

June 7, 2006

Notice of 87th Ordinary General Meeting of Shareholders

Dear Shareholders,

We would hereby like to inform you that the 87th Ordinary General Meeting of Shareholders will be held as follows, and we would be grateful if you could attend the meeting.

If you are unable to attend the meeting in person, you are entitled to vote by document. In this regard, we cordially request you to return to us the enclosed voting right exercise form indicating your approval or disapproval of the matters to be resolved with your seal, after studying the attached Reference Document for the Exercise of Voting Rights.

Yours faithfully,
Nippon Electric Glass Co., Ltd.
Tetsuji Mori, Chairman of the Board
7-1, Seiran 2-chome, Otsu, Shiga, Japan

- 1. Date and Time:** Thursday, June 29, 2006, from 10:00 a.m.
2. Venue: Conference Room at the Head Office of the Company
7-1, Seiran 2-chome, Otsu, Shiga, Japan

3. Meeting Agenda:

Reporting:

1. Business Report, Consolidated Balance Sheets, Consolidated Statements of Income, results of audits of consolidated financial statements by Account Auditors and the Board of Corporate Auditors for the 87th term (from April 1, 2005 to March 31, 2006)
2. Balance Sheets and Statements of Income for the 87th term (from April 1, 2005 to March 31, 2006)

Proposals:

Proposal 1: Approval of the proposed appropriation of retained earnings for the 87th term

Proposal 2: Partial Amendments to the Articles of Incorporation

(The summary of the Proposal is as shown in the Reference Document.)

Proposal 3: Election of eight (8) Directors

Proposal 4: Election of one (1) Corporate Auditor

Proposal 5: Election of one (1) substitute for Corporate Auditor

Proposal 6: Approval of the Policy regarding Large Purchase of the Company's shares
(Defense against acquisition)

* If you attend the meeting in person, please submit the enclosed voting form at the reception desk of the meeting.

Proposed Appropriation of Retained Earnings

	(In yen)
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(Appropriation of retained earnings)	
Unappropriated retained earnings at the end of the term	13,790,358,014
This will be appropriated as follows:	
Dividends	1,594,688,475
(5 yen per share)	
Bonuses to directors	99,090,000
General reserve	6,000,000,000
Unappropriated retained earnings to be carried forward to the following term	6,096,579,539
(Appropriation of other capital surpluses)	
Other capital surpluses	8,251,459
This will be appropriated as follows:	
Other capital surpluses to be carried forward to the following term	8,251,459
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(Note) The Company paid interim dividends of 1,275,965,572 yen (4 yen per share) on December 5, 2005.

Reference Document for the Exercise of Voting Rights

1. Total number of voting rights held by all shareholders: 317,675

2. Proposals and reference matters

Proposal 1: Approval of the proposed appropriation of retained earnings for the 87th term

Details of the proposal are as described in the “appendix to the notice of ordinary general meeting of shareholders” (page 22).

The Company determines its dividend amounts on the basis of returning profits to its shareholders stably over the long-term without largely affecting by fluctuations in the Company’s performance, while reserving profits internally to strengthen its corporate structure and to prepare for future business deployments, and taking the financial situation and other factors into consideration.

Although the CRT (Cathode Ray Tube) glass business is still in a severe environment and the Company expects a high level of capital expenditure to be required continually in the FPD (Flat Panel Display)-related area, we wish to propose dividends for the term of 5 yen per share, up 1.5 yen per share, based on the past progress of transformation of the Company’s structure and in order to show appreciation for our shareholders’ continuous understanding and support. As a result, dividends for the full term will be 9 yen per share, including interim dividends of 4 yen. Dividends for the full term increased by 2.5 yen per share compared with dividends for the previous term of 6.5 yen per share (3 yen for interim dividends and 3.5 yen for term-end dividends); the amounts converted by using the criteria after the stock split as of March 10, 2005 (each share was split into two (2)).

As for bonuses to directors, taking the reduction in the number of directors by one (1) and the performance for the full term into consideration, we wish to propose the bonus of 99,090,000 yen for eight (8) directors, down 10,910,000 yen from the previous term.

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

The Corporation Law (2005 Law No. 86), the Corporation Law Enforcement Regulation (2006 Justice Ministry Ordinance No. 12), and the Corporation Calculation Regulation (2006 Justice Ministry Ordinance No. 13) all became effective on May 1, 2006. Associated with this, we propose to amend the Articles of Incorporation with the following reasons:

- (1) As the rights for the shares constituting less than one unit should be limited to a reasonable extent, compared with the rights for shares constituting one unit, the Company shall newly establish Article 10 (Rights Concerning Shares Constituting Less Than One Unit) of the Proposed Amendment;
- (2) To clarify the location of convocation of general meeting of shareholders, the Company shall newly establish Article 15 (Location of Convocation) of the Proposed Amendment.
- (3) In order for the Company to disclose information in a more satisfactory manner for the general meeting of shareholders, the Company shall newly establish Article 18 (Disclosure of Reference Materials for General Meeting of Shareholders via the Internet and Deemed Provision) of the Proposed Amendment.
- (4) To allow agile operation of the Board of Directors, the Company shall newly establish Article 25 (Omission of Resolution by the Board of Directors) of the Proposed Amendment to enable resolutions by document or electromagnetic record;
- (5) In order for the Corporate Auditors and Outside Corporate Auditors to play their expected role to the fullest extent, the Company shall newly establish Article 35 (Limitation of Corporate Auditors' Liabilities) of the Proposed Amendment; and
- (6) In addition to the foregoing, the Company shall make additions, deletions, amendments or movements of provisions and changes of Article numbers that are required in accordance with enforcement of the Corporation Law.

2. Details of Amendments

We propose to amend part of the existing Articles of Incorporation as follows:

(The underlined portions show the parts to be amended.)

Existing Articles of Incorporation	Proposed Amendment
<p style="text-align: center;">Chapter I. General Provisions</p> <p style="text-align: center;">(Newly established)</p> <p>Article <u>4</u>.</p> <p style="text-align: center;">(Omitted)</p>	<p style="text-align: center;">Chapter I. General Provisions</p> <p><u>(Organization)</u></p> <p><u>Article 4.</u></p> <p><u>The Company shall establish the following organizations, in addition to the General Meeting of Shareholders and the Directors:</u></p> <p><u>(1) Board of Directors;</u></p> <p><u>(2) Corporate Auditors;</u></p> <p><u>(3) Board of Corporate Auditors; and</u></p> <p><u>(4) Account Auditors.</u></p> <p>Article <u>5</u>.</p> <p style="text-align: center;">(Unchanged)</p>

Existing Articles of Incorporation	Proposed Amendment
<p style="text-align: center;">Chapter II. Shares</p> <p>(Total Number of Shares to be Issued)</p> <p>Article <u>5</u>.</p> <p><u>The total number of shares to be issued</u> by the Company shall be eight hundred million (800,000,000); <u>provided, however, that if any shares are retired, the number of shares retired shall be subtracted from the total number of shares to be issued.</u></p> <p style="text-align: center;">(Newly established)</p> <p>(Acquisition of Company’s Own Shares)</p> <p>Article <u>6</u>.</p> <p>The Company may, by resolution of the Board of Directors, <u>purchase</u> its own shares pursuant to the provisions of <u>Article 211-3, Paragraph 1, Item 2 of the Commercial Code.</u></p> <p>(Number of Shares Constituting One Unit and Non-issuance of Share Certificates Constituting Less Than One Unit)</p> <p>Article <u>7</u>.</p> <p>1 The number of shares constituting one unit of the Company shall be one thousand (1,000).</p> <p>2 The Company shall not issue any share certificate for <u>shares constituting less than one unit</u> (the “<u>Shares Constituting Less Than One Unit</u>”), unless otherwise set forth in the Share Handling Regulations.</p>	<p style="text-align: center;">Chapter II. Shares</p> <p>(Total Number of Shares Authorized to be Issued)</p> <p>Article <u>6</u>.</p> <p><u>The total number of shares authorized to be issued</u> by the Company shall be eight hundred million (800,000,000).</p> <p>(Issue of Share Certificates)</p> <p>Article <u>7</u>.</p> <p><u>The Company shall issue share certificates for its shares.</u></p> <p>(Acquisition of Company’s Own Shares)</p> <p>Article <u>8</u>.</p> <p>The Company may, by resolution of the Board of Directors, <u>acquire</u> its own shares <u>through market transaction or otherwise</u>, pursuant to the provisions of <u>Article 165, Paragraph 2 of the Corporation Law.</u></p> <p>(Number of Shares Constituting One Unit and Non-issuance of Share Certificates Constituting Less Than One Unit)</p> <p>Article <u>9</u>.</p> <p>1 [This Paragraph is proposed to be amended to make partial modifications of terms in Japanese. No modification of English translation of this Paragraph is necessary.]</p> <p>2 <u>Notwithstanding the provisions of Article 7</u>, the Company shall not issue any share certificate for shares constituting less than one unit, unless otherwise set forth in the Share Handling Regulations.</p>

TRANSLATION FOR REFERENCE ONLY

Existing Articles of Incorporation	Proposed Amendment
<p data-bbox="395 271 614 297">(Newly established)</p> <p data-bbox="225 920 786 981">(Request for Sale of Shares Constituting Less Than One Unit to Constitute One Unit)</p> <p data-bbox="225 985 328 1012">Article 8.</p> <p data-bbox="225 1016 786 1261">A shareholder (including beneficial shareholders; hereinafter the same) of the Company who holds shares constituting less than one unit may request that the Company sells to the shareholder such number of shares as may, together with such number of its shares constituting less than one unit, constitute one unit of shares in accordance with the Share Handling Regulations of the Company.</p> <p data-bbox="225 1305 719 1332">(Handling Regulations for Shares and Others)</p> <p data-bbox="225 1337 328 1364">Article 9.</p> <p data-bbox="225 1368 786 1585">1 <u>The denominations of share certificates, registration of transfer of shares, purchase and sale of shares less than one unit, and other procedures pertaining to the shares and charges therefore</u> shall be subject to the Share Handling Regulations established by the Board of Directors.</p> <p data-bbox="225 1590 786 1776">2 <u>The procedures pertaining to the access to, duplication of, and issue of certified copy or certified extract copy of the corporate documents and charges therefore</u> shall be subject to the handling regulations established by the Board of Directors.</p>	<p data-bbox="809 271 1370 331"><u>(Rights Concerning Shares Constituting Less Than One Unit)</u></p> <p data-bbox="809 336 927 362"><u>Article 10.</u></p> <p data-bbox="809 367 1370 521"><u>The shareholders of the Company (including the beneficial shareholders; hereinafter the same) shall not exercise rights other than those described below with respect to their shares constituting less than one unit.</u></p> <p data-bbox="809 526 1370 586">(1) <u>Rights specified in each Item of Article 189, Paragraph 2 of the Corporation Law;</u></p> <p data-bbox="809 591 1370 683">(2) <u>Right to make a claim under the provisions of Article 166, Paragraph 1 of the Corporation Law;</u></p> <p data-bbox="809 687 1370 813">(3) <u>Right to receive allotment of shares offered and allotment of stock acquisition rights offered, in accordance with the number of shares held by each shareholder; and</u></p> <p data-bbox="809 817 1370 878">(4) <u>Right to make a claim provided for in the following Article.</u></p> <p data-bbox="809 920 1370 981">(Request for Sale of Shares Constituting Less Than One Unit to Constitute One Unit)</p> <p data-bbox="809 985 922 1012">Article 11.</p> <p data-bbox="809 1016 1370 1229">A Shareholder of the Company may request that the Company sells to the shareholder such number of shares as may, together with such number of shares constituting less than one unit that are held by the shareholder, constitute one unit of shares in accordance with the Share Handling Regulations of the Company.</p> <p data-bbox="809 1305 1303 1332">(Handling Regulations for Shares and Others)</p> <p data-bbox="809 1337 922 1364">Article 12.</p> <p data-bbox="809 1368 1370 1554">1 <u>The handling of shares of the Company and charges therefore</u> shall be subject to the Share Handling Regulations established by the Board of Directors, in addition to the laws, regulations or these Articles of Incorporation.</p> <p data-bbox="809 1581 1370 1767">2 <u>The handling of the access to, duplication of, and issue of certified copy or certified extract copy of the corporate documents and charges therefore</u> shall be subject to the handling regulations established by the Board of Directors.</p>

TRANSLATION FOR REFERENCE ONLY

Existing Articles of Incorporation	Proposed Amendment
<p>(Transfer Agent)</p> <p>Article 10.</p> <p>1 The Company shall have a <u>transfer agent for its shares</u>.</p> <p>2 <u>The transfer agent</u> and its business office shall be <u>appointed</u> by a resolution of the Board of Directors and public notice shall be given thereof.</p> <p>3 The register of shareholders (including the register of beneficial shareholders; hereinafter the same) and register of the lost share certificates of the Company <u>shall be kept at the business office of the transfer agent. The registration of a transfer of shares, purchase and sale of shares constituting less than one unit, and other business pertaining to the shares of the Company shall be handled by the transfer agent and not by the Company.</u></p>	<p>(Manager of Register of Shareholders)</p> <p>Article 13.</p> <p>1 The Company shall have a <u>manager of register of shareholders for its shares</u>.</p> <p>2 <u>The manager of register of shareholders</u> and its business office shall be <u>determined</u> by a resolution of the Board of Directors and public notice shall be given thereof.</p> <p>3 The register of shareholders (including the beneficial shareholders; hereinafter the same), <u>original register of stock acquisition rights</u> and register of the lost share certificates of the Company <u>shall be prepared and kept, and other business pertaining to the register of shareholders, original register of stock acquisition rights and register of the lost share certificates shall be entrusted by the manager of register of shareholders on consignment and shall not be handled by the Company.</u></p>
<p>(Record Date)</p> <p>Article 11.</p> <p>1 <u>The Company shall deem the shareholders listed or recorded in the final register of shareholders as of the accounts closing date of each fiscal year to be the shareholders entitled to exercise the rights at the Ordinary General Meeting of Shareholders concerning such fiscal year.</u></p> <p>2 <u>In addition to the preceding Paragraph, whenever necessary, the Company may fix a date as the record date on a temporary basis upon giving prior public notice.</u></p>	<p>(Deleted)</p> <p>(Deleted)</p>
<p>Chapter III. General Meeting of Shareholders</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>Chapter III. General Meeting of Shareholders</p> <p>(Record Date for Ordinary General Meeting of Shareholders)</p> <p>Article 14.</p> <p><u>The record date for the voting rights of the Shareholders at Ordinary General Meeting shall be March 31 of each year.</u></p> <p>(Location of Convocation)</p> <p>Article 15.</p> <p><u>The Company shall convene the General Meeting of Shareholders in Shiga Prefecture.</u></p>

TRANSLATION FOR REFERENCE ONLY

Existing Articles of Incorporation	Proposed Amendment
<p>(Convocation)</p> <p>Article <u>12.</u></p> <p>1 The Ordinary General Meeting of Shareholders of the Company shall be convened in June each year, and an Extraordinary General Meeting of Shareholders may be convened from time to time, whenever necessary.</p> <p>2 Unless otherwise provided for in laws or regulations, the chairman of the board shall convene the General Meeting of Shareholders in accordance with a resolution of the Board of Directors, or if there is a vacancy for the position of chairman of the board, or the chairman of the board is unable to act, the vice-chairman of the board shall convene the General Meeting of Shareholders. If there is a vacancy for the position of vice-chairman of the board, or the vice-chairman of the board is unable to act, the president shall convene the General Meeting of Shareholders. If the president is unable to act, another Director shall convene the General Meeting of Shareholders.</p> <p>Article <u>13.</u></p> <p style="text-align: center;">(Omitted)</p> <p style="text-align: center;">(Newly established)</p> <p>(Voting by Proxy)</p> <p>Article <u>14.</u></p> <p>A shareholder may exercise its voting right by delegating such voting right to <u>any other</u> shareholder of the Company entitled to vote; provided, however, that in this case, a shareholder or a proxy shall submit to the Company a document <u>evidencing</u> the authority of such proxy <u>prior to</u> <u>General Meeting of Shareholders.</u></p>	<p>(Convocation)</p> <p>Article <u>16.</u></p> <p style="text-align: center;">(Unchanged)</p> <p>2 [This Paragraph is proposed to be amended to make partial modifications of terms in Japanese. No modification of English translation of this Paragraph is necessary.]</p> <p>Article <u>17.</u></p> <p>(Unchanged)</p> <p><u>(Disclosure of Reference Materials for General Meeting of Shareholders via the Internet and Deemed Provision)</u></p> <p>Article <u>18.</u></p> <p><u>In convening the General Meeting of Shareholders, the Company may deem that information regarding the matters which should be described or shown in the reference materials for the General Meeting of Shareholders, business reports, financial documents and consolidated financial documents has been provided to the shareholders by disclosing those over the Internet in accordance with the Ministerial Ordinance of the Ministry of Justice.</u></p> <p>(Voting by Proxy)</p> <p>Article <u>19.</u></p> <p>A shareholder may exercise its voting right by delegating such voting right to <u>another</u> shareholder of the Company entitled to vote; provided, however, that in this case, a shareholder or a proxy shall submit to the Company a document <u>certifying</u> the authority of such proxy <u>at each General Meeting of Shareholders.</u></p>

TRANSLATION FOR REFERENCE ONLY

Existing Articles of Incorporation	Proposed Amendment
<p>(Method of Resolution) Article <u>15</u>.</p> <p>1 The <u>general</u> resolutions of the General Meeting of Shareholders shall be adopted by a majority of the voting rights represented by the shareholders <u>present</u>.</p> <p>2 The <u>special</u> resolutions of the General Meeting of Shareholders provided for in <u>Article 343 of the Commercial Code</u> shall be adopted by the vote of the shareholders not less than two-thirds (2/3) of those present at the meeting whereby one-third (1/3) of voting rights of <u>all the shareholders</u> shall constitute a quorum.</p>	<p>(Method of Resolution) Article <u>20</u>.</p> <p>1 <u>Unless otherwise provided for in the laws, regulations, or in these Articles of Incorporation</u>, the resolutions of the General Meeting of Shareholders shall be adopted by a majority of the voting rights represented by the shareholders <u>present who are entitled to vote</u>.</p> <p>2 The resolutions of the General Meeting of Shareholders set forth in <u>Article 309, Paragraph 2 of the Corporation Law</u> shall be adopted by the voting rights of the shareholders not less than two-thirds (2/3) of the present at the meeting whereby one-third (1/3) of voting rights of all <u>the shareholders who are entitled to vote</u> shall constitute a quorum.</p>
<p>(Minutes) Article <u>16</u>. <u>The proceedings in outline and the resultant actions taken at a General Meeting of Shareholders shall be entered or recorded in the minutes, which shall bear the signatures or electronic signatures of the chairman of the meeting and the Directors present. The originals of such minutes shall be kept at the principal office for ten (10) years and certified copies thereof shall be kept at the branch office for five (5) years.</u></p>	<p>(Deleted)</p>
<p>Chapter IV. Directors and Board of Directors</p>	<p>Chapter IV. Directors and Board of Directors</p>
<p>Article <u>17</u>. (Omitted)</p>	<p>Article <u>21</u>. (Unchanged)</p>
<p>(Resolution for Election) Article <u>18</u>.</p> <p>1 The resolution for the election of Directors shall be adopted by a majority of the voting rights represented by the shareholders present whereby one-third (1/3) of voting rights of <u>all the shareholders</u> shall constitute a quorum.</p> <p>2 Cumulative voting shall not be used for the purpose of resolution described in the preceding Paragraph.</p>	<p>(Resolution for Election) Article <u>22</u>.</p> <p>1 The resolution for the election of Directors shall be adopted by a majority of the voting rights represented by the shareholders present whereby one-third (1/3) of voting rights of <u>all the shareholders who are entitled to vote</u> shall constitute a quorum.</p> <p>2 (Unchanged)</p>

TRANSLATION FOR REFERENCE ONLY

Existing Articles of Incorporation	Proposed Amendment
<p>(Representative Director and Other Directors) Article <u>19</u>.</p> <p>1 The Director who represents the Company shall be <u>appointed</u> by a resolution of the Board of Directors.</p> <p>2 The Board of Directors may appoint one (1) chairman of the board, one (1) vice chairman of the board and one (1) president by a resolution of the Board of Directors.</p> <p>(Board of Directors) Article <u>20</u>.</p> <p>1 The Board of Directors shall decide the matters concerning the execution of business and affairs of the Company in accordance with the laws, regulations and these Articles of Incorporation.</p> <p>2 Unless otherwise provided for in laws, regulations or these Articles of Incorporation, the business pertaining to the Board of Directors shall be subject to the Regulations of the Board of Directors established by the Board of Directors.</p> <p>3 To convene a meeting of the Board of Directors, a notice of convocation shall be dispatched to each Director and each Corporate Auditor at least three (3) days prior to the date of such meeting; provided, however, that the term of notice for particular meetings may be shortened in cases of emergency.</p>	<p>(Representative Director and Other Directors) Article <u>23</u>.</p> <p>1 The Director who represents the Company shall be <u>elected</u> by a resolution of the Board of Directors.</p> <p>2 (Unchanged)</p> <p>(Board of Directors) Article <u>24</u>.</p> <p>1 (Unchanged)</p> <p>2 [This Paragraph is proposed to be amended to make partial modifications of terms in Japanese. No modification of English translation of this Paragraph is necessary.]</p> <p>3 (Unchanged)</p>
<p>(Newly established)</p>	<p>(Omission of Resolution by the Board of Directors) <u>Article 25.</u> <u>If the requirements set forth in Article 370 of the Corporation Law are satisfied, the Company shall deem that the resolution of the Board of Directors is adopted.</u></p>
<p>(Term of Office) Article <u>21</u>.</p> <p>The term of office of a Director shall expire <u>at the close of the Ordinary General Meeting of Shareholders which relates to the last account settlement ending within</u> one (1) year after his or her <u>assumption of office</u>.</p>	<p>(Term of Office) Article <u>26</u>.</p> <p>The term of office of a Director shall expire <u>at the close of the Ordinary General Meeting of Shareholders which relates to the last business year ending within</u> one (1) year after his or her <u>election</u>.</p>
<p>(Remuneration and Retirement Allowance) Article <u>22</u>.</p> <p>The remuneration and <u>retirement allowance</u> of Directors shall be determined by a resolution of the General Meeting of Shareholders.</p>	<p>(Remuneration, Etc.) Article <u>27</u>.</p> <p>The remuneration and <u>bonus</u> of Directors <u>and other property interests received by Directors from the Company in consideration of the performance of their duties (the "Remuneration, Etc.")</u> shall be determined by a resolution of the General Meeting of Shareholders.</p>

TRANSLATION FOR REFERENCE ONLY

Existing Articles of Incorporation	Proposed Amendment
<p>Article <u>23</u>. (Omitted)</p> <p>Chapter V. Corporate Auditors and the Board of Corporate Auditors</p> <p>Article <u>24</u>. (Omitted)</p> <p>(Resolution for Election)</p> <p>Article <u>25</u>. 1 The resolution for the election of Corporate Auditors shall be adopted by a majority of the voting rights represented by the shareholders present whereby one-third (1/3) of voting rights of <u>all the shareholders</u> shall constitute a quorum.</p> <p>(Board of Corporate Auditors)</p> <p>Article <u>26</u>. 1 Unless otherwise provided for in laws, regulations or these Articles of Incorporation, the business pertaining to the Board of Corporate Auditors shall be subject to the Regulations of the Board of Corporate Auditors established by the Board of Corporate Auditors. 2 To convene a meeting of the Board of Corporate Auditors, a notice of convocation shall be dispatched to each Corporate Auditor at least three (3) days prior to the date of such meeting; provided, however, that the term of notice for particular meetings may be shortened in cases of emergency.</p> <p>(Term of Office)</p> <p>Article <u>27</u>. The term of office of a Corporate Auditor shall expire <u>at the</u> close of the Ordinary General Meeting of Shareholders which relates to <u>the last account settlement ending within</u> four (4) years after his or her <u>assumption of office</u>.</p> <p>(Remuneration and Retirement Allowance)</p> <p>Article <u>28</u>. The remuneration <u>and retirement allowance</u> of Corporate Auditors shall be determined by a resolution of the General Meeting of Shareholders.</p>	<p>Article <u>28</u>. (Unchanged)</p> <p>Chapter V. Corporate Auditors and the Board of Corporate Auditors</p> <p>Article <u>29</u>. (Unchanged)</p> <p>(Resolution for Election)</p> <p>Article <u>30</u>. 1 The resolution for the election of Corporate Auditors shall be adopted by a majority of the voting rights represented by the shareholders present whereby one-third (1/3) of voting rights of <u>all the shareholders who are entitled to vote</u> shall constitute a quorum.</p> <p>(Board of Corporate Auditors)</p> <p>Article <u>31</u>. 1 [This Paragraph is proposed to be amended to make partial modifications of terms in Japanese. No modification of English translation of this Paragraph is necessary.] 2 (Unchanged)</p> <p>(Term of Office)</p> <p>Article <u>32</u>. The term of office of a Corporate Auditor shall expire <u>at the</u> close of the Ordinary General Meeting of Shareholders which relates to <u>the last business year ending within</u> four (4) years after his or her <u>election</u>.</p> <p>(Remuneration, Etc.)</p> <p>Article <u>33</u>. <u>The remuneration, Etc.</u> of Corporate Auditors shall be determined by a resolution of the General Meeting of Shareholders.</p>

TRANSLATION FOR REFERENCE ONLY

Existing Articles of Incorporation	Proposed Amendment
<p>(Full-Time Corporate Auditor) Article <u>29</u>. <u>The Corporate Auditors shall appoint full-time Corporate Auditor(s) from among their number.</u></p> <p>(Newly established)</p> <p>(Newly established)</p> <p>Chapter VI. Accounting</p> <p>(Accounting Term) Article <u>30</u>. <u>The fiscal year of the Company shall commence on April 1 of each year and end on March 31 of the following year, and the Company shall settle its accounts as of the last day of such fiscal year.</u></p> <p>(Dividends) Article <u>31</u>. <u>Dividends shall be paid to the shareholders or registered pledgees listed or recorded in the final register of shareholders as of the accounts closing date of each year.</u></p> <p>(Interim Dividends) Article <u>32</u>. <u>The Company may, by a resolution of the Board of Directors, make cash distributions as provided for in Article 293-5 of the Commercial Code (the "Interim Dividends") to the shareholders or registered pledgees listed or recorded in the final register of shareholders as of September 30 each year.</u></p>	<p>(Full-Time Corporate Auditor) Article <u>34</u>. <u>The Board of Corporate Auditors shall elect full-time Corporate Auditor(s) by its resolution.</u></p> <p>(Limitation of Corporate Auditors' Liabilities) Article <u>35</u>. <u>1 Pursuant to the provisions of Article 426, Paragraph 1 of the Corporation Law, the Company may, by resolution of the Board of Directors, limit the liabilities of a Corporate Auditor (including a former Auditor) to compensate for damages due to its failure to perform its duties within the extent permitted by laws and regulations.</u> <u>2 Pursuant to the provisions of Article 427, Paragraph 1 of the Corporation Law, the Company may enter into an agreement with an Outside Corporate Auditor to limit the liabilities to compensate for damages due to its failure to perform its duties; provided, however, that the limit of liability under such agreement shall be up to the amount prescribed by laws and regulations.</u></p> <p>Chapter VI. Accounting</p> <p>(Business Year) Article <u>36</u>. <u>The business year of the Company shall be one (1) year term commencing on April 1 of each year and ending on March 31 of the following year.</u></p> <p>(Dividends of Surplus) Article <u>37</u>. <u>Term-end dividends shall be paid to the shareholders or registered share pledgees listed or recorded in the final register of shareholders as of the last day of each business year by a resolution of the General Meeting of Shareholders.</u></p> <p>(Interim Dividends) Article <u>38</u>. <u>The Company may, by a resolution of the Board of Directors, make payment of interim dividends and the record date for such dividends shall be September 30 of each year.</u></p>

TRANSLATION FOR REFERENCE ONLY

Existing Articles of Incorporation	Proposed Amendment
<p>(Limitation of Payment Period) Article <u>33</u>. The Company shall be relieved from the obligation to pay <u>any dividend or interim dividend if such dividend or interim dividend</u> remains unreceived after the lapse of three (3) full years from the date on which the same became due and payable.</p>	<p>(Limitation of Payment Period) Article <u>39</u>. If the <u>property available for dividends is in cash and</u> remains unreceived after the lapse of three (3) full years from the date on which <u>the same</u> became due and payable, the Company shall be relieved from the obligation to pay <u>any such property</u>.</p>

Proposal 3: Election of eight (8) Directors

The terms of office for all eight (8) directors will expire as of the close of this Ordinary General Meeting of Shareholders. Accordingly, we propose that the following eight (8) persons be elected as directors.

The candidates for directors are as follows:

No.	Name (Date of Birth)	Brief Personal Profile (Position held in other companies)	Number of the Company shares held
1	Tetsuji Mori (January 2, 1937)	Apr. 1959: Joined Nippon Electric Glass June 1982: Director June 1988: Managing Director June 1990: Senior Managing Director June 1992: Vice President June 1996: President June 2002: CEO June 2003: Vice Chairman June 2005: Chairman (Incumbent)	74,682
2	Yuzo Izutsu (December 12, 1944)	Apr. 1967: Joined Nippon Electric Glass June 1996: Director June 2000: Managing Director June 2002: Director Executive Vice President June 2003: President (Incumbent) CEO (Incumbent)	36,000
3	Hiroshi Kato (January 12, 1947)	Apr. 1969: Joined Nippon Electric Glass Nov. 1994: Department Manager, Color Funnel Production Department, CRT Glass Division Nov. 1995: President, Nippon Electric Glass (Malaysia) Sdn. Bhd. June 1998: Director of the Company (Incumbent) June 2002: Vice President June 2003: Senior Vice President June 2005: Group General Manager, Electronic Products Group (Incumbent) Apr. 2006: Executive Vice President (Incumbent) [Representative Director, Dong Yang Electronic Glass Co., Ltd.]	20,000
4	Katsumi Inada (June 17, 1948)	Apr. 1971: Joined Nippon Electric Glass Nov. 1995: General Manager, Electronic Products Division, Production June 1998: Director (Incumbent) June 2002: Vice President June 2003: Senior Vice President June 2005: Group General Manager, Glass Fiber Products Group (Incumbent) Apr. 2006: Executive Vice President (Incumbent) Group General Manager, Consumer Glass Products Group (Incumbent)	21,200

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No.	Name (Date of Birth)	Brief Personal Profile (Representation for other companies)	Number of the Company shares held
5	Masayuki Arioka (September 28, 1948)	Apr. 1978: Joined Nippon Electric Glass Mar. 1997: General Manager, Glass Fiber Division, Production June 1999: Director (Incumbent) June 2002: Vice President June 2004: Senior Vice President (Incumbent) June 2005: Group General Manager, LCD Glass Plate Group (Incumbent)	18,000
6	Masami Atsuji (January 3, 1948)	Apr. 1971: Joined Nippon Electric Glass June 1997: General Manager, Accounting Division June 2000: Director (Incumbent) June 2002: Vice President June 2004: Senior Vice President (Incumbent)	23,200
7	Shigeru Yamamoto (December 19, 1953)	Apr. 1978: Joined Nippon Electric Glass Oct. 1997: General Manager, Technical Division (Incumbent) June 2002: Vice President June 2005: Director (Incumbent) Senior Vice President (Incumbent) [President, Electric Glass Patent Center Co., Ltd.]	2,000
8	Koichi Inamasu (January 30, 1952)	Apr. 1974: Joined Nippon Electric Glass June 1998: General Manager, Personnel Division June 2002: Vice President (Incumbent) June 2005: General Manager, CRT Division, Sales Apr. 2006: Group General Manager, CRT Division (Incumbent) [Chairman, Nippon Electric Glass (Fuzhou) Co., Ltd. Chairman, Nippon Electric Glass (Fujian) Co., Ltd. President, Nippon Electric Glass (Malaysia) Sdn. Bhd.]	9,000

(Note) One of the candidates for directors, Mr. Koichi Inamasu, concurrently serves as Chairman of Nippon Electric Glass (Fuzhou) Co., Ltd. and Chairman of Nippon Electric Glass (Fujian) Co., Ltd. The Company has a business relationship with those companies in technical assistance and service provision, as well as sales of glass manufacturing machine and other equipment.

Proposal 4: Election of one (1) Corporate Auditor

The Corporate Auditor, Mr. Takao Ono, will resign at the close of this Ordinary General Meeting of Shareholders. Accordingly, we propose that the following person be elected as a corporate auditor.

The Board of Corporate Auditors has already approved this proposal.

The candidate for Corporate Auditor is as follows:

Name (Date of Birth)	Brief Personal Profile (Representation for other companies)	Number of the Company shares held
Fujio Okada (September 17, 1952)	Apr. 1976: Joined NEC Corporation Jan. 2003: General Manager, Legal Affairs Division of NEC Corporation (Incumbent) Apr. 2006: Vice President of NEC Corporation (Incumbent)	-

(Note) Mr. Fujio Okada is the candidate for Outside Corporate Auditor.

Proposal 5: Election of one (1) substitute for Corporate Auditor

To prepare for the case in which the Company lacks the number of Corporate Auditors stipulated in laws and regulations, we propose that the following person be elected as a substitute for corporate auditor.

The Board of Corporate Auditors has already approved this proposal.

The candidate for substitute Corporate Auditor is as follows:

Name (Date of Birth)	Brief Personal Profile (Representation for other companies)	Number of the Company shares held
Kenji Seo (April 24, 1948)	Apr. 1972: Joined Long-Term Credit Bank of Japan (current Shinsei Bank) Apr. 2001: Joined NEC Corporation General Manager, Financial Affairs Division of NEC Corporation Oct. 2002: General Manager, Affiliate Division of NEC Corporation (Incumbent) Apr. 2005: Associate Vice President of NEC Corporation (Incumbent)	-

(Note) Mr. Kenji Seo is a candidate for a substitute Outside Corporate Auditor.

Proposal 6: Approval of the Policy regarding Large Purchase of the Company's shares (Defense against acquisition)

At the meeting of the Board of Directors of the Company held on May 9, 2006, the Company resolved to introduce the following policy regarding large purchase of the Company's shares (the "Policy") for the purpose of ensuring and enhancing the common interest of the shareholders, subject to the consent of a majority of shareholders at this Ordinary General Meeting of Shareholders.

Accordingly, we propose the introduction of the Policy for your approval.

Policy Regarding Large Purchase of the Company's Shares

The Policy shall set for in order to respond to the act of purchase of the Company's shares (hereinafter "Share", Note 3) amounting to 20% or more of the voting rights (Note 2) or take over bid of the Share resulting in the acquisition of 20% or more of the voting rights by a specific shareholders group (Note 1) (in either case, the act of the purchase approved in advance by the Board of Directors of the Company is excluded and the method of purchase, such as market buying or tender offer bid, would not be concerned. Any purchase of the Company's shares and other securities by a specific shareholder group whose voting rights has been amounted to 20% or more as of the effective date of the Policy shall be excluded. Such act of purchase shall be hereinafter referred to as a "Large Purchase," and a person who conducts such act shall be hereinafter referred to as the "Large Purchaser.")

1. Characteristics of the business and improvement of corporate value

The Company has been engaging in the manufacture and sale of special glass and high-tech glass, which are mainly used as components and materials for industrial products, since the foundation in 1949.

A large portion of the Company's sales comes from transactions with specific customers. Sales to the major customer group have been continuously increasing in recent years, and the share of the sales to such major customer group in the consolidated sales exceeded 50% for the period ending in March 2006 (Note 4). Accordingly, unless the Company conducts management and business activities focusing on a close relationship with these customers, the Company shall not improve its corporate value.

In addition, the specialized knowledge, technology and know-how regarding special glass and high-tech glass, solid relationship with clients and good labor-management relations based on mutual trust, which have been accumulated for more than half a century, are also the important managerial resources of the Company.

The Company intends to increase its corporate value from a long-term perspective using those accumulated managerial resources, by:

- Grasping customer's needs in an early stage and developing and offering in the short term new products which meet such customer's needs using the Company's unique development system, including applying and incorporating its own elemental technology through collaboration with various divisions, such as research and development, manufacturing, and sales division etc.
- Investing the management resources selectively into the growth segment such as

the segment related to flat panel display, etc. in response properly to the change of business environment

- Always making an effort to improve technical capabilities, establishing a more efficient production and supply system, and enhancing profitability; and
- Enhancing and expanding the thin film technique and technique of combining metal and organic materials based on special glass and high-tech glass materials, and developing the business in functional product areas.

Thus, it is necessary for the Company to continue to maintain and develop a continuous relationship with clients and suppliers, including customers, and to conduct stable business from a mid- to long-term perspective.

2. Purpose of the Large Purchase Rule

Against the background of the loosening of the cross-shareholding system, development of a new legal system, change in corporate culture and other reasons, it has recently become increasingly evident that sudden purchase of large amounts of shares of the Company is implemented without adequate consultations with or obtaining the consent of the management of such company.

The Company is an affiliate of NEC Corporation, which holds 24.6% (including an indirect share of 23.6%) of the voting rights of all the shareholders of the Company.

Meanwhile, the Company has a unique position, which has been established since its foundation, in the area of special glass and high-tech glass, including glass for FPD. The Company's products such as glass for liquid crystal displays and glass for plasma displays are the essential materials to the field of display devices and other fields. The Company holds many products with a large market share, and which are handled by only a few companies. Accordingly, it is possible that a Large Purchaser, who is interested in the business or specialized knowledge, technology and know-how related to special glass and high-tech glass of the Company, may suddenly appear.

As a matter of course, Company recognizes that since the shares of the Company, as a public company, are freely traded, whether or not to sell the shares of the Company in response to a Large Purchase should ultimately be rest on each of shareholder.

However, in determining whether or not to accept a Large Purchase, it is important that the shareholders are provided with sufficient information from the Large Purchaser and the results of an assessment and review by the Board of Directors of the Company and the opinion of the Board of Directors.

It is especially difficult to grasp the corporate value of the Company, including the specialized knowledge, technology and know-how regarding special glass and high-tech glass which the Company has accumulated for more than half a century, without understanding the above-mentioned characteristics of the business of the Company. For the shareholders, in assessing act of a Large Purchase, it is extremely important that the shareholders are properly provided with not only the information unilaterally furnished by the Large Purchaser, but also with the Company's Board of Directors opinion and assessment on the Large Purchase, who fully understands the business characteristics of the Company.

In addition, to respond to the changes in the market structure in the display device area to FPD, the Company, with its group companies, are promoting to change over the group's business structuring by downsizing and restructuring of production system for CRT glass, while increasing the production capacity of glass for FPD use, main product for NON-CRT Glass. Three years ago, the sales of glass for CRT accounted for approximately 65% of the consolidated sales, while glass for NON-CRT was approximately 17%, but for the period ending in March 2006, while glass for CRT were approximately 22% of the consolidated sales and those of glass for NON-CRT were approximately 57%. Thus, there was a reversal of the ratios of the two types of glass (Note 5). In order to succeed in the conversion of the Company's business structure and to help the Company follow a growth path, it is necessary to work continually and understand the business of the Company. Also it's necessary for shareholders to be provided with sufficient information on what recognition and policy the Large Purchaser have for the change of the Company's business structure, and to consider them.

On the basis of the above attitude, the Board of Directors of the Company decided to establish the following Large Purchase Rules.

3. Details of the Large Purchase Rules

The purpose of the Large Purchase Rules is to ensure prior provision of necessary and sufficient information from a Large Purchaser to the Board of Directors of the Company and the commencement of the Large Purchase after the lapse of a evaluation period during which the Board of Directors of the Company shall review and assess the information provided by the Large Purchaser.

(1) Submission of Statement of Compliance with the Large Purchase Rules

In conducting the Large Purchase, the Large Purchaser shall first submit to the Board of Directors of the Company the "Statement of Compliance with the Large Purchase Rules" specifying its intention to conduct a Large Purchase in accordance with the Large Purchase Rules. The Large Purchaser shall mention in the Statement of Compliance with the Large Purchase Rules the name and address of the Large Purchaser, its governing law of establishment, name of a representative, contact information within Japan, outline of the proposed Large Purchase and its pledge to comply with the Large Purchase Rules.

(2) Submission of Large Purchase Information

The Board of Directors of the Company shall deliver to the Large Purchaser the list of Large Purchase information to be initially submitted, within five (5) business days after the receipt of the Statement of Compliance with the Large Purchase Rules. Further, if the Company deems the information that was initially provided to be insufficient as Large Purchase information, the Board of Directors may ask the Large Purchaser to submit additional information.

Some of the items of Large Purchase information are as follows:

- (i) Brief summary of the Large Purchaser and its group;
- (ii) Purpose, method and details of the Large Purchase;
- (iii) Existence of communication with a third party in conducting the Large Purchase and the details thereof if any such communication exists;
- (iv) Grounds for the calculation of purchase price;
- (v) Evidence of purchase funds (including the method of raising funds, name of the provider (including substantial provider) of purchase funds and other outline);
- (vi) Management rule, business plan, financial plan, capital policy and dividend policy of the Company and the Company group which are intended to be taken after the completion of the Large Purchase;
- (vii) Policy regarding the Company's special limited important customers and the continued business relationship with such important customers which is intended to be taken after the completion of the Large Purchase; and
- (viii) Policy regarding the relationship between (1) the employees, clients, local society and other interested persons of the Company and the Company group, and (2) the Company and the Company group.

The Company will publicly announce all or part of the details about proposal of a Large Purchase, and the Large Purchase information submitted to the Board of Directors of the Company, when the Board of Directors of the Company deems it appropriate to do so.

(3) Assessment and Review by the Board of Directors of the Company

Depending on the difficulty to evaluate of the Large Purchase, the Board of Directors of the Company shall be given the amount of time specified below to assess, review, negotiate, form its opinion and develop an alternative plan (the "Board of Directors' Assessment Period") after completion of the provision of the Large Purchase information by the Large Purchaser to the Board of Directors of the Company. (Provided, however, that if the Board of Directors of the Company asks the Special Committee to reconsider the recommendations of the Special Committee as described later, each of the following periods can be extended for up to ten (10) days. In the event of such extension, the information regarding the fact thereof and the reasons therefor shall be disclosed.)

- (i) In the case of purchase of all the shares of the Company through a tender offer bid made in exchange for Japanese yen in cash only, a period of sixty (60) days; and
- (ii) In the case of other means of Large Purchase, a period of ninety (90) days.

The Board of Directors of the Company will, with advice of outside experts as necessary, fully assess and review the provided Large Purchase information, and establish and publicly announce the opinion of the Board of Directors of the Company. In addition, if deemed necessary by the Board of Directors of the Company, the Board of Directors may negotiate an improvement of conditions regarding the Large Purchase with the Large Purchaser, and propose an alternative plan of the Board of Directors to the shareholders.

The Large Purchase may commence only after the Board of Directors' Assessment Period has elapsed.

4. In the Event of action to be taken on the Large Purchase

(1) In the event the Large Purchaser does not comply with the Large Purchase Rules

If the Large Purchaser does not comply with the Large Purchase Rules, regardless of the actual method of purchase, the Board of Directors of the Company may take countermeasures against the Large Purchase by allocating stock acquisition rights free of charge to protect the common interest of shareholders and the corporate value of the Company (the “Countermeasures”).

The outline of the free-of-charge allocation of stock acquisition rights by the Board of Directors of the Company as the Countermeasures is as follows:

(i) Shareholders subject to free-of-charge allocation and conditions for allocation

The Board of Directors shall allocate stock acquisition rights at the rate of one right per share (excluding common stock of the Company held by the Company) to the shareholders listed or recorded in the final register of shareholders or register of substantial shareholders as of the allocation date separately determined by the Board of Directors of the Company.

(ii) Type and number of shares subject to stock acquisition rights

The shares subject to stock acquisition rights shall be the common stock of the Company, and one share can be acquired per stock acquisition right; provided, however, that if the Company splits its stock or consolidates its stock, necessary adjustment shall be made.

(iii) Total number of stock acquisition rights to be allocated

The total number of stock acquisition rights to be allocated shall be determined by the Board of Directors of the Company, which is up to the total number of outstanding shares of the Company as of the allocation date.

(iv) Payment for the shares on the exercise of stock acquisition rights

One yen per stock acquisition right

(v) Transfer of stock acquisition rights

The approval of the Board of Directors of the Company is required for the transfer of stock acquisition rights.

(vi) Exercise period of stock acquisition rights

Period shall be commencing on the effective date of stock acquisition rights (or any alternative date if the Board of Directors of the Company separately determines such date at a resolution regarding the free-of-charge allocation of stock acquisition rights) and ending on the date determined ranging from one (1) to two (2) month from the commencing date by the Board of Directors of the Company at a resolution regarding the free-of-charge allocation of stock acquisition rights; provided, however, that if the last day of the exercise period falls on a non-business day of the place handling the payment, the working day immediately following such non-business day shall be the last day.

(vii) Conditions for exercise of stock acquisition rights

In principle, (i) the Large Purchaser, (ii) its joint holder (this term refers to any person who is set forth in Article 27-23, Paragraph 5 of the Securities Exchange Law and any person who is deemed as a joint holder under Article 27-23, Paragraph 6, and any person deemed by the Board of Directors of the Company to

fall under a category of joint holder shall be included), (iii) other specially related persons (this term refers to a person who is set forth in Article 27-2, Paragraph 7 of the Securities Exchange Law, and any person deemed by the Board of Directors of the Company to fall under a category of other specially related persons shall be included), or (iv) a person to whom the stock acquisition rights to be allocated free of charge in accordance with the Large Purchase Rules is assigned by any of the persons falling under a category of (i) through (iii), or a person who succeeded to such stock acquisition rights of any of the persons falling under a category of (i) through (iii), without obtaining the approval of the Board of the Directors of the Company, or (v) a person having relationships with any of the persons falling under a category of (i) through (iv) (a person substantially controlling, controlled by, or under common control with any of such persons, or a person deemed by the Board of Directors of the Company as a person acting in cooperation with any of such persons) shall not be allowed to exercise the stock acquisition rights to be allocated free of charge in accordance with the Large Purchase Rules.

(viii) Others

Acquisition event of stock acquisition rights and other necessary matters shall be separately determined by the Board of Directors of the Company.

(2) In the event the Large Purchaser complies with the Large Purchase Rules

If the Large Purchaser complies with the Large Purchase Rules, even if the Board of Directors of the Company opposes the relevant Large Purchase, the Board of the Company, in principle, will not take the Countermeasures against the Large Purchase, although the Board of Directors of the Company will not rule out the possibility of expressing an opposing opinion, presenting an alternative plan or trying to persuade the shareholders. The shareholders will be asked to decide whether or not to accept the proposal of the Large Purchaser after taking into consideration the details of such proposed purchase, the opinion of the Board of Directors of the Company, any alternative plan given by the Board and other factors. However, even if the Large Purchaser complied with the Large Purchase Rules, when it is judged that the Large Purchase significantly damages the common interest of the shareholders, such as irrecoverable damage to the Company, the Board of Directors of the Company may allocate stock acquisition rights (specific details of the stock acquisition right are as described in Section 4 (1) above), free of charge as Countermeasures, to protect the common interest of shareholders and the corporate value of the Company.

The Board of Directors of the Company will consult and negotiate with the Large Purchaser as necessary, and even after the Company decides to allocate stock acquisition rights free-of-charge as the Countermeasures, if the Large Purchaser offers to make material changes to the matters upon which the Board of Directors' judgment was based, such as cases in which it proposes to change the matters regarding the fundamental factors of the Large Purchase, the Board of Directors may discontinue the Countermeasures, such as by suspending the free-of-charge allocation of stock acquisition rights, as long as the shareholders' rights have not yet been fixed as a result of the implementation of the Countermeasures and the common interest of shareholders is not damaged.

The following Items (i) through (vii) are cases in which the Large Purchase significantly damages the common interest of shareholders. If the Company does not deem such Large Purchase to fall under any of the following Items (i) through (vii), the Company shall not take the Countermeasures.

- (i) When the Company judges the intent of the Large Purchaser to be purchasing the shares of the Company to boost the stock price and to cause the Company or any person concerned of the Company to buy the shares at a high price, without having any real intention to participate in the management of the Company (so-called greenmailer);
- (ii) When the Company judges the intent of the Large Purchaser to be purchasing the shares of the Company to transfer the intellectual property, know-how, corporate confidential information, main clients and customers which are necessary for the business operation of the Company to the Large Purchaser, its group companies or others by temporarily controlling the management of the Company;
- (iii) When the Company judges the intent of the Large Purchaser to be purchasing the shares of the Company with the intention of diverting the Company's assets to collateral or repayment resources for liabilities of the Large Purchaser, its group companies or others after controlling the management of the Company;
- (iv) When the Company judges the intent of the Large Purchaser to be purchasing shares of the Company to cause the Company to make temporary high dividends with the proceeds from disposal, such as sale, of highly priced assets and other property, including real estate and securities, which are not immediately utilized for the business operation of the Company at that time, or selling the shares of the Company at the highest price by taking advantage of a rapid rise in stock price due to temporary high dividends, by temporarily controlling the management of the Company;
- (v) When the Company judges that the fact that taking control of the Company by the Large Purchaser will destroy the continued business relationship with the customers, including the important customers that are the source of the corporate value of the Company, and will cause irrecoverable damage to the Company;
- (vi) In addition to Items (i) through (v) above, when the Company judges that the Large Purchaser does not have any real intention to aim for reasonable management, and that acquisition of the control of the Company by the Large Purchaser will cause irrecoverable damage to the Company;
- (vii) When the Company judges that the method of purchase of the Company's shares proposed by the Large Purchaser is likely to restrict the shareholders' opportunity or freedom to make decisions, and virtually forces the shareholders to sell the shares of the Company, including when any high-handed two-tiered purchase (this refers to the purchase of shares, such as tender offer bid, which is conducted by not soliciting the purchase of all of the shares at the time of first purchase, and setting the purchase conditions of the second tier to be less advantageous than the purchase conditions of the first tier or not specifying the purchase conditions of the second tier; provided, however, that this does not mean that all purchases by means of partial tender offer bid shall automatically be deemed to fall under this case.)

- (3) In taking the Countermeasures in accordance with (1) or (2) above, the Board of the Directors of the Company shall reach a unanimous decision. In addition, the Board of Directors of the Company shall follow the recommendations by the Special Committee as described in Section 5 below.
- (4) When determining whether or not to take the Countermeasures in accordance with (1) or (2) above, the Board of Directors of the Company shall disclose information regarding the details of such decision and reason therefor, the outline of the recommendations by the Special Committee and reason therefor, and any other matters deemed appropriate by the Board of Directors.

5. Establishment of the Special Committee – Procedure to secure the fairness of the Countermeasures

(1) Establishment of the Special Committee

To appropriately operate the Large Purchase Rules and secure the reasonableness and fairness of the judgment of the Board of Directors of the Company, the Company will establish the Special Committee as a body independent of the Board of Directors of the Company. The Special Committee shall consist of three (3) to five (5) members who are elected from outside directors of the Company, outside corporate auditors of the Company, attorneys, tax accountants, certified public accountants, persons with academic backgrounds, persons specializing in investment banking, outside persons with experience in serving as director or executive officer, or other persons. Initially, there shall be three (3) members of the Special Committee, and the names and brief personal profiles of them are described in the “Brief Personal Profile of the Members of Special Committee” in Exhibit 1.

(2) Role of the Special Committee

The role of the Special Committee shall be as follows.

- (i) The Board of Directors shall, prior to the implementation of the Countermeasures, consult the Special Committee about the need to implement the Countermeasures, and, in accordance with such consultation, the Special Committee shall make recommendations as to the need to implement the Countermeasures to the Board of Directors of the Company at least seven (7) days prior to the last day of the Board of Directors’ Assessment Period. The Special Committee shall make recommendations to the Board of Directors as to whether the relevant Large Purchase falls under any of Items (i) through (vii) of Section 4 (2) above, and whether it is reasonable to allocate stock acquisition rights free of charge as Countermeasures against the Large Purchase. The Board of Directors of the Company shall follow the recommendations of the Special Committee as to whether or not to implement the Countermeasures; provided, however, that if the Board of Directors of the Company judges that there is some material inconsistency in the recognition of the facts upon which the judgment of the Special Committee is based, or the basis of the judgment of the Special Committee is unreasonable, the Board of Directors may ask the Special Committee to

reconsider only once.

- (ii) The Board of Directors of the Company shall seek the Special Committee's advice in determining whether or not the information provided by the Large Purchaser in accordance with Section 3 (2) above is sufficient.

6. Rationality of the Policy

(1) Satisfaction of requirements of Guidelines for Defense against Acquisition

The Policy satisfies three principles (principle of securing and improvement of corporate value and shareholders' common interest, principle of prior disclosure and shareholders' will, and principle of necessity and rationality) set forth in the "Guidelines for Defense against Acquisition for Securing or Improvement of Corporate Value and Common Interest of Shareholders" announced on May 27, 2005 by the Ministry of Economy, Trade and Industry and the Ministry of Justice.

(2) Introduction for the purpose of securing and improving the shareholders' common interest

As mentioned above, the Policy shall be introduced for the purpose of securing and improving the corporate value and therefore the shareholders' common interest, by securing the information and time necessary for the shareholders to determine whether the relevant Large Purchase is appropriate or not in the event of the Large Purchase of the shares of the Company and by enabling the Board of Directors to negotiate for the shareholders.

(3) Respect for the shareholders' will

The Company decided to introduce the Policy on condition that the approval of the shareholders is obtained at this Ordinary General Meeting of Shareholders regarding the introduction of the Policy. In addition, while the effective term of the Policy is set to expire at the close of the Ordinary General Meeting of Shareholders of the Company in 2009. If prior to such expiration date the Policy is resolved to be abolished at the General Meeting of Shareholders of the Company, the Policy shall be abolished at that time to reflect the shareholders' intention.

(4) Respect for the judgment of highly independent outside person

In introducing the Policy, the Company shall establish the Special Committee as a body to eliminate any arbitrary implementation of the Countermeasures by the Board of Directors and objectively make a substantial judgment on operation of the Response Policy for the benefit of shareholders.

Upon introduction of the Policy, the Special Committee shall consist of outside intellectuals (please refer to Exhibit 2 regarding the criteria for electing the members of the Special Committee).

If the Large Purchase is actually made against the Company, the Special Committee shall determine whether or not such purchase significantly damages the corporate value and common interest of the shareholders of the Company and other matters in accordance with the Special Committee Regulations, and the Board of Directors of the Company shall follow the recommendations of the Special Committee; provided, however, that if the Board of Directors of the Company judges that there is any material inconsistency in the recognition of the facts

upon which the judgment of the Special Committee is based, or the basis of the judgment of the Special Committee is unreasonable, the Board of Directors may ask the Special Committee to reconsider only once. The information regarding the outline of the recommendations of the Special Committee and reason for the determination or other information shall be disclosed to the shareholders from time to time.

As mentioned above, a system is designed to ensure the Policy is operated within the extent of contributing to the corporate value and common interest of the shareholders of the Company, under strict supervision by the highly independent Special Committee to prevent any arbitrary implementation of the Countermeasures by the Board of Directors.

(5) Establishment of reasonable and objective requirements

In the Policy, as mentioned above, the Countermeasures against the Large Purchase are designed to be implemented only if reasonable, detailed and objective requirements are met, and it can be said that a system is designed to ensure the arbitrary implementation of the Countermeasures by the Board of Directors can be prevented.

(6) Receipt of third party experts' opinion

If a Large Purchaser appears, the Special Committee can consult with an independent third party (including experts such as financial advisors, certified public accountants, attorneys and consultants) at the expense of the Company. This ensures the fairness and objectivity of the Special Committee's judgment.

(7) No dead hand defense against acquisition

As described above, the Policy can be abolished at the General Meeting of Shareholders of the Company, thus, it is not the so-called dead hand defense against acquisition (defense against acquisition which cannot be prevented from being implemented even if the majority of members of the Board of Directors are replaced).

7. Impact on Shareholders and Investors and Other Matters

(1) Impact on shareholders and investors upon introduction of the Policy

At the time of the introduction of the Policy, no free-of-charge allocation of stock acquisition rights is made. Therefore, there is no direct and specific impact on the rights or economic interest of the shareholders and investors.

(2) Impact on shareholders and investors upon implementation of the Policy

The Board of Directors of the Company may take the above Countermeasures to protect the common interest of the shareholders of the Company and the corporate value of the Company, but if the Board of Directors of the Company decides to take the Countermeasures, the Company shall make appropriate disclosure in accordance with applicable laws, regulations, securities exchange rules and other rules from time to time.

The Company does not expect to have a situation where the shareholders, other than those mentioned in Section 4 (1) (vii) including the Large Purchaser, suffer any particular loss in regards to their legal rights or financial standing upon implementation of the Countermeasures; provided, however, the Large Purchaser or others who violate the Large Purchase Rules may be disadvantaged in the aspect of legal rights or financial standing as a result of the Countermeasures. The Policy is published to point out to the Large Purchaser in advance that it will not violate the Large Purchase Rules, and to encourage the Large Purchaser to comply with the Large Purchase Rules.

(3) Procedures to be taken by the shareholders upon implementation of the Policy

If the Board of Directors of the Company decides to implement the Countermeasures and the stock acquisition rights are to be allocated, those shareholders who have not completed the registration of transfer must complete the registration of transfer prior to the allocation date, separately determined and publicly announced by the Board of Directors of the Company. Further, when exercising stock acquisition rights, the shareholders must pay a certain amount within the predetermined period to acquire new shares. The details of these procedures shall be otherwise notified to the shareholders when these procedures actually need to be taken, in accordance with applicable laws, regulations, and securities exchange rules.

8. Establishment, Effective Term, Continuance and Change of the Policy

- (1) The Policy was determined at the meeting of the Board of Directors of the Company held on May 9, 2006, with the approval of all of the directors. All of the corporate auditors of the Company, including two (2) outside corporate auditors, were present at such meeting of the Board of Directors, and all the corporate auditors expressed their consent to the Policy on condition that the actual operation of the Policy would be properly conducted.
- (2) The Policy becomes effective when the Policy is approved by a majority of the shareholders present at this Ordinary General Meeting of Shareholders. If approved by the shareholders at this Ordinary General Meeting of Shareholders, the Policy shall be effective until the close of the Ordinary General Meeting of Shareholders scheduled to be held in June 2009, when the conversion of business structure described in Section 2 is expected to be accomplished for the time being; provided, however, that if prior to such expiration date the Policy is resolved to be abolished at the General Meeting of Shareholders of the Company, the Policy shall be abolished at that time.
- (3) The Company changed the Articles of Incorporation in 2003 to set the term of office of all of the directors to one (1) year, and the term of office of all directors expire at the close of the Ordinary General Meeting of Shareholders, which is held in June each year. Even within the effective term of the Policy, the Board of Directors of the Company intends to review the Policy, as necessary, by taking into consideration any revisions to related laws and regulations, trends of legal judgments, responses of the securities exchange and other public organizations, and other matters from the perspective of maintenance and improvement of the common interest of the shareholders of the

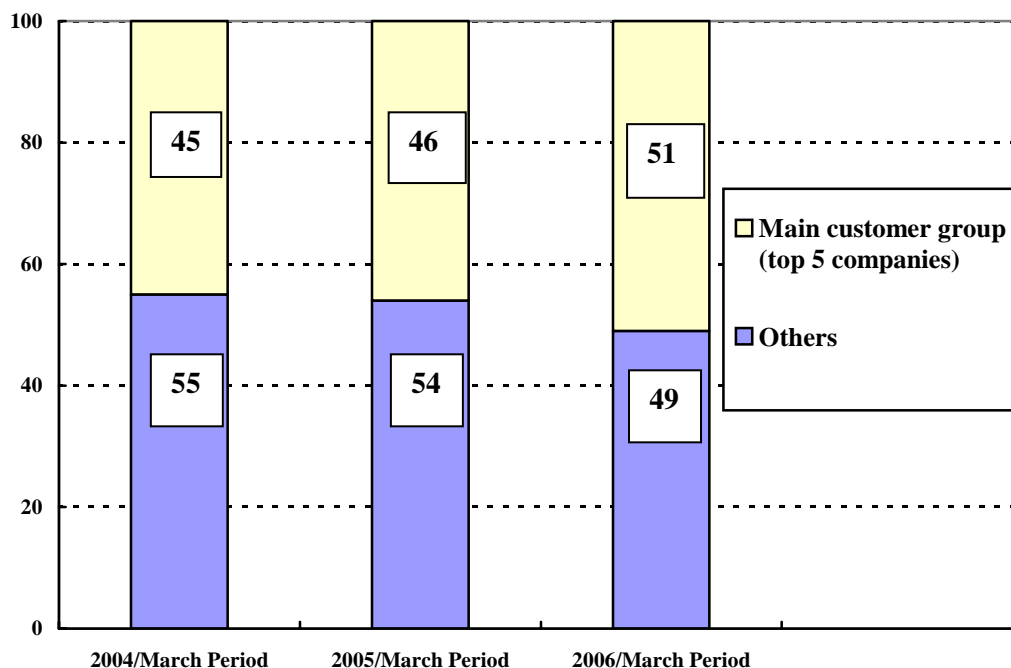
Company and corporate value of the Company. The Board of Directors will also seek the shareholders' judgment on the review.

(Note 1) "Specific shareholders group" means a holder (this term refers to a holder as set forth in Article 27-23, Paragraph 1 of the Securities Exchange Law, including a person deemed as a holder under Article 27-23, Paragraph 3.) and its joint holder (this term refers to a joint holder in Article 27-23, Paragraph 5 of the Securities Exchange Law, including a person deemed as joint holder under Article 27-23, Paragraph 6) of the shares and other securities (this term refers to shares and other securities set forth in Article 27-23, Paragraph 1 of the Securities Exchange Law) of the Company, or it refers to a person who makes a purchase (this term refers to a purchase, transfer and similar method set forth in Article 27-2, Paragraph 1 of the Securities Exchange Law, including a purchase made in the securities exchange market) of the shares and other securities (as defined in Article 27-2, Paragraph 1 of the Securities Exchange Law) of the Company and its specially related person (this term refers to a specially related person set forth in Article 27-2, Paragraph 7 of the Securities Exchange Law).

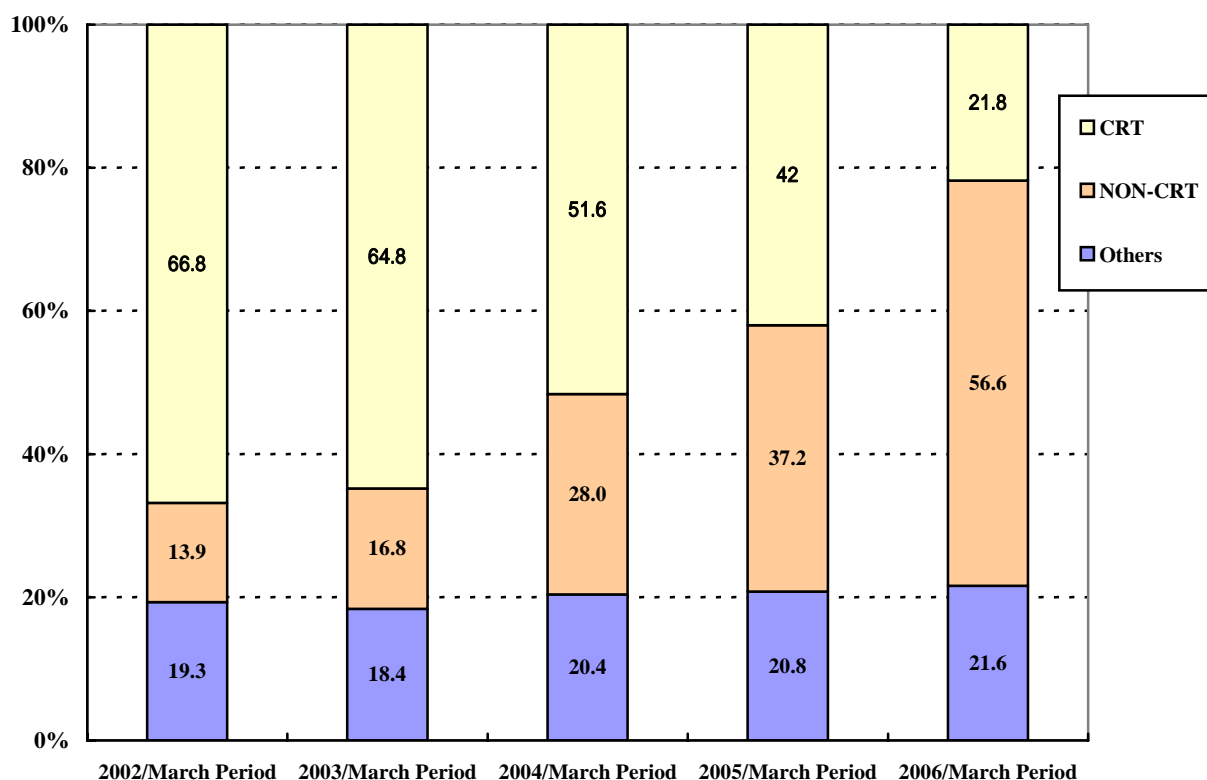
(Note 2) "Voting right ratio" means the share holding ratio (this term refers to a share holding ratio set forth in Article 27-23, Paragraph 4 of the Securities Exchange Law), to be determined as follows in accordance with the concrete method of purchase used by a specific shareholders group; (i) if the specific shareholder group is a holder or its joint holder of the shares and other securities (as defined in Article 27-23, Paragraph 1 of the Securities Exchange Law) of the Company, the number of shares and other securities (as defined in Article 27-23, Paragraph 4) held by a joint holder of such holder shall be counted in the calculation, or (ii) if the specific shareholder group is the Large Purchaser or its specially related person regarding the shares and other securities (as defined in Article 27-2, Paragraph 1 of the Securities Exchange Law) of the Company, the total share holding ratio (as defined in Article 27-2, Paragraph 8 of the Securities Exchange Law) of such Large Purchaser and specially related person. In calculating each share holding ratio, any of the securities reports, semi annual reports or reports on the condition of treasury stock purchases, which has been submitted recently, may be referred to with respect to the total number of voting rights (this term refers to a total number of voting rights set forth in Article 27-2, Paragraph 8 of the Securities Exchange Law), and total number of outstanding shares (this term refers to a total number of outstanding shares set forth in Article 27-23, Paragraph 4 of the Securities Exchange Law).

(Note 3) "Shares and other securities" means shares and other securities set forth in Article 27-23, Paragraph 1 of the Securities Exchange Law.

(Note 4) Ratio of the sales to main customer group in the consolidated sales



(Note 5) Consolidated sales composition



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Conversion of business structure

[Exhibit 1]

Brief Personal Profile of Members of the Special Committee

Takuro Takeuchi

- Apr. 1984: Registered as an Attorney
Joined Nagashima & Ohno Law Office (currently, Nagashima Ohno & Tsunematsu Law Office)
- Oct. 1993: Established Tokuda & Takeuchi Law Office
- May 2001: Established Takeuchi Law Office (present)
- June 2003: Outside Corporate Auditor of the Company (incumbent)

Yasushi Gorokawa

- Apr. 1961: Joined Peat Marwick Mitchell Japan (current KPMG Azsa & Co.)
- Apr. 1965: Registered as a Certified Public Accountant
- Sep. 1985: Representative Partner, Minato Auditing Firm
- Feb. 2003: Representative Partner, KPMG Azsa & Co.
- Aug. 2003: Left KPMG Azsa & Co.
Representative, Yasushi Gorokawa Office (incumbent)
- Apr. 2006: Member of the Osaka-City Fair Duty Review Committee (incumbent)

Keijiro Kimura

- Apr. 1987: Registered as an Attorney
Joined Showa Law Office
- Jan. 1994: Registered as a member of the New York State Bar Association
- May 1998: Established Kyoei Law Office (present)
- Apr. 2004: Professor, Kwansai Gakuin University Law School (incumbent)

[Exhibit 2]

Special Committee Regulations (Outline)

1. Establishment of Special Committee and Election and Removal of Members
 - (i) The Company establishes the Special Committee by a resolution of the Board of Directors.
 - (ii) The Special Committee consists of three (3) to five (5) members.
 - (iii) The members of the Special Committee shall be elected from the outside directors of the Company, outside corporate auditors of the Company, attorneys, tax accountants, certified public accountants, persons with academic backgrounds, persons specializing in investment banking or outside persons who have experience serving as directors or executive officers, who satisfy all of the criteria described at the end of this Exhibit.
 - (iv) The members of the Special Committee shall be elected and dismissed by resolution of the Board of Directors; provided, however, that the resolution of dismissal shall be adopted by the affirmative approval of not less than two-thirds (2/3) of the directors present.

2. Term of Office of the Special Committee Members

The term of office of Special Committee members shall commence from the date of election and end at the close of the Ordinary General Meeting of Shareholders of the Company that is held immediately after the election, unless otherwise provided by a resolution of the Board of Directors.

3. Remuneration of the Special Committee Members

- (i) The amount of remuneration of Special Committee members and the time of payment thereof shall be determined by the Board of Directors with the consent of all of the Special Committee members and corporate auditors.
- (ii) If a Special Committee member pays the actual cost of travel expenses or other expenses for the performance of its duties, the Company shall reimburse such actual cost to the Special Committee member at the request of the Special Committee member.

4. Resolution Requirements

Resolutions of the Special Committee shall be adopted by a majority of Special Committee members.

TRANSLATION FOR REFERENCE ONLY

5. Recommendations to the Board of Directors

The Special Committee shall make recommendations to the Board of Directors whether or not the Large Purchase significantly damages the corporate value and common interest of the shareholders of the Company, and whether or not the implementation of the Countermeasures against such Large Purchase is reasonable.

The Special Committee members, in making such recommendations, shall be required to judge from the perspective of whether or not the Large Purchase contributes to the corporate value and common interest of the shareholders of the Company, and shall not act in the personal interest of them or the Directors of the Company.

6. Third Party Advice

The Special Committee may consult with independent third parties (including experts such as financial advisors, certified public accountants, attorneys and consultants), for which the Company shall bear the expense, as necessary.

[Election Criteria of Members]

The members shall be elected from among those people that satisfy all of the following criteria.

- (i) The person in question is not, or was not, a director or employee conducting the business of the Company or an affiliate of the Company (Note 1), and the person in question is not a spouse or relative within the third degree of relationship of such director or employee.
- (ii) If the person in question or a spouse or relative within the third degree of relationship of the person in question is a director or employee of a company other than the Company, with respect to one of the recent two fiscal years, the total amount paid by the Company to such other company in consideration of goods or services or the total amount paid by such other company to the Company in consideration of goods or services does not exceed one hundred million (100,000,000) yen or 2% of the consolidated sales of such other company, whichever is higher.
- (iii) The person in question is not, or was not in the past two (2) years, a legal advisor of the Company or a subsidiary of the Company, partner of the law firm to which the advisor belongs, and the person in question is not a spouse or relative within the third degree of relationship of such advisor.
- (iv) The person in question is not, or was not in the past two (2) years, a representative partner or partner of, or accountant belonging to, an auditing firm that audited the accounts of the Company or a subsidiary of the Company, and the person in question is not a spouse or relative within the third degree of relationship of such representative partner, partner or accountant.

TRANSLATION FOR REFERENCE ONLY

- (v) The person in question is not, or was not in the past two (2) years, an advisor or outside advisor (including a partner thereof if such outside advisor is a corporation or partnership) of the Company or a subsidiary of the Company, and the person in question is not a spouse or relative within the third degree of relationship of such advisor or outside advisor.
 - (vi) The person in question is not, or was not in the past two (2) years, a director, executive officer or employee of the company with a committee-based corporate governance structure, the position of member of whose nomination committee or remuneration committee is concurrently assumed by the representative director of the Company, and the person in question is not a spouse or relative within the third degree of relationship of such director, executive officer or employee.
 - (vii) The person in question does not receive, or has not received in the past two (2) years, remuneration (other than the director's remuneration and corporate auditor's remuneration) in excess of five million (5,000,000) yen a year from the Company regardless of its name, and the person in question is not a spouse or relative within the third degree of relationship of such receiving person.
- (Note 1) Affiliate means an affiliate set forth in Article 2, Paragraph 3, Item 23 of the Corporation Computation Regulation.