

This is an unofficial translation of the Japanese version.

**NOTICE  
OF  
THE 10th ORDINARY GENERAL SHAREHOLDERS MEETING  
OF  
JAPAN COMMUNICATIONS INC.**

June 14, 2006

**To: Shareholders**

6-25-3 Minami-ohi, Shinagawa-ku, Tokyo

Japan Communications Inc.

Representative Director-President

Frank Seiji Sanda (seal)

Notice is hereby given that the 10th Ordinary General Shareholders Meeting of Japan Communications Inc. (the "Company") shall be held as follows.

If you do not attend the meeting in person, you can execute your voting right in writing. With considering the attached "Reference Documents for the General Shareholders Meeting" and making sure to indicate for or against to each of the agenda described therein, please return the enclosed voting form by Wednesday, June 28, 2006.

1. Date and Time    10:00 a.m., Thursday, June 29, 2006
2. Place            "Hikone" room, 12nd. Floor, new annex of Shinagawa Prince Hotel  
4-10-30 Takanawa, Minato-ku, Tokyo
3. Agenda           [Items to be reported]
  - (1)    The Balance Sheet, the Profit and Loss Statement and Business Report concerning the financial statements of 10th Business Year (from April 1, 2005 to March 31, 2006); and
  - (2)    The consolidated Balance Sheet, the consolidated Profit and Loss Statement and the Audit Report by the Accounting Auditor and the Corporate Auditors concerning the consolidated financial statements of the 10th Business Year (from April 1, 2005 to March 31, 2006).

[Items to be approved]

  - (1)    To consider and approve the proposal relating to the disposition of loss concerning the 10th Business Year (from April 1, 2005 to March 31, 2006);
  - (2)    To consider and approve the partial amendment of the Articles of

This is an unofficial translation of the Japanese version.

Incorporation;

- (3) To consider and approve the election and appointment of two (2) Directors;
- (4) To consider and approve the election and appointment of two (2) Auditors;
- (5) To consider and approve the remuneration by stock options for Directors;  
and
- (6) To consider and approve the remuneration by stock options for Auditors.

4. Manner of giving notice for amendment

If the content of the attachment to the Notice of the above General Shareholders' Meeting is amended by the day before the date of General Shareholders' Meeting, it shall be disclosed on the website of the Company (<http://www.j-com.co.jp/>).

(Note)

- \* When you attend the above shareholders meeting in person, please submit the enclosed voting form to the reception.
- \* You may exercise your voting right by proxy of other one (1) shareholder with voting right of the Company. In such cases, the agent shall be required to submit the proxy in writing to the Company.

## Attached documents

# Business Report

## For the fiscal year ending March 31, 2006

### 1. General Business Conditions

#### (1) Company progress and results

In this quarter, steady change was seen in Japan's mobile telecommunications industry, with the number cellular phone and PHS subscriber lines reaching 96.48 million by the end of March 2006<sup>1</sup>, an increase of 5.5% over March 2005. In addition, three new companies signed on as mobile telecommunication providers in November 2005, and we anticipate further growth in the mobile telecommunications sector.

Furthermore, in December 2004, the Ministry of Internal Affairs and Communications unveiled u-Japan, a policy that seeks to realize the ubiquitous networked society. Introduced in 2005 and scheduled for full implementation by 2010, this policy is seen as the way to accelerate the construction and application of wireless networks, thus adding to the broadband environment that has been cultivated in Japan up to this point.

In the PC industry, domestic shipments expanded strongly in fiscal 2005 (from April 2005 to March 2006) growing by 9.3% to 12.86 million units.<sup>2</sup> In particular, shipments of notebook PCs increased 12.0% over this period, to 7.08 million units, as PCs were used in a wider variety of locations. At the same time, influenced by such factors such as broad enforcement of the Act on the Protection of Personal Information in April 2005, many corporations have prohibited employees from taking notebook PCs outside the office. However, there is a clear increase in the productivity of those employees, such as sales and service staff, who can carry out their duties while outside the office if they have remote access to the corporate network. How to access the company network from outside the office in an efficient and secure manner has become the important question.

Within this environment, our Company and its subsidiaries (hereafter, referred to as "our group") are developing two quite separate businesses: data communication services and telecommunication services.

For our data communication services, we lease a mobile network from a mobile communications carrier, build our own in-house network on top of it, and offer it to clients as a PHS business. Since October 2001, Willcom, Inc. has supplied our company's wireless communication network. With our data communication service offerings, we target three main client categories, corporations, individuals, and equipment manufacturers.

**Data Communication Services for Corporate Clients.** Imagine, for example, sales department employees who, while preparing to meet with clients, use information devices such as notebook PCs or PDAs connected to wireless network services in order to access their company's internal network from outside the office. In this example, it would be necessary to provide bundled network access, software and support, and we at JCI make every effort to offer this end-to-end service. In this fiscal year we strived to distinguish ourselves from other cellular phone/PHS businesses by placing a particular emphasis on security countermeasures. We offer total service to allow customers safe yet easy access to their corporate networks from outside the office.

**Data Communication Services for Individuals.** We sell data communication cards bundled with wireless communication services, Internet connection services and easy-to-use software at high-volume PC retailers. In March 2005, we introduced b-mobile hours®, a product not limited to a six- or twelve-month period, but rather offering a total of 150 hours of wireless Internet connectivity to be used

---

<sup>1</sup> Telecommunications Carriers Association

<sup>2</sup> Japan Electronics and Information Technology Industries Association

entirely at the customer's discretion. During 2005, b-mobile hours® grew to become our company's leading product for individual consumers. At the same time, as this product's unit price was lower than previous products, we were able to increase the number of stores carrying it.

**Data Communication Services for Equipment Manufacturers.** We are expanding sales of wireless communication devices to manufacturers of ubiquitous products, i.e. devices designed to be connected to a wireless network. Until now, in order to use communication services it was necessary to sign a contract with a telecommunications carrier. In reality, this meant that the development and sale of ubiquitous products and services, either by telecommunications carriers or by device manufacturers, required the users to sign contracts with separate carriers. Given this limitation, ubiquitous products became less attractive to manufacturers, an important factor that hindered their diffusion. We, having identified this problem, offered the Telecom Battery® to device manufacturers. We have already introduced the Telecom Battery® into a wide range of products. Indeed, we are currently in discussions with a variety of manufacturers regarding the Telecom Battery®, and use trials are taking place. Furthermore, we are actively building industry partnerships, such as our cooperation agreement with NEC Magnus Communications, Inc. (formed in December 2005) that promote the application of the Telecom Battery®.

We believe that mobile data communication service providers must provide solutions for the problems and dangers related to Internet security. This is why, on March 3, 2006, we acquired Arxceo Corporation (headquarters: Alabama USA), a market-leading developer of network IPS (Intrusion Prevention System) technology. Incorporating their IPS into our PC software will allow us to equip customers who use notebook PCs outside the office with network IPS, which we believe will be a major distinguishing factor for our services.

We intend to leverage the technology and know-how acquired through operating in Japan, the world's most advanced mobile communications market, to conduct business on the global level. As a first step towards fulfilling this vision, and in order to begin US operations, we completed a wholesale contract agreement with Verizon Wireless, a US-based mobile communications provider, in December 2005. We began offering wireless data services in the US in March 2006. On April 3, 2006, we established a new subsidiary, CSCT (headquarters: Georgia, USA) to manage the new US operations.

As the mobile communications industry offers cellular phone and PHS telecom services to corporate clients, charging and billing services for both official and private use are becoming special characteristics of value-added services. Although we have offered telecommunications services since the foundation of this company in 1996, at present we are gradually reducing those services in order to focus on data communication services, which began in 2001.

As a result of the business development mentioned above, total sales of our group for this FY reached 4,943 million yen (an increase of 384 million yen (8.4%) over the previous year). Of this, total sales for our core business – data communication services – amounted to 2,910 million yen (an increase of 1,020 million yen (54.0%) over the previous year). Regarding profit and loss, in order to consolidate and promote the growth of our highly profitable data communications services, SGA (sales, general and administrative) expenses grew to 310 million yen (a 21.8% increase), and thus operating profit came to 173 million yen (a decrease of 7 million yen (4.0%) from last year). Further, total costs related to the listing of our stock in April 2005 amounted to 69 million yen. Our ordinary profit amounted to 113 million yen (a decrease of 39 million yen), with net income for this FY totaling 107 million yen (a decrease of 4 million yen).

## **(2) Challenges facing the Company**

### **① Perspective on current status**

The market for wireless data communication services, the driving force behind our group, is still in its early stage of its life cycle. This is true even in Japan, home to the world's most advanced wireless data communications market. Mobile telecommunications providers, which own the wireless communication infrastructure, generate the vast majority of their sales from voice communication services. Wireless data communication services can be seen simply as an option attached to voice services and as such accounts for only a fraction of the revenue generated from the more dominant voice services.

Meanwhile, following the lead of JCI, many companies including Fujitsu Ltd., NTT Communications Corporation, Kyocera Communication Systems, Co., Ltd., Mitsubishi Electric Information Network, Corporation, and Sony Communication Network Corporation, etc, have borrowed space on the network of a mobile telecommunications provider and become MVNOs (Mobile Virtual Network Operators). All of them appear to be developing in a similar manner as at the present time, these MVNOs are acquiring their communications networks from PHS provider Willcom, Inc. While they are expanding their services, none are ready to provide services on a third-generation (3G) network. We believe that both PHS and 3G networks are important for mobile data communication, and hold that it is of the utmost importance to be able to use both.

We currently provide access to the largest number of wireless LAN spots in Japan. However, as there is still no established wireless LAN spot business model, we provide this access as an add-on option to our PHS and 3G services.

The task of growing the wireless data communication services market is an area where the communication and computer industries, which differ greatly in terms of culture, scope and regulation, overlap. The reality of such an inter-industry field is that it inherently consists of many disparate themes, and only a limited number of people can understand and unite them.

Furthermore, as Internet usage increases, so does the importance of issues relating to security. Due to factors such as the Act on the Protection of Personal Information and corporations' demands for internal controls, it is necessary for corporations that use IT outside the office to implement comprehensive security counter-measures. It may be stating the obvious, but sales and service workers cannot adequately fulfill their tasks without leaving the office. Therefore, in order to improve their productivity, it is necessary to allow them to use IT outside the office, as well as to provide wireless network data services with built-in security.

This state of wireless data communication is as true in Japan, a country famous for its advanced technology, as it is abroad. For example, we recognize great market potential in the U.S. given the continued construction of 3G cellular phone networks specializing in wireless data communication, as well as SOX (Sarbanes-Oxley Act, or the Public Company Accounting Reform and Investor Protection Act) and its extensive legislative demands.

## ② Near-term challenges

Due to the current state of wireless data communication services, which we recognize is at the start of its market life cycle, we believe that expanding our services and strengthening our business to meet the increasing demand are urgent issues needing immediate attention.

Thorough investigation of the potential range of data communication service applications will allow us to identify the best possible method of implementation for each application field. Therefore, we are tasked with building and offering services that can expand into a wide range of fields, as well as responding to and accurately meeting customer needs. Naturally, the development and acquisition of core technologies fundamental to developing new services are prerequisites.

With respect to strengthening our business, as wireless data communication services have not usually been supported in corporate IS departments until now, concrete sales methods have not yet been established. It follows, then, that there are few talented and experienced people with actual business achievements in this and similar markets. At our Company there is thus a persistent requirement to educate talented people and continue to establish business methods. However, it takes a certain amount of time for this to show results. In order to succeed, a sales partner needs to be familiar with the needs of customers in individual fields and to promote business cooperation.

Moreover, building on the technology and knowledge that we have fostered in Japan, we have initiated business development activities in the U.S. Since we are starting from scratch, it is likely that we will face

far-reaching, difficult challenges. As business development in the U.S. is under pressure from the demands of high-level security, a trend we feel will soon be reflected in business development in Japan, we are actively strengthening the company's security technology and know-how.

③ Action Plan

In order to meet the challenges listed above, our group will emphasize the following action items:

(a) Further strengthen technical development

Consistently develop technologies that match both evolving customer needs and the technological trends of the mobile telecommunications and IT industries.

(b) Further strengthen our marketing abilities

Ensure the continued development of technically feasible and competitive services, which respond effectively to the current and future needs of customers and potential customers.

(c) Further strengthen sales force

Nurture and educate talented people who understand the technical aspects of the constantly evolving IT and communications industries.

(d) Strengthen our procurement negotiation ability

As an MVNO that leases the communications infrastructure of a mobile telecommunications provider, it is of the utmost importance to continually improve our network supply and procurement conditions.

(e) Human Resources

As an MVNO focused on data communication, our group's business model is the first of its kind in the world. In order for business development to take place in this environment, we must secure talented people who possess the ability to conceive of new ideas, to get things accomplished, and to learn.

**(3) Corporate funding situation**

During this fiscal year, our group engaged in the following fund-raising activities:

- ① On April 20, 2005, our group raised 1,576 million yen from a public offering of 34,000 shares, issued at a price of 46,375 yen per share.
- ② On May 23, 2005, we raised 231 million yen through third-party allocation of 5,000 shares (accompanying over-allotment at time of stock listing), issued at a price of 46,375 yen per share.
- ③ Our group received 134 million yen accompanying the exercise of stock options.
- ④ Our group borrowed 240 million yen on March 9, 2006 and 260 million yen on March 31, 2006, to total 500 million yen, from Mizuho Bank, Ltd.

**(4) Corporate capital investment situation**

Capital investment this fiscal year totaled 1,265 million yen. Most came from the lease of cellular phones and data communication cards for 73 million yen, and the purchase of network equipment (servers, etc.) for 131 million yen. Moreover, the increase in investments in software by 353 million yen and software in progress by 696 million yen are mainly due to the development of data communication services.

**(5) Operation results and assets**

① Group Operation Results and Assets

(Million yen, except for share data in yen)	<b>7<sup>th</sup> FY</b> April 2002 ~ March 2003	<b>8<sup>th</sup> FY</b> April 2003 ~ March 2004	<b>9<sup>th</sup> FY</b> April 2004 ~ March 2005	<b>10<sup>th</sup> FY</b> April 2005 ~ March 2006
Net sales	8,116	5,590	4,559	4,943
Ordinary income (-loss)	204	-600	153	113
Net income (-loss)	199	-807	112	107
Net income (-loss) per share (yen)	1,120.32	-4,540.50	629.98	495.40
Total assets	3,288	2,597	2,792	5,364
Net assets	2,354	1,541	1,683	3,733

(Note) Numbers for net income per share are taken out to the 2<sup>nd</sup> decimal place in yen. All others are rounded down in million of yen.

② Company Operation Results and Assets

(Million yen, except for share data in yen)	<b>7<sup>th</sup> FY</b> April 2002 ~ March 2003	<b>8<sup>th</sup> FY</b> April 2003 ~ March 2004	<b>9<sup>th</sup> FY</b> April 2004 ~ March 2005	<b>10<sup>th</sup> FY</b> April 2005 ~ March 2006
Net sales	8,116	5,590	4,559	4,943
Ordinary income (-loss)	157	-547	183	152
Net income (-loss)	153	-721	142	146
Net income (-loss) per share (Yen)	860.57	-4,056.40	796.90	672.53
Total assets	3,176	2,587	2,821	5,355
Net assets	2,270	1,547	1,717	3,798

(Notes) Numbers for net income per share are taken out to the 2<sup>nd</sup> decimal place in yen. All others are rounded down in million of yen.

## 2. Company outline (as of March 31, 2006)

### (1) Main business lines

Our group provides our original wireless communication services via mobile network operators wireless communication networks and public wireless LAN service carriers' wireless LAN spots.

Type and content of services our group offers are listed below.

Service Type	Service Outline
Data Communication Service	Using communication services from mobile network operators, we offer value-added data network services, such as increased security and increased ease-of-use via our internally developed software.
	① Corporate Services
	For enterprise customers: Operation and support for wireless and data communication services designed and developed to meet the specific issues and needs of each enterprise customer. (Service began in October 2001)
	② Pre-paid Service
	For small and medium-sized enterprise customers and general consumers: An all-in-one prepaid wireless data communication card that includes the data communication card, communication control software and Internet connection and usage fees. (Service began in December 2001)
	③ Telecom Battery
	We provide communications services as a hardware component aimed mainly at equipment manufacturers. Until now, it was necessary to subscribe to a communication service provider on top of buying the equipment. Now, we have made it possible to build this service into the equipment. Like a battery, it can be conveniently inserted, but it adds communications functionality to the product. (Service began in December 2002)
Telecom Service	Using communication services (including PHS voice-data communication) from mobile network operators, we offer various value-added billing services such as subdivision/integration of records by department and the separation of business and personal cell phone usage charges. (Service began in January 1997)

### (2) Company office locations

Company name	Name	Location
Japan Communications Inc.	Headquarters	Shinagawa-ku, Tokyo
	West Japan branch office	Osaka City, Osaka Prefecture
Computer and Communication Technologies Inc.	Headquarters	Englewood, Colorado USA
Arxceo Corporation	Headquarters	Huntsville, Alabama USA

**(3) Stock**

- ① Total authorized shares                      870,000      shares
- ② Total issued shares                      224,177.63      shares  
 (Notes) 1. The issuance of new stock in the public offering dated April 20, 2005 increased the number of shares by 34,000.  
 2. The issuance of new stock to third parties dated May 23, 2005 increased the number of shares by 5,000.  
 3. The exercise of new stock options increased the number of shares by 5,973.
- ③ Number of shareholders (as of March 31, 2006)                      14,546

**(4) Major Shareholders**

Name of shareholder	Ownership in the Company		Company Ownership in the Shareholder	
	Number of shares	Percentage of voting rights	Number of shares	Percentage of voting rights
LTSanda B.V.B.A (Note 1)	36,985.00	16.50	-	-
HSBC Fund Services Clients Account 006	28,212.00	12.59	-	-
Osaka Securities Finance Co., Ltd.	10,928.00	4.88	-	-
GFS Holdings Limited (Note 2)	6,850.55	3.06	-	-
LGR Holdings Limited (Note 2)	6,850.28	3.06	-	-
Softbank Internet Technology Fund No.2 (Note 3)	6,684.00	2.98	-	-
WLF Holdings Limited (Note 2)	5,335.36	2.38	-	-
Matsui Securities Co., Ltd.	4,214.00	1.88	-	-
Yoshinori Shirono	4,060.00	1.81	-	-
The Bank of New York JASDEC Treaty Account	2,600.00	1.16	-	-

(Notes)

1. Frank Seiji Sanda who is a representative director of the Company owns over 50% of voting rights.
2. GFS Holdings Limited, LGR Holdings Limited and WLF Holdings Limited are owned by PAMA Group Inc. The total number of shares owned is 19,036.19 shares and the total percentage of voting rights is 8.49%.
3. Softbank Internet Technology Fund No.2 (above) and Softbank Internet Technology Fund No.3 (not included in the table above) are owned by Softbank Investment Corp. Total number of shares owned is 8,439.00 shares and percentage of voting rights is 3.76%.

**(5) Acquisition, disposal, and holding of treasury stock**

- ① Acquired shares  
     Common stock                              7.54 shares  
     Total acquisition cost                      929 thousand yen
- ② Shares held at year-end  
     Common stock                              25.18 shares

This is an unofficial translation of the Japanese version.

**(6) Stock acquisition rights**

① Outstanding Stock Acquisition Rights

Date of authorization to issue	June 27, 2002	June 27, 2003	June 29, 2004
Number of stock acquisition rights issued	2,058	1,602	3,800
Type of stock to which the right is subject	<i>Common stock</i>	<i>Common stock</i>	<i>Common stock</i>
Number of shares to which the right is subject	2,058	1,602	3,800
Issue price of stock acquisition rights	<i>Without compensation</i>	<i>Without compensation</i>	<i>Without compensation</i>

Date of authorization to issue	June 29, 2005
Number of stock acquisition rights issued	3,976
Type of stock to which the right is subject	Common stock
Number of shares to which the right is subject	3,976
Issue price of stock acquisition rights	Without compensation

(Note) Preemptive rights in accordance with the previous commercial law are indicated in the notes to the Balance Sheet.

This is an unofficial translation of the Japanese version.

② The issuance of stock acquisition rights under favorable conditions to persons other than the shareholders

Details of the issue of stock acquisition rights

Date of authorization to issue	June 29, 2005
Number of stock acquisition rights issued (Note)	3,999
Type of stock to which the right is subject	Common stock
Number of shares to which the right is subject	3,999
Issue price of stock acquisition rights	Without compensation
Issue price of the shares upon the exercise of the rights	178,000 yen
The term for exercising the rights	From August 18, 2005 to August 18, 2015
Conditions for exercising rights	The conditions for exercising rights, for example, inheritance, permission to exercise after resignation, the reason given for forfeiture of one's rights, and the exercise of other rights, in accordance with the resolution of the Board of Director's meeting of May 25, 2005 and the resolution of the 9 <sup>th</sup> General Shareholders meeting of June 29, 2005, shall be determined in the stock option agreement of the Company to be executed between the right holders and the Company.
Causes and conditions for cancellation	① The Company may cancel share acquisition rights without compensation if a merger agreement under which the Company is to dissolve is approved by shareholders meeting, or if a stock exchange agreement or stock transfer under which the Company becomes a wholly owned subsidiary is approved by shareholders meeting. ② The Company may cancel share acquisition rights without compensation, if holders of share acquisition rights are not able to exercise whole or part of such share purchase warrants due to conditions of exercise of share purchase warrants.
Favorable conditions	Stock acquisition rights were issued, without compensation, to directors, corporate auditors and employees of the Company and its subsidiary.

*(Note) Concerning the number of new share reservation rights, as of March 31, 2006, the numbers of stock acquisition rights were 3,976 units (shares) due to 23 units (23 shares) are invalidated for retirement.*

This is an unofficial translation of the Japanese version.

Titles, names and number of stock acquisition rights issued to persons other than employees of the Company and its subsidiaries

Professional title or occupation	Name	Number of rights
Representative director of the Company	Frank Seiji Sanda	800
Director of the Company	Naohisa Fukuda	452
Senior Managing Director of the Company	Masataka Fujisawa	300
Managing Director of the Company	Yukio Kosuda	250
Director of the Company	Makoto Yasuda	10
Director of the Company	Theresa S. Vonderschmitt	10
Director of the Company	Takeo Tsukada	10
Director of the Company	Yoshitaka Kitao	10
Full-time Corporate auditor of the Company	Hiromichi Mizumachi	10
Corporate auditor of the Company	Ichiro Ido	10
Corporate auditor of the Company	Yoh Yamaguchi	10

Names and number of stock acquisition rights issued to employees of the Company and its subsidiaries (Top 10 by number of rights)

Professional title or occupation	Name	Number of rights
Member of Management Board	Chosaku Toda	400
Employee of the Company's subsidiary	Paul Royer	400
Employee of the Company's subsidiary	Marc Winn	300
Member of Management Board	Yasushi Kudo	200
Employee of the Company's subsidiary	Charles Schmidt	70
Employee of the Company	Tsuneo Shiraishi	30
Employee of the Company	Yasutaka Tsuchiya	30
Employee of the Company	Akemi Kato	30
Employee of the Company's subsidiary	Raymond Gurgone	30
Employee of the Company	Kazunori Nitanda	28
Employee of the Company	Miki Katayama	28

The state of stock acquisition rights issued to the employees of the Company and its subsidiaries

	The Company	The Company's subsidiaries
Number of rights issued	1,164	963
Type of stock issued	Common stock	Common stock
Number of shares issued	1,164	963
Number of employees granted rights	92	44

#### (7) Employees for our group

As of March 31, 2006

Number of employees	Net increase from prior year
152	23

(Note) In addition to regular employees above, there are 38 temporary employees and contract workers.

**(8) Business combinations**

① List of major subsidiaries

Company name	Capital	Voting rights	Principal Business
Computer and Communication Technologies Inc.	US\$200.01	100%	Development and operation of billing system and consignments of technological development related to data communication service
Arxceo Corporation	US\$232.60	58%	Development of Network IPS (Intrusion Prevention System) technology and sale of Network IPS Products

② Progress of business combinations

On March 3, 2006, Arxceo Corporation, a U.S. corporation, became a subsidiary of our company through the acquisition of 58% of their stock.

③ Results of consolidation

The company consolidates above 2 major subsidiaries. As for the major subsidiaries listed above, the results of the combined company are described in the sections “Company progress and results” and “Challenges facing the Company”.

**(9) Major lenders**

Lender	Amount of Loan	The Company shares owned by lenders	
		Number of shares	Voting rights
Mizuho Bank, Ltd.	500 million yen	—	— %

**(10) Directors and corporate auditors**

Title	Name	Assignment or occupation
Representative Director and Chief Executive Officer	Frank Seiji Sanda	
Senior Managing Director	Masataka Fujisawa	
Managing Director	Yukio Kosuda	
Director	Naohisa Fukuda	CFO
Director	Makoto Yasuda	Outside board member Representative Director and President for Yasuda & PAMA Limited. Corporate Auditor for Yamatake Corporation
Director	Theresa S. Vonderschmitt	Outside board member Board member for Sultan's Run LLC
Director	Donal Doyle	Outside board member Professor Emeritus of Sophia University
Director	Takeo Tsukada	Outside board member Corporate Advisor for Toyota Enterprise Inc.
Corporate Auditor (full-time)	Hikomichi Mizumachi	
Corporate Auditor	Ichiro Ido	
Corporate Auditor	Yoh Yamaguchi	Representative for Yamaguchi International Accounting Office

- (Notes)
1. All corporate auditors referred to above are qualified pursuant to Section 1 Article 18 of the former "Special Law of the Commercial Code Concerning the Audit, etc. of Stock Corporation (Kabushiki-Kaisya)" of Japan.
  2. Director Michael C. Kwee resigned as of the 9<sup>th</sup> General Shareholders meeting of June 29, 2005, due to the expiration of his term of office.
  3. Director Yoshitaka Kitao resigned as of December 9, 2005

**(11) Remuneration paid to independent auditors**

	Amount
1. Amount of remuneration paid or owed to independent auditors by our company and our subsidiaries.	22,000 thousand yen
2. Of the amount in 1. listed above, the amount of remuneration paid or owed pursuant to Article 2-1 of Japan's CPA Law (Law No. 103, 1948)	22,000 thousand yen
3. Of the amount in 2. listed above, the amount of remuneration paid or owed to independent auditors by the Company	22,000 thousand yen

(Note) The remuneration to independent auditors by the Company for audits following the Law of Special Measures of the Commercial Code and audits following Securities and Exchange Law is not listed separately. The amount listed in 3 above represents the total remuneration from both audits.

**3. Significant events subsequent to the end of this fiscal year**

(Establishment of a subsidiary)

On April 3, 2006, the Company established a US subsidiary, Communications Security and Compliance Technology Inc. (headquarters: Atlanta, Georgia USA).

# Consolidated Balance Sheet

as of March 31, 2006

(Unit: million yen)

Account	Amount	Account	Amount
<b><i>Current assets:</i></b>	<b>2,974</b>	<b><i>Current liabilities:</i></b>	<b>1,541</b>
Cash and equivalents	1,200	Accounts payable	287
Accounts receivable	678	Short-term debt	500
Marketable securities	684	Accounts payable - other	132
Merchandise	65	Corporate and other taxes payable	13
Inventory	272	Deferred revenue	567
Accounts receivable - other	23	Other current liabilities	39
Advance payments	4		
Other current assets	44	<b><i>Minority interests</i></b>	
Allowance for doubtful accounts	-1	<b>Minority interests</b>	89
<b><i>Fixed assets:</i></b>	<b>2,371</b>	<b><i>Shareholders' Equity</i></b>	<b>3,733</b>
<b><i>Tangible fixed assets</i></b>	<b>325</b>	<b><i>Capital stock</i></b>	<b>2,269</b>
Buildings	20	<b><i>Additional paid in capital</i></b>	<b>1,576</b>
Vehicles	3	<b><i>Retained earnings</i></b>	<b>-32</b>
Tools, furniture and fixtures	234	<b><i>Revaluation of investments</i></b>	<b>-8</b>
Mobile devices	67	<b><i>Exchange rate adjustment</i></b>	<b>-69</b>
<b><i>Intangible fixed assets</i></b>	<b>1,960</b>	<b><i>Treasury stock</i></b>	<b>-1</b>
Telephone subscriber rights	1		
Trademarks	3		
Patents	0		
Software	653		
Software in progress	841		
Consolidated adjustments	459		
<b><i>Investments and other assets</i></b>	<b>85</b>		
Security deposits	53		
Other	32		
Allowance for doubtful accounts	0		
<b><i>Deferred assets</i></b>	<b>18</b>		
New share issuance expenses	18		
<b>Total Assets</b>	<b>5,364</b>	<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>5,364</b>

(Note) Numbers are rounded down to the nearest million yen.

# Consolidated Income Statement

from April 1, 2005  
to March 31, 2006

(Unit: million yen)

Account	Amount	
<b><i>Ordinary income</i></b>		
<i>Revenue and expenses:</i>		
<i>Revenue</i>		
Net sales	4,943	4,943
<i>Operating expenses</i>		
Cost of sales	3,035	
Selling, general and administrative expenses	1,734	4,770
Operating profit		173
<i>Non-operating income and expenses:</i>		
<i>Non-operating income</i>		
Interest income	8	
Foreign exchange gain	22	
Other non-operating income	0	32
<i>Non-operating expenses</i>		
Interest expense	0	
IPO related expenses	69	
Amortization of new share issuance expense	9	
Loss from sale of securities	12	
Other non-operating expenses	0	92
Ordinary income		113
<b><i>Extraordinary gains and losses</i></b>		
<i>Extraordinary losses</i>		
Loss on disposal of fixed assets	0	0
Net income before taxes		113
Income, resident and business taxes		5
Net income		107

(Note) Numbers are rounded down to the nearest million yen.

## Notes

### 1. Scope of consolidation

#### 1. Scope of consolidation

##### (1) Consolidated subsidiaries

Number of consolidated subsidiaries: 2

Name of consolidated subsidiary: Computer and Communication Technologies Inc.  
Arxceo Corporation

##### (2) Application of equity method

There are no unconsolidated subsidiaries to which the equity method was applied.

##### (3) Change in scope of consolidation

As Arxceo Corporation became a subsidiary of the Company on March 3, 2006, it is included in for consolidation only in the consolidated balance sheet.

##### (4) Accounting period of consolidated subsidiaries

Arxceo Corporation's fiscal period ends December 31. However, the formal consolidation of current financial statements is carried out on March 31.

### 2. Significant accounting policies

#### 1. Securities valuation

##### Other securities

Securities for which fair value is not available are calculated using the weighted-average method.

#### 2. Inventories

Inventories are carried at cost determined by the weighted-average method.

#### 3. Depreciation and amortization of fixed assets

##### (1) Tangible fixed assets

Depreciation of mobile terminals is calculated on the straight-line method over 2 years with zero residual value.  
Depreciation of other tangible fixed assets is calculated using the fixed rate method.

##### (2) Intangible fixed assets

Amortization of computer software for internal use is calculated on the straight-line method over the estimated useful life of 5 years.  
Amortization of other intangible fixed assets is calculated on the straight-line method.

#### 4. Accounting for deferred assets

##### Stock issuance costs

Stock issuance costs are amortized uniformly over a 3-year period.

#### 5. Accounting standards for allowances

##### Allowance for doubtful accounts

Allowance for doubtful accounts is calculated based on the actual rate of occurrence of bad debts in terms of overall credit and the uncollectible amounts estimated for each doubtful account.

#### 6. Method of disposal for important lease transactions

Finance leases are counted as operating leases except for those finance leases that result in transfer of ownership to the lessee at the end of the lease period.

#### 7. Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities are marked to fair value at the time the Company is deemed to have gained control.

#### 8. Consolidated adjustments

Due to acquisitions at the end of this fiscal year, there will be no amortization of consolidated adjustments.

9. Consumption taxes

Consumption taxes are excluded from each transaction and accounted separately.

**3. Change in accounting method**

The accounting standards relating to the impairment of fixed assets

From this consolidated year, the new accounting standard that relates to accounting for the impairment of fixed assets, "written opinion on the format of the accounting standard which relates to the depreciation of fixed assets" (Corporate Accounting Conference August 9, 2002), is applied. The new guidelines for applying the accounting standard that relates to the depreciation of fixed assets, "Guidelines for Applying Accounting Standards No. 6 October 31, 2003", is applied.

This has no influence on profit and loss.

**4. Notes to consolidated balance sheet**

Accumulated depreciation of tangible fixed assets	336 million yen
---	-----------------

**5. Notes to consolidated income statement**

Net income per share for the current fiscal year	495.40 yen
--	------------

Diluted net income per share for the current fiscal year	474.61 yen
--	------------

This an unofficial translation for the Japanese version.

Independent Auditors' Report  
(English Translation)

May 22, 2006

To the Board of Directors  
Japan Communications Inc.

ChuoAoyama PricewaterhouseCoopers

Shigeo Kobayashi, CPA  
Engagement Partner  
Yoshiyuki Ishikubo, CPA  
Engagement Partner

We have audited, pursuant to Article 19-2, paragraph 3 of the former "Special Law of the Commercial Code Concerning the Audit, etc. of Stock Corporations (Kabusiki-Kaisyu)" of Japan, the consolidated financial statements, which consist of the consolidated balance sheet and the consolidated profit and loss statement of Japan Communications Inc. (hereinafter referred to as the "Company") for the 10th fiscal year from April 1, 2005 to March 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance 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. An audit also includes 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 audit provides a reasonable basis for our opinion. Our audit included auditing procedures applied to subsidiaries of the Company as were considered necessary.

As a result of our audit, it is our opinion that the above-mentioned consolidated financial statements of the Company present fairly the financial position and results of operation of the Company in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation

**Subsequent event**

As described in the notes to the business report, the Company has established Communications Security and Compliance Technologies Inc., the wholly owned subsidiary of the Company, at Atlanta, Georgia in the United States of America on April 3, 2006.

We have no interest in or relationship with the Company, which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Law of Japan.

---

*Notice to Readers:*

The original consolidated financial statements, which consist of the consolidated balance sheet and the consolidated profit and loss statement, are written in Japanese.

## Copy of Corporate Auditors' Report for Consolidated Financial Statements

### **CORPORATE AUDITORS' REPORT**

We, the Board of Corporate Auditors of Japan Communications Inc (the "Company"), have been notified by each of the Corporate Auditors of the methods and results of their audits, and upon discussions, hereby prepared the Corporate Auditors' Report for the 10th business year from April 1, 2005 to March 31, 2006 as follows:

#### 1. Outline of the audit methods of the corporate auditors

We have conducted our audit in accordance with our audit policy and the responsibilities agreed to at the Board of Corporate Auditors' meeting, by reporting on the business activities of the Directors and the Independent Auditors with regard to the consolidated financial statements. When necessary, each Corporate Auditor requested business reports from subsidiaries and inspected business and financial conditions of subsidiaries.

#### 2. Results of our audit

- (1) We acknowledge that the methods and results of the audit by the Independent Auditors, ChuoAoyama, are appropriate;
- (2) As a result of examination of the subsidiary, there is nothing to be pointed out with regard to the consolidated financial statements.

May 24, 2006

The Board of Corporate Auditors of Japan Communications Inc.

Full-time Corporate Auditor: Hiromichi Mizumachi (sign and seal)

Corporate Auditor: Ichiro Ido (sign and seal)

Corporate Auditor: Yoh Yamaguchi (sign and seal)

(Note) All the above Auditors are the Corporate Auditors from an outside party, pursuant to Article 18, paragraph 1 of the former "Special Law of the Commercial Code Concerning the Audit, etc. of Stock Corporations (Kabusiki-Kaisyu)" of Japan.

# Balance Sheet

as of March 31, 2006

(Unit: million yen)

Account	Amount	Account	Amount
<b><i>Current assets:</i></b>	<b>2,618</b>	<b><i>Current liabilities:</i></b>	<b>1,556</b>
Cash and equivalents	887	Accounts payable	265
Accounts receivable	677	Short-term debt	500
Marketable securities	592	Accounts payable - other	191
Merchandise	38	Corporate and other taxes payable	13
Inventory	272	Deferred revenue	567
Accounts receivable - other	31	Advance received	17
Advance payments	84	Warrants	1
Prepaid expenses	20	Other current liabilities	0
Other current assets	14		
Allowance for doubtful accounts	-1	<b><i>Shareholders' Equity</i></b>	<b>3,798</b>
<b><i>Fixed assets:</i></b>	<b>2,718</b>	<i>Capital stock</i>	2,269
<b><i>Tangible fixed assets</i></b>	<b>192</b>	<i>Additional paid in capital</i>	1,576
Buildings	20	Additional paid in capital	1,576
Vehicles	3	<b><i>Retained earnings:</i></b>	-37
Tools, furniture and fixtures	101	Undisposed deficit at end	-37
Mobile devices	67	<i>Revaluation of investments</i>	-8
<b><i>Intangible fixed assets</i></b>	<b>1,574</b>	<i>Treasury stock</i>	-1
Telephone subscriber rights	1		
Trademarks	3		
Patents	0		
Software	622		
Software in progress	947		
<b><i>Investments and other assets</i></b>	<b>950</b>		
Subsidiary company stock	583		
Uncollectible receivables	0		
Office lease deposits	53		
Long-term prepaid expenses	32		
Long-term loan receivable	281		
Allowance for doubtful accounts	0		
<b><i>Deferred assets</i></b>	<b>18</b>		
New share issuance expenses	18		
<b>Total Assets</b>	<b>5,355</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>5,355</b>

(Note+B18 Numbers are rounded down to the nearest million yen.)

# Income Statement

from April 1, 2005  
to March 31, 2006

(Unit: million yen)

Account	Amount	
<b><i>Ordinary income</i></b>		
<i>Revenue and expenses:</i>		
<i>Revenue</i>		
Net sales	4,943	4,943
<i>Operating expenses</i>		
Cost of sales	3,159	
Selling, general and administrative expenses	1,575	4,734
Operating profit		209
<i>Non-operating income and expenses:</i>		
<i>Non-operating income</i>		
Interest income	12	
Foreign exchange gain	22	
Other non-operating income	0	35
<i>Non-operating expenses</i>		
Interest expense	0	
IPO related expenses	69	
Amortization of new share issuance expense	9	
Loss from sale of securities	12	
Other non-operating expenses	0	92
Ordinary income		152
<b><i>(Extraordinary gain and losses)</i></b>		
<i>Extraordinary losses</i>		
Loss on disposal of fixed assets	0	0
Net income before taxes		152
Income, resident and business taxes		5
Net income		146
Retained earnings carried forward		-183
Undisposed deficits at end of fiscal year		-37

(Note) Numbers are rounded down to the nearest million yen.

## Notes

### 1. Significant accounting policies

#### 1. Security valuation criteria and method

##### Other securities

- Securities for which fair value is not available are calculated using the weighted-average method.

Subsidiary stock: Value calculated using weighted average method.

#### 2. Inventory valuation criteria and method

Value calculated using weighted average method.

#### 3. Depreciation and amortization of fixed assets

##### (1) Tangible fixed assets

Depreciation of mobile terminals is calculated on the straight-line method over 2 years with zero residual value.

Depreciation of other tangible fixed assets is calculated using the fixed-rate method.

##### (2) Intangible fixed assets

Amortization of computer software for internal use is calculated on the straight-line method over the estimated useful life of 5 years.

Amortization of other intangible fixed assets is calculated using the straight-line method.

#### 4. Accounting for deferred assets

##### Stock issuance cost

Stock issuance costs are amortized uniformly over 3 years.

#### 5. Accounting standards for allowances

##### Allowance for doubtful accounts

Allowance for doubtful accounts is calculated based on the actual rate of occurrence of bad debts in terms of overall credit and the uncollectible amounts estimated for each doubtful account.

#### 6. Finance leases

Finance leases are counted as operating leases except for those finance leases that result in transfer of ownership to the lessee at the end of the lease period.

#### 7. Consumption taxes

Consumption taxes are excluded from each transaction and accounted separately.

### 2. Change in accounting method

The accounting standard relating to the depreciation of fixed assets

From this consolidated year, the new accounting standard that relates to accounting for the impairment of fixed assets, "written opinion on the format of the accounting standard which relates to the depreciation of fixed assets" (Corporate Accounting Conference August 9, 2002), is applied. The new guidelines for applying the accounting standard that relates to the depreciation of fixed assets, "Guidelines for Applying Accounting Standards No. 6 October 31, 2003", is applied.

This has no influence on profit and loss.

### 3. Balance sheet notes

1. Monetary assets and liabilities from/to subsidiaries
 

Short-term monetary assets	87 million yen
Long-term monetary assets	281 million yen
Short-term monetary assets	58 million yen
  
2. Accumulated depreciation and amortization of tangible fixed assets 220 million yen
  
3. Fixed assets used under lease contracts
 

In addition to the fixed assets recorded on the balance sheet, certain computer equipment for daily administrative work is used under lease contracts.
  
4. Loss on shareholder's equity
 

Loss as prescribed by the regulations in Article 92 of the Commercial Code of Japan 39 million yen

5. Stock acquisition rights, etc.

(1) Pre-emptive rights for unsecured warrant bonds

Description	Stock to be Issued	Outstanding Bal. of Warrant	Exercise Price per Share
#1 Unsecured Warrant Bond Issued Sep. 21, 1999	Common Stock	0 million yen	16,667 yen
#3 Unsecured Warrant Bond Issued July 31, 2000	Common Stock	1 million yen	566,667 yen
Total		1million yen	

(2) Pre-emptive rights for unsecured warrant bonds as regulated by Article 280 § 19.1 of the former Commercial Code of Japan

Issue Date	Balance	Stock to be Issued	Exercise Price per Share
Aug. 4, 2000	1,273 million yen	Common Stock	566,667 yen
Aug. 6, 2001	901 million yen	Common Stock	382,116 yen
Total	2,174 million yen		

This is an unofficial version of the Japanese version.

#### 4. Income statement notes

1. Transactions with subsidiaries	
Cost of Sales	169 million yen
Non-operating transactions	7 million yen
2. Net income per share for the current fiscal year	672.53 yen
Diluted net income per share for the current fiscal year	644.31 yen

## Proposal for Disposal of Loss

(Unit: Yen)

Description	Amount
(Disposal of loss)	
<b>I</b> Undisposed loss at the end of year	37,439,991
We dispose of this as follows:	
<b>II</b> Deficit to be carried forward	37,439,991

This is an unofficial translation for the Japanese version.

Independent Auditors' Report  
(English Translation)

May 22, 2006

To the Board of Directors  
Japan Communications Inc.

ChuoAoyama PricewaterhouseCoopers

Shigeo Kobayashi, CPA  
Engagement Partner  
Yoshiyuki Ishikubo, CPA  
Engagement Partner

We have audited, pursuant to Article 2, paragraph 1 of the former "Special Law of the Commercial Code Concerning the Audit, etc. of Stock Corporations (Kabusiki-Kaisya)" of Japan, the financial statements, which consist of the balance sheet, profit and loss statement, business report (limited to the accounting figures included therein) and the proposal for disposal of loss and supplementary schedules (limited to the accounting figures included therein) of Japan Communications Inc. (hereinafter referred to as the "Company") for the 10th fiscal year from April 1, 2005 to March 31, 2006. The portion of the business report and supplementary schedules subject to our audit are those derived from the accounting books and records of the Company. These financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the financial statements and supplementary 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 supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit included auditing procedures applied to subsidiaries of the Company as were considered necessary.

Because we started the audit of the Company from the 10th fiscal year, the results of operation and financial position of the Company for the past three years and the related explanations, which are included in the business report and related to the period on and before the 9th fiscal year, are described based on the previous financial reports which were audited by the predecessor auditor.

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

- (1) The balance sheet and profit and loss statement present fairly the financial position and results of operation of the Company in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (2) The business report of the Company (limited to the accounting figures for the 10th fiscal year included therein) presents fairly the Company's affairs in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (3) The proposal for disposal of loss is presented in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (4) There is nothing in respect of the supplementary schedules (limited to the accounting figures included therein) that is required to be mentioned by the provisions of the former Commercial Code of Japan.

**Subsequent event**

As described in the notes to the business report, the Company has established Communications Security and Compliance Technologies Inc., the wholly owned subsidiary of the Company, at Atlanta, Georgia in the United States of America on April 3, 2006.

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Law of Japan.

---

**Notice to Readers:**

The original financial statements, which consist of the balance sheet, profit and loss statement, business report and proposal for appropriation, and supplementary schedules, are written in Japanese. The business report and supplementary schedules have been omitted in the accompanying financial statements.

## Copy of Corporate Auditors' Report

### **CORPORATE AUDITORS' REPORT**

We, the Board of Corporate Auditors of Japan Communications Inc (the "Company"), have been notified by each of the Corporate Auditors of the methods and results of their audits regarding the engagement of management by the Directors, and, upon discussions, hereby prepared the Corporate Auditors' Report for our 10th business year from April 1, 2005 to March 31, 2006 as follows:

#### 1. Outline of the audit methods of the corporate auditors

We have conducted our audit in accordance with our audit policy and the responsibilities agreed to at the Board of Corporate Auditors' meeting, by attending meetings of the Board of Directors and other important meetings, by reporting on the business activities of the Directors, by reviewing significant documents of approval, by examining business activities and properties in the head office and main branches. When necessary, each Corporate Auditor requested business reports from subsidiaries.

On matters regarding transactions by Directors in competition with the Company, transactions involving a conflict of interests between Directors and the Company, dealings in which the Company provided benefits without compensation, unusual dealings with its subsidiaries or shareholders, and acquisition or disposal of the Company's own shares, as provided for Article 133, paragraph 1 of the legal ministerial ordinances for the commercial law, we have performed additional audit procedures by requesting reports from the Directors and examining the matters when considered necessary.

#### 2. Results of our audit

- (1) We acknowledge that the methods and results of the audit by the Independent Auditors, ChuoAoyama are appropriate.
- (2) We acknowledge that the business report complies with relevant laws and the articles of incorporation and presents fairly the condition of the Company.
- (3) There is nothing to be pointed out with regard to the proposal for disposal of loss from the judgment of the properties and other conditions of the Company.
- (4) We acknowledge that the supplementary schedules are presented fairly, and there is nothing to be pointed out.
- (5) We acknowledge that there are no illegal acts, nor significant facts in violation of the laws or the articles of incorporation regarding the management by the Directors.  
We also acknowledge that there is no violations by directors with regard to matter engaging in a competing business, etc, as provided for Article 133, paragraph 1 of the legal ministerial ordinances for the commercial law.
- (6) As a result of examination of the subsidiary, there is nothing to be pointed out with regard to the business activities of the directors.

May 24, 2006

The Board of Corporate Auditors of Japan Communications Inc.

Full-time Corporate Auditor: Hiromichi Mizumachi (sign and seal)

Corporate Auditor: Ichiro Ido (sign and seal)

Corporate Auditor: Yoh Yamaguchi (sign and seal)

(Note) All the above Auditors are the Corporate Auditors from an outside party, pursuant to Article 18, paragraph 1 of the former "Special Law of the Commercial Code Concerning the Audit, etc. of Stock Corporations (Kabusiki-Kaisyu)" of Japan.

## Reference Documents for the General Shareholders Meeting

The agenda and referential items:

**The 1st Agenda Item:** To consider and approve the proposal relating to the disposition of loss concerning the 10th Business Year (from April 1, 2005 to March 31, 2006);

Please refer to the page 26 of the attached.

The undisposed deficits at end of fiscal year is 37 MYEN, because the retained deficit carried forward is still 183 MYEN though the net income of this business year is 146 MYEN. The above undisposed deficits shall be deficit to be carried forward.

**The 2nd Agenda Item:** To consider and approve the partial amendment of the Articles of Incorporation;

1. Reason for amendment

(1) The agenda item for the proposed amendment of the Articles of Incorporation is for the following reasons pursuant to the enforcement of the Company Code (2006 Law No.86) and the legal ministerial ordinances for the Company Code (2006 legal ministerial ordinances No.12) as of May 1, 2006.

- ① After amendment, Article 13 (Document for reference, etc. of General Shareholders Meeting disclosed and distributed by Internet) shall be newly established for more complete disclosure of General Shareholders Meetings.
- ② After amendment, Article 25 (Omission of Board of Directors Meeting Resolution) shall be newly established to enable the Board of Directors to approve resolutions in writing or in electric data format to allow for flexible operation of the Board of Directors.
- ③ The item to enable the execution of the agreement with outside Statutory Auditors to restrict their liabilities shall be newly established in Article 40 (Restriction of liability of Outside Statutory Auditors) in order to attract highly capable people for the role of outside Statutory Auditor.
- ④ Change of wording from the old Commercial Code to the Company Code, including partial amendments and changes of the wording and changes of the articles referenced in the Articles of Incorporation to the appropriate articles of the Company Code.
- ⑤ Other than the above, any necessary amendment, for example, postponement of article numbers.

(2) The item to enable the execution of the agreement with outside Directors to restrict their liabilities shall be newly established in Article 29 (Restriction of liability of Outside Directors) in order to attract highly capable people for the role of outside Director. Each Auditor has agreed to submit this agenda item to the Ordinary General Shareholders

This is an unofficial translation of the Japanese version.

Meeting.

2. Content of the amendment

The content of the amendment are as the attached Exhibit.

**The 3rd Agenda Item:** To consider and approve the election and appointment of two (2) Directors;

Mr. Naohisa Fukuda whose term of office shall expire on the end of this Ordinary General Shareholders Meeting. Therefore, to re-appoint Mr. Fukuda and to increase Directors for an enhancement of management control, please approve the election and appointment of two (2) Directors.

The candidates of new Directors are as follows:

No.	Name (Date of Birth)	Biography, representation of the other companies, etc. and if the candidate is a director of the Company, the title and position	Number of shares held by the candidate
1	Naohisa Fukuda (July 21, 1962)	November, 1982 Vice President, Maebashi Language Academy July, 1985 Founded Gunma Database Systems, Representative Director-President March, 1986 Graduated from Tokyo University, BA, Literature June, 1992 Dartmouth College, Tuck School of Business, MBA July, 1992 Joined Andersen Consulting (Accenture) September, 1993 Joined Apple Japan, Inc., November, 1997 Director of Business Development, Apple Japan, Inc. December, 1999 Director of Marketing, Apple Japan, Inc. June, 2001 Vice President of Marketing, Apple Computer, Inc. April, 2002 Senior Vice President of the Company June, 2004 Director of the Company (present) July, 2004 CFO of the Company (present)	20 shares
2	Ichiro Ido (July 1, 1932)	March, 1957 Graduated from Waseda University, Faculty of Science and Engineering	0 shares

This is an unofficial translation of the Japanese version.

		April, 1957	Joined Yamatake-Honeywell Co., Ltd. (Yamatake Corporation at present)	
		December, 1980	Director, Yamatake-Honeywell Co., Ltd.	
		December, 1984	Managing Director, Yamatake-Honeywell Co., Ltd.	
		December, 1986	Director-Executive Vice President, Yamatake-Honeywell Co., Ltd.	
		December, 1987	Representative Director-President, Yamatake-Honeywell Co., Ltd.	
		June, 1998	Representative Director-Chairman, Yamatake Corporation	
		July, 2002	Advisor, Yamatake Corporation	
		June, 2003	Auditor of the Company (present)	

- (Note) 1. Mr. Ichiro Ido, the candidate of Director, is the candidate of outside director stipulated in the Article 2, Paragraph 15 of the Company Code.
2. There is not any particular interest between each candidate of Director and the Company.

**The 4th Agenda Item:** To consider and approve the election and appointment of two (2) Auditors;

Mr. Ichiro Ido will resign the office of Auditor on the end of this Ordinary General Shareholders Meeting. Therefore, to increase Auditors for enhancement and fulfillment of audit, please approve the election and appointment of two (2) Auditors.

The candidates of new Auditors are as follows:

No.	Name (Date of Birth)	Biography and representation of the other companies, etc.	Number of shares held by the candidate
1	Taku Morota (August 16, 1936)	March, 1961 Graduated from Tokyo University, Faculty of Law March, 1961 Joined Teijin Limited 1966-1968 Bordeaux University and Paris University, Faculty of Law and Economics 1978-1983 Temporary transfer to Teijin Indonesia Fiber Corp. Tbk.	3 shares

This is an unofficial translation of the Japanese version.

		1984	Harvard Business School (AMP)	
		June, 1990	Director, Teijin Limited	
		June, 1994	Managing Director, Teijin Limited	
		June, 1996	Senior Managing Director, Teijin Limited	
		June, 1998	Senior Managing Representative Director, Teijin Limited	
		June, 2001	Outside Auditor, Kobe Steel, Ltd.  (part-time) (present)	
2	Takashi Nakayama (July 1, 1936)	March, 1959	Graduated from Meiji University, Faculty of Law	0 shares
		April, 1959	Joined Daiwa Securities Co. Ltd.	
		June, 1970	Joined Kyoto Ceramic Corporation (KYOCERA Corporation at present)	
		June, 1985	Director, Kyoto Ceramic Corporation	
		June, 1987	Director, DDI Corporation	
		October, 1987	Senior Managing Director, Kyushu Cellular Telephone Company	
		October, 1999	Representative Director-President, TU-KA Phone Kansai K.K.	
		July, 2002	Advisor, TU-KA Cellular Tokyo K.K.	
		July, 2003	Business supervisor, Kyoto Industrial Support Organization 21	
		March, 2006	Graduated from Prefectural University of Hiroshima, Graduate School of Comprehensive Scientific Research	

(Note) 1. Each candidate of Auditor is the candidate of outside auditor stipulated in the Article 2, Paragraph 16 of the Company Code.

2. There is not any particular interest between each candidate of Auditor and the Company.

**The 5th Agenda Item:** To consider and approve the remuneration by stock options for Directors;  
and

The Company had issued stock options to the Directors, Corporate Auditors and Employees, etc. without compensation to promote management focusing shareholders value in the past. However, pursuant to the Company Code (2006 Law No. 86) enforced on May 1, 2006, the share purchase warrants to be issued as stock options shall be regarded as the remuneration of Directors.

Therefore, other than the total amount of remuneration for the Directors approved to be within

This is an unofficial translation of the Japanese version.

40 million yen per month at the ninth Ordinary General Shareholders Meeting held on June 29, 2005, the total amount of remuneration by stock options for the Directors shall be established within 77 million yen per year.

The number of present Directors of the Company is eight (8) (including four (4) outside Directors) and it will become nine (9) (including five (5) outside Directors) upon an approval of the third agenda item.

The content of the share purchase warrants is as follows:

- (1) Kind and number of the shares to be issued upon the exercise of share purchase warrants;

Kind: Common shares of the Company

Number: Maximum of 1,100 shares

After the share purchase warrants are issued, if the Company splits or annexes its shares, the shares to be issued upon the exercise of share purchase warrants shall be adjusted by the formula below.

The adjustment is only for the number of shares for which share purchase warrants have not been exercised before the time of adjustment. Adjustments resulting in fractional shares shall be rounded down.

Number of shares after adjustment = Number of shares before adjustment ×  
split/annex ratio

- (2) The amount to be paid upon the exercise of share purchase warrants;

The amount or a formula to be paid upon the exercise of the share purchase warrants shall be the amount based on the issue price per share (“Exercise Price”) multiplied by the number of exercised share purchase warrants.

The Exercise Price shall be the Closing Price (including the quotation) of the common shares of the Company on the Hercules Market of Osaka Securities Exchange on the day before the Issue Date of share purchase warrants (excluding a day when no trading occurs).

After share purchase warrants are issued, if the Company splits or annexes its shares, the Exercise Price shall be adjusted by the following formula rounded up to the nearest yen.

The Exercise Price after adjustment = The Exercise Price before adjustment ×  $\frac{1}{\text{split/annex ratio}}$

This is an unofficial translation of the Japanese version.

- (3) The exercise terms for share purchase warrants;  
From the date issued until August 10, 2011  
(If the last date of the above term is a bank holiday, the prior business day of the bank shall be the last date.)
- (4) Acquisition of the share purchase warrants by transfer require approval of the Board of Directors;
- (5) Maximum number of share purchase warrants (shinkabu-yoyakuken);  
Maximum of 1,100 shares  
(Number of shares to be issued upon the exercise of a share purchase warrant: 1 share)
- (6) Share purchase warrants shall be delivered without compensation; and
- (7) The other contents, etc. of the share purchase warrant shall be resolved at the Board of Directors to approve the issuance of the share purchase warrants.

**The 6th Agenda Item:** To consider and approve the remuneration by stock options for Auditors. The Company had issued stock options to the Directors, Corporate Auditors and Employees, etc. without compensation to promote management focusing shareholders value in the past. However, pursuant to the Company Code (2006 Law No. 86) enforced on May 1, 2006, the share purchase warrants to be issued as stock options shall be regarded as the remuneration of Corporate Auditors. Therefore, other than the total amount of remuneration for the Corporate Auditors approved to be within 6 million yen per month at the ninth Ordinary General Shareholders Meeting held on June 29, 2005, the total amount of remuneration by stock options for the Corporate Auditors shall be established within 2.8 million yen per year

The number of present Corporate Auditors of the Company is three (3) and it will become four (4) upon the approval of the fourth agenda item.

The content of the share purchase warrants is as follows:

- (1) Kind and number of the shares to be issued upon the exercise of share purchase warrants;  
Kind: Common shares of the Company  
Number: Maximum of 40 shares

This is an unofficial translation of the Japanese version.

After the share purchase warrants are issued, if the Company splits or annexes its shares, the shares to be issued upon the exercise of share purchase warrants shall be adjusted by the formula below.

The adjustment is only for the number of shares for which share purchase warrants have not been exercised before the time of adjustment. Adjustments resulting in fractional shares shall be rounded down.

Number of shares after adjustment = Number of shares before adjustment  $\times$   
split/annex ratio

- (2) The amount to be paid upon the exercise of share purchase warrants;

The amount or a formula to be paid upon the exercise of the share purchase warrants shall be the amount based on the issue price per share (“Exercise Price”) multiplied by the number of exercised share purchase warrants.

The Exercise Price shall be the Closing Price (including the quotation) of the common shares of the Company on the Hercules Market of Osaka Securities Exchange on the day before the Issue Date of share purchase warrants (excluding a day when no trading occurs).

After share purchase warrants are issued, if the Company splits or annexes its shares, the Exercise Price shall be adjusted by the following formula rounded up to the nearest yen.

The Exercise Price after adjustment = The Exercise Price before adjustment  $\times$   $\frac{1}{\text{split/annex ratio}}$

- (3) The exercise terms for share purchase warrants;

From the date issued until August 10, 2011

(If the last date of the above term is a bank holiday, the prior business day of the bank shall be the last date.)

- (4) Acquisition of the share purchase warrants by transfer require approval of the Board of Directors;

- (5) Maximum number of share purchase warrants (shinkabu-yoyakuken);

Maximum of 40 shares

(Number of shares to be issued upon the exercise of a share purchase warrant: 1 share)

This is an unofficial translation of the Japanese version.

- (6) Share purchase warrants shall be delivered without compensation; and
- (7) The other contents, etc. of the share purchase warrants shall be resolved at the Board of Directors to approve the issuance of the share purchase warrant.

Exhibit

Content of the amendment of the Articles of Incorporation

Present	After amendment
<p style="text-align: center;">Chapter 1. General Provisions</p> <p>(Company Name) Article 1. The name of the Company shall be Nihon Tsushin Kabushiki Kaisha and represented as Japan Communications Inc. in the English language.</p> <p>(Purposes) Article 2. The purposes for which the Company is organized are to engage in: 1. the business of telecommunications under Telecommunications Business Law; 2. the development of systems relating to the telecommunications business; 3. the development, manufacture, sale and leasing of devices relating to telecommunications; 4. the development, manufacture, sale and leasing of software relating to telecommunications; and 5. all other businesses as are incidental to any of the foregoing.</p> <p>(Location of Head Office) Article 3. The head office of the Company shall be located in Shinagawa-ku, Tokyo.</p> <p>(Means of Public Notice) Article 4. Public notice of the Company shall be made electronically; provided however, if any accident preventing electronic public notice occurs or any other unavoidable circumstances arises, public notice of the Company shall be made in the Nihon Keizai Shimbun.</p>	<p style="text-align: center;">Chapter 1. General Provisions</p> <p>(Company Name) Article 1. &lt; same as present &gt;</p> <p>(Purposes) Article 2. &lt; same as present &gt;</p> <p>(Location of Head Office) Article 3. &lt; same as present &gt;</p> <p>(Means of Public Notice) Article 4. &lt; same as present &gt;</p>
<p style="text-align: center;">Chapter 2. Shares and Fractional Shares</p>	<p style="text-align: center;">Chapter 2. Shares and Fractional Shares</p>
<p><b>(Total Number of Authorized Shares and Paying Back of Own Shares)</b></p>	<p><b>(Total Number of Shares Possible to be Issued)</b></p>
<p>Article 5. The total number of shares <u>authorized</u> to be issued by the Company shall be 870,000.</p> <p>2. The Company may pay back its own shares by the resolution of the Board of Directors pursuant to the Section 1-2, Article 211-3 of the Commercial Code.</p> <p style="text-align: center;">&lt; moved from the Section 2 of the Article 5 &gt;</p> <p style="text-align: center;">&lt; new establishment &gt;</p>	<p>Article 5. The total number of shares <u>possible</u> to be issued by the Company shall be 870,000.</p> <p style="text-align: center;">&lt; moved to the Article 6 &gt;</p> <p><b>(Acquisition of own shares)</b></p> <p>Article 6. The Company may pay back its own shares <u>with market trade, etc.</u> by the resolution of the Board of Directors.</p> <p><b>(Issuance of share certificates)</b></p> <p>Article 7. The Company shall issue the share certificates of stock.</p>
<p>(Share Handling Rules) Article 6. Kinds of share certificates issued by the Company, <u>transfer of shares, receipt of the notice of actual shareholders,</u> treatment of application for purchasing fractional shares and other procedures and fees in connection with shares and fractional shares of the Company shall be in compliance with the share handling rules adopted by the Board of Directors.</p>	<p>(Share Handling Rules) Article 8. Kinds of share certificates issued by the Company, <u>registration in the list of shareholders(including the list of actual shareholders, same as hereinafter),</u> the list of registration of lost share certificates and the list of share purchase warrant, treatment of application for purchasing fractional shares and other procedures and fees in connection with shares and fractional shares of the Company shall be in compliance with the share handling rules adopted by the Board of Directors, <u>unless otherwise stipulated by laws and ordinances or the Articles of Incorporation</u>.</p>
<p><b>(Transfer Agent)</b> Article 7. 1. The Company shall appoint a <u>transfer agent for shares and fractional shares</u>. 2. The <u>transfer agent</u> and its business offices shall be determined by a resolution of the Board of Directors. 3. The list of shareholders, <u>the list of actual shareholders,</u> the list of holders of fractional shares and the list of registration of lost share certificates of the Company shall be retained by the transfer agent at its offices to engage in <u>transfer agent business,</u> receipt of the notice of actual shareholders, and all administrative affairs in connection with shares and fractional shares including, but not limited to, transfer of shares, acceptance of various submissions and treatment of application for purchasing fractional shares, shall be carried out by <u>the transfer agent,</u> not by the Company.</p>	<p><b>(Administrator of Shareholders' List)</b> Article 9. 1. The Company shall appoint an <u>Administrator of Shareholders' List</u>. 2. The <u>Administrator of Shareholders' List</u> and its business offices shall be determined by a resolution of the Board of Directors. 3. The list of shareholders, the list of holders of fractional shares, the list of registration of lost share certificates and <u>the list of share purchase warrant</u> of the Company shall be retained by the <u>Administrator of Shareholders' List</u> at its offices to engage in <u>its business, registration in the list of shareholders, the list of holders of fractional shares, the list of registration of lost share certificates and the list of share purchase warrant,</u> receipt of the notice of actual shareholders, and all administrative affairs in connection with shares, fractional shares and share purchase warrant including, but not limited to, transfer of shares, acceptance of various submissions and treatment of application for purchasing fractional shares, shall be carried out by the <u>Administrator of Shareholders' List</u>, not by the Company.</p>
<p>(Record Date) Article 8. 1. The shareholders registered on the list of shareholders <u>(including the shareholders registered in the actual shareholders list, same as hereinafter.)</u> as of the last day of each fiscal year shall be <u>entitled</u> to exercise their rights at the Ordinary General Shareholders' Meeting pertaining to such fiscal year.  2. In additions to the foregoing, a record date may be set if necessary for the purpose of determining persons capable to exercise rights as shareholders, registered pledges and/or holders of fractional shares, upon prior public notice thereof.</p>	<p>(Record Date) Article 10. 1. The shareholders registered on the list of shareholders as of the last day of each fiscal year shall be <u>capable</u> to exercise their rights at the Ordinary General Shareholders' Meeting pertaining to such fiscal year.  2. In additions to the foregoing, a record date may be set <u>by the resolution of Board of Directors,</u> if necessary for the purpose of determining persons capable to exercise rights as shareholders, registered <u>shares</u> pledges and/or holders of fractional shares, upon prior public notice thereof.</p>
<p style="text-align: center;">Chapter 3. General Shareholders' Meeting</p>	<p style="text-align: center;">Chapter 3. General Shareholders' Meeting</p>
<p>(Convocation) Article 9. The Ordinary General Shareholders' Meeting of the Company shall be convened within three (3) months after the day following the last day of each fiscal year, and an Extraordinary General Shareholders' Meetings may be convened as necessary.</p>	<p>(Convocation) Article 11. &lt; same as present in English &gt;</p>
<p><b>(Venue)</b> Article 10. <u>The General Shareholders' Meeting of the Company shall be held within 23 wards in Tokyo.</u></p>	<p style="text-align: center;">&lt; deleted &gt;</p>

Present	After amendment
<p>(Person to Convene and Chairman)</p> <p>Article 11. The General Shareholders' Meeting of the Company shall be convened by the Director-President, who shall act as chairman at the meeting. In the event of the Director-President being unable to so act, another Director shall take the role of the Director-President pursuant to the order predetermined by the Board of Directors.</p> <p style="text-align: center;">&lt; divided to the Section 2 &gt;</p>	<p>(Person entitled to Convene and Chairman)</p> <p>Article 12. 1. The General Shareholders' Meeting of the Company shall be convened by the Director-President pursuant to the resolution of Board of Directors, unless otherwise stipulated by laws and ordinances. In the event of the Director-President being unable to so act, another Director shall take the role of the Director-President pursuant to the order predetermined by the Board of Directors.</p> <p>2. The Director-President shall act as chairman at the General Shareholders' Meeting of the Company. In the event of the Director-President being unable to so act, another Director shall take the role of the Director-President pursuant to the order predetermined by the Board of Directors.</p>
<p>(Requirements for Shareholders' Meeting Resolution)</p> <p>Article 12. A resolution of the General Shareholders' Meeting shall be adopted by a majority of attending shareholders' votes unless otherwise provided by laws and rules or the Articles of Incorporation.</p> <p>2. A resolution of the General Shareholders' Meeting pursuant to the Article 243, Section 1 of the Commercial Code shall be adopted by no less than two third of attending shareholders, provided that no less than one third of all the shareholders' votes shall be attended.</p> <p style="text-align: center;">&lt; new establishment &gt;</p>	<p style="text-align: center;">&lt; moved to the Article 15 &gt;</p> <p>(Document for reference, etc. of General Shareholders' Meeting disclosed and distributed by Internet)</p> <p>Article 13. Regarding the convocation of the General Shareholders' Meeting, the Company can deem the information recorded in the document for references of General Shareholders' Meeting, Business Report, Financial Statements and Consolidated Financial Statements to be provided to the shareholders by disclosing them on the Internet according to the legal ministerial ordinances.</p>
<p>(Exercise of Voting Right by Proxy)</p> <p>Article 13. A shareholder may exercise his/her voting right by proxy of other shareholders with voting rights. In such cases, a shareholder or agent is required to submit the proxy in writing to the Company.</p> <p style="text-align: center;">&lt; moved from the Article 12 &gt;</p>	<p>(Exercise of Voting Right by Proxy)</p> <p>Article 14. A shareholder may exercise his/her voting right by proxy of other one (1) shareholder with voting rights. In such cases, a shareholder or agent is required to submit the proxy in writing to the Company at every General Shareholders' Meeting.</p> <p>(Requirements for Shareholders' Meeting Resolution)</p> <p>Article 15. A resolution of the General Shareholders' Meeting shall be adopted by a majority of attending voting shareholders' votes unless otherwise provided by laws and ordinances or the Articles of Incorporation.</p> <p>2. A resolution of the General Shareholders' Meeting pursuant to the Article 209, Section 2 of the Company Code shall be adopted by no less than two third of attending shareholders, provided that no less than one third of all the shareholders' votes shall be attended.</p>
<p>(Minutes)</p> <p>Article 14. The outline of proceedings and results of the General Shareholders' Meeting shall be recorded in the minutes and affixed or electrically signed thereto shall be the names and seals of the chairman and Directors present at the meeting.</p>	<p>(Minutes)</p> <p>Article 16. The outline of proceedings and results of the General Shareholders' Meeting and other items required by laws and ordinances shall be recorded in the minutes according to the legal ministerial ordinances.</p>
<p style="text-align: center;">Chapter 4. Directors and Board of Directors</p> <p style="text-align: center;">&lt; new establishment &gt;</p>	<p style="text-align: center;">Chapter 4. Directors and Board of Directors</p> <p>(Establishment of Board of Directors)</p> <p>Article 17. The Company shall establish the Board of Directors.</p>
<p>(Number of Directors)</p> <p>Article 15. The Company shall have no more than fifteen (15) Directors.</p> <p>(Election)</p> <p>Article 16. 1. The Directors of the Company shall be elected at the General Shareholders' Meeting.</p> <p>2. The resolution to elect Directors shall be adopted, at the General Shareholders' Meeting by a majority of voting right of attending shareholders at the shareholders' meeting where shareholders holding one third or more of the voting right of all the shareholders are attended.</p> <p>3. The resolution to elect Directors shall not be based on cumulative voting.</p> <p>(Term of Office)</p> <p>Article 17. The term of office of Directors shall expire at the close of the Ordinary General Shareholders' Meeting for the last fiscal year ending within two (2) years after their assumption of office.</p>	<p>(Number of Directors)</p> <p>Article 18. &lt; same as present &gt;</p> <p>(Election)</p> <p>Article 19. 1. The Directors of the Company shall be elected by the resolution at the General Shareholders' Meeting.</p> <p>2. The resolution to elect Directors shall be adopted, at the General Shareholders' Meeting by a majority of voting right of attending shareholders at the shareholders' meeting where shareholders holding one third or more of the voting right of all the voting shareholders are attended.</p> <p style="text-align: center;">&lt; same as present &gt;</p> <p>(Term of Office)</p> <p>Article 20. &lt; same as present in English &gt;</p>
<p>(Representative Director and Directors with Specific Titles)</p> <p>Article 18. 1. The Board of Directors shall elect by its resolution a certain number of Directors to represent the Company.</p> <p>2. The Board of Directors may elect a Director-Chairman and a Director-President, and a certain number of vice Presidents, senior executive Directors and executive Directors.</p>	<p>(Representative Director and Directors with Specific Titles)</p> <p>Article 21. 1. &lt; same as present in English &gt;</p> <p>2. &lt; same as present in English &gt;</p>
<p>(Board of Directors)</p> <p>Article 19. 1. The Board of Directors' Meeting shall be convened by the Director-President, who shall act as chairman at the meeting. In the event of the Director-President being unable to so act, another Director shall take the role of the Director-President pursuant to the order predetermined by the Board of Directors.</p> <p>2. Notice to convene a meeting of the Board of Directors shall be given to each Director and Statutory Auditor at least three (3) days prior to the date set for such meeting; provided, however, that in case of urgency, the above period may be shortened.</p> <p>3. Operations and other matters in connection with the Board of Directors shall be in compliance with the Rules of the Board of Directors adopted by the Board of Director' Meeting.</p>	<p>(Person entitled to Convene the Board of Directors and its Chairman)</p> <p>Article 22. The Board of Directors Meeting shall be convened by the Director-President, who shall act as chairman at the meeting unless otherwise stipulated in laws and ordinances. In the event of the Director-President being unable to so act, another Director shall take the role of the Director-President pursuant to the order predetermined by the Board of Directors.</p> <p style="text-align: center;">&lt; 2. moved to the Article 23 &gt;</p> <p style="text-align: center;">&lt; 3. moved to the Article 27 &gt;</p>

Present	After amendment
<p style="text-align: center;"><u>&lt; moved from the Section 2 of the Article 19 &gt;</u></p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p>	<p><u>(Notice of the Board of Directors )</u></p> <p><b>Article 23.</b> 1. Notice to convene a meeting of the Board of Directors shall be given to each Director and Statutory Auditor at least three (3) days prior to the date set for such meeting; provided, however, that in case of urgency, the above period may be shortened.</p> <p>2. Notwithstanding the above section, Board of Directors Meeting can be held without proceeding of convocation when all the Directors and Statutory Auditors agreed.</p> <p><u>(Requirements for Board of Directors Meeting Resolution)</u></p> <p><b>Article 24.</b> A resolution of the Board of Directors Meeting shall be adopted by a majority of attending Directors, provided that majority of all the Directors shall be attended.</p> <p><u>(Omission of Board of Directors Meeting Resolution )</u></p> <p><b>Article 25.</b> When all the Directors agree with the items to be resolved at the Board of Directors in writing or in electric data, they shall be deemed to be resolved at the Board of Directors to approve them, unless the Statutory Auditors express an objection.</p> <p><u>(Minutes of Board of Directors)</u></p> <p><b>Article 26.</b> The outline of proceedings, results of the Board of Directors Meeting and other items required by laws and ordinances shall be recorded in the minutes according to the legal ministerial ordinances, affixed seal or signed by the Directors and Statutory Auditors attending to the meeting.</p>
<p style="text-align: center;"><u>&lt; moved from the Section 2 of the Article 25 &gt;</u></p> <p>(Remuneration) Article 20. Remuneration and retirement allowance of Directors shall be determined by a resolution of the General Shareholders' Meeting.</p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p> <p style="text-align: center;">Chapter 5. Statutory Auditors and Board of Statutory Auditors</p>	<p><u>(Rules of Board of Directors )</u></p> <p><b>Article 27.</b> Operations and other matters in connection with the Board of Directors shall be in compliance with the Rules of the Board of Directors adopted by the Board of Directors Meeting unless otherwise stipulated in laws and ordinances .</p> <p><u>(Remuneration ,etc. of Directors )</u></p> <p><b>Article 28.</b> Remuneration ,etc. of Directors shall be determined by a resolution of the General Shareholders' Meeting.</p> <p><u>(Restriction of Liability of Outside Directors )</u></p> <p><b>Article 29.</b> The Company can execute the agreement with the outside Directors to restrict their liabilities in case of falling under the legal requirement regarding the liabilities of Section 1 of Article 423 of the Company Code. Provided that, the limit of liabilities of the agreement shall be the minimum amount stipulated in the law and ordinances.</p> <p style="text-align: center;">Chapter 5. Statutory Auditors and Board of Statutory Auditors</p>
<p style="text-align: center;"><u>&lt; new establishment &gt;</u></p>	<p><u>(Establishment of Statutory Auditors and Board of Auditors )</u></p> <p><b>Article 30.</b> The Company shall establish the Statutory Auditors and Board of Statutory Auditors.</p>
<p>(Number of Statutory Auditors) Article 21. The Company shall have no more than five (5) Statutory Auditors.</p> <p>(Election) Article 22. 1. The Statutory Auditors of the Company shall be elected at the General Shareholders' Meeting. 2. The resolution to elect Statutory Auditors shall be adopted, at the General Shareholders' Meeting by a majority of voting right of attending shareholders at the shareholders' meeting where shareholders holding one third or more of the voting right of all the shareholders attend.</p> <p>(Term of Office) Article 23. 1. The term of office of Statutory Auditors shall expire at the close of the Ordinary General Shareholders' Meeting for the last fiscal year ending within four (4) years after their assumption of office. 2. The term of office of a Statutory Auditor elected to fill a vacancy shall be the remaining term of office of his/her predecessor.</p>	<p>(Number of Statutory Auditors) <b>Article 31.</b> &lt; same as present &gt;</p> <p>(Election) <b>Article 32.</b> 1. &lt; same as present in English &gt; 2. The resolution to elect Statutory Auditors shall be adopted, at the General Shareholders' Meeting by a majority of voting right of attending shareholders at the shareholders' meeting where shareholders holding one third or more of the voting right of all the voting shareholders attend.</p> <p>(Term of Office) <b>Article 33.</b> 1. &lt; same as present in English &gt; 2. &lt; same as present &gt;</p>
<p>(Fulltime Statutory Auditors) Article 24. Auditors shall elect some fulltime Statutory Auditors by mutual vote.</p>	<p>(Fulltime Statutory Auditors) <b>Article 34.</b> The Board of Statutory Auditors shall elect by its resolution a certain number of fulltime Statutory Auditors.</p>
<p>(Board of Statutory Auditors) Article 25. 1. Notice to convene a meeting of the Board of Statutory Auditors shall be given to each Statutory Auditor at least three (3) days prior to the date set for such meeting; provided, however, that in case of urgency, this period may be shortened.</p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p> <p>2. Operations and other matters in connection with the Board of Statutory Auditors shall be in compliance with the rules of Board of Statutory Auditors adopted by the Board of Statutory Auditors' Meeting.</p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p> <p style="text-align: center;"><u>&lt; new establishment &gt;</u></p>	<p><u>(Notice of Board of Statutory Auditors)</u> <b>Article 35.</b> 1. &lt; same as present in English &gt;</p> <p>2. Notwithstanding the above section, Board of Statutory Auditors Meeting can be held without proceeding of convocation when all the Statutory Auditors agreed them.</p> <p style="text-align: center;"><u>&lt; moved to the Article 38 &gt;</u></p> <p><u>(Requirements for Board of Statutory Auditors Meeting Resolution)</u></p> <p><b>Article 36.</b> A resolution of the Board of Statutory Auditors Meeting shall be adopted by a majority of Statutory Auditors unless otherwise stipulated by laws and ordinances.</p> <p><u>(Minutes of the Board of Statutory Auditors)</u></p> <p><b>Article 37.</b> The outline of proceedings and results of the Board of Statutory Auditors Meeting and other items required by laws and ordinances shall be recorded in the minutes according to the legal ministerial ordinances, affixed seal or signed by the Statutory Auditors attended to the meeting.</p>

Present	After amendment
<p style="text-align: center;"><del> moved from the Section 3 of the Article 19 &gt;</del></p> <p>(Remuneration) Article 26. Remuneration <u>and retirement allowance</u> of Statutory Auditors shall be determined by the resolution of the General Shareholders' Meeting.</p> <p style="text-align: center;"><del> new establishment &gt;</del></p> <p style="text-align: center;"><del> new establishment &gt;</del></p> <p style="text-align: center;"><del> new establishment &gt;</del></p> <p style="text-align: center;"><del> new establishment &gt;</del></p> <p style="text-align: center;"><del> new establishment &gt;</del></p> <p style="text-align: center;"><del> new establishment &gt;</del></p> <p style="text-align: center;">Chapter 6. Accounts</p>	<p style="text-align: center;"><del>(Rules of Board of Statutory Auditors )</del></p> <p style="text-align: center;"><del>Article 38.</del> Operations and other matters in connection with the Board of Statutory Auditors shall be in compliance with the Rules of the Board of Statutory Auditors adopted by the Board of Statutory Auditors Meeting <u>unless otherwise stipulated in laws and ordinances.</u></p> <p>(Remuneration, etc. of Statutory Auditors ) Article 39. Remuneration , <u>etc.</u> of Statutory Auditors shall be determined by a resolution of the General Shareholders' Meeting.</p> <p style="text-align: center;"><del>(Restriction of liability of Outside Statutory Auditors )</del></p> <p style="text-align: center;"><del>Article 40.</del> <u>The Company can execute the agreement with the outside Statutory Auditors to restrict their liabilities in case of falling under the legal requirement regarding the liabilities of Section 1 of Article 423 of the Company Code. Provided that, the limit of liabilities of the agreement shall be the minimum amount stipulated in the law and ordinances.</u></p> <p style="text-align: center;">Chapter 6. Accounting Auditor</p> <p style="text-align: center;"><del>(Establishment of Accounting Auditor )</del></p> <p style="text-align: center;"><del>Article 41.</del> The Company shall establish the Accounting Auditor.</p> <p style="text-align: center;"><del>(Election)</del></p> <p style="text-align: center;"><del>Article 42.</del> The Accounting Auditor of the Company shall be selected at the General Shareholders' Meeting.</p> <p style="text-align: center;"><del>(Term of Office)</del></p> <p style="text-align: center;"><del>Article 43.</del> 1. The term of office of Accounting Auditor shall expire at the close of the Ordinary General Shareholders' Meeting for the last business year ending within one (1) year after its assumption of office. 2. The Accounting Auditor shall be deemed to be elected continuously at the Ordinary General Shareholders' Meeting of the foregoing section, unless otherwise resolved at the meeting.</p> <p style="text-align: center;"><del>(Remuneration of Accounting Auditor)</del></p> <p style="text-align: center;"><del>Article 44.</del> Remuneration of Accounting Auditor shall be determined by a Representative Director with an agreement of Board of Statutory Auditors.</p>
<p style="text-align: center;">Chapter 6. Accounts</p> <p>(Fiscal Year) Article 27. The fiscal year of the Company shall begin on the first day of April of every year and shall end on the thirty-first day of March of the following year. <u>The accounts of the Company shall be settled at the end of every fiscal year.</u></p> <p>(Dividends) Article 28. Subject to a resolution of the <u>Ordinary General Shareholders' Meeting</u>, dividends shall be paid to the shareholders and the registered pledges who are recorded on the list of shareholders, and the holders of fractional shares recorded on the list of holders of fractional shares, each as of the last day of the subject fiscal year.</p> <p>2. Subject to a resolution of the Board of Directors Meeting, the Company may pay a certain financial distribution pursuant to the <u>Article 293-5 of the Commercial Code</u> ("interim dividend") to the shareholders and the registered pledges who are recorded on the list of shareholders, and the holders of fractional shares each as of September 30 every year.</p> <p style="text-align: center;"><del> moved from the Section 2 of the Article 28 &gt;</del></p>	<p style="text-align: center;">Chapter 7. Accounts</p> <p>(Business Year) Article 45. The fiscal year of the Company shall begin on the first day of April of every year and shall end on the thirty-first day of March of the following year.</p> <p style="text-align: center;"><del>(End of term Dividend)</del></p> <p style="text-align: center;"><del>Article 46.</del> Subject to a resolution of the <u>General Shareholders' Meeting</u>, the Company may pay a certain financial distribution ("end of term dividend") to the shareholders and the registered shares pledges who are recorded on the list of shareholders, and the holders of fractional shares recorded on the list of holders of fractional shares, each as of the last day of the subject fiscal year.</p> <p style="text-align: center;"><del> 2. moved to the Article 47 &gt;</del></p> <p style="text-align: center;"><del>(Interim Dividend)</del></p> <p style="text-align: center;"><del>Article 47.</del> Subject to a resolution of the Board of Directors Meeting, the Company may pay a certain financial distribution pursuant to the <u>Article 454, Section 5 of the Company Code</u> ("interim dividend") to the shareholders and the registered shares pledges who are recorded on the list of shareholders, and the holders of fractional shares recorded on the list of holders of fractional shares, each as of September 30 every year.</p>
<p>(Prescription Period of Dividends) Article 29. In the event that dividends of the Article 30 are not received within three (3) years after the first day when such dividends are payable, the Company shall be released from its obligation to pay such dividends.</p> <p>2. Unpaid dividends of the Article 30 shall bear no interest.</p>	<p>(Prescription Period of <u>End of Term Dividend and Interim Dividend</u>) Article 48. In the event that <u>end of term dividend or interim dividend</u> are not received within three (3) years after the first day when such dividends are payable, the Company shall be released from its obligation to pay such dividends.</p> <p>2. Unpaid <u>end of term dividend or interim dividend</u> shall bear no interest.</p>