



Murata Manufacturing Co., Ltd.

CONVOCATION NOTICE

FOR

THE 69TH

ORDINARY GENERAL MEETING OF SHAREHOLDERS

TO BE HELD ON

JUNE 29, 2005

NOTE

1. THIS DOCUMENT IS A TRANSLATION OF THE OFFICIAL JAPANESE CONVOCATION NOTICE FOR THE 69TH ORDINARY GENERAL MEETING OF REGISTERED SHAREHOLDERS.
2. THIS TRANSLATION IS PROVIDED ONLY AS A REFERENCE TO ASSIST SHAREHOLDERS IN THEIR VOTING AND DOES NOT CONSTITUTE AN OFFICIAL DOCUMENT.
3. IN THE EVENT OF ANY DISCREPANCY BETWEEN THIS TRANSLATED DOCUMENT AND THE JAPANESE ORIGINAL, THE ORIGINAL SHALL PREVAIL.

CONVOCAATION NOTICE FOR
THE 69TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

June 2, 2005

Yasutaka Murata
President
Statutory Representative Director
Member of the Board of Directors

MURATA MANUFACTURING CO., LTD.
10-1, Higashikotari 1-chome,
Nagaokakyo-shi, Kyoto, Japan
(Securities Identification code: 6981)

Dear Shareholders:

Notice is hereby given that the 69th Ordinary General Meeting of Shareholders will be held as detailed below, and your attendance is cordially requested.

In the event that you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet (<http://www.it-soukai.com>). To do so, we ask that you first examine the reference materials later in this translation, then exercise your voting rights.

1. Date and time: June 29, 2005 (Wednesday) 10:00 a.m.
2. Location: 10-1, Higashikotari 1-chome, Nagaokakyo-shi, Kyoto, Japan
The Hall on the second floor of the Head Office

Please note the address carefully. This location is not the same as that of last year's meeting.

3. Agenda

- Reports
1. Report of the business report, the balance sheet and the statement of income for the 69th fiscal term (From April 1, 2004 to March 31, 2005), and the Report on the board of directors decision to purchase the Company's own shares based on their authority in the Articles of Incorporation
 2. Report of the consolidated balance sheet and consolidated statement of income for the 69th fiscal term (From April 1, 2004 to March 31, 2005), along with audit reports prepared by the Independent Accountants and the Board of Statutory Auditors on the consolidated balance sheet and consolidated statement of income

Proposals

- No. 1 Approval of the Proposed Appropriation of Unappropriated Retained Earnings for the 69th Fiscal Term
- No. 2 Partial Amendment to the Articles of Incorporation
The main points of the amendment are described in the "Reference Materials Concerning the Exercise of Voting Rights" (pages 30-31) later in this translation.
- No. 3 Election of six (6) Members of the Board of Directors
- No. 4 Election of one (1) Statutory Auditor
- No. 5 Revision of the fixed amount of compensation to the members of the Board of Directors
- No. 6 Issuance of share acquisition rights as stock options
The main points of the proposal are described in the "Reference Materials Concerning the Exercise of Voting Rights" (pages 37-38) later in this translation.

Attendees are kindly requested to submit the enclosed ballot, completed, at the reception desk at the entrance to the meeting hall.

Business Report

(April 1, 2004 to March 31, 2005)

1. General Business Review

1) Performance and Achievements of the Group

(1) Overall General Condition

During the period under review, the global electronics market this year was marked by robust sales of mobile phones and digital audio/video equipment, but then pulled back in the second half, keeping on adjustments due to the reaction against the Olympic-fueled demand in the first half and ongoing declination in equipment prices. Therefore demand for electronic components was sluggish growth.

Looking at the market environment segmented by application, in the telecommunications equipment market, in the key mobile phone segment, new subscribers increased in developing markets such as China, India, and Russia. At the same time mobile phones in the advanced countries continued to be sophisticated. In the computers and peripheral equipment market, equipment production volumes were steady, boosted by increased replacement demand from corporations thanks to the recovery in corporate earnings. In the audio/video equipment market, digital audio/video equipment such as large-screen, flat-panel televisions using plasma display panels (PDPs) and LCDs and DVD recorders performed well, fueled by the special demand due to the Athens Olympics, but equipment prices continued their decline largely. The car electronics market performed well, as more electronics found their way into automobiles in the advanced countries.

The Murata Group responded to this market environment by expanding production capacity in Japan and China to deal with changes in demand, while focusing on improving customer service by strengthening its marketing network in the East Asia region where growth keeps on. Although product prices continued to decline, the Company also focused on improving profitability and strengthening its corporate infrastructure by promoting cost reduction activities such as productivity improvements, while pushing forward with the commercialization of new, high value-added products which are smaller, offer more features, or combine existing product functionality.

(2) Murata Group Results

The Group results for the period under review are as follows.

[Net Sales]

Sales increased 2.5% year-on-year to ¥424,468 million.

Among the above, product sales of electronic components and peripheral product, the main business, reached ¥423,014 million.

By region, in comparison with the previous period sales in Asia (primarily China and South Korea) were up, but sales in Japan and the U.S. declined.

Product sales to Asia/Other grew 15.0% year-on-year to ¥186,866 million, mainly due to strong growth in sales of telecommunications equipment and computers and peripheral equipment to China, and telecommunications equipment to Korea. Sales in Europe grew 3.4% year-on-year to ¥64,429 million, due to growth in car electronics. In Japan, on the other hand, sales declined 10.2% year-on-year to ¥132,920 million, pulled down by a steep decline in telecommunications equipment, although audio/video equipment was up. The Americas saw a decline in sales by 3.2% year-on-year to ¥38,799 million, due to declining audio/video equipment sales.

[Operating income]

Operating income declined 6.3% year-on-year to ¥69,515 million.

Operating income would have shown an increase at 11.2% year-on-year if adjusted for the previous year's ¥11,693 million gain related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government.

Operating margins this year increased 1.3 points year-on-year (except a gain related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government) to 16.4%, as the positive effects of higher revenue, ongoing new product introductions, and initiatives to reduce cost of goods sold through cost cutting activities outweighed the continuing steep price declines and the negative effects of a the strength of the yen against the dollar, up ¥5.52 compared to the previous year.

[Income before Income Taxes]

Income before income taxes declined 7.3% year-on-year to ¥72,905 million.

Adjusted for the effects of the previous year's gain related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government, Income before income taxes would have increased 8.8% year-on-year.

[Net income]

Net income declined 4.0% year-on-year to ¥46,578 million.

Adjusted for the effects of the previous year's gain related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government, net income would have increased 12.0% over the year-earlier period.

The corporate tax rate declined 2.2 points from the year-earlier level to 36.1%.

(3) Summary of Sales by Product Category

Sales by product category are summarized as below.

Until last year [Resistors] had been broken out as a separate segment, but as of this year they have been included in the [Other Products] category reflecting their low monetary significance.

[Capacitors]

This product category includes monolithic ceramic capacitors, ceramic disc capacitors and trimmer capacitors.

For the period under review, sales of chip monolithic ceramic capacitors, the main product in this category, exceeded prior-year levels, as high-capacity products grew sharply based on demand for audio/video equipment, telecommunications equipment and computers and peripheral equipment. Small-sized products also enjoyed brisk sales for use in telecommunications equipment.

As a result, overall sales increased 7.8% year-on-year to ¥155,489 million.

[Piezoelectric Components]

This product category includes ceramic filters, ceramic resonators, surface acoustic wave filters and piezoelectric buzzers.

For the period under review, sales of ceramic filters declined from year-earlier levels, on weak demand for use in audio/video equipment and telecommunications equipment. Ceramic resonators' sales for use in car electronics grew, but were down overall compared to year-earlier levels due to sluggish demand for products with lead terminals. Sales of surface acoustic wave filters declined from year-earlier levels due to a fall in domestic sales for use in telecommunications equipment.

As a result, overall sales declined 5.8% year-on-year to ¥70,576 million.

[Microwave Devices]

This product category includes multilayer ceramic devices, dielectric filters, isolators and connectors.

For the period under review, within the multilayer ceramic device product line, sales to Europe and East Asia of module products for use in telecommunications equipment experienced brisk growth. Sales of Bluetooth^{®*} modules exceeded prior-year levels, selling strongly for use in mobile phones. In addition, sales of dielectric filters and isolators exceeded prior-year levels, buoyed by strong demand for use in telecommunications equipment.

As a result, overall sales increased 4.3% year-on-year to ¥65,646 million.

[Module Products]

This product category includes circuit modules and various types of power supplies.

For the period under review, sales of power supplies grew briskly, primarily for use in audio/video equipment such as LCD televisions as well as telecommunications equipment. In the circuit module product line, on the other hand, sales of wireless modules and VCOs (voltage controll oscillators) for use in telecommunications equipment fared poorly, while sales of other submodules for use in telecommunications equipment dropped steeply.

As a result, overall sales declined 10.5% year-on-year to ¥53,838 million.

[Other Products]

This product category includes EMI suppression filters and various types of coils, sensors and resistors.

For the period under review, sales of EMI suppression filters for use in telecommunications equipment and car electronics increased, while sales of chip coils for use in computers and peripheral equipment and car electronics also grew. Sales of sensors exceeded prior-year levels, growth coming from audio/video equipment. In addition, sales of resistors exceeded prior-year levels, with growth in thermistors primarily on chip-type products.

As a result, overall sales increased 9.6% year-on-year to ¥77,465 million.

**Bluetooth is a registered trademark of Bluetooth SIG, Inc. USA.*

Order Receipts and Sales by Product Category

Term Category	69th Term (April 1, 2004 – March 31, 2005)			
	Order Receipts	Sales		
Product	Amount (¥ million)	Amount (¥ million)	Share of subtotal (%)	Year-on-year comparison (%)
Capacitors	151,647	155,489	36.8	107.8
Piezoelectric Components	69,003	70,576	16.7	94.2
Microwave Devices	65,362	65,646	15.5	104.3
Module Products	53,119	53,838	12.7	89.5
Other Products	75,937	77,465	18.3	109.6
Total	415,068	423,014	100.0	102.5

2) Issues Facing the Group

There are numerous segments in the global electronics equipment market expected to exhibit continued growth, driven by the inclusion of the rapid progress of more sophisticated features in mobile phones and personal computers, the spread of third-generation mobile phone service, the expansion of short-distance wireless communication systems such as wireless LAN and Bluetooth^{®*}, the digitalization of audio/video equipment, and the increasing amount of electronics in automobiles. Therefore it is forecast that these segments will drive steady expansion of the demand for electronic components.

Murata Group will promote the innovation and integration of core technologies, such as material, process, design and production technologies for these markets, strengthen its marketing functions and effectively deploy its medium- and long-term strategies for markets, products and technologies to create new products that anticipate customer needs. Murata Group is also breathing new life into the creation of new businesses and new products by reorganizing our business promotion, technology development, and sales promotion functions, while strengthening our production capabilities by establishing a new organization which integrates purchase, production and sales systems, and manufacturing technology. Murata Group will ensure its ability to grow by effectively utilizing external resources, while intensifying its activities in new markets.

In terms of the corporate social responsibility area, taking into account the impact business activities has on the environment Murata Group will accelerate our contribution to the prevention of global warming by increasing the deployment of cogeneration systems, and along with continuing zero-emissions policy and aggressively reducing the generation of waste products. We are also promoting a company-wide initiative for legal and ethical compliance through the Compliance Promotion Committee, as well as engaging in improving and evaluating our internal control through the Internal Control Committee to ensure the efficacy of the Murata Group's internal control systems.

In the interests of improving capital efficiency, Murata is carrying out the acquisition of company's own shares, during the period under review we engaged in a buyback of 4,925,000 shares, valued at ¥27,138 million. Murata also retired 9,000,000 repurchased shares in the period under review, after retiring 10,000,000 in the previous term, following the policy of retiring such repurchased company shares.

Murata completed construction of a new head office in September 2004. Bringing together central management functions in the new head office makes it easier to gather and share information and speed up management decision-making.

**Bluetooth is a registered trademark of Bluetooth SIG, Inc. USA.*

3) Group Investment in Plant and Equipment

During the period under review the Group made capital investments totaling ¥48,033 million, exclusive of consumption tax.

This breaks down to ¥27,789 million to upgrade and rationalize production facilities, ¥10,119 million in acquisition of land and buildings, and ¥4,622 million to upgrade research and development facilities.

There were no major abandonment or sale that would have a noteworthy impact on production capacity.

4) Operating Result and Financial Position for the Company and the Group

(1) Operating Results and Financial Position of the Group

Term	66th term From: April 1, 2001 To: March 31, 2002	67th term From: April 1, 2002 To: March 31, 2003	68th term From: April 1, 2003 To: March 31, 2004	69th term From: April 1, 2004 To: March 31, 2005			
Category	Amount (¥ million)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)
Item	Amount (¥ million)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)
Net sales	394,775	394,955	100.0	414,247	104.9	424,468	102.5
Income before income taxes and cumulative effect of change in accounting principle	52,408	59,094	112.8	78,685	133.2	72,905	92.7
Net Income	34,999	39,467	112.8	48,540	123.0	46,578	96.0
Total Assets	839,372	834,313	99.4	844,115	101.2	850,748	100.8
Shareholders' Equity	726,236	692,090	95.3	700,937	101.3	712,309	101.6
Basic Earnings per Share (yen)	143.91	163.47	—	208.46	—	204.99	—
Shareholders' Equity Ratio	86.5%	83.0%	—	83.0%	—	83.7%	—

Notes:

1. The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States.
2. Income before income taxes and cumulative effect of change in accounting principle for the 68th term includes ¥11,693 million related to the gain related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government.
3. Basic Earnings per Share is computed based on Statement of Financial Accounting Standards ("SFAS") No.128, "Earnings per Share."
4. Figures shown in millions of yen are rounded off to the nearest million.

(2) Operating Result and Financial Position for the Company

Term	66th term From: April 1, 2001 To: March 31, 2002	67th term From: April 1, 2002 To: March 31, 2003	68th term From: April 1, 2003 To: March 31, 2004	69th term From: April 1, 2004 To: March 31, 2005			
Category	Amount (¥ million)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)
Item	Amount (¥ million)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)
Net Sales	298,522	313,392	105.0	343,374	109.6	358,919	104.5
Income before Income Taxes and Extraordinary Items	18,944	25,664	135.5	42,396	165.2	41,662	98.3
Net Income	22,938	20,083	87.6	36,756	183.0	30,361	82.6
Total Assets	493,698	473,622	95.9	467,876	98.8	466,521	99.7
Shareholders' Equity	443,744	403,293	90.9	399,387	99.0	391,017	97.9
Net Earnings per Share (yen)	94.32	82.77	—	157.38	—	133.13	—
Shareholders' Equity Ratio	89.9%	85.2%	—	85.4%	—	83.8%	—

Notes:

1. In the 68th term, income before income taxes and extraordinary items and net income increased dramatically due to an increase in dividends received and the recording of the gain related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government.
2. From the 67th term, net earnings per share were calculated based on "Accounting Standards for Net Earnings Per Share" (Corporate Accounting Standards No. 2).
3. Figures shown in millions of yen are rounded down to the nearest million.

2. Corporate Profile (as of March 31, 2005 unless otherwise specified)

1) Principal Businesses of the Group

The Murata Group produces and markets mainly ceramic electronic components, including capacitors, piezoelectric components, microwave devices and module products, and performs vertically integrated production ranging from inorganic and organic chemical materials to ceramic and electronic components. The Company also develops its own materials, production methods and production equipment to create highly original products that incorporate its broad expertise. The Company sells its products to manufacturers of a wide range of electronic devices, including video and audio equipment, telecommunications equipment and information- and computer-related equipment, car electronics and consumer electronic appliances.

2) Shares

- a) Number of authorized shares: 581,000,000 (1 unit = 100 shares)
 b) Number of issued shares: 225,263,592
 c) Number of shareholders: 85,859

Note: The retirement of 9,000,000 shares of the Company's own stock by March 31, 2005, reduced the number of authorized shares and the number of issued shares by 9,000,000 shares each.

3) Major Shareholders:

Name of Shareholder	Company's shares held by the shareholder		Shareholders' shares held by the Company	
	Number of shares	Share of voting rights	Number of shares	Shareholding rate
	(thousands)	(%)	(thousands)	(%)
The Chase Manhattan Bank N.A., London	15,761	7.0	—	—
Japan Trustee Services Bank, Ltd. (trust account)	10,682	4.8	—	—
The Master Trust Bank of Japan, Ltd. (trust account)	10,401	4.6	—	—
Nippon Life Insurance Company	9,685	4.3	—	—
State Street Bank and Trust Company	7,226	3.2	—	—
State Street Bank and Trust Company 505103	6,055	2.7	—	—
Meiji Yasuda Life Insurance Company	5,610	2.5	—	—
The Bank of Kyoto, Ltd.	5,260	2.3	1,536	0.5
The Shiga Bank, Ltd.	4,551	2.0	1,965	0.7
Mizuho Corporate Bank, Ltd.	3,997	1.8	—	—
Total	79,232	35.3		

Note: The Company has no financial interest in Mizuho Corporate Bank, Ltd., but owns 2,009 common shares with voting rights of its parent company, Mizuho Financial Group, Inc.

4) Acquisition, Disposal and Holdings of Treasury Stock

(1) Shares Acquired

Common shares 4,930,766 Shares
 Total acquisition value ¥27,172 million

Of which purchased subsequent to the 68th Ordinary General Meeting of Shareholders under a resolution of the Board of Directors as authorized by the Articles of Incorporation

Reason purchase was necessary

To provide management with flexibility to respond to changes in business environment

Common shares 4,452,500 Shares
 Total acquisition value ¥24,001 million

(2) Shares Disposed of

None

(3) Shares Retired in Invalidation Procedure

Common shares 9,000,000 Shares

(4) Shares Held at the End of the Period

Common shares 547,987 Shares

Note: Following the close of the reporting year, between April 1, 2005 and April 21, 2005, a total of 604,900 shares with a total value of ¥3,399 million were purchased under a resolution of the Board of Directors as authorized by the Articles of Incorporation.

5) Status of Share Acquisition Rights

(1) Share Acquisition Rights Currently Issued

Date of approval issue	June 27, 2002	June 27, 2003	June 29, 2004
Number of share acquisition rights	727	701	715
Class of shares subject to the share acquisition rights	Common Stock	Common Stock	Common Stock
Number of shares subject to the share acquisition rights	72,700	70,100	71,500
Issue price of share acquisition rights	No charge	No charge	No charge

(2) Share Acquisition Rights Issued with Advantageous Terms to Individuals Other than Shareholders during the Period

1. Details of share acquisition rights issued

Date of approval issue	June 29, 2004				
Number of share acquisition rights	715				
Class of shares subject to the share acquisition rights	Common Stock				
Number of shares subject to the share acquisition rights	71,500				
Issue price of share acquisition rights	No charge				
Amount to be paid upon exercise of each share acquisition right	¥5,789				
Exercise period of share acquisition rights	August 1, 2006 – July 31, 2010				
Issue price of share and amount of recapitalization with exercise of the share acquisition rights	<table> <tr> <td>Issue price of share</td> <td>¥5,789</td> </tr> <tr> <td>Amount of recapitalization</td> <td>¥2,895</td> </tr> </table>	Issue price of share	¥5,789	Amount of recapitalization	¥2,895
Issue price of share	¥5,789				
Amount of recapitalization	¥2,895				
Exercise conditions of the share acquisition rights	<ol style="list-style-type: none"> 1. Holders of share acquisition rights (hereinafter "share acquisition right holders") may exercise their rights even after losing their position as a Member of the Board of Directors with the executive offices, Vice President or senior staff of the Company or as a Member of the Board of Directors with the executive offices or senior staff of a subsidiary of the Company. 2. In the event that a share acquisition right holder dies, such share acquisition right holder's heirs shall not be recognized. 3. Other exercise conditions of share acquisition rights shall be stipulated in the contract for allocation of third stock acquisition rights. 				
Reasons and conditions for retirement of the share acquisition rights	In the event that a share acquisition right holder does not fulfill the exercise conditions, or forfeits the share acquisition rights, his/her share acquisition rights will be retired without consideration.				
Content of advantageous terms for the share acquisition rights	Share acquisition rights are issued without charge to Members of the Board of Directors with the executive offices, Vice Presidents and senior staff of the Company, and to Members of the Board of Directors with the executive offices and senior staff of the Company's subsidiaries.				
Matters concerning the transfer of the share acquisition rights	Transfers of share acquisition rights require the approval of the Company's Board of Directors. However, because these share acquisition rights are issued as stock options, the contract for allocation of third stock acquisition rights stipulates that they may not be transferred.				

2. Names of share acquisition right holders other than the specified employees and others who received allocations of rights, and number of share acquisition rights granted

Title	Name	Number of share acquisition rights
President and Member of the Board of Directors	Yasutaka Murata	15
Executive Deputy Vice President and Member of the Board of Directors	Tsuneo Murata	14
Member of the Board of Directors	Shigekazu Wakamura	11
Member of the Board of Directors	Yoshitaka Fujita	10
Member of the Board of Directors	Ichiro Nozaki	9
Member of the Board of Directors	Seiichi Arai	9
Member of the Board of Directors	Yukio Sakabe	8
Member of the Board of Directors	Yohei Ishikawa	8
Member of the Board of Directors	Atsushi Inoue	8

3. Names of specified employees and others who received share acquisition rights, and number of share acquisition rights granted (top ten individuals)

Position	Name	Number of share acquisition rights
Vice President	Harufumi Mandai	8
Vice President	Kazuya Togawa	8
Vice President	Shinji Ushiro	8
Vice President	Hiroshi Jozuka	8
Vice President	Hideharu Ieki	8
Vice President	Hideo Sakamoto	8
Member of the Board of Directors of a Subsidiary of the Company	Hiroshi Izumitani	8
Member of the Board of Directors of a Subsidiary of the Company	Eiji Imamura	6
Employee of the Company	Susumu Fukuda	6
Employee of the Company	Michio Kadota	6

4. Share acquisition rights issued to specified employees and others

Category	Employees of the Company	Directors of Subsidiaries	Employees of Subsidiaries
Number of share acquisition rights	404	58	161
Class of shares subject to the share acquisition rights	Common Stock	Common Stock	Common Stock
Number of shares subject to the share acquisition rights	40,400	5,800	16,100
Total number of people granted share acquisition rights	106	11	52

- Notes: 1. Specified employees and others at the Company are employees of the Company and Members of the Board of Directors and employees of subsidiaries of the Company.
2. Titles, positions and names of share acquisition right holders and the number of share acquisition rights granted are stated as of the issuance date of the share acquisition rights (August 3, 2004).

6) Employees of the Group

(1) Employees of the Group

Japan	Americas	Europe	Asia	Total
17,717	358	337	7,512	25,924

Note: Temporary, part-time and contract employees (664), those on secondment to other companies (7) are excluded.

(2) Employees of the Company

Number of employees		Average age	Average years of service
At year-end	Increase/decrease from the previous period		
5,166	96	35.8	10.2

Note: Temporary, part-time and contract employees (75), those on secondment to subsidiaries (817) and Members of the Board of Directors who concurrently serve as Vice Presidents are excluded. Those on secondment from subsidiaries are included.

7) Status of Corporate Consolidation

(1) Principal subsidiaries

Name	Capital (¥ million)	Parent ownership (%)	Principal businesses
Fukui Murata Mfg. Co., Ltd.	300	100	Production of ceramic capacitors, microwave devices and EMI suppression filters
Izumo Murata Mfg. Co., Ltd.	430	100	Production of ceramic capacitors
Toyama Murata Mfg. Co., Ltd.	450	100	Production of piezoelectric components
Komatsu Murata Mfg. Co., Ltd.	300	100	Production of module products
Kanazawa Murata Mfg. Co., Ltd.	480	100	Production of microwave devices
Okayama Murata Mfg. Co., Ltd.	480	100	Production of ceramic capacitors and microwave devices
Murata Land and Building Co., Ltd.	2,000	100 (note)	Renting/leasing of real estate, and services related to administration, facilities maintenance, cleaning, insurance agency and fund management
Murata Electronics North America, Inc.	(thousands of U.S. dollars) 14,406	100	Sale of Murata and its subsidiaries' products
Murata Electronics Singapore (Pte.) Ltd.	(thousands of S. dollars) 4,000	100	Production and sale of ceramic capacitors; sale of Murata and its subsidiaries' products
Murata Company Limited	(thousands of H.K. dollars) 100	100	Sale of Murata and its subsidiaries' products

Note: Percentage includes indirect holdings.

(2) New subsidiaries and business consolidation

- On April 1, 2004 Murata Land and Building Co., Ltd. merged the fund management companies Murata Finance Co., Ltd., and Sakai Electronics Industries, Ltd. to increase fund management efficiency and reduce management costs.
- In order to strengthen sales and product technology in the European region, and to increase business efficiency, the European headquarters was moved from Nuremberg, Germany, to Amsterdam, The Netherlands, and for this purpose Murata Europe Management B.V. was established in Amsterdam, The Netherlands, on August 18, 2004.
- There were a total of 54 consolidated subsidiaries during the fiscal year under review, including the ten listed above. Results of business consolidation are as described in "1. General Business Review, 1) Performance and Achievements of the Group."

8) Lenders

Lender	Amount of loan	The Company's share held by lender	
		Number	Share of voting rights
Government Pension Investment Fund	(¥ million) 31	—	—

9) Murata Group Principal Facilities**(1) Principal Offices and Plants**

Head Office	Nagaokakyo-shi, Kyoto
Tokyo Branch	Shibuya-ku, Tokyo
Yokaichi Plant	Higashiomi-shi, Shiga
Yasu Plant	Yasu-shi, Shiga
Yokohama Technical Center	Midori-ku, Yokohama-shi, Kanagawa
Nagaoka Plant	Nagaokakyo-shi, Kyoto
Sales Department	
Sendai	Miyagino-ku, Sendai-shi, Miyagi
Utsunomiya	Utsunomiya-shi, Tochigi
Kita Kanto	Kumagaya-shi, Saitama
Nishi Tokyo	Tachikawa-shi, Tokyo
Kanagawa	Kohoku-ku, Yokohama-shi, Kanagawa
Shizuoka	Hamamatsu-shi, Shizuoka
Nagoya	Meito-ku, Nagoya-shi, Aichi
Nagano	Toyoshina-cho, Minami-Azumi-gun, Nagano
Kobe	Chuo-ku, Kobe-shi, Hyogo
Okayama	Okayama-shi, Okayama

(2) Principal Subsidiaries, etc

Fukui Murata Mfg. Co., Ltd.	Takefu-shi, Fukui
Izumo Murata Mfg. Co., Ltd.	Hikawa-cho, Hikawa-gun, Shimane
Toyama Murata Mfg. Co., Ltd.	Toyama-shi, Toyama
Komatsu Murata Mfg. Co., Ltd.	Komatsu-shi, Ishikawa
Kanazawa Murata Mfg. Co., Ltd.	Hakusan-shi, Ishikawa
Okayama Murata Mfg. Co., Ltd.	Setouchi-shi, Okayama
Murata Land and Building Co., Ltd.	Nagaokakyo-shi, Kyoto
Murata Electronics North America, Inc.	United States of America
Murata Electronics Singapore (Pte.) Ltd.	Singapore
Murata Company Limited	People's Republic of China

10) Members of the Board of Directors and Statutory Auditors

Names	Positions and Responsibilities in the Company or Principal Occupation
Yasutaka Murata	President, Statutory Representative Director, Member of the Board of Directors
Tsuneo Murata	Executive Deputy Vice President, Statutory Representative Director, Sales & Marketing Unit, Components Business Unit, Device Business Unit, Module Business Unit, Production Engineering Unit, Market Information Department, Tokyo Administration Department Member of the Board of Directors
Shigekazu Wakamura	Senior Executive Vice President General Administration Department, Legal Affairs Department, Personnel & Industrial Relations Department, Intellectual Property Department, Environmental Management Department, General Manager, Nagaoka Plant Member of the Board of Directors
Yoshitaka Fujita	Executive Vice President Accounting & Controller Department, Finance Department, Corporate Planning Department, Product Safety Management Department, Business Engineering Department Member of the Board of Directors
Ichiro Nozaki	Senior Vice President General Manager, Production Engineering Unit Member of the Board of Directors
Seiichi Arai	Senior Vice President Research & Development Unit, Quality Control Department, General Manager, Yasu Plant Member of the Board of Directors
Yukio Sakabe	Vice President General Manger, Materials Research & Development Center Member of the Board of Directors
Yohei Ishikawa	Vice President General Manager, Research Center for Next Generation Technology Member of the Board of Directors
Atsushi Inoue	Vice President General Manager, Components Business Unit Member of the Board of Directors
Katsuro Kanzaki	Member of the Board of Directors Honorary Professor, Kobe University; Professor, Law School, Kwansai Gakuin University
Koji Tajika	Member of the Board of Directors Professor, International Accounting of Chuo Graduate School of Accounting
Toshio Taji	Standing Statutory Auditor
Michihiro Murata	Standing Statutory Auditor
Keiichi Yokobori	Statutory Auditor Auditor, New Energy and Industrial Technology Development Organization Professor, Faculty of Law, Teikyo University
Tetsuya Hiraoka	Statutory Auditor

Notes:

1. At the 68th Ordinary General Meeting of Shareholders on June 29, 2004, Tetsuya Hiraoka was elected and assumed the post of Statutory Auditor. In addition, Minoru Yamada retired as Statutory Auditor.
2. Among the Members of the Board of Directors, Katsuro Kanzaki and Koji Tajika are Outside Members of the Board of Directors as provided for in Article 188, Paragraph 2, Section 7-2 of the Commercial Code of Japan.
3. Among Statutory Auditors, Keiichi Yokobori and Tetsuya Hiraoka are Outside Statutory Auditors as provided for in Article 18, Paragraph 1, of the "Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki-kaisha) of Japan."
4. The Company has 13 Vice Presidents, consisting of the Members of the Board of Directors listed above who serve concurrently as Vice Presidents, and six other Vice Presidents.

11) Amounts paid as compensation to accounting auditors

①	Total amount of compensation paid by the Company and its subsidiaries to auditing firms	¥63 million
②	Of the amount in ①, total amount of compensation paid for audit verification as defined in Article 2, Paragraph 1 of the Certified Public Accountants Law	¥58 million
③	Of the amount in ②, amount paid in compensation by the Company to auditing firm for services as such	¥56 million

Note: Since the Company's contracts with auditing firms do not distinguish between amounts paid for auditing under the 'Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki-kaisha) of Japan.' and auditing under the Securities and Exchange Law, and such amounts cannot be distinguished in practice, the amount in ③ is the total of both.

3. Significant Subsequent Events

Due to the agreement reached between labor and management concerning the revision of pension and severance plans, the Company has applied for the approval of the revision to the Ministry of Health, Labor and Welfare on April 27, 2005. On July 1, 2005, the Company will introduce a severance plan based on the employee's position and assessment of performance and on the same date, the Company will also start a pension plan which the pension benefit is linked with the market interest rate. The revisions will reduce the projected benefit obligation by ¥9,346 million on April, 2005 and the reduced amount will be amortized as an unrecognized prior service benefit on a straight-line basis over the average remaining service period (about 16 years) of the Company's employees.

Consolidated Balance Sheet

As of March 31, 2005

(In millions of yen)

Item	Amount	Item	Amount
Assets	850,748	Liabilities	138,439
Current Assets	592,836	Current Liabilities	77,836
Cash	30,964	Short-term borrowings	5,068
Time deposits	62,707	Trade notes payable	651
Marketable securities	332,849	Trade accounts payable	18,017
Trade notes receivable	12,202	Accrued payroll and bonuses	17,426
Trade accounts receivable	75,566	Income taxes payable	15,682
Allowance for doubtful notes and accounts	(723)	Accrued expenses and other	20,992
Inventories	59,007	Long-term Liabilities	60,603
Prepaid expenses and other	4,204	Long-term debt	1,029
Deferred income taxes	16,060	Termination and retirement benefits	47,306
Property, Plant and Equipment	225,735	Other	784
Land	41,248	Deferred income taxes	11,484
Buildings	202,974	Shareholders' Equity	712,309
Machinery and equipment	420,253	Common Stock	69,377
Construction in progress	5,647	Additional Paid-in Capital	102,222
Accumulated depreciation	(444,387)	Retained Earnings	555,512
Investments and Other Assets	32,177	Accumulated Other Comprehensive Loss	(11,685)
Investments	12,818	Unrealized gains on securities	3,654
Long-term receivables, advances and other	8,877	Minimum pension liability adjustments	(963)
Deferred income taxes	10,482	Unrealized losses on derivative instruments	(186)
		Foreign currency translation adjustments	(14,190)
		Treasury Stock, at cost	(3,117)
Total	850,748	Total	850,748

Consolidated Statement of Income

For the year ended March 31, 2005

(In millions of yen)

Item	Amount	
Net sales		424,468
Operating costs and expenses:		
Cost of sales	255,604	
Selling, general and administrative expenses	66,504	
Research and development expenses	32,845	354,953
Operating income		69,515
Other income (expenses):		
Interest and dividends income	1,750	
Gain on sales of investment securities	1,449	
Interest expense	(129)	
Foreign currency exchange loss	(560)	
Other-net	880	3,390
Income before income taxes		72,905
Income taxes		
Current	29,558	
Deferred	(3,231)	26,327
Net income		46,578

Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation and equity-method application

- 1) Consolidated subsidiaries: 54 companies including Fukui Murata Manufacturing Co., Ltd., Izumo Murata Manufacturing Co., Ltd., Toyama Murata Manufacturing Co., Ltd., Komatsu Murata Manufacturing Co., Ltd., Kanazawa Murata Manufacturing Co., Ltd., Okayama Murata Manufacturing Co., Ltd, Murata Land & Building Co., Ltd., Murata Electronics North America, Inc., Murata Electronics Singapore (Pte.) Ltd., Murata Company Limited, and so on.
- 2) Unconsolidated subsidiaries: none
- 3) Affiliates: none

2. Changes in scope of consolidated subsidiaries and equity-method application

New consolidated subsidiaries: 2

Murata Europe Management B.V.:	Established on August 18, 2004
Murata Trading (Malaysia) Sdn. Bhd.:	Previously an affiliated company accounted for by the equity method, Murata Trading (Malaysia) Sdn. Bhd. became a consolidated subsidiary as its voting stock owned by Murata Electronics Singapore (Pte.) Ltd. reached 70% on December 16, 2004.

Exclusion from the scope of consolidation: 2

Sakai Electronics Industries, Ltd., Murata Finance Co., Ltd.:	Merged into Murata Land & Building Co., Ltd. on April 1, 2004.
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Exclusion from the scope of equity-method application: 1

Murata Trading (Malaysia) Sdn. Bhd.

3. Significant Accounting Policies

1) Basis of Financial Statements

In compliance with the stipulations of Article 179, Item 1 of Enforcement Regulations for the Commercial Code of Japan, the consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. However, some notes and description required for the fulfillment of the principles are omitted to the extent allowed by the stipulations.

2) Inventories

Inventories are stated at lower of cost or market, generally determined by the weighted-average method

3) Marketable securities and investments

Murata Manufacturing Co., Ltd. (the "Company") and subsidiaries (together the "Companies") have applied Statement of Financial Accounting Standards ("SFAS") No.115, "Accounting for Certain Investments in Debt and Equity Securities." The Companies classify all debt securities and marketable equity securities as available-for-sale and carries them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as a separate component of shareholders' equity. Gains and losses on sales of investments are computed on an average cost basis. Equity securities that do not have a readily determinable fair value are recorded at average cost.

4) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment has been principally computed using the declining-balance method.

5) Termination and retirement benefits

Termination and retirement benefits, accounted for in accordance with SFAS No.87, “Employers’ Accounting for Pensions,” are provided at the amount incurred during the period, which is based on the estimated present value of the projected benefit obligation less the fair value of plan assets at the end of the period. A minimum pension liability is recognized, if the accumulated benefit obligations exceed the fair value of plan assets.

The unrecognized prior service benefit due to certain plan amendments is being amortized on a straight-line basis over the average remaining service period of employees.

The unrecognized actuarial gains and losses in excess of ten percent of the larger of the projected benefit obligation or plan assets are being amortized over five years.

6) Accounting for consumption taxes

Consumption taxes are not included in the consolidated financial statements.

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

1. Amounts less than ¥1 million are rounded up or down to the nearest million yen.
2. Bills discounted: ¥376 million
3. Basic earnings per share: ¥204.99

Subsequent events

Regarding the Company’s revision of the pension and severance plans, please refer to 3. Significant Subsequent Events at the end of the Business Report.

(Translation)

INDEPENDENT AUDITORS' REPORT

May 10, 2005

To the Board of Directors of
Murata Manufacturing Co., Ltd.

Deloitte Touche Tohmatsu
Designated Partner,
Engagement Partner,
Certified Public Accountant: Ikuo Yoshikawa
Designated Partner,
Engagement Partner,
Certified Public Accountant: Koichiro Tsukuda

Pursuant to third clause of Article 19-2 of the “Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha) of Japan,” we have audited the consolidated balance sheet and the consolidated statement of income of Murata Manufacturing Co., Ltd. and subsidiaries for the 69th fiscal year from April 1, 2004 to March 31, 2005. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit includes auditing procedures applied to subsidiaries as considered necessary.

As a result of our audit, in our opinion, the consolidated financial statements referred to above present fairly the financial position and the results of operations of Murata Manufacturing Co., Ltd. and subsidiaries in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.

Subsequent event concerning the Company’s revision of the pension and severance plans is included in Note, “Subsequent Events” to the consolidated financial statements.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

AUDIT REPORT REGARDING CONSOLIDATED FINANCIAL STATEMENTS

This Board of Statutory Auditors has received reports on the method and results of auditing from each Statutory Auditor with respect to the consolidated financial statements (the Consolidated Balance Sheet and the Consolidated Statement of Income) during the 69th fiscal term from April 1, 2004, to March 31, 2005, and upon consultation, the Board of Statutory Auditors has prepared this Report as follows:

1. Outline of the auditing methods used by the Statutory Auditors

Each Statutory Auditor, according to, inter alia, the audit policy and audit plan set up by the Board of Statutory Auditors, has perused the documents whereby the important decision were made and reports on accounting, including those of the subsidiaries of the Company, visited the subsidiaries as necessary, and examined their business and financial conditions as well as having received reports and explanations on the consolidated financial statements from the Members of the Board of Directors, etc. and Independent Accountants.

2. Results of the Audit

- (1) We confirm that the auditing methods and results made by Deloitte Touche Tohmatsu, the auditing corporation, are appropriate.
- (2) As the result of the examination of the subsidiaries, we confirm that there is no matter to be disclosed regarding the consolidated financial statements.

May 16, 2005

The Board of Statutory Auditors
Toshio Taji, Standing Statutory Auditor
Michihiro Murata, Standing Statutory Auditor
Keiichi Yokobori, Statutory Auditor
Tetsuya Hiraoka, Statutory Auditor

Note: Statutory Auditor Keiichi Yokobori and Statutory Auditor Tetsuya Hiraoka are Outside Statutory Auditors provided for in Article 18, Paragraph 1, of the “Law Concerning Special Measures under the Commercial Code with respect to the Audit, etc. of Corporations (Kabushiki-Kaisha) of Japan.”

Non-Consolidated Balance Sheet

As of March 31, 2005

(In millions of yen)

Item	Amount	Item	Amount
Assets	466,521	Liabilities	75,504
Current Assets:	195,753	Current Liabilities:	42,764
Cash and time deposits	24,928	Trade notes payable	453
Trade notes receivable	10,850	Trade accounts payable	25,372
Trade accounts receivable	49,152	Current portion of long-term debt	2
Marketable securities	81,909	Accounts payable—other	3,352
Finished products and merchandise inventories	5,464	Accrued expenses	6,115
Materials and supplies	4,395	Accrued income taxes, etc.	6,510
Work-in-process	5,816	Others	959
Short-term loans receivable	91	Long-term Liabilities:	32,739
Current portion of long-term loans receivable	1,433	Long-term debt	28
Accounts receivable	6,022	Allowance for retirement benefits	31,930
Deferred tax assets	4,873	Others	781
Others	864	Shareholders' Equity	391,017
Allowance for doubtful accounts	(50)	Common Stock	69,376
Non-current Assets:	270,768	Capital Surplus	107,666
Property, plant and equipment	56,190	Additional paid-in capital	107,666
Buildings	21,186	Retained earnings	213,526
Structures	2,276	Legal reserve	7,899
Machinery and equipment	9,760	Voluntary reserves	179,051
Vehicles	26	Reserve for deferred income tax for land	11
Tools, furniture and fixtures	4,771	Reserve for accelerated depreciation	1,328
Land	17,445	Provision for special reserve for deferment of gain on sales of property for replacement	3
Construction in progress	723	General reserve	177,707
Intangible fixed assets	4,236	Unappropriated retained earnings at the end of the term	26,575
Investments and other assets	210,341	Unrealized gains on securities	3,565
Investment securities	169,196	Treasury Stock	(3,116)
Investment in common stock of affiliated companies	15,504		
Investment in affiliated companies	3,731		
Long-term loans	5,402		
Deferred tax assets	13,500		
Others	3,195		
Allowance for doubtful accounts	(190)		
Total	466,521	Total	466,521

Non-Consolidated Statement of Income

For the year ended March 31, 2005

(In millions of yen)

Item	Amount	
Operating revenue:		
Net sales		358,919
Operating costs and expenses:		
Cost of sales	276,609	
Selling, general and administrative expenses	60,528	337,138
Operating income		21,780
Non-operating income:		
Interest received	705	
Dividends received	16,810	
Gain on sales of investment securities	1,443	
Miscellaneous income	1,283	20,242
Non-operating expenses:		
Interest expenses	5	
Miscellaneous loss	355	360
Income before income taxes and extraordinary items		41,662
Extraordinary losses:		
Impairment losses on long-lived assets	1,671	
Loss on disposal and sale of property, plant and equipment	287	1,959
Net income before income taxes		39,702
Current income taxes	12,516	
Deferred income taxes	(3,175)	9,341
Net income		30,361
Retained earnings brought forward		53,018
Retirement of treasury stock		51,138
Interim dividends paid		5,665
Unappropriated retained earnings as of the end of term		26,575

Significant Accounting Policies

1. Valuation standards and method for securities

Common stock of subsidiaries and affiliates:

Stated at cost using the moving-average method

Other marketable securities:

Securities to which market value applies:

Stated at market value based on market prices, etc.

(Unrealized gains and losses on securities are fully capitalized, and selling prices are determined by the moving-average method.)

Securities to which market value does not apply:

Stated at cost using the moving-average method

2. Valuation standards and method for inventories

Merchandise:

Stated at the lower of cost or market, cost being determined by the moving-average method

Finished goods and work in-process:

Stated lower of weighted-average cost or market

Materials and supplies:

Stated lower of weighted-average cost or market

3. Depreciation of property, plant and equipment is computed using the declining-balance method based on the estimated useful lives of the respective assets. The estimated useful lives are principally 10 to 50 years for buildings and 4 to 10 years for machinery and equipment.

4. Standards for allowance

Allowance for doubtful accounts

To cover possible losses from bad debts for accounts receivable or loans, an allowance for doubtful accounts is provided for the uncollectible amount as estimated based on historical loss ratios after individually reviewing the collectibility of specific claims such as doubtful receivables.

Allowance for retirement benefits

The allowance for retirement benefits is provided based on the projected amount of pension plan assets and retirement benefit obligations at the end of the term.

The difference arising from the change in accounting standards is being expensed in equal annual installments over five years. Prior service cost is expensed using the straight-line method based on the average remaining length of service of employees at time the cost is incurred. Actuarial losses are amortized using the straight-line method over five years, starting from the subsequent year.

5. Accounting for consumption taxes

Consumption taxes are not included in the Company's financial statements.

Changes in Accounting Policies

Accounting standards for recognition of loss on impairment of property, plant and equipment

Beginning with the reporting term, the Company has employed the new accounting standards for recognition of loss on impairment of property, plant and equipment (Opinion concerning establishment of accounting standard for impairment of fixed assets, issued by the Business Accounting Council dated August 9, 2002 and

its related guideline issued on October 31, 2003). As a result, net income before income taxes decreased by ¥1,671 million.

Additional Information

On June 29, 2004, when the 68th ordinary general meeting of shareholders was ended, the Company abolished its system for provision of retirement benefits to directors and statutory auditors.

Notes to Balance Sheet and Statement of Income

1. Amounts presented are rounded down to the nearest million yen.			
2. Accumulated depreciation for property, plant and equipment	¥118,771 million		
3. Short-term credits due from affiliated companies	¥14,769 million		
Long-term credits due from affiliated companies	¥6,849 million		
Short-term liabilities due to affiliated companies	¥18,051 million		
4. Export bills discounted	¥269 million		
5. Guarantee of loans	¥6,221 million		
6. Net earnings per share(yen)	¥133.13		
7. Transactions with affiliated companies:			
Sales to affiliated companies	¥161,095 million		
Purchases from affiliated companies	¥259,686 million		
Nonoperating transactions:			
Interest received from affiliated companies	¥45 million		
Dividends received from affiliated companies	¥16,673 million		
Assets sold to affiliated companies	¥4,502 million		
Assets purchased from affiliated companies	¥847 million		
8. Research and development expenses	¥28,999 million		
9. Accounting for income taxes			
1) Factors causing deferred tax assets and liabilities			
(1) Current assets and liabilities			
Deferred tax assets:		Deferred tax liabilities:	
Allowances for bonuses payable	¥1,858 million	Credit variance	¥31 million
Inventories	¥828 million	Other	<u>¥12 million</u>
Foreign tax credit to be dealt with	¥575 million	Deferred tax liabilities, total	¥44 million
Accrued enterprise tax	¥563 million	Offset against deferred tax assets	<u>¥(44) million</u>
Others	<u>¥1,091 million</u>	Deferred tax liabilities, net	— million
Deferred tax assets, total	¥4,917 million		
Offset against deferred tax liabilities	<u>¥(44) million</u>		
Deferred tax assets, net	¥4,873 million		
(2) Fixed assets and long-term liabilities			
Deferred tax assets:		Deferred tax liabilities:	
Allowance for retirement benefits	¥12,799 million	Unrealized gains on securities	¥2,404 million
Tangible, intangible fixed assets	¥2,403 million	Reserve for accelerated depreciation	¥1,061 million
Investment in affiliated companies	¥1,369 million	Others	<u>¥10 million</u>
Investment securities	¥550 million	Deferred tax liabilities, total	¥3,476 million
Others	<u>¥619 million</u>	Offset against deferred tax assets	<u>¥(3,476) million</u>
Deferred tax assets, subtotal	¥17,742 million	Deferred tax liabilities, net	— million
Valuation allowance	<u>¥(764) million</u>		
Deferred tax assets, total	¥16,977 million		
Offset against deferred tax liabilities	<u>¥(3,476) million</u>		
Deferred tax assets, net	¥13,500 million		
2) Difference between the statutory tax rate and effective tax rate			
Normal effective statutory tax rate	40.4%		
Increase (decrease) in tax resulting from:			
Foreign tax credits	(6.9%)		
Tax credit for research and development expenses	(6.4%)		
Permanent difference from dividends received	(5.8%)		
Valuation allowance	1.9%		
Others	<u>0.3%</u>		
Actual effective tax rate	<u>23.5%</u>		

10. Accounting for Retirement Benefits

1) Summary of retirement benefit plan:

The Company has employed defined benefit pension plan and for lump-sum payment of retirement money.

2) Retirement benefit obligations (as of March 31, 2005)

a. Benefit obligation	¥62,223 million
<u>b. Pension plan assets</u>	<u>¥36,540 million</u>
c. Excess of benefit obligation over pension plan assets (a – b)	¥25,682 million
d. Unrecognized actuarial difference	¥4,903 million
<u>e. Unrecognized prior service cost (reduction of liabilities)</u>	<u>¥(11,150) million</u>
f. Allowance for retirement benefits (c – d – e)	¥ 31,930 million

3) Items related to retirement benefit expenses (April 1, 2004 – March 31, 2005)

a. Service cost	¥2,876 million
b. Interest cost	¥1,192 million
c. Expected return on plan assets	¥(697) million
d. Amortization of transition obligation	¥3,225 million
e. Recognized actuarial difference	¥3,251 million
<u>f. Amortization of prior service cost</u>	<u>¥ (868) million</u>
g. Retirement benefit expenses (a + b + c + d + e + f)	¥8,979 million

4) Basis for calculation of retirement benefit obligations

a. Method of allocation of estimated pension cost	Straight-line method
b. Discount rate	2.0%
c. Expected rate of return on plan assets	2.0%
d. Amortization period of return on plan assets	16-17 years (expensed using the straight-line method based on average remaining years of service of employees when cost arises)
e. Recognition period of actuarial loss	5 years (amortized from the subsequent year using the straight-line on fixed terms within the average remaining terms of services of employees when cost arises)
f. Amortization period of transitional obligation	5 years

11. Restriction on dividend payment

Net assets as provided for in Article 124, Paragraph 1, Section 3 of the enforcement regulations of the Commercial Code of Japan (increase in net assets on the balance sheet due to addition of market value in the event the market value of the securities exceeds their acquisition cost): ¥3,565 million

12. Impairment losses on long-lived assets

The Company has classified its assets by product category, excepting material idle land or assets scheduled to be sold. During the term, the Company has recognized an impairment loss of ¥1,671 million under extraordinary loss, which is equivalent to the difference between the book value and the amount deemed collectible of idle land in Shiga Prefecture. The amount deemed collectible is computed using the fair values, which are determined by assessed values of the lands.

Proposed Appropriation of Unappropriated Retained Earnings

(In yen)

Unappropriated retained earnings as of the end of term:		26,575,214,559
Transfer from reserve for accelerated depreciation		541,576,762
Transfer from general reserve		50,000,000,000
Total		77,116,791,321
To be appropriated as follows:		
Dividends (¥25.00 per share)	5,617,890,125	
Bonuses for Members of the Board of Directors	110,000,000	
Reserve for accelerated depreciation	779,028,024	
		6,506,918,149
Retained earnings carried forward to the next term:		70,609,873,172

Note: Interim dividends totaling ¥5,665,546,825 (¥25.00 per share) were paid on December 6, 2004.

INDEPENDENT AUDITORS' REPORT

(Translation)

May 10, 2005

To the Board of Directors of
Murata Manufacturing Co., Ltd.

Deloitte Touche Tohmatsu
Designated Partner,
Engagement Partner,
Certified Public Accountant: Ikuo Yoshikawa
Designated Partner,
Engagement Partner,
Certified Public Accountant: Koichiro Tsukuda

Pursuant to first clause of Article 2 of the “Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha) of Japan,” we have audited the balance sheet, the statement of income, the business report (with respect to accounting matters only), the proposed appropriations of retained earnings and the supplementary schedules (with respect to accounting matters only) of Murata Manufacturing Co., Ltd. for the 69th fiscal year from April 1, 2004 to March 31, 2005. The accounting matters included in the business report and supplementary schedules referred to above are based on the Company’s books of account. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit includes auditing procedures applied to subsidiaries as considered necessary.

As a result of our audit, in our opinion,

- (1) The balance sheet and the statement of income present fairly the financial position and the results of operations of the Company in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation,
As described in Note, “Changes in Accounting Policies,” to the financial statements, the Company adopted the accounting standards for impairment of fixed assets as of April 1, 2004. This accounting change is based on the adoption for the new accounting standard.
- (2) The business report (with respect to accounting matters only) presents fairly the Company’s affairs in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation,
- (3) The proposed appropriations of retained earnings are in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation, and
- (4) The supplementary schedules (with respect to accounting matters only) present fairly the information required to be set forth therein under the Commercial Code of Japan.

Subsequent event concerning the Company’s revision of the pension and severance plan is included in 3. Significant Subsequent Events in the business report.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

AUDIT REPORT

This Board of Statutory Auditors has received reports on the method and results of auditing from each Statutory Auditor with respect to execution of the Members of the Board of Directors' duties during the 69th fiscal term from April 1, 2004, to March 31, 2005, and upon consultation, the Board of Statutory Auditors has prepared this Report as follows:

1. Outline of the auditing methods used by the Statutory Auditors

Each Statutory Auditor, according to, inter alia, the criteria for the Statutory Auditor's audit, the audit policy and audit plan for the fiscal year under review set up by the Board of Statutory Auditors, has attended meetings of the Board of Directors and attended or perused the minutes and documents of other meetings as deemed important, as well as having received from Member of the Board of Directors, etc. reports on the execution of their duties, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office, the branch offices, plants and some sales offices of the Company, paying particularly attention to the maintenance and implementation status of system of internal control and checks within the Company. As for the subsidiaries of the Company, each Statutory Auditor asked for reports on their respective business from the members of the board of directors, etc. in charge of subsidiaries, visited the subsidiaries as necessary, and examined business and financial conditions of the subsidiaries. Moreover, we have verified and examined the reports of internal auditing divisions regarding the Company and its subsidiaries. In addition, we received reports and explanations from the Independent Accountants on their audit and examined the accounting documents and the supplementary schedules.

With respect to the competitive transactions of the Members of the Board of Directors, conflict-of-interest transactions between the Company and the Members of the Board of Directors, benefits without compensation furnished by the Company, unusual transactions with subsidiaries or shareholders and acquisition and disposal, etc., of treasury stocks, we have examined these matters by means of methods such as conducting a full investigation of related records, in addition to the auditing methods mentioned above.

2. Results of the Audit

- (1) We confirm that the auditing methods and results made by Deloitte Touche Tohmatsu, the auditing corporation, are appropriate.
- (2) We confirm that the Business Report accurately describes the situation of the Company in accordance with all relevant laws and regulations and the Articles of Incorporation.
- (3) With respect to the proposed appropriation of unappropriated retained earnings, we confirm that there is no matter to be disclosed in light of the state of the Company's assets or other circumstances.
- (4) The supplementary schedules present fairly the information required, and we confirm that there is no other matter to be disclosed.
- (5) With respect to the performance of the Members of the Board of Directors' duties, including those associated with the Company's subsidiaries, we confirm that there has been no illegal act committed, nor important violation of applicable laws and regulations or the Articles of Incorporation.

In addition, with respect to the competitive transactions of the Members of the Board of Directors, conflict-of-interest transactions between the Company and the Members of the Board of Directors, benefits without compensation furnished by the Company, unusual transactions with subsidiaries or shareholders and acquisition and disposal, etc., of treasury stocks, we confirm that there has been no breach of the Members of the Board of Directors' responsibilities.

May 16, 2005

The Board of Statutory Auditors
Toshio Taji, Standing Statutory Auditor
Michihiro Murata, Standing Statutory Auditor
Keiichi Yokobori, Statutory Auditor
Tetsuya Hiraoka, Statutory Auditor

Note: Statutory Auditor Keiichi Yokobori and Statutory Auditor Tetsuya Hiraoka are Outside Statutory Auditors provided for in Article 18, Paragraph 1, of the "Law Concerning Special Measures under the Commercial Code with respect to the Audit, etc. of Corporations (Kabushiki-Kaisha) of Japan."

Reference Materials Concerning the Exercise of Voting Rights

1. Number of voting rights held by shareholders: 2,245,665

2. Proposals and Reference Matters

No. 1: Approval of the Proposed Appropriation of Unappropriated Retained Earnings for the 69th Fiscal Term

The contents of the proposal are given on page 26.

The Company has adopted a basic policy for return of profits to its shareholders under which the Company intends to realize a steady increase of dividend by increasing profit per share, putting priority on distribution of results in the form of dividend, and enhancing the value of the Company and improving the financial strength at the same time.

Based on this policy, after examining the Company's consolidated performance and payout ratio, and determining the amount of unappropriated retained earnings needed for reinvestment in future development, the Company proposes a year-end dividend of 25 yen per share. Combined with the interim dividend, this will bring the annual dividend to 50 yen per share. Bonuses for Members of the Board of Directors for this term will amount to 110 million yen.

No. 2: Partial Amendment to the Articles of Incorporation

1) Reasons for the amendments.

- (1) To add to the business purposes of the Company is to provide for future business expansion
- (2) The “Law Amending Part of the Commercial Code for the Purpose of Introducing Electronic Public Notice” (2004 Law No. 87) went into effect on February 1, 2005; this authorized electronic public notices as a means of public notice. To reduce the cost of placing public notices and to benefit from the convenience of this new method, the Company is shifting to electronic public notices as its public notices method, and along with this, sees the necessity of establishing an alternate method when for some unavoidable reason it cannot use electronic public notices.
- (3) On March 22, 2005, the Company retired 9 million shares of its stock, pursuant to Article 212 of the Commercial Code. Accordingly, the number of shares of the Company’s stock authorized to be issued has been reduced to 581,000,000 shares. It is proposed that Article 5 of the present Articles of Incorporation be amended to reflect this change.
- (4) The Company introduced the Vice President system in 2000, and in addition to clearly differentiating the decision-making involved in setting management policies and for important business matters from day-to-day management, it decided to reduce the number of Company Directors to enable faster decision-making and strengthen policy development. The current number of the members of the Board of Directors is 11. If Proposal No. 3 is approved that number will be reduced to 9. Now that the Vice President system is settled, we would propose that the Articles of Incorporation be amended to reduce the number of Company Directors from presently not more than 25 to not more than 15, securing necessary numbers to cope with future business development at the same time.

2) Content of amendment

It is proposed that the present Articles of Incorporation be amended as follows:

(Underlines show amended portions)

Present Articles of Incorporation	Articles of Incorporation after Amendment
<p>(Purpose) Article 2 The purpose of the Company shall be to engage in the following business: 1. to 8. <Text omitted> 9. Business concerning travel services, indemnity insurance agency, life insurance brokerage, warehousing, cargo/freight transportation, <u>and worker dispatch.</u> <New> 10. to 14. <Text omitted></p> <p>(Public Notice) Article 4 Public notices of the Company shall be given in the <u>Nihon Keizai Shinbun.</u></p>	<p>(Purpose) Article 2 The purpose of the Company shall be to engage in the following business: 1. to 8. <Same as present> 9. Business concerning travel services, indemnity insurance agency, life insurance brokerage, warehousing, and cargo/freight transportation. <u>10. Business concerning worker dispatch, fee-charging employment agency, and skill development/education and training services.</u> 11. to 15. <Same as present></p> <p>(Public Notice) Article 4 Public notices of the Company shall be given in the <u>electronic public notices. This is provided that, when electronic public notices cannot be used due to an accident or other unavoidable reason, public notices shall be given in the</u> Nihon Keizai Shinbun.</p>

Present Articles of Incorporation	Articles of Incorporation after Amendment
<p>(Total Number of Shares authorized to be issued)</p> <p>Article 5 The total number of shares authorized to be issued by the Company shall be <u>590,000,000</u> shares; however, when shares are retired, the number of the shares retired shall be deducted from the total number of shares authorized to be issued by the Company.</p> <p>(Number)</p> <p>Article 27 The Company shall have not more than <u>twenty-five (25)</u> Directors and not more than five (5) Statutory Auditors.</p>	<p>(Total Number of Shares authorized to be issued)</p> <p>Article 5 The total number of shares authorized to be issued by the Company shall be <u>581,000,000</u> shares; however, when shares are retired, the number of the shares retired shall be deducted from the total number of shares authorized to be issued by the Company.</p> <p>(Number)</p> <p>Article 27 The Company shall have not more than <u>fifteen (15)</u> Directors and not more than five (5) Statutory Auditors.</p>

Proposal No. 3: Election of six (6) Members of the Board of Directors

As the term of office of eight (8) Members of the Board of Directors (Yasutaka Murata, Tsuneo Murata, Shigekazu Wakamura, Ichiro Nozaki, Yukio Sakabe, Yohei Ishikawa, Atsushi Inoue and Katsuro Kanzaki (Outside Director)) out of the current eleven (11) Members of the Board of Directors expires as of the end of the 69th ordinary general meeting of shareholders, it is proposed that six (6) Members of the Board of Directors be elected at this ordinary general meeting of shareholders.

The candidates for Members of the Board of Directors are as follows:

Candidate No.	Name of Candidate (Birthdate)	Brief Personal History [Representative Positions in Other Companies]	Share of the Company Owned
1	Yasutaka Murata (May 30, 1947)	<p>July 1973 Entered the Company</p> <p>May 1976 Assigned as General Manager of the Variable Component Department of the Company</p> <p>April 1979 Assumed the position of Senior Executive Vice President of Fukui Murata Mfg. Co., Ltd.</p> <p>June 1979 Assumed the position of Member of the Board of Directors of the Company</p> <p>June 1982 Assumed the position of Senior Executive Vice President of the Company</p> <p>June 1989 Assumed the position of Executive Deputy Vice President and Statutory Representative Director of the Company</p> <p>June 1991 Assumed the position of President of the Company</p> <p>AT PRESENT: President, Statutory Representative Director Member of the Board of Directors Statutory Representative Director, Chairman of: [Fukui Murata Mfg. Co., Ltd.] [Izumo Murata Mfg. Co., Ltd.] [Toyama Murata Mfg. Co., Ltd.] [Komatsu Murata Mfg. Co., Ltd.] [Kanazawa Murata Mfg Co., Ltd.] [Statutory Representative Director, President of Okayama Murata Mfg. Co., Ltd.] [Director of Murata Electronics Singapore (Pte.) Ltd.] [Director of Murata Company Limited]</p>	1,782,711 shares

2	Tsuneo Murata (August 13, 1951)	<p>March 1974 Entered the Company</p> <p>Nov. 1983 Assumed the position of Senior Vice President of Izumo Murata Mfg. Co., Ltd.</p> <p>Jan. 1987 Assumed the position of Geschäftsführer of Murata Elektronik GmbH</p> <p>Oct. 1988 Assumed the position of Geschäftsführer of Murata Europe Management GmbH</p> <p>June 1989 Assumed the position of Member of the Board of Directors of the Company</p> <p>May 1991 Assigned as General Manager of Corporate Planning Department of the Company</p> <p>June 1991 Assumed the position of Senior Vice President of the Company</p> <p>June 1995 Assigned as responsible for Sales & Marketing of the Company</p> <p>Assumed the position of Senior Executive Vice President of the Company</p> <p>April 1997 Assigned as General Manager of Sales & Marketing Division of the Company</p> <p>June 1999 Assigned as responsible for Sales & Marketing Division, Market Information Department of the Company</p> <p>June 2003 Assumed the position of Executive Deputy Vice President and Statutory Representative Director of the Company</p> <p>Feb. 2005 Assigned as responsible for Components Business Unit, Device Business Unit, Module Business Unit, Production Engineering Unit and Tokyo Administration Department of the Company</p> <p>AT PRESENT: Executive Deputy Vice President, Statutory Representative Director Sales & Marketing Unit, Components Business Unit, Device Business Unit, Module Business Unit, Production Engineering Unit, Market Information Department, Tokyo Administration Department Member of the Board of Directors Statutory Representative Director, President of: [Fukui Murata Mfg. Co., Ltd.] [Toyama Murata Mfg. Co., Ltd.] [Kanazawa Murata Mfg. Co., Ltd.] [Director of Murata Electronics Singapore (Pte.) Ltd.] [Director of Murata Company Limited] [Geschäftsführer of Murata Elektronik GmbH] [Directeur of Murata Electronics (Netherlands) B.V.] [Director of Murata Electronics (UK) Limited] [Director of Hong Kong Murata Electronics Co., Ltd.] [Director of Murata Electronics (Malaysia) Sdn. Bhd.] [President of Murata Europe Management B.V.]</p>	1,720,000 shares
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3	Ichiro Nozaki (November 6, 1943)	<p>Aug. 1966 Entered Fukui Murata Mfg. Co., Ltd.</p> <p>Aug. 1987 Assumed the position of Vice President, U.S. Mfg. Operation of Murata Erie North America, Inc.</p> <p>Sep. 1989 Assigned as Department Manager of Corporate Planning Department of the Company</p> <p>Sep. 1991 Assigned as General Manager of Corporate Planning Department of the Company</p> <p>April 1995 Assigned as General Manager of Components Division I of the Company</p> <p>June 1995 Assumed the position of Member of the Board of Directors of the Company</p> <p>June 2000 Assumed the position of Vice President of the Company</p> <p>June 2003 Assumed the position of Senior Vice President of the Company</p> <p>Feb. 2005 Assigned as General Manager of Production Engineering Unit of the Company</p> <p>AT PRESENT: Member of the Board of Directors Senior Vice President General Manager of Production Engineering Unit [Statutory Representative Director, President of Iwami Murata Mfg. Co., Ltd.] [Chairman of Suzhou Murata Electronics Co., Ltd.]</p>	2,100 shares
4	Yukio Sakabe (October 10, 1945)	<p>April 1970 Entered the Company</p> <p>April 1988 Assigned as General Manager of Ceramic Research & Development Department of the Company</p> <p>July 1995 Assigned as General Manager of Development Group II, Research & Development Division of the Company</p> <p>June 2000 Assumed the position of Vice President of the Company</p> <p>June 2003 Assumed the position of Member of the Board of Directors of the Company Assigned as General Manager of Materials Research & Development Center of the Company (Currently General Manager of Materials Research & Development Center)</p> <p>AT PRESENT: Member of the Board of Directors Vice President General Manager of Materials Research & Development Center</p>	400 shares

5	Atsushi Inoue (October 7, 1948)	<p>April 1973 Entered the Company</p> <p>May 1993 Assigned as General Manager of High Frequency Module Group of Komatsu Murata Mfg. Co., Ltd.</p> <p>April 1997 Assigned as General Manager of Circuit Modules Group, Circuit Products Division of the Company</p> <p>March 2000 Assigned as General Manager of Circuit Modules Products Division of the Company</p> <p>July 2001 Assumed the position of Vice President of the Company</p> <p>June 2003 Assumed the position of Member of the Board of Directors of the Company</p> <p>Feb. 2005 Assigned as General Manager of Components Business Unit of the Company</p> <p>AT PRESENT: Member of the Board of Directors Vice President General Manager of Components Business Unit Statutory Representative Director, President of: [Kanazu Murata Mfg. Co., Ltd.] [Wakura Murata Mfg. Co., Ltd.] [Director of Murata Electronics (Malaysia) Sdn.Bhd.]</p>	700 shares
6	Yasuro Tanahashi (January 4, 1941)	<p>April 1963 Entered Fuji Iron & Steel Co., Ltd.</p> <p>June 1994 Assigned as General Manager of Machinery & Materials Division of Nippon Steel Corporation</p> <p>June 1995 Assumed the position of Member of the Board of Directors of Nippon Steel Corporation Assigned as General Manager of Electronics and Information Systems Division, Nippon Steel Corporation</p> <p>April 1997 Assumed the position of Managing Director of Nippon Steel Corporation Responsible for Electronics and Information Systems Division, New Materials Division, Silicon Wafer Division, and LSI Division of Nippon Steel Corporation</p> <p>April 2000 Assumed the position of Representative Director and President of Nippon Steel Information and Communication Systems Inc., (currently NS Solutions Corporation)</p> <p>April 2003 Assumed the position of Representative Director and Chairman of NS Solutions Corporation</p> <p>June 2004 Assumed the position of Director of Internet Initiative Japan Inc.</p> <p>AT PRESENT: Representative Director and Chairman of NS Solutions Corporation Director of Internet Initiative Japan Inc. [Representative Director and Chairman of NS Solutions Corporation]</p>	0 shares

- Notes. 1. Yasuro Tanahashi meets the conditions of an Outside Director as set forth in Article 188, Paragraph 2-7-2 of the Commercial Code.
2. Yasuro Tanahashi serves as Representative Director and Chairman of NS Solutions Corporation. Our Company receives consulting services in such fields as system planning from NS Solutions.
3. There are no special interests between the Company and any of the other candidates for Member of the Board of Directors.

Proposal No. 4: Election of one (1) Statutory Auditor

As the term of office of Michihiro Murata, one of the current four (4) Statutory Auditors expires at the end of the 69th ordinary general meeting of shareholders, it is proposed that one (1) Statutory Auditor be elected at this general meeting.

The candidate for Statutory Auditor is as follows:

The Board of Statutory Auditors consents to this proposal.

Name of Candidate (Birthdate)	Brief Personal History [Representative Positions in Other Companies]	Shares of the Company Owned
Motohiko Nakayama (December 13, 1950)	April 1974 Entered the Company Oct. 1998 Assigned as General Manager of Accounting & Controller Department, Accounting & Finance Group of the Company (currently General Manager of Accounting & Controller Department) AT PRESENT: General Manager of Accounting & Controller Department	1,400 shares

Note: There is no special interests between the Company and the candidate for Statutory Auditor.

Proposal No. 5: Revision of the fixed amount of compensation to the members of the Board of Directors

The 62nd Ordinary General Meeting of Shareholders held on June 26, 1998 approved a resolution establishing the Company's fixed amount of compensation to the members of the Board of Directors as set forth in Article 269, Paragraph 1-1 of the Commercial Code of Japan, limiting this compensation to ¥550 million per annum or less. (However, this figure does not include salary received as a Company employee.) The Company had 16 members of the Board of Directors at the time this resolution was approved. This number was subsequently reduced to the current 11 members, and if Proposal No. 3 is approved, it would be further reduced to 9 members of the Board. In addition, if Proposal No. 2 is approved, we would reduce the maximum number of the members of the Board of Directors provided for in the Articles of Incorporation from 25 to 15. In view of this status, we would like to revise the fixed amount of compensation, but several considerations including the need to provide for future business development lead us to propose that the compensation for the members of the Board of Directors be limited to ¥500 million or less. (However, this figure does not include salary received as a Company employee.)

In regard to non-monetary compensation as set forth in Article 269, Paragraph 1-3 of the Commercial Code of Japan, the 67th Ordinary General meeting of Shareholders Meeting held on June 27, 2003 approved a resolution stating that when the Company provides housing, the amount spent for such a benefit should not exceed to ¥20 million per year.

Proposal 6: Issuance of share acquisition rights as stock options

As summarized below, it is proposed to issue share acquisition rights without charge, for the purpose of granting stock options, pursuant to Article 280-20 and Article 280-21 of the Commercial Code, to Members of the Board of Directors with the executive offices (Gyomu shikko Torishimariyaku), Vice Presidents and senior staff of the Company, and to Members of the Board of Directors with the executive offices and senior staff of the Company's subsidiaries.

1. Reason for issuing share acquisition rights with specially favorable conditions
The Company will issue share acquisition rights without charge as stock options to Members of the Board of Directors with the executive offices, Vice Presidents and senior staff of the Company and to Members of the Board of Directors with the executive offices and senior staff of the Company's subsidiaries, under the terms of issue set forth in section 3 below, for the purpose of enhancing enthusiasm and raising morale for improving the Company's medium- and long-term business performance, and thereby enhancing the value of the Company.
2. Persons to whom share acquisition rights will be granted
Share acquisition rights shall be granted to Members of the Board of Directors with the executive offices, Vice Presidents and senior staff of the Company and to Members of the Board of Directors with the executive offices and senior staff of the Company's subsidiaries.
3. Terms of issue of share acquisition rights
 - 1) Class and number of shares to be issued or transferred upon exercise of share acquisition rights
Up to one hundred thousand (100,000) shares of common stock.

If the Company splits or consolidates its common stock, the number of shares to be issued or transferred upon exercise of each share acquisition right shall be adjusted according to the following formula. However, such adjustment shall be made only to those shares with respect to the share acquisition rights that remain unexercised at the relevant time, and any fraction less than one (1) share arising as a result of such adjustment shall be rounded down to the nearest whole number.

$$\begin{array}{l} \text{Number of shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of split or} \\ \text{consolidation} \end{array}$$

In addition, the Company shall make adjustments to the number of shares it deems necessary if these share acquisition rights are transferred due to a merger with another company, or if the Company makes a split-off.

- 2) Number of share acquisition rights
Up to one thousand (1,000) rights. One hundred (100) shares of common stock shall be issued or transferred upon exercise of each right; however, if any adjustment to the number of shares has been made as set forth in section 1) above, the same adjustment shall also be made here.
- 3) Issue price of share acquisition rights
The share acquisition rights shall be issued without charge.
- 4) Amount to be paid upon exercise of each share acquisition right
The amount to be paid upon the exercise of each share acquisition right shall be obtained by multiplying the amount paid-in per share (hereafter called the "exercise price"), determined as follows, by the number of shares for each share acquisition right as set forth in section 2) above.

The exercise price shall be 1.025 times the average closing price of the Company's common stock on the Osaka Securities Exchange for each day (except days on which no transactions took place) of the month preceding the month in which the share acquisition rights are issued. Any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest whole number.

However, if the resulting exercise price is lower than the closing price on the day before the share acquisition rights were issued (except days on which no transactions took place), this closing price shall apply.

If the Company splits or consolidates its stock after the share acquisition rights are issued, the exercise price shall be adjusted according to the following formula. Any fraction less than one (1) yen arising as a result of such adjustment shall be rounded up to the nearest whole number.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock at a lower price than the market price (except in the case of new stock issued due to the exercise of share acquisition rights), the exercise price will be adjusted according to the following formula, with any fraction less than one (1) share arising as a result of such adjustment rounded up to the nearest whole number.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of outstanding shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid-in per share}}{\text{Market price per share before issue of new shares}}}{\text{Number of outstanding shares} + \text{Number of shares increased due to issue of new shares}}$$

“Number of outstanding shares” in the above formula is the number of shares issued and outstanding less the number of treasury shares held by the Company. In the event that treasury shares are disposed of, “shares newly issued” shall be read as “treasury shares disposed” and “Amount paid-in per share” shall be read as “Amount disposed per share.”

Furthermore, in the event that these share acquisition rights are transferred due to the Company’s merger with another company, or in the event that the Company makes a business split, the Company will adjust the exercise price as it deems necessary.

- 5) Exercise period of share acquisition rights
From August 1, 2007 through July 31, 2011
- 6) Conditions for exercise of share acquisition rights
 - (1) Persons who have been granted share acquisition rights may exercise such rights even after they lose their position as Member of the Board of Directors with the executive offices, Vice President or senior staff of the Company or Member of the Board of Directors with the executive offices or senior staff of subsidiaries in accordance with the contract described in section 6) (3).
 - (2) In the event of the death of a person who has been granted share acquisition rights, inheritance of the rights shall not be recognized.
 - (3) Other conditions shall be set forth in a signed contract between the Company and the person who has been granted share acquisition rights, in accordance with the resolution of this ordinary general meeting of shareholders and the resolution of the Board of Directors.
- 7) Retirement of share acquisition rights
In the event that a person who has received an allocation of share acquisition rights no longer fulfills the conditions for exercising such rights as set forth in section 6) above, such rights may be canceled. In such an event, the relevant rights shall be canceled without charge.
- 8) Restriction on transfer of share acquisition rights
Transfer of share acquisition rights shall be subject to approval of the Board of Directors.

END