

Dear Shareholders,

June 11, 2004

Hakuto Co., Ltd.

1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

Notice of the 52nd Annual General Meeting of Shareholders

You are cordially invited to attend the 52nd Annual General Meeting of Shareholders of Hakuto Co., Ltd., which will be held as per the schedule below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing via conventional postal mail or the Internet.

When exercising your voting rights via postal mail, please first review the Reference Materials presented herein, indicate “for” or “against” for each agenda item shown on the enclosed Form for Exercising Voting Rights, sign the Form, and return it by postal mail immediately.

Use the Voting Code and temporary password provided on the enclosed Form for Exercising Voting Rights, access the Company’s website for exercising voting rights (<http://www.e-kosi.jp>), and after reviewing the Reference Materials presented either herein or at the website, follow the instructions on your computer screen and indicate “for” or “against” for each agenda item shown.

Sincerely,

Toshiaki Hirai
President

1. Date & Time: 10 a.m. on Monday, June 28, 2004

2. Venue: Conference Room, 8th Floor, Head Office Building, 1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

3. Meeting Agenda

(1) Items to be reported:

Business Report, Balance Sheet, and Statement of Income for the Company’s 52nd business term (from April 1, 2003 to March 31, 2004)

(2) Items to be resolved:

Item 1: Approval of proposal for appropriation of retained earnings for the 52nd business term

Item 2: Approval of amendment of the Articles of Incorporation

Refer to the outline of the proposal on page 15 of the enclosed document “Reference Materials for Exercising Voting Rights.”

Item 3: Approval of share subscription rights with stock option scheme

Refer to the outline of the proposal on pp 16-17 of the enclosed document “Reference Materials for Exercising Voting Rights.”

Item 4: Appointment of thirteen directors

Item 5: Appointment of two corporate auditors

Item 6: Lump-sum payment to retiring directors and a corporate auditor

Following are attached the “Reference Materials for Exercising Voting Rights” and other materials relevant to the items to be discussed at the meeting.

Please note:

1. If attending the Meeting in person, please bring the enclosed Form for Exercising Voting Rights and present it at the reception desk.
2. If exercising your voting rights online (via the Internet), please first carefully read the enclosed “Procedures for the Exercise of Voting Rights via the Internet.”

Business Report

(For the business term from April 1, 2003 to March 31, 2004)

1. Business Performance

(1) Marketing activities and sales results

The beginning of the reporting period was dominated by uncertainty about the future of the Japanese economy, due mainly to the feared impact of the Iraq War and of the SARS epidemic. Subsequently, however, as the world economy recovered, led by the U.S., steady signs of an improvement were seen in Japan, too. Indicators included growth in exports and production, improvement in corporate earnings, and increased capital investment.

In the electronics sector, demand for certain digital products such as DVD recorders, flat TVs and digital cameras continued growing, leading the whole industry. The volumes of domestic shipments for both mobile phones and PCs recorded increases from the previous year for the first time in three years, owing to accelerated purchases of third-generation models for the former, and a decline in prices and accelerated demand for replacement purchases for the latter. These growing trends raised demand for electronic components, particularly semiconductor devices, and increased investments in plant and equipment. Consequently, industry overall was on the track of recovery during the reporting period.

In the industrial chemicals field, our principal customers -- oil refining and petrochemical companies -- increased production due mainly to special procurements because of problems with nuclear power plants, and growing demand for materials in the Chinese market. Production by other important customers -- paper and pulp manufacturers -- hit bottom, and although signs of recovery were seen in major customers, suppliers were still faced with difficult circumstances as represented by continuing user demands for cost cuts in response to the rising price of raw materials, including oil.

In these circumstances, the Company endeavored to strengthen its marketing base and improve its earning power by maintaining its program of measures from the previous term, such as the focused injection of management resources into promising areas and markets with good growth potential, reviewing of unprofitable operations, streamlining of the management structure, and information sharing.

As a result of these efforts, net sales for the reporting period amounted to ¥79,594 million, up 22.4% from the previous period. Ordinary profit decreased 10.5% from the previous period to ¥2,572 million, due mainly to a reduction in dividend income from Asian subsidiaries, an increase in commission expenses caused by export expansion to Asian markets, the costs of introducing an ERP (Enterprise Resource Planning) system, and rise in personnel expenses for active employment of human resources in line with the future business expansion of semiconductor devices and components. Sales commissions increased in response to the growth of exports to Asia, but net income grew to ¥1,249 million, up ¥1,247 million from the previous period.

The following is a segmental breakdown of business performance for the reporting period.

Electronic and Electric Equipment Division

Among this segment's main products, sales of large-scale laser image-drawing devices for computer displays were steady. Sales of cooling equipment, used mainly in the manufacture of LCDs and digital equipment, were also good. As a result, net sales of this segment registered ¥20,580 million, up 20.8% from the previous period.

Electronic Components Division

Sound chips for mobile phones recorded strong sales growth in Asian markets as seen in the previous period. Sales were also favorable in flash memories for mobile phones, and AD-DA converters for flat TVs and digital cameras. As a result, net sales came to ¥54,311 million, up 26.6% from the previous period.

Industrial Chemicals Division

Increased sales were recorded for Alcalsealan to the cosmetics industry, a refined polysaccharide produced from microorganisms. However, the Company was forced to reduce the sales price of industrial chemicals for users in the oil refining, petrochemical, and paper & pulp industries, which are its main customers, due to strong user demand for cost reductions. Consequently, net sales declined 7.8% year-on-year to ¥4,703 million.

Sales by Segment

| | Fiscal 2002 (term ended March 2003) | | Fiscal 2003 (term ended March 2004) | |
|-----------------------------------|--|-----------------------|--|-----------------------|
| | Sales (¥ million) | Ratio to total (%) | Sales (¥ million) | Ratio to total (%) |
| Electronic and electric equipment | 17,032 | 26.2 | 20,580 | 25.9 |
| Electronic components | 42,915 | 66.0 | 54,311 | 68.2 |
| Industrial chemicals | 5,098 | 7.8 | 4,703 | 5.9 |
| Total | 65,047 | 100.0 | 79,594 | 100.0 |

Notes:

- Figures are exclusive of consumption tax.
- Figures less than one million yen are omitted for fiscal 2002, and figures for fiscal 2003 are rounded to the nearest million yen.

(2) Investment in plant & equipment

Investment in plant and equipment for the reporting period amounted to ¥304 million.

(3) Fund procurement

Nothing applicable

(4) Business performance & financial indicators (on a non-consolidated basis)

(unit; ¥ million; EPS in yen)

| | FY2000 | FY2001 | FY2002 | FY2003 (reporting term) |
|----------------------|--------------------|------------------|--------|----------------------------|
| Net sales | 82,369 | 63,524 | 65,047 | 79,594 |
| Ordinary profit | 5,150 | 1,074 | 2,872 | 2,572 |
| Net income | 3,507 | 692 | 1 | 1,249 |
| EPS | 152.06 (154.35) | 29.49 (29.49) | 0.07 | 55.36 |
| Total assets | 67,139 | 53,930 | 51,156 | 53,269 |
| Shareholders' equity | 38,176 | 32,184 | 29,366 | 31,646 |

Notes:

- EPS is based on the average number of shares issued and outstanding during the reporting term. The figures for fiscal years 2001 to 2003 were calculated after deducting the term-average number of treasury shares from the term-average number of shares issued and outstanding.

“EPS Accounting Standards” (Corporate Accounting Standards No. 2) and the “Guidelines for EPS Accounting Standards” (Corporate Accounting Standard Application Guidelines No. 4) have been applied since fiscal 2002.

The figures in parentheses above represent the EPS that would have been recorded had these Accounting Standards and Application Guidelines been applied to fiscal years 2000 and 2001. (The term-average number of treasury shares was deducted in calculating the term-average number of shares issued and outstanding for fiscal 2000.)

- Figures are exclusive of consumption tax.
- Excepting EPS, figures less than one million yen are omitted for fiscal 2002 and preceding terms, and figures for fiscal 2003 are rounded to the nearest million yen.

(5) Issues facing the Company

With respect to the outlook for the Japanese economy in the near future, the deflationary trend of commodity prices will probably continue. However, further improvement of corporate earnings is expected in line with increasing production and capital investment. Employment and income environments for individuals may still be severe, but are expected to improve to some extent. Thus, the economy of Japan is expected to embark on a full-fledged recovery, led by growing demand in the private sector.

As regards the prospects for the world economy, attention is focused particularly on the situation in Iraq and the U.S. presidential election this autumn, but a trend of steady recovery is expected, led by the U.S. For East Asian economies, despite some concern about economic overheating in China, a recovery trend is expected to spread across the whole of East Asia, notably in South Korea and Taiwan.

Among electronics makers, the Company's main customers, the volume of domestic shipments of mobile phones appears likely to slow down, except for purchases for replacement of third-generation models. On overseas markets, meanwhile, demand for mobile phones fitted with high-resolution cameras is also expected to increase. There is thus every reason to anticipate an expansion in the overall market. Continued high growth is also foreseen in certain digital products such as DVD recorders, flat TVs and digital cameras, and the volume of PC shipments will continue to grow, due mainly to demand for replacement purchases and recovery of private-sector IT investments.

In the industrial chemicals sector, severe circumstances are feared to continue in both quantity and price, due mainly to further intensified competition resulting from downward pressure on prices by both oil & petrochemical companies and paper & pulp manufacturers, which are the main customers of the Company, in response to a rise in the price of raw materials including oil.

We will strive to increase corporate value on a long-term perspective – both by ensuring near-term profits through the concentrated launching of goods and products with good growth potential into the expanding electronics market and by boldly moving into promising fields such as nanotechnology. In the industrial chemicals segment, where the business environment has recently been difficult, the Company aims to push forward with drastic restructuring in both profitability and costs through the development of new markets and products.

We have been developing business in Asian countries through establishment of local sales bases at an earlier stage. East Asian markets, including China are forecast to maintain growth at a rate exceeding that of Japan, and are therefore expected to increase in significance for the Company and its group members. The Company aims to establish a structure that ensures accurate responses to the trends in Asian economies through further reinforcement of ties with Asian subsidiaries and information-sharing utilizing ERP.

We would like to conclude by thanking our shareholders for their constant support and encouragement.

2. Outline of Company (as of March 31, 2004)

(1) Main business lines

The Company is principally engaged in the sale of the in-house-designed products and merchandise purchased from elsewhere, on the Japanese and overseas markets.

| Segment | Main products |
|-----------------------------------|--|
| Electronic and Electric Equipment | Devices used in the manufacture of semiconductors and PCBs; turbo-molecular pumps; electrostatic accelerators; refrigeration units for vacuum production equipment |
| Electronic Components | Semiconductor devices; connectors; optical components |
| Industrial Chemicals | Industrial chemicals for use in the oil refining and petrochemical industries; chemicals for use in water treatment; chemicals for use in the paper & pulp industry; paint-resistant chemicals |

(2) Principal offices

| | |
|---------------------------|--------------------|
| Head Office | Shinjuku-ku, Tokyo |
| Kansai Branch | Itami, Hyogo |
| Nagoya Branch | Nagoya, Aichi |
| Isehara Technical Center | Isehara, Kanagawa |
| Yokkaichi Plant | Yokkaichi, Mie |
| Yokkaichi Research Center | Yokkaichi, Mie |

(3) Shareholder information

- 1) Number of shares authorized for issuance 54,000,000
- 2) Number of shares issued and outstanding 24,137,213
- 3) Number of shareholders 8,815
- 4) Major shareholders

| Name of shareholder | Investment in the Company | |
|---|--|-----------------------------|
| | Number of shares held (thousand shares) | % of voting rights held (%) |
| Japan Trustee Services Bank, Ltd. (trust account) | 2,326.0 | 10.62 |
| Shigeo Takayama | 1,911.7 | 8.73 |
| Shigeo & Megumi Takayama Foundation | 1,813.3 | 8.28 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 1,469.4 | 6.71 |
| Ichiro Takayama | 1,058.9 | 4.83 |
| Ken Takayama | 1,058.9 | 4.83 |
| Ryutaro Takayama | 1,058.8 | 4.83 |
| Trust & Custody Services Bank, Ltd. (trust account A) | 704.2 | 3.22 |
| Trust & Custody Services Bank, Ltd. (pension trust account) | 510.8 | 2.33 |
| Takayama International Education Foundation | 500.0 | 2.28 |

Notes:

1. Hakuto Co., Ltd. holds no shares in any of the companies listed above.
2. Numbers of shares held are rounded down to the nearest 100 shares.
3. As stated in "(4) Acquisition, disposal and balance of treasury shares," the Company owns 2,170,443 of its treasury shares. However, since these are non-voting shares, they are excluded from the list of major shareholders shown above.

(4) Acquisition, disposal and balance of treasury shares

- 1) Acquisition
 - Ordinary shares of common stock 140,882 shares
 - Total acquisition cost ¥212,806 thousand
 - 2) Disposal
 - Ordinary shares of common stock 149 shares
 - Total disposal cost ¥202 thousand
 - 3) Invalidated shares
 - No shares were invalidated during the term under review.
 - 4) Treasury stock held at the balance sheet date
 - Ordinary shares 2,170,443 shares
- Note: Amounts are rounded to the nearest thousand yen.

(5) Share subscription rights

The Company has issued non-detachable warrants (4th unsecured bonds with subscription warrant due 2007). Please refer to note 11 to the balance sheet for details.

(6) Employees

| Number of employees | Change from end of previous term | Average age | Average number of years of service |
|---------------------|----------------------------------|-------------|------------------------------------|
| 537 | (15) | 40.1 | 13.5 |

Note: The above figures include 22 employees currently dispatched to affiliated companies.

(7) Business combinations

1) Principal subsidiaries

| | Capital stock | % of Company's voting rights | Principal lines of business |
|----------------------------|---------------------|------------------------------|--|
| Hakuto Enterprises Ltd. | HK\$22,025 thousand | 100% | Import/export of electronic equipment and components, manufacturing and sales of electronic components |
| Hakuto Singapore Pte. Ltd. | S\$5,000 thousand | 100% | Import/export of electronic equipment and components |
| Hakuto Taiwan Ltd. | NT\$70,000 thousand | 100% | Import/export of electronic equipment and components |

Note: Hakuto Taiwan Ltd. increased NT\$50,000 thousand in capital in the reporting term.

2) Changes in the scope of consolidation

No specific items to report.

3) Business performance on a consolidated basis

The Company has 12 consolidated subsidiaries, including the principal subsidiaries listed above. Three companies are accounted for by the equity method. On a consolidated basis, operating revenues for the term under review amounted to ¥101,843 million, and a consolidated net income to ¥1,682 million.

(8) Principal sources of borrowings

| | Balance of borrowings (¥ million) | Number of shares held in the Company | % of voting rights held (%) |
|------------------------------------|-----------------------------------|--------------------------------------|-----------------------------|
| Sumitomo Mitsui Banking Corp. | 770 | — | — |
| Resona Bank, Ltd. | 476 | — | — |
| UFJ Bank Ltd. | 420 | — | — |
| Nippon Life Insurance Co. | 360 | 81.3 thousand | 0.37 |
| The Bank of Tokyo-Mitsubishi, Ltd. | 300 | 50.8 thousand | 0.23 |

Note: The amounts above are rounded to the nearest million yen and the numbers of shares held are rounded down to the nearest 100 shares.

(9) Board of directors and corporate auditors

| | | |
|-------------------|--------------------------|--|
| Shigeo Takayama | Chairman | |
| Toshiaki Hirai | President | |
| Kenichi Uchida | Executive Vice President | Director and Division Manager of Electronic Equipment Division No.2 |
| Yoshihito Akiyama | Executive Vice President | Director and in charge of Corporate Administration Division |
| Tomoyuki Yamawaki | Senior Vice President | Director, Manager of Secretariat and in charge of Environment, Safety and Quality Assurance Promotion Office |
| Shoichi Mizushima | Vice President, Director | Division Manager of Corporate Administration Division |
| Hiroshi Asai | Vice President, Director | Division Manager of Overseas Subsidiaries Management Division and General Manager of Asia Bloc |
| Norimichi Hada | Vice President, Director | Division Manager of Electronic Components Division |
| Yoshiaki Sato | Vice President, Director | Division Manager of Chemical Business Division |
| Eiichi Miyake | Vice President, Director | President of Sanei Giken Co., Ltd. |
| Ichiro Takayama | Vice President, Director | |
| Akinori Murakami | Corporate Auditor | |
| Hideo Watanabe | Corporate Auditor | |
| Toshiyasu Asagami | Corporate Auditor | President of ASA Systems Co., Ltd. |
| Chikao Fukuda | Corporate Auditor | |

Notes:

1. Director Yoshiaki Sato and Corporate Auditor Hideo Watanabe assumed their posts following the conclusion of the 51st General Meeting of Shareholders held on June 26, 2003.
2. Director Eiichi Miyake is an external director as stipulated in Article 188, Paragraph 2, Item 7-2 of the Commercial Code.
3. Among the corporate auditors, Toshiyasu Asagami and Chikao Fukuda are external auditors as provided for in Article 18-1 of the Law Concerning Special Measures under the Commercial Code for Auditors of Incorporated Enterprises.

(10) Subsequent event

There was no significant subsequent events after the account settlement date.

Balance Sheet
As of March 31, 2004

(¥ thousand)

| | |
|---|------------|
| Assets | |
| Current assets | 37,733,765 |
| Cash and time deposits | 5,160,464 |
| Notes receivable - trade | 3,368,965 |
| Accounts receivable - trade | 18,384,769 |
| Marketable securities | 3,295 |
| Merchandise | 6,075,477 |
| Finished products | 247,191 |
| Raw materials | 131,930 |
| Work in progress | 62,396 |
| Supplies | 14,502 |
| Advance payment | 2,055,832 |
| Prepaid expenses | 148,800 |
| Deferred tax assets | 577,700 |
| Short-term loans to subsidiaries | 980,000 |
| Other current assets | 533,444 |
| Less: Allowance for doubtful accounts | (11,000) |
| Noncurrent assets | 15,535,146 |
| <i>Tangible fixed assets:</i> | 5,889,071 |
| Buildings | 1,875,655 |
| Structures | 140,998 |
| Machinery and production equipment | 219,739 |
| Vehicles | 6,755 |
| Tools, furniture and fixtures | 555,240 |
| Land | 3,090,684 |
| <i>Intangible assets:</i> | 316,539 |
| Leasehold rights | 20,193 |
| Software | 269,235 |
| Other intangible assets | 27,111 |
| <i>Investments and other assets:</i> | 9,329,536 |
| Investment securities | 6,891,114 |
| Investment securities in subsidiaries | 1,957,553 |
| Investment in subsidiaries | 83,611 |
| Long-term loans | 400,000 |
| Claims on obligors under rehabilitation procedure | 18,502 |
| Long-term prepaid expenses | 16,333 |
| Prepaid pension expenses | 6,259 |
| Other investments | 317,164 |
| Less: Allowance for doubtful accounts | (161,000) |
| Less: Allowance for loss on investment securities | (200,000) |
| Total assets | 53,268,911 |

Statement of Income
(April 1, 2003 to March 31, 2004)

(¥ thousand)

| | |
|---|------------|
| Ordinary profit/loss account | |
| Operating profit/loss account | |
| Operating revenue | 79,593,872 |
| Net Sales | 79,593,872 |
| Operating expenses | 77,208,164 |
| Cost of sales | 67,347,383 |
| Selling, general and administrative expenses | 9,860,781 |
| Operating income | 2,385,708 |
| Non-operating profit/loss account | |
| Non-operating revenue | 352,781 |
| Interest and dividend income | 309,895 |
| Other miscellaneous revenues | 42,886 |
| Non-operating expenses | 166,582 |
| Interest expense | 82,316 |
| Other miscellaneous expenses | 84,266 |
| Ordinary profit | 2,571,907 |
| Extraordinary profit/loss account | |
| Extraordinary income | 539,158 |
| Gain on sale of investment securities | 512,325 |
| Reversal of allowance for doubtful accounts | 14,135 |
| Gain on sale of membership rights | 550 |
| Gain on sale of tangible fixed assets | 12,148 |
| Extraordinary losses | 778,441 |
| Loss on valuation of investment securities | 186,197 |
| Provision for allowance for loss on investment securities | 10,000 |
| Provision for allowance for doubtful accounts | 142,000 |
| Loss on disposal of tangible fixed assets | 36,325 |
| Impairment loss | 252,909 |
| Accelerated amortization of sales rights | 60,030 |
| Loss on valuation of membership rights | 885 |
| Compensation money | 90,095 |
| Income before income taxes | 2,332,624 |
| Income taxes - current | 1,189,000 |
| Income taxes - deferred | (105,380) |
| Net income | 1,249,004 |
| Unappropriated retained earnings brought forward | 1,266,017 |
| Interim dividends paid | 219,669 |
| Unappropriated retained earnings carried forward | 2,295,352 |

Basis of Presentation of Non-Consolidated Financial Statements

1. Valuation standards and methods of securities

Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost using the moving-average method.

Available-for-sale securities

Securities for which market quotations are available:

Stated at fair market value based on the market prices on the Balance Sheet date (Net unrealized gains/losses are directly charged to shareholders' equity and the cost of sales is computed using the moving average method.)

Securities for which market quotations are unavailable:

Valued at cost using the moving average method

2. Derivatives

Stated at fair market value

3. Valuation standards and methods of inventories

Merchandise, finished products, raw materials and work in progress: Stated at cost using the moving average method

Supplies: Stated at cost using the first-in, first-out method

4. Depreciation and amortization

(1) Tangible fixed assets

Tangible fixed assets are depreciated by the declining balance method. However, buildings (excluding connected fixed installations) acquired on or after April 1, 1998, are depreciated by the straight-line method. Useful lives and residual value of the assets are determined in accordance with the stipulations of the Corporation Tax Law.

(2) Intangible assets

1) Software for sale is amortized in the larger of either the amount calculated based on the estimated sales revenue for the effective sales period (no longer than 3 years) or the amount periodically distributed over the effective remaining sales period.

2) Intangible assets in the form of software for in-house use are amortized by the straight-line method based on an estimated useful life of 5 years.

3) Other intangible assets are amortized by the straight-line method. Useful lives and residual value of the assets are determined in accordance with stipulations of the Corporation Tax Law.

(3) Long-term prepaid expenses are amortized by the straight-line method in accordance with stipulations of the Corporation Tax Law.

5. Deferred assets

Bond issue expenses

Bond issue expenses are amortized periodically by the straight-line method in accordance with the stipulations of enforcement regulations for the Commercial Code.

6. Allowances and provisions

(1) Allowance for doubtful accounts

Allowances for doubtful accounts for non-specific purposes are provided in amounts based on the historical loss rates, and further provisions for specific claims, including Loans to Borrowers with High Possibility of Business Failure, are made in the amounts deemed necessary based on individual assessment on collectibility of claims.

(2) Allowance for loss on investment securities

Allowance for possible loss on investments in stocks for specific projects is provided in the amount deemed necessary, taking into account the financial position of the said companies.

(3) Accrued employees' bonuses

Provisions for future employee bonus payments are recognized on an accrual basis in the reporting period.

(4) Allowance for product warranty

Allowance for expenses required for free-of-charge repairs and changes of products for predetermined periods is provided in the amount deemed necessary in accordance with internal regulations based on the historical data.

(5) Employees' severance and retirement benefits

Employees' severance and retirement benefits are recognized based on the estimated balance of retirement benefit obligations and pension assets. For the reporting term, the Company posted ¥6,259 thousand in pre-paid expenses under investments and other assets due to the balance of pension assets exceeding that of retirement benefit obligations. Actuarial difference will be periodically charged to income for the period of 10 years, which is shorter than the averaged remaining service period of the employees when the difference is recognized, beginning with the following term of recognition.

(6) Directors' severance and retirement benefits

Directors' severance and retirement benefits are provided in the amount deemed necessary at the term-end in accordance with internal regulations.

7. Leases

Finance leases other than those in which the ownership of the leased assets is deemed to be transferred to the lessee are accounted for by methods similar to those applicable to ordinary operating leases.

8. Consumption taxes are excluded from the amounts in the non-consolidated statements of income.

9. Impairment accounting on tangible fixed assets

Beginning with the term under review, new impairment accounting standards for tangible assets ("Opinion regarding establishment of impairment accounting standards," issued by the Business Accounting Deliberation Council on August 9, 2002) and relevant practical guidelines (Practical guidelines for business accounting standards No.6 — Accounting Standards Board of Japan, October 31, 2003) are adopted in line with changes in accounting standards. This change has reduced income before income taxes by ¥252,909 thousand.

10. Change in calculation methods

Beginning with the reporting term, calculations for non-consolidated financial statements have been made in line with revisions to Enforcement Regulations for the Commercial Code (Justice ministry ordinance No. 68 issued on September 22, 2003).

Notes to Non-Consolidated Financial Statements

Balance sheet items

1. Amounts less than ¥1,000 are rounded off.
2. Short-term monetary claims on subsidiaries: ¥1,723,793 thousand
3. Short-term monetary obligations to subsidiaries: ¥168,389 thousand
4. In addition to noncurrent assets posted in Balance Sheet, computers and their peripheral equipment are used under leasing contracts for three to five years, in principle.
5. Accumulated amounts of depreciation for tangible fixed assets: ¥6,007,125 thousand
6. Net assets in accordance with stipulations in Item 3, Article 124 of enforcement regulations for the Commercial Code: ¥1,969,590 thousand
7. Allowance for directors' retirement benefits are posted in accordance with stipulations in Article 43 of enforcement regulations for the Commercial Code.
8. Balance of endorsed notes and bills receivable: ¥69,454 thousand
9. Guarantee obligations: ¥385,128 thousand
10. Government grants on acquisition of tangible fixed assets eligible for reduction from acquisition costs:

| | |
|-----------|-----------------|
| Buildings | ¥6,181 thousand |
|-----------|-----------------|
11. Share subscription rights
 - Non-detachable share subscription warrants as defined in the Commercial Code
 - Fourth unsecured corporate bonds with maturity in 2007

| | |
|--|-------------------|
| Type of shares to be issued: | ordinary shares |
| Unexercised share subscription rights: | ¥535,800 thousand |
| Exercise price: | ¥1,666 |
 - Above-mentioned exercise price was determined based on the share price at term-end.
12. Types and numbers of shares issued and outstanding at term-end: 24,137,213 ordinary shares

| | |
|--|---------------------------|
| Types and numbers of treasury shares held at term-end: | 2,170,443 ordinary shares |
|--|---------------------------|

Income statement items

1. Amounts less than ¥1,000 are rounded off.
2. Transactions with subsidiaries

| | |
|-------------------------------|---------------------|
| Sales to subsidiaries: | ¥3,643,503 thousand |
| Purchases from subsidiaries: | ¥128,768 thousand |
| Other operating transactions: | ¥1,181,737 thousand |
| Non-operating Transactions: | ¥16,411 thousand |
3. Losses on assets posted under impairment accounting

Impairment losses for the reporting term are as follows.

| Premises | Classification | Purpose for holding |
|----------------------------------|--------------------------------|---------------------|
| Tsu, Mie Prefecture | Land | Idle land |
| Inashiki-gun, Ibaraki Prefecture | Land, buildings and structures | Idle facilities |

The Company's operating assets are classified according to the segmental breakdown of its business operations, which takes into account similarities in the nature of various products and services, and of their target markets. We therefore recognize two segments: the electronics business, consisting of electric and electronics equipment and electronic components; and the chemicals business, consisting of chemical products: the Company's operating assets are grouped into one or the other of these two segments. There are no signs of impairment losses for either of these two business groupings, but we have written down the book values of idle land and idle facilities to the amounts deemed recoverable under impairment accounting. (Amounts deemed recoverable were estimated on the basis of a survey of current market prices.) An impairment loss of ¥252,909 thousand has been posted under extraordinary losses in an amount of ¥108,128 thousand for land, ¥143,961 thousand for buildings, and ¥820 thousand for structures, respectively.

4. Earnings per share: ¥55.36

The figure for diluted earnings per share is not shown, as there are no outstanding warrants or similar that would necessitate adjustment for latent shares.

Proposed Appropriation of Retained Earnings

(Yen)

| | |
|--|---------------|
| Unappropriated retained earnings | 2,295,351,757 |
| Reversal of reserve for reduction entry of tangible fixed assets | 138,347 |
| Reversal of reserve for special depreciation | 1,955,772 |
| Total | 2,297,445,876 |
| The Company proposes the following appropriations: | |
| Cash dividends | 439,335,400 |
| Regular dividend: ¥10 per share | |
| Special dividend: ¥10 per share | |
| Bonuses to directors | 30,000,000 |
| [of which, bonuses to corporate auditors] | [2,400,000] |
| Retained earnings carried forward | 1,828,110,476 |

Notes:

1. Reversal amounts of reserves for reduction entry of tangible fixed assets and special depreciation are posted in accordance with stipulations of the Special Taxation Measures Law.
2. On December 9, 2003 interim dividends were paid in the amount of ¥219,669,580 (¥10 per share).
3. 2,170,443 treasury shares are excluded from calculation for cash dividends per share.
4. A capital surplus of ¥4,999,969,013, after appropriations for statutory reserves, has been carried forward to the current term.

Reference Materials for Exercising Voting Rights

1. Total number of voting rights 219,008

2. Agenda items and reference materials

Item 1:

Approval of proposal for appropriation of retained earnings for the 52nd business term

Please refer to page 14 of the attached financial statements for information on the substance of the proposal.

After considering the Company's performance over the reporting period as well as the importance of strengthening our corporate position and carrying out further business development, we decided to follow a basic policy of continuing to distribute dividends that are both reasonable and ensure sufficient internal reserves to build and maintain a stable management base.

We propose the payment of a term-end regular dividend of ¥10 per share, as well as the payment of ¥10 per share to commemorate the 50th anniversary of the Company's founding, combined with the interim dividend of ¥10, will make a total dividend of ¥30 per share for the term.

Item 2:

Approval of amendment of the Articles of Incorporation

The Company proposes the following amendments to the Articles of Incorporation.

1. Reasons for amendment

On September 25, 2003 the "Law Amending the Commercial Code and the Law for Special Exceptions to the Commercial Code Concerning Audit of Corporations" was enacted (Law No. 132, 2003), which allows companies to acquire their own shares solely by passing a resolution of the board of directors. The Board of Directors hereby proposes to establish a relevant article (Article 6) in conformity with the regulations in the Commercial Code, to give the Company a freer hand to adjust the size of its capital base.

2. Amendment details

(Underlined portions indicate amendments.)

The content of the proposed amendments is as follows.

| Current Articles | Proposed Amendments |
|--------------------------|---|
| (New) | <u>Acquisition of Company's own shares</u> |
| | <u>Article 6. The Company can acquire its own shares by a resolution of the Board of Directors.</u> |
| Articles 6-41. (omitted) | Articles 7-42. (same) |

Item 3:

Approval of share subscription rights with stock option scheme

Your approval is requested for the proposal to issue share subscription rights under a stock option scheme to the directors, corporate auditors and employees of the Company and its subsidiaries, on the basis of Regulations 20 and 21 of Article 280 of the Commercial Code, in accordance with the outline below.

1. Reasons for issuing share subscription rights to non-shareholders under preferable conditions

With the aim of further promoting the good of our shareholders, and at the same time heightening corporate morale and enhancing our performance on a consolidated basis, we propose to issue share subscription rights to the directors, corporate auditors and employees of the Company and its subsidiaries, based on the following outline.

2. Outline of share subscription rights

(1) The share subscription rights in question are to be limited to 0.5 million ordinary shares of common stock.

(2) A total of no more than 5,000 share subscription rights are to be issued, each consisting of 100 shares.

However, whenever stock splits or reverse stock splits take place after the share subscription rights are issued (hereinafter, the issue date), the said shares shall be proportionally adjusted to comply with the stock split or reverse stock split, and any resulting fractions of less than one share are discarded so that the figure is rounded down to the nearest unit of share.

Moreover, whenever the Company carries out a capital reduction or engages in a corporate merger or spin-off after the issue date, the said shares shall be adjusted within reasonable bounds whenever such action shall be deemed necessary, considering the conditions of the capital reduction, corporate merger or spin-off.

(3) The share subscription rights shall be issued free of charge.

(4) Money to be paid for the exercise of share subscription rights

The money to be paid for the exercise of share subscription rights (hereinafter, exercise price) is the exercise price per share of issued or transferred stock multiplied by the number of said shares.

The exercise price is equivalent to the average final price per ordinary share announced by the Tokyo Stock Exchange (hereinafter, final price) for each day of the month preceding the month of issue (with the exception of days on which there was no trading) multiplied by 1.05 (rounded up to the nearest one yen), or the final price on the day of issue (when there is no final price on the day of issue, the most recent final price is used), whichever is higher.

When the Company issues ordinary shares or disposes of treasury shares of less than the current market value per share after the issue date, the exercise price is adjusted using the following equation and any fractions of less than one share are rounded upward to the nearest yen. This excludes the exercise of share subscription rights, the transfer of treasury stock, based on Item 2, Article 5 of additional regulations to Law No. 79 (2001), a revision to the Commercial Code, and the exercise of warrant rights based on the Commercial Code prior to the enactment of another revision of the Commercial Code (Law No. 128, 2001).

$$\text{Post-adjustment exercise price} = \text{Pre-adjustment exercise price} \times \frac{\text{Number of issued shares} + \frac{\text{Number of newly issued shares} \times \text{exercise price}}{\text{Current market price}}}{\text{Number of issued shares} + \text{number of newly issued shares}}$$

According to the above equation, the “number of issued shares” is equivalent to the number of shares issued and outstanding after deducting the number of shares of treasury stock. When the Company disposes of treasury shares, the “number of shares to be disposed” is substituted for the “number of newly issued shares.”

When the Company carries out a stock split or reverse stock split of its shares after the issue date, the exercise price is proportionally adjusted by the ratio of the stock split or reverse stock split, and resulting fractions are rounded up to the nearest unit of yen.

Further, when the Company carries out a capital reduction, corporate merger or spin-off after the issue date, the exercise price is adjusted within reasonable bounds whenever it becomes necessary to adjust the said shares, considering the conditions of the capital reduction, corporate merger or spin-off.

- (5) Period for the valid exercise of share subscription rights

July 1, 2006 to June 25, 2014

- (6) Other conditions for the exercise of share subscription rights

The partial exercise of share subscription rights shall not be allowed.

- (7) Good causes and conditions for the invalidation of share subscription rights

- 1) Share subscription rights shall be invalidated free of charge in the event that the general meeting of shareholders approves a proposed merger in which the Company is not the surviving entity, a stock transfer proposal, or a proposal for a stock swap that will make the Company a wholly-owned subsidiary.
- 2) The Company may, at any time invalidate any share subscription rights it has acquired.

- (8) Share subscription right transfer restrictions

The approval of the Board of Directors is required for the transfer of any share subscription rights.

Item 4**Appointment of thirteen directors**

The term of office of all eleven directors will expire at the conclusion of the present General Meeting of Shareholders.

In order to strengthen the Company's management system, approval of the appointment of the following thirteen directors, an increase from the previous eleven, is requested.

Career histories of the candidates are as follows.

| Candidate Number | Name (Date of Birth) | Career History including Representation of Other Companies | Number of Shares of the Company Owned By the Candidate |
|------------------|-------------------------------------|--|---|
| 1 | Shigeo Takayama (May 27, 1916) | Nov. 1953 Founded the Company as President June 2000 Chairman (present) | 1,911,700 |
| 2 | Hiroshi Asai (Oct. 12, 1947) | Apr. 1971 Joined Matsushita Electric Trading Co., Ltd. (currently Matsushita Electric Industry Co., Ltd.) Apr. 1996 Manager of Semiconductors Dept., Corporate International Trade Div. Feb. 2000 Joined the Company Apr. 2000 Division Manager of Electronics Div. No.1 June 2000 Director and Division Manager of Electronics Div. No.1 Apr. 2001 Director, Division Manager of Electronics Div. No.1, and in charge of branches & offices Sep. 2001 Director and Division Manager of Affiliate Company Administration Div. Sep. 2002 Director, Division Manager of Affiliate Company Administration Div. and General Manager of Asian Bloc Apr. 2003 Director, Division Manager of Overseas Subsidiaries Management Div. and General Manager of Asian Bloc (present) | 11,800 |
| 3 | Yoshihito Akiyama (Feb. 5, 1943) | July 1969 Joined the Company June 1994 Director and Manager of Accounting Dept. Apr. 1997 Director and Deputy Division Manager of Corporate Administration Div. Apr. 1998 Director and Manager of Corporate Planning Dept. June 2000 Senior Vice President and Manager of Corporate Planning Dept. June 2001 Executive Vice President and Manager of Corporate Planning Dept. Dec. 2001 Executive Vice President and Division Manager of Corporate Administration Div. Apr. 2003 Executive Vice President and in charge of Corporate Administration Div. (present) | 15,167 |

| | | | |
|---|--------------------------------------|---|--------|
| 4 | Tomoyuki Yamawaki (Oct. 10, 1943) | <p>Sep. 1966 Joined the Company</p> <p>June 1996 Director and Manager of Corporate Planning Dept.</p> <p>Apr. 1998 Director and Manager of President's Office</p> <p>June 2000 Senior Vice President, Manager of Secretariat and Division Manager of Affiliate Company Administration Div.</p> <p>July 2000 Senior Vice President and Division Manager of Affiliate Company Administration Div.</p> <p>June 2001 Senior Vice President and Manager of Secretariat</p> <p>Apr. 2002 Senior Vice President, Manager of Secretariat and in charge of Environment, Safety and Quality Assurance Promotion Office (present)</p> | 11,510 |
| 5 | Shoichi Mizushima (June 4, 1944) | <p>Apr. 1967 Joined the Company</p> <p>Apr. 1985 Manager of Affiliate Company Dept.</p> <p>Nov. 1988 Manager of Personnel Dept.</p> <p>June 1993 Manager of General Affairs Dept.</p> <p>Apr. 1998 Division Manager of Administration Div. No.2</p> <p>June 1998 Director and Division Manager of Administration Div. No.2</p> <p>Apr. 2000 Director, Division Manager of Administration Div. No.2 and Manager of Financial Dept.</p> <p>Dec. 2001 Director and Deputy Division Manager of Corporate Administration Div.</p> <p>Apr. 2003 Director and Division Manager of Corporate Administration Div. (present)</p> <p><Representative status in other companies></p> <p>Chairman of Human Resources International Co., Ltd.</p> <p>Chairman of Hakuto A&L Co., Ltd.</p> | 12,603 |

| | | | |
|---|----------------------------------|--|--------|
| 6 | Norimichi Hada (Oct. 8, 1946) | <p>Oct. 1969 Joined the Company</p> <p>Nov. 1992 Manager of Connector Systems Dept., Components Business Div.</p> <p>Sep. 1993 Deputy Division Manager of Components Business Div. and Manager of Connector Systems Dept.</p> <p>July 1996 Division Manager of Electronic Components Business Div.</p> <p>Apr. 1997 President of Hakuto Taiwan Ltd. (former S&T HITECH LTD.)</p> <p>June 2001 Director and Division Manager of Affiliate Company Administration Div. of the Company</p> <p>Sep. 2001 Director, Division Manager of Electronics Div. No.1, and in charge of branches & offices</p> <p>Apr. 2002 Director, Division Manager of Electronics Div. No. 1, Manager of Devices Marketing Dept. No.2 and in charge of branches & offices</p> <p>Apr. 2003 Director, Division Manager of Electronic Components Div. No.2, and in charge of branches</p> <p>Feb. 2004 Director and Division Manager of Electronic Components Div. (present)</p> <p><Representative status in other companies> Deputy President of Moldec Co., Ltd.</p> | 11,493 |
| 7 | Yoshiaki Sato (June 28, 1947) | <p>Dec. 1982 Joined Hakuto Chemicals Co., Ltd.</p> <p>Apr. 1991 Transferred to the Company</p> <p>Oct. 1994 Office Manager of Fuji Office, Chemical Business Div.</p> <p>Apr. 2000 Manager of Marketing Dept. No.2, Chemical Business Div.</p> <p>Feb. 2002 Division Manager of Chemical Business Div.</p> <p>June 2003 Director and Division Manager of Chemical Business Div. (present)</p> <p><Representative status in other companies> Chairman of Fuyo Chemical Industry Co., Ltd.</p> | 4,100 |
| 8 | Junji Kohira (Nov. 18, 1947) | <p>Mar. 1970 Joined the Company</p> <p>July 1995 Manager of Sales Dept. No.3, System Div. No. 2</p> <p>Apr. 2000 President of S&T Enterprises Ltd. (currently Hakuto Enterprises Ltd.)</p> <p>Jan. 2003 Manager of Marketing Planning Office, Electronics Div. No. 2 of the Company</p> <p>Dec.2003 Division Manager of Electronic Equipment Div. No. 4, Manager of Technology Dept. and of Marketing Planning Office</p> <p>Feb. 2004 Division Manager of Electronic Equipment Div. No. 1, Manager of Technology Dept. No.3 and of Marketing Planning Office (present)</p> | 10,300 |

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|----|--------------------------------------|---|-----------|
| 9 | Ryuzaburo Sugimoto (June 3, 1954) | Apr. 1978 Joined the Company Apr. 2000 Manager of Sales Dept. No. 5, Electronics Div. No. 1 Apr. 2003 Division Manager of Electronic Components Div. No. 1 Oct. 2003 Division Manager of Electronic Components Div. No. 1 and Manager of Electronic Device Sales Dept. No. 3 Feb. 2004 Division Manager of Electronic Devices Div. Apr. 2004 Division Manager of Electronic Devices Div. and Manager of Marketing Administration Dept. (present) | 1,000 |
| 10 | Yoshinae Takada (May 27, 1957) | Apr. 1983 Joined the Company Dec. 2001 Manager of Corporate Planning Dept., Corporate Administration Div. Apr. 2003 Deputy Division Manager of Corporate Administration Div. and Manager of Corporate Planning Dept. June 2003 Deputy Division Manager of Corporate Administration Div., Manager of Corporate Planning Dept. and of Financial & Accounting Dept. (present) | 1,000 |
| 11 | Eiichi Miyake (Aug. 7, 1934) | Dec. 1974 Founded Sanei Giken Co., Ltd. as President (present) June 1996 Director of the Company (present) <Representative status in other companies> President of Sanei Giken Co., Ltd. | 367 |
| 12 | Ichiro Takayama (Jan. 3, 1958) | June 1990-June 1996 Director of the Company June 2000 Associate Professor, University of California at San Francisco, Medical School, Pediatrics Appointed Director of the Company (present) Apr. 2003 Director of Interdisciplinary Medicine, National Children's Medical Center (present) | 1,058,923 |
| 13 | Kozo Uno (July 3, 1933) | Aug. 1963 Registered as Certified Public Accountant (present) July 1969 Senior Partner of Asahi & Co. (accounting corporation) May 1974 Established a private office as CPA (present) Oct. 1993 Deputy Managing Partner of Asahi & Co. May 1997 Managing Partner of Asahi & Co. May 1999 Chairman of Asahi & Co. | 0 |

Notes:

1. Eiichi Miyake and Kozo Uno, candidates for Director, meets the requirements for an outside director as stipulated in Article 188, Section 2-7-2 of the Commercial Code.
2. Special interest between candidates and the Company
Shigeo Takayama, a candidate for Director, is President of Takayama International Education Foundation, with which the Company conducts syndication transactions.
Norimichi Hada, a candidate for Director, is Deputy President of Moldec Co., Ltd. The Company conducts trading with Moldec for connectors and electronic parts.
Eiichi Miyake, a candidate for Director, is President of Sanei Giken Co., Ltd. The Company conducts trading with Sanei for print-circuit board apparatus.

Item 5:**Appointment of two corporate auditors**

The term of office of corporate auditors Akinori Murakami, Toshiyasu Asagami and Chikao Fukuda will expire at the conclusion of the present General Meeting of Shareholders. The Company requests your approval of the appointment of two corporate auditors. The career history of the candidates is as follows. The Board of Corporate Auditors' approval of the proposal was obtained beforehand.

| Candidate Number | Name (Date of Birth) | Career History including Representation of Other Companies | Number of Shares of the Company Owned By the Candidate |
|------------------|-------------------------------------|---|---|
| 1 | Toshiyasu Asagami (Jan. 7, 1938) | Nov. 1984 Founded ASA Systems Co., Ltd as President (present) Oct. 1993 Lecturer of Saga University, Faculty of Science and Engineering (part-time position)(present) June 1999 Auditor of the Company (present) <Representative status in other companies> President of ASA Systems Co., Ltd | 0 |
| 2 | Chikao Fukuda (Jan. 8, 1942) | Mar. 1971 Graduated from The Legal Training And Research Institute Apr. 1971 Registered as Attorney in Daini Tokyo Bar Association (present) June 2001 Auditor of the Company (present) | 0 |

Notes:

1. Toshiyasu Asagami, a candidate for corporate auditor, is President of ASA Systems Co., Ltd. The Company conducts trading with ASA Systems for electronic and electric equipment, and also places orders with this company for software development.
2. Toshiyasu Asagami and Chikao Fukuda are candidates for external corporate auditor as stipulated in Article 18, Paragraph 1 of the Law Concerning Special Measures under the Commercial Code for Auditors of Incorporated Enterprises.

Item 6:**Lump-sum payment to retiring directors and corporate auditors**

For Directors Toshiaki Hirai and Kenichi Uchida, and Corporate Auditor Akinori Murakami, who will retire following the conclusion of today's Ordinary General Meeting of Shareholders, the Company will determine the amount of payments to be made to these individuals, to reward their performance while in office within the scope of established company standards.

The details of the actual amounts, timing and methods of payment will be entrusted to the Board of Directors for the directors, and to the deliberations of the Board of Corporate Auditors for the corporate auditor.

Below is the list and career profiles of the directors and corporate auditor who will retire at the end of the Ordinary General Meeting of Shareholders.

| Name | Career History |
|------------------|--|
| Toshiaki Hirai | June 1994 Director of the Company Apr. 1998 Executive Vice President June 2000 President (present) |
| Kenichi Uchida | June 1994 Director of the Company June 2000 Senior Vice President June 2001 Executive Vice President (present) |
| Akinori Murakami | June 2001 Auditor of the Company (present) |

Notice: On January 1, 2004, the Company's independent auditor, Asahi & Co., changed its name to KPMG AZSA & Co.

The English Translation is an abridged version of the original invitation notice in Japanese. In the event of discrepancy, the Japanese version shall prevail.