

**NOTICE OF THE 35<sup>TH</sup> ORDINARY  
GENERAL MEETING OF SHAREHOLDERS**

Stock Code Number: 9766

June 8, 2007

Dear Shareholder,

You are cordially invited to attend the 35<sup>th</sup> Ordinary General Meeting of Shareholders, which will be held as described hereunder.

If you are unable to attend the meeting, you may exercise your voting rights in one of the following ways specified below. Please exercise your voting rights after reviewing the reference materials for the general meeting of shareholders contained herein.

Voting by mail

To vote by mail, please complete the voting forms enclosed indicating “for” or “against” for each agenda item, and return the completed form to us no later than 6:00 p.m. on Wednesday, June 27, 2007.

Voting via the Internet

To vote via the Internet, please read carefully the item entitled “Instructions for the Exercise of Voting Rights” on page 3, and exercise your voting rights. Your vote via the Internet must be received by 6:00 p.m. on Wednesday, June 27, 2007.

Sincerely yours,  
Kagemasa Kozuki  
Representative Director  
KONAMI CORPORATION  
4-1, Marunouchi 2-chome,  
Chiyoda-ku, Tokyo  
(Head Office)  
7-2, Akasaka 9-chome, Minato-ku, Tokyo

## MEETING AGENDA

1. Date and Time: 10:00 a.m., Thursday, June 28, 2007
2. Venue: “Arena” of Konami Sports & Life Co., Ltd., 10-1, Higashi Shinagawa 4-chome, Shinagawa-ku, Tokyo

### 3. Agenda:

- Reports
1. Business Report, Consolidated Financial Statements for the 35<sup>th</sup> fiscal year (from April 1, 2006 to March 31, 2007); and on the Reports of the Independent Auditor and of the Board of Statutory Auditors regarding Consolidated Financial Statements for the 35<sup>th</sup> fiscal year.
  2. Financial Statements for the 35<sup>th</sup> fiscal year.

### Proposals

- Proposal 1 Amendments to the Articles of Incorporation
- Proposal 2 Election of seven members to the Board of Directors
- Proposal 3 Election of three members to the Board of Statutory Auditors
- Proposal 4 Final Payments Marking the Termination of the System of Retirement Bonuses for Directors and Statutory Auditors
- Proposal 5 Introduction of Countermeasures Against Large-Scale Acquisition of the Company Shares (Takeover Defense Measures)

### 4. Matters decided for the convocation:

If there is no indication of “for” or “against” for each agenda item in your voting forms, we will consider it as indicating “for”.

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\* If attending the meeting in person, please remember to bring the ballot enclosed with these materials and hand it to the receptionist.

In case any amendments or changes are made to the reference materials for the general meeting of shareholders, business report, financial statements and consolidated financial statements prior to the date of the meeting, KONAMI CORPORATION shall notify its shareholders via KONAMI CORPORATION’s web site ([www.konami.co.jp](http://www.konami.co.jp)).

[This is an English translation of the Report for the 35th Fiscal Year (the “Report”) of Konami Corporation provided for your reference and convenience. This translation includes a translation of the audit report of KPMG AZSA & Co., Konami’s independent auditor, of the financial statements included in the original Japanese language Report.]

## **Instructions for the Exercise of Voting Rights**

If you are unable to attend the meeting, you may exercise your voting right by following one of the procedures described below. ADR holders cannot vote in this manner. Please contact the ADR Depository if you wish to vote.

### **Procedures for voting by electronic means**

Shareholders are asked to follow the procedures detailed below if they wish to exercise their voting rights using the Internet.

1. Shareholders may only exercise their voting rights online through the dedicated voting website designated by KONAMI CORPORATION.

**Voting website URL: <http://www.webdk.net>**

2. Shareholders choosing to exercise their voting rights online need to use the voting code and password specified on the enclosed voting form. Once you have entered the site, please vote for or against the resolution by following the instructions on screen.
3. Online votes may be accepted up to **6:00 p.m. on Wednesday, June 27, 2007**. However, shareholders are kindly requested to register online votes as early as possible to facilitate the counting of online votes.
4. If you duplicate your vote, i.e., if you exercise your voting rights both by mail and via the Internet, we will consider only the Internet vote to be valid.
5. If you vote a number of times over the Internet, or if you duplicate your vote using a PC and a mobile phone, we will consider the final vote to be the valid one.
6. Any connection fees to the Internet providers or time charges (telephone charges, etc.) incurred by shareholders in exercising votes online are to be borne by such shareholders.

### **System requirements for voting by electronic means**

The following are systems requirements for accessing voting website.

- (1) Internet access.
- (2) Shareholders choosing to exercise their voting rights using a PC should note that the site only supports the following browser software: Microsoft® Internet Explorer 5.5 or above, Netscape® 6.2 or above. The site supports any hardware platform running the software specified above.
- (3) Shareholders choosing to exercise their voting rights using a mobile phone should note that a handset model that supports 128-bit SSL (encrypted) communication is required (for security reasons, the site has been designed only to be accessible by mobile phones with 128-bit SSL encryption technology).

(Microsoft® is a registered trademark in the United States and other countries of Microsoft Corporation of the U.S. Netscape® is a registered trademark in the United States and certain other countries of Netscape Communications Corporation.)

## 1. Business Performance

### (1) Konami Group Business Conditions and Results

During the consolidated fiscal year under review, the Japanese economy remained robust due to ongoing improvements in corporate capital expenditure and healthy employment conditions. Growth in corporate revenues continued, as did the recovery in consumer spending. On the global front, there was a brief downturn in confidence owing to a sharp drop in the Shanghai stock market in China, an uncertain outlook for the U.S. economy, and the effects of exchange rates. However, the impact of such factors was limited, and the U.S. and European economies put in a solid performance overall.

In the entertainment industry, as it is relevant to our group, all of the hardware manufactures have now released their next-generation computer entertainment systems; Nintendo (Wii), Sony (PLAYSTATION®3) (“PS3”) and Microsoft’s (Xbox360). Handheld game consoles like “Nintendo DS” and the “PlayStation®Portable” (“PSP”), meanwhile, have won broad acceptance on the market. The supply of contents that capitalize on the differing features of each of these game consoles, as well as the availability of services that make use of online functions and that have now become general and catering to more diverse tastes, have attracted a broad cross section of users of both sexes and all ages, and the computer entertainment system has become an active market.

In the health industry, Japan’s revised Public Nursing Care Insurance Law took force in April 2006, and the Healthcare Reform Act was passed in June. Both bring into sharp focus the importance of preventive nursing care as Japan’s population grows older. Action is now being taken at the national level to fight lifestyle diseases. For example, there has been a focus on prevention for lifestyle diseases and concrete discussions on policies to be followed by health insurance associations and other health insurers in implementing so-called “designated checkups and health guidance” starting in fiscal year 2008. Important steps for maintaining good health are thus now being taken, focusing primarily on regular exercise and improved diet. As the baby boomers reach retirement, demand and awareness in the health field is on the rise, and we believe the market shows promise of further growth.

Under these circumstances, in our Digital Entertainment segment, and in the market for computer game software, Konami’s Soccer Game series recorded strong sales across the globe with unit sales at the highest level ever. Sales of products utilizing the “*e-AMUSEMENT*” system, a service networking amusement arcades nationwide, were also strong, as were those of sales of “*GRANDCROSS*”, a large-size token-operated game for amusement arcades.

In our Health and Fitness segment, the profit structure of our directly-managed facilities has made progress in “scrapping and building”, particularly in opening large facilities next to stations and other attractive locations. Also, the increase in the number of sports facilities outsourced to us brought in steady revenues. In addition, we revised our fee-based programs and made progress in installing a proprietary IT health management system in our fitness clubs. These efforts enabled us to provide our club members with a more satisfactory level of service than ever, which in turn translated into stable

revenues.

In our Gaming and System segment, sales increased as a result of consolidating our base and expanding contents in the growing North American market. Sales of the “*Konami Casino Management System*” has risen steadily. This helped stabilize profit structure, as a result of installing more units leading to more regular income from maintenance and servicing.

As a result, for the consolidated year ended March 31, 2007, net revenues amounted to ¥ 280,279 million (a year-on-year increase of 6.9%), operating income was ¥ 28,145 million (a year-on-year increase of 1,034.4 %), income before income taxes was ¥ 27,567 million (a year-on-year increase of 226.7 %), and net income was ¥ 16,211 million (a year-on-year decrease of 29.5 %).

## Performance by business segment

### Digital Entertainment

#### *Computer and Video Games business.*

The “WORLD SOCCER Winning Eleven” series (known in Europe as “PRO EVOLUTION SOCCER”) continued to perform well both in Japan and abroad: the series as a whole recorded sales of over eight million units, the most the series has sold in a year. Music games enjoyed popularity in North America, while sales of the “Dance Dance Revolution” series for the PlayStation®2, Xbox, and Xbox360 crossed the one-million unit mark. Mainstays like “Yu-Gi-Oh!” and “JIKKYOU PAWAFURU PUROYAKYU” likewise sold steadily due to their availability in series format. New titles released during the consolidated fiscal year 2007 also sold well: the “KIRARIN REVOLUTION” series and “DEATH NOTE –KIRA GAME”, both anime titles; “METAL GEAR SOLID PORTABLE OPS”, which with its online functions earned favorable reviews for providing a whole new way to play the common computer game software; and “Stock Trading Trainer Kabutore!”, which we believe breaks the mold of the typical computer game software.

#### *Toy & Hobby business.*

The mainstay YU-GI-OH! TRADING CARD GAME series continued to sell well worldwide. Sales of the D.Gray-man TRADING CARD GAME series also increased, proving especially popular among females. In the area of action figures, the “BUSOU SHINKI”, which we believe is a new way to have fun online, recorded strong sales.

#### *Amusement business.*

The “MAH-JONG FIGHT CLUB” series, which utilize the “e-AMUSEMENT” system, a service networking amusement arcades nationwide in Japan, continued to enjoy popularity. The “BASEBALL HEROES 2” is the latest version of a popular video game series played with cards bearing images of professional baseball players. The “CURUCURULABO” is an innovative new game that stimulates the brain with special training exercises, recorded steady sales, thus catering to the expanding market for educational video games. Music games also continued to sell well, owing to their popularity. As for token-operated games, “GRANDCROSS”, an extra-large token-operated gaming machine, recorded steady sales.

#### *Online business.*

In the field of games utilizing mobile system, several applications for games were released for distribution online, including “TOKIMEKI MEMORIAL Only Love” and “QUIZ MAGIC ACADEMY mobile2”, both available on the domestic mobile site “Konami Net DX”; and “Winning Eleven CLUB MANAGEMENT”, a simulation game available on the “Winning Eleven” site, where a player can manage his or her own club, train team players, and try turning

them into an unbeatable team. As for online games, “*Yu-Gi-Oh! ONLINE DUEL EVOLUTION*” was released in January 2007 on the “*Yu-Gi-Oh! Online*” Site, with avatar and chat functions for the enjoyment of users.

#### *Multimedia business.*

Merchandise such as game guides and music CDs tied to popular computer game software achieved strong sales. In the audiovisual market, our original anime TV programs steadily expanded their fan base with each broadcast, fueling sales of DVDs and related music CDs. In the publishing market, we developed and expanded several new categories of products, such as a picture book series featuring popular characters, and health-related publications.

As a result, consolidated net revenues of this segment amounted to ¥164,860 million (a year-on-year decrease of 0.3%).

#### Health & Fitness

##### *Operation of fitness clubs.*

With respect to facilities that we directly manage ourselves, we have opened 10 new facilities, taking into account transfer, in locations such as Mitsukyo (Kanagawa), Korigaoka (Osaka), and Kawasaki (Kanagawa). Especially noteworthy is Konami Sports Club Kawasaki (Kanagawa), which opened in Lazona Kawasaki Plaza in October 2006. This massive facility, covering an area of 4,500 m<sup>2</sup>, comes equipped with the e-XAX IT health management system and the latest exercise machines, and offers a full range of services and recreational amenities, including bathing facilities, an esthetic salon, a therapy center, and a cafeteria. As for the facilities outsourced to us, there were 37 new facilities in such locations as Ichinomiya City (Aichi) and Osaka City (Osaka); at these facilities the Konami Group puts its know-how and proven record of achievement to good use in the running of public facilities, and thus plays an active role in helping local residents get in better shape. As a result, as of March 31, 2007, the number of fitness clubs run either directly or outsourced to us totaled 312 throughout Japan.

##### *Health products.*

September 2006 saw the release of the multifunctional USB pedometer “*e-walkeylife2*”, the TV-linked health management tool “*Kenshin Keikaku TV*”, and the computer software program “*Kenshin Keikaku 2*”. In December 2006, the “*KONAMISPORTSCLUB ONLINE*” and the “*i-revo Kenkou*” site were launched; now Konami can take advantage of the Internet to expand sales of its products and help people develop good fitness habits. In January 2007, a new healthcare item, “*AROMA@FITNESS*”, which is attached to the inside of clothing for an aromatic effect, went on sale at Konami Sports Clubs and Seven-Elevens throughout Japan.

#### *Prevention of lifestyle diseases.*

The Company offers its own original disease prevention programs, such as the “6WEEKS” program, at directly-managed facilities. These provide support on two fronts: work outs and meal plans. The plans include recommendations for ways to improve lifestyle to middle-aged and the elderly who wish to eat properly and to get into the habit of getting exercise.

#### *Exercise guidance to seniors.*

Konami runs community support programs for seniors in partnership with local governments. It has also launched the “HATSURATSU KENKOJYUKU” at clubs under its directly-managed facilities.

#### *Exercise equipment.*

Five training machines equipped with a set of functions specially designed to forestall the need for nursing care went on sale — the “Massugu Sesuji” and so forth. These were developed in house by Konami.

In October 2006, Konami’s proprietary “e-XAX” health management system won the grand prize for 2006 in the NetKADEN Grand Prix sponsored by the Ministry of Economy, Trade and Industry. The “e-XAX” system assists people in their efforts to get fit by keeping an ongoing record of their exercise history in various real-life situations — at sports clubs, when out of the home, and in the home — and managing data on their health.

As a result, consolidated net revenues of this segment amounted to ¥ 88,459 million (a year-on-year increase of 8.9%).

#### Gaming & System

In North America, sales of the new “K2V” video slot platform series were strong due to an increase in demand. Demand was fueled both by the increasing number of jurisdictions where gaming has been legalized — Pennsylvania and Oklahoma being among the latest to do so — and by growth in existing markets.

With respect to the Australian market, by contrast, where demand remained flat, we took steps to develop new markets both inside and outside Australia.

Konami was among the exhibitors at the International Casino Exhibition (ICE), a gaming show held in London this January. It was also present at the NIGA Convention & Trade Show in Phoenix, Arizona, in March, an event that brings together tribal gaming operators from all over North America. The company attracted much attention with its new video slot machine — already a big seller in Arizona and California — and mechanical reel slot machine (the type that dominates the North American market).

The installation of the “Konami Casino Management System” in casinos operated by the provincial government in Quebec, for which we concluded an agreement two years ago, is now

virtually complete. The system has also been expanding steadily into casinos in other jurisdictions. In order to stabilize operations even further, Konami is working to expand regular revenues from service fees for maintaining the system and from installation of new machines under profit-sharing agreements.

As a result, consolidated net revenues of this segment amounted to ¥16,744 million (a year-on-year increase of 57.6%).

## (2) Capital Expenditures and Financing Activities

Capital expenditures in the consolidated fiscal year ended March 31, 2007 totaled ¥21,831 million. Principal capital investments were in new sports and fitness club facilities and related renovations and in the construction of internal backbone systems.

With respect to financing, funding requirements for the above capital expenditures and so forth were financed by cash and deposits on hand, cash flow from operating activities and debts from financial institutions. In November 2006, we established a long-term commitment line (¥20 billion) with the aim of securing liquidity on hand to be able to meet flexibly future fund requirements. In addition, the Company redeemed its No. 4 straight corporate bonds (¥15.0 billion) in September 2006 and No. 1 Konami Sports & Life Co., Ltd. straight corporate bonds (¥5.0 billion) in December 2006 using cash reserves. The Company will secure funds for the redemption of its No. 5 straight corporate bonds (¥15.0 billion) to mature in September 2007 and No. 2 Konami Sports & Life Co., Ltd. straight corporate bonds (¥5.0 billion) to mature in December 2007 and will continue to endeavor to secure adequate short-term liquidity and credit lines for fund raising to finance dynamic business development.

## (3) Trend of Assets and Business Results

### 1. Financial and business results of the Konami Group (U.S. GAAP)

(Millions of yen, except per share data)

Years ended March 31	2004	2005	2006	2007
Net revenues	273,412	260,691	262,137	280,279
Operating income (loss)	40,713	28,136	2,481	28,145
Net income (loss)	20,104	10,486	23,008	16,211
Basic net income (loss) per share (yen)	166.86	87.41	175.86	118.15
Total assets	294,497	304,321	302,637	304,657
Total net assets	102,129	105,857	163,815	174,662

Notes:

1. Financial and business results of the Konami Group is prepared in conformity with the accounting principles and procedures and indication methods which are required for the issue of American Depository Receipts (ADR), namely, the U.S. generally accepted in the United States (U.S. GAAP).
2. In the year ended March 31, 2006, tangible fixed assets and other intangible fixed assets of Health & Fitness Business were appraised by an independent appraisal company in the U.S., and resulting in a write off for impairment of assets of ¥19,713 million for which the book value exceeded fair value.

## 2. Financial and business results of the Company (Japanese GAAP)

(Millions of yen, except per share data)

Years ended March 31	2004	2005	2006	2007
Operating income	146,654	134,117	122,591	7,196
Ordinary income	16,910	13,447	19,291	1,278
Net income (loss)	10,381	12,794	16,572	988
Basic net income (loss) per share (yen)	83.71	105.33	124.75	7.16
Total assets	183,031	187,798	202,303	168,423
Total net assets	108,016	111,423	153,339	139,179

Note: The Company spun off its digital entertainment business and shifted to a pure holding company system on March 31, 2006. Therefore, the figures indicated for the 35<sup>th</sup> accounting term are figures for the holding company.

### **(4) Issues for Konami Group**

#### Building a powerful organization capable of responding to changing market conditions

In the Digital Entertainment, Health & Fitness, and Gaming & System markets in which Konami operates, considerable progress has been made in developing a network environment. In the process, users have come to share information of every variety, and different communities have emerged to serve ever more diverse tastes.

To respond to rapidly changing market environments and develop into a flexible and dynamic business organization, the Konami Group shifted to a pure holding company system in last March, and clearly separated the management of the Konami Group from the conduct and execution of each group.

In order to facilitate further streamlining of operations, and foster greater unity within the Group by enhancing communications, Konami's different offices scattered all over Tokyo were in April 2007 consolidated in a single location at Tokyo Midtown.

We believe this move will enable the Group to be more flexible in the way it operates.

#### Expanding profitability and channeling management resources into growth areas

All hardware manufacturers in the Digital Entertainment business have now released new gaming platforms for video game consoles, and each of these platforms, boasting its own distinctive features, offers a new way to play. As a result, users have been attracted to the market who until now have had little interest in video games. The user base is thus expanding.

Moreover, previously, a single home gaming platform was the market leader worldwide, but that pattern has changed. Now whichever platform best caters to users' preferences in a particular country or region, in terms of the games available to be played on it, is the one that will dominate the local market.

Online access is now available on a multitude of platforms — home gaming platforms, commercial platforms, cell phones, PCs — and more and more users these days are looking for a new way to play games, in a way that allows them to make contact with others over a network.

In the quest to supply products and services that meet the exact needs of each country and region, the Konami Group will take further steps to strengthen its regional production structures. Already an overhaul of the internal production regime at Konami Digital Entertainment Co., Ltd., the central player in content distribution, has been implemented. By enhancing network infrastructure, maximizing the value of content, and making the shift to a production regime capable of responding actively to the specific needs of each region, our goal is to maintain our ability to grow in the face of change.

In our Health & Fitness field, as health awareness grows and the amount of leisure time on people's hands increases with the retirement of the baby boomers, our goal is for accelerated opening of Konami Sports Clubs and expanded operation of facilities outsourced to us. Moreover, to cater to the demand for nursing care prevention that has resulted from the aging of Japan's population, in May 2006 the Konami Group acquired all shares of common stock of COMBI WELLNESS Corporation, an established brand name in the field of health and nursing care prevention devices.

In order to achieve further growth down the road, we also plan to take other aggressive steps to create value added. Specifically, we expect to enhance our proprietary health management system, which assists people in their efforts to get fit by keeping an ongoing record of their exercise history in various real-life situations — at sports clubs, outside the home, and in the home — and managing data on their health. We expect to market supplements as well.

As for the casino market in which our Gaming & System segment operates, the number of casinos has been increasing yearly as gaming is legalized in more and more countries and regions across the globe. We therefore believe that business opportunities continue to increase for the Konami Group as a manufacturer and vendor of slot machines and provider of services for casino management systems. We also intend to improve our business results in this field by pursuing options like strategic alliances with other companies.

In addition to our Digital Entertainment segment, Health & Fitness segment and Gaming & System segment, Konami group plans to channel optimum management resources to new business fields where growth is expected in medium to long-term.

**(5) Principal Business** (as of March 31, 2007)

The principal businesses of the Konami Group are as shown below.

*1. Digital Entertainment Business:*

Computer & Video Games	Production, manufacturing and sale of game software for household use, and purchase and distribution of game software for household use
Toy & Hobby	Planning, production, manufacturing and sale of card games, electronic toys, toys for boys, candy toys, figures, and character goods, etc.
Amusement	Production, manufacturing and sale of content and equipment for amusement facilities such as video games and medal games
Online	Production of online games, development of systems for online game, operation and management of online servers, and production and distribution of content for mobile phones
Multimedia	Planning, production and sale of music and image package products, and planning, production and sale of books and magazines

*2. Health & Fitness Business* Management of fitness centers / Production, manufacture and sale of fitness machines and health service products

*3. Gaming & System Business* Production, Manufacture, sale and service of gaming machines and Konami Casino Management System for casinos.

**(6) Main Konami Group Offices** (as of March 31, 2007)

Holding company

KONAMI CORPORATION Chiyoda-ku, Tokyo

Operating companies in Japan

Konami Digital Entertainment Co., Ltd.	Minato-ku, Tokyo
Konami Sports & Life Co., Ltd.	Shinagawa-ku, Tokyo
HUDOSN SOFT CO., LTD.	Chuo-ku, Tokyo
Internet Revolution Inc.	Minato-ku, Tokyo
KPE, Inc.	Zama, Kanagawa
Konami Real Estate, Inc.	Chuo-ku, Tokyo

Operating companies overseas

Konami Digital Entertainment, Inc.	USA
Konami Gaming, Inc.	USA
Konami Australia Pty Ltd.	Australia
Konami Digital Entertainment B.V.	Holland
Konami Digital Entertainment GmbH	Germany
Konami Digital Entertainment Limited	Hong Kong
Konami Software Shanghai, Inc.	Shanghai, China

Note: 1. Locations are of each company's headquarters.

2. The Company transferred its head office function to Minato-ku, Tokyo as of April 9, 2007.

**(7) Employees** (as of March 31, 2007)

1. Konami Group

	Number of Employees	Change from End of Previous Term
Digital Entertainment Business	2,731	67
Health & Fitness Business	1,501	(48)
Gaming & System Business	331	11
Other Business	276	80
Entire Company (corporate staff)	342	(56)
Total	5,181	54

Notes: 1. Employees include all persons on the Konami Group payroll.

2. Employees classified as corporate staff for the entire Company are administrative staff not assigned to any particular business segment.

## 2. KONAMI CORPORATION

Number of Employees	Change from End of Previous Term
21	(18)

Note: Employees include all persons on the parent company payroll.

### (8) Major Subsidiaries (as of March 31, 2007)

#### 1. Major subsidiaries

Company	Capital	Equity Ratio (%)	Major Businesses
Konami Digital Entertainment Co., Ltd.	¥26,000 million	100.0	Planning, production, manufacture and sale of online games, consumer-use video games, amusement machines, toys, card games, content for mobile phones, music CDs and DVDs, books, magazines, etc.
Konami Sports & Life Co., Ltd.	¥5,040 million	100.0	Operation of sports clubs; planning, production, and sales of health and fitness-related products and services
KPE, Inc.	¥100 million	100.0	Production, manufacturing and sale of liquid crystal units for pachinko machines
Konami Real Estate, Inc.	¥10,000 million	100.0	Real estate leasing and management
HUDSON SOFT CO., LTD.	¥5,064 million	53.9	Planning, manufacture and sales of content for mobile phones and online games, and software for consumer-use games
Internet Revolution Inc.	¥1,250 million	70.0	Operation of portal sites
Konami Corporation of America	US\$35,500 thousand	100.0	Holding company in the United States
Konami Digital Entertainment, Inc.	US\$21,500 thousand	(100.0) 100.0	Production and sales of consumer-use video game software in U.S.A.
Konami Gaming, Inc.	US\$25,000 thousand	(100.0) 100.0	Production, manufacture and sales of gaming machines in U.S.A.
Konami Digital Entertainment B.V.	Eur 9,019 thousand	100.0	Sales of toys, hobby products and products for amusement facilities in Europe
Konami Digital Entertainment GmbH	Eur 5,113 thousand	(100.0) 100.0	Sales of consumer-use video game software in Europe
Konami Digital Entertainment Limited	HK\$19,500 thousand	100.0	Sales in Asia
Konami Software Shanghai, Inc.	US\$2,000 thousand	100.0	Production of consumer-use video game software in Asia
Konami Australia Pty Ltd.	A\$3,000 thousand	100.0	Production, manufacture and sales of gaming machines in Australia

Notes:

1. Percentage of Total shown in parentheses are indirect ownership percentages, and are included in the percentage indicated in the second line.
2. The Company acquired all outstanding shares of COMBI WELLNESS Corporation on May 31, 2006, and made it a consolidated subsidiary.
3. The Company acquired all outstanding shares of MEGA CYBER Inc. on October 2, 2006, and made it a consolidated subsidiary.

## 2. Scope of consolidation

The Company consolidates 25 companies, including the 14 major subsidiaries listed above, and applies the equity method to one affiliated company.

An overview of our consolidated financial results is as shown in “1. Business Performance, (1) Konami Group Business Conditions and Results.”

### (9) Major lenders (as of March 31, 2007)

Lender	Amount of loans (millions of yen)
Sumitomo Mitsui Banking Corporation	1,735
Mizuho Corporate Bank, Ltd.	245

## 2. Status of shares of the Company

Status of Shares (as of March 31, 2007)

1. Number of shares authorized	450,000,000
2. Number of shares outstanding	143,555,786
3. Number of shareholders	52,718
4. The 10 Largest shareholders	

	Shareholders' Investment in the Company	
	Number of Shares (thousands)	Percentage of Total (%)
Kozuki Foundation for Sports and Education	14,330	10.44
Kozuki Holding B.V.	13,530	9.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,238	6.73
Japan Trustee Services Bank, Ltd. (Trust Account)	8,581	6.25
Kozuki Capital Corporation	7,036	5.13
The Chase Manhattan Bank, N.A. London	4,963	3.62
Sumitomo Mitsui Banking Corporation	4,135	3.01
BNP PARIBAS Securities (Japan) Ltd.	3,488	2.54
State Street Bank and Trust Company	2,417	1.76
Carillon DMA OTC	2,312	1.68

Note: The above percentages are calculated after the deduction of treasury stocks (6,300,000 shares).

### 3. Stock acquisition rights of the Company

Stock acquisition rights held by the officers of the Company as of the end of the fiscal year under review

Name	No. 1 stock acquisition rights
Number of holders	
Director of the Company (excluding external directors)	4
External director of the Company	2
Type of shares subject to stock options:	Common shares of the Company
Number of shares subject to stock options:	340,000 shares
Value of stock options issued:	Issued without consideration
Amount of payment at the time of the exercise of stock acquisition right	¥3,640 per share
Conditions for exercise of rights	Part of each stock acquisition right may not be exercised.
Item concerning the assignment of rights	All transfers of rights shall require the approval of the Board of Directors
Nature of advantageous conditions	Issued without consideration

Name	Stock acquisition rights whose obligations were succeeded to through share exchange agreement as of March 1, 2006
Number of holders	
Director of the Company (excluding external directors)	1
Type of shares subject to stock options:	Common shares of the Company
Number of shares subject to stock options:	11,850 shares
Value of stock options issued:	Issued without consideration
Amount of payment at the time of the exercise of stock acquisition right	¥3,133 per share
Conditions for exercise of rights	Part of each stock acquisition right may not be exercised.
Item concerning the assignment of rights	All transfers of rights shall require the approval of the Board of Directors
Nature of advantageous conditions	Issued without consideration

## 4. Officers of the Company

### (1) Directors and Corporate Auditors (as of March 31, 2007)

Position	Name	Areas of responsibility and primary duties, and the status of representation of other companies
Representative Director	Kagemasa Kozuki	Chairman of the Board and CEO
Representative Director	Kagehiko Kozuki	Chairman and Representative Director, Konami Sports & Life Co., Ltd.
Representative Director	Noriaki Yamaguchi	CFO
Director	Kimihiko Higashio	CHO
Director	Tsutomu Takeda	(Former Representative Director and President, Asatsu-DK Inc.)
Director	Tomokazu Godai	Representative Director and Chairman of the Board, MAYATEC Co., Ltd.
Director	Hiroyuki Mizuno	Director, Hiroshima Prefectural Institute of Industrial Science and Technology (Former Vice President, Matsushita Electric Industrial Co., Ltd.)
Director	Akira Gemma	Senior Corporate Adviser, SHISEIDO Co., Ltd. (Former Representative Director and President, SHISEIDO Co., Ltd.)
Standing Corporate Auditor	Noboru Onuma	(Former Director, Sumitomo Mitsui Banking Corporation)
Standing Corporate Auditor	Tetsuro Yamamoto	(Former Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
Corporate Auditor	Minoru Nagaoka	President, Capital Markets Research Institute (Former Chairman, Tokyo Stock Exchange)
Corporate Auditor	Masataka Imaizumi	Chairman, Police Association (Former Superintendent-General of the Metropolitan Police Department)

Note 1: Messrs. Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma, Director, are the external director provided in Item 15 of Article 2 of the Corporate Law.

Note 2: Messrs. Noboru Onuma, Tetsuro Yamamoto, Minoru Nagaoka and Masataka Imaizumi, Corporate Auditor, are the external corporate auditor provided in Item 16 of Article 2 of the Corporate Law.

### (2) Total Amount of Remuneration, etc. Paid to Directors and Corporate Auditors

Category	Number of paid officers	Amount of payment
Director ( External Directors included )	8 (3)	¥683 million (¥36 million)
Corporate Auditor ( External Corporate Auditors included )	4 (4)	¥58 million (¥58 million)
Total	12	¥742 million

Note 1: The amount of remuneration, etc. for directors does not include an amount equivalent to employee's salary is paid to an employee and director.

Note 2: The amount of remuneration, etc. for directors includes ¥240 million, which is an amount added to Director's bonus reserve for the fiscal year under review.

### (3) External officers

#### 1. Officers concurrently holding the post of the officer of other companies

Category	Name	Name of other companies in which the post of officer is concurrently held	Post of officer which is concurrently held	Relation with the Company
Director	Tomokazu Godai	Konami Sports & Life Co., Ltd.	External Director Representative Director and Chairman of the Board	A subsidiary of the Company
		MAYATEC Co., Ltd.		No important business relationships with the Company
	Hiroyuki Mizuno	MegaChips Corporation	External Director	No important business relationships with the Company
	Akira Gemma	Kirin Brewery Co., Ltd.	External Director	No important business relationships with the Company
Corporate Auditor	Noboru Onuma	Konami Digital Entertainment Co., Ltd.	External Corporate Auditor	A subsidiary of the Company
	Tetsuro Yamamoto	TonenGeneral Sekiyu K.K.	External Corporate Auditor	No important business relationships with the Company
	Masataka Imaizumi	Gakken Co., Ltd.	External Corporate Auditor	No important business relationships with the Company

#### 2. Major activities in the fiscal year under review

Category	Name	Major activities
Director	Tomokazu Godai	Attended all the meetings of the Board of Directors held during the fiscal year under review and made necessary statements concerning deliberations on propositions, etc.
	Hiroyuki Mizuno	Attended 80% of the meetings of the Board of Directors held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.
	Akira Gemma	Attended all the meetings of the Board of Directors held during the fiscal year under review and made necessary statements concerning deliberations on propositions, etc.
Corporate Auditor	Noboru Onuma	Attended all the meetings of the Board of Directors and the Board of Corporate Auditors which were held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.
	Tetsuro Yamamoto	Attended all the meetings of the Board of Directors and the Board of Corporate Auditors which were held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.
	Minoru Nagaoka	Attended 90% of the meetings of the Board of Directors and the meetings of the Board of Corporate Auditors held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.
	Masataka Imaizumi	Attended 90% of the meetings of the Board of Directors and all of the Board of Corporate Auditors held during the fiscal year under review and made necessary statements about deliberations on propositions, etc.

#### 3. Outline of the limit liability agreement

The Company entered into the agreement with all external directors and external corporate auditors to limit their liabilities as provided in Paragraph 1 of Article 423 of the Corporate Law subject to a limit which is the total of the amounts provided in all Items of Paragraph 1 of Article 425 of the Corporate Law.

## **5. Status of accounting auditor**

**(1) Name of accounting auditor:** KPMG AZSA & Co.

### **(2) Amount of remuneration, etc. paid to the accounting auditor during the fiscal year under review**

1. Amount of remuneration, etc. paid by the Company for the services provided under Paragraph 1 of Article 2 of the Certified Public Accountant Law	¥248 million
2. Total of money and other financial benefits to be paid by the Company and its subsidiaries to the accounting auditor	¥356 million

Note 1. The amounts of remuneration, etc. for the audit based on the Corporate Law and the audit based on the Securities and Exchange Law are not clearly divided, and cannot be divided substantially, based on the auditing agreement between the Company and the accounting auditor. Therefore, the total of these amounts is shown in the amount of remuneration, etc. shown in 1. The Company also underwent an audit based on the Sarbanes-Oxley Act (SOX) of the United States, and its total amount stated.

Note 2. Of the important subsidiaries of the Company, Konami Corporation of America, Konami Digital Entertainment B.V. and six companies underwent an audit (limited to audits based on the provisions of the Corporate Law and the Securities and Exchange Law (including foreign laws and ordinances equivalent to these Laws)) by a certified public accountant or an audit firm (including parties with the same qualification as these in foreign countries) other than the accounting auditor of the Company.

### **(3) Policy on decision about the dismissal or non-reappointment of an accounting auditor**

When it is acknowledged that an accounting auditor is subject to one of the Items of Paragraph 1 of Article 340 of the Corporate Law, the Board of Corporate Auditors will dismiss the accounting auditor with the approval of all corporate auditors.

Besides the foregoing, when the conduct of a proper audit is deemed difficult because of the occurrence of an event, etc. damaging the eligibility and independence of an accounting auditor, directors will present a proposal on the dismissal or non-reappointment of the accounting auditor to the general meeting of shareholders with the approval of the Board of Corporate Auditors or at the request of the Board of Corporate Auditors.

## **6. Systems and policies of the Company**

### **(1) Systems to ensure appropriate operations**

Matters resolved at a meeting of the Board of Directors as a system for the Company to ensure appropriate business operations are as shown below:

#### **1. Systems to ensure that the execution of the duties of directors conform to laws and ordinances and the Articles of Incorporation**

The Company's basic policy is to maintain good relations with all stakeholders, including shareholders, and to make a social contribution as a good corporate citizen. The Company will establish a comprehensive compliance system, and will strengthen that system. In addition, the Compliance Committee will play a leading role in maintaining and strengthening the compliance system. Specifically, we will ensure the appropriateness of the fulfillment of the duties of directors through the establishment of operational procedures and regulations and the reinforcement of evaluation and monitoring systems.

As a company holding gaming licenses in the United States and Australia, etc., the Company has been committed to the establishment of strong compliance systems. The Company has already made excellent progress with respect to the establishment of internal control systems as required under the Sarbanes-Oxley Act (SOX) of the United States since listing on the New York Stock Exchange.

#### **2. Systems to store and control information on the fulfillment of the duties of directors**

With respect to information on the fulfillment of the duties of directors, we have established an information control regulation and a document control regulation, and a system to store and control properly the information by specifying important documents and clarifying the form of storage.

#### **3. Regulation and other systems for the management of the risk of loss**

To identify and control the risks that surround the Company, we have established a risk management regulation. The Risk Management Committee has played a leading role in establishing and strengthening the systems necessary for risk management. With respect to emergency measures, we will establish a system and the Risk Management Committee will deal with emergency measures under the system based on a crisis management regulation which will be established separately.

#### **4. Systems to secure the effective fulfillment of the duties of directors**

The Company will endeavor to secure the effective fulfillment of the duties of directors by establishing a regulation concerning the division of duties and official authority to clarify the details of duties in which each division is in charge and official authority.

**5. Systems to ensure that the fulfillment of the duties of employees conforms to laws and ordinances and the Articles of Incorporation**

The Company is committed to compliance in its corporate philosophy, code of conduct and guidelines for the behavior of officers and employees. These are made known to all staff without exception through the Company's website and information system. The Compliance Committee plays a leading role in strengthening systems for the application of the corporate philosophy, the code of conduct and guidelines for the behavior of officers and employees.

**6. Systems to ensure the appropriateness of business as a corporate group consisting of a joint stock company, its parent company and its subsidiaries**

As a pure holding company, the Company will manage the operations of the entire Group through means such as the proper exercise of voting rights, to ensure the proper and balanced conduct of business of each company in the Group. In addition, the Company will proceed with the establishment of an internal control system for each company in the Group. All Group companies will act in unison in such areas as information storage management, risk management and compliance, to ensure the establishment of integrated group management. With respect to the audit system by the Board of Corporate Auditors, we have established a group audit system that centers on the holding company, and will seek to strengthen it further.

**7. When a corporate auditor asks for the assigning of an employee to assist in the duties of the corporate auditor, matters concerning the employee**

When the Board of Corporate Auditors judges that a person is required to assist in the fulfillment of its duties, the Board of Corporate Auditors may ask for a person with sufficient expertise, such as a member of the internal audit office, to assist in the fulfillment of the duties. When conducting an internal audit, the internal audit office should consult with the Board of Corporate Auditors as necessary, and submit a report on the results of the audit to the Board of Corporate Auditors.

**8. Matters concerning the independence from directors of the employee set out in the preceding Item**

The Board of Corporate Auditors may express opinions about the appointment, etc. with respect to a person requested by the Board of Corporate Auditors for assistance in the fulfillment of duties. A member of the internal audit office to whom assistance is requested should not receive any instruction from directors concerning this assistance.

**9. System for a director and an employee to report to a corporate auditor and other systems concerning reports to corporate auditors**

We will establish a regulation providing for matters to be reported by a director or employee to the Board of Corporate Auditors so that any important matter influencing the management and

business results may be immediately reported to the Board of Corporate Auditors.

**10. Other systems to ensure the effective execution of audits by corporate auditors**

When the Board of Corporate Auditors deems it necessary for the fulfillment of duties, the Board of Corporate Auditors may request experts such as lawyers and certified public accountant to provide opinions and advice.

**(2) Policy on decisions about dividends from surplus, etc.**

The Company believes that high, stable dividends and improved corporate value are important benefits we can return to our shareholders. We believe that the use of retained earnings to invest in highly promising areas enables a continuous strengthening of the Company's growth potential and its competitive power.

We paid an interim dividend of ¥27 per share on November 30, 2006. Combined with a final dividend of ¥27 per share, we plan an annual dividend of ¥54 per share for the fiscal year under review.

**Consolidated Balance Sheet**  
(As of March 31, 2007)

(Millions of yen)

<b>ASSETS:</b>		<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>	
<b>Current assets</b>	<b>¥138,261</b>	<b>Current liabilities</b>	<b>¥82,466</b>
Cash and cash equivalents	57,333	Current portion of long-term debt and capital lease obligations	23,073
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥540 million at March 31, 2007	29,729	Trade notes and accounts payable	24,002
Inventories	24,236	Accrued income taxes	1,740
Deferred income taxes, net	14,877	Accrued expenses	19,179
Prepaid expenses and other current assets	12,086	Deferred revenue	5,661
		Other current liabilities	8,811
<b>Property and equipment, net</b>	<b>¥53,294</b>	<b>Long-term liabilities</b>	<b>¥44,832</b>
<b>Investments and other assets</b>	<b>¥113,102</b>	Long-term debt and capital lease obligations, less current portion	24,248
Investments in marketable securities	701	Accrued pension and severance costs	2,708
Investments in affiliates	6,213	Deferred income taxes, net	12,207
Identifiable intangible assets	38,585	Other long-term liabilities	5,669
Goodwill	22,738		
Lease deposits	24,906	<b>Total liabilities</b>	<b>¥127,298</b>
Other assets	17,366	<b>Minority interest in consolidated subsidiaries</b>	<b>¥2,697</b>
Deferred income taxes, net	2,593	<b>Commitments and contingencies</b>	<b>-</b>
		<b>STOCKHOLDERS' EQUITY:</b>	
		<b>Common stock</b>	<b>47,399</b>
		<b>Additional paid-in capital</b>	<b>77,213</b>
		<b>Legal reserve</b>	<b>284</b>
		<b>Retained earnings</b>	<b>62,560</b>
		<b>Accumulated other comprehensive income</b>	<b>5,617</b>
			<b>193,073</b>
		<b>Treasury stock</b>	<b>(18,411)</b>
		<b>Total stockholders' equity</b>	<b>174,662</b>
<b>Total assets</b>	<b>¥304,657</b>	<b>Total liabilities, minority interests and stockholders' equity</b>	<b>¥ 304,657</b>

**Consolidated Statement of Income**  
**(Year ended March 31, 2007)**

(Millions of yen)

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<b>Net revenues</b>	<b>¥280,279</b>
<b>Costs and expenses</b>	<b>252,134</b>
Costs of products sold and services rendered	193,506
Selling, general and administrative expenses	58,628
<b>Operating income</b>	<b>28,145</b>
<b>Other income (expenses)</b>	<b>(578)</b>
Interest income	821
Interest expense	(985)
Other, net	(414)
<b>Income before income taxes, minority interest and equity in net income of affiliated companies</b>	<b>27,567</b>
<b>Income taxes</b>	<b>10,919</b>
<b>Income before minority interest and equity in net income of affiliated companies</b>	<b>16,648</b>
Minority interest in income of consolidated subsidiaries	575
Equity in net income of affiliated companies	138
<b>Net income</b>	<b>¥16,211</b>

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**Consolidated Statements of Stockholders' Equity**  
(Year ended March 31, 2007)

(Millions of yen)

	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost	Total Stockholders' Equity
<b>Balance at March 31, 2006</b>	¥ 47,399	¥ 77,110	¥ 284	¥ 53,756	¥ 3,957	¥ (18,691)	¥ 163,815
Decrease due to reissuance of treasury stock		(125)					(125)
Stock-based compensation		228				373	601
Net income				16,211			16,211
Cash dividends, ¥ 54.0 per Share				(7,407)			(7,407)
Foreign currency translation adjustments					1,267		1,267
Net unrealized gains on available-for-sale securities					27		27
Minimum pension liability adjustment					16		16
Adjustment on Retirement Benefits					350		350
Purchase of treasury stock						(93)	(93)
<b>Balance at March 31, 2007</b>	¥ 47,399	¥ 77,213	¥ 284	¥ 62,560	¥ 5,617	¥ (18,411)	¥ 174,662

## **Assumptions underlying preparation of consolidated financial statements**

### **Scope of Consolidation**

1. Number of consolidated subsidiaries: 25
2. Name of principal consolidated subsidiaries
  - Konami Digital Entertainment Co., Ltd.
  - Konami Sports & Life Co., Ltd.
  - KPE, Inc.
  - Konami Real Estate, Inc.
  - HUDSON SOFT CO., LTD.
  - Internet Revolution Inc.
  - Konami Corporation of America
  - Konami Digital Entertainment, Inc.
  - Konami Gaming, Inc.
  - Konami Digital Entertainment B.V.
  - Konami Digital Entertainment GmbH
  - Konami Digital Entertainment Limited
  - Konami Software Shanghai, Inc.
  - Konami Australia Pty Ltd.

### **Application of the Equity Method**

1. Number of equity-method affiliates: 1
2. Name of the equity-method affiliate: Resort Solution Co., Ltd.

### **Summary of Significant Accounting Policies**

1. Basis of presentation for consolidated financial statements

The consolidated financial statements of the Company have been prepared in accordance with the terminology, format and preparation method used in the accounting principles generally accepted in the United States of America (“U.S. GAAP”), in compliance with Article 148, Section 1 of the Corporate Calculation Regulations. However, in compliance with such article, certain disclosure that is required on the basis of U.S. GAAP is omitted.

2. Methods and standards for the valuation of assets

- (1) Marketable and Investment Securities

Marketable securities and securities held for trading purposes are stated at fair value when readily determinable. Held-to-maturity debt securities are stated at amortized cost after adjustment for any premium or discount. Realized gains and losses from the sale of available-for-sale securities are determined based on the average cost method.

- (2) Inventories

Resalable products, finished products, work-in-process, raw materials and supplies are stated at the lower of cost or market. Cost is determined by the first-in first-out method for

merchandise, by the identified-cost method for software, and by averaging for all other items.

### 3. Depreciation methods

Tangible fixed assets are depreciated mainly using the declining balance method while intangible fixed assets are amortized mainly using the straight-line method.

### 4. Accounting standards for material reserves

#### (1) Allowance for doubtful accounts

Generally, allowance for doubtful accounts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

#### (2) Accrued pension and severance costs

Accrued pension and severance costs are accounted for in conformity with Statements of the Financial Accounting Standards (“SFAS”) No.87 “*Employers’ Accounting for Pensions*” and SFAS No.158 “*Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.*” Part of our pension plans are required to recognize net pension expense based on the value of obligatory contributions for each fiscal period as the defined benefit pension plan of multiple employers.

### 5. Goodwill and identifiable intangible assets

Goodwill represents the difference between the cost of acquired companies and amounts allocated to the estimated fair value of their net assets. Identifiable intangible assets represent intangible assets related to trademarks, membership lists, gaming licenses, existing technologies, customer relationships and franchise contracts, etc. acquired in connection with acquisitions of subsidiaries. In accordance with SFAS No. 142 “*Goodwill and Other Intangible Assets,*” reviews are conducted at least once annually to identify any impairment against fair value for goodwill and intangible assets subject to amortization with indefinite useful lives, and a test for any impairment loss is conducted at the end of each consolidated fiscal period. Intangible assets subject to amortization with definite useful lives are amortized over a period of 2–15 years corresponding to the estimated useful life.

### 6. Impairment of long-lived assets

In accordance with SFAS No.144 “*Accounting for the Impairment or Disposal of Long-Lived Assets,*” the Company’s long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the carrying amount of assets exceeds the estimated future cash flows (undiscounted) for the assets, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

### 7. Accounting standard for share-based payment

Stock-based compensation is accounted for in conformity with SFAS No.123R “*Accounting for Share-Based Payment.*”

## 8. Consumption tax

Consumption tax is excluded from the stated amount of revenue and expenses.

## 9. Rounding policy

Amounts of less than one million yen are rounded to the nearest unit.

### Changes in Significant Accounting Policies

#### 1. Accounting standard for share-based payment

Previously, Konami elected to account for compensation cost under Opinions of the Accounting Principles Board (“APB Opinion”) No. 25 “*Accounting for Stock Issued to Employees.*” However, from the consolidated fiscal year 2007, Konami adopted SFAS No. 123R “*Accounting for Share-based Payment.*” The SFAS No. 123R requires the fair-value-based method of accounting for share-based payment transactions with employees. Pursuant to this change, Konami recognized ¥214 million decrease in net income.

#### 2. Accounting standard for retirement benefits

Effective from fiscal year 2007, Konami adopted SFAS No. 158 “*Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.*” SFAS No. 158 requires recognizing the funded status of a benefit plan (measured as the difference between plan assets at fair value and the benefit obligation) in the consolidated balance sheet and to record the adjustment as a component of other comprehensive income/loss. The adjustments are gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost which previously were eliminated with the funded status in the consolidated balance sheet adopting the SFAS No. 87 “*Employers’ Accounting for Pensions.*” According to this change, there was no impact on income/loss.

### Notes to Consolidated Balance Sheet

- |  |                 |
|--|-----------------|
| 1. Accumulated depreciation of tangible fixed assets | ¥66,142 million |
| 2. Accumulated other comprehensive income            |                 |

A breakdown of accumulated other comprehensive income at the consolidated level in the year ended March 31, 2007 is as follows.

Foreign currency translation adjustments	¥5,174 million
Unrealized gains on available-for-sale securities — net	¥93 million
Adjustments of pension liabilities	¥350 million
Accumulated other comprehensive income	¥5,617 million

## Notes to Consolidated Statement of Stockholders' Equity

1. Type and number of shares issued at the end of the consolidated fiscal year under review.

Common stock: 143,555,786 shares

2. Dividends

(1) Dividend payment

Resolution	Type of shares	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 29, 2006	Common stock	3,785	27.00	March 31, 2006	June 30, 2006
Board of Directors meeting held on November 7, 2006	Common stock	3,704	27.00	September 30, 2006	November 30, 2006
Total		7,490			

- (2) Of dividends whose record date belongs to the consolidated fiscal year under review, those dividends whose effective date is in the subsequent fiscal year

Matters concerning the dividend of common stock are to be resolved at a meeting of the Board of Directors to be held on May 22, 2007.

(i) Total amount of dividends: ¥3,705 million

(ii) Dividend per share: ¥27.00

(iii) Record date: March 31, 2007

(iv) Effective date: June 11, 2007

The source of dividends is to be retained earnings.

3. Type and number of shares subject to stock acquisition rights at the end of the consolidated fiscal year under review (excluding those stock acquisition rights the initial date of the exercise period of which has not yet arrived)

Common stock: 1,855,858 shares

## Notes to Per Share Data

Net assets per share: ¥1,272.54

Basic net income per share: ¥118.15

Diluted net income per share: ¥118.09

## Notes to Significant Subsequent Events

There is no applicable item.

**Balance Sheet**  
**(As of March 31, 2007)**

(Millions of yen)

<b>ASSETS:</b>		<b>LIABILITIES:</b>	
<b>Current assets</b>	<b>¥47,770</b>	<b>Current liabilities</b>	<b>¥26,143</b>
Cash and cash equivalents	33,319	Short-term borrowings	6,769
Trade accounts receivable	5,666	Bonds redeemable within 1 year	15,000
Prepaid expenses	448	Current portion of long-term debt	592
Deferred income taxes, net	337	Other accounts payable	2,518
Short-term loans to subsidiaries	5,618	Accrued expenses	330
Other accounts receivable	650	Income taxes payable	71
Other	1,742	Short-term deposits received	21
Allowance for doubtful accounts	(13)	Accrued directors' bonuses	240
		Other	599
<b>Fixed assets</b>	<b>¥120,652</b>	<b>Long-term liabilities</b>	<b>¥3,100</b>
Tangible fixed assets	289	Long-term borrowings	1,738
Buildings improvement	9	Deferred income taxes, net	29
Transportation equipment	14	Liabilities for directors' retirement benefits	1,332
Tools and fixtures	264		
Intangible fixed assets	8	<b>Total liabilities</b>	<b>¥29,243</b>
In-house software	3		
Trademark	4	<b>NET ASSETS:</b>	
Other	0	<b>Shareholders' equity</b>	<b>¥139,088</b>
Investments and other assets	120,355	<b>Common stock</b>	47,398
Investment securities	1,114	<b>Capital surplus</b>	43,443
Investments in subsidiaries and affiliates	116,695	Additional paid-in capital	36,893
Long-term loans to subsidiaries	1,670	Other capital surplus	6,549
Long-term prepaid expenses	18	<b>Retained earnings</b>	65,825
Lease deposits	852	Legal reserved	283
Other	13	Other retained earnings	65,541
Allowance for doubtful accounts	(9)	Special reserves	52,094
		Retained earnings brought forward	13,446
		<b>Treasury Stock</b>	<b>(17,579)</b>
		<b>Difference of appreciation and conversion</b>	<b>¥91</b>
		<b>Net unrealized gains on available-for-sale securities</b>	<b>91</b>
		<b>Total net assets</b>	<b>¥139,179</b>
<b>Total assets</b>	<b>¥168,423</b>	<b>Total liabilities and net assets</b>	<b>¥168,423</b>

**Statement of Income**  
**(Year ended March 31, 2007)**

(Millions of yen)

<b>I</b>	<b>Operating revenues</b>	<b>¥7,196</b>
	Management fee revenue	5,418
	Dividend income	1,778
<b>II</b>	<b>Costs and expenses</b>	<b>5,757</b>
	Selling, general and administrative expenses	5,757
	<b>Operating income</b>	<b>1,439</b>
<b>III</b>	<b>Non-operating income</b>	<b>229</b>
	Interest and dividend income	207
	Other	21
<b>IV</b>	<b>Non-operating expenses</b>	<b>391</b>
	Interest expenses	73
	Bond interest expense	224
	Other	92
	<b>Ordinary income</b>	<b>1,278</b>
<b>V</b>	<b>Extraordinary losses</b>	<b>78</b>
	Loss on impairment of equity securities	78
	<b>Income before income taxes</b>	<b>1,199</b>
	Current	(898)
	Deferred	1,109
	<b>Net income</b>	<b>988</b>

**Statement of Changes in Shareholders' Equity**  
**(Year ended March 31, 2007)**

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings		Total retained earnings		
						Special reserves	Retained earnings brought forward			
Balance at March 31, 2006	¥47,398	¥36,893	¥6,674	¥43,568	¥283	¥34,094	¥38,168	¥72,546	¥(10,238)	¥153,275
Changes during the year										
Cash dividends							(7,490)	(7,490)		(7,490)
Directors' Bonuses							(220)	(220)		(220)
Accumulate for special reserves						18,000	(18,000)	-		-
Net income							988	988		988
Purchase of treasury stock									(7,732)	(7,732)
Reissuance of treasury stock			(124)	(124)					392	267
Net change of items other than shareholders' equity										
Total changes during the year	-	-	(124)	(124)	-	18,000	(24,721)	(6,721)	(7,340)	(14,187)
Balance at March 31, 2007	¥47,398	¥36,893	¥6,549	¥43,443	¥283	¥52,094	¥13,446	¥65,825	¥(17,579)	¥139,088

	Difference of appreciation and conversion		Total net assets
	Net unrealized gains on available-for-sale securities	Total difference of appreciation and conversion	
Balance at March 31, 2006	¥64	¥64	¥153,339
Changes during the year			
Cash dividends			(7,490)
Directors' Bonuses			(220)
Accumulate for special reserves			-
Net income			988
Purchase of treasury stock			(7,732)
Reissuance of treasury stock			267
Net change of items other than shareholders' equity	27	27	27
Total changes during the year	27	27	(14,160)
Balance at March 31, 2007	¥91	¥91	¥139,179

## **Summary of Significant Accounting Policies**

### **1. Methods and standards for the valuation of assets**

#### Marketable and Investment Securities

Shares in subsidiaries and affiliated companies: Stated at cost based on the moving average method.

#### Other investment securities

Quoted securities: the market value method is applied, based on the market value as of the fiscal year-end. The entire positive or negative valuation difference with the purchase price is booked directly as net assets, and the cost of securities sold is calculated using the moving average method

Unquoted securities: valued at cost using the moving average method

### **2. Depreciation methods**

Tangible fixed assets are depreciated mainly using the declining balance method while intangible fixed assets are amortized mainly using the straight-line method. For in-house software, amortization is computed using the straight-line method based on the estimated useful life of 5 years. Long-term prepaid expenses are amortized mainly using the straight-line method.

### **3. Accounting standards for reserves**

#### (1) Allowance for doubtful accounts

Generally, allowance for doubtful accounts is calculated based on the actual ratio of bad debt losses incurred. For specific accounts with higher possibility of bad debt loss, the allowance is determined by respective judgment.

#### (2) Accrued directors' bonuses

Accrued directors' bonuses are provided for based on the estimated amount of payment of directors' bonuses.

#### (3) Accrued pension and severance costs (Prepaid pension expense)

Provided based on the estimated amount of the projected benefit obligation and the plan assets at the year-end. Unrecognized net transition asset is credited to expense over 13 years on a straight-line basis. Unrecognized actuarial net gain or loss will be amortized from the following fiscal year within the average remaining service period of 8 years on a straight-line basis.

#### (4) Liabilities for directors' retirement benefits

Liabilities for directors' retirement benefits are reserved based on the amount to be paid at the end of the term as per internal regulations.

### **4. Leases**

Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

### **5. Consumption tax**

Consumption tax is excluded from the stated amount of revenue and expenses.

### **6. Rounding policy**

Amounts of less than one million yen are rounded to the nearest unit.

## Changes in Significant Accounting Policies

### 1. Accounting Standard for Directors' Bonuses

The Accounting Standard for Directors' Bonus (ASBJ Statement No. 4, November 29, 2005) was applied from the fiscal year under review. As a result, operating income, ordinary income and income before income taxes were reduced by ¥240 million, respectively.

### 2. Accounting Standard for Presentation of Net Assets in the Balance Sheet

The Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5, December 9, 2005) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8, December 9, 2005) were applied from the fiscal year under review.

The amount that would have been written in Shareholders' Equity if these accounting standards had not been applied is ¥139,179 million.

## Notes to Balance Sheet

### 1. Monetary assets and liabilities in relation to subsidiaries and affiliated companies

	(Millions of yen)
Short-term assets	11,659
Short-term liabilities	9,161
Long-term assets	2,468
Long-term liabilities	350

### 2. Accumulated depreciation of tangible fixed assets

¥202

## Notes to Statement of Income

### 1. Transactions with subsidiaries and affiliated companies

	(Millions of yen)
Operating revenues	7,186
Selling, general and administrative expenses	1,092
Non-operating transactions	7,873

## Notes to Statement of Changes in Shareholders' Equity

Type and number of shares in shareholders' equity at the end of the fiscal year under review

(Thousand shares)

	Number of shares as of March 31, 2006	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2007
Common stock	3,354	3,085	139	6,300
Total	3,354	3,085	139	6,300

### Overview of Causes for the Change

Major items in the increase in the number of shares are as follows:

Increase due to the acquisition of the Company's shares owned by subsidiaries of the Company: 3,048,000 shares

Increase due to the purchase of shares constituting less than one unit: 37,000 shares

Major items in the decrease in the number of shares are as follows:

Decrease due to the exercise of stock options: 133,000 shares

Decrease due to response to requests for selling additional shares to constitute one unit: 6,000 shares

### Notes to Tax Effect Accounting

Breakdown by major cause for the occurrence of deferred tax assets and deferred tax liabilities

(Millions of yen)

Deferred tax assets	
Liabilities for directors' retirement benefits	542
Accrued expenses, etc.	320
Others	<u>150</u>
Deferred tax assets subtotal	1,012
Valuation allowance	<u>(619)</u>
Total deferred tax assets	392
Deferred tax liabilities	
Net unrealized losses on available-for-sale securities	<u>(84)</u>
Total deferred tax liabilities	<u>(84)</u>
Net deferred tax assets	<u>308</u>

### Notes to Fixed Assets used on Lease

Other than fixed assets written in the balance sheet, some office machines are used based on an agreement for a finance lease other than those that are deemed to transfer ownership of the leased property to the lessee.

## Notes to Transactions with Related Parties

Subsidiaries and affiliated companies, etc.

Attributes	Name	Percentage of voting rights	Relationship with the related party	Transactions	Amount of transactions (Millions of yen)	Account title	Ending balance (Millions of yen)
Subsidiary	Konami Digital Entertainment Co., Ltd.	Direct 100%	Interlocking of directors	Receipt of business management fees	2,948	Trade accounts receivable	3,096
				Payment of business management fees	1,009	Other accounts payable	1,059
				Lending and borrowing of funds	286	Short-term borrowings	286
	Interest income	29					
	Konami Sports & Life Co., Ltd.	Direct 100%	Interlocking of directors	Interest expense	19		
				Receipt of business management fees	1,802	Trade accounts receivable	1,892
	Konami Manufacturing & Service, Inc.	Direct 100%	-	Acquisition of the Company's shares	7,621	-	-
				Borrowing of funds	6,068	Short-term borrowings	6,068
	KPE, Inc.	Direct 100%	-	Interest expense	14		
				Lending of funds	2,508	Short-term loans	2,508
Konami Real Estate, Inc.	Direct 100%	Interlocking of directors	Interest income	26			
			Lending of funds	2,244	Short-term loans	574	
Konami Corporation of America	Direct 100%	Interlocking of directors	Interest income	21			Long-term loans
			Lending of funds	2,183	Short-term loans	2,183	
			Interest income	121			

Notes: Transaction terms and the policy, etc. of deciding transaction terms

1. The receipt of business management fees is determined through negotiations, considering the running costs, etc. of the Company as a pure holding company.
2. The payment of business management fees is determined through negotiations on a case-by-case basis, taking the total cost, etc. into consideration.
3. The lending and borrowing of funds include funds that the Company provides to companies in the Konami Group through the cash management system, and their net ending balance is posted. The interest rates are determined based on the market interest rates and others.
4. The acquisition of the Company's shares is determined with the closing price of the shares in the Tokyo Stock Exchange on the most recent transaction date.
5. Consumption taxes are not included in the amount of transactions but are included in the ending balance.

## Notes to Per Share Data

Net assets per share: ¥1,014.02

Net income per share: ¥7.16

## Notes to Significant Subsequent Events

There is no applicable item.

**Other Notes**

On March 31, 2006, the Company conducted a spin-off and became a pure holding company. Through the spin-off, Konami Digital Entertainment Co., Ltd. was established to take over the Company's Digital Entertainment business. Since the business activities of the Company have centered on the receipt of business management fees and dividends from its affiliated companies as a result of this shift, these revenues are presented as operating revenues.

(English Translation of the Auditors' Report Originally Issued in the Japanese Language)

## Independent Auditors' Report

May 21, 2007

The Board of Directors  
KONAMI CORPORATION:

KPMG AZSA & Co.

Hidetoshi Fukuda (Seal)  
Designated and Engagement  
Partner  
Certified Public Accountant

Masafumi Tanabu (Seal)  
Designated and Engagement  
Partner  
Certified Public Accountant

We have audited the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Shareholders' Equity, and Notes to the Consolidated Financial Statements of KONAMI CORPORATION for the consolidated fiscal year beginning on April 1, 2006 and ending on March 31, 2007, in accordance with Paragraph 4, Article 444 of the Corporate Law. Responsibility for preparation of these financial statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that an Accounting Auditor obtain reasonable assurance that consolidated financial statements contain no material misstatements. An audit includes an assessment, on a test basis, of the overall presentation of consolidated financial statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of KONAMI CORPORATION and its consolidated subsidiaries for the related consolidated fiscal year, in conformity with accounting principles generally accepted in the United States under paragraph 1, Article 148 of the Company Accounting Regulations of Japan (refer to Note of "Basic significant matters 1 regarding preparation of consolidated financial statements" of the notes to consolidated financial statements).

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

(English Translation of the Auditors' Report Originally Issued in the Japanese Language)

## **Independent Auditors' Report**

May 21, 2007

The Board of Directors  
KONAMI CORPORATION:

KPMG AZSA & Co.

Hidetoshi Fukuda (Seal)  
Designated and Engagement  
Partner  
Certified Public Accountant

Masafumi Tanabu (Seal)  
Designated and Engagement  
Partner  
Certified Public Accountant

We have audited the non-consolidated Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity, Notes to the Non-Consolidated Financial Statements, and detailed statements of KONAMI CORPORATION for the 35th business year beginning on April 1, 2006 and ending on March 31, 2007, in accordance with Item 1, Paragraph 2, Article 436 of the Corporate Law. Responsibility for preparation of these financial statements and detailed statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that an Accounting Auditor obtain reasonable assurance that non-consolidated financial statements and detailed statements contain no material misstatements. An audit includes an assessment, on a test basis, of the overall presentation of non-consolidated financial statements and detailed statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the non-consolidated financial statements and detailed statements referred to above present fairly, in all material respects, the financial position and results of operations of KONAMI CORPORATION for the business year under review, in conformity with accounting principles generally accepted in Japan.

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

## **AUDIT REPORT**

### **COPY OF THE BOARD OF STATUTORY CORPORATE AUDITORS' REPORT**

The Board of Corporate Auditors deliberated on the execution of duties by directors during the 35th term from April 1, 2006 to March 31, 2007 , based on reports of Business Report, Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity, Notes to the Consolidated Financial Statement and Non-Consolidated Financial Statements, and detailed statements, conduct of business activities by the directors of the Company by each of the corporate auditors, and pursuant to deliberation prepared this Audit Report.

Board reports as follows:

#### 1. Method and Contents of Audit by Corporate Auditors and the Board

The Board set the audit policy, audit plan, etc., debriefed Corporate Auditors on the status of execution and results of their audits, debriefed Directors and Accountant Auditors on the status of execution of their duties, and requested explanations as needed.

While maintaining proper communication with Directors, internal audit staff and other employees, Corporate Auditors executed their audits in the manner described below in conformity with the corporate auditors' audit standard established by the Board and in accordance with the audit policy, audit plan, etc. established by the Board.

They have also been involved in inspecting and verifying the state of systems designed to ensure directors' compliance in the execution of their duties with laws and regulations or with the Article of Incorporation and the state of the system (internal control system) established based on resolutions decided by the Board of Directors.

With respect to the subsidiaries, Corporate Auditors examined the status of subsidiaries' operations and properties by maintaining proper communication with subsidiaries' directors, corporate auditors, etc. and physically visiting some of them as necessary.

In addition to receiving the Audit Report prepared by the Account Auditors, the Corporate Auditors have received a report that provides notice that the system ensuring the Account Auditors properly execute their duties has been established based on the "Quality Management Standard of Audit issued on 28th October, 2005 by the Business Accounting Council", and have received explanation from the

Account Auditors whenever required.

Based on the aforementioned methods, Corporate Auditors and the Board examined the Company's business report, financial statements (non-consolidated balance sheet, non-consolidated income statement, non-consolidated statement of changes in shareholders' equity, and the notes on the non-consolidated financial statements), their supporting schedules, and consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholders' equity, the notes on the consolidated financial statements) and execution of Directors' duties for the fiscal year under review.

## 2. Results of Audit

### (1) Results of audit of business report

- (a) The business report and its supporting schedules present fairly the status of the Company in conformity with the relevant laws and Articles of Incorporation.
- (b) No misconduct or material fact running counter to the relevant laws or Articles of Incorporation has been found in respect of execution of Directors' duties.
- (c) The contents of the resolutions of the Board of Directors on the internal control system are fair and reasonable. No item worthy of special mention has been found in respect of execution of Directors' duties concerning the relevant internal control system.

### (2) Results of audit of financial statements and their supporting schedules

The audit methods adopted and the results of audit rendered by KPMG Azsa & Co., Accountant Auditors, are fair and reasonable.

### (3) Results of audit of consolidated financial statements

The audit methods adopted and the results of audit rendered by KPMG Azsa & Co., Accountant Auditors, are fair and reasonable.

May 21, 2007

Board of Corporate Auditors  
KONAMI CORPORATION

Noboru Onuma (Seal)  
Standing Statutory Corporate  
Auditor

Tetsuro Yamamoto (Seal)  
Standing Statutory Corporate  
Auditor

Minoru Nagaoka (Seal)  
Statutory Corporate Auditor

Masataka Imaizumi (Seal)  
Statutory Corporate Auditor

Note: Statutory Corporate Auditors Messrs. Noboru Onuma, Tetsuro Yamamoto, Minoru Nagaoka and Masataka Imaizumi are external statutory corporate auditors as provided for in Paragraph 2, Article 16 and Paragraph 3, Article 335 of the Corporate Law.

## Reference Materials Concerning the Exercise of Voting Rights

### Proposal 1: Amendments to the Articles of Incorporation

The Company proposes to make partial amendments to the Articles of Incorporation for the reasons outlined below.

#### 1. Reasons for amendments

KONAMI CORPORATION (“the Company”) has since April 2007 been consolidating into Tokyo Midtown its Head Office functions and the offices of its Group companies, which have hitherto been dispersed throughout Tokyo, with the aim of integrating them as the Konami Group, improving the business efficiency of the Konami Group and facilitating communication among them. Accompanying this move, we propose to change the location of the Head Office, stipulated in Article 3 of the Articles of Incorporation, from Chiyoda-ku, Tokyo to Minato-ku, Tokyo.

#### 2. Particulars of the amendments

The Company proposes that the current Articles of Incorporation be amended as follows:

(Amendments are underlined)

Current Articles of Incorporation	Amended Proposed Amendments
Article 3 (Location of Head Office) The Company shall have its head office in <u>Chiyoda-ku</u> , Tokyo.	Article 3 (Location of Head Office) The Company shall have its head office in <u>Minato-ku</u> , Tokyo.

### Proposal 2: Election of seven members to the Board of Directors

Because the terms of office for all eight directors expire as of the end of this General Meeting of Shareholders, this proposal requests the election of seven directors.

Candidates for the new board are as follows:

	Name (Date of Birth)	Resume, representation at other companies, etc. and position and responsibility in the Company	Shares of the Company's stock owned
1	Kagemasa Kozuki (Nov. 12, 1940)	Mar. 1969 Founded Konami Industries (private enterprise) Mar. 1973 Established Konami Industries Co., Ltd. (now KONAMI CORPORATION) with the paid-in capital of ¥1 million Jun. 1987 Representative Director and Chairman of the Board Jun. 1994 Representative Director and Chairman of the Board and CEO (to present)	103,227

	Name (Date of Birth)	Resume, representation at other companies, etc. and position and responsibility in the Company	Shares of the Company's stock owned
2	Kagehiko Kozuki (Mar. 7, 1944)	Dec. 1983 Joined the Company as Manager of Production Division May 1984 Director Aug. 1990 Managing Director May 1991 Senior Managing Director Jun. 1997 Director and Vice Chairman Mar. 1998 Representative Director and Vice Chairman Sep. 2006 Representative Director (to present)  Representation of other companies, etc. • Representative Director and Chairman of Konami Sports & Life Co., Ltd.	117,434
3	Noriaki Yamaguchi (Jan. 26, 1944)	Jun. 1994 Joined the Company as Advisor Jun. 1994 Managing Director in charge of International Business Division Jul. 1995 Managing Director in charge of Administration Division Feb. 1996 Managing Director in charge of Finance and Accounting Division Jun. 2000 Director and Executive Corporate Officer Finance and Accounting Division Jun. 2001 Representative Director and Executive Corporate Officer Finance and Accounting Division Jan. 2003 Representative Director and Executive Corporate Officer, Vice President and CFO Mar. 2006 Representative Director and CFO Apr. 2007 Representative Director, Vice-President and CFO (to present)	52,843
4	Kimihiko Higashio (Sep. 24, 1959)	Dec. 1997 Joined the Company Jan. 2000 Executive Corporate Officer (Kansai Region Representative) May 2003 Executive Corporate Officer (Division President, Human Resources) Jun. 2005 Director and Division President, Human Resources Mar. 2006 Director and CHO Apr. 2007 Director and CAO (to present)	22,453
5	Tomokazu Godai (Oct. 6, 1939)	May 1992 Director of the Company (to present)  Representation of other companies, etc. • Representative Director and Chairman of the Board, MAYATEC Co., Ltd.	8,368
6	Hiroyuki Mizuno (Apr. 20, 1929)	Jun. 1990 Vice President, Matsushita Electrical Industrial Co., Ltd. Aug. 1994 Adjunct Professor, Stanford University Jun. 2001 Director of the Company (to present)  Representation of other companies, etc. • Director, Hiroshima Prefectural Institute of Industrial Science and Technology	9,579

	Name (Date of Birth)	Resume, representation at other companies, etc. and position and responsibility in the Company	Shares of the Company's stock owned
7	Akira Gemma (Aug. 1, 1934)	Jun. 1997 Representative Director and President, SHISEDO Co., Ltd. Jun. 2001 Representative Director and Corporate Officer, Chairman of the Board Jun. 2003 Senior Corporate Adviser (to present) Jun. 2004 Director of the Company (to present)	7,300

Notes:

1. No special conflicts of interest exist between the Company and the proposed candidates for director.
2. Matters concerning candidates for external directors are as follows:
  - (1) Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma are candidates for external directors.
  - (2) Number of years after assuming the post of external director of the Company (until the closing of this General Meeting of Shareholders)
 

Tomokazu Godai:	15 years
Hiroyuki Mizuno:	6 years
Akira Gemma:	3 years
  - (3) Reasons for appointing them as the candidates for external directors
 

We have decided to appoint these persons as candidates for external directors based on our judgment that each would make a significant contribution to the management of the Company as external directors, given their considerable experience, achievements and insight as managers of business corporations and given that they are in an objective position, independent of the executive management of the Company.
  - (4) Overview of the Limited Liability Contract
 

The Company has entered into a limited liability contract with Tomokazu Godai, Hiroyuki Mizuno and Akira Gemma with respect to their liabilities provided for in Article 423, Paragraph 1 of the Corporate Law. Under this contract, the liabilities of three persons shall be limited to the aggregate total of the amounts stipulated in Article 425, Paragraph 1 of the said law.

### Proposal 3: Election of three members to the Board of Statutory Auditors

The terms of office of three corporate auditors Tetsuro Yamamoto, Minoru Nagaoka, and Masataka Imaizumi will expire when this General Meeting of Shareholders will be closed. We consequently propose to elect the following three persons as corporate auditors.

We have already obtained the consent of these three persons for this proposal.

Candidates for the new board are as follows:

	Name (Date of Birth)	Resume, representation at other companies, etc. and position and responsibility in the Company	Shares of the Company's stock owned
1	Tachio Ohori (Mar. 3, 1933)	Aug. 1983 Chief of Kanagawa Prefectural Police Headquarters Aug. 1985 Head of Police Administration Bureau of the National Police Agency Jan. 1988 Superintendent-General of the Metropolitan Police Department Jan. 2001 Director, Institute for Traffic Accident Research and Data Analysis (to present)	0
2	Masaru Mizuno (Sept. 4, 1932)	Jun. 1984 Commissioner, Tokyo Regional Taxation Bureau Jun. 1985 Director, Tax Bureau Dec. 1988 Commissioner, National Tax Agency Jun. 1994 Representative Director and President, Japan Tobacco Inc. Jun. 2000 Representative Director and Chairman of the Board Jun. 2005 Senior Advisor (to present)	0
3	Shogo Sasabe (Jul. 3, 1929)	Jun. 1988 Representative Director and President, BANDO CHEMICAL INDUSTRIES, LTD. Jun. 1998 Representative Director and Chairman of the Board Jun. 2006 Senior Advisor (to present)	0

Notes:

1. No special conflicts of interest exist between the Company and the proposed candidates for auditor.

2. Matters concerning external corporate auditors are as follows:

(1) Tachio Ohori, Masaru Mizuno and Shogo Sasabe are candidates for external corporate auditors.

(2) Reasons for appointing them as candidates for external corporate auditors

We have decided to appoint Tachio Ohori, Masaru Mizuno and Shogo Sasabe as candidates for external corporate auditors based on our judgment that these three persons are qualified to become external corporate auditors, given their considerable experience and achievements and their extensive knowledge and insight.

(3) Overview of the Limited Liability Contract

When this proposal has been approved in its original form, the Company will enter into a limited liability contract with Tachio Ohori, Masaru Mizuno and Shogo Sasabe with respect to their liabilities as provided in Article 423, Paragraph 1 of the Corporate Law. Under this contract, the liabilities of the three persons shall be limited to the aggregate total of the amounts stipulated in Article 425, Paragraph 1 of the said law.

**Proposal 4: Final Payments Marking the Termination of the System of Retirement Bonuses for Directors and Statutory Auditors**

The Company resolved to abolish the special retirement allowance system for directors at a meeting of the Board of Directors held in October 1999 and for corporate auditors at a meeting of the Board of Corporate Auditors held in June 2003. We have not accumulated any new funds for the payment of special retirement allowances for directors since June 2000 and for corporate auditors since June 2003.

Accompanying the abolishment of the special retirement allowance system, we propose to present the following four directors and four corporate auditors, who assumed their posts as director or corporate auditor prior to the abolishment, with special retirement allowances using the amount already reserved as the limit in accordance with certain standards set by the Company, to reward them for their contribution during their terms of office.

We propose that the payment be made when the directors and corporate auditors retire and that the amount and the payment method be left entirely to the discretion of the Board of Directors as to the directors and to the discretion of the Board of Corporate Auditors as to the auditors.

The directors and corporate auditors eligible for the special retirement allowances are as follows:

Name	Resume
Kagemasa Kozuki	Mar. 1969 Founded Konami Industries (private enterprise) Mar. 1973 Established Konami Industries Co., Ltd. (now KONAMI CORPORATION) Jun. 1994 Representative Director and Chairman of the Board and CEO (to present)
Kagehiko Kozuki	May 1984 Director Sept. 2006 Representative Director and President (to present)
Noriaki Yamaguchi	Jun. 1994 Managing Director in charge of International Business Division Apr. 2007 Representative Director and CFO (to present)
Tomokazu Godai	May 1992 Director (to present)
Noboru Onuma	Jun. 1999 Standing Corporate Auditor (to present)
Tetsuro Yamamoto	Jun. 2000 Standing Corporate Auditor (to present)
Minoru Nagaoka	Jun. 2000 Corporate Auditor (to present)
Masataka Imaizumi	Jun. 2000 Corporate Auditor (to present)

## **Proposal 5: Introduction of Countermeasures Against Large-Scale Acquisition of the Company Shares (Takeover Defense Measures)**

The Company requests that shareholders approval the introduction of “Countermeasures against any large-scale acquisition of shares in the Company (takeover defense measures)” (the “Plan”), which, the Company believes to be an important issue, and one that will contribute towards securing and improving both the Company’s corporate value and shareholders profit. The details of the Plan are described below.

Definition of terminology that is based on provisions of the Securities and Exchange Law (Law 25 of 1948, including all subsequent amendments) shall be read as the corresponding term in a subsequent amendment of the same law in the case where there is revision to the same law (including revisions to the “Financial Products Exchange Law”).

### **1. Background to the establishment of the Basic Policy and Introduction of the Plan**

#### **(1) Business Characteristic of the Company**

##### **(The Source of the Company’s Corporate Value)**

We place priority on our following corporate goal: “We, Konami Group of Companies(the “Group”), aim to be a business group from which people all around the world have high expectations, through creating and providing people with ‘Valuable Time’. The principal management policies of the Group are to focus on shareholders, to maintain a good relationship with stakeholders including shareholders, and to contribute to society as a good corporate citizen. The Group’s desire to deliver wonder and excitement to people all over the world through the creation and provision of “Valuable Time” built the present-day basis of the Company and is its enduring corporate philosophy. In the “Digital Entertainment Business”, “Health Service Business” and “Gaming & System Business”, the Group is commercially expanding and, with continued advances in network environments, various kinds of user information are coming to be shared and communities are forming globally, accompanied by a diversification of preferences. The Company moved to a holding company structure on March 31, 2006 for the purpose of maximizing products and services it produces in the areas of “Entertainment” and “Health”, with management and executive functions clearly separated. It has endeavored to establish a corporate structure which can respond quickly to changes in users’ demands and improve corporate value. Intending to further improve efficiency of operations and aiming at integration o by enhancing communication within the Group, the Company centralized its offices, which were previously dispersed in various places in Tokyo, in Tokyo Midtown in April 2007.

Pursuant to the specific management policies of “International Standards”, “Fair Competition” and “Pursuit of High Profits”, the Group is endeavoring to ensure and improve corporate value and the common interests of shareholders by further aiming to optimize use

of the Group's management resources and continuously and stably growing and expanding the sources of corporate value.

(2) **Basic Policy**

The Company believes that, since we have decided to have the shares of the Company be available to be sold or purchased through public exchanges, the decision on whether to accept any proposal of a large-scale acquisition of shares in the Company, and accordingly the method of gaining control over the Company, should ultimately be made based on the will of the shareholders. On the other hand, as stated in (1) above, the Company believes that, in order to utilize the accumulated management resources at a maximum level, which is the source of corporate value, construction of the common interests of shareholders and enhancement of the Group's brand value, it is essential to have stable management from a mid-to-long term perspective and sufficient understanding of accumulated management resources. Therefore, we think that if the one controlling the decisions of the Company's financial and business policies lacks sufficient understanding about the Company, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed.

We believe that, although the Company engages in IR activity for shareholders and investors to help their understanding about the proper value of the shares of the Company, it is very important for shareholders in order to make proper decisions on whether or not to accept a sudden proposal of a large-scale acquisition to ensure the provision of necessary and sufficient information, as well as time enabling them to make a proper decision which will be achieved by provision of sufficient information by such a large-scale acquirer, and the evaluation and opinion, etc. thereon by the board of directors of the Company who have a sufficient understanding of the business characteristics of the Company. In addition, we think that information such as the effect of such large-scale acquisition upon the Company, the management policy and substance of business plans of the large-scale acquirer in case it participates in the management of the Company, and the opinion of the board of directors of the Company regarding such acquisition, is important for the shareholders of the Company who intend to hold the shares of the Company on a long term basis. From these points of view, the Company, for the purpose of ensuring and enhancing corporate value and the common interest of shareholders, believes it is necessary for the shareholders of the Company in making a determination that the large-scale acquirer who proposes a large-scale acquisition provide the board of directors of the Company with the necessary and sufficient information about such acquisition beforehand, and that there is a certain evaluation period during which the board of directors of the Company makes an evaluation before the proposal passes subject to certain rules set forth and disclosed by the Company beforehand (Please refer to 3. (4) below for detail, the "**The Large-scale Acquisition Rule**").

Based on the foregoing, we believe that in the event that a large-scale acquirer does not comply with the Large-scale Acquisition Rule, or in the exceptional case where there is a possibility that the corporate value or common interest of shareholders of the Company would be significantly impaired even if the large-scale acquirer complies with the Large-scale Acquisition Rule, it is necessary to ensure and enhance corporate value and the common interest of shareholders of the Company by taking an appropriate measure to the extent permitted by laws and regulations and the articles of incorporation when it is inappropriate for such large-scale acquirer to be a person who controls the decisions of the Company's financial and business policies.

The Company has decided to make the foregoing matter as part of its e Basic Policy.

At this point, the Company has not received any notice, approach or suggestion, etc. of a large-scale acquisition by any particular third party.

## **2. Efforts for Ensuring and Enhancing Corporate Value and Common Interests of Shareholders**

### **(1) Moving to a Holding Company System**

The Group has achieved various reforms in recent years such as restructuring the Digital Entertainment Business through the merger with game software producing and sales subsidiaries, and restructuring of the Health Service Business in response to growing health awareness, aiming at constructing a system to develop its management strategy for the next ten years. In completing the group restructuring, the Company and the Group moved to a holding company structure on March 31, 2006 and commenced a new style of management under a holding company structure with three main business segments: “Digital Entertainment Business”, “Health Service Business” and “Gaming & System Business”. The reason for selecting a holding company structure is that the Company considered it necessary to develop into a flexible business entity in response to rapidly changing market circumstances. While international standardization of accounting standards requires a shift to full-fledged consolidated management, the ubiquitous information society has been widespread in the entertainment industry, with the diffusion of broadband and innovation of digital technology and communication technology. In addition, people are increasingly concerned with the maintenance and control of their own health, based on the continued ageing of society and medical and welfare system reforms. Hence we seek to employ a style of business management that takes on future changes in advance, while the holding company is tasked with formulation of management strategy of the Group as a whole and checking the performance of each operating company, and the operating companies implement management by making timely decisions in their business fields. Also, the Company seek to realize “Further improvement of transparency of management”, “Structure of expeditious management system” and “System of thorough responsibility for revenue”, which are the merits of a holding company system, at a maximum level, and fulfill the social responsibility of the Group as well as enhance the corporate value of the Group and shareholders’ value.

The Company will, through the efforts stated above, try to ensure and enhance corporate value and the common interest of shareholders.

**(2) Establishment of midterm plan**

In the midterm plan for the fiscal year ending March 2009, the Company set a target of 330 billion yen in consolidated net sales, 45 billion yen in consolidated operating profit and 26 billion yen in consolidated net profit. To achieve this midterm plan, we, in our Digital Entertainment Business, constantly aim to create new and attractive contents, and at the same time, maximize the benefits by actively promoting a multifaceted expansion of the contents supported by users. In our Health Services Business, in addition to more effective facility management based on a system with appropriate measures of profitability, including advance depreciation of expenses, etc.. We will also focus on new businesses such as distribution of health goods (fitness machines, care prevention machines, supplements, etc.), services for the elderly and health promotion business. In our Game and System Business, together with providing gaming machines to the expanding global market, we will build a solid revenue base by securing fixed income sources such as casino management system and profit-share style sales. We hope to achieve our midterm plans by strongly promoting our three businesses.

We believe these efforts based on the midterm plan will reduce the risk of the appearance of a large-scale acquirer who would seriously undermine the Company's corporate value and the common interest of shareholders, and are deemed to conform with the above Basic Policy.

**(3) Reinforcement of corporate governance**

The Company has the basic policy of business management to "value shareholders" and "maintain a good relationship with stakeholders, including shareholders, and contribute to society as a good citizen". We recognize that the reinforcement of corporate governance is a vital mechanism to maintain and develop such basic policy, and we constantly work on structural improvements complying with the strictest standard at the time. In recent years, while the legal system of Japan on corporate governance has been rapidly changing, in 2002, shares of the Company were listed on the New York Stock Exchange, which employs strict listing standards, and the Company has developed a structure complying with the Sarbanes-Oxley Act of 2002 of the U.S.A. ("SOX"), which was established to tighten regulations for audit systems, corporate governance, disclosure, etc. After that, we steadily proceeded with preparations to comply with the Japanese version of SOX, or the Financial Instruments and Exchange Law of Japan ("J-SOX"), which will be to similar to SOX. Also, in making structural improvements, we stress mostly the establishment of a system with efficiency and reliability and the development of an organizational environment which can prevent any fraudulence and illegality through high ethical standards of each corporate staff member.

We believe such efforts will enhance the Company's corporate value and, as a result, will

reduce the risk of the appearance of a large-scale acquirer who would seriously undermine the Company's corporate value and the common interest of shareholders, and are deemed to conform with the above Basic Policy.

### **3 Purpose of the introduction of the Plan**

#### **(1) Purpose and necessity of the introduction of the Plan**

As stated in paragraph 2 above, the Company continues to promote our efforts to enhance corporate value and to secure the common interests of shareholders on the basis of mid-to-long term management strategies under a holding company structure. However, in recent years, due to the unwinding of cross shareholding, the development of a new legal system and a change in corporate culture, there has emerged a trend of sudden hostile acquisitions of large quantities of shares without any process of discussion with the management of the target company or obtaining the approval thereof, has.

As stated in the Basic Policy in paragraph 1 (2) above, the Company is a public company and we believe that the decision on whether to accept any proposed large-scale acquisition of shares of the Company should ultimately be made by shareholders. However, the Company considers that in order to enhance its corporate value continuously and to protect the common interest of shareholders, it is important for each segment of the Company to create synergy and enhance the brand of the entire Group. Also, an understanding of the Company's corporate value with the expert knowledge/skill/know-how of "amusement" and "health", which has been acquired over the years, would be difficult to obtain without understanding of the Company's business characteristics.

Given this factor, as stated in paragraph 1 (2) above, the Company considers that anyone who conducts a large-scale acquisition of its shares should, to help the decision of shareholders, provide the Company's board of directors with necessary and sufficient information regarding such action complying with the Large-scale Acquisition Rule which will be established and publicized by the Company, and should commence such acquisition only after the elapse of a certain evaluation period during which the evaluation will be made by the Company's board of directors.

As of March 31, 2007, 25% of the Company's issued and outstanding shares (except for treasury shares) were held by foundations and financial groups in which the Company's board members are engaged. However, since the Company is a public company, we cannot deny the possibility that such foundations and financial groups would decide to sell or transfer the Company's shares in the future. Also, in the process of the Group's growth in the future, there is a possibility of fund raising from capital markets and, in that event, the shareholding ratio of the above shareholders would be diluted.

These reasons indicate that transferability of the Company's shares would be increased further and, accordingly, there is an undeniable possibility of a large-scale acquisition undermining the Company's corporate value, including the interests of shareholders,

customers, business partners, employees and other stakeholders, and by extension, undermining the common interests of shareholders.

Based on the above, the Company's board of directors has decided to introduce the Plan, conditional to the approval of shareholders at the 35<sup>th</sup> general meeting of the shareholders. The status of the Company's major shareholders as of March 31, 2007 is as stated in the exhibit 3 "Present Status of Major Shareholder of the Company" attached hereto.

(2) Outline of the Plan

The Plan consists of the following: in case that a large-scale acquisition of the Company's shares are conducted, in order to ensure information and the time necessary and sufficient for the shareholders to make an appropriate decision, the Company's board of directors may apply the "Large-scale Acquisition Rule" (see section (4) below for details) which requires submission of information with respect to the large-scale acquisition and ensures time for evaluation and investigation. In addition, the Large-scale Acquisition Rule requires the Large-scale Acquirer to comply with the rule, and determines the response policy for in case of both compliance and non-compliance of the Large-scale Acquisition Rule by the large-scale acquirer, and if necessary, implements an appropriate countermeasure to protect the Company's corporate value and the common interests of shareholders such as gratis allotment of Stock Acquisition Right with discriminative condition to exercise. In case of non-implementation of countermeasures, a decision of shareholders will be sought after the period stated in the Rule has elapsed.

(3) Targeted Large-scale Acquisition

The Plan shall be applied if there is an action that falls under (a) or (b) below, or an action or a proposal similar to it (hereinafter "**Large-scale Acquisition**"), provided, however, that acquisitions to which the Company's board of directors agree in advance shall not be included in such actions. One who conducts a Large-scale Acquisition shall be called a "**Large-scale Acquirer**".

- (a) An Acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*)<sup>1</sup> of a holder (*hoyuusha*)<sup>2</sup> amounting to 20% or more of the share certificates, etc. (*kabuken tou*)<sup>3</sup> issued by the Company; or

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<sup>1</sup> Defined in Article 27-23(4) of the Securities and Exchange Act of Japan. In this case, the amount of owned shares (defined in Article 27-23(4) of the Securities and Exchange Act of Japan) by joint holders of applicable holder (joint holders defined in Article 27-23(5) therein, including persons who are treated as joint holders based on the Article 27-23(6) therein (including persons considered to fall under this provision by the board of directors of the Company) This definition is applied throughout this document.) shall be added. This definition is applied throughout this document.

<sup>2</sup> Including persons described as a holder under Article 27-23(3) of the Securities and Exchange Act of Japan (including persons considered to fall under this provision by the board of directors of the Company). This definition is applied throughout this document.

<sup>3</sup> Defined in Article 27-23(1) of the Securities and Exchange Act of Japan. Unless otherwise provided for in this document, this definition is applied throughout this document.

- (b) An acquisition<sup>4</sup> that would result in the owning ratio of share certificates, etc. (*kabuken tou shoyuu wariai*)<sup>5</sup> of share certificates, etc. (*kabuken tou*)<sup>6</sup> relating to the acquisition and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)<sup>7</sup> totaling at least 20% of the share certificates, etc. issued by the Company.

With regard to the total number of voting rights (defined in Article 27-2(8) of the Securities and Exchange Act of Japan) and the total number of shares issued (defined in Article 27-23(4) of the Securities and Exchange Act of Japan) used for the calculation of each stock certificated, etc. owned, those written in an annual securities report, semi-annual report, status report on purchase of the Company's own share and other documents which were most recently submitted in accordance with the Securities and Exchange Act of Japan (including its successive laws. The same shall apply throughout this document).

(4) Details of the Large-scale Acquisition Rule

(1) Request for the provision of the Large-scale Acquisition information

The Company will require any Large-scale Acquirer to submit to the Company's board of directors, in a form prescribed by the Company, before effecting the Acquisition, a written undertaking that the Large-scale Acquirer will comply with the procedures established by the Large-scale Acquisition Rule (hereinafter the "**Statement of Intention**"). Within 10 business days from the receipt of such Statement of Intention, the board of directors delivers to the Large-scale Acquirer a list of Large-scale Acquisition information which should be provided initially by the Large-scale Acquirer. If the Company's board of directors determines that the information provided is insufficient as Large-scale Acquisition information, it may fix an appropriate deadline for response and request the Large-scale Acquirer to provide additional Large-scale Acquisition information after consulting with the Independent Committee stated in paragraph 5 (1) below as necessary. Also, the fact that there is a proposal for a Large-scale Acquisition, as well as the information provided to the Company's board of directors, shall be disclosed in whole or in part at a time deemed appropriate.

Some items of the Large-scale Acquisition information to be provided by the

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<sup>4</sup> Defined in Article 27-2(1) of the Securities and Exchange Act of Japan. This definition is applied throughout this document.

<sup>5</sup> Defined in Article 27-2(8) of the Securities and Exchange Act of Japan. This definition is applied throughout this document.

<sup>6</sup> Defined in Article 27-2(1) of the Securities and Exchange Act of Japan. This definition is applied in (b).

<sup>7</sup> Defined in Article 27-2(7) of the Securities and Exchange Act of Japan (including persons considered to fall under this provision by the board of directors of the Company); provided, however, that persons provided for in Article 3(1) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Act of Japan. This definition is applied throughout this document.

Large-scale Acquirer shall be as follows.

- (a) Details (specifically including name, capital structure and financial position) of the Large-scale Acquirer and its group (including joint holders, persons having a special relationship and, in the case of funds, partners and other constituent members).
- (b) The purpose, method and terms of the Acquisition (including the price and type of the consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be effected).
- (c) The basis for the calculation of the purchase price of the Acquisitions (including the underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, and the details and calculation base of any expected synergetic effect from any series of transactions relating to the Acquisition (including the synergetic effect that is to be shared with other shareholders) as employed in the calculation).
- (d) Financial support for the Acquisition (specifically including the name, financing methods and the terms of any related transactions of the funds providers for the Acquisition (including all indirect funds providers))
- (e) Post-Acquisition management policy, business plan, financial plan, capital and dividend policies for the Company and the Group.
- (f) Post-Acquisition policies dealing with the Company's and the Group's employees, trade union, customers, business partners, local community and any other stakeholders.
- (g) Specific measures to avoid any conflict of interest with other shareholders in the Company
- (h) Items regarding compliance with the "Act on Prohibition of Private Monopolization and Maintenance of Fair Trade" and other laws.
- (i) Any other information that the Company's board of directors or the Independent Committee reasonably considers necessary

All the provided information, notice/contact and negotiation to and with the Company's board of directors, including the Statement of Intention, only if in Japanese, shall be deemed to be valid.

## (2) Evaluation and Consideration of Acquisition terms

- (i) Evaluation and Consideration by the Company's board of directors

The Company's board of directors shall be, after the Large-scale Acquirer completes the provision of the Large-scale Acquisition information to the Company's board of directors, given the following period of time for evaluation, consideration, negotiation, opinion making and preparation of an alternative proposal (hereinafter

the “**Evaluation Period of Acquisition**”) in accordance with the degree of difficulty for evaluating and considering the Large-scale Acquisition. Accordingly, the Large-scale Acquisition shall commence only after the elapse of the Evaluation Period of Acquisition.

- (a) In case of acquisition of all of the Company’s share certificates, etc. through a tender offer with the consideration being cash (in yen) alone: 60 days
- (b) In cases of other Large-scale Acquisition : 90 days

During the Evaluation Period of Acquisition, the Company’s board of directors will fully evaluate and review the Large-scale Acquisition information provided while, as deemed necessary, receiving advice from outside experts (including financial advisors, certified public accountants, lawyers, consultants and other experts), and shall carefully organize and publish the Company’s opinion. Further, the Company’s board of directors may negotiate the terms of the Acquisition with the Large-scale Acquirer as necessary and may present its own alternative plan to the shareholders.

- (ii) The Independent Committee consideration and recommendation to the Company’s board of directors

The Company’s board of directors, in addition to the evaluation and consideration described in (i) above, upon taking receipt of the Large-scale Acquisition information from the Large-scale Acquirer, will consult the Independent Committee on consideration of the terms of Large-scale Acquisition, information gathering and comparative investigation regarding business plans of the Company’s board of directors and the Large-scale Acquirer, and the propriety of taking a countermeasure. The Independent Committee shall, during the Evaluation Period of Acquisition, evaluate the terms of the Acquisition from the perspective of securing and improving the Company’s corporate value and common interests of the shareholders, and, in accordance with “Countermeasure Policy in Case of a Large-scale Acquisition” described in chapter (5) below, make recommendations, including the propriety of taking a countermeasure, to the Company’s board of directors.

The Independent Committee may, as necessary, receive advice from outside experts upon the consideration of the terms of the Acquisition and make a recommendation to the board of directors. Additionally, if the Independent Committee, itself or through the Company’s board of directors, requests the Large-scale Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Independent Committee, the Large-scale Acquirer shall promptly respond to such request.

In case the Independent Committee does not reach a recommendation for either the

implementation or non-implementation of countermeasures by the expiry of the Evaluation Period of Acquisition, the Independent Committee will, to the reasonable extent that it is necessary for actions such as consideration of the terms of Large-scale Acquisition, negotiation with the Large-scale Acquirer and preparation of alternative proposal, pass a resolution to extend the Evaluation Period of Acquisition. In that case, the Company shall promptly disclose the specific period and the reason for such extension. Also, the same procedure shall be taken if further extension of period is needed after such extension.

(3) Resolutions of the Company's board of directors

The Company's board of directors will pass a resolution relating to the implementation or non-implementation of the countermeasures, taking into consideration any recommendation of the Independent Committee to the maximum extent. For the board of directors' resolution to implement countermeasures, prior approval by the majority of the corporate auditors shall be required. Promptly after passing such resolution, the Company's board of directors will disclose an outline of its resolution, and any other matters that the board of directors considers appropriate.

(5) Countermeasure policy in response to the Large-scale Acquisition

(i) In the case where a Large-scale Acquirers does not comply with the Large-scale Acquisition Rule

If a Large-scale Acquirer does not comply with the Large-scale Acquisition Rule, regardless of the specific acquisition method, the board of directors may take appropriate measures provided for in the Corporate Law or any other laws and the Articles of Incorporation of the Company as countermeasures to the Large-scale Acquisition in order to protect the corporate value of the Company and the common interests of the shareholders. As one of such measures, the Company may implement the gratis allotment of Stock Acquisition Rights asset out below at section 6, 'Outline of Countermeasures'. The board of directors will determine whether or not the Large-scale Acquirer complies with the Large-scale Acquisition Rule, and the propriety of the countermeasures and its specific method by referring to advice from outside experts, etc. and respecting the recommendation of the Independent Committee to the maximum extent possible.

(ii) In the case where a Large-scale Acquirers complies with the Large-scale Acquisition Rule

If a Large-scale Acquirer complies with the Large-scale Acquisition Rule, the board of directors will not, in principle, trigger the countermeasures to the Large-scale Acquisition even if it opposes such Acquisition. However, the board of directors may express opposition to the Large-scale Acquisition, offer alternative proposals or explain to the

shareholders. The shareholders will be required to determine whether to accept the acquisition proposal of the Large-scale Acquirer, taking into consideration details of such proposal and the opinions of the Company's board of directors with respect to the proposal and any alternative proposal presented by the Company.

However, even if the Large-scale Acquirer complies with the Large-scale Acquisition Rule, when the Large-scale Acquisition is deemed to have a material adverse effect on the corporate value of the Company and the common interests of the shareholders, the Company's board of directors may take appropriate exceptional measures to protect the corporate value of the Company and the common interests of the shareholders as countermeasures to such Acquisition. As one of such appropriate measures, the Company may implement the gratis allotment of Stock Acquisition Rights as set out below in section 6, 'Outline of Countermeasures'. Specifically, if it is considered that the Large-scale Acquisition falls under any of the items

below, the Company will deem that such Acquisition has a material adverse effect on the corporate value of the Company and the common interests of the shareholders. If it is considered that the Large-scale Acquisition does not fall under any of the items below, the Company will not trigger the countermeasures. The board of directors will determine the propriety of the countermeasures and the specific method, by referring to advice from outside experts, etc. and respecting the recommendation of the Independent Committee to the maximum extent possible.

- (a) A buyout of share certificates that require such share certificates to be compulsorily purchased by the Company at an inflated price;
- (b) Management that achieves an advantage for the Large-scale Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets;
- (c) Diversion of the Company's assets to secure or repay debts of the Large-scale Acquirer or its group company;
- (d) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business, and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends;
- (e) Certain acquisitions that threaten to have the effect of forcing shareholders into selling share certificates, such as coercive two-tiered tender offers (meaning acquisitions of share certificates, including tender offers that do not offer to acquire all shares in the initial acquisition, and set unfavorable acquisition terms for the second stage or do not set clear terms for the second stage);
- (f) Acquisitions whose terms (including amount and type of consideration, the acquisition schedule, the legality of the acquisition method, the probability of the

acquisition being effected) are significantly inadequate or inappropriate in light of the Company's intrinsic value; or

- (g) Acquisitions that materially threaten to harm the corporate value of the Company and, in turn, the common interests of shareholders by destroying relations with stakeholders of the Company such as employees, customers, business partners and creditors, which are indispensable for realization of a continuous rise in the corporate value.

(iii) Suspension of triggering countermeasures

The board of directors may hold discussions or negotiations with the Large-scale Acquirer as necessary and, even after the board of directors determines the gratis allotment of Stock Acquisition Rights as countermeasures, if the board of directors determines that it is not reasonable to trigger the countermeasures, including cases where the Large-scale Acquirer offers a material change in the matters upon which the decision on the acquisition proposal was made, and there is no Large-scale Acquisition, may suspend the countermeasures such as the gratis allotment of Stock Acquisition Rights. With regard to the effects on shareholders and investors in the case of such suspension of triggering countermeasures, please see section 6 (2) set out below.

(6) Outline of countermeasures (gratis allotment of the Stock Acquisition Rights)

An outline of the gratis allotment of the Stock Acquisition Rights as countermeasures to the Large-scale Acquisition in the Plan is as follows.

(i) Shareholders eligible for allotment and number of the Stock Acquisition Rights

The Company will implement a gratis allotment of the Stock Acquisition Rights to those shareholders other than the Company who appear or are recorded in the Company's final register of shareholders or register of beneficial shareholders on a certain date determined by the Company's board of directors (the "**Record Date of Allotment**"), at a ratio of one Stock Acquisition Right for every one share held.

(ii) Effective date of gratis allotment of the Stock Acquisition Rights

The Company's board of directors will determine the effective date of the gratis allotment of the Stock Acquisition Rights in the gratis allotment resolution.

(iii) Type and number of shares to be acquired upon exercise of the Stock Acquisition Rights

The type of shares to be acquired upon exercise of Stock Acquisition Rights shall be common stock of the Company, and the number of shares of the Company to be acquired upon exercise of each Stock Acquisition Right shall be a number determined by the board of

directors less than one share per one Stock Acquisition Right; provided, however, that if the Company conducts a stock split or reverse stock split, it shall make necessary adjustments.

- (iv) **Total number of the Stock Acquisition Rights for allotment**  
The total number of Stock Acquisition Rights for allotment will be the number determined by the board of directors up to the issued shares of the Company on the Record Date of Allotment (excluding the number of shares of the Company held by itself at the same time).
- (v) **The amount to be contributed upon exercise of the Stock Acquisition Rights**  
The amount to be contributed upon exercise of each Stock Acquisition Right shall be an amount determined by the board of directors no less than one (1) Yen.
- (vi) **Restriction of assignment of the Stock Acquisition Rights**  
Any acquisition of Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.
- (vii) **Exercise period of the Stock Acquisition Rights**  
The commencement date will be a date determined by the board of directors in the gratis allotment resolution, and the period will be a period from one month to three months as determined by the Company's board of directors.
- (viii) **Conditions for Exercise of Stock Acquisition Rights**  
Principally, the following parties (a) through (d) below (the "**Nonqualified Persons**") may not exercise the Stock Acquisition Rights:
  - (a) the Large-scale Acquirer;
  - (b) joint holders of the Large-scale Acquirer;
  - (c) persons having a special relationship with the Large-scale Acquirer; or
  - (d) any affiliated party of any party falling under (a) through (d) (a person to substantially control, be controlled by, or be under common control with such given party, or a party deemed by the Company's board of directors to act in concert with such given party).
- (ix) **Acquisition of the Stock Acquisition Rights by the Company**  
With regard to the Stock Acquisition Rights, on a day that falls on a date determined by the Company's board of directors, the Company may set the conditions of acquisition which provide that the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to the date determined by the Company's board of directors, that are held by parties other than the Nonqualified Persons and, in exchange, deliver shares of the Company in the number of the applicable Number of

Shares for every Stock Acquisition Right. In this case, if, after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any party holding the Stock Acquisition Rights other than Nonqualified Persons, the Company may, on a day falling on a date determined by the Company's board of directors after the date upon which the acquisition by the Company takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to a date separately determined by the Company's board of directors (if any) and, in exchange, deliver shares of the Company in the number of the applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

4. Effective period and amendment and abolition of the Plan

The Plan will become effective upon approval by the majority of voting rights of the shareholders present at the 35<sup>th</sup> Ordinary General Meeting of Shareholders to be held on June 28, 2007. If the Plan is approved at the meeting, its effective period will be for a period of three (3) years from the end of such meeting to the end of the ordinary general meeting of shareholders relating to the fiscal year ending March 2010.

If the board of directors passes a resolution to abolish the Plan, even during the effective period of the Plan, based on the recommendation of the Independent Committee or the board of directors' own decision, the Plan will be abolished at that time. Even during the effective period of the Plan, if a change in the Plan is necessary, the Company will review the Plan in accordance with the recommendation of the Independent Committee from time to time, and seek the shareholders' judgment as to the change at the nearest ordinary general meeting of shareholders to be held. If the Plan is abolished or amended, the Company will promptly disclose facts including the fact that such abolition or amendment has taken place, and (in the event of an amendment) the details of the amendment and any other matters.

5. Rationale of the Plan

(1) Establishment of the Independent Committee

In order to eliminate arbitrary triggering by the board of directors of the Company and ensure the fairness and reasonableness of the procedures and decisions, the Company will establish the Independent Committee, which will consist of outside directors, outside auditors or outside experts. The Independent Committee, as an advisory body to the board of directors, will check whether the Large-scale Acquisition Rule is complied with, consider details of acquisition and countermeasures, and recommend to the board of directors whether the countermeasures should be triggered. The Independent Committee will make decisions with regard to the evaluation and consideration of the matter pursuant to the

‘Countermeasure Policy in Case of the Large-scale Acquisition’ set out above at section 3 (5), and the board of directors of the Company will respect the recommendation of the Independent Committee to the maximum extent possible.

The number of the Independent Committee members will be no less than three (3) in principle, and the term of office of the members will be until the end of the meeting of the board of directors held immediately following the latest Ordinary General Meeting of Shareholders relating to the fiscal year ended within one (1) year from election in principle (With regard to outline of the Rules of the Independent Committee and names and career summaries of initial members of the Independent Committee, please see Exhibit 1 and Exhibit 2, respectively).

(2) Placing value on the intent of Shareholders

The Company will introduce the Plan subject to approval by the shareholders at the Ordinary General Meetings of Shareholders in order to reflect the intent of the shareholders on the Plan. As set out above in section 4, ‘Effective period and amendment and abolition of the Plan,’ even before expiration of the effective period, the Plan may be abolished by a resolution of the Company’s board of directors.

(3) Advice of outside experts

The board of directors, auditors and the Independent Committee of the Company may obtain advice from independent experts such as financial advisors, certified public accountants, lawyers, consultants, etc. at the Company’s expense, if necessary, in order to enhance the fairness and reasonableness of the consideration and decisions by the Board or Directors, Auditors and the Independent Committee.

(4) Establishment of reasonable objective requirements

As set out above in section 3 (5), ‘Countermeasure Policy in Case of the Large-scale Acquisition’, the countermeasures of the Plan are established so that they will not be triggered unless the predetermined reasonable objective requirements have been satisfied, and maximum value will be placed on recommendation of the Independent Committee, to ensure a structure to eliminate arbitrary triggering of countermeasures by the board of directors of the Company.

(5) Satisfying the requirements of the Guidelines for Takeover Defense Measures

The Plan satisfies the three principles set out in the “Guidelines Regarding Takeover Defense

for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(6) No dead-hand takeover defense measures

As stated in section 4, 'Effective period and amendment and abolition of the Plan', the Plan may be abolished at any time by the board of directors composed of directors elected by a General Meeting of Shareholders of the Company, and the Plan is set up so that the Large-scale Acquirer may elect, at a General Meeting of Shareholders of the Company, directors nominated by that person and, through a resolution of the board of directors of the Company attended by the so-elected directors, that person may abolish the Plan. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped).

(7) The Company's decision in respect of the Plan

The Plan provides for the details of the Large-scale Acquisition Rule, and the action policy and the countermeasure when a Large-scale Acquisition is made. It also prescribes that in order to enable the shareholders to make a decision whether or not to accept the Large-scale Acquisition, the Acquirer who makes the Large-scale Acquisition shall provide information and launch such Acquisition only after a certain evaluation period set by the board of directors of the Company has passed, and that the board of directors of the Company may take countermeasures against such Acquirer who does not comply with such provisions. It is also prescribed that even if the Acquirer complies with the Large-scale Acquisition Rule, when the Large-scale Acquisition is deemed to have a material adverse effect on the corporate value of the Company or the common interests of the shareholders, the Company may also take countermeasures against such Acquisition. Based on the above, we believe that the Plan is in conformity with the Basic Policy. In addition, based on (1) to (6) above, we believe that the Plan does not adversely affect the common interests of the shareholders nor has as its aim the protection of offices of the officers of the Company.

**6. Impact on shareholders and investors**

**(1) Impact on shareholders at the time of introduction**

At the time of the introduction of the Plan, the Plan will have no direct or specific impact on shareholders, since no actual allotment of Stock Acquisition Rights without contribution will be made.

The Large-scale Acquisition Rule intends to provide the necessary information for shareholders to decide whether or not to accept the proposal of the Large-scale Acquisition and the opinion of the Company's board of directors who is actually engaging in the management of the Company, and to secure an opportunity for the shareholders of the Company to be presented an alternative proposal. On this point, the shareholders of the Company can make a proper decision whether or not to accept the proposal of the Large-scale Acquisition only with sufficient information, which will accordingly contribute to the protection of the corporate value of the Company and the common interest of shareholders. Based on the above, we believe that the establishment of the Large-scale Acquisition Rule is unavoidable for the shareholders of the Company and the investors to make a proper investment decision, and contributes to the interests of the shareholders of the Company and investors. As stated in 3.(5) above, since the action policy of the Company may change depending upon whether the Large-scale Share Acquirer is subject to the Large-scale Acquisition Rule or not, the shareholders of the Company and investors shall pay attention to the actions of the Large-scale Share Acquirer.

**(2) Impact on shareholders and investors at the time of the gratis allotment of Stock Acquisition Rights**

If the board of directors of the Company resolves to implement an allotment of Stock Acquisition Rights without contribution, the Company will implement an allotment of Stock Acquisition Rights without contribution to all registered shareholders of the Company as of the Record Date of Allotment at a ratio of one Stock Acquisition Right per one share. If the shareholders do not comply with any required payment for the allotment and procedures for the exercise of Stock Acquisition Rights detailed in (3) "Necessary procedures for shareholders upon the allotment of Stock Acquisition Rights without contribution" (ii) below within the rights exercise period, the shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders. However, there may be possibilities that the Company will acquire the Stock Acquisition Rights of all shareholders other than the Nonqualified Person and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (3) "Necessary procedures for shareholders upon the allotment of Stock Acquisition Rights without contribution" (iii) below. If the Company carries out such acquisition procedures, all shareholders other than the Nonqualified Person will come to receive shares in the

Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and no dilution of the value of the aggregate shares in the Company they hold will result (only dilution of the value per share of shares in the Company they hold will result).

Furthermore, in certain events such as withdrawal of the Large-scale Acquisition by the Large-scale Acquirer, the Company may cancel its allotment of Stock Acquisition Rights without contribution after the Record Date of Allotment or the effective date of the allotment of Stock Acquisition Rights without contribution, or acquire Stock Acquisition Rights before commencement date of the exercise period of the Stock Acquisition Rights without consideration and without delivering no shares to the holders of Stock Acquisition Rights. In such event, those shareholders who sold or purchased the shares in the Company based on the assumption that dilution of the value per share of the shares in the Company will occur might suffer damage commensurate with and due to fluctuations in the value of the shares.

**(3) Necessary procedures for shareholders upon the allotment of Stock Acquisition Rights without contribution**

**(i) Procedures for entry of name change**

If implementation of an allotment of Stock Acquisition Rights without contribution is resolved, it will be necessary for shareholders to arrange for the procedures for entry of name change as soon as possible, since those who do not complete the entry of name change by the Record Date of Allotment, determined separately by the board of directors and publicly notified (No procedures for entry of name change are required for those share certificates deposited with the Japan Securities Depository Center, Inc.).

In connection with this, all shareholders who are registered or recorded in the last register of shareholders or register of beneficial shareholders of the Company as of the Record Date of Allotment will become the holders of Stock Acquisition Rights as a matter of course on the effective date of the allotment of Stock Acquisition Rights without contribution.

**(ii) Procedures for exercising Stock Acquisition Rights**

The Company will deliver, as a general rule, an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders registered or recorded on the last register of shareholders or register of beneficial shareholders of the Company as of the Record Date of allotment. After the allotment of Stock Acquisition Rights without contribution, the shareholders will be issued such number (not more than one) of shares in the Company as determined by the Company's board of directors per one Stock Acquisition Right, by paying to the place handling agent such payments the amount of property to be paid for the exercise of Stock Acquisition Rights during the exercise period.

(iii) Procedures for the acquisition of Stock Acquisition Rights by the Company

If the Company's board of directors resolves to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures, on a date separately resolved by the Company's board of directors. When the Company is to deliver shares of the Company to shareholders in exchange for the acquisition of Stock Acquisition Rights, it shall do so promptly. Further, in such case, the shareholders concerned are not required to take procedures for exercising Stock Acquisition Rights prescribed in (ii) above, including the payments, but will be separately requested to submit, in a form prescribed by the Company, representations and warranties regarding matters such as the fact that they are not a Nonqualified Person, as well as indemnity clauses and other covenants. In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method, method of procedures for entry of name change, exercise method and method for acquisition by the Company after any resolution of the board of directors of the Company in relation to an allotment of Stock Acquisition Rights without contribution, so we would like to ask shareholders to check these details at that time.

## Exhibit 1

### Outline of the Rules of the Independent Committee

#### 1. Constitution

- The Independent Committee shall have a high level of discernment or sophisticated expertise in business management and consist of outside directors of the Company, outside statutory auditors of the Company and outside experts who are independent from the directors and officers which conduct the execution of the business of the Company; and there shall be no less than three (3) members of the Independent Committee as a general rule.
- Members of the Independent Committee shall be elected by a resolution of the board of directors of the Company.

#### 2. Term of Office

- The term of office of members of the Independent Committee shall be until the end of the term of the board of directors of the Company immediately after the ordinary general meeting of shareholders relating to the final term of the fiscal year ending within a year the members have been elected is held, and re-appointment of such members shall not be precluded. Unless otherwise determined by a resolution of the board of directors that the term of office of members is expired, they shall be deemed to be reappointed by such board of directors of the Company; provided, however, that if any member who is an outside director of the Company or outside statutory auditor of the Company ceases to be an outside director of the Company or outside statutory auditor of the Company, the term of office of any member of the Independent Committee shall end at the same time.

#### 3. Authority and Responsibility

- The Independent Committee shall comply with an advisory from the board of directors, consider and resolve mainly the particulars mentioned below, and submit recommendation to the board of directors of the Company containing the details of and reasons for the recommendation.
  - (a) Determination whether the Large-scale Acquisition Rule is complied with
  - (b) Determination whether the Large-scale Acquisition that is subject to the Plan seriously undermines the corporate value of the Company or the common interest of those shareholders
  - (c) Determination whether information that the Large-scale Acquirer provides is necessary and adequate
  - (d) Determination whether the extension of the Evaluation Period of Acquisition is necessary
  - (e) Necessity of implementation of countermeasures
  - (f) Necessity of cancellation of a countermeasure

- (g) Necessity of abolition or amendment of the Plan.
- In addition to the matters prescribed above, the Independent Committee may conduct the matters listed below complying with an advisory and a request from the board of directors.
  - (a) Determining the information that the Large-scale Acquirer and board of directors of the Company should provide to the Independent Committee, and the deadline for the provision of that information.
  - (b) Examination and consideration of the terms of the Large-scale Acquisition by the Large-scale Acquirer.
  - (c) Negotiation and discussion with the Large-scale Acquirer
  - (d) Request for an alternative proposal and consideration of the alternative proposal to the board of directors of the Company.
- If the Independent Committee decides that the information of the Large-scale Acquisition is inadequate or insufficient, it shall request the Large-scale Acquirer to submit additional information. Further, if the Independent Committee receives from the Large-scale Acquirer the information of the Large-scale Acquisition and any additional information that it requests, it may request the board of directors of the Company to provide within a certain period an opinion on the terms of the Large-scale Acquisition by the Large-scale Acquirer and materials supporting that opinion, alternative proposal, and any other information that the Independent Committee may consider necessary from time to time.
- In order to collect the necessary information, the Independent Committee may request the attendance of a director, statutory auditor or employee of the Company, or any other party that the Independent Committee considers necessary, and may require explanation of any matter it requests.
- The Independent Committee may, at the Company's expense, obtain the advice of an independent outside expert (including financial advisors, certified public accountants, lawyers, consultants and other experts) and similar actions.
- The Independent Committee must make decisions with a view to securing and improving the corporate value of the Company and, in turn, the common interest of its shareholders, and each member must not serve the purpose of its own interests or those of third parties, including the management of the Company.
- Respecting recommendations by the Independent Committee, the board of directors of the Company shall make a resolution concerning the implementation of countermeasures and other matters.

4. Resolution

- A resolution of a meeting of the Independent Committee shall, as a general rule, pass with a majority when all the members except for the specially related parties are in attendance; provided, however, that when members who are involved in accidents or caught in unavoidable circumstances, a resolution may pass with a majority of the members present (such present members shall consist of the majority of all members).

Exhibit 2

Names and Career Summary of Members of the Independent Committee

Tomokazu Godai	Born on October 6, 1939
June 1975	Appointed as President of Maya Shoji Co., Ltd. (currently MAYATEC Co., Ltd.)
May 1992	Appointed as Director of the Company (present post)
June 2006	Appointed as Representative Director and Chairman of the Board, MAYATEC Co., Ltd. (present post)
Hiroyuki Mizuno	Born on April 20, 1929
June 1990	Appointed Vice President, Matsushita Electrical Industrial Co., Ltd.
August 1994	Appointed as Adjunct Professor, Stanford University
April 1998	Appointed as Director, Hiroshima Prefectural Institute of Industrial Science and Technology (present post)
June 2001	Appointed as Director of the Company (present post)
June 2002	Appointed as Director of MegaChips Corporation (present post)
Noboru Onuma	Born on January 1, 1948
April 1970	Entered Mitsui Bank (currently Sumitomo Mitsui Banking Corporation)
April 1998	Appointed as General Manager, Fukuoka Branch of the said bank
April 1999	Appointed as Director, said bank
June 1999	Appointed as Standing Corporate Auditor of the Company (present post)

Exhibit 3

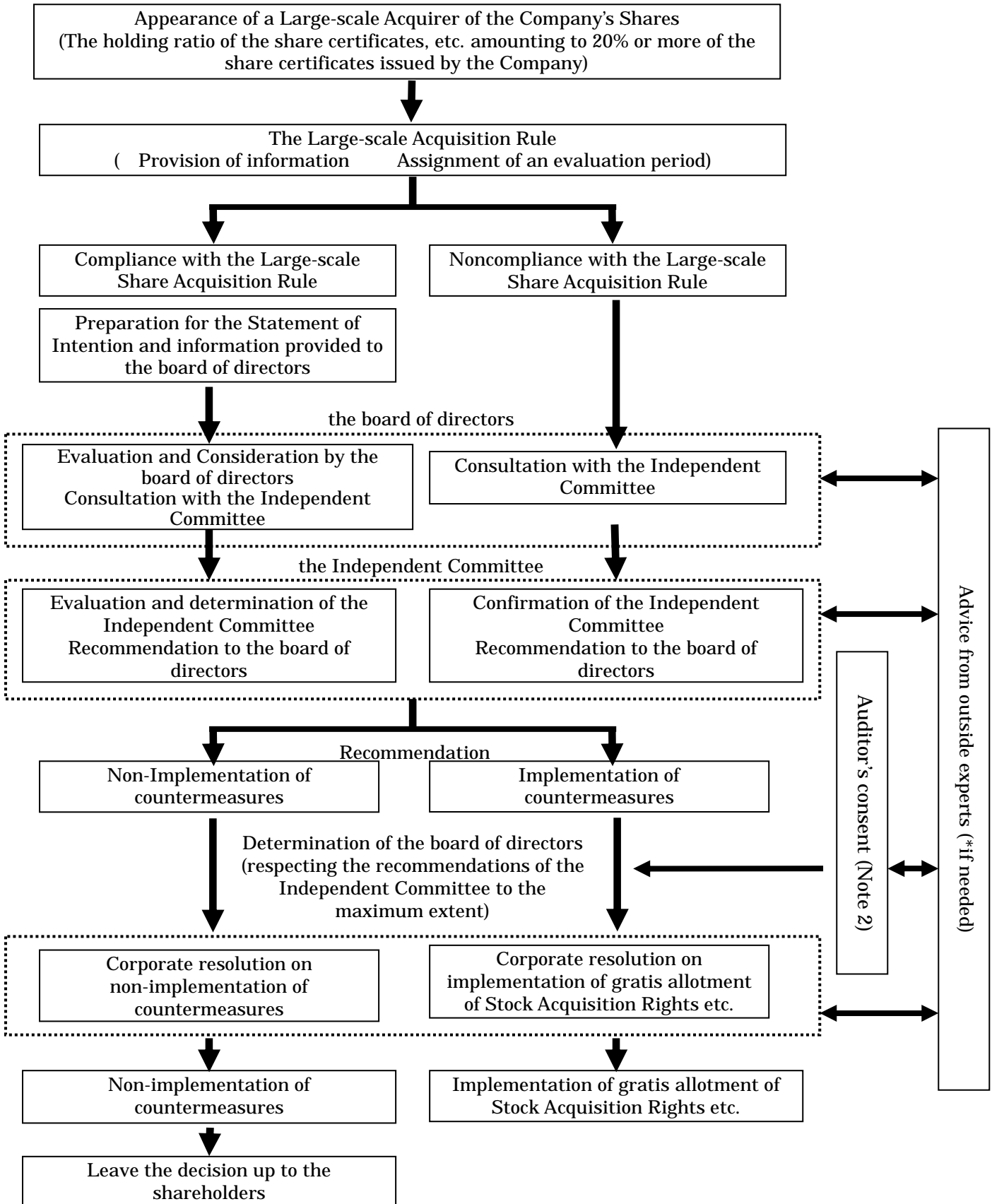
Present Status of Major Shareholders of the Company

Major shareholders of the Company as of March 31, 2007 is as follows.

	Shareholders' Investment in the Company	
	Number of Shares (thousands)	Percentage of Total (%)
Kozuki Foundation for Sports and Education	14,330	10.44
Kozuki Holding B.V.	13,530	9.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,238	6.73
Japan Trustee Services Bank, Ltd. (Trust Account)	8,581	6.25
Kozuki Capital Corporation	7,036	5.13
The Chase Manhattan Bank, N.A. London	4,963	3.62
Sumitomo Mitsui Banking Corporation	4,135	3.01
BNP PARIBAS Securities (Japan) Ltd.	3,488	2.54
State Street Bank and Trust Company	2,417	1.76
Carillon DMA OTC	2,312	1.68

Note: The total number of issued shares is 143,555,786. The above percentages are calculated after the deduction of treasury stocks (6,300,000 shares).

**Flowchart for an initiation of a Large-scale Acquisition**



(Note 1) The flowchart remarked above is a reference material aiming to facilitate understanding of the Plan. Please refer to the text herein for details of the Plan.

(Note 2) Prior written consent of the auditor shall be required for the corporate resolution over the implementation of countermeasures, and it shall be no longer required in case of non-implementation of countermeasures.