

(Ticker Code: 7433)
June 12, 2006

Dear Shareholders,

Hakuto Co., Ltd.

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

Notice of the 54th Annual General Meeting of Shareholders

You are cordially invited to attend the 54th Annual General Meeting of Shareholders of Hakuto Co., Ltd. (the “Company”), which will be held as per the schedule below.

If you are unable to attend the meeting in person, please first review the Reference Materials presented hereinafter and exercise your voting rights either in a written document by conventional mail or via the Internet.

Sincerely,

Hiroshi Asai
President

1. Date & Time: Tuesday, June 27, 2006 at 10:00 a.m.

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:

1. Business Report, Balance Sheet, and Statement of Income for the Company’s 54th business term (from April 1, 2005 to March 31, 2006, on a non-consolidated basis)
2. Consolidated Balance Sheet and Consolidated Statement of Income for the Company’s 54th business term (from April 1, 2005 to March 31, 2006), and the audit reports of consolidated financial statements by the independent auditors (CPAs) and the Company’s Board of Corporate Auditors

(2) Items to be resolved:

Item 1: Approval of proposal for appropriation of retained earnings for the 54th business term

Item 2: Amendments to the Articles of Incorporation Details are as indicated in “Reference Materials for Exercising Voting Rights” (P. 25 – 44)

Item 3: Appointment of thirteen (13) directors

Item 4: Appointment of one (1) corporate auditor

If you are attending the Meeting in person, please bring the enclosed Form for Exercising Voting Rights and present it at the reception desk.

Instructions for Exercising Your Voting Rights

If you are unable to appear in person, you may use one of the following methods to exercise your voting rights.

Exercising your voting rights by mail

When exercising your voting rights by mail, please indicate “for” or “against” for each agenda item shown on the enclosed Form for Exercising Voting Rights, sign your signature and fix your registered seal on the Form, and return it by mail. In the event that no indication of “for” or “against” has been made, this shall be treated as the intent of approval.

Exercising your voting rights via the Internet

1. Using a personal computer, access the following site for exercising your voting rights and following the instructions on the screen. Enter the “Login ID” and “Temporary Password” noted on the enclosed Form for Exercising Voting Rights and place your vote.

<https://www.evoting.tr.mufg.jp/e-voting/>

2. As a matter of convenience in tallying vote results, exercising your voting rights via the Internet must be completed by June 26, 2006.
3. If you exercise your voting rights both by postal mail and via the Internet, the vote made via the Internet shall prevail.
4. If you exercise your voting rights via the Internet multiple times, the vote cast last shall prevail.

Help desk for inquiries regarding exercising your voting rights via the Internet (in Japanese only)

1. Computer operations

Mitsubishi UFJ Trust and Banking Corporation Securities Services Department Tel: 0120-858-696 (only in Japan, toll free) Hours: 9:00 – 21:00 (excluding weekends and national holidays)

2. Other inquiries

Mitsubishi UFJ Trust and Banking Corporation Securities Services Department Tel: 0120-707-696 (only in Japan, toll free) Hours: 9:00 – 17:00 (excluding weekends and national holidays)

To Institutional Investors

If you have made an advance application to the e-voting platform operated by a company jointly established by TSE and others, you are able to use that platform to exercise your voting rights at the Company’s general meeting of shareholders.

(Appendix)

Business Report

(From April 1, 2005 to March 31, 2006)

1. Business Performance

(1) Operating results

Overall, the Japanese economy steadily recovered during the term under review. There was a visible increase in both private capital investment and personal consumption as a result of improvements in corporate earnings and an increase in personal income. In addition, economic growth in the U.S. and China amidst of concerns about the effect of an upward trend in crude oil prices on the global economy, led to an increase in exports to North America and East Asia.

In the electronics industry, there were sales increases in the consumer sector, stimulated by rising demand for flat panel screen televisions, personal computers, and cell phones, which led to greater demand for semiconductor devices and capital expenditures for semiconductor manufacturing equipment. As a result, shipments of these products remained strong. However, there was continuing downward pressure on these products (parts and materials of consumer products) in line with the decline in final product prices. Even for the main parts and materials for general-purpose memories and LCD panels, there was a greater-than-expected price deterioration, which pushed down the Company's earnings to some extent.

Regarding the chemical industry, there was firm demand for products in the petro/petrochemical and paper/pulp industries. However, price increases in raw materials and fuels resulted in growing concern about the effects on both revenues and earnings.

In this environment, during the second year under the Company's new medium-term (three-year) business plan, the New Hakuto Model, which was adopted in 2004 with the basic goal of "transforming itself into a highly profitable Group that can maintain growth while taking environmental issues into due consideration," the Company has (1) continued to focus on growth markets and areas of cutting-edge technologies, (2) worked to implement the most appropriate sales policies and more efficient management through expansion of the markets worldwide, and (3) taken steps to establish a stronger earning structure by strengthening management of risks on inventories, debt, and foreign exchange rate fluctuations.

As a result of these efforts, net sales for the fiscal year increased 6.3% year-on-year on a consolidated basis, to ¥115,503 million, with domestic sales growing 7.7%, to ¥75,988 million, and overseas sales rising 3.9%, to ¥39,515 million.

Regarding profits, the gross profit margin dropped 0.3 percentage points, to 15.8%, because of decline in the unit sales price of electronic components and increases in raw material prices of industrial chemicals. Operating income grew 0.1% year-on-year, to ¥4,178 million, and ordinary income increased 6.2% year-on-year, to ¥4,447 million. Furthermore, the Company recorded a ¥515 million gain on the sale of investment securities as an extraordinary gain for the fiscal year, while posting under extraordinary losses a ¥33 million impairment loss on investments in securities and a ¥107 million provisions for losses on investments. As a result, net income rose 5.3%, to ¥2,601 million.

The following is a breakdown of business performance by segment for the fiscal year.

Electronics Division

For the electronic and electric equipment segment, sales of printed circuit boards (PCBs) for photolithography systems were firm on account of an increase in capital expenditures for CPU packages. However, sales of new devices for flat panel displays (FPDs), nanotechnology-application products, and semiconductors, which are the Company's main customer fields, did

not reach sales targets as manufacturers of these products postponed investment plans for new production facilities.

In the electronic components segment, sales of optical transmission devices and programmable logic devices (PLDs) expanded as a result of the recovery in the fiber optic communication equipment market in North America. Furthermore, sales of various connectors for PCs, microprocessors for both general-use and multi-function printers, and baseband ICs for cellular phones continued to be firm.

As a result of the above, sales of this division increased 6.7% year-on-year, to ¥108,290 million, but operating income fell 1.9%, to ¥5,914 million.

Chemicals Division

For the industrial chemicals segment, sales of additives for the petro/petrochemical industries were negatively affected by higher raw materials costs. On the other hand, we benefited from a gradual penetration into the market of improved cleaning agents for the paper/pulp industries, which resulting in firm sales. In addition, for water treatment chemicals, sales of environment-friendly cooling tower agents, which were developed by the Company, were also firm.

As a result, sales of the division grew 5.8% year-on-year, to ¥6,349 million, and operating income climbed 31.8%, to ¥688 million.

Others Division

In the temporary staff dispatch services segment, reforms to the earnings structure through revisions of the management system, which were launched last year, proved to be insufficient. Business conditions remained harsh since the demand for temporary staff rose in line with improvement in the employment situation. In addition, fiercer competition with rivals made it difficult to attract high quality temporary working staff.

Therefore, revenue from operations of the division declined 24.4% to ¥864 million, and the division reported an operating loss of ¥45 million.

Sales by Segment

	Fiscal 2004 (term ended March 2005)		Fiscal 2005 (term ended March 2006)	
	Sales (¥ million)	Ratio to total (%)	Sales (¥ million)	Ratio to total (%)
Electronics	101,482	93.4	108,290	93.8
Chemicals	6,003	5.5	6,349	5.5
Others	1,142	1.1	864	0.7
Total	108,627	100.0	115,503	100.0

Note: Figures are exclusive of consumption tax.

(2) Investment in plant & equipment and fund procurement of the Group

The total investment in plant and equipment for the reporting period was ¥344 million. With respect to fund procurement, there are no material facts to report.

(3) Principal financial indicators

1) Consolidated

(¥ million)

	FY2002	FY2003	FY2004	FY2005 (reporting term)
Net sales	85,915	101,843	108,627	115,503
Ordinary profit	3,246	3,321	4,186	4,447
Net income	91	1,682	2,470	2,601
EPS (yen)	4.11	74.93	110.62	116.37
Total assets	58,201	62,229	65,644	70,162
Shareholders' equity	31,409	33,905	35,767	39,363

Notes:

1. EPS is calculated based on the average total number of shares outstanding during the term. The average total number of shares outstanding during the term is calculated after deducting the average number of treasury shares during the term.
2. Figures are exclusive of consumption tax.
3. Fractions less than one million yen rounded to the nearest million yen, excluding EPS.

2) The Company

(¥ million)

	FY2002	FY2003	FY2004	FY2005 (reporting term)
Net sales	65,047	79,594	84,305	89,486
Ordinary profit	2,872	2,572	3,561	3,671
Net income	1	1,249	2,179	2,339
EPS (yen)	0.07	55.36	97.47	104.59
Total assets	51,156	53,269	56,134	61,002
Shareholders' equity	29,366	31,646	33,282	36,177

Notes:

1. EPS is calculated based on the average total number of shares outstanding during the term. The average total number of shares outstanding during the term is calculated after deducting the average number of treasury shares during the term.
2. Figures are exclusive of consumption tax.
3. Fractions less than one million yen are omitted for fiscal 2002, and figures for fiscal 2003 and beyond are rounded to the nearest million yen, excluding EPS.

(4) Issues facing the Company

The Japanese economy is expected to recover steadily in line with continued improvements in both corporate earnings and personal income. On the other hand, it will be necessary to keep an eye on the movements of crude oil prices and the effect of the end of the BOJ's quantitative monetary easing policy on long-term interest rates.

Overseas, meanwhile, despite continuing concerns about the high price of oil, the U.S. and East Asian economies are expected to maintain growth, and even the European economy is showing signs of a gradual recovery. The global economy is thus expected to expand at a stable pace.

With improvements in personal income, the Japanese domestic electronics industry, the main customer industry of the Company, is expected to experience strong growth in shipment volumes. A number of factors will help stimulate consumer demand. For example, the recent launch of terrestrial digital broadcasting services for cell phones, and the World Cup in

Germany for flat-screen televisions. All in all, we anticipate firm growth in shipment of products and capital investment to increase production capacity across the industry as a whole. On the other hand, although the volume of shipments of flat-screen televisions and personal computers is expected to increase, the downward trend in product prices is likely to continue. This will further increase cost competition among manufacturers of these products. In addition, there is the possibility that the recent restructuring in the electronics industry will affect both the procurement of parts and materials by the industry's major players, and the development of the latest technologies, including semiconductors.

Regarding industrial chemicals, there are concerns that the price of crude oil will affect both the petro/petrochemical and paper/pulp industries, the major consumers of the Company's products.

Under these conditions, for the electronic parts and materials business in Japan carried out by the electronics division, the Company is giving priority to launching new electronic and electrical products with short lead times, expanding its product lineup, focusing on growth segments (including the electronic parts segment), strengthening its technical support capabilities, and aiming to establish businesses by taking advantage of our unique perspective as a trading company.

For overseas operations, the Company is working to make all its new bases profitable as soon as possible, implementing thorough risk management in both overseas and domestic bases, and working to improve profitability through a review of its cost structure.

In the chemicals division, we are working to construct a business model for sustainable growth over the long term by focusing on improving our new product and business development capabilities as a manufacturer.

For the others division, we are moving forward with restructuring from the perspective of strengthening the core Group business, and these efforts include withdrawal from unprofitable businesses.

The Group will strive to strengthen both its compliance system and risk management, and to establish a stronger business structure in pursuit of reform and innovation.

We hope to receive the continued understanding and support of our shareholders.

2. Profile of the Company (as of March 31, 2006)

(1) Main business lines of the Company (consolidated)

The Group is principally engaged in the sale, export and import of electronic and electric equipment and electronic components, and the manufacture and sale of industrial chemicals.

Main products in each segment are as follows.

Segment		Main products
Electronics	Electronic and Electric Equipment	Devices and equipment used in the manufacturing of semiconductors; equipment for PCBs; turbo-molecular pumps; refrigerator units for vacuum production equipment; electrostatic accelerators
	Electronic Components	Semiconductor devices; connectors; optical components
Chemicals	Industrial Chemicals	Industrial chemicals used in the oil refining and petrochemical industries; chemicals for water treatment; chemicals for the paper & pulp industry; paint-resistant chemicals
Others		Temporary staff dispatch services; outsourcing business

(2) Principal offices and plants of the Company

1) Principal offices and plants of the parent company

Name	Location	Name	Location
Head Office	Shinjuku-ku, Tokyo	Isehara Technical Center	Isehara, Kanagawa
Kansai Branch	Itami, Hyogo	Yokkaichi Factory	Yokkaichi, Mie
Nagoya Branch	Nagoya, Aichi	Yokkaichi Research Laboratory	Yokkaichi, Mie

2) Offices of principal subsidiaries

Name	Location
Hakuto Enterprises Ltd.	Kowloon, Hong Kong
Hakuto Singapore Pte. Ltd.	Singapore
Hakuto Taiwan Ltd.	Taipei, Taiwan

(3) Shareholder information

1) Number of shares authorized for issuance	Common Stock	54,000,000
2) Number of shares issued and outstanding	Common Stock	24,137,213
3) Number of shareholders		7,816

4) Major shareholders

Name of shareholder	Investment in the Company	
	Number of shares held (thousand shares)	Equity stake (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,595.1	10.75
Shigeo & Megumi Takayama Foundation	1,813.3	7.51
Shigeo Takayama	1,412.4	5.85
The Master Trust Bank of Japan, Ltd. (trust account)	1,332.9	5.52
Ichiro Takayama	1,058.9	4.39
Ken Takayama	1,058.9	4.39
Ryutaro Takayama	1,058.8	4.39
Takayama International Education Foundation	1,000.0	4.14
Trust & Custody Services Bank, Ltd. (securities investment trust account)	557.4	2.31
JPMorgan Chase Bank, N.A. 385050	380.0	1.57

Notes:

- Numbers of shares held are rounded down to the nearest 100 shares.
- As stated in “(4) Acquisition, disposal and balance of treasury shares,” the Company owns 2,128,335 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 923 shares
Total acquisition cost ¥1,599 thousand

Note: These shares were acquired in accordance with the claim for repurchase of shares less than one trading unit (tangen).

2) Disposal

Shares disposed by claim for purchase of additional shares of less than one tangen trading unit

Ordinary shares of common stock 50 shares
Total disposal cost ¥88 thousand

Shares disposed by claim for exercise of the 4th unsecured bonds with warrants due in 2007

Ordinary shares of common stock 43,444 shares
Total disposal cost ¥72,378 thousand

3) Invalidated shares

No shares were invalidated during the term under review.

4) Treasury stock held at the balance sheet date

Ordinary shares 2,128,335 shares

(5) Share subscription rights

Outstanding share subscription rights

Share subscription rights issued pursuant to Article 280-20 and 280-21 (upon resolution of shareholders at the regular general meeting of shareholders held on June 28, 2004)

(A) Number of share subscription rights	3,425
(B) Class and number of shares for share subscription rights	Common stock 342,500 shares
(C) Offer price of share subscription rights	Free of charge
(D) Amount to be paid upon the exercise of share subscription rights	¥1,540
(E) Exercise period of share subscription rights	July 1, 2006 to June 30, 2010

Note: The Company has issued bonds with warrants (the 4th unsecured bonds with warrants due in 2007) pursuant to the old Commercial Code. The stock to be issued, the outstanding balance of warrants, and the exercise price are as described in "Note 9 on the Balance Sheet: Share Subscription Rights."

(6) Employees

1) Employees of the Group

Number of employees	Change from end of previous term
1,569	75

Note: The number of employees is the number of those who are employed by the Group.

2) Employees of the Company

Number of employees	Change from end of previous term	Average age	Average number of years of service
570	31	40.5	13.6

Note: The above figures exclude 18 employees currently dispatched to affiliated companies.

(7) Business combinations

1) Principal subsidiaries

	Capital stock	Equity stake* (%)	Principal lines of business
Hakuto Enterprises Ltd.	HK\$22,025 thd.	100	Import/export of electronic equipment and components, manufacturing and sales of electronic components
Hakuto Singapore Pte. Ltd.	S\$5,000 thd.	100	Import/export of electronic equipment and components
Hakuto Taiwan Ltd.	NT\$70,000 thd.	100	Import/export of electronic equipment and components

*Ratio of voting rights held by the Company.

2) Changes in the scope of consolidation

Hakuto Korea Co., Ltd. was established on December 2005: equity stake of 100%.

3) Business performance on a consolidated basis

The Company has 12 consolidated subsidiaries, including the principal subsidiaries listed above. Two companies are accounted for by the equity method. For a summary of consolidated results, please see the above section "1. Business Performance, (3) Principal financial indicators, 1) Consolidated."

(8) Principal sources of borrowings

	Balance of borrowings (¥ million)	Company shares held by leders	
		Number of shares	Equity stake (%)
Sumitomo Mitsui Banking Corp.	1,840	—	—
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,120	50.8 thousand	0.21
Resona Bank, Ltd.	870	—	—
Mizuho Bank, Ltd.	160	—	—
The Bank of Nagoya, Ltd.	130	31.7 thousand	0.13

Note: The numbers of shares held are rounded down to the nearest 100 shares.

(9) Board of directors and corporate auditors

Name	Positions	Areas of responsibility and primary duties
Shigeo Takayama	Chairman	
Hiroshi Asai	President	
Yoshihito Akiyama	Executive Vice President	
Tomoyuki Yamawaki	Executive Vice President	Director, Manager of Secretariat and in charge of Environment, Safety and Quality Assurance Promotion Office
Shoichi Mizushima	Senior Vice President	Director and in charge of Personnel Dept., General Administration Dept., General Affairs Dept., Business Dept., Isehara Technical Center and Branches
Norimichi Hada	Vice President, Director	Division Manager of Electronic Components Division
Yoshiaki Sato	Vice President, Director	Division Manager of Chemical Business Division
Junji Kohira	Vice President, Director	Division Manager of Electronic Equipment Division No.2, and in charge of Electronic Equipment Division No.1
Ryusaburo Sugimoto	Vice President, Director	Division Manager of Electronic Device Division and Manager of Marketing Administration Dept.
Yoshinae Takada	Vice President, Director	Manager of Corporate Planning Dept. and of Financial & Accounting Dept., and in charge of Information System Dept.
Ichiro Takayama	Director	
Kozo Uno	Director	Certified Public Accountant
Katsuyoshi Iwashiro	Director	
Hideo Watanabe	Corporate Auditor	
Toshiyasu Asagami	Corporate Auditor	President of ASA Systems Inc.
Chikao Fukuda	Corporate Auditor	Attorney at law

Notes:

1. At the conclusion of the 53rd annual general meeting of shareholders held on June 28, 2005, Eiichi

- Miyake retired as director in line with the expiration of his term of office.
2. At the 53rd annual general meeting of shareholders held on June 28, 2005, Katsuyoshi Iwashiro was appointed as a director and assumed his post.
 3. Among directors, Kozo Uno and Katsuyoshi Iwashiro are external directors as provided for in Article 188, Paragraph 2, Item 7-2 of the Commercial Code.
 4. Among the corporate auditors, Toshiyasu Asagami and Chikao Fukuda are external auditors as provided for in Article 18, Paragraph 1 of the Law Concerning Special Measures under the Commercial Code for Auditors of Incorporated Enterprises.
 5. After the account settlement date, there was the following change in directors.

Name	Responsibility or principal profession	Date of change
Yoshiaki Sato	Director and in charge of Chemical Business Division	April 1, 2006
Ryusaburo Sugimoto	Director, Division Manager of Electronic Device Division No.1, in charge of Electronic Device Division No.2, and Manager of Device Marketing Administration Dept.	April 1, 2006
Yoshihito Akiyama	Executive Vice President and in charge of Development and Marketing Dept.	June 1, 2006

(10) Amount of remuneration to be paid to Accounting Auditor

The amount of remunerations which the Company and its subsidiary corporations are to pay to the accounting auditor (KPMG AZSA & Co.; AZSA Center Building, 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo) is as follows.

	Amount of payment
1. The sum amount of remuneration which the Company and its subsidiaries are to pay to the accounting auditor	¥33 million
2. Among 1. above, the sum amount of remuneration which should be paid by the Company and its subsidiaries as a consideration to the certification of audit stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law (1948, Law No. 103)	¥31 million
3. Among 2. above, the amount of remuneration as the accounting auditor which the Company should pay	¥31 million

Note: The figure in 3. is the sum of amounts for the auditing based on the Law Concerning Special Measures under the Commercial Code for Auditors of Incorporated Enterprises and the auditing based on the Securities and Exchange Law, as they are not clearly divided in the audit agreement between the Company and the accounting auditor and cannot be divided practically.

(11) Significant subsequent events regarding the Status of the Group

There were no significant subsequent events to report after the account settlement date.

Note: With respect to the figures in this business report, fractions below the presentation unit are rounded to the nearest presentation unit.

Consolidated Balance Sheet
As of March 31, 2006

(¥ thousand)

Assets	
Current assets	53,727,624
Cash and time deposits	7,486,756
Notes and accounts receivable - trade	33,739,399
Inventories	9,827,730
Deferred tax assets	783,672
Other current assets	1,969,947
Less: Allowance for doubtful accounts	(79,880)
Noncurrent assets	16,434,361
<i>Tangible fixed assets:</i>	6,692,634
Buildings and structure	1,842,834
Land	3,760,661
Other tangible fixed assets	1,089,139
<i>Intangible assets:</i>	380,162
<i>Investments and other assets:</i>	9,361,565
Investment securities	8,920,502
Deferred tax assets	47,838
Other investments	977,310
Less: Allowance for doubtful accounts	(476,955)
Less: Allowance for loss on investment securities	(107,130)
Total assets	70,161,985
Liabilities	
Current liabilities	27,614,999
Notes and accounts payable - trade	17,410,498
Short-term borrowings	5,796,835
Corporate bonds due within one year	600,000
Accrued income taxes	1,002,185
Deferred tax liabilities	589
Accrued employees' bonuses	958,494
Allowance for product warranty	45,500
Other current liabilities	1,800,898
Long-term liabilities	3,183,824
Deferred tax liabilities	2,056,656
Employees' severance and retirement benefits	81,215
Directors' severance and retirement benefits	968,685
Other long-term liabilities	77,268
Total liabilities	30,798,823
Shareholders' Equity	
Common stock	8,100,252
Capital surplus	7,524,376
Retained earnings	24,300,677
Net unrealized gains on available-for-sale securities	3,407,921
Foreign currency transaction adjustment	204,898
Less: Treasury stock	(4,174,962)
Total shareholders' equity	39,363,162
Total liabilities and shareholders' equity	70,161,985

Consolidated Statement of Income
April 1, 2005 to March 31, 2006

(¥ thousand)

Ordinary profit/loss account	
Operating profit/loss account	
Operating revenue	115,502,666
Net sales	115,502,666
Operating expenses	111,324,644
Cost of sales	97,264,531
Selling, general and administrative expenses	14,060,113
Operating income	4,178,022
Non-operating profit/loss account	
Non-operating revenue	387,479
Interest and dividend income	98,437
Equity in earnings of affiliates	102,491
Other miscellaneous revenues	186,551
Non-operating expenses	118,739
Interest expense	90,941
Other miscellaneous expenses	27,798
Ordinary profit	4,446,762
Extraordinary profit/loss account	
Extraordinary income	540,200
Gain on sale of investment securities	515,153
Gain on sale of tangible fixed assets	19,584
Gain on sale of affiliate shares	5,463
Extraordinary losses	238,617
Provision for allowance for loss on investment securities	107,130
Loss on valuation of investment securities	33,200
Loss on valuation of goods in stock	30,184
Impairment loss	27,597
Loss on disposal of tangible fixed assets	13,777
Loss on sale of tangible fixed assets	12,916
Compensation for damage	12,017
Loss on liquidation of business	1,596
Loss on valuation of membership rights	200
Income before income taxes	4,748,345
Income taxes - current	1,880,512
Income taxes - deferred	267,244
Net income	2,600,589

Basis of Presentation of Consolidated Financial Statements

1. Matters relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 12

Name of consolidated subsidiaries

Hakuto A&L Co., Ltd., Human Resources International Co., Ltd., Hakuto Information Technology Co., Ltd., Fuyo Chemical Industries Co., Ltd., Hakuto Enterprises Ltd., Hakuto Singapore Pte. Ltd., Hakuto Taiwan Ltd., Hakuto (Thailand) Ltd., Hakuto Engineering (Thailand) Ltd., Shunde Morning Sky Electrical Co., Ltd., and Hakuto Enterprises (Shanghai) Ltd.. The consolidated subsidiary Hakuto Korea Co., Ltd. is newly established and included in consolidation from this consolidated fiscal term.

(2) The non-consolidated subsidiary Hakuto California, Inc. is excluded from consolidation as impact on total assets, net sales, consolidated profits and losses and retained earnings is largely immaterial.

The liquidation procedure for non-consolidated subsidiary Newport Co., Ltd. was completed in the reporting period.

2. Matters relating to the application of equity method

(1) Number of affiliated companies to which the equity method is applied: 2

Name of the equity method affiliates

Sanei Giken Co., Ltd. and ASA Systems Inc.

(2) Non-consolidated subsidiaries to which the equity method is not applied.

The non-consolidated subsidiary Hakuto California, Inc. is excluded from the scope of application of the equity method as impact on consolidated profits and losses and retained earnings is largely immaterial.

3. Matters relating to the business term of consolidated subsidiaries

Among the consolidated subsidiaries, Hakuto Enterprises Ltd., Hakuto Singapore Pte. Ltd., Hakuto Taiwan Ltd., Hakuto (Thailand) Ltd., Hakuto Engineering (Thailand) Ltd., Shunde Morning Sky Electrical Co., Ltd., Hakuto Enterprises (Shanghai) Ltd. and Hakuto Korea Co., Ltd. have an account settlement date on December 31.

Financial statements of these subsidiaries as of this account settlement were used for the preparation of consolidated financial statements, whereas any significant transactions that occurred before the consolidated account settlement date were adjusted in accordance with consolidated accounting practices.

4. Accounting policies

(1) Valuation standards and methods

1) Securities

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

(2) Depreciation methods for important depreciable assets

1) Property, plant and equipment

The declining-balance method is used for property, plant and equipment of the Company and its domestic consolidated subsidiaries. However, the straight-line method is used for those buildings (excluding annexes) acquired on or after April 1, 1998. The same standard as the method stipulated in the Corporate Tax Law is used for the useful life and residual value. With respect to overseas consolidated subsidiaries, the useful life is determined by individual estimation, and the straight-line method is used for buildings, while the declining-balance method is used for other property, plant and equipment.

2) Intangible assets

a) 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.

b) 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.

c) 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) 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 as of balance sheet date. 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

In preparation for the disbursement of retirement bonuses for directors, the Company and certain of its consolidated subsidiaries record estimated amounts required at the end of the period in question in accordance with internal regulations. As the retirement benefit system was changed in June 2004, no allowance was made in and after July.

(4) 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.

(5) Hedge accounting

1) Hedge accounting method

The deferred hedge accounting is applied. However, the Company applies designations to forward exchange contracts that fulfill the requirements for the designation method.

2) Hedge instruments and hedge items

Hedge instruments: forward exchange contracts, etc

Hedge items: receivables and payables in foreign currencies and anticipated transactions in foreign currencies

3) Hedge policy

In accordance with the Regulations on Market Risk Management and the Foreign Exchange Contract Conclusion Manual of the Company, currency movement risks are hedged for forward exchange contracts, etc.

4) Valuation method of effectiveness of hedging activities

Important terms for foreign currency transactions in hedge instruments and hedge items can be regarded as the same. Since this can be assumed to establish a complete offset of currency movements at the time of commencement of hedging activities and thereafter continuously, the valuation of effectiveness is omitted.

(6) Other important matters related to preparing consolidated financial statements

Accounting for consumption taxes

The tax-exclusion method is used for consumption taxes and local consumption taxes.

5. Valuation of consolidated subsidiary assets and liabilities

The Company has adopted the fair value method for all valuations of consolidated subsidiary assets and liabilities.

6. Consolidated adjustment account

As the amount of the consolidated adjustment account is small, the entire amount is amortized on the date of occurrence.

Notes to Consolidated Financial Statements

Balance sheet items

1. Amounts less than ¥1,000 are rounded off.
2. The Company leases a computer and peripheral equipment, which is outside the scope of tangible fixed assets appearing on the balance sheet. Lease periods range from 3 to 5 years, in principle.
3. Accumulated amounts of depreciation for tangible fixed assets: ¥6,779,149 thousand
4. Government grants on acquisition of tangible fixed assets eligible for reduction from acquisition costs:
Buildings ¥6,181 thousand
5. Guarantee obligations: ¥7,919 thousand
6. Balance of endorsed notes and bills receivable: ¥19,634 thousand
7. 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: 2,128,376 ordinary shares

Income statement items

1. Amounts are rounded to the nearest thousand yen.
2. Net income per share: ¥116.37
Net income per share – diluted: ¥116.07

Non-Consolidated Balance Sheet
As of March 31, 2006

(¥ thousand)

Assets	
Current assets	44,542,833
Cash and time deposits	3,810,392
Notes receivable - trade	2,460,631
Accounts receivable - trade	27,148,430
Marketable securities	1,192
Merchandise	7,495,873
Finished products	271,525
Raw materials	151,376
Work in progress	47,823
Supplies	10,626
Advance payment	782,018
Prepaid expenses	179,296
Deferred tax assets	641,100
Short-term loans to subsidiaries	1,130,000
Other current assets	427,351
Less: Allowance for doubtful accounts	(14,800)
Noncurrent assets	16,459,614
<i>Tangible fixed assets:</i>	5,589,801
Buildings	1,649,687
Structures	104,205
Machinery and production equipment	147,018
Vehicles	8,717
Tools, furniture and fixtures	566,568
Land	3,065,984
Construction in progress	47,622
<i>Intangible assets:</i>	322,929
Leasehold rights	20,193
Software	281,735
Other intangible assets	21,001
<i>Investments and other assets:</i>	10,546,884
Investment securities	8,286,225
Investment securities in subsidiaries	2,001,771
Long-term loans	400,000
Claims on obligors under rehabilitation procedure	9,343
Long-term prepaid expenses	28,450
Other investments	405,180
Less: Allowance for doubtful accounts	(476,995)
Less: Allowance for loss on investment securities	(107,130)
Total assets	61,002,447

(¥ thousand)

Liabilities	
Current liabilities	22,683,031
Notes payable - trade	4,465,384
Accounts payable - trade	10,729,863
Short-term borrowings	3,400,000
Long-term debt due within one year	880,000
Corporate bonds due within one year	600,000
Accounts payable - other	56,084
Accrued expenses	718,948
Accrued income taxes	826,588
Advances received	75,155
Deposits received	28,062
Accrued employees' bonuses	778,000
Allowance for product warranty	45,500
Share subscription rights	28,596
Other current liabilities	50,851
Long-term liabilities	2,142,726
Deferred tax liabilities	1,168,200
Employees' severance and retirement benefits	3,368
Directors' severance and retirement benefits	933,500
Long-term guarantee money deposited	37,658
Total liabilities	24,825,757
Shareholders' Equity	
Common stock	8,100,252
Capital surplus	7,524,388
Appropriation for statutory reserve	2,532,385
Remaining portion	4,992,003
Gain on reduction in capital and appropriation for statutory reserve	4,992,003
Retained earnings	21,324,212
Voluntary reserves	16,003,194
Reserve for reduction entry of tangible fixed assets	652
Reserve for special depreciation	2,542
General reserve	16,000,000
Unappropriated retained earnings for the term	5,321,018
Net unrealized gains on available-for-sale securities	3,402,728
Less: Treasury stock	(4,174,890)
Total shareholders' equity	36,176,690
Total liabilities and shareholders' equity	61,002,447

Non-Consolidated Statement of Income

April 1, 2005 to March 31, 2006

(¥ thousand)

Ordinary profit/loss account	
Operating profit/loss account	
Operating revenue	89,486,092
Net Sales	89,486,092
Operating expenses	86,307,991
Cost of sales	75,556,056
Selling, general and administrative expenses	10,751,935
Operating income	3,178,101
Non-operating profit/loss account	
Non-operating revenue	564,000
Interest and dividend income	476,086
Other miscellaneous revenues	87,914
Non-operating expenses	70,974
Interest expense	46,857
Other miscellaneous expenses	24,117
Ordinary profit	3,671,127
Extraordinary profit/loss account	
Extraordinary income	583,050
Gain on sale of investment securities	569,689
Gain on sale of tangible fixed assets	13,361
Extraordinary losses	243,590
Provision for allowance for loss on investment securities	107,130
Loss on valuation of subsidiary shares	50,000
Loss on valuation of investment securities	33,200
Impairment loss	27,597
Compensation for damage	12,017
Loss on disposal of tangible fixed assets	11,827
Loss on liquidation of business	1,596
Loss on valuation of membership rights	200
Loss on sale of tangible fixed assets	23
Income before income taxes	4,010,587
Income taxes - current	1,565,804
Income taxes - deferred	105,900
Net income	2,338,883
Unappropriated retained earnings brought forward	3,311,689
Interim dividends paid	329,554
Unappropriated retained earnings carried forward	5,321,018

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. 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. 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.

On June 2004, the Company abolished its system of lump-sum retirement payments for directors. No provision is made for their services from July onward.

6. 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.

7. Hedge accounting

(1) Hedge accounting method

The deferred hedge accounting is applied. However, the Company applies designations to forward exchange contracts that fulfill the requirements for the designation method.

(2) Hedge instruments and hedge items

Hedge instruments: forward exchange contracts, etc

Hedge items: receivables and payables in foreign currencies and anticipated transactions in foreign currencies

(3) Hedge policy

In accordance with the Regulations on Market Risk Management and the Foreign Exchange Contract Conclusion Manual of the Company, currency movement risks are hedged for forward exchange contracts, etc.

(4) Valuation method of effectiveness of hedging activities

Important terms for foreign currency transactions in hedge instruments and hedge items can be regarded as the same. Since this can be assumed to establish a complete offset of currency movements at the time of commencement of hedging activities and thereafter continuously, the valuation of effectiveness is omitted.

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

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: ¥2,304,036 thousand
3. Short-term monetary obligations to subsidiaries: ¥168,709 thousand
4. In addition to noncurrent assets posted in Balance Sheet, computers and their peripheral equipment are used under leasing contracts for 3 to 5 years, in principle.
5. Accumulated amounts of depreciation for tangible fixed assets: ¥6,109,072 thousand
6. Net assets in accordance with stipulations in Item 3, Article 124 of enforcement regulations for the Commercial Code: ¥3,402,728 thousand
7. Guarantee obligations: ¥7,919 thousand
8. Government grants on acquisition of tangible fixed assets eligible for reduction from acquisition costs:
 - Buildings ¥6,181 thousand
9. 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: ¥426,800 thousand
 - Exercise price: ¥1,666
 - Above-mentioned exercise price was determined based on the share price at term-end.
10. Types and numbers of shares issued and outstanding at term-end:
 - 24,137,213 ordinary sharesTypes and numbers of treasury shares held at term-end:
 - 2,128,335 ordinary shares

Income statement items

1. Amounts less than ¥1,000 are rounded off.
2. Transactions with subsidiaries
 - Sales to subsidiaries: ¥5,329,511 thousand
 - Purchases from subsidiaries: ¥59,026 thousand
 - Other operating transactions: ¥1,216,066 thousand
 - Non-operating Transactions: ¥9,859 thousand
3. Net income per share: ¥104.59
 - Net income per share – diluted: ¥104.33

Proposed Appropriation of Retained Earnings

(Yen)

Unappropriated retained earnings	5,321,018,470
Reversal of reserve for reduction entry of tangible fixed assets	98,580
Reversal of reserve for special depreciation	1,179,523
Total	5,322,296,573
The Company proposes the following appropriations:	
Cash dividends (¥15 per share)	330,133,170
Bonuses to directors	40,000,000
[of which, bonuses to corporate auditors]	[2,500,000]
Retained earnings carried forward	4,952,163,403

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 12, 2005 interim dividends were paid in the amount of ¥329,553,510 (¥15 per share).
3. 2,128,335 treasury shares are excluded from calculation for cash dividends per share.
4. A capital surplus of ¥4,992,003,261, 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 219,571

2. Agenda items and reference materials

Item 1:

Approval of proposal for appropriation of retained earnings for the 54th business term

Please refer to page 24 of the attached document for information on the substance of the proposal.

After considering the Company's performance over the reporting period, we based our decision regarding the dividend to be paid on our longstanding policy of returning profit to shareholders insofar as is consistent with the maintenance of sufficient internal reserves to enable us to strengthen our financial position and carry out further business development.

We propose to pay a term-end dividend of ¥15 per share.

Combined with the interim dividend of ¥15, a total dividend of ¥30 per share for the term will be paid.

Taking into account the operating performance of the current term, we further propose a sum of ¥40,000,000 for bonuses for 13 directors and 3 statutory auditors (of which 2,500,000 shall be used as bonuses for statutory auditors).

Item 2:

Amendments to the Articles of Incorporation

1. Reasons for amendments

(1) Amendments in line with the enforcement of the Corporation Law

The Corporation Law (2005 Law No. 86) went effect on May 1, 2006, resulting in the expanded scope of deregulation regarding the articles of incorporation. As a result, we propose the following amendments:

- 1) In accordance with the "Law Concerning the Establishment of Relevant Code in Conjunction with the Enactment of the Corporation Law" (2005 Law No. 87), we propose that the following provisions outlined in the Articles of Incorporation be newly set forth or revised as necessary in order to clarify provisions used in the Company's Articles of Incorporation.
 - a – Establishment of a board of directors and board of corporate auditors and the election of corporate auditors and accounting auditors (Proposed New Article 4)
 - b – Issuance of shares (Proposed New Article 7)
 - c – Designation of a shareholder register administrator (Proposed New Article 12)
- 2) To make the administration of shareholders with odd lots of shares (holders of shares numbering less than one trading unit) more efficient, we propose the establishment of new provisions in order to clarify the rights to be exercised by shareholders with odd-lot shares. (Proposed New Article 9)
- 3) In consideration of the dissemination of the Internet, we propose the establishment of new provisions to allow the Company to consider that it has provided shareholders with reference materials for the general meeting of shareholders and other materials when it disclosed such documents via the Internet. (Proposed New Article 16)
- 4) To ensure smooth and appropriate operation of the general meeting of shareholders, we propose to change the provision allowing the Company to specify that the shareholder can designate one another shareholder as a proxy to exercise his/her voting right. (Proposed New Article 18-1)

- 5) To ensure the dynamic and efficient operation of the board of directors, we propose the establishment of new provisions allowing the Board of Directors to pass a resolution without holding a meeting of the Board of Directors. (Proposed New Article 25)
 - 6) To ensure the dynamic implementation of capital and dividend policies, we propose the establishment of provisions for dividend payments of retained earnings, etc. to be executed upon a resolution of the Board of Directors. (Proposed New Article 38)
 - 7) We propose amendments where necessary to any articles related to the establishment of provisions and the addition/removal of provisions as a result of the enactment of the Corporation Law.
- (2) Amendments in line with establishment of the public notice system via the Internet
We propose that the Company's public notices be made on the Company's Internet website in order to raise the effectiveness of public notices and reduce cost. We also propose a supplementary measure for exceptional cases when public notices cannot be made on the Internet. (Proposed New Article 5)
- (3) Amendments in line with introduction of exemptions of liability and liability limitation agreement for corporate officers
- 1) In order for directors and statutory auditors to achieve their best performance in their duty, we propose the establishment of new provisions making it possible, upon a resolution by the board of directors, to indemnify directors and statutory auditors within the scope of amounts of the total compensation liability amount after deduction of their minimum liability amount. (Proposed New Article 28-1 and New Article 36-1)
 - 2) To ensure being able to attract qualified individuals suited to the role of external director or external statutory auditor and to ensure that these individuals can sufficiently fulfill their duties during their terms of office, we propose the establishment of new provisions allowing conclusion of liability limitation agreements with external directors and statutory auditors. (Proposed New Article 28-2 and New Article 36-2)
Furthermore, all statutory auditors have consented to submitting as an agenda item the establishment of Article 28-1 and 2 in the Articles of Incorporation.
- (4) Change in the number of statutory auditors
In order to enhance the Company's auditing function, we propose increasing the maximum number of statutory auditors from 4 to 5. (Proposed New Article 29)
- (5) Other necessary amendments regarding wordings, etc.
Furthermore, adjustments to wording will be performed in addition to any necessary changes to article numbers as a result of creation or deletion of new articles. Also reviewing the whole Articles of Incorporation, adjustments to certain expressions and terms, etc. will be made.

2. Details of Amendments

The amendments to the Articles of Incorporation are as follows.
(Underlining denotes change)

(CURRENT ARTICLES OF INCORPORATION)

ARTICLES OF INCORPORATION OF HAKUTO CO., LTD.

Current Articles	Proposed Amendments
CHAPTER I. GENERAL PROVISIONS	CHAPTER I. GENERAL PROVISIONS
<p>Article 1. Corporate Name The name of the Company shall be “Hakuto Kabushiki Kaisha” in the Japanese language. In English documents, the Company shall be referred to as Hakuto Co., Ltd.</p>	<p>Article 1. Corporate Name The name of the Company shall be “Hakuto Kabushiki Kaisha” in the Japanese language. In English documents, the Company shall be referred to as Hakuto Co., Ltd.</p>
<p>Article 2. Objectives and Purposes The objectives and purposes of the Company shall be to engage in the following businesses:</p> <p><u>1.</u> Manufacture, sale and import/export of electronic and electric equipment and components (semiconductor manufacturing machinery, printed circuit board manufacturing equipment, flat-panel display manufacturing equipment, manufacturing equipment for recording media, computer equipment, vacuum equipment, analysis equipment, inspection and measuring systems, etc.)</p> <p><u>2.</u> Manufacture, sale, and import/export of electronic components (semiconductor devices, integrated circuits, liquid crystal devices, connectors and switches, etc.)</p> <p><u>3.</u> Manufacture, sale and import/export of optical devices and components, as well as peripheral devices</p> <p><u>4.</u> Development and sale of computer software and related information-processing operations</p>	<p>Article 2. Objectives and Purposes The objectives and purposes of the Company shall be to engage in the following businesses:</p> <p><u>(1)</u> Manufacture, sale and import/export of electronic and electric equipment and components(semiconductor manufacturing machinery, printed circuit board manufacturing equipment, flat-panel display manufacturing equipment, manufacturing equipment for recording media, computer equipment, vacuum equipment, analysis equipment, inspection and measuring systems, etc.)</p> <p><u>(2)</u> Manufacture, sale, and import/export of electronic components (semiconductor devices, integrated circuits, liquid crystal devices, connectors and switches, etc.)</p> <p><u>(3)</u> Manufacture, sale and import/export of optical devices and components, as well as peripheral devices</p> <p><u>(4)</u> Development and sale of computer software and related information-processing operations</p>

Current Articles	Proposed Amendments
<p><u>5.</u> Manufacture, sale and import/export of chemical industry-use chemicals (chemicals used as coolants in industrial applications, chemicals for the petroleum and petrochemical industry, chemicals for the paper/pulp industry); manufacture, sale and import/export of cosmetics, pharmaceuticals and products of a similar nature, and enzymes using microorganisms and other biological agents</p> <p><u>6.</u> Development, acquisition, control, receipt or transfer, licensing and other applications of intellectual property rights, such as patent rights, utility model patents, trademark rights, copyrights, micro-program control formats for licensing and other applications</p> <p><u>7.</u> Civil engineering work, construction of buildings, piping work, design of machinery equipment installation processes, installation, monitoring</p> <p><u>8.</u> Provision of analytical systems for analysis of atmosphere, water quality, soil quality, general and industrial waste; performance of surveys on a consignment basis</p> <p><u>9.</u> Sale of life insurance and casualty insurance on an agency basis</p> <p><u>10.</u> Job placement service for laborers; job referral service for individuals with specialized expertise or technical capabilities or management skills; and mediation services</p> <p><u>11.</u> Training programs for staff and technical training for workers on an outsourcing basis, and consulting for labor-related duties</p>	<p><u>(5)</u> Manufacture, sale and import/export of chemical industry-use chemicals (chemicals used as coolants in industrial applications, chemicals for the petroleum and petrochemical industry, chemicals for the paper/pulp industry); manufacture, sale and import/export of cosmetics, pharmaceuticals and products of a similar nature, and enzymes using microorganisms and other biological agents</p> <p><u>(6)</u> Development, acquisition, control, receipt or transfer, licensing and other applications of intellectual property rights, such as patent rights, utility model patents, trademark rights, copyrights, micro-program control formats for licensing and other applications</p> <p><u>(7)</u> Civil engineering work, construction of buildings, piping work, design of machinery equipment installation processes, installation, monitoring</p> <p><u>(8)</u> Provision of analytical systems for analysis of atmosphere, water quality, soil quality, general and industrial waste; performance of surveys on a consignment basis</p> <p><u>(9)</u> Sale of life insurance and casualty insurance on an agency basis</p> <p><u>(10)</u> Job placement service for laborers; job referral service for individuals with specialized expertise or technical capabilities or management skills; and mediation services</p> <p><u>(11)</u> Training programs for staff and technical training for workers on an outsourcing basis, and consulting for labor-related duties</p>

Current Articles	Proposed Amendments
<p><u>12.</u> Buying and selling, exchange and leasing of real estate and related services, including intermediary services, ownership, management, and use of real estate properties</p> <p><u>13.</u> Any business peripheral to the businesses mentioned in the preceding items</p>	<p><u>(12)</u> Buying and selling, exchange and leasing of real estate, and related services, including intermediary services, ownership, management, and use of real estate properties</p> <p><u>(13)</u> Any business <u>incidental or</u> peripheral to the businesses mentioned in the preceding items</p>
<p>Article 3. Location of Head Office The Company shall have its head office in Shinjuku-ku, Tokyo.</p>	<p>Article 3. Location of Head Office (Same as the current article)</p>
<p>(New provision)</p>	<p><u>Article 4. Organization</u> <u>The Company shall establish the following organizational bodies (after election or designation) in addition to general meetings of shareholders and the Directors.</u></p> <p><u>(1) Board of Directors</u> <u>(2) Corporate Auditors</u> <u>(3) Board of Corporate Auditors</u> <u>(4) Accounting Auditors</u></p>
<p>Article <u>4.</u> Method of Public Notice All public notices made by the Company shall be printed in the Nihon Keizai Shimbun, <u>published in Tokyo.</u></p>	<p>Article <u>5.</u> Method of Public Notice All public notices made by the Company shall be <u>made public via the Internet.</u> <u>However, in the event of an accident or other unavoidable circumstances that render notification via the Internet impossible, public notices shall be printed in the Nihon Keizai Shimbun.</u></p>
<p>CHAPTER II. SHARES</p>	<p>CHAPTER II. SHARES</p>
<p>Article <u>5.</u> Maximum Number of Shares Authorized for Issuance The maximum number of shares authorized for issuance by the Company is fifty four million (54,000,000). <u>However, this number</u></p>	<p>Article <u>6.</u> Maximum Number of Shares Authorized for Issuance The maximum number of shares authorized for issuance by the Company <u>shall be</u> fifty four million (54,000,000).</p>

Current Articles	Proposed Amendments
<p><u>shall be decreased accordingly if any shares are cancelled.</u></p>	
<p>(New provision)</p>	<p><u>Article 7. Issuance of Share Certificates</u> <u>The Company shall issue share certificates of the Company's common stock.</u></p>
<p><u>Article 6. Acquisition of Own Shares</u> <u>The Company may acquire the Company's own shares upon a resolution of the Board of Directors.</u></p>	<p>(Deleted)</p>
<p><u>Article 7. One Trading Unit (tangen) of Shares</u></p> <p>The number of one trading unit (tangen) of shares of the Company shall be one hundred (100) shares. (New provision)</p>	<p><u>Article 8. Number of Shares Per Trading Unit (tangen) and Non-Issuance of Share Certificates for Shares Numbering Less Than One Trading Unit (tangen)</u></p> <p><u>1. The number of one trading unit (tangen) of shares of the Company shall be one hundred (100) shares.</u></p> <p><u>2. Regardless of the provisions of the preceding clause, the Company shall not issues share certificates for shares less than one trading unit, except as stipulated in the Share Handling Regulations.</u></p>
<p><u>Article 8. Non-Issuance of Share Certificates for Shares in a Number Less Than One Trading Unit (tangen)</u> <u>The Company shall not issue share certificates for shares numbering less than one trading unit (tangen), unless otherwise permitted in the Share Handling Regulations.</u></p>	<p>(Deleted)</p>
<p>(New provision)</p>	<p><u>Article 9. Rights Regarding Shares Numbering Less Than One Trading Unit (tangen)</u> <u>Company shareholders (hereinafter includes Beneficial Owners) may not exercise any</u></p>

Current Articles	Proposed Amendments
	<p><u>rights other than the rights set forth below with regard to shares numbering less than one trading unit (tangen).</u></p> <p>(1) <u>The rights described in each item of Article 189, Paragraph 2 of the Corporation Law;</u></p> <p>(2) <u>The right to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Corporation Law;</u></p> <p>(3) <u>The right to receive an allocation of share offerings and share subscription rights in proportion to the number of shares held;</u></p> <p>(4) <u>The right to make the request set forth in the following article.</u></p>
<p>Article <u>9</u>. Purchase <u>by a Shareholder of Company Shares to Make Up a Trading Unit</u> A shareholder (<u>including hereinafter Beneficial Owners</u>) who has shares amounting to less than <u>one</u> trading unit (tangen) may, in accordance with the Share Handling Regulations, request the Company <u>to sell to him/her</u> such number of shares as, together with the shares amounting to less than <u>one</u> trading unit held by him/her, would constitute <u>one</u> trading unit.</p>	<p>Article <u>10</u>. Purchase <u>of Shares to Make Up a Trading Unit</u> A shareholder <u>who holds Company shares</u> amounting to less than <u>a</u> trading unit (tangen) may, in accordance with the Share Handling Regulations, request <u>that</u> the Company sell him/her such number of shares as, together with the shares amounting to less than <u>a</u> trading unit held by him/her, would constitute <u>a</u> trading unit.</p>
<p>Article <u>10</u>. Share Handling Regulations <u>Types of shares, and the handling of registration of change of shareholders, registration of a pledge of shares, indication of shares held in trust, the procedures for registration of shareholders, re-issuance of share certificates, purchase and sale of shares amounting to less than one trading unit (tangen), and any other handling of shares</u> shall be governed by the Share Handling Regulations established by <u>a resolution of the Board of Directors.</u></p>	<p>Article <u>11</u>. Share Handling Regulations <u>Handling of Company shares and related handling charges</u> shall be governed by the Share Handling Regulations established by the Board of Directors <u>as well as by law, regulation or these Articles of Incorporation.</u></p>

Current Articles	Proposed Amendments
<p>Article <u>11. Share Transfer Agent</u></p> <ol style="list-style-type: none"> 1. The Company shall appoint a <u>transfer agent relating to the shares.</u> 2. <u>The transfer agent and the place for providing shareholder service shall be designated by a resolution of the Board of Directors.</u> 3. <u>The Register of Shareholders, the Register of Beneficial Owners of the Company, and the Register of Lost Share Certificates shall be kept at the place for shareholders service of the transfer agent. The Company shall have such transfer agent handle registration of change of shareholders, purchase and sale of shares numbering less than one trading unit (tangen), and any other services concerning shares. The Company shall not provide these services.</u> 	<p>Article <u>12. Shareholder Register Administrator</u></p> <ol style="list-style-type: none"> 1. The Company shall appoint a <u>shareholder register administrator.</u> 2. <u>The shareholder register administrator and the place for providing shareholder service shall be designated and made public by a resolution of the Board of Directors.</u> 3. <u>The Company shall entrust the shareholder register administrator the preparation and maintenance of the Register of Shareholders (hereinafter includes the Register of Beneficial Owners), the Register of Share Subscription Rights and the Register of Lost Share Certificates of the Company and conduct all related business. The Company shall not provide these services.</u>
<p>Article <u>12. Record Date</u></p> <ol style="list-style-type: none"> 1. <u>Those shareholders who are listed or recorded in the Register of Shareholders or the Register of Beneficial Owners effective as of the closing of a business term of the Company shall be deemed eligible holders of shares with voting rights (“Eligible shareholders”) who are entitled to exercise their rights in the ordinary general meeting of shareholders for such business term.</u> 2. <u>In addition to the case prescribed in the preceding paragraph, the Company may, upon resolution by the Board of Directors, set the record date and give prior public notice thereof.</u> 	<p>(Deleted)</p>

Current Articles	Proposed Amendments
CHAPTER III. GENERAL MEETINGS OF SHAREHOLDERS	CHAPTER III. GENERAL MEETINGS OF SHAREHOLDERS
<p>Article 13. Convocation of General Meetings of Shareholders</p> <p>An ordinary general meeting of shareholders shall be convened within three months from <u>the next month following</u> the close of the business term each year. <u>An</u> extraordinary general <u>meeting</u> of shareholders may be convened <u>whenever</u> necessary.</p>	<p>Article 13. Convocation of General Meetings of Shareholders</p> <p>An ordinary general meeting of shareholders <u>of the Company</u> shall be convened within three months from the close of the business term each year. Extraordinary general <u>meetings</u> of shareholders may be convened <u>when</u> necessary.</p>
(New provision)	<p><u>Article 14. Record Date for Ordinary General Meetings of Shareholders</u></p> <p><u>The Record Date for determining shareholder rights to vote at general meetings of shareholders of the Company shall be March 31 of each year.</u></p>
<p>Article <u>14</u>. Persons Authorized to Convene the General Meetings of Shareholders and to Preside at General Meetings of Shareholders</p> <p>1. <u>Except as otherwise provided by law, general meetings of shareholders shall be convened by the President of the Company.</u> The President of the Company shall <u>preside as chairman</u> at general meetings of shareholders.</p> <p>2. In the absence or disability of the President, another director of the Company, in <u>accordance with an</u> order previously determined by the Board of Directors, <u>may</u> convene and preside at the <u>meeting</u>.</p>	<p>Article <u>15</u>. Persons Authorized to Convene the General Meetings of Shareholders and to Preside at General Meetings of Shareholders</p> <p>1. The President of the Company shall <u>convene and preside</u> at general meetings of shareholders.</p> <p>2. In the absence or disability of the President <u>due to an accident</u>, another director of the Company, in <u>the</u> order previously determined by the Board of Directors, <u>shall</u> convene and preside at the <u>general meetings of shareholders</u>.</p>

Current Articles	Proposed Amendments
(New provision)	<p><u>Article 16. Disclosure of Reference Materials for General Meetings of Shareholders on the Internet and Deemed Provision</u></p> <p><u>The Company, when convening a general meeting of shareholders, may consider that it has provided shareholders with information that should be described or presented in the reference materials for general meetings of shareholders, Business Report, Financial Statements and Consolidated Financial Statements by disclosing such information on the Internet, in accordance with Ministry of Justice ordinances.</u></p>
<p>Article <u>15. Resolutions of Shareholders</u></p> <p>1. Except as otherwise provided by law or these Articles of Incorporation, resolutions of a general meeting of shareholders shall be adopted by <u>an affirmative majority vote of all eligible shareholders present at the meeting.</u></p> <p>2. A <u>special</u> resolution set forth in Article <u>343 of the Commercial Code</u> shall be <u>made</u> by the affirmative vote of not less than two-thirds (2/3) of the voting rights held by <u>eligible</u> shareholders present at <u>the meeting at which</u> not less than one-third (1/3) of the total number of voting rights held by <u>all</u> eligible shareholders are represented.</p>	<p>Article <u>17. Resolution Method</u></p> <p>1. Except as otherwise provided by law or these Articles of Incorporation, resolutions of a general meeting of shareholders shall be adopted by <u>the affirmative vote of a majority of the voting rights held by</u> shareholders present <u>who are eligible to exercise their voting rights</u> at the meeting.</p> <p>2. A resolution <u>as</u> set forth in Article <u>309, Clause 2 of the Corporation Law</u> shall be <u>adopted</u> by the affirmative vote of not less than two-thirds (2/3) of the voting rights held by shareholders present <u>who are eligible to exercise their voting rights at a meeting where</u> not less than one-third (1/3) of the total number of voting rights held by eligible shareholders are represented.</p>
<p>Article <u>16. Proxy Voting</u></p> <p>1. If a shareholder intends to exercise his/her voting rights at any general meeting of shareholders through a proxy, the</p>	<p>Article <u>18. Proxy Voting</u></p> <p>1. If a shareholder intends to exercise his/her voting rights at any general meeting of shareholders through a proxy, the</p>

Current Articles	Proposed Amendments
<p>shareholder must designate as the said proxy another shareholder who is eligible to exercise such voting rights of the Company.</p> <p>2. <u>The shareholders or proxy shall</u> submit to the Company a document evidencing his/her power of representation <u>each time the proxy attends</u> a general meeting of shareholders.</p>	<p>shareholder must designate as the said proxy another shareholder who is eligible to exercise such voting rights of the Company.</p> <p>2. <u>The shareholder or proxy must</u> submit to the Company a document evidencing his/her power of representation <u>at each</u> general meeting of shareholders.</p>
<p><u>Article 17. Minutes of General Meetings of Shareholders</u> <u>With respect to the substance of the proceedings and the results of general meetings of shareholders of the Company, minutes shall be prepared, either on paper or as an electronic record, and the chairman of the meeting and the other directors present thereat shall write their names and affix their seals thereto or put their electronic signatures thereon.</u></p>	<p>(Deleted)</p>
<p>CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p>	<p>CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p>
<p>Article <u>18</u>. Number <u>of Directors</u> The Company shall have no more than fifteen (15) directors.</p>	<p>Article <u>19</u>. Number (Same as the current article)</p>
<p>Article <u>19</u>. <u>Election of Directors</u> 1. Directors shall be elected at a general meeting of shareholders of the Company. 2. <u>The resolution to elect Directors shall be made by an affirmative vote of a majority of the voting rights held by shareholders present at which no</u> less than one third (1/3) of the total number of voting rights held by <u>all</u> eligible shareholders are represented.</p>	<p>Article <u>20</u>. <u>Appointment Method</u> 1. Directors shall be elected <u>by resolution</u> at a general meeting of shareholders of the Company. 2. <u>A resolution for the appointment of Directors shall be adopted by the affirmative vote of a majority of voting rights held by shareholders present who are eligible to exercise their voting rights at a meeting where not</u> less than one-third (1/3) of the total number of voting rights</p>

Current Articles	Proposed Amendments
3. Cumulative voting shall not be used in electing directors.	held by eligible shareholders are represented. 3. (Same as the current article)
Article <u>20</u> . Term of Office <u>of Directors</u> The term of office of a director shall expire at the close of the ordinary general meeting of shareholders <u>pertaining</u> to the last <u>settlement of accounts occurring</u> within one (1) year after his/her <u>assumption of office</u> .	Article <u>21</u> . Term of Office The term of office of a Director shall expire at the close of the ordinary general meeting of shareholders <u>corresponding</u> to the last <u>fiscal year ending</u> within one (1) year after his/her <u>appointment to office</u> .
Article 21. <u>Scope of Authority of the Board of Directors</u> <u>The Board of Directors shall make decisions on items established by law and the Articles of Incorporation, as well as crucial matters pertaining to the execution of the Company's business operations.</u>	(Deleted)
(New provision)	Article 22. <u>Representative Director and Executive Directors</u> 1. <u>The Board of Directors shall select a representative director by a resolution of the Board of Directors.</u> 2. <u>The Board of Directors shall, by a resolution of the Board of Directors, designate one (1) President of the Company, and may designate one (1) person each as Chairman and Deputy Chairman of the Board of Directors and several persons as Vice Presidents, Executive Vice Presidents and Senior Vice Presidents.</u>

Current Articles	Proposed Amendments
<p>Article <u>22</u>. Persons Authorized to Convene <u>Meetings of the Board of Directors</u> and to Preside at Meetings of the Board of Directors</p> <p>1. Except as otherwise provided by law, <u>meetings of the Board of Directors shall be convened by the President of the Company</u>. The President of the Company shall preside <u>as chairman</u> at meetings of the Board of Directors.</p> <p>2. In the absence or disability of the President, another director of the Company, in <u>accordance with an order</u> previously determined by the Board of Directors, <u>may</u> convene and preside at <u>the</u> meetings.</p>	<p>Article <u>23</u>. Persons Authorized to Convene and Preside at Meetings of the Board of Directors</p> <p>1. Except as otherwise provided by law, the President of the Company shall <u>convene and</u> preside at meetings of the Board of Directors.</p> <p>2. In the absence or disability of the President <u>due to an accident</u>, another director of the Company, in an order previously determined by the Board of Directors, <u>shall</u> convene and preside at meetings <u>of the Board of Directors</u>.</p>
<p>Article <u>23</u>. Notice of Convocation of Meetings of the Board of Directors</p> <p>A notice of the convocation of a meeting of the Board of Directors shall be dispatched at least three (3) days prior to the date of such meeting provided, however, that such period of notice may be shortened <u>in case of emergency</u>. <u>Moreover, it shall be possible to convene a meeting of the Board of Directors without following the necessary procedures so long as members of the Board of Directors and the Board of Statutory Auditors unanimously agree to the convocation of such meeting.</u></p> <p>(New provision)</p>	<p>Article <u>24</u>. Notice of Convocation of Meetings of the Board of Directors</p> <p><u>1</u>. A notice of the convocation of a meeting of the Board of Directors shall be dispatched <u>to each Director and Corporate Auditor</u> at least three (3) days prior to the date of such meeting, provided, however, that such period of notice may be shortened <u>when urgently necessary</u>.</p> <p><u>2</u>. <u>When members of the Board of Directors and the Board of Corporate Auditors unanimously agree, meetings of the Board of Directors may be held without the formal convocation procedures.</u></p>

Current Articles	Proposed Amendments
<p>Article <u>24</u>. Resolutions of Meetings of the Board of Directors <u>Resolutions of a meeting of the Board of Directors shall be adopted by the affirmative vote of a majority of the directors present thereat who constitute a majority of the directors in office.</u></p>	<p>Article <u>25</u>. <u>Abridged Method for Resolutions of Meetings of the Board of Directors</u> <u>In the event that the requisites of Article 370 of the Corporation Law are fulfilled, the Company may approve a resolution without holding a meeting of Board of Directors.</u></p>
<p>Article <u>25</u>. Minutes of Meetings of the Board of Directors <u>With respect to the substance of the proceedings and the results of meetings of the Board of Directors, minutes shall be prepared, either on paper or as an electronic record, and the directors and corporate auditor(s) present thereat shall write their signatures and affix their seals thereto or put their electronic signatures thereon. The minutes shall be kept at the Company.</u></p>	<p>(Deleted)</p>
<p>Article <u>26</u>. Other Senior Directors <u>The Board of Directors shall appoint, through a resolution, one (1) Chairman, one (1) Deputy Chairman, and one (1) President, from among its members and may also grant the titles of Deputy President, Executive Vice President and Senior Vice President as deemed necessary.</u></p>	<p>(Deleted)</p>
<p>Article <u>27</u>. Representative Directors <u>1. The Board of Directors, through a resolution, shall appoint Representative Directors.</u> <u>2. The Company shall have no more than three (3) Representative Directors.</u> <u>3. Representative Directors shall represent the Company, and shall perform their duties in accordance with the resolutions of the Board of Directors.</u></p>	<p>(Deleted)</p>

Current Articles	Proposed Amendments
<p>Article <u>28</u>. Remuneration and Bonuses for Directors Remuneration, bonuses, and <u>severance and retirement benefit paid to directors as compensation for the execution of their duties shall be set through a resolution by the Board of Directors.</u></p>	<p>Article <u>26</u>. Remuneration and Bonuses for Directors Remuneration, bonuses, and <u>other material benefit received by Directors from the Company as compensation for the execution of their duties (hereinafter “remuneration”)</u> shall be determined by a resolution of a <u>general meeting of shareholders.</u></p>
<p>Article <u>29</u>. Rules Governing the Board of Directors Except as otherwise provided by law or these Articles of Incorporation, items concerning the Board of Directors shall be decided in accordance with the <u>written rules</u> established by the Board of Directors.</p>	<p>Article <u>27</u>. Rules Governing the Board of Directors Except as otherwise provided by law or these Articles of Incorporation, items concerning the Board of Directors shall be decided in accordance with the <u>Regulations of the Board of Directors</u> established by the Board of Directors.</p>
<p>(New provision)</p>	<p><u>Article 28. Exemptions of Directors from Liability</u> <u>1. The Company may, upon a resolution of the Board of Directors, exempt any Director (including former Directors) from liability for damages due to negligence of duties in accordance with the provisions of Article 426, Clause 1 of the Corporation Law, to the extent permitted by law.</u> <u>2. The Company may enter into an agreement with any External Director to limit his/her liability for damages due to negligence of duties in accordance with the provisions of Article 427, Clause 1 of the Corporation Law, providing, however, such limit of liability amount shall be equal to the greater amount of either a previously determined amount not less than three million (3,000,000) yen or the extent permitted by law.</u></p>

Current Articles	Proposed Amendments
<p align="center">CHAPTER V. STATUTORY AUDITORS AND THE BOARD OF STATUTORY AUDITORS</p>	<p align="center">CHAPTER V. STATUTORY AUDITORS AND THE BOARD OF STATUTORY AUDITORS</p>
<p>Article <u>30</u>. Number <u>of Corporate Auditors</u> The Company shall have no more than <u>four</u> (4) corporate auditors.</p>	<p>Article <u>29</u>. Number The Company shall have no more than <u>five</u> (5) corporate auditors.</p>
<p>Article <u>31</u>. Appointment <u>of Statutory Auditors</u> 1. <u>The appointment of</u> corporate auditors shall be <u>approved</u> at a general meeting of shareholders <u>of the Company</u>. 2. <u>For a resolution of</u> the appointment of corporate auditors, <u>the presence of shareholders representing</u> no less than one third (1/3) of the total number of voting rights held by <u>all eligible</u> shareholders <u>is required</u>.</p>	<p>Article <u>30</u>. Appointment <u>Method</u> 1. Corporate Auditors shall be <u>appointed</u> at a general meeting of shareholders. 2. A resolution <u>for</u> the appointment of Corporate Auditors <u>requires the affirmative vote of a majority of the voting rights held by eligible shareholders present who are eligible to exercise their voting rights at a meeting where not</u> less than one-third (1/3) of the total number of voting rights held by shareholders <u>entitled to vote are represented</u>.</p>
<p>Article <u>32</u>. Term of Office <u>of Corporate Auditors</u> 1. The term of office of a corporate auditor shall expire at the close of the ordinary general meeting of shareholders <u>pertaining to the last settlement of accounts occurring</u> within four (4) years of his/her <u>assumption of office</u>. 2. The term of office of a corporate auditor appointed to fill a vacancy shall be concurrent with the term of office of his/her predecessor.</p>	<p>Article <u>31</u>. Term of Office 1. The term of office of a Corporate Auditor shall expire at the close of the ordinary general meeting of shareholders <u>corresponding to the last fiscal year ending</u> within four (4) years of his/her <u>appointment to office</u>. 2. The term of office of a Corporate Auditor appointed to fill a vacancy <u>left by a Corporate Auditor retiring before the end of his/her term</u> shall be concurrent with the term of office of his/her predecessor.</p>

Current Articles	Proposed Amendments
<p>Article <u>33</u>. Full-Time Corporate Auditors <u>The corporate auditors shall appoint full-time statutory auditor(s) from among themselves.</u></p>	<p>Article <u>32</u>. Full-Time Corporate Auditors <u>Full-time Corporate Auditor(s) shall be appointed by a resolution of the Board of Corporate Auditors.</u></p>
<p>Article <u>34</u>. Notice of Convocation of a Meeting of the Board of Corporate Auditors A notice of the convocation of a meeting of the Board of Corporate Auditors shall be dispatched at least three (3) days prior to the date of such meeting provided, however, that such period of notice may be shortened <u>in case of emergency. Moreover, it shall be possible to convene a meeting of the Board of Corporate Auditors without following the necessary procedures so long as members of the Board of Corporate Auditors unanimously agree to the convocation of such meeting.</u> (New Provision)</p>	<p>Article <u>33</u>. Notice of Convocation of a Meeting of the Board of Corporate Auditors <u>1. A notice of the convocation of a meeting of the Board of Corporate Auditors shall be dispatched to each Corporate Auditor at least three (3) days prior to the date of such meeting, provided, however, that such period of notice may be shortened when urgently necessary.</u> <u>2. When members of the Board of Corporate Auditors unanimously agree, meetings of the Board of Corporate Auditors may be held without the formal convocation procedures.</u></p>
<p>Article <u>35</u>. Resolutions of Meetings of the Board of Corporate Auditors <u>Except as otherwise provided by law, resolutions of a meeting of the Board of Corporate Auditors shall be adopted by an affirmative vote of the Corporate auditors in office.</u></p>	<p>(Deleted)</p>
<p>Article <u>36</u>. Minutes of Meetings of the Board of Corporate Auditors <u>With respect to the substance of the proceedings and the results of meetings of the Board of Corporate Auditors, minutes shall be prepared, either on paper or as an</u></p>	<p>(Deleted)</p>

Current Articles	Proposed Amendments
<p><u>electronic record, and corporate auditors present thereat shall write their signatures and affix their seals thereto or put their electronic signatures thereon.</u></p>	
<p>Article <u>37</u>. Remuneration Paid to Corporate Auditors Remuneration <u>and severance and retirement benefit</u> paid to Corporate auditors <u>as compensation for their execution of duties</u> shall be set by resolution <u>by</u> the general meeting of shareholders.</p>	<p>Article <u>34</u>. Remuneration Paid to Corporate Auditors Remuneration paid to Corporate Auditors shall be set by a resolution <u>of</u> the general meeting of shareholders.</p>
<p>Article <u>38</u>. Rules Governing Corporate Auditors Except as otherwise provided by law or these Articles of Incorporation, items concerning the Board of Corporate Auditors shall be decided in accordance with the <u>written rules</u> established by the Board of Corporate Auditors.</p>	<p>Article <u>35</u>. Rules Governing Corporate Auditors Except as otherwise provided by law or these Articles of Incorporation, items concerning the Board of Corporate Auditors shall be decided in accordance with the <u>Regulations of the Board of Corporate Auditors</u> established by the Board of Corporate Auditors.</p>
<p>(New provision)</p>	<p><u>Article 36. Exemptions of Corporate Auditors from Liability</u> <u>1. The Company may, upon a resolution of the Board of Directors, exempt any Corporate Auditor (including former Corporate Auditors) from liability for damage due to negligence of duties in accordance with the provisions of Article 426, Clause 1 of the Corporation Law, to the extent permitted by law.</u> <u>2. The Company may enter into an agreement with any External Corporate Auditor to limit his/her liability for damages due to negligence of duties in accordance with the provisions of Article 427, Clause 1 of the Corporate Law,</u></p>

Current Articles	Proposed Amendments
	<p><u>providing, however, such limit of liability amount shall be equal to the greater amount of either a previously determined amount not less than two million (2,000,000) yen or the extent permitted by law.</u></p>
CHAPTER VI. ACCOUNTING	CHAPTER VI. ACCOUNTING
<p>Article <u>39. Business Term</u> The business <u>term</u> of the Company shall <u>commence on the first day of April</u> each year and <u>end on the last day of March</u> of the following year.</p>	<p>Article <u>37. Business Year</u> The business <u>year</u> of the Company shall be <u>one (1) year commencing on April 1</u> of each year and <u>ending on March 31</u> of the following year.</p>
(New provision)	<p><u>Article 38. Decision-Making Body for the Dividend Payment of Retained Earnings</u> <u>The Company shall, except as otherwise stipulated by law, determine the dividend payment of retained earnings and other matters set forth in each item of Article 459, Paragraph 1 of the Corporation Law by a resolution of the Board of Directors and not a resolution of the general shareholders meeting.</u></p>
<p>Article <u>40. Payment of Dividends</u> <u>The Company shall pay term-end dividends to shareholders or pledgees whose names are entered or recorded in the Company’s Shareholders’ Register or the Register of Beneficial Owners (“registered pledgeholders”) as of the end of the business term.</u> (New provision) (New provision)</p>	<p>Article <u>39. Record Date for Dividend Payment of Retained Earnings</u> <u>1. The record date for payment of Company term-end dividends shall be March 31 of each year.</u> <u>2. The record date for payment of Company interim dividends shall be September 30 of each year.</u> <u>3. In addition to the two preceding clauses, the Company may set other record dates</u></p>

Current Articles	Proposed Amendments
	<u>and pay dividends on retained earnings.</u>
<p><u>Article 41. Payment of Interim Dividends</u> <u>The Company may, by resolution of the Board of Directors, pay interim dividends provided under Article 293-5 of the Commercial Code to shareholders or pledgeholders registered as of September 30th of each year.</u></p>	(Deleted)
<p>Article <u>42</u>. Release from Obligation to Make Dividend Payment <u>In the event that a shareholder or a registered pledgeholder has not received term-end or interim dividends within three (3) years of the initial date on which the payment of such term-end or interim dividends was offered, the Company shall be released from its obligation to make such payment.</u></p>	<p>Article <u>40</u>. Release from Obligation to Make Dividend Payment <u>For cash dividends that have not been received after a lapse of three (3) full years from the initial date on which the payment was offered, the Company shall be released from its obligation to make such payment.</u></p>

Item 3:**Appointment of thirteen directors**

The term of office of all thirteen directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, approval of the appointment of the following thirteen directors 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 Jun. 2000 Chairman (present)	1,412,400
2	Hiroshi Asai (Oct. 12, 1947)	Apr. 1971 Joined Matsushita Electric Trading Co., Ltd. (currently Matsushita Electric Industry Co., Ltd.) Feb. 2000 Joined the Company Jun. 2000 Director Jun. 2004 President (present)	12,700
3	Yoshihito Akiyama (Feb. 5, 1943)	Jul. 1969 Joined the Company Jun. 1994 Director and Manager of Accounting Dept. Apr. 1997 Director and Deputy General Manager of Administrative Control Div. and Manager of Marketing Administration Dept. Apr. 1998 Director and Manager of Corporate Planning Dept. Jun. 2000 Senior Vice President and Manager of Corporate Planning Dept. Jun. 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. Jun. 2004 Executive Vice President Jun. 2006 Executive Vice President and in charge of Development and Marketing Dept. (present)	15,667

Candidate Number	Name (Date of Birth)	Career History including Representation of Other Companies	Number of Shares of the Company Owned by the Candidate
4	Tomoyuki Yamawaki (Oct. 10, 1943)	Sep. 1966 Joined the Company Jun. 1996 Director and Manager of Corporate Planning Dept. Apr. 1998 Director and Manager of President's Office Jun. 2000 Senior Vice President, Manager of Secretariat and Division Manager of Affiliate Company Administration Div. Jul. 2000 Senior Vice President and Division Manager of Affiliate Company Administration Div. Jun. 2001 Senior Vice President and Manager of Secretariat Apr.2002 Senior Vice President, Manager of Secretariat and in charge of Environment, Safety and Quality Assurance Promotion Office Jun.2004 Executive Vice President, Manager of Secretariat and in charge of Environment, Safety and Quality Assurance Promotion Office (present)	12,010
5	Shoichi Mizushima (Jun. 4, 1944)	Apr. 1967 Joined the Company Jun. 1998 Director and Division Manager of Administration Div. No.2 Apr. 2000 Director, Division Manager of Administration Div. No.2 and Manager of Financial Dept. Dec. 2001 Director and Deputy Division Manager of Corporate Administration Div. Apr. 2003 Director and Division Manager of Corporate Administration Div. Jun. 2004 Senior Vice President and in charge of Personnel Dept., General Administration Dept., General Affairs Dept., Business Dept., Isehara Technical Center and Branches (present)	13,403

Candidate Number	Name (Date of Birth)	Career History including Representation of Other Companies	Number of Shares of the Company Owned by the Candidate
6	Norimichi Hada (Oct. 8, 1946)	<p>Oct. 1969 Joined the Company</p> <p>Nov. 1992 Manager of Connector Systems Dept., Component Business Div.</p> <p>Sep. 1993 Deputy Division Manager of Component Business Div. and Manager of Component Systems Dept.</p> <p>Jul. 1996 Division Manager of Electronics Component Business Div.</p> <p>Apr. 1997 President of Hakuto Taiwan Ltd. (former S&T HITECH LTD.)</p> <p>Jun. 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>	12,193
7	Yoshiaki Sato (Jun. 28, 1947)	<p>Dec. 1982 Joined Hakuto Chemicals Co., Ltd.</p> <p>Apr. 1991 Transferred to the Company</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>Jun. 2003 Director and Division Manager of Chemical Business Div.</p> <p>Apr. 2006 Director and in charge of Chemical Business Div. (present)</p> <p><Representative status in other companies> Chairman of Fuyo Chemical Industries Co., Ltd.</p>	4,500

Candidate Number	Name (Date of Birth)	Career History including Representation of Other Companies	Number of Shares of the Company Owned by the Candidate
8	Junji Kohira (Nov. 18, 1947)	<p>Mar. 1970 Joined the Company</p> <p>Jul. 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</p> <p>June 2004 Director, Division Manager of Electronic Equipment Div. No.1, Manager of Technology Dept. No.3 and of Marketing Planning Office, and Division Manager of Electronic Equipment Div. No.2</p> <p>Apr. 2005 Director, Division Manager of Electronic Equipment Div. No.2, and in charge of Electronic Equipment Div. No.1 (present)</p>	10,300
9	Ryusaburo Sugimoto (Jun. 3, 1954)	<p>Apr. 1978 Joined the Company</p> <p>Apr. 2000 Manager of Sales Dept. No.5, Electronics Div. No.1</p> <p>Apr. 2003 Division Manager of Electronic Components Div. No.1</p> <p>Oct. 2003 Division Manager of Electronic Components Div. No.1 and Manager of Electronic Device Sales Dept. No.3</p> <p>Feb. 2004 Division Manager of Electronic Device Div.</p> <p>Apr. 2004 Division Manager of Electronic Device Div. and Manager of Marketing Administration Dept.</p> <p>Jun. 2004 Director, Division Manager of Electronic Device Div. and Manager of Marketing Administration Dept.</p> <p>Apr. 2006 Director, Division Manager of Electronic Device Div. No.1, in charge of Electronic Device Div. No.2, and Manager of Device Marketing Administration Dept. (present)</p>	1,400

Candidate Number	Name (Date of Birth)	Career History including Representation of Other Companies	Number of Shares of the Company Owned by the Candidate
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, Corporate Administration Div. Manager of Corporate Planning Dept. and Financial & Accounting Dept. June 2004 Director, Manager of Corporate Planning Dept. and Financial & Accounting Dept., and in charge of Information System Dept. (present)	2,100
11	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)	1,058,923
12	Kozo Uno (July 3, 1933)	Aug. 1963 Registered as Certified Public Accountant (present) July 1969 Senior Partner of Asahi & Co. (accounting corporation, currently KPMG AZSA & Co.) 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. June 2004 Appointed Director of the Company (present)	—
13	Katsuyoshi Iwashiro (Mar. 20, 1945)	Oct. 2001 Deputy President of The Asahi Bank, Ltd. (currently Resona Bank, Ltd.) June 2002 President of Shoei Insurance Service Co., Ltd. June 2005 Appointed Director of the Company (present)	600

Notes:

1. Kozo Uno and Katsuyoshi Iwashiro are candidates for Outside Directors.
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.

Item 4:**Appointment of one corporate auditor**

Toshiyasu Asagami will resign as corporate auditor at the conclusion of this General Meeting of Shareholders, the Company requests your approval of the appointment of the corporate auditor.

Career history of the candidate is as follows.

The submission of Item 4 has been approved by the board of corporate auditors.

Name (Date of Birth)	Career History including Representation of Other Companies	Number of Shares of the Company Owned by the Candidate
Tadao Kuwano (July 31, 1942)	Mar.1974 Registered as Certified Public Accountant (present) July 1993 Senior Partner of Asahi Shinwa & Co. (accounting corporation, currently KPMG AZSA&Co.) Feb. 2005 Registered as Certified Tax Accountant (present) July 2005 Established a private office as CTA (present) Sep. 2005 Affiliate Professor of Graduate School of Accounting Finance, Chiba University of Commerce (present) Part-Time Professor of Graduate School of Finance, Waseda University (present)	—

Note: Tadao Kuwano is the candidate for Outside Corporate Auditor.

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