidiaries in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.

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.

(TRANSLATION)

**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 77th fiscal term beginning April 1, 2004, and ending March 31, 2005, 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 Auditing Methods Employed by Corporate Auditors

Based on the auditing policies and other guidelines specified by the Board of Corporate Auditors, each Corporate Auditor has received reports and explanations regarding the consolidated financial statements by Board of Directors and 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, 2005

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 “Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc., of Corporations (Kabushiki-Kaisha).”

## Consolidated Balance Sheet

(Millions of yen)

Account item	Current fiscal term March 31, 2005	Previous fiscal term March 31, 2004	Account item	Current fiscal term March 31, 2005	Previous fiscal term March 31, 2004
	Amount	Amount		Amount	Amount
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Current Assets</b>	<b>20,965</b>	<b>25,375</b>	<b>Current Liabilities</b>	<b>7,452</b>	<b>10,914</b>
Cash and deposits	5,200	9,490	Notes payable—trade	3,405	5,124
Notes receivable—trade	3,259	3,968	Accounts payable—trade	2,070	2,350
Accounts receivable—trade	9,948	9,237	Short-term borrowings	279	1,870
Finished goods and merchandise	292	534	Accounts payable—other	294	315
Raw materials	123	124	Accrued expenses	242	221
Work in progress	945	798	Accrued income taxes	159	226
Stores	29	41	Accrued employees' bonuses	640	628
Prepaid expenses	5	3	Other current liabilities	360	178
Deferred tax assets	476	480	<b>Fixed Liabilities</b>	<b>1,162</b>	<b>993</b>
Short-term loans receivable	193	300	Deferred tax liabilities	493	421
Accounts receivable—other	607	507	Allowance for employees' retirement benefits	583	539
Other current assets	13	72	Other fixed liabilities	86	32
Allowance for doubtful accounts	△ 131	△ 185			
<b>Fixed Assets</b>	<b>23,639</b>	<b>23,053</b>	<b>Total Liabilities</b>	<b>8,614</b>	<b>11,908</b>
<b>Tangible fixed assets</b>	<b>9,115</b>	<b>9,250</b>	<b>(Shareholders' Equity)</b>		
Buildings	2,610	2,729	<b>Capital stock</b>	<b>6,033</b>	<b>6,033</b>
Structures	128	126	<b>Capital surplus</b>	<b>11,261</b>	<b>11,261</b>
Machinery and equipment	2,640	2,663	Additional paid-in capital	11,261	11,261
Vehicles	2	2	Other capital surplus	0	0
Tools, furniture and fixtures	120	150	Gain on disposal of treasury stock	0	0
Land	3,481	3,483	<b>Retained earnings</b>	<b>18,998</b>	<b>18,700</b>
Construction in progress	131	95	Legal reserve	916	916
<b>Intangible fixed assets</b>	<b>135</b>	<b>154</b>	Voluntary reserves	17,096	17,428
Telephone subscription right	8	8	Reserve for special depreciation	49	67
Utility right	6	7	Reserve for advanced depreciation of fixed assets	706	720
Software	58	86	General reserve	16,340	16,640
Other intangible fixed assets	62	52	Unappropriated retained earnings for the year	985	355
<b>Investments and other</b>	<b>14,388</b>	<b>13,647</b>	<b>Unrealized holding gain on securities</b>	<b>510</b>	<b>528</b>
Investments in securities	2,370	2,400	<b>Treasury stock</b>	<b>△ 814</b>	<b>△ 3</b>
Investments in stocks of subsidiaries	10,481	10,019			
Investments	1	1	<b>Total Shareholders' Equity</b>	<b>35,989</b>	<b>36,520</b>
Long-term loans receivable	453	158			
Long-term prepaid expenses	7	7	<b>Total Liabilities and Shareholders' Equity</b>	<b>44,604</b>	<b>48,428</b>
Insurance reserve fund	627	624			
Long-term deposit money	500	500			
Other investments	104	119			
Allowance for doubtful accounts	△ 157	△ 184			
<b>Total Assets</b>	<b>44,604</b>	<b>48,428</b>			

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

## Non-consolidated Statement of Income

(Millions of yen)

Account item			77th fiscal term (From April 1, 2004, to March 31, 2005)		76th fiscal term (From April 1, 2003 to March 31, 2004)	
			Amount		Amount	
<b>Ordinary Section</b>	<b>Operating Section:</b>	<b>Operating revenue:</b>				
		<b>Sales</b>		35,535		34,464
		<b>Operating expenses:</b>				
	<b>Cost of sales</b>	30,908		30,040		
	<b>Selling, general and     administrative expenses</b>	4,242	35,150	4,061	34,101	
	<b>Operating profit</b>		385		362	
	<b>Nonoperat ing Section:</b>	<b>Nonoperating income:</b>				
		Interest income	12		10	
		Dividends received	560		460	
		Rent received	78		13	
Other income		104	755	119	603	
<b>Nonoperating expenses:</b>						
Interest expense		17		18		
Depreciation of lending assets		7		8		
Provision for allowance for doubtful accounts		—		0		
Directors' retirement benefits	7		—			
Other expenses	62	94	76	104		
<b>Ordinary profit</b>				1,046		861
<b>Extraordi nary Section</b>	<b>Extraordinary gains:</b>					
	Reversal of allowance for doubtful accounts	74		63		
	Other extraordinary gains	30	105	0	63	
	<b>Extraordinary losses:</b>					
	Loss on disposal of fixed assets	36		46		
	Prior-year legal welfare expense	—		69		
	Difference in change due to application of retirement benefits accounting	—		252		
	Settlement expenses	96		—		
Other extraordinary losses	0	132	9	378		
<b>Income before income taxes</b>				1,018		547
Corporate income, inhabitant and enterprise taxes			242		267	
Income taxes—Deferred			87	329	△ 16	250
<b>Net income</b>				688		296
<b>Profit brought forward</b>				492		255
<b>Interim dividends</b>				195		195
<b>Unappropriated retained earnings for the year</b>				985		355

Note: The above statement amounts 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 stocks of subsidiaries and affiliated companies:

Carried at cost determined by the moving average method

Other securities

Marketable securities clarified as other securities:

Carried at market value as of the balance sheet date

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

Non-marketable securities clarified 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 principally 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, plus uncollectible amounts determined by reference to the collectibility of individual doubtful receivables.

Accrued employees' bonuses:

The accrued employees' bonuses are provided for payments of employees' bonuses based on the estimated amounts.

Allowance for employees' retirement benefits:

The allowance for employees' retirement benefits is provided for 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 shorter than the average remaining service years for employees at the time of recognition of each period, from the following year of recognition.

5. Accounting for lease transactions  
Finance leases that do not transfer the ownership of leased property to the lessee are accounted for as operating leases.
6. Accounting for consumption taxes  
Transactions subject to the consumption tax and local consumption tax are recorded at amounts exclusive of the consumption tax.

## II Notes about the Non-consolidated Balance Sheet

1. Short-term receivables due from subsidiaries: ¥5,441 million
2. Short-term payables due to subsidiaries: ¥2,539 million
3. Long-term receivables due from subsidiaries: ¥453 million
4. Assets pledged as collateral:
 

Investments in securities	¥873 million
Tangible fixed assets	¥549 million

 The above assets are pledged as collateral for the short-term borrowings of ¥129 million.
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: ¥13,854 million
7. Liabilities for guarantee outstanding: ¥1,937 million
8. Restriction on dividends  
Amount of the increase in net assets as per Article 124, Item 3, of the Enforcement Regulations of the Japanese Commercial Code: ¥510 million

## III Notes to the Non-consolidated Statement of Income

1. Transactions with subsidiaries
 

Sales to subsidiaries:	¥13,705 million
Purchases from subsidiaries:	¥13,137 million
Transactions other than operating transactions:	¥1,354 million
2. Net income per share 15.92

## IV Additional Information

In accordance with the enactment of the "Law Regarding Partial Revision of the Local Tax Law, etc" (2003, Law No. 9) on March 31, 2003, the external standard taxation was applied from the consolidated fiscal year starting April 1, 2004. In compliance with "Practical Treatment of Presentation of External Standards Taxation portion of Enterprise Taxes on the Statement of Income" (Accounting Standards Board of Japan, Report of Practical Issues No.12, February 13, 2004) value-added and capital components of enterprise taxes are recorded in selling, general and administrative expenses from the 77th fiscal term.

As a result, selling, general and administrative expenses increased ¥62 million and operating profit, ordinary profit and Income before income taxes decreased ¥62 million.

### Proposal for Appropriation of Retained Earnings

Account item	Amount
<b>Unappropriated retained earnings for the year</b>	<b>985,375,954</b>
Reversal of voluntary reserves	
Reversal of reserve for special depreciation	16,474,397
Reversal of reserve for advanced depreciation of fixed assets	13,903,129
Reversal of general reserve	300,000,000
<b>Total</b>	<b>1,315,753,480</b>
To be appropriated as follows:	
Dividends	191,133,562 (¥4.50 per share)
<b>Retained earnings carried forward</b>	<b>1,124,619,918</b>

Note:

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 6, 2004.

**INDEPENDENT AUDITORS' REPORT**

May 11, 2005

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, Engagement Partner  
Tatsuya Arai, CPA  
Designated Partner, Engagement 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 77th fiscal term from April 1, 2004, to March 31, 2005. 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 related regulations and the Articles of Incorporation.
- (2) the business report (with respect to accounting matters only) presents properly the Company's affairs in accordance with the related regulations and the Articles of Incorporation.
- (3) the proposal for appropriation of retained earnings is presented in accordance with the related regulations and the Articles of Incorporation.
- (4) 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 77th fiscal term beginning April 1, 2004, and ending March 31, 2005, 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 Corporate Auditors**

Based on the auditing policies 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 headquarters and principal offices, and, when necessary, requested reports from subsidiaries regarding their business, visited, and studied their operations and financial positions. Moreover, the Corporate Auditors have received reports and explanations regarding the audits performed by independent auditors, and have 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, when necessary, the conditions of such trade, if any, and 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 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 related laws and regulations, 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 for which documentation should be expected. We have found no matters on which to remark upon in that regard.

(5) With regard to the performance of duties, including those related to subsidiaries, by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.

We have moreover found no 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, 2005

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 “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: 424,321 votes

2. Proposal items and references

Proposal 1: Approval of the proposal for appropriation of retained earnings for the 77th fiscal term

The proposal for appropriation of retained earnings for the 77th fiscal term is as shown in the attached document (Page 20).

We hereby propose that the year-end dividend be ¥4.50 per share, the same as the interim dividend.

We also propose that directors' and corporate auditors' bonuses not be given in the 77th fiscal term.

Proposal 2: Partial amendments to the Articles of Incorporation

1. Reasons for the amendments

(1) Amendment of an existing provision regarding publication of notice: Pursuant to the "Law Regarding Partial Revision of the Commercial Code in Respect to Introduction of the Electronic Announcement System" (2005 Law No. 87), which was implemented on February 1, 2005, Japanese corporations are supposed to introduce the electronic announcement system. To improve accessibility and streamline the operation, we hereby propose to necessary amendments in Article 4 (Publication Method) of the current Article of Incorporation. Also, we propose to stipulate a preliminary method for any unforeseen contingency.

(2) Amendment and organization of an existing provision regarding the list of shareholders: In accordance with the promulgation of the "Law Regarding Partial Revision of Laws and Regulations in Respect to Transfer of Bonds, etc, to Streamline the Payment in Trades of Shares, etc" (2004, Law No. 88), the Commercial Code was revised as of October 1, 2004, to abolish the shareholders' list closing system and the Japanese corporations uniformly shifted to the reference date system.

(3) Pursuant to the "Law Regarding the Partial Amendment of the Commercial Code" (2001, Law No. 128), which went in to effect as of April 1, 2002, the convertible bond system was abolished in accordance of establishment of the stock acquisition rights system. Since conversion of convertible bonds we issued has already been completed, we hereby propose to omit provisions in regard to time of conversion and dividends of convertible bonds.

2. Summary draft of this proposal

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>(Publication Method) Article 6. The public notice of the Company shall be published in the Tokyo edition of the Nihon Keizai Shimbun.</p> <p style="text-align: center;">Chapter 2: Shares</p> <p>(Transfer Agent) Article 10. (The related provisions omitted) 2) The list of shareholders, list of actual shareholders and the list of lost share certificate, shall be maintained at the transfer agent's place of business, and the transfer agent shall be made to carry out all matters related to shares including share title transfer, registration of pledge, indication of trust assets, registration of the list of lost share certificate, acquisition and further purchase of less-than-one-voting-unit shares.</p> <p>(Closing and reference date of the list of shareholders) Article 11. we will suspend alteration in the list of shareholders during the term beginning April 1 and ending April 30 each year.</p> <p>2) If interim dividends are to be distributed, alteration in the list of shareholders shall be suspended by the resolution of the Board of Directors upon the prior announcement.</p> <p>3) If necessity arises besides the circumstance described in provision 2), alteration may be temporarily suspended or the reference date designated by the resolution of the Board of Directors upon the prior announcement.</p>	<p style="text-align: center;">Chapter 1: General Provisions</p> <p>(Publication Method) Articles 4. The public notice of the Company shall be published by the electronic public notice. However, in case of problems or other inevitable circumstances, the public notice will be given in the Nihon Keizai Shimbun.</p> <p style="text-align: center;">Chapter 2: Shares</p> <p>(Transfer Agent) Article 10. (The same as the existing ones) 2) The list of shareholders (including the list of actual shareholders; hereinafter the same) and the list of lost share certificate, shall be maintained at the transfer agent's place of business, and the transfer agent shall be made to carry out all matters related to shares including share title transfer, registration of pledge, indication of trust assets, registration of the list of lost share certificate, acquisition and further purchase of less-than-one-voting-unit shares.</p> <p>(Reference Date) Article 11. The shareholders who may exercise their rights at the ordinary general meeting of shareholders are confined to those who are listed or recorded in the list of shareholders as of March 31 of each year and therefore entitled to vote. (The provision deleted)</p> <p>2) If necessity arises besides the circumstance described in the provision above, the reference date may be temporarily designated by the resolution of the Board of Directors upon the prior announcement.</p>

Current Articles	Proposed Amendments
<p style="text-align: center;">Chapter 3: Shareholders' Meeting</p> <p>(Convocation of Shareholder's Meeting) Article 12. (The related provisions omitted) <u>2)</u> The shareholders who may exercise their rights at the ordinary general meeting of shareholders mentioned in the provision above (including the actual shareholders; hereinafter the same) are confined to those who are recorded in the list of shareholders and the list of actual shareholders as of March 31 of each year.</p> <p style="text-align: center;">Chapter 6: Accounts</p> <p>(Dividends) Article 37. Dividends shall be distributed to those shareholders or registered pledgees who are recorded on the list of shareholders and list of actual shareholders as of the final day of each fiscal term.</p> <p>(Interim Dividends) Article 38. The Company is allowed to distribute cash to those shareholders or registered pledgees who are recorded on the list of shareholders and the list of actual shareholders as of September 30 of each year by the resolution of the Board of Directors as per Article 293-5 of the Commercial Code (referred to as interim dividend).</p> <p><u>Dividends for new shares issued by conversion of the convertible bonds</u> <u>Article 39. The first dividends and interim dividends for new shares having been or being converted from the convertible bonds shall be delivered on the assumption that conversion claimed between April 1 and September 30 or between October 1 and March 31 of the following year will become effective on April 1 and October 1 respectively.</u></p>	<p style="text-align: center;">Chapter 3: Shareholders' Meeting</p> <p>(Convocation of Shareholder's Meeting) Article 12. (The same as the existing ones) (The provision deleted)</p> <p style="text-align: center;">Chapter 6: Accounts</p> <p>(Dividends) Article 37. Dividends shall be distributed to those shareholders or registered pledgees who are recorded on the list of shareholders as of the final day of each fiscal term.</p> <p>(Interim Dividends) Article 38. The Company is allowed to distribute cash to those shareholders or registered pledgees who are recorded on the list of shareholders as of September 30 of each year by the resolution of the Board of Directors as per Article 293-5 of the Commercial Code (referred to as interim dividend).</p> <p>(The provision deleted)</p>

Proposal 3: Election of eight (8) directors

The term of office of all the current eight (8) Directors of the Company expires at the conclusion of this 77th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that you elect eight (8) 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    Joined the Company June 1976    Director of the Company December 1977    President of the Company (current position) October 2001    Presently in charge of Environmental Business Field October 2003    Presently in charge of Business Structural Reform initiative</p> <p>Representative positions in other companies: President of KOA TRADING CO., LTD. Chairman of KOA KASEI Co., Ltd. President of Ina Mainichi Newspaper</p>	516,005
2	Junji Tsuji May 25, 1948	<p>March 1967    Joined the Company June 1996    Director of the Company June 2003    Managing Director of the Company (current position) October 2003    Presently in charge of Engineering Initiative, Global Quality Assurance Initiative, <i>Kami-Ina</i> Business Field and <i>Shimo-Ina</i> Business Field</p> <p>Representative positions in other companies: President of KOA Electrics, Co. Ltd. President of Kashima KOA Denko, Co., Ltd. President of Minowa Koa Inc Representative Director of Tohoku Electric Inc. Representative Director of Tama Electric Co., Ltd.</p>	8,400
3	Scott Winston Rice October 29, 1959	<p>February 1996    Joined the Company June 1996    Director of the Company (current position) October 2001    In charge of Global Marketing Initiative October 2003    Presently in charge of Business Structural Reform initiative</p>	51,000
4	Kenzo Iga November 2, 1945	<p>February 2000    Joined the Company June 2000    Director of the Company (current position) October 2001    In charge of Global Marketing Initiative; presently in charge of Japan Sales Business Field October 2003    Presently in charge of Business Structural Reform initiative</p>	22,600
5	Kayoko Fukano July 18, 1958	<p>October 1995    Corporate Advisor of the Company June 2002    Director of the Company (current position); in charge of Administration Initiative and Human Resource Management Initiative October 2003    Presently in charge of Administration Initiative</p>	2,500
6	Katsuhiko Kichiji May 9, 1939	<p>April 1965    Joined the Company April 1990    General Manager of Global Sales Dept., Business Division May 1996    President KOA Spear Electronics, Inc. (current position) July 2000    President of Koa Spear Holding, Inc. (current position) June 2004    Director of the Company (current position); presently in charge of Engineering Initiative and Shanghai Branch (current position)</p>	3,400

<input type="checkbox"/> No Transl ation <input type="checkbox"/> No.	Name Date of birth	Brief personal history and representative positions in other companies	Number of the Company's shares held
7	Noriaki Nakata June 14 1948	March 1967    Joined the Company May 1998    General Manager of Quality Assurance Center October 2003    Presently General Manager of Quality Assurance Center, Quality Improvement Center & Procurement Management Center, Global Quality Assurance Initiative, June 2004    Director of the Company (current position); In charge of Global Quality Assurance Initiative (current position)	1,700
8	Takuo Hayashi March 3, 1952	March 1974    Joined the Company May 1998    General Manager of Membrane Parts Workshop Division March 1999    General Manager, Engineering Division October 2003    Presently General Manager, <i>Waza-zukuri</i> Center, Engineering Initiative of the Company June 2004    Director of the Company (current position); Presently in charge of Engineering Initiative	900

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

#### Proposal 4: Election of one (1) corporate auditor

The term of office of Corporate Auditor Tetsuro Kamijikkoku expires at the conclusion of this 77th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that you elect one (1) corporate auditor.

The nominee for the new corporate auditor is as follows:

The Board of Corporate Auditors has duly given its consent to this proposal 4.

Name Date of birth	Brief personal history and representative positions in other companies	Number of the Company's shares held
Tetsuro Kamijikkoku July 23, 1956	March 1992    Consultant (Daichi Tokyo Bar Association) April 1992    Joined the Legal Office of Asanuma April 1994    Established the Legal Office of Kamijikkoku June 2002    Corporate Auditor of the Company (current position)	600

Note:

1. There is no special interest between the above nominee and the Company.
2. Corporate auditor Tetsuro Kamijikkoku is a candidate of outside auditor as stipulated in Article 18, Paragraph 1, of the "Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc., of Corporations (Kabushiki-Kaisha)."