

June 4, 2010

Dear Shareholders,

Hakuto Co., Ltd.

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

Notice of the 58th Annual General Meeting of Shareholders

You are cordially invited to attend the 58th 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 for the General Meeting of Shareholders presented hereinafter, and exercise your voting rights no later than 5:30 p.m. on Thursday, June 24, 2010, using one of the methods outlined below.

[Exercising your voting rights by mail]

Please indicate “for” or “against” for each agenda item shown on the enclosed Form for Exercising Voting Rights, apply the enclosed protective seal, and mail it in time for delivery by the deadline mentioned above.

[Exercising your voting rights electronically (Internet voting etc.)]

Use a personal computer or cell phone to access the Voting Right Exercise Site: <http://www.evotep.jp/>. Enter the “Login ID” and “Temporary Password” noted on the enclosed Form for Exercising Voting Rights, follow the instructions on the screen and indicate “for” or “against” for each agenda item by the deadline mentioned above.

If you intend to exercise your voting rights via the Internet, please refer to page 60 and 61 of the “Procedures for Exercising Voting Rights via the Internet.”

Sincerely,

Ryusaburo Sugimoto
President

Details

- 1. Date & Time:** Friday, June 25, 2010 at 10:00 a.m.
- 2. Venue:** Conference Room, 8th Floor, Head Office Building, 1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

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1. If you are attending the Meeting in person, please bring the enclosed Form for Exercising Voting Rights and present it at the reception desk.
 2. Revisions to the Reference Materials for the General Meeting of Shareholders, Business Report, non-consolidated financial statements, and consolidated financial statements shall be posted on the Company’s website (<http://www.hakuto.co.jp>).

3. Meeting Agenda

(1) Items to be reported:

1. Business Report and consolidated financial statements for the Company's 58th fiscal year (from April 1, 2009 to March 31, 2010), and the audit reports of consolidated financial statements by the Accounting Auditors (CPAs) and the Company's Board of Corporate Auditors
2. Non-consolidated financial statements for the Company's 58th fiscal year (from April 1, 2009 to March 31, 2010)

(2) Items to be resolved:

Item 1: Appointment of Twelve (12) Directors

Item 2: Appointment of One (1) Corporate Auditor

4. Matters concerning convocation

- (1) In the event that no indication of "for" or "against" has been made, this shall be treated as the intent of approval.
- (2) If you exercise your voting rights both by mail and electronic means (Internet voting etc.), the electronic voting (Internet etc.) shall prevail regardless of the arrival date of the mailed vote.
- (3) In the case of multiple voting via the Internet, the last voting shall prevail.
- (4) If split votes are cast, a written notice of the diverse exercise of voting rights and the reasons thereof must be provided by June 21, 2010.

Business Report

(From April 1, 2009 to March 31, 2010)

1. Corporate Group's Business Environment

(1) Business conditions during the fiscal year under review

1) Business developments and results

The world economy in the consolidated financial year under review recovered from the worst situation through economic stimulus measures, etc. by various national governments, and shows some signs of a full-scale economic recovery, such as resumption of capital investment mainly in emerging countries.

In Japan, even with some weak aspects such as weakened personal consumption and other factors, the recent economy is steadily recovering thanks to more active demand for products from emerging countries, as well as an upward trend of capital investment after ceasing to fall.

Under these overseas and domestic economic circumstances, in the Electronics Division, one of the Group's core businesses, as the operation rate of production capacity is still relatively low, new demands for capital investment are only slightly turning up. However, digital home appliance-related products and components for environmental measures which benefitted from economic measures are fully recovering, and demands for some products started to be higher than our supply capability.

The situation of the Chemical Division is diverse depending on industries due to its wide range of usage. The domestic demand in oil-related industry has peaked out because of the great industry reorganization, and the operation ratio of production capacity in the paper and pulp industry has been sluggish.

Meanwhile, in the cosmetic industry, the demand for products made from healthy and eco-friendly materials are expanding with a spread of naturalism.

As a result of the above, sales for the fiscal year decreased 10.8% year on year on a consolidated basis, to ¥97,167 million, with domestic sales falling 8.6%, to ¥72,565 million, and overseas sales falling 16.6%, to ¥24,602 million.

Regarding profit and loss, while gross profit fell 12.9% year on year, to ¥15,622 million, operating income increased 20.4%, to ¥2,709 million and ordinary profit expanded 23.3%, to ¥2,483 million, as a result of the steady implementation of the management streamlining measures formulated at the beginning of the year.

As a result of a significant decrease in extraordinary losses recorded in the previous fiscal year, such as the management streamlining expenses and the loss on valuation of investment securities, we recorded the net income of ¥1,655 million compared with a net loss of ¥542 million in the previous fiscal year.

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

Electronics Division

In the electronic and electric equipment segment, although sales of relatively small equipment including vacuum-related equipment fairly increased, investment in large-scale facilities such as PCB (Printed Circuit Board)-related equipment and FPD (Flat Panel Display) manufacturing equipment has not been fully resumed. Accordingly, we continuously faced a severe condition.

In the semiconductor devices of electronic component segment, demands for semiconductors for digital home appliances which benefitted from the economic stimulus measures and semiconductors for car navigation systems which are more

equipped on vehicles are increasing. There was a problem that supply capability of some products which had been shrunk could not catch up with such recovering demands. In the electronic component of the same segment, while sales of optic transmission device components for communication infrastructure decreased, sales of connectors for personal computers for which demand is fully recovering increased. As a result of the above, sales in the Electronics Division decreased 11.4% year on year, to ¥90,165 million, with operating income up by 9.5%, to ¥2,167 million.

Chemicals Division

In the petroleum relating segment, sales of antifoulants and anti-polymerization agents showed a relatively steady increase. Meanwhile, in the paper and pulp segment, sales of defoamers and deposit control aids (control aids for blot/deposited materials) decreased with the adverse effects from a lower capacity utilization rate of production facilities of our major customers. Furthermore, sales of Alcaligenes Polysaccharides for cosmetics which is regarded as a new core product fairly expanded.

As a result, sales of the Chemical Division dropped 1.7% year on year, to ¥6,984 million, and operating income increased 134.6% to ¥538 million.

Others Division

This Division is mainly general operation and logistics management tasks of the Company on a consignment basis as well as agency business for insurance companies.

As a result, the Others Division reported sales of ¥18 million (down 19.0% year on year) and operating income of ¥4 million (down 90.9%).

Sales by segment

	Fiscal 2008 (term ended March 2009)		Fiscal 2009 (term ended March 2010)	
	Sales (¥ million)	Ratio to total (%)	Sales (¥ million)	Ratio to total (%)
Electronics	101,756	93.5	90,165	92.8
Chemicals	7,104	6.5	6,984	7.2
Others	22	0.0	18	0.0
Total	108,882	100.0	97,167	100.0

Note: Figures are exclusive of internal intersegmental sales and consumption tax.

Outlook of the Next Fiscal Year

After the full-scale global recession which started from fall in 2008, the economy hit the bottom in the previous fiscal year, and then is gradually recovering. Although private consumption and capital investment has not recovered sufficiently yet, our business conditions are apparently better than before. Consequently, we will strive to increase sales and income by quickly carrying out measures in line with the growth strategy in the process of the present structural changes.

From such a viewpoint, we forecast the consolidated sales of the fiscal year ending March 2011 of ¥110 billion (up 13.2% year on year), consolidated operating income of ¥3.2 billion (up 18.1%), consolidated ordinary income of ¥3.1 billion (up 24.9%), and consolidated net income of ¥2.0 billion (up 20.9%).

2) Investment in plant & equipment

The total investment in plant and equipment for the reporting fiscal year was ¥337 million.

3) Fund procurement

There are no material facts to report.

4) Business segment transfers, absorption-type splits, and incorporation-type splits

There are no items to report.

5) Business segments transferred from other companies

There are no items to report.

6) Succession to rights and responsibilities related to the businesses of other juridical persons through absorption-type mergers and splits

There are no items to report.

7) Acquisitions and disposals of shares, ownership interests, or share subscription rights, etc. in other companies

We sold all shares of Hakuto Information Technology Co., Ltd., our wholly owned subsidiary, on February 16, 2010.

(2) Assets and net income for the last three years

(¥ million)

	FY2006	FY2007	FY2008	FY2009 (reporting term)
Sales	123,442	133,259	108,882	97,167
Ordinary profit	5,333	2,233	2,014	2,483
Net income	3,054	433	(542)	1,655
EPS (yen)	138.74	19.62	(24.53)	74.88
Total assets	82,175	85,950	67,042	67,075
Net assets	41,905	39,111	36,156	38,379
BPS (yen)	1,900.95	1,770.12	1,633.43	1,730.67

Notes:

1. () means a net loss and a net loss per share.
2. EPS (Earnings Per Share) are calculated based on the average number of outstanding shares during the fiscal year. BPS (Book Value Per Share) is calculated based on the number of shares outstanding as of the end of the fiscal year. The total number of outstanding shares excludes treasury shares.

(3) Principal subsidiaries

	Capital stock	Ratio of voting rights held by the Company (%)	Principal lines of business
Microtek Inc.	300 million yen	100	Import/export of electronic equipment and components
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

(4) Issues facing the Company

Business environments surrounding the Group continuously tend to recover centering on demands from emerging countries, and partly show signs of full-scale resumption of capital investment. In order that, without missing such an opportunity for business recovery, we can make a sure start towards achieving mid-and-long term growth, we formulated a new midterm plan for three years from the fiscal year ending March 2011 to March 2013 as shown below:

In the final fiscal year (ending March 2013), Consolidated sales: ¥150 billion
Consolidated ordinary income: ¥5.3 billion

A road map toward achieving the goal in the final year is as follows:

- The first fiscal year (ending March 2011)
Expanding our growth path: Clearly distinguish between “new growth” area and “core product” area.
- The second fiscal year (ending March 2012)
Achieving satisfactory results in “new growth” area and achieve sure profit boost in “core product” area.
- The final fiscal year (ending March 2013)
Realizing a dramatic success in the “new growth” area.

As a basic policy to execute the above-mentioned plan, the Group will strive to establish the stable management base, as making the best of strength respectively in the Electronics and the Chemical segments and pay attention to the balance of major businesses.

Especially, we regard Asian area as the most important area for our growth, and will intensively invest our human and financial resources into that area in order to further enhance the system of overseas business.

We are also aware that it is essential to earn income from not only business seen as an extension of existing business but also new business in order to achieve the profit plan in the final year stated above. Accordingly, we will focus on fostering new core businesses from the mid-and-long term viewpoint.

To be more specific, we will intensively work on the following five issues:

1) Developing new businesses corresponding to growing fields (application)

We will develop new businesses in areas appropriate to the need of the times, for example,

clean energy, eco-friendly transportation methods including high-speed railway, smart grid, electronics products for emerging countries,.

2) Enhancing overseas businesses

While expanding the network of Asian bases such as China and India, which are expected to grow best in future, we will actively find new local customers in those areas to capture growing markets.

3) Promoting growth measures in the electronic equipment business

Sales of our electronic equipment business have continuously decreased over the past several years. We will optimize the sales system in Asia for the purpose of surely achieving growth in business models which are proven to be highly profitable and value-added, and develop new products in major areas.

4) Pursuing the synergy between each Hakuto's Division and subsidiaries

We will effectively use various resources to develop new businesses by enhancing the strategic cooperation between Hakuto's Divisions and subsidiaries developing relevant businesses, and fully considering strength of both sides.

5) Strengthening the internal control system to realize healthy and transparent management

We are likely to have higher risks of various compliance-related problems caused by differences in business practices, etc. while further expanding the network of foreign bases. In this regard, we recognize that the enhancement of internal control systems is one of our important issues, and make our efforts to strengthen it for the purpose of meeting the expectation from all our stakeholders.

(5) Main business lines (as of March 31, 2010)

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; cosmetics formula
Others		Outsourcing business

(6) Principal offices and plants (as of March 31, 2010)

1) Principal offices and plants of the Company

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

2) Offices of principal subsidiaries

Name	Location
Microtek Inc.	Suginami-ku, Tokyo
Hakuto Enterprises Ltd.	Kowloon, Hong Kong
Hakuto Singapore Pte. Ltd.	Singapore
Hakuto Taiwan Ltd.	Taipei, Taiwan

(7) Employees (as of March 31, 2010)**1) Employees of the Group**

Business segment	Number of employees	Change from end of previous term
Electronics	1,061	(235)
Chemicals	178	(12)
Others	91	3
Common in the Group	77	0
Total	1,407	(244)

Notes:

1. The number of employees is the number of those who are employed by the Group.
2. Employees working for the “Common in the Group” are attached to back-office sections that cannot be classified into particular business segments.
3. The number of employees decreased 244, compared to the number at the end of the previous consolidated fiscal year, due to personnel cutbacks executed as a part of management streamlining, as well as the transfer of Hakuto Information Technology Co., Ltd, which was a consolidated subsidiary.

2) Employees of the Company

Number of employees	Change from end of previous fiscal year	Average age	Average number of years of service
609	Decrease by 40	39.2	11.8

Note: The above figures exclude 16 employees currently dispatched to affiliated companies.

(8) Principal sources of borrowings (as of March 31, 2010)

(¥ million)

Sources	Balance of borrowings
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,179
Resona Bank, Limited.	2,249
Sumitomo Mitsui Banking Corporation	1,175
Nippon Life Insurance Company	1,035
Mizuho Bank, Ltd.	800

(9) Other important matters concerning the Group

There are no material facts to report.

2. Profile of the Company

(1) Shares (as of March 31, 2010)

- 1) Number of shares authorized for issuance: 54,000,000 shares
 2) Number of shares issued and outstanding: 24,137,213 shares (no change from the previous fiscal year)
 Of which treasury shares: 2,042,885 shares
 3) Number of shares per trading unit (tangen): 100 shares
 4) Number of shareholders: 6,536 (decreased by 93 from the previous fiscal year)

5) Major shareholders (top ten):

Name of shareholder	Number of shares held (thousands shares)	Ownership (%)
Takayama International Education Foundation	3,033.3	13.72
Japan Trustee Services Bank, Ltd. (trust account)	2,875.0	13.01
Shigeo Takayama	1,192.9	5.39
Ichiro Takayama	1,058.9	4.79
Ken Takayama	1,058.9	4.79
Ryutaro Takayama	1,058.8	4.79
The Master Trust Bank of Japan, Ltd. (trust account)	908.4	4.11
Kuroda Electric Co., Ltd.	604.2	2.73
Satori Electric Co., Ltd.	284.0	1.28
Trust & Custody Services Bank, Ltd. (securities investment trust account)	283.8	1.28

Notes:

- Numbers of shares held are rounded down to the nearest 100 shares.
- Ownership percentages are calculated based on the total number of outstanding shares (22,094,328), which excludes treasury shares. Percentages have been rounded down to two decimal places.
- Treasury shares owned by the Company are excluded from the list of major shareholders above.

6) Other important matters concerning shares

There are no material facts to report.

(2) Share subscription rights

1) Share subscription rights distributed to Company Directors as compensation (as of March 31, 2010)

Resolutions on share subscription rights passed in the Board of Directors Meeting of August 6, 2004

1. Number of share subscription rights: 2,744 (100 shares per right)
2. Type and number of shares to be converted: Common share 274,400
3. Rights issuance price: No price
4. Exercise price: ¥1,540
5. Exercise period: July 1, 2006 to June 30, 2010
6. Exercise terms

- It is not necessary to exercise all share subscription rights at one time.
- Directors may exercise share subscription rights even after they are no longer Directors.
- Share subscription rights may be exercised by his/her successors in the event of a Director's death.
- Share subscription rights may not be transferred to third parties or pledged.

7. Share subscription rights currently held by Company Directors

Holders	Share subscription rights	Number of shares to be converted	Number of holders
Directors (excluding External Directors)	714	71,400	9
External Directors	–	–	–
Corporate Auditors	–	–	–

2) Distribution of share subscription rights to employees as compensation for the fiscal year under review

There are no items to report.

(3) Corporate Officers**1) Board of Directors and Corporate Auditors** (as of March 31, 2010)

Name	Positions in the Company	Responsibility and status of material holding of concurrent positions
Shigeo Takayama	Director & Honorary Chairman	President of Takayama International Education Foundation
Ryusaburo Sugimoto	President (Representative Director)	
Norimichi Hada	Director & Senior Vice President	In charge of Overseas Business
Yoshinae Takada	Director & Senior Vice President	Division Manager of Corporate Management Div. and Manager of Financial & Accounting Dept.
Noriaki Tomioka	Director & Senior Vice President	In charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div.
Shinkichi Suzuki	Director & Vice President	Division Manager of Corporate Administration Div. and Manager of Human Resources Dept. and in charge of Risk Management and Corporate Ethics President of Hakuto A&L Co., Ltd.
Hitoshi Takigami	Director & Vice President	In charge of Chemical Business and Division Manager of Chemical Business Div.
Ryoji Abe	Director & Vice President	Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.
Jun Takagi	Director & Vice President	Division Manager of Semiconductor Devices 1st Div.
Ichiro Takayama	Director & Vice President	
Kozo Uno	External Director	Certified Public Accountant and External Auditor for Satori Electric Co., Ltd.
Katsuyoshi Iwashiro	External Director	
Hideo Watanabe	Corporate Auditor	
Chikao Fukuda	External Auditor	Attorney at law
Tadao Kuwano	External Auditor	Certified Public Accountant, Certified Tax Accountant and External Director for Okamura Corporation

Notes:

1. Among the Directors, Messrs. Kozo Uno and Katsuyoshi Iwashiro are External Directors as provided for in Article 2, Item 15 of the Companies Act.
2. Messrs. Chikao Fukuda and Tadao Kuwano are External Auditors as provided for in Article 2, Item 16 of the Companies Act.
3. Messrs. Hideo Watanabe, Chikao Fukuda, and Tadao Kuwano, who are all Corporate Auditors, have extraordinary insight with regard to financial and accounting matters, as described below.
 - The full-time auditor, Mr. Hideo Watanabe, worked in the accounting sections of the Company and Company subsidiaries from April 1975 to June 2003. As such, he spent 28 years dealing with matters like settlement procedures and the preparation of financial statements.
 - Mr. Chikao Fukuda is familiar with corporate law in his capacity as an attorney and has extraordinary insight regarding financial and accounting matters.
 - Mr. Tadao Kuwano holds licenses as both a certified public accountant and certified tax accountant.
4. The Company appointed Chikao Fukuda and Tadao Kuwano, who are Corporate Auditors, as Independent Officers as stipulated by Tokyo Stock Exchange, and filed the relevant notification with the TSE.
5. Commencing April 1, 2010, responsibilities of a Director were changed as follows.

Name	Responsibility or primary occupation
Yoshinae Takada	Director and Senior Vice President, Division Manager of Corporate Management Div.
Noriaki Tomioka	Director and Senior Vice President, Division Manager of Electronic Equipment Div.
Shinkichi Suzuki	Director, in charge of Corporate Administration Div. and Manager of Human Resources Dept. and in charge of Risk Management and Corporate Ethics
Ryoji Abe	Director, in charge of Semiconductor Devices 2nd Div. and Division Manager of Electronic Components Div.

2) Directors and Corporate Auditors retired during the fiscal year under review

Name	Date of retirement	Reason	Position as of retirement
Yoshihito Akiyama	June 25, 2009	Termination of a term	Senior Executive Vice President (Representative Director)
Tomoyuki Yamawaki	June 25, 2009	Termination of a term	Director & Executive Vice President

3) Total compensation to Directors and Corporate Auditors related to the fiscal year under review

Positions	Number of recipients	Amount of payment (millions of yen)
Directors (External Directors)	14 (2)	215 (9)
Corporate Auditors (External Auditors)	3 (2)	23 (10)
Total	17	238

Notes:

1. Payments to Directors who are also employees do not include amounts paid as employee salary.
2. Payments to Directors include those paid to two (2) Directors who retired at the 57th Annual General Meeting of Shareholders held on June 25, 2009 during their tenure of office. The number of Directors as of the end of the fiscal year ended March 31, 2010 is 12 (including two External Directors), and the number of Corporate Auditors is three (including two External Auditors).
3. The upper limit on compensation for Directors was set at ¥450 million (not including employee salaries) in the 39th Annual General Meeting of Shareholders, held on June 27, 1991.
4. The upper limit on compensation for Corporate Auditors was set at ¥60 million in the 40th Annual General Meeting of Shareholders, held on June 29, 1992.

4) Matters regarding External Directors

(A) Matters regarding Directors' principal concurrent positions (in positions with executive authority at other companies) and relationships between the Company and those other companies

There are no items to report.

(B) Principal concurrent positions as other companies' external directors or auditors etc. and relationships between the Company and those other companies

- Director Kozo Uno is also an external auditor for Satori Electric Co., Ltd. There are no special relationships between Satori Electric Co., Ltd. and the Company.
- Corporate Auditor Tadao Kuwano is also an external director for Okamura Corporation. There are no special relationships between Okamura Corporation and the Company.

(C) Main activities during the fiscal year under review

Position	Name	Main activities
Director	Kozo Uno	Mr. Uno attended all 12 of the Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a certified public accountant and extraordinary management insight.
Director	Katsuyoshi Iwashiro	Mr. Iwashiro attended all 12 of the Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his abundant experience and wide-ranging insight as a former manager of a financial institution.
Corporate Auditor	Chikao Fukuda	Mr. Fukuda attended 11 of the 12 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported transparent and lawful decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a lawyer. Mr. Fukuda also attended all 9 of the Board of Corporate Auditors meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.
Corporate Auditor	Tadao Kuwano	Mr. Kuwano attended all 12 of the Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a certified public accountant and certified tax accountant. Mr. Kuwano also attended all 9 of the Board of Corporate Auditors meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.

(D) Overview of agreements limiting liability

The Company, based on the provisions of Article 427, Paragraph 1 of the Companies Act, has entered into agreements that limit the liability of each of the External Directors and External Auditors in the manner provided in Article 423, Paragraph 1 of the Companies Act.

Based on these agreements, the liability of Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro, who are both Directors, shall be limited to the higher of an amount of at least ¥3 million or an amount stipulated by law, and the liability of Mr. Chikao Fukuda and Mr. Tadao Kuwano, who are both Corporate Auditors, shall be limited to the higher of an amount of at least ¥2 million or an amount stipulated by law.

(4) Accounting Auditor

1) **Name:** KPMG AZSA & Co.

2) Compensation

	Payment
Compensation for work related to the fiscal year under review	¥65 million
Total monetary and other assets payable to the Accounting Auditor by the Company and its subsidiaries	¥68 million

Notes:

1. Among the Company's principal subsidiaries, Hakuto Enterprises Ltd., Hakuto Singapore Pte. Ltd., and Hakuto Taiwan Ltd. have all undergone statutory audits by accounting auditors other than the one retained by the Company.
2. The audit agreement between the Company and its Accounting Auditor does not distinguish compensation paid for audit work performed in conformity with the Companies Act and compensation paid for audit work performed in conformity with the Financial Instruments and Exchange Law, and it is effectively impossible to do so. Accordingly, the amount of compensation paid for audit work related to the fiscal year under review is reported as the total of these two amounts.

3) Non-audit work

The Company does not assign to its Accounting Auditor professional duties other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law.

4) Policy regarding decisions to dismiss or not reappoint an accounting auditor

Should the Board of Corporate Auditors resolve to dismiss an Accounting Auditor under the provisions of Article 340 of the Companies Act, or if the Company's audit work is obstructed by an event like a business cessation order issued to an Accounting Auditor by regulatory authorities, the Company, with the agreement of the Board of Corporate Auditors or at the behest of the Board of Corporate Auditors, shall submit to the General Meeting of Shareholders a resolution to either dismiss or not reappoint the Accounting Auditor.

(5) Basic policy for construction of internal control systems

Basic policy on establishing “systems necessary to ensure that the execution of the duties by the directors complies with the laws and regulations and the articles of incorporation, and other systems necessary to ensure the properness of operations of a company” provided for in Article 362, Paragraph 5 of the Companies Act and Article 100, Paragraph 1 and Paragraph 3 of the Enforcement Regulations of the Companies Act was resolved at a meeting of the Board of Directors.

1) Systems for ensuring that actions taken by the Board of Directors and employees are in compliance with both the laws of Japan and the Company’s Articles of Incorporation

- (A) With the Hakuto Group Ethical Code and the Rules for Compliance serving as Hakuto’s code of conduct, training and other measures targeting Directors and employees shall be regularly implemented to ensure that all company activities are in compliance with the laws of Japan and consistent with social mores.
- (B) A Director shall be appointed to bear managerial responsibility for compliance activities. Working under this Director, the General Affairs Dept., which shall bear operational responsibility for compliance activities, shall prepare compliance programs and build and maintain compliance systems. The Internal Control Office shall audit compliance system functions and effectiveness.
- (C) Based on the Rules for Ethics, the Compliance Committee shall be established and chaired by the President of the Company. This Committee shall discuss important compliance matters and report the results of these discussions to the Board of Directors.
- (D) A channel allowing employees to directly report to the Compliance Committee information on violations of laws or social mores shall be established and maintained.
- (E) No relationship whatsoever shall be had with anti-social factions and groups which may threaten the order or safety of the civil society, and the Company shall take a resolute stance against any undue claims or sabotage attacks through close coordination with outside professionals such as the police and lawyers.

2) Systems for preserving and managing information on Directors’ performance of their duties

- (A) Documents (including electromagnetic record) relating to Directors’ performance of their duties shall be preserved and managed, together with related information, as required by the Rules for Document Management. This information shall be maintained in viewable condition for at least ten years, as necessary.
- (B) In accordance with the Information Security Policies, the Rules for Electronic Data Management and other rules for information security, protection, management and use of electronic information shall be improved and facilitated.

3) Rules and other systems to manage the risk of loss

- (A) A Director shall be appointed to be responsible for risk management. Working under this Director, the General Affairs Dept., which shall bear operation responsibility for risk management, shall construct a company-wide risk management system.
- (B) A director responsible for risk management decides departments in charge of each type of risk. Those departments carry out various measures to make risk management more effective, and continuously monitor status of risk management.
- (C) In preparation for the possibility of the realization of risks, the Rules for Crisis Management including emergency measures, measures for containing damage, recovery measures, and measures for preventing recurrences shall be formulated. When risks are realized, damage shall be minimized by responding swiftly and

appropriately.

4) Systems for ensuring Directors perform their duties effectively

- (A) Efficient performance of duties by Directors shall be promoted by appropriately implementing management systems. These systems shall cover the formulation of management plans by the Board of Directors, the setting of performance objectives and budgets and the management of performance on a monthly and quarterly basis for each business segment by responsible Directors based on management plans, and the review of monthly and quarterly performance and the implementation of performance improvement measures by the Board of Directors and Board of Managing Directors.
- (B) The speed of decision-making shall be increased through measures like simplifying the decision-making process. The Board of Managing Directors shall be consulted in important matters to ensure decisions are made with heightened caution.
- (C) To ensure the efficient performance, and establish responsibility for, actions taken based on Board of Directors resolutions, responsible parties, their responsibilities, and implementation details shall be determined based on the Rules for General Organization, the Rules for Segregation of Duties, and the Rules for Administrative Authority.

5) Systems for ensuring the propriety of business activities pursued by the Corporate Group consisting of the Company and its subsidiaries

- (A) With the Hakuto Group Ethical Code serving as a code of conduct for group companies, Internal Control Systems for the Hakuto Group shall be constructed by having each individual group company adopt necessary rules based on the Hakuto Group Ethical Code.
- (B) The Directors responsible for compliance and risk management shall retain authority and responsibility for the construction of compliance and risk management systems at each subsidiary. The General Affairs Dept. shall promote and manage the construction of these systems throughout the Hakuto Group.
- (C) The Corporate Planning Department shall adopt the Rules for Managing Subsidiaries and implement management measures as dictated by conditions at subsidiaries.
- (D) Based on the Financial Instruments and Exchange Law, each Group company shall establish and implement necessary, appropriate internal controls over financial reporting in order to ensure the reliability of the financial reports of the Hakuto Group. In addition, the Internal Control Office shall periodically examine the effectiveness of the internal controls, report findings to the Board of Directors and provide advice on improvement and corrective measures as per need, as required by the Rules for Internal Control.

6) Matters regarding employees whom Corporate Auditors request to assist them in their duties, and matters regarding the independence of such employees from Directors

The Rules concerning the employees appointed to support Corporate Auditors in their duties shall be provided, and employees supporting Corporate Auditors in their duties shall be appointed from among the Company's employees. The Board of Corporate Auditor's agreement shall be obtained regarding the transfers and performance evaluations of such employees. Employees assigned to assist Corporate Auditors shall not simultaneously bear responsibility for the Company business activities and shall not follow directions issued by a Director.

7) Systems allowing Directors and employees to report to Corporate Auditors, and other systems concerning reporting to Corporate Auditors

Directors and employees shall immediately report to the Board of Corporate Auditors events causing great damage to the Company, events that are likely to cause great damage to the Company should they happen, discoveries of illegal or improper activity, and other events specified as warranting a report to the Board of Corporate Auditors. Corporate Auditors may also seek reports from Directors and employees. Reports shall be submitted in formats determined in discussions by the Directors and Board of Corporate Auditors.

8) Other systems for ensuring the efficient performance of audits by Corporate Auditors

Discussions shall be regularly held with the President to promote appropriate common understanding and the effective performance of audit work.

(6) Policies regarding the distribution of retained earnings

The Company has positioned the enhancement of shareholder returns as an important management policy and made it a fundamental policy to distribute shareholder returns based on considerations of the Company's performance and the need to build internal reserves to strengthen the Company's finances and prepare for future business expansion.

Dividends shall be distributed with the basic intent of maintaining a stable payout and the goal of achieving a consolidated dividend payout ratio of at least 20%, after overall considerations of factors like each fiscal year's performance, financial conditions, and future business strategies. Internal reserves shall be invested in business fields with high growth and profit potential, and to actively strengthen sales and technical capabilities and invest in areas like capital facilities and R&D with the goal of expanding the Company's business in the future.

Regarding the year-end dividend payment for the fiscal year under review, we resolved to pay the dividend of ¥15 per share according to the above-mentioned policies at the Board of Directors meeting held on May 14, 2010. Added to the interim dividend of ¥15 per share paid in December 2009, the total amount of dividends paid for the fiscal year under review will come to ¥30 per share, and the consolidated payout ratio is 40.1 %.

In order to flexibly carry out a capital policy, we will acquire common stocks for treasury in an appropriate manner, considering financial conditions and other factors.

(7) Basic policies on company control

The Company, in a Board of Directors meeting, has resolved the following concerning the basic policies regarding those who direct the determination of company financial and operational policies ("the basic policies"), which are addressed in Article 118 of the Companies Act Enforcement Regulations.

1) Content of the basic policies

Under its management philosophy that Hakuto, through its sound business, is committed to contributing to the development of Japanese industries and global trading as well as the welfare and peace of human society, the Company, as an electronics trading company handling the most technologically advanced electronic and electric equipment and electronic components, and as a chemical manufacturer producing environmentally friendly industrial chemicals, has worked to stably provide products and services to meet the needs of the times and, as generating appropriate levels of profits, has practiced solid and stable management over the long term.

The Company is characterized by its status as an independent trading company with no ties to a specific manufacturer, and the consequent independence of its management. This means that the Company, in its inventory procurement, is not limited to the offerings of a single manufacturer and can handle a wide variety of domestic and overseas products, and has allowed the Company to create a supply system perfectly suited to customers' diversifying needs and work with manufacturers to develop products that meet customer needs. As a trading company linking suppliers, who are manufacturers, and customers, our corporate culture of placing a high value on people-to-people connections has formed a tight network, binding suppliers whom we have worked with since our founding with customers, and embodies mutual development and the creation of positive relationships.

As a technical trading company and chemical manufacturer, personnel with expert knowledge in the fields of electronics and electricity, and chemistry, are indispensable for providing added value, improving customer satisfaction, and developing competitive products. Employees are necessarily the core of our management resources

and the Company has consistently pursued management policies that spare no time or capital when it comes to securing outstanding personnel and providing ongoing training.

Tangible and intangible assets in the form of the Company's management philosophy, which is based on the high ambition of contributing to society, commercial rights based on sales agent agreements with suppliers, technology and know-how, and personnel who share a corporate culture and have deep knowledge of their work have increased the Company's corporate value, enhanced the soundness of its finances, and made it possible for the Company to forthrightly return profits to shareholders in forms such as dividends that have either been stable or risen on Company performance, and treasury share acquisitions.

Judging from the Company's management to date and the conduct of companies that have won generally high praise from society, those who direct the determination of the Company's financial and operational policies must develop a full understanding of, and maintain based on that understanding, the trusting relationships with the various stakeholders supporting the Company, and secure, and maximize, the Company's corporate value and the common interests of the shareholders over the medium-to-long term. It follows, therefore, that those who inappropriately purchase large quantities of the Company's stock or engage in similar activity with a high likelihood of damaging the Company's corporate value and the common interests of shareholders would be inappropriate for directing the determination of Company's financial and operational policies.

2) Initiatives contributing to realization of the basic policies

(A) Initiatives aimed at increasing corporate value and maximizing the common interests of shareholders

We seek to enhance the collaboration between the Electronics Segment and the Chemical Segment to enjoy a synergy effect and also establish a solid management base focusing on the good balance of major Divisions.

Additionally, for further improving our corporate value, we plan to implement the following strategies in each segment:

■ Electronics Segment

We will thoroughly implement the user-oriented (customer viewpoint) sales and marketing activities and enhance the coordination function for the purpose of creating and maximizing the added value. We also intend to acquire and maintain the top position as a business agent in various commercial rights by completely acquiring important customers in the target market of each product.

■ Chemicals Segment

Backed by higher awareness of environment protection measures, we will exploit a new demand and provide new products that can meet the needs of the society. We will also develop markets and customers where we can expect the synergy effect with the Electronics Division.

(B) Initiatives for preventing parties who are inappropriate, in light of the basic policies, from directing the determination of the Company's financial and operational policies

The Company, in order to secure, and maximize, the Company's corporate value and the common interests of the shareholders, is currently discussing the positive and negative aspects of initiatives (measures defined in Article 118 Paragraph 3. b. of the Companies Act Enforcement Regulations and referred to below as "anti-takeover defenses") intended to prevent parties who are inappropriate, in light of the basic policies, from directing the determination of the Company's financial and

operational policies, and has not yet resolved to implement any particular anti-takeover defenses.

Nevertheless, should the source of the Company's corporate value over the medium-to-long term come under threat by the acquisition of 20% or more of the Company's outstanding shares by a particular individual or group, or if increases in the Company's corporate value or maximization of common shareholder interests are otherwise threatened, the individual or group engaging in such a share acquisition shall be deemed inappropriate for directing the determination of the Company's financial and operation policies, and the Board of Directors, in pursuit of its fiduciary responsibility to make prudent management judgments, may take significant defensive measures, to the extent allowed by the laws of Japan and the Company's Articles of Incorporation, to increase the Company's corporate value and maximize the common shareholder interest.

Note: The monetary amounts included in this Business Report have been rounded.

Consolidated Balance Sheet

As of March 31, 2010

(Unit: Thousand yen)

Assets	
Current assets	53,966,846
Cash and deposits	13,449,696
Notes and accounts receivable - trade	26,810,390
Marketable securities	372,165
Merchandise and finished goods	10,423,509
Work in progress	114,348
Raw materials and supplies	253,664
Deferred tax assets	1,315,144
Other current assets	1,370,496
Less: Allowance for doubtful accounts	(142,566)
Noncurrent assets	13,108,084
Tangible fixed assets:	6,845,191
Buildings and structures	1,706,940
Land	4,244,895
Other tangible fixed assets	893,356
Intangible assets:	225,484
Investments and other assets:	6,037,409
Investment securities	5,418,606
Deferred tax assets	116,750
Other investments	701,755
Less: Allowance for doubtful accounts	(199,702)
Total assets	67,074,930

Consolidated Balance Sheet

As of March 31, 2010

(Unit: Thousand yen)

Liabilities	
Current liabilities	22,404,568
Notes and accounts payable - trade	12,549,166
Short-term borrowings	7,071,519
Corporate bonds due within one year	208,750
Accrued income taxes	258,650
Allowance for bonuses to employees	717,336
Allowance for product warranty	26,500
Other current liabilities	1,572,647
Long-term liabilities	6,291,594
Corporate bonds	500,000
Long-term borrowings	3,630,701
Deferred tax liabilities	722,695
Employees' severance and retirement benefits	289,590
Directors' severance and retirement benefits	902,066
Other long-term liabilities	246,542
Total liabilities	28,696,162
Net Assets	
Shareholders' Equity	37,541,699
Capital stock	8,100,252
Capital surplus	7,491,717
Retained earnings	25,955,790
Less: Treasury shares	(4,006,060)
Valuation and exchange differences	696,174
Other unrealized gains on available-for-sale securities	1,660,829
Less: Gains or losses on deferred hedge	(104,248)
Foreign currency transaction adjustment	(860,407)
Minority interests	140,895
Total net assets	38,378,768
Total liabilities and net assets	67,074,930

Consolidated Statement of Income

April 1, 2009 to March 31, 2010

(Unit: Thousand yen)

Sales		97,167,374
Cost of sales		81,545,389
Gross profit		15,621,985
Selling, general and administrative expenses		12,912,958
Operating income		2,709,027
Non-operating revenue		
Interest and dividend income	203,840	
Investment profit on equity method	3,115	
Other miscellaneous revenues	169,976	376,931
Non-operating expenses		
Interest expense	209,428	
Foreign exchange losses	316,460	
Other miscellaneous expenses	77,214	603,102
Ordinary profit		2,482,856
Extraordinary income		
Gain on sale of tangible fixed assets	10,757	
Gain on sale of investment securities	6,077	
Reversal of provision for Bonuses	120,646	
Insurance return	5,923	143,403
Extraordinary losses		
Loss on sale of tangible fixed assets	777	
Loss on disposal of tangible fixed assets	12,787	
Asset impairment loss	53,363	
Loss on sale of investment securities	2,048	
Loss on valuation of investment securities	97,008	
Loss on sales of stocks of subsidiaries and affiliates	47,283	
Provision of allowance for doubtful accounts of golf club membership	5,040	218,306
Income before income taxes and minority interest		2,407,953
Income taxes – current	385,835	
Less: Income taxes – deferred	292,548	678,383
Minority interests in income		75,019
Net income		1,654,551

Consolidated Statement of Changes in Net Assets

April 1, 2009 to March 31, 2010

(Unit: Thousand yen)

Shareholders' Equity	
Capital stock	
Balance as of March 31, 2009	8,100,252
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2010	8,100,252
Capital surplus	
Balance as of March 31, 2009	7,491,785
Changes during the term	
Disposal of treasury shares	(68)
Total changes during the term	(68)
Balance as of March 31, 2010	7,491,717
Retained earnings	
Balance as of March 31, 2009	24,908,843
Changes during the term	
Cash dividends	(607,604)
Net income	1,654,551
Total changes during the term	1,046,947
Balance as of March 31, 2010	25,955,790
Treasury shares	
Balance as of March 31, 2009	(4,005,786)
Changes during the term	
Disposal of treasury shares	104
Acquisition of treasury shares	(378)
Total changes during the term	(274)
Balance as of March 31, 2010	(4,006,060)
Total shareholders' equity	
Balance as of March 31, 2009	36,495,094
Changes during the term	
Cash dividends	(607,604)
Net income	1,654,551
Disposal of treasury shares	36
Acquisition of treasury shares	(378)
Total changes during the term	1,046,605
Balance as of March 31, 2010	37,541,699

Valuation and exchange differences	
Other unrealized gains on available-for-sale securities	
Balance as of March 31, 2009	731,561
Changes during the term	
Net changes in items other than shareholders' equity during the term	929,268
Total changes during the term	929,268
Balance as of March 31, 2010	1,660,829
Gains or losses on deferred hedge	
Balance as of March 31, 2009	(177,237)
Changes during the term	
Net changes in items other than shareholders' equity during the term	72,989
Total changes during the term	72,989
Balance as of March 31, 2010	(104,248)
Foreign currency transaction adjustment	
Balance as of March 31, 2009	(959,320)
Changes during the term	
Net changes of items other than shareholders' equity during the term	98,913
Total changes during the term	98,913
Balance as of March 31, 2010	(860,407)
Total valuation and exchange differences	
Balance as of March 31, 2009	(404,996)
Changes during the term	
Net changes in items other than shareholders' equity during the term	1,101,170
Total changes during the term	1,101,170
Balance as of March 31, 2010	696,174
Minority interests	
Balance as of March 31, 2009	65,876
Changes during the term	
Net changes in items other than shareholders' equity during the term	75,019
Total changes during the term	75,019
Balance as of March 31, 2010	140,895
Total net assets	
Balance as of March 31, 2009	36,155,974
Changes during the term	
Cash dividends	(607,604)
Net income	1,654,551
Disposal of treasury shares	36
Acquisition of treasury shares	(378)
Net changes in items other than shareholders' equity during the term	1,176,189
Total changes during the term	2,222,794
Balance as of March 31, 2010	38,378,768

Notes to Consolidated Financial Statements

Basis of Presentation of Consolidated Financial Statements

1. Matters relating to the scope of consolidation

(1) Number and name of consolidated subsidiaries

Number of consolidated subsidiaries: 14

Name of consolidated subsidiaries:

Hakuto A&L 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., Hakuto Enterprises (Shanghai) Ltd., Hakuto Trading (Shenzhen) Ltd., MOLDEC CO., LTD., Microtek Inc., Microtek Hong Kong Ltd., and Microtek Shanghai Ltd.

As all shares of Hakuto Information Technology Co., Ltd. were transferred (sold) in February 2010, it was excluded from consolidation.

(2) Name etc. of non-consolidated subsidiaries:

Hakuto California, Inc.

The non-consolidated subsidiary Hakuto California, Inc. is excluded from consolidation as its impact on total assets, sales, consolidated profits and losses and retained earnings on the Company is largely immaterial.

2. Matters relating to the application of equity method

(1) Number and name of affiliates to which the equity method is applied

Number of equity method affiliates: 2

Name of equity method affiliates:

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

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

Name of non-consolidated subsidiary:

Hakuto California, Inc.

Reasons for not applying the equity method to Hakuto California, Inc.

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

3. Matters relating to the fiscal year 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., Hakuto Trading (Shenzhen) Ltd., Microtek Hong Kong Ltd. and Microtek Shanghai Ltd. have their account settlement dates on the end of December. Meanwhile, the account settlement date for MOLDEC CO., LTD. is the end of February.

Financial statements of these subsidiaries as of their account settlement dates were used for the preparation of consolidated financial statements, and 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 for material assets

1) Securities

Other 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) Inventories

Merchandise, finished products, raw materials, and work in progress: Stated at cost using the moving average method (the value stated in the balance sheet is calculated based on the method of reducing the book value in accordance with the decline in profitability).

Supplies: Stated at cost using the first-in, first-out method (the value stated in the balance sheet is calculated based on the method of reducing the book value based in accordance with the decline in profitability).

(2) Depreciation methods for important depreciable assets

1) Tangible fixed assets (except for lease assets)

The declining-balance method is used for tangible fixed assets of the Company and its domestic consolidated subsidiaries. However, the straight-line method is used for buildings (excluding connected fixed installations) acquired on or after April 1, 1998. The standards stipulated in the Corporate Tax Law are used with respect to useful life and residual value. Regarding 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 tangible fixed assets.

2) Intangible assets (except for lease assets)

a) Software for in-house use

Software for in-house use is amortized by using the straight-line method over the estimated useful life of five (5) years.

b) Other intangible assets

Other intangible assets are amortized by using the straight-line method over the useful lives stipulated in the Corporate Tax Law.

3) Lease assets

(a) Lease assets pertaining to finance lease transactions involving the transfer of ownership

Lease assets pertaining to finance lease transactions involving the transfer of ownership are calculated by the same depreciation method as applied to the Company's noncurrent assets.

(b) Lease assets pertaining to finance lease transactions not involving the transfer of ownership

Lease assets pertaining to finance lease transactions not involving the transfer of ownership are calculated by the straight-line method treating the lease period as the useful life and the residual value as zero.

- (3) Allowances and provisions
- 1) Allowance for doubtful accounts
Allowance for doubtful accounts for non-specific purposes is stated at the amounts based on the historical loss rates, while allowances for specific claims, including Loans to Borrowers with High Possibility of Business Failure, are made at the amounts deemed necessary based on individual assessment on collectibility of claims.
 - 2) Allowance for bonuses to employees
Allowance for bonuses to employees of the Company and some of its subsidiaries is recognized on an accrual basis in the reporting period.
 - 3) 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.
 - 4) Allowance for employees' severance and retirement benefits
Allowance for severance and retirement benefits to employees of the Company and some of its subsidiaries is recognized based on the estimated balance of retirement benefit obligations and pension assets as of the end of the term. Actuarial differences will be amortized over the period of ten (10) years, which is within the averaged remaining service period of the employees, using the straight-line method, from the following term when the actuarial difference is recognized.
 - 5) Allowance for directors' severance and retirement benefits
Allowance for severance and retirement benefits to directors of the Company and some of its consolidated subsidiaries is record the estimated amounts required at the end of the term in accordance with internal regulations. As the retirement benefit system was changed in June 2004, no allowance has been made in and after July of that year.
- (4) Significant hedge accounting method
- 1) Hedge accounting method
The deferred hedge accounting is applied. A specific treatment is used for interest rate swaps that satisfies requirements for the specific treatment of interest rate swaps in hedge accounting. The Company applies designations to forward exchange contracts that fulfill the requirements for the designation method.
 - 2) Hedge instruments and hedge items
 - a. Hedge instruments: Forward exchange contracts for currency options and currency swaps
Hedge items: Receivables and payables in foreign currencies and anticipated transactions in foreign currencies
 - b. Hedge instruments: Interest rate swaps
Hedge items: Bank loans (floating interest rate)
 - 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. The purpose of interest rate swaps is to reduce the possibility of losses on borrowings as a result of interest rate fluctuations.
 - 4) Valuation method for effectiveness of hedging activities
With respect to forward exchange contracts, 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.
Pertaining to other transactions, a comparison is made of the sum total of the change

in cash flow from hedging instruments or their market price fluctuation, and the sum total of the change in cash flow from hedging items or their market price fluctuation and used as a basis to determine changes in both.

Further, because a special treatment is effectuated to satisfy the requirements for special treatments of interest rate swaps, the effectiveness evaluation is omitted.

(5) Other basis of presentation of 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. Amortization of positive and negative goodwill

Goodwill is amortized by using the straight line method over five (5) years.

Changes in Accounting Policies

Allowance for employees' severance and retirement benefits

From the consolidated fiscal year under review, the Company has applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008).

There is no impact on profit due to this change.

Additional Information

Financial Instruments

From the consolidated fiscal year under review, the Company has applied the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, March 10, 2008), and the "Guidance on Disclosure of Market Value of Financial Instruments, etc." (ASBJ Guidance No. 19, March 10, 2008).

Investment and Rental Property

From the consolidated fiscal year under review, the Company has applied the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, November 28, 2008), and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, November 28, 2008).

There are no applicable items in the fiscal year under review.

Notes to Consolidated Balance Sheet

1. pledged assets and secured liabilities

Assets pledged as collateral are as follows:

	(Unit: Thousand yen)
Cash and deposits	46,389
Buildings and structures	125,782
Land	244,337
Total	416,508

Additionally, secured liabilities are stated below:

	(Unit: Thousand yen)
Short-term borrowings	68,472
Long-term borrowings	47,281

2. Accumulated amounts of depreciation for tangible fixed assets: ¥9,337,208 thousand

3. Government grants on acquisition of tangible fixed assets eligible for reduction from acquisition costs:

Buildings ¥6,181 thousand

4. Notes receivable transfer by endorsement: ¥9,261 thousand

5. Guarantee obligations:

Guarantee for loans from financial institutions by the Company's employees.
¥2,370 thousand

Notes to Consolidated Statement of Income

Asset impairment loss

For the fiscal year under review, the Group recorded the asset impairment loss on the following assets:

Place	Use	Type
Isehara-shi, Kanagawa	Dormant assets	Buildings and structures
Miyako-shi, Iwate	Dormant assets	Other tangible fixed assets

The Group grouped assets by division and consolidated subsidiary, and dormant assets by individual asset. For dormant assets such as building equipment and production facilities, which have not been used for business without a concrete utilization plan, their book values were impaired to recoverable values. The impaired values were recorded as asset impairment losses of ¥53,363 thousand in extraordinary losses in the consolidated fiscal year under review.

The recoverable value is calculated with their usage values as zero.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of outstanding shares and treasury shares

	Number of shares as of end of the previous term (shares)	Increase during the term (shares)	Decrease during the term (shares)	Number of shares as of end of the term (shares)
Outstanding shares				
Common shares	24,137,213	–	–	24,137,213
Total	24,137,213	–	–	24,137,213
Treasury shares				
Common shares (Note)	2,042,522	457	53	2,042,926
Total	2,042,522	457	53	2,042,926

Note: During this term, the number of treasury common shares increased by 457 shares mainly due to purchase of odd lots from odd-lot shareholders, and decreased by 53 shares due to exercise of share option and request of purchase for fractional shares.

2. Dividends

(1) Dividend payment

Resolution	Class of share	Total dividends paid (thousand yen)	Per share dividends (yen)	Record date	Effective date
Board Meeting held on May 15, 2009	Common shares	276,184	12.50	March 31, 2009	June 8, 2009
Board Meeting held on October 30, 2009	Common shares	331,419	15.00	September 30, 2009	December 7, 2009

(2) Dividend payment whose record date is during this fiscal year but whose effective date is during the following fiscal year

Resolution	Class of share	Source of dividend payment	Total dividends paid (thousand yen)	Per share dividends (yen)	Record date	Effective date
Board Meeting held on May 14, 2010	Common shares	Retained earnings	331,415	15.00	March 31, 2010	June 7, 2010

3. Share subscription rights and treasury share subscription rights

Item	Detail	Class of share to be converted	Number of shares to be converted (shares)				Balance as of the term (thousand yen)
			Number of shares as of end of the previous term	Increase	Decrease	Number of shares as of end of the term	
The Company	Share subscription rights issued in 2004	Common shares	274,400	–	–	274,400	–

Notes to Financial Instruments

1. Matters concerning the state of financial instruments

(1) Policy to handle financial instruments

The Group procures operating funds particularly for sale of electronic components and equipment, and production and sale of petrochemical products with bank loans. Temporary surplus funds are managed as safe and secure deposits or loans to our group companies. We use derivatives to reduce risks of interest-rate and exchange-rate fluctuations with regard to borrowings, and do not intend to conduct risky transactions.

(2) Contents and risks of financial instruments, and relevant risk management systems

Notes and accounts receivable, which are operating receivables, are exposed to consumer credit risk. The said risk is controlled by operation department of Credit Administration Div. according to the Company's rules regarding the administration of credit and account receivables, etc.

Investment securities are exposed to risk of market price fluctuations. To deal with this risk, the Financial and Accounting Dept. check market prices on a regular basis and report them to the executive board. Payment due dates of most notes and accounts payable, which are operating debt, are within one year.

While some borrowings are exposed to the risk of interest-rate fluctuations, we use interest-rate swaps as a hedging instrument. As requirements for special accounting treatment of interest-rate swaps are fulfilled, the valuation of hedge effectiveness is omitted based on these grounds.

Derivatives trading include forward exchange contracts and option trade for the purpose of hedging exposure to the risk of exchange-rate fluctuations relating to accounts receivable and payable in foreign currency. Because the derivative transaction contracts of the Company and part of the consolidated subsidiaries are concluded with highly trustworthy banks inside Japan, the Company judges there is barely any credit risk related to the non-performance of contract by the other parties.

In risk management system for forward exchange contracts is managed by the Manager of Financial and Accounting Department in accordance with the Regulations on Market Risk Management in the Foreign Exchange Contract Conclusion Manual of the Company, and the balance of the forward exchange contracts is reported at the regular monthly meeting of the Board of Directors as a monthly statement of accounts.

For further details of hedging instruments, hedged items, hedging policy, and the valuation method of hedge effectiveness, etc. pertaining to hedge accounting, see "Significant Hedge Accounting Method" in "Accounting policies" shown above.

(3) Supplemental explanation on matters concerning market value of financial instruments, etc.

Financial instruments without market quotations or quotations based on market quotations are stated at reasonably calculated value. Such a value is calculated in consideration of variation factors. Therefore, the value may be changed depending on prerequisites to be adopted. Also, concerning the contracted amounts etc. related to derivative transactions in “2. Matters concerning market value of financial instruments, etc.” the amounts themselves should not be considered indicative of the market risk associated with the derivative transaction.

(4) Concentration of credit risks

There is no special case of concentration of credit risks as of the end of consolidated fiscal year under review.

2. Matters concerning market value of financial instruments, etc.

Amounts recorded in the consolidated balance sheet, market value, and differences between them as of March 31, 2010 are as stated below. Financial instruments of which market value cannot be easily known are not included in the following table. (See Note 2.)

	Amount recorded in consolidated balance sheet (thousand yen)	Market value (thousand yen)	Difference (thousand yen)
(1) Cash and deposits	13,449,696	13,449,696	–
(2) Notes and accounts receivable -trade	26,810,390	26,810,390	–
(3) Marketable securities	372,165	372,165	–
(4) Investment securities	4,598,144	4,598,144	–
Total assets	45,230,395	45,230,395	–
(5) Notes and accounts payable-trade	12,549,166	12,549,166	–
(6) Short-term borrowings	5,388,982	5,388,982	–
(7) Corporate bonds (*1)	708,750	711,472	(2,722)
(8) Long-term borrowings (*1)	5,313,238	5,290,207	23,031
Total liabilities	23,960,136	23,939,827	20,309
Derivatives trading (*2)	(132,985)	(132,985)	–

(*1) Corporate bonds and long-term borrowings included in current liabilities with due date within one year are included.

(*2) The net claims or liabilities arising from derivative transactions are presented by a net amount with net liabilities expressed in parentheses.

Note 1: Calculation methods for market value of financial instruments and matters concerning securities

(1) Cash and deposits (2) Notes and accounts receivable-trade

Since these are settled in short term, their market values are close to book values. Accordingly, they are stated at book value.

(3) Marketable securities (4) Investment securities

Since marketable securities are settled in short term, their market values are close to book values. Accordingly, they are stated at book value. With respect to market value of investment securities, shares are stated at price on securities market, and bonds are stated at price on bond market or price offered by correspondent financial institutes.

(5) Notes and accounts payable-trade (6) Short-term borrowings

Since these are settled in short term, their market values are close to book values. Accordingly, they are stated at book value.

(7) Corporate bonds (8) Long-term borrowings

Market value of corporate bond is stated at current price calculated by discounting total amount of principal and interest at an interest rate taking into account a remaining term and credit risks of the bond. Market value of long-term borrowings is stated at current price calculated by discounting total amount of

principal and interest at an interest rate expected in case of new similar borrowings.

Note 2: Financial instruments of which market value cannot be easily known

Classification	Amount recorded in consolidated balance sheet (thousand yen)
Shares of subsidiaries and affiliated companies	799,414
Unlisted shares	21,047

As for financial instruments show above, there is no market value and future cash flow is not contracted. Accordingly, since it is very difficult to calculate their market values, they are not included in (4) Investment securities.

Note 3: Amounts to be redeemed with respect to receivables and securities with maturity date after the consolidated settlement date

	Within one year (thousand yen)	Over one year up to five years (thousand yen)	Over five years up to ten years (thousand yen)	Over ten years (thousand yen)
Cash and deposits	13,449,696	–	–	–
Notes and accounts receivable-trade	26,810,390	–	–	–
Marketable securities	372,165	–	–	–
Investment securities	–	–	20,000	–
Total	40,632,251	–	20,000	–

Note 4: Amounts to be repaid with respect to corporate bonds and long-term borrowings after the consolidated settlement date

	Within one year (thousand yen)	Over one year up to two years (thousand yen)	Over two years up to three years (thousand yen)	Over three years up to four years (thousand yen)	Over four years up to five years (thousand yen)	Over five years (thousand yen)
Corporate bonds	208,750	500,000	–	–	–	–
Long-term borrowings	1,682,537	1,563,400	1,372,732	492,474	144,363	57,732

Per share information

Net assets per share: ¥1,730.67

Net loss per share: ¥74.88

Other notes

All figures are rounded to the nearest thousand in the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets and the Notes to Consolidated Financial Statements.

Non-Consolidated Balance Sheet

As of March 31, 2010

(Unit: Thousand yen)

Assets	
Current assets	41,595,886
Cash and deposits	8,808,856
Notes receivable - trade	2,098,071
Accounts receivable - trade	19,427,554
Marketable securities	372,165
Merchandise and finished goods	8,358,279
Work in progress	29,028
Raw materials and supplies	197,409
Advance payment	553,646
Prepaid expenses	127,705
Deferred tax assets	1,170,200
Accounts receivable-other	386,072
Deposits paid	5,990
Other current assets	93,911
Less: Allowance for doubtful accounts	(33,000)
Noncurrent assets	14,153,441
Tangible fixed assets:	4,757,196
Buildings	1,290,275
Structures	53,821
Machinery and production equipment	72,470
Vehicles	2,873
Tools, furniture and fixtures	273,530
Land	3,000,960
Lease assets	63,267
Intangible assets:	71,473
Leasehold rights	20,193
Software	10,614
Software in progress	10,898
Lease assets	9,145
Other intangible assets	20,623
Investments and other assets:	9,324,772
Investment securities	4,527,560
Investment securities in affiliates	1,905,311
Long-term loans to affiliates	3,361,603
Claims on obligors under rehabilitation procedure	172,430
Prepaid pension cost	6,315
Other investments	245,285
Less: Allowance for doubtful accounts	(893,732)
Total assets	55,749,327

Non-Consolidated Balance Sheet

As of March 31, 2010

(Unit: Thousand yen)

Liabilities	
Current liabilities	17,230,161
Notes payable - trade	2,617,462
Accounts payable - trade	7,521,866
Short-term borrowings	4,050,000
Long-term debt due within one year	1,357,467
Lease obligations	42,597
Accrued expenses	132,475
Accrued income taxes	569,162
Income taxes payable	191,037
Advances received	203,476
Deposits received	14,321
Allowance for bonuses to employees	490,000
Allowance for product warranty	26,500
Other current liabilities	13,798
Long-term liabilities	4,745,498
Corporate bonds	500,000
Long-term borrowings	3,119,733
Lease obligations	29,622
Deferred tax assets	259,500
Directors' severance and retirement benefits	805,100
Other long-term liabilities	31,543
Total liabilities	21,975,659
Net Assets	
Shareholders' Equity	32,058,589
Capital stock	8,100,252
Capital surplus	7,491,729
Appropriation for statutory reserve	2,532,385
Other capital surplus	4,959,344
Retained earnings	20,472,596
Other retained earnings	20,472,596
Reserve for reduction entry of tangible fixed assets	275
General reserve	16,000,000
Balance to be carried forward	4,472,321
Less: Treasury shares	(4,005,988)
Valuation and exchange differences	1,715,079
Other unrealized gains on available-for-sale securities	1,693,458
Less: Gains or losses on deferred hedge	21,621
Total net assets	33,773,668
Total liabilities and net assets	55,749,327

Non-Consolidated Statement of Income

April 1, 2009 to March 31, 2010

(Unit: Thousand yen)

Sales		72,247,302
Cost of sales		61,624,268
Gross profit		10,623,034
Selling, general and administrative expenses		8,858,809
Operating income		1,764,225
Non-operating revenue		
Interest and dividend income	446,441	
Other miscellaneous revenues	98,619	545,060
Non-operating expenses		
Interest expense	134,862	
Interest on corporate bonds	10,180	
Foreign exchange losses	129,156	
Other miscellaneous expenses	57,763	331,961
Ordinary profit		1,977,324
Extraordinary income		
Gain on sales of tangible fixed assets	3,447	
Gain on sales of investment securities	6,077	
Gain on sales of stocks of subsidiaries and affiliates	101,000	
Gain on reversal of allowance for doubtful accounts	1,662	
Gain on reversal of provision for bonuses	120,646	232,832
Extraordinary losses		
Loss on sales of tangible fixed assets	230	
Loss on disposal of tangible fixed assets	5,789	
Asset impairment loss	33,404	
Loss on valuation of investment securities	97,008	
Provision of allowance for doubtful accounts for subsidiaries and affiliates	2,822	
Provision of allowance for doubtful accounts of golf club membership	5,000	144,253
Income before income taxes and minority interest		2,065,903
Income taxes - current	217,000	
Less: Income taxes - deferred	345,600	562,600
Net income		1,503,303

Non-Consolidated Statement of Changes in Net Assets

April 1, 2009 to March 31, 2010

(Unit: Thousand yen)

Shareholders' Equity	
Capital stock	
Balance as of March 31, 2009	8,100,252
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2010	8,100,252
Capital surplus	
Appropriation for statutory reserve	
Balance as of March 31, 2009	2,532,385
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2010	2,532,385
Other capital surplus	
Balance as of March 31, 2009	4,959,412
Disposal of treasury shares	(68)
Total changes during the term	(68)
Balance as of March 31, 2010	4,959,344
Total capital surplus	
Balance as of March 31, 2009	7,491,797
Disposal of treasury shares	(68)
Total changes during the term	(68)
Balance as of March 31, 2010	7,491,729
Retained earnings	
Other retained earnings	
Reserve for reduction entry of tangible fixed assets	
Balance as of March 31, 2009	339
Changes during the term	
Reversal of reserve for reduction entry of tangible fixed assets	(64)
Total changes during the term	(64)
Balance as of March 31, 2010	275
Reserve for special depreciation	
Balance as of March 31, 2009	787
Changes during the term	
Reversal of reserve for special depreciation	(787)
Total changes during the term	(787)
Balance as of March 31, 2010	-

General reserve	
Balance as of March 31, 2009	16,000,000
Changes during the term	
Total changes during the term	-
Balance as of March 31, 2010	16,000,000
Balance to be carried forward	
Balance as of March 31, 2009	3,575,771
Changes during the term	
Reversal of reserve for reduction entry of tangible fixed assets	64
Reversal of reserve for special depreciation	787
Cash dividends	(607,604)
Net income	1,503,303
Total changes during the term	896,550
Balance as of March 31, 2010	4,472,321
Total retained earnings	
Balance as of March 31, 2009	19,576,897
Changes during the term	
Cash dividends	(607,604)
Net income	1,503,303
Total changes during the term	895,699
Balance as of March 31, 2010	20,472,596
Treasury shares	
Balance as of March 31, 2009	(4,005,714)
Changes during the term	
Disposal of treasury shares	104
Acquisition of treasury shares	(378)
Total changes during the term	(274)
Balance as of March 31, 2010	(4,005,988)
Total shareholders' equity	
Balance as of March 31, 2009	31,163,232
Changes during the term	
Cash dividends	(607,604)
Net income	1,503,303
Disposal of treasury shares	36
Acquisition of treasury shares	(378)
Total changes during the term	895,357
Balance as of March 31, 2010	32,058,589

Valuation and exchange differences	
Other unrealized gains on available-for-sale securities	
Balance as of March 31, 2009	773,946
Changes during the term	
Net changes in items other than shareholders' equity during the term	919,512
Total changes during the term	919,512
Balance as of March 31, 2010	1,693,458
Gains or losses on deferred hedge	
Balance as of March 31, 2009	(61,840)
Changes during the term	
Net changes in items other than shareholders' equity during the term	83,461
Total changes during the term	83,461
Balance as of March 31, 2010	21,621
Total valuation and exchange differences	
Balance as of March 31, 2009	712,106
Changes during the term	
Net changes in items other than shareholders' equity during the term	1,002,973
Total changes during the term	1,002,973
Balance as of March 31, 2010	1,715,079
Total net assets	
Balance as of March 31, 2009	31,875,338
Changes during the term	
Cash dividends	(607,604)
Net income	1,503,303
Disposal of treasury shares	36
Acquisition of treasury shares	(378)
Net changes in items other than shareholders' equity during the term	1,002,973
Total changes during the term	1,898,330
Balance as of March 31, 2010	33,773,668

Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

1. Valuation standards and methods of assets
 - (1) Valuation standards and methods of securities
 - 1) Securities of subsidiaries and affiliates
The cost method using the moving-average method is used.
 - 2) Other 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) Valuation standards and methods of derivatives, etc.
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 (the value stated in the balance sheet is calculated based on the method of reducing the book value in accordance with the decline in profitability).
Supplies: Stated at cost using the first-in, first-out method (the value stated in the balance sheet is calculated based on the method of reducing the book value in accordance with the decline in profitability).
2. Depreciation and amortization for noncurrent assets
 - (1) Tangible fixed assets (except for lease assets)
Tangible fixed assets are depreciated by using the declining balance method. However, buildings (excluding connected fixed installations) acquired on or after April 1, 1998, are depreciated by using the straight-line method. The standards stipulated in the Corporate Tax Law are used with respect to useful life and residual value.
 - (2) Intangible assets (except for lease assets)
 - 1) Software for in-house use
Software for in-house use is amortized by using the straight-line method over the estimated useful life of five (5) years.
 - 2) Other intangible assets
Other intangible assets are amortized by using the straight-line method over the useful lives stipulated in the Corporate Tax Law.
 - (3) Lease assets
Lease assets pertaining to finance lease transactions not involving the transfer of ownership
Lease assets pertaining to finance lease transactions not involving the transfer of ownership are calculated by the straight-line method treating the lease period as the useful life and the residual value as zero.

3. Allowances and provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts for non-specific purposes is stated at amounts based on the historical loss rates, while allowances for specific claims, including Loans to Borrowers with High Possibility of Business Failure, are made at the amounts deemed necessary based on individual assessment on collectability of claims.

(2) Allowance for bonuses to employees

Allowance for bonus to employees of the Company is recognized on an accrual basis in the reporting period.

(3) 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.

(4) Allowance for employees' severance and retirement benefits

Allowance for employees' severance and retirement benefits is recognized based on the estimated balance of retirement benefit obligations and pension assets as of the end of the term. Actuarial differences will be amortized over the period of ten (10) years, which is within the averaged remaining service period of the employees, using the straight-line method, from the following fiscal year when the actuarial difference is recognized.

(5) Allowance for directors' severance and retirement benefits

Allowance for directors' severance and retirement benefits is recorded at the amount deemed necessary at the end of the term in accordance with internal regulations. As the retirement benefit system was changed in June 2004, no allowance has been made in and after July of that year.

4. Hedge Accounting Method

(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. In addition, a specific treatment is used for interest rate swaps that satisfy requirements for the specific treatment of interest rate swaps in hedge accounting.

(2) Hedge instruments and hedge items

1) Hedge instruments: Forward exchange contracts, etc.

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

2) Hedge instruments: Interest swaps

Hedge items: Bank loans (rate floating interest)

(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. We execute interest rate swaps transactions for the purpose of reducing potential losses on debts due to interest rate fluctuations.

(4) Valuation method for 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.

Further, because a special treatment is effectuated to satisfy the requirements for special treatments of interest rate swaps, the effectiveness evaluation is omitted.

5. Other basis of presentation of non-consolidated financial statements

Accounting for consumption taxes

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

Changes in Accounting Policies

Allowance for employees' severance and retirement benefits

From the fiscal year under review, the Company has applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008).

There is no impact on profit due to this change.

Notes to Non-Consolidated Balance Sheet

1. Accumulated amounts of depreciation for tangible fixed assets: ¥6,672,541 thousand
2. Government grants on acquisition of tangible fixed assets eligible for reduction from acquisition costs:
Buildings ¥6,181 thousand
3. Guarantee obligations:
Guarantee for loans from financial institutions by the Company's employees.
¥2,370 thousand
4. Monetary claims on and obligations to affiliates
Short-term monetary claims: ¥1,578,257 thousand
Long-term monetary obligations: ¥3,361,603 thousand
Short-term monetary obligations: ¥731,848 thousand
5. Monetary claims on and obligations to directors or corporate auditors
Short-term monetary claims: ¥162 thousand

Notes to Non-Consolidated Statement of Income

1. Transactions with affiliates
Sales to subsidiaries: ¥5,868,846 thousand
Purchases from subsidiaries: ¥2,000,633 thousand
Other operating transactions: ¥715,419 thousand

2. Impairment loss

For the fiscal year under review, the Group recorded the asset impairment loss on the following asset groups:

Place	Use	Type
Isehara-shi, Kanagawa	Dormant assets	Buildings

The Company grouped business assets by division, and dormant assets by individual asset. For dormant assets such as building equipment, which have not been used for business without a concrete utilization plan, their book values were impaired to recoverable values. The impaired values were recorded as asset impairment losses of ¥33,404 thousand in extraordinary losses in the consolidated fiscal year under review.

The recoverable value is calculated with their usage values as zero.

Notes to Non-Consolidated Statement of Changes in Net Assets

Class and number of treasury shares as of the fiscal year-end

Common shares:

2,042,885 shares

Tax effect accounting

1. Major items for deferred tax assets

	(Unit: Thousand yen)
Directors' severance and retirement benefits	327,595
Allowance for bonuses to employees	199,381
Allowance for doubtful accounts	343,820
Loss on valuation of inventories	887,639
Loss on valuation of affiliate shares	738,401
Loss on valuation of investment securities	413,986
Depreciation	57,074
Gain on valuation of merger assets	133,882
Asset impairment loss	75,127
Others	121,711
Subtotal deferred tax assets	<u>3,298,616</u>
Valuation allowance	<u>(1,450,119)</u>
Total deferred tax assets	<u>1,848,497</u>

2. Major items for deferred tax liabilities

	(Unit: Thousand yen)
Loss on valuation of investment securities	(920,219)
Gains or losses on deferred hedge	(14,819)
Prepaid pension cost	(2,570)
Others	(189)
Total deferred tax liabilities	<u>(937,797)</u>
Net deferred tax assets	<u>910,700</u>

Transactions with related parties

1. Parent company and major corporate shareholders

There are no matters to report.

2. Directors and major corporate shareholders

(Unit: Thousand yen)

Position	Name	Address	Capital or investments	Business or position	Voting right ownership	Relationship with related parties	Transaction	Amount traded	Item	Balance at end of term
Director	Shigeo Takayama	-	-	Director & Honorary Chairman of the Company	Direct 13.75% held	-	Bond issuance (*1)	-	Corporate bonds	500,000
				Interest payment (*1, 2)			10,250	Current assets, etc.	309	
				Expense advancement (*1)			8,625	Current assets, etc.	-	

(Terms and conditions of transactions and their decisions)

Notes:

- These transactions were conducted by Shigeo Takayama, Director and Honorary Chairman of the Company, as President of Takayama International Education Foundation.
- Interests and others were traded under general terms and conditions as the transaction was for the so-called transaction for third parties.

3. Subsidiaries and affiliates

(Unit: Thousand yen)

Position	Name	Address	Capital or investments	Business or position	Voting right ownership	Relationship with related parties	Transaction	Amount traded	Item	Balance at end of term
Subsidiary	Microtek Inc.,	Suginami-ku, Tokyo	300,180	Sale of semiconductor, electronic equipment and components	Direct 100% holding	Purchase and sale of electronic components Concurrent officers	Collection of funds (*2)	188,397	Long-term loans to affiliates (*3)	3,361,603
							Interests receipt (*1)	41,768	Current assets, etc.	570

(Terms and conditions of transactions and their decisions)

Notes:

- Interests and others were traded under general terms.
- The Company and some subsidiaries introduced the Cash Management System, and the transaction value is aggregated on the net value basis.
- We recorded an allowance for doubtful accounts of ¥717,353 thousand for long-term loans to affiliates for Microtek Inc. We also recorded a provision of allowance for doubtful accounts of ¥2,822 thousand for the fiscal year under review.

Per share information

Net assets per share:	¥1,528.61
Net income per share:	¥68.04

Other notes

All figures are rounded to the nearest thousand in Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Net Assets and the Notes to Non-Consolidated Financial Statements.

Reference Materials for the General Meeting of Shareholders

Agenda items and reference materials

Item 1:

Appointment of Twelve (12) Directors

The term of office of all twelve (12) Directors will expire at the conclusion of this General Meeting of Shareholders. Approval of the appointment of twelve (12) Directors is, therefore, requested.

Career histories of the candidates are as follows.

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
1	Shigeo Takayama (May 27, 1916)	Nov. 1953 Founded the Company as President (Representative Director) Jun. 2000 Chairman (Representative Director) Jun. 2007 Director & Honorary Chairman (present) < Status of material holding of concurrent positions > President of Takayama International Education Foundation	1,192,900
2	Ryusaburo Sugimoto (Jun. 3, 1954)	Apr. 1978 Joined the Company Jun. 2004 Director & Vice President, Division Manager of Semiconductor Devices Div. Aug. 2006 Director & Senior Vice President, Division Manager of Semiconductor Devices 1st Div. and in charge of Semiconductor Devices 2nd Div. Jun. 2007 Director & Executive Vice President, in charge of Electronics Business and Semiconductor Devices Div. Apr. 2008 President (Representative Director) (present)	14,240

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
3	Norimichi Hada (Oct. 8, 1946)	<p>Oct. 1969 Joined the Company</p> <p>Nov. 1992 Manager of Connector Systems Dept., Components Business Div.</p> <p>Sep. 1993 Deputy Division Manager of Components Business Div. and Manager of Connector Systems Dept.</p> <p>Jul. 1996 Division Manager of Electronic Components Div.</p> <p>Apr. 1997 President of Hakuto Taiwan Ltd. (former S&T HITECH LTD.)</p> <p>Jun. 2001 Director & Vice President, General Manager of Affiliate Company Administration Dept. of the Company</p> <p>Sep. 2001 Director & Vice President, Division Manager of Electronics 1st Div. and in charge of Branches & Offices</p> <p>Apr. 2003 Director & Vice President, Division Manager of Electronic Components 2nd Div. and in charge of Branches</p> <p>Feb. 2004 Director & Vice President, Division Manager of Electronic Components Div.</p> <p>Aug. 2006 Director & Senior Vice President, Division Manager of Electronic Components Div.</p> <p>Apr. 2008 Director & Senior Vice President, in charge of Overseas Business (present) President of Hakuto Enterprises Ltd.</p>	14,493

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
4	Yoshinae Takada (May 27, 1957)	<p>Apr. 1983 Joined the Company</p> <p>Dec. 2001 Manager of Corporate Planning Dept., Corporate Administration Div.</p> <p>Apr. 2003 Deputy Division Manager of Corporate Administration Div. and Manager of Corporate Planning Dept.</p> <p>Jun. 2003 Deputy Division Manager of Corporate Administration Div. and Manager of Corporate Planning Dept. and Financial & Accounting Dept.</p> <p>Jun. 2004 Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., and in charge of E.D.P. Dept.</p> <p>Jul. 2006 Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept. and in charge of E.D.P. Dept. and Overseas Subsidiaries Management Div.</p> <p>Apr. 2007 Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., in charge of E.D.P. Dept. and J-SOX Project Team Leader</p> <p>Jun. 2007 Director & Vice President, Manager of Financial & Accounting Dept., in charge of E.D.P. Dept. and J-SOX Project Team Leader</p> <p>Apr. 2008 Director & Vice President, Division Manager of Corporate Management Div., Manager of Corporate Planning Dept. and Financial & Accounting Dept.</p> <p>Jun. 2008 Director & Senior Vice President, Division Manager of Corporate Management Div., Manager of Corporate Planning Dept. and Financial & Accounting Dept.</p> <p>Apr. 2009 Director & Senior Vice President, Division Manager of Corporate Management Div., Manager of Financial & Accounting Dept.</p> <p>Apr. 2010 Director & Senior Vice President, Division Manager of Corporate Management Div. (present)</p>	2,100

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
5	Noriaki Tomioka (Apr. 18, 1949)	<p>Mar. 1973 Joined the Company</p> <p>Apr. 1999 Manager of 1st Sales Dept., 1st System Group, Electronics 2nd Div.</p> <p>Dec. 2001 Deputy General Manager of Electronics 2nd Div.</p> <p>Jan. 2003 President of Hakuto Enterprises Ltd.</p> <p>Mar. 2007 Chairman of Hakuto Enterprises (Shanghai) Ltd.</p> <p>Apr. 2007 Chairman of Hakuto Taiwan Ltd.</p> <p>Jun. 2007 Director & Vice President, in charge of Overseas Business of the Company</p> <p>Apr. 2008 Director & Vice President, in charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div.</p> <p>Jun. 2008 Director & Senior Vice President, in charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div.</p> <p>Apr. 2010 Director & Senior Vice President, Division Manager of Electronic Equipment Div. (present)</p>	3,100

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
6	Shinkichi Suzuki (Nov. 15, 1948)	<p>Mar. 1974 Joined the Company</p> <p>Nov. 2000 Deputy Manager of Finance Dept., Corporate Administration Div.</p> <p>Dec. 2001 Manager of Human Resources Dept., Corporate Administration Div.</p> <p>May 2005 Manager of Sales Administration Dept.</p> <p>May 2006 President of Hakuto A&L Co., Ltd. (present)</p> <p>Jun. 2007 Director & Vice President, Manager of Sales Administration Dept. and in charge of Human Resources Dept., General Administration Dept., General Affairs Dept., Isehara Technical Center and Branches (administration related) of the Company</p> <p>Apr. 2008 Director & Vice President, Division Manager of Corporate Administration Div. and Manager of Human Resources Dept.</p> <p>Jun. 2009 Director & Vice President, Division Manager of Corporate Administration Div. and Manager of Human Resources Dept. and in charge of Risk Management and Corporate Ethics</p> <p>Apr. 2010 Director & Vice President, in charge of Corporate Administration Div. and Manager of Human Resources Dept. and in charge of Risk Management and Corporate Ethics (present)</p>	2,000

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
7	Hitoshi Takigami (Oct. 27, 1956)	<p>Apr. 1985 Joined the Company</p> <p>Apr. 2003 General Manager of Sales Dept., Chemical Business Div.</p> <p>Dec. 2003 Deputy Division Manager of Chemical Business Div.</p> <p>Apr. 2006 Division Manager of Chemical Business Div.</p> <p>Jun. 2007 Director & Vice President, in charge of Chemical Business and Division Manager of Chemical Business Div. (present)</p>	2,000
8	Ryoji Abe (Nov. 9, 1957)	<p>Mar. 1983 Joined the Company</p> <p>Aug. 2002 Manager of AP Sales Promotion Dept., Electronic Devices 1st Div.</p> <p>Feb. 2006 Manager of AP Sales Dept., Semiconductor Devices Div.</p> <p>Apr. 2006 Manager of 1st Sales Dept., Semiconductor Devices 2nd Div.</p> <p>Apr. 2007 Deputy Division Manager of Semiconductor Devices 2nd Div.</p> <p>Oct. 2007 Division Manager of Semiconductor Devices 2nd Div.</p> <p>Apr. 2008 Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.</p> <p>Jun. 2008 Director & Vice President, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.</p> <p>Apr. 2010 Director & Vice President, in charge of Semiconductor Devices 2nd Div. and Division Manager of Electronic Components Div. (present)</p>	1,700

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
9	Jun Takagi (Jul. 8, 1959)	Apr. 1984 Joined the Company Apr. 2003 Manager of 2nd Devices Sales Dept., Electronic Components 1st Div. Jun. 2004 Deputy Division Manager of Semiconductor Devices Div. Apr. 2006 Deputy Division Manager of Semiconductor Devices 1st Div. Apr. 2007 Division Manager of Semiconductor Devices 1st Div. Jun. 2008 Director & Vice President, Division Manager of Semiconductor Devices 1st Div. (present)	2,400
10	Ichiro Takayama (Jan. 3, 1958)	Jun. 1986 Qualified Medical Doctor (US) May 1990 Qualified Medical Doctor (Japan) Jun. 1990 Director of the Company Jun. 1996 Resignation of Director Jun. 2000 Director of the Company (present)	1,058,923

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
11	Kozo Uno (Jul. 3, 1933)	<p>Aug. 1963 Registered as Certified Public Accountant</p> <p>Jul. 1969 Senior Partner of Asahi & Co. (accounting corporation, currently KPMG AZSA & Co.)</p> <p>May 1974 Established a private office as CPA (present)</p> <p>Oct. 1993 Deputy Managing Partner of Asahi & Co. (currently KPMG AZSA & Co.)</p> <p>May 1997 Managing Partner of Asahi & Co.</p> <p>May 1999 Chairman of Asahi & Co.</p> <p>Aug. 2003 External Auditor of Satori Electric Co., Ltd. (present)</p> <p>Jun. 2004 External Director of the Company (present)</p> <p>Jun. 2005 External Auditor of Kadokawa Group Holdings, Inc.</p> <p>Mar. 2007 External Auditor of Hidaka Country Club, Inc. (present)</p>	-
12	Katsuyoshi Iwashiro (Mar. 20, 1945)	<p>Oct. 2001 Deputy President of The Asahi Bank, Ltd. (currently Resona Bank, Limited.)</p> <p>Jun. 2002 President of Shoei Insurance Service Co., Ltd.</p> <p>Jun. 2003 External Auditor of Kobayashi Yoko Co., Ltd.</p> <p>Jun. 2005 External Director of the Company (present)</p>	4,600

Notes:

1. Mr. Shigeo Takayama is the President of Takayama International Education Foundation, which has invested in the Company's bonds.
2. Other than the above, there are no interest relationships between the Company and Director candidates.
3. Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro are both candidates for appointment to the position of External Director provided in Article 2, Paragraph 3, Item 7 of the Companies Act Enforcement Regulations.
4. Information relating in particular to the candidates for appointment as External Directors is provided below.
 - (1) Reasons for appointing External Directors
 - 1) Mr. Kozo Uno is a certified public accountant, has served for many years as the Managing Partner and Chairman of Asahi & Co. (now KPMG AZSA & Co.), and has accumulated expert knowledge and years of experience in the fields of finance and accounting. It is judged, therefore, that his advice would help increase management transparency and strengthen corporate governance, and his appointment as an External Director is requested.
 - 2) Mr. Katsuyoshi Iwashiro has served as the Deputy President of Asahi Bank Ltd. (now Resona Bank Ltd.) and in other capacities that have allowed him to accumulate rich experience in company management. It is judged, therefore, that seeking his opinions and

advice on critical management issues would help promote proper decision making, and his appointment as an External Director is requested.

- (2) Years served as External Director since appointment
 - 1) Mr. Kozo Uno will have served as an External Director for six years as of the end of this General Meeting of Shareholders.
 - 2) Mr. Katsuyoshi Iwashiro will have served as an External Director for five years as of the end of this General Meeting of Shareholders.
- (3) Independence of External Director candidates
 - 1) Neither Mr. Kozo Uno nor Mr. Katsuyoshi Iwashiro has served in any managerial capacity (as defined in Article 2, Paragraph 3, Item 6, of the Companies Act Enforcement Regulations, same applies below) at either the Company or any of its designated related companies (as defined in Article 2, Paragraph 3, Item 19 of the Companies Act Enforcement Regulations, same applies below) over the past five years.
 - 2) Neither Mr. Kozo Uno nor Mr. Katsuyoshi Iwashiro has received significant sums of money or other assets from either the Company or any of its designated related companies over the past two years and no such receipts are scheduled.
 - 3) Neither Mr. Kozo Uno nor Mr. Katsuyoshi Iwashiro has any family relationships of the third degree or closer to any person working in a managerial capacity at either the Company or any of its designated related companies.
- (4) Agreements limiting the liability of External Directors

To facilitate the recruitment of outstanding people suited to serve as External Directors and make it possible for these people to fulfill the roles expected of them, the Company has included in the current Articles of Incorporation provisions allowing it to enter into agreements limiting the liability of External Directors for payment of damages to the Company.

Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro are presently serving as External Directors and the Company has entered into agreements with both Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro limiting their liability for damages to the higher of an amount of ¥3 million or the smallest amount specified under Article 425, Paragraph 1 of the Companies Act. Should the reappointments of Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro be approved, the Company will extend the above agreements with both.

Item 2:**Appointment of One (1) Corporate Auditor**

The term of office of Mr. Tadao Kuwano, a Corporate Auditor, will expire at the conclusion of this General Meeting of Shareholders. Approval of the appointment of one (1) Corporate Auditor is, therefore, requested.

The Board of Corporate Auditors has approved this proposal.

The career history of the candidate is as follows.

Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
Tadao Kuwano (Jul. 31, 1942)	Mar. 1974 Registered as Certified Public Accountant Jul. 1993 Senior Partner of Asahi Shinwa & Co. (accounting corporation, currently KPMG AZSA & Co.) Feb. 2005 Registered as Certified Tax Accountant Jul. 2005 Established a private office as CPA & CTA (present) Sep. 2005 Affiliate Professor, The Graduate School of Accounting Finance, Chiba University of Commerce Part-time lecturer, the Graduate School of Finance, Waseda University(present) Jun. 2006 Corporate Auditor of the Company, External Director of Okamura Corporation (present)	-

Notes:

1. There are no special interests between the Company and the candidate for Corporate Auditor above.
2. Tadao Kuwano, a candidate of Corporate Auditor, is a candidate for External Auditor.
3. The Company has notified Tokyo Stock Exchange that Tadao Kuwano is an Independent Officer according to regulations stipulated by the TSE. When he is elected as proposed, he will continuously be an Independent Officer.
4. Information relating in particular to the candidate for External Auditor is provided below.
 - (1) Reasons for appointing External Auditor
Mr. Tadao Kuwano who is a certified public accountant is appointed, as regarded to contribute to more transparent management and effective auditing functions from the standpoint of an expert of accounting. Since there are/were no special interests between the Company and him, and no possibility that conflict of interests occurs against shareholders, he has been appointed as an independent officer.
 - (2) In case of the candidate's service over the past five years as External Director or External Auditor of other companies, records of inappropriate actions by these companies during the candidate's terms of office therein, steps taken by the candidate to prevent such inappropriate actions, or responses taken by the candidate to deal with such actions after their occurrence
On September 17, 2008, which was during the period in which Tadao Kuwano was serving as External Director at Okamura Corporation, an employee of Okamura Corporation was arrested for suspected bid-rigging in a fixtures procurement bid for a new government building being constructed by Nishio City in Aichi Prefecture and was found guilty later. That company also

received the cease and desist order and the order for payment of administrative surcharge from Japan Fair Trade Commission in violation of regulations in Article 3 of the Antimonopoly Law with respect to bidding of specific furniture and fixtures ordered by Japan Air Self-Defense Force of the Ministry of Defense, on March 30, 2010. Tadao Kuwano was not involved in this issue. He always makes proposals from the viewpoints of compliance with laws and management based on it in the Board of Directors of that Company. Since the issue was uncovered, he has fulfilled his responsibilities by proposing to hold a training session concerning legal compliance, and expressing his opinions on the necessity for strengthening preventive measures for reoccurrence and internal control systems.

(3) Years served as External Auditor since appointment

Mr. Tadao Kuwano will have served as an External Auditor for four years as of the end of this General Meeting of Shareholders.

(4) Independence of External Auditor

- 1) Mr. Tadao Kuwano has not served in any managerial capacity (as defined in Article 2, Paragraph 3, Item 6 of the Companies Act Enforcement Regulations, same applies below) at either the Company or any of its designated related companies (as defined in Article 2, Paragraph 3, Item 19 of the Companies Act Enforcement Regulations, same applies below) over the past five years.
- 2) Mr. Tadao Kuwano has not received significant sums of money or other assets from either the Company or any of its designated related companies over the past two years and no such receipts are scheduled.
- 3) Mr. Tadao Kuwano does not have any family relationships of third degree or closer to any person working in a managerial capacity at either the Company or any of its designated related companies.

(5) Agreements limiting the liability of External Auditors

To facilitate the recruitment of outstanding people suited to serve as External Auditor and make it possible for these people to fulfill the roles expected of them, the Company has included in the current Articles of Incorporation provisions allowing it to enter into agreements limiting the liability of External Auditor for payment of damages to the Company.

Mr. Tadao Kuwano is presently serving as External Auditor and the Company has entered into agreements with Mr. Tadao Kuwano limiting his liability for damages to the higher of an amount of ¥2 million or the smallest amount specified under Article 425, Paragraph 1 of the Companies Act. Should the reappointments of Mr. Tadao Kuwano be approved, the Company will extend the above agreements with him.

Procedures for Exercising Voting Rights via the Internet

Shareholders are requested to read the following items before exercising voting rights via the Internet. If you plan to attend the General Meeting of Shareholders in person, it is not necessary to either mail your voting form or to exercise your voting rights via the Internet.

1. Voting Right Exercise Site

- (1) Exercise of voting rights is possible only by using a personal computer or cell phone (i-mode, EZweb, Yahoo! *Keitai*)* to access the site below, which is specified by the Company. Site access, however, shall not be possible between the hours of 2:00 AM and 5:00 AM.

<Voting Right Exercise Site URL> <http://www.evote.jp/>

* “i-mode,” “EZweb,” and ”Yahoo!” are the respective registered trademarks of Nippon Telegraph and Telephone Corporation, KDDI Corporation, and Yahoo! Inc. of the U.S.

- (2) Firewalls, anti-virus software, proxy servers, or other aspects of the shareholder’s Internet usage environment may prevent the use of a personal computer to exercise of voting rights.
- (3) Please use the i-mode, EZweb, or Yahoo! *Keitai* services when using a cell phone to exercise voting rights. For security-related reasons, cell phones that cannot send encrypted data (SSL transmissions) and cell phone information cannot be used to exercise voting rights.



* It is also possible to access voting right exercise site by using a cell phone that can read barcodes to read the QR Code to the right. Please refer to your cell phone owner’s manual for detailed instructions on how to read barcodes.

- (4) Voting rights may be exercised until 5:30 PM on June 24, 2010 (Thursday), but shareholders are requested to do so as early as possible. A help desk has been established to answer questions and help shareholders exercise their voting rights.

2. Exercising voting rights via the Internet

- (1) Enter your “Login ID” and “Temporary Password,” both of which are noted on the voting form, in the appropriate spaces on the Voting Right Exercise Site (<http://www.evote.jp/>). Follow the instructions on your computer screen and indicate whether you are for or against each item.
- (2) To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their “Temporary Password” on the Voting Right Exercise Site.

3. Cost for accessing the Voting Right Exercise Site

Costs (dial-up connection fees, telephone charges, etc.) for accessing the Voting Right Exercise Site shall be borne by the shareholder. For shareholders using cell phones, packet transmission fees and other cell phone usage fees will be incurred, and these, too, shall be borne by the shareholder.

4. Treatment of voting rights exercised multiple times

- (1) If you exercise your voting right both by mail and via the Internet, the voting via the Internet shall prevail regardless of the arrival date of the mailed vote.
- (2) In the case of multiple voting via the Internet, the last voting shall prevail.

5. For More Information

Questions regarding the system for voting via the Internet
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency
Department (Helpdesk)
Tel: 0120-173-027 (only in Japan, toll free)
Hours: 9:00–21: 00

Other questions
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency
Department
Tel: 0120-232-711 (only in Japan, toll free)
Hours: 9:00–21: 00 (excluding weekends and national holidays)

6. Voting platform for institutional investors

Institutional investors who have applied in advance to use the e-Voting Platform for institutional investors (also referred to as the “TSE Platform”) run by ICJ, Inc. can cast their votes via this system instead of the Company’s system for voting via the Internet, which is described above.

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