(Ticker Code: 7433)
June 8, 2007

Dear Shareholders,

Hakuto Co., Ltd.
1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

Notice of the 55th Annual General Meeting of Shareholders

You are cordially invited to attend the 55th 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 Tuesday, June 26, 2007, 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.evote.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 56 of the "Procedures for Exercising Voting Rights via the Internet."

Sincerely,

Hiroshi Asai
President

Details

1. **Date & Time**: Wednesday, June 27, 2007 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 55th business year (from April 1, 2006 to March 31, 2007), 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 55th business year (from April 1, 2006 to March 31, 2007)

(2) Items to be resolved:

Item 1: Amendments to the Articles of Incorporation
Item 2: Appointment of fourteen (14) Directors
Item 3: 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 three days before the General Meeting of Shareholders (June 24, 2007).

[Submitted Documents]

Business Report

(From April 1, 2006 to March 31, 2007)

1. Corporate Group's Business Environment

(1) Business conditions during the fiscal year under review

1) Business developments and results

Despite slightly weak personal consumption, the Japanese economy benefited from an overall improvement in corporate profits and solid growth in capital expenditures during the term under review. The global economy saw a hike in crude oil prices and heightened uncertainty regarding the future of the U.S. economy, but, with economic growth in Asia, and China in particular, and an economic recovery in Europe, grew solidly on an overall basis.

In the electronics industry, a general improvement in business sentiment was noted on factors like capital spending strength resulting from strong growth in sales of digital home appliances and telecommunications equipment. Despite that, however, declines in final product prices made for a difficult pricing environment.

The chemical industry chalked up steady growth with an overall improvement in capacity utilization, but the hike in crude oil prices resulted in higher prices for raw materials and fuel, and reinforced fears of downward pressure on profits.

Within this context, the Company, in the last year of its medium-term (three-year) business plan, continued efforts to create strong management that can sustain growth by transforming itself into a highly profitable Group that can maintain growth while taking environmental issues into due consideration, in other words, through adoption of the "New Hakuto Model."

As a result of these efforts, net sales for the fiscal year increased 6.9% year on year on a consolidated basis, to ¥123,442 million, with domestic sales growing 8.9%, to ¥82,786 million, and overseas sales rising 2.9%, to ¥40,656 million.

Regarding profits, gross profit rose 10.6% year on year, to ¥20,168 million. Operating income grew 24.3% year on year, to ¥5,193 million, and ordinary profit increased 19.9% year on year, to ¥5,333 million. The Company recorded a ¥440 million gain on reversal of allowance for doubtful accounts as an extraordinary gain for the fiscal year, while posting under extraordinary losses a ¥122 million provision for allowance for loss on investment securities. As a result, net income rose 17.4%, to ¥3,054 million.

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

Electronics Division

In the electronic and electric equipment segment, active capital spending related to semiconductor packaging in Japan and other parts of Asia drove sales of printed circuit board (PCBs) manufacturing equipment. Sales of equipment related to flat panel displays (FPDs), however, were dogged by delays in shipments of some products resulting from technology-related causes.

In the electronic components segment, an expanded market for flat-screen TVs and recovery of the market for telecommunications devices set the scene for strong sales of graphic ICs for digital TVs, programmable logic devices (PLDs) for cell phone base stations, and other electronic devices, and for personal computer heat sinks, optical transmission device components for metro networks, and other electronic components.

As a result of the above, sales of Electronics Division increased 7.8% year on year, to

¥116,704 million, with operating income up by 20.5%, to ¥7,124 million.

Chemicals Division

New agents for treating coolant water and other water treatment chemicals developed by the Company sold well, and greater demand for petrochemicals drove up sales of mainstay additives for the petro/petrochemical industries. Higher oil prices, however, reduced profits on the latter.

As a result, sales of the Chemicals Division grew 5.8% year on year, to ¥6,719 million, but operating income fell 13.0%, to ¥599 million.

Others Division

During the consolidated fiscal year under review, all shares in Human Resources International Co., Ltd., which engaged mainly in the temporary staff dispatch services, were sold.

As a result, Others Division reported sales of ¥19 million and an operating income of ¥26 million.

Sales by segment

	Fiscal 2005 (term ended March 2006)		Fiscal 2006 (term ended March 2007)	
	Sales (¥ million)	Ratio to total (%)	Sales (¥ million)	Ratio to total (%)
Electronics	108,290	93.8	116,704	94.5
Chemicals	6,349	5.5	6,719	5.4
Others	864	0.7	19	0.1
Total	115,503	100.0	123,442	100.0

Note: Figures are exclusive of consumption tax.

2) Investment in plant & equipment

The total investment in plant and equipment for the reporting fiscal year was ¥489 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 stock acquisition rights, etc. in other companies

(A) Share acquisitions

The Company acquired 25.4% of the outstanding shares of MOLDEC CO., LTD. on August 31, 2006 and later acquired an additional 15.0% of that company's outstanding shares. With those share acquisitions, added to the 14.7% of outstanding MOLDEC shares the Company already held, the Company boosted its ownership of MOLDEC to 55.1%.

(B) Share disposals

The Company disposed of all of its holdings in the former wholly owned subsidiary, Human Resources International Co., Ltd., on May 1, 2006.

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

(¥ million)

	FY2003	FY2004	FY2005	FY2006 (reporting term)
Net sales	101,843	108,627	115,503	123,442
Ordinary profit	3,321	4,186	4,447	5,333
Net income	1,682	2,470	2,601	3,054
EPS (yen)	74.93	110.62	116.37	138.74
Total assets	62,229	65,644	70,162	82,175
Net assets	33,905	35,767	39,363	41,905
BPS (yen)	1,542.09	1,626.50	1,786.57	1,900.95

Notes:

1. 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.
2. "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standard No. 5, December 9, 2005) and "Guidance on Accounting Standard for Net Assets in the Balance Sheet" (Implementation Guidance on Corporate Accounting Standard No. 8, December 9, 2005) began with the 55th business year.

(3) Principal subsidiaries

	Capital stock	Ratio of voting rights held by the Company (%)	Principal lines of business
Hakuto Enterprises Ltd.	HK$22,025 thd.	100	Import/export of electronic equipment and components, manufacturing and sales of electronic components
Hakuto Singapore Pte. Ltd.	S$5,000 thd.	100	Import/export of electronic equipment and components
Hakuto Taiwan Ltd.	NT$70,000 thd.	100	Import/export of electronic equipment and components

(4) Issues facing the Company

The current business environment demands that the Company provide even greater levels of added value and clearly demonstrate the significance of its existence to stakeholders. The Company's core electronics trading business has reached the stage at which it is necessary to rebuild the value of the very existence of trading companies. That this is so is demonstrated by downward trending profit margins throughout the industry.

In acknowledgement of these circumstances, the Company has created its new medium-term business plan with the underlying theme of achieving ¥200 billion in consolidated sales and intends to take steps aimed at enhancing the significance of its existence.

In more specific terms, the Company will clarify business directions for each of its business as a part of the Hakuto Group and adjust each business strategies (e.g. product development and sales strategies) accordingly. This initiative will be based on the new medium-term business plan's tenet of building a consolidated business system. In the same light, the Company will also establish stronger ties with domestic and overseas subsidiaries. In the area of management, the Company will implement a consolidated management accounting system, rebuild the Group's fiscal strategy, and move forward with efforts to boost the Group's overall profitability and efficiency.

The Company will begin to implement global employee training as a step toward building a borderless business structure, and will promote stronger risk management for the entire Group to help ensure that: 1) The Company prevents business improprieties, and 2) The Company meets its social responsibilities.

We ask for the continued understanding and support of our shareholders as we work toward these ends.

(5) Main business lines (as of March 31, 2007)

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
Electronics	Electronic Components	Semiconductor devices; connectors; optical components
Chemicals	Industrial Chemicals	Industrial chemicals used in the oil refining and petrochemical industries; chemicals for water treatment; chemicals for the paper & pulp industry; paint-resistant chemicals
Others		Outsourcing business

(6) Principal offices and plants (as of March 31, 2007)

1) Principal offices and plants of the parent 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
Hakuto Enterprises Ltd.	Kowloon, Hong Kong
Hakuto Singapore Pte. Ltd.	Singapore
Hakuto Taiwan Ltd.	Taipei, Taiwan

(7) Employees (as of March 31, 2007)

1) Employees of the Group

Business segment	Number of employees	Change from end of previous term
Electronics	1,316	115
Chemicals	187	(1)
Others	95	(27)
Common in the Group	61	3
Total	1,659	90

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.

2) Employees of the Company

Number of employees	Change from end of previous business year	Average age	Average number of years of service
594	Increase by 24	40.6	13.2

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

(8) Principal sources of borrowings

(¥ million)

Sources	Balance of borrowings
Sumitomo Mitsui Banking Corp.	4,820
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,480
Resona Bank, Ltd.	2,500
Nippon Life Insurance Company	650
Mizuho Bank, Ltd.	420

(9) Other important matters concerning the Group

There are no items to report.

2. Profile of the Company

(1) Shares (as of March 31, 2007)

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 business year)

Of which treasury shares: 2,092,769 shares

3) **Number of shares per trading unit (tangen):** 100 shares

4) **Number of shareholders:** 6,990 (decreased by 826 from the previous business year)

5) **Major shareholders**

Name of shareholder	Investment in the Company	
	Number of shares held (thousands shares)	Ownership (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,628.6	11.92
Shigeo & Megumi Takayama Foundation	1,813.3	8.22
Takayama International Education Foundation	1,220.0	5.53
Shigeo Takayama	1,192.6	5.41
Ichiro Takayama	1,058.9	4.80
Ken Takayama	1,058.9	4.80
Ryutaro Takayama	1,058.8	4.80
The Master Trust Bank of Japan, Ltd. (trust account)	1,039.0	4.71
Trust & Custody Services Bank, Ltd. (securities investment trust account)	618.9	2.80
Luxembourg Offshore Jasdaq Lending Account	450.2	2.04

Notes:

1. This list shows the top ten shareholders including one who owns more than 10% of outstanding shares (excludes treasury shares).
2. Numbers of shares held are rounded down to the nearest 100 shares.
3. Ownership percentages are calculated based on the total number of outstanding shares (22,044,444), which excludes treasury shares. Percentages have been rounded down to two decimal places.
4. Treasury shares owned by the Company are excluded from the list of major shareholders above.

6) Other important matters concerning shares

There are not items to report.

(2) Share subscription rights

1) Share subscription rights distributed to Company Directors as compensation (as of March 31, 2007)

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

1. Number of share subscription rights: 3,250 (100 shares per right)
2. Type and number of shares to be converted: Common stock 325,000
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)	1,375	137,500	10
External Directors	–	–	–
Corporate Auditors	–	–	–

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

There are no items to report.

(3) Corporate Officers

1) Board of Directors and Corporate Auditors (as of March 31, 2007)

Name	Positions	Areas of responsibility or primary occupation, and/or representative status at other companies
Shigeo Takayama	Chairman, Representative Director	President of Takayama International Education Foundation
Hiroshi Asai	President, Representative Director	
Yoshihito Akiyama	Executive Vice President, Director	In charge of Risk Management and Sales Development Dept.
Tomoyuki Yamawaki	Executive Vice President, Director	Manager of Secretariat and in charge of Environment, Safety and Quality Assurance Promotion Office and Corporate Ethics
Shoichi Mizushima	Senior Vice President, Director	In charge of Personnel Dept., General Administration Dept., General Affairs Dept., Sales Administration Dept., Isehara Technical Center and Branches
Norimichi Hada	Senior Vice President, Director	Division Manager of Electronic Components Division
Junji Kohira	Senior Vice President, Director	Division Manager of Electronic Equipment Division No. 2, in charge of Electronic Equipment Division No. 1, and President of Hakuto Korea Co., Ltd.
Ryusaburo Sugimoto	Senior Vice President, Director	Division Manager of Electronic Device Division No. 1, in charge of Electronic Device Division No. 2, and Manager of Device Sales Administration Dept.
Yoshiaki Sato	Vice President, Director	In charge of Chemical Business Division, and Chairman of Fuyo Chemical Industries Co., Ltd.
Yoshinae Takada	Vice President, Director	Manager of Corporate Planning Dept. and of Financial & Accounting Dept., and in charge of E.D.P. Dept. and Overseas Subsidiaries Management Division
Ichiro Takayama	Director	
Kozo Uno	External Director	Certified Public Accountant
Katsuyoshi Iwashiro	External Director	
Hideo Watanabe	Corporate Auditor	
Chikao Fukuda	External Corporate Auditor	Attorney at law
Tadao Kuwano	External Corporate Auditor	Certified Public Accountant, and Tax Accountant

Notes:

1. Among the Directors, Messrs. Kozo Uno and Katsuyoshi Iwashiro are External Directors as provided for in Article 2, Item 15 of the Corporation Law.
2. Messrs. Chikao Fukuda and Tadao Kuwano are External Corporate Auditors as provided for in Article 2, Item 16 of the Corporation Law.
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, who is also a Corporate Auditor, 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 tax accountant and performs accounting research as a university professor.

2) Directors and Corporate Auditors resigned during the business year under review

There are no persons to report.

3) Total compensation paid to Directors and Corporate Auditors

Positions	Number of recipients	Amount of payment (millions of yen)
Directors (External Directors)	13 (2)	350 (9)
Corporate Auditors (External Auditors)	3 (2)	23 (8)
Total	16	373

Notes:

1. Payments to Directors who are also employees do not include amounts paid as employee salary.
2. Payments include Director bonuses of ¥51 million for the business year under review.
3. The upper limit on compensation for Directors was set at ¥450 million (not including employee salaries) in the 39th Ordinary 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 Ordinary General Meeting of Shareholders, held on June 29, 1992.

4) Matters regarding External Directors

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

There are no items to report.

(B) Dual appointments as other companies' external directors or corporate auditors

- Director Kozo Uno is also an external corporate auditor for both Satori Electric Co., Ltd. and Kadokawa Group Holdings, Inc.
- Director Katsuyoshi Iwashiro is also an external corporate auditor for Kobayashi Yoko Co., Ltd.
- Corporate Auditor Tadao Kuwano is also an external director for Okamura Corporation.

(C) Main activities during the business year under review

Position	Name	Main activities
Director	Kozo Uno	Mr. Uno attended 10 of the 13 Board of Directors meetings held during the business 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	Kastuyoshi Iwashiro	Mr. Iwashiro attended 10 of the 13 Board of Directors meetings held during the business 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 7 of the 13 Board of Directors meetings held during the business 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 5 of the 6 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 8 of the 9 Board of Directors meetings held after his appointment on June 27, 2006 during the business year, 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 tax accountant. Mr. Kuwano also attended all 5 of the Board of Corporate Auditors meetings held after his appointment and engaged in exchanges of opinions and participated in 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 Corporation Law, has entered into agreements that limit the liability of each of the External Directors and External Corporate Auditors in the manner provided in Article 423, Paragraph 1 of the Corporation Law.

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 business year under review	¥35 million
Total monetary and other assets payable to the Accounting Auditor by the Company and its subsidiaries	¥35 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 Corporation Law and compensation paid for audit work performed in conformity with the Securities Exchange Law, and it is effectively impossible to do so. Accordingly, the amount of compensation paid for audit work related to the business year under review is reported as the total of these two amounts.

3) Non-audit work

There are no items to report.

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 Corporation Law, 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

In a Board of Directors meeting, the Company resolved the following regarding its basic policy for the construction of systems (internal control systems) for ensuring that actions taken by the Board of Directors are in compliance with both the laws of Japan and the Company's Articles of Incorporation and for ensuring the propriety of the Company's activities, as required by Article 362, Paragraph 5 of the Corporation Law and Articles 100, Paragraph 1 and Paragraph 3 of the Corporation Law Enforcement Regulations.

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 compliance provisions serving as the Company'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 Administration Department, which shall bear operational responsibility for compliance activities, shall construct and maintain compliance systems. The Internal Audit Office shall audit compliance system functions and effectiveness.

(C) Based on ethics provisions, 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.

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

Documents (including records in magnetic form) relating to Directors' performance of their duties shall be preserved and managed, together with related information, as required by document management provisions. This information shall be maintained in viewable condition for at least ten years, as necessary.

3) Provisions regarding management of the risk of loss, and other systems

(A) A Director shall be appointed to be responsible for risk management. Working under this Director, the General Administration Department, which shall bear operation responsibility for risk management, shall construct a company-wide risk management system.

(B) Risk management provisions shall be set forth as a basis for the risk management system. Each type of risk shall be made the management responsibility of a certain department, which shall implement measures aimed at enhancing risk management effectiveness and monitor risk management on an ongoing basis.

(C) In preparation for the possibility of the realization of risks, risk management provisions 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 for each business segment by responsible Directors based on management plans, the management of performance on a monthly and quarterly basis, the review of monthly and quarterly performance by the Board of Directors and Board of Managing Directors, and the implementation of performance improvement measures.

(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 general organizational rules, work division rules, and rules addressing managerial 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 headquarters General Administration Department shall promote and manage the construction of these systems throughout the Group.

(C) Departments responsible for subsidiary management shall adopt rules for managing subsidiaries and implement management measures as dictated by conditions at subsidiaries.

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

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 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.

Based on these policies, it was resolved in the Board of Directors meeting held May 15, 2007 that the Company would pay a year-end dividend of ¥17.50 per share for the fiscal year under review. Added to the interim dividend of ¥17.50 per share paid in December 2006, the total amount of dividends paid for the fiscal year under review will come to ¥35 per share, with a consolidated payout ratio of 25.2%.

Treasury shares shall be appropriately acquired based on a consideration of financial conditions and other factors, with the goal of supporting the Company's ability to flexibly implement its capital policy.

(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 127 of the Corporation Law 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 demonstrated by its generation of appropriate levels of profits since its very founding, 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.

The Company has created a new medium-term business plan covering the fiscal years 2007 to 2009 with the aim of achieving significant increases in corporate value.

The basic theme of the new medium-term business plan is achievement of annual consolidated revenues of ¥200 billion. The new plan boldly focuses on scale, clearly aiming to place the Company on a higher stage while further increasing the value of its existence.

The basic policy of the new medium-term business plan, the key issues facing individual businesses, and quantitative targets are described below.

<Basic policies>

Consolidated business system construction

<Issues facing individual businesses>

Electronics Division

- · Electronics and electric equipment: 1) Development of sales in Asia, 2) Strengthening of manufacturing function, 3) Generation of major commercial rights
- · Electronic components: 1) Revenue target of ¥100 billion in semiconductor devices, 2) Expansion of optical products business, 3) Strengthening of services for transferred businesses

Chemicals Division

- · Industrial chemicals: 1) Revenue target of ¥10 billion, 2) Strengthening of product development capabilities, 3) Start-up of new businesses

<Quantitative Targets>

1) Final fiscal year (FY2009) consolidated sales: ¥180 billion
2) Final fiscal year (FY2009) consolidated ordinary profit: ¥7.5 billion
3) Final fiscal year (FY2009) consolidated ROE of at least 8.5%

(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 127 Paragraph 2. b. of the Corporation Law 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, 2007

(Unit: Thousand yen)

Assets	
Current assets	62,451,532
Cash and time deposits	5,369,215
Notes and accounts receivable - trade	40,960,353
Inventories	12,411,661
Deferred tax assets	993,228
Other current assets	2,812,040
Less: Allowance for doubtful accounts	(94,965)
Noncurrent assets	19,723,827
Tangible fixed assets:	7,382,520
Buildings and structure	1,922,337
Land	4,023,836
Other tangible fixed assets	1,436,347
Intangible assets:	639,218
Investments and other assets:	11,702,089
Investment securities	11,407,624
Deferred tax assets	40,877
Other investments	494,098
Less: Allowance for doubtful accounts	(10,970)
Less: Allowance for loss on investment securities	(229,540)
Total assets	82,175,359

Consolidated Balance Sheet

As of March 31, 2007

(Unit: Thousand yen)

Liabilities	
Current liabilities	33,826,657
Notes and accounts payable - trade	17,995,109
Short-term borrowings	11,002,730
Accrued income taxes	1,149,339
Deferred tax liabilities	575
Allowance for bonuses to employees	1,037,557
Allowance for bonuses to directors	51,000
Allowance for product warranty	48,500
Other current liabilities	2,541,847
Long-term liabilities	6,443,305
Corporate bonds	500,000
Long-term borrowings	1,948,334
Deferred tax liabilities	2,565,009
Employees' severance and retirement benefits	217,129
Directors' severance and retirement benefits	969,327
Other long-term liabilities	243,506
Total liabilities	40,269,962
Net Assets	
Shareholders' Equity	38,105,173
Capital	8,100,252
Capital surplus	7,513,572
Retained earnings	26,596,392
Less: Treasury shares	(4,105,043)
Valuation and exchange differences	3,800,224
Other unrealized gains on available-for-sale securities	3,401,530
Gains or losses on deferred hedge	83,619
Foreign currency transaction adjustment	315,075
Total net assets	41,905,397
Total liabilities and net assets	82,175,359

Consolidated Statement of Income

April 1, 2006 to March 31, 2007

(Unit: Thousand yen)

Sales	123,441,703
Cost of sales	103,273,314
Gross profit	20,168,389
Selling, general and administrative expenses	14,975,117
Operating income	5,193,272
Non-operating revenue	361,313
Interest and dividend income	138,440
Investment profit on equity method	84,944
Other miscellaneous revenues	137,929
Non-operating expenses	221,893
Interest expense	149,812
Other miscellaneous expenses	72,081
Ordinary profit	5,332,692
Extraordinary income	502,102
Gain on sale of investment securities	2,000
Gain on sale of tangible fixed assets	1,456
Gain on sale of affiliate shares	55,770
Reversal of allowance for doubtful accounts	439,625
Reversal of insurance premiums	3,251
Extraordinary losses	180,362
Provision for allowance for loss on investment securities	122,410
Loss on valuation of investment securities	1,110
Loss on disposal of tangible fixed assets	24,451
Loss on sale of tangible fixed assets	31,931
Loss on valuation of membership rights	460
Income before income taxes	5,654,432
Income taxes – current	2,063,547
Income taxes – deferred	536,973
Net income	3,053,912

Consolidated Statement of Changes in Net Assets

April 1, 2006 to March 31, 2007

(Unit: Thousand yen)

	Shareholders' Equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2006	8,100,252	7,524,376	24,300,677	(4,174,962)	35,750,343
Changes during the term					
Cash dividends			(715,285)		(715,285)
Bonuses to directors			(42,800)		(42,800)
Bonuses to employees			(112)		(112)
Net income			3,053,912		3,053,912
Disposal of treasury shares		(10,804)		70,769	59,965
Acquisition of treasury shares				(850)	(850)
Net changes in items other than shareholders' equity during the term					—
Total changes during the term	—	(10,804)	2,295,715	69,919	2,354,830
Balance as of March 31, 2007	8,100,252	7,513,572	26,596,392	(4,105,043)	38,105,173

	Valuation and exchange differences				Total net assets
	Other unrealized gains on available-for-sale securities	Gains or losses on deferred hedge	Foreign currency transaction adjustment	Total valuation and exchange differences	
Balance as of March 31, 2006	3,407,921	—	204,898	3,612,819	39,363,162
Changes during the term					
Cash dividends				—	(715,285)
Bonuses to directors				—	(42,800)
Bonuses to employees				—	(112)
Net income				—	3,053,912
Disposal of treasury shares				—	59,965
Acquisition of treasury shares				—	(850)
Net changes in items other than shareholders' equity during the term	(6,391)	83,619	110,177	187,405	187,405
Total changes during the term	(6,391)	83,619	110,177	187,405	2,542,235
Balance as of March 31, 2007	3,401,530	83,619	315,075	3,800,224	41,905,397

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: 13

Name of consolidated subsidiaries:

Hakuto A&L Co., Ltd., Hakuto Information Technology Co., Ltd., Fuyo Chemical Industries Co., Ltd., Hakuto Enterprises Ltd., Hakuto Singapore Pte. Ltd., Hakuto Taiwan Ltd., Hakuto (Thailand) Ltd., Hakuto Engineering (Thailand) Ltd., Shunde Morning Sky Electrical Co., Ltd., Hakuto Enterprises (Shanghai) Ltd., Hakuto Korea Co., Ltd., Hakuto Trading (Shenzhen) Ltd., and MOLDEC CO., LTD.

The Company established Hakuto Trading (Shenzhen) Ltd. in January 2006.

MOLDEC CO., LTD. became a subsidiary of the Company as the Company additionally purchased its shares in September 2006.

Human Resources International Co., Ltd. was excluded from consolidation after the Company transferred (sold) all of its shares in May 2006.

(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 on the Company is largely immaterial.

3. Matters relating to the business 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 Korea Co., Ltd., and Hakuto Trading (Shenzhen) Ltd. have their account settlement dates on December 31. Meanwhile, the account settlement date for MOLDEC CO., LTD. is February 28.

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.

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

(2) Depreciation methods for important depreciable assets

1) Tangible fixed 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

a) Software for sale

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

b) 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.

c) 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) Allowances and provisions

1) Allowances for doubtful accounts

Allowances for doubtful accounts for non-specific purposes are 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) Allowances for loss on investment securities

Allowances for possible loss on investments in stocks of certain companies for specific projects are stated at the amount deemed necessary, taking into account the financial position of these companies.

3) Allowances for bonuses to employees

Allowances for bonuses to employees of the Company and some of its subsidiaries are recognized on an accrual basis in the reporting period.

4) Allowance for bonuses to directors

Allowance for bonuses to directors of the Company is recognized on an accrual basis at the fiscal year-end.

5) 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.

6) Allowances for employees' severance and retirement benefits

Allowances for severance and retirement benefits to employees of the Company and some of its subsidiaries are 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.

7) Allowances for directors' severance and retirement benefits

Allowances for severance and retirement benefits to directors of the Company and some of its consolidated subsidiaries are 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) Leases

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

(5) Significant 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.

2) Hedge instruments and hedge items

Hedge instruments: Forward exchange contracts, etc

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

3) Hedge policy

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

4) Valuation method 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.

(6) 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.

7. Changes in accounting policies

(1) Accounting standards for bonuses to directors

For this term and the following terms, the Balance Sheet is compiled in accordance with the “Accounting Standards for Directors’ Bonus” (Corporate Accounting Standard No. 4, November 29, 2005).

Accordingly, operating income, ordinary profits, income before income taxes, and net income decreased by ¥51,000 thousand each.

(2) Accounting standards for presentation of net assets

For this term and the following terms, the Balance Sheet is compiled in accordance with the “Accounting Standards for Presentation of Net Assets in the Balance Sheet” (Corporate Accounting Standard No. 5, December 9, 2005) and the “Guidance on the Accounting Standard for Net Assets in the Balance Sheet” (Implementation Guidance on Corporate Accounting Standards No. 8, December 9, 2005).

The amount equivalent to total shareholders’ equity under the conventional standard totals ¥41,821,778 thousand.

(3) Accounting standards for business combination, etc.

For this term and the following terms, the Balance Sheet is compiled in accordance with the “Accounting Standards for Business Combination” (Corporate Accounting Council, October 31, 2003), the “Accounting Standards for Business Separation” (Corporate Accounting Standard No. 7, December 27, 2005) and the “Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestiture” (Implementation Guidance on Corporate Accounting Standards No. 10, December 27, 2005).

(4) Items concerning treatment of claims expenses

Claims expenses are expenses set aside for the provision of damages payments to customers for damages arising from defective merchandise. Previously, such expenses were recorded as “Compensation for damages” in extraordinary losses as an expense arising on an extraordinary basis. However, with the diversification of business transactions, and the increasing refinement and complexity of products handled in recent years, we expect to see such expenses for compensation of damages, outside after-purchase expenses, emerging on a more regular basis. Therefore, from this consolidated fiscal year, we have shifted to a method for calculating these expenses as non-operating expenses. Hence, the amount is recorded in "Other" for this consolidated fiscal year.

Consequently, comparing with the method used previously, ordinary profit declined by ¥44,872 thousand.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral

Assets pledged as collateral are as follows:

(Unit: Thousand yen)

Cash and time deposits	215,251
Buildings and structure	149,784
Land	251,018
Total	616,053

Additionally, secured liabilities are stated below:

(Unit: Thousand yen)

Short-term borrowings	246,473
Long-term borrowings	452,534

2. Accumulated amounts of depreciation for tangible fixed assets: ¥8,898,603 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: ¥22,577 thousand

5. Guarantee obligations: ¥6,943 thousand

   Amounts borrowed from financial institutions by the Company's employees are guaranteed.

6. As the last day of this term fell into a non-business day of financial institutions, any notes and bills receivable and payable that were matured on the last day of this term are deemed to have been settled on that day.

   The amounts of notes and bills matured on the last day of this term are as follows:

   Notes and bills receivable-trade: ¥245,487 thousand

   Notes and bills payable-trade: ¥1,765,041 thousand

Notes to Consolidated Statement of Changes in Shareholders' Equity

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 stock	24,137,213	—	—	24,137,213
Total	24,137,213	—	—	24,137,213
Treasury shares Common stock (Note)	2,128,375	513	36,079	2,092,809
Total	2,128,375	513	36,079	2,092,809

Note: During this term, the number of treasury common shares increased by 513 shares due to purchase of odd lots from odd-lot shareholders, and decreased by 36,079 shares due to exercise of share subscription warrants, share subscription rights, etc. by the Company's employees.

2. Dividends

(1) Dividend payment

Resolution	Class of stock	Total dividends paid (thousand yen)	Per share dividends (yen)	Record date	Effective date
54th Annual General Meeting of Shareholders held on June 27, 2006	Common stock	330,133	15.00	March 31, 2006	June 28, 2006
Board Meeting held on November 15, 2006	Common stock	385,152	17.50	September 30, 2006	December 11, 2006

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

Resolution	Class of stock	Source of dividend payment	Total dividends paid (thousand yen)	Per share dividends (yen)	Record date	Effective date
Board Meeting held on May 15, 2007	Common stock	Retained earnings	385,778	17.50	March 31, 2007	June 11, 2007

3. Share subscription rights and treasury share subscription rights

Item	Detail	Class of stock 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	
Submitting company	Share subscription rights issued in 2000 (Note 1)	Common stock	601,000	—	601,000	—	—
	Share subscription warrants issued in 2002 (Note 2)	Common stock	256,080	—	256,080	—	—
	Share subscription rights issued in 2004 (Note 3)	Common stock	342,500	—	17,500	325,000	—
Total			1,199,580	—	874,580	325,000	—

Notes:

1. The number of share subscription rights issued in 2000 decreased due to cancellation of subscription rights by the Company.
2. The number of share subscription warrants issued in 2002 decreased by 11,700 due to purchase of subscription warrants from the Company's retired employees and by 18,480 due to exercise of subscription warrants by its existing employees, and by 225,900 due to cancellation of subscription warrants by the Company.
3. The number of share subscription rights issued in 2004 decreased due to exercise of subscription rights by the Company's employees.

Per share information

Net assets per share: ¥1,900.95

Net income per share: ¥138.74

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 Shareholders' Equity and the Notes to Consolidated Financial Statements.

Non-Consolidated Balance Sheet

As of March 31, 2007

(Unit: Thousand yen)

Assets	
Current assets	50,515,827
Cash and time deposits	1,483,167
Notes receivable - trade	2,685,023
Accounts receivable - trade	33,391,422
Marketable securities	1,219
Merchandise	8,956,619
Finished products	296,784
Raw materials	149,230
Work in progress	55,011
Supplies	10,721
Advance payment	1,511,513
Prepaid expenses	135,320
Deferred tax assets	658,500
Short-term loans to affiliates	650,000
Other current assets	543,298
Less: Allowance for doubtful accounts	(12,000)
Noncurrent assets	18,563,852
Tangible fixed assets:	5,400,704
Buildings	1,572,518
Structures	88,522
Machinery and production equipment	130,574
Vehicles	7,277
Tools, furniture and fixtures	544,853
Land	3,056,960
Intangible assets:	257,277
Leasehold rights	20,193
Software	216,298
Other intangible assets	20,786
Investments and other assets:	12,905,871
Investment securities	10,570,873
Investment securities in affiliates	2,137,596
Long-term loans to affiliates	100,000
Claims on obligors under rehabilitation procedure	10,229
Long-term prepaid expenses	4,667
Other investments	323,046
Less: Allowance for doubtful accounts	(11,000)
Less: Allowance for loss on investment securities	(229,540)
Total assets	69,079,679

Non-Consolidated Balance Sheet

As of March 31, 2007

(Unit: Thousand yen)

Liabilities	
Current liabilities	27,389,867
Notes payable - trade	4,367,089
Accounts payable - trade	10,742,290
Short-term borrowings	8,740,000
Long-term debt due within one year	142,800
Accounts payable - other	162,622
Accrued expenses	857,843
Accrued income taxes	937,363
Advances received	486,719
Deposits received	16,393
Allowance for bonuses to employees	823,000
Allowance for bonuses to directors	51,000
Allowance for product warranty	48,500
Other current liabilities	14,248
Long-term liabilities	3,874,708
Corporate bonds	500,000
Long-term borrowings	785,800
Deferred tax liabilities	1,549,000
Employees' severance and retirement benefits	68,603
Directors' severance and retirement benefits	932,500
Other long-term liabilities	38,805
Total liabilities	31,264,575
Net Assets	
Shareholders' Equity	34,331,966
Capital	8,100,252
Capital surplus	7,513,584
Appropriation for statutory reserve	2,532,385
Other capital surplus	4,981,199
Retained earnings	22,823,101
Other retained earnings	22,823,101
Reserve for reduction entry of tangible fixed assets	470
Reserve for special depreciation	978
General reserve	16,000,000
Balance to be carried forward	6,821,653
Less: Treasury shares	(4,104,971)
Valuation and exchange differences	3,483,138
Other unrealized gains on available-for-sale securities	3,399,863
Gains or losses on deferred hedge	83,275
Total net assets	37,815,104
Total liabilities and net assets	69,079,679

Non-Consolidated Statement of Income

April 1, 2006 to March 31, 2007

(Unit: Thousand yen)

Sales	96,495,194
Cost of sales	81,986,555
Gross profit	14,508,639
Selling, general and administrative expenses	11,193,560
Operating income	3,315,079
Non-operating revenue	808,197
Interest and dividend income	732,900
Other miscellaneous revenues	75,297
Non-operating expenses	194,189
Interest expense	74,103
Other miscellaneous expenses	120,086
Ordinary profit	3,929,087
Extraordinary income	466,995
Reversal of allowance for doubtful accounts	466,959
Gain on sale of tangible fixed assets	36
Extraordinary losses	151,808
Provision for allowance for loss on investment securities	122,410
Loss on disposal of tangible fixed assets	11,769
Loss on sale of tangible fixed assets	17,429
Loss on valuation of membership rights	200
Income before income taxes	4,244,274
Income taxes – current	1,682,000
Income taxes – deferred	308,100
Net income	2,254,174

Non-Consolidated Statement of Changes in Net Assets

April 1, 2006 to March 31, 2007

(Unit: Thousand yen)

	Shareholders' Equity								
		Capital surplus			Retained earnings				
					Other retained earnings				
	Capital	Appropriation for statutory reserve	Other capital surplus	Total capital surplus	Reserve for reduction entry of tangible fixed assets	Reserve for special depreciation	General reserve	Balance to be carried forward	Total retained earnings
Balance as of March 31, 2006	8,100,252	2,532,385	4,992,003	7,524,388	652	2,542	16,000,000	5,321,018	21,324,212
Changes during the term									
Reversal of reserve for reduction entry of tangible fixed assets				—	(182)			182	—
Reversal of reserve for special depreciation				—		(1,564)		1,564	—
Cash dividends				—				(715,285)	(715,285)
Bonuses to directors				—				(40,000)	(40,000)
Net income				—				2,254,174	2,254,174
Disposal of treasury shares			(10,804)	(10,804)					—
Acquisition of treasury shares				—					—
Net changes in items other than shareholders' equity during the term				—					—
Total changes during the term	—	—	(10,804)	(10,804)	(182)	(1,564)	—	1,500,635	1,498,889
Balance as of March 31, 2007	8,100,252	2,532,385	4,981,199	7,513,584	470	978	16,000,000	6,821,653	22,823,101

	Shareholders' Equity		Valuation and exchange differences			Total net asses
	Treasury shares	Total shareholders' equity	Other unrealized gains on available-for-sale securities	Gains or losses on deferred hedge	Total valuation and exchange differences	
Balance as of March 31, 2006	(4,174,890)	32,773,962	3,402,728	—	3,402,728	36,176,690
Changes during the term						
Reversal of reserve for reduction entry of tangible fixed assets		—			—	—
Reversal of reserve for special depreciation		—			—	—
Cash dividends		(715,285)			—	(715,285)
Bonuses to directors		(40,000)			—	(40,000)
Net income		2,254,174			—	2,254,174
Disposition of treasury	70,769	59,965			—	59,965
Acquisition of treasury shares	(850)	(850)			—	(850)
Net changes in items other than shareholders' equity during the term		—	(2,865)	83,275	80,410	80,410
Total changes during the term	69,919	1,558,004	(2,865)	83,275	80,410	1,638,414
Balance as of March 31, 2007	(4,104,971)	34,331,966	3,399,863	83,275	3,483,138	37,815,104

Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

1. (1) Valuation standards and methods of securities
   1) Securities of subsidiaries and affiliates
      Securities of subsidiaries and affiliates are stated at cost using the moving-average method.
   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.
      Supplies: Stated at cost using the first-in, first-out method.

2. Depreciation and amortization for noncurrent assets
   (1) Tangible fixed 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
   1) Software for sale
      Software for sale is amortized in the larger of either the amount based on the estimated sales revenue for the effective sales period (no longer than three (3) years) or the amount periodically distributed over the effective remaining sales period.
   2) 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.
   3) 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. Allowances and provisions
   (1) Allowances for doubtful accounts
      Allowances for doubtful accounts for non-specific purposes are 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 collectibility of claims.

(2) Allowance for loss on investment securities

Allowances for possible loss on investments in stocks of certain companies for specific projects are stated at the amount deemed necessary, taking into account the financial position of these companies.

(3) Allowances for bonuses to employees

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

(4) Allowance for bonuses to directors

Allowances for bonus to directors of the Company are recognized on an accrual basis at the business year-end.

(5) 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.

(6) Allowances for employees' severance and retirement benefits

Allowances for employees' severance and retirement benefits are 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 business year when the actuarial difference is recognized.

(7) Allowances for directors' severance and retirement benefits

Allowances for directors' severance and retirement benefits are 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. Leases

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

5. Hedge accounting 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.

(2) Hedge instruments and hedge items

Hedge instruments: Forward exchange contracts, etc

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

(3) Hedge policy

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

(4) Valuation method of effectiveness of hedging activities

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

6. Other 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.

7. Changes in accounting policies

(1) Accounting standards for bonuses to directors

For this term and the following terms, the Balance Sheet is compiled in accordance with the “Accounting Standards for Bonuses to Directors” (Corporate Accounting Standard No. 4, November 29, 2005).

Accordingly, operating income, ordinary profits, income before income taxes, and net income decreased by ¥51,000 thousand each.

(2) Accounting standards for presentation of net assets

For this term and the following terms, the Balance Sheet is compiled in accordance with the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Corporate Accounting Standard No. 5, December 9, 2005) and the “Guidance on the Accounting Standard for Net Assets in the Balance Sheet” (Implementation Guidance on Corporate Accounting Standards No. 8, December 9, 2005).

The amount equivalent to total shareholders’ equity under the conventional standard totals ¥37,731,829 thousand.

(3) Accounting standards for business combination, etc.

For this term and the following terms, the Balance Sheet is compiled in accordance with the “Accounting Standards for Business Combination” (Corporate Accounting Council, October 31, 2003), the “Accounting Standards for Business Divestiture” (Corporate Accounting Standard No. 7, December 27, 2005) and the “Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestiture” (Implementation Guidance on Corporate Accounting Standards No. 10, December 27, 2005).

(4) Items concerning treatment of claims expenses

Claims expenses are expenses set aside for the provision of damages payments to customers for damages arising from defective merchandise. Previously, such expenses were recorded as “Compensation for damages” in extraordinary losses as an expense arising on an extraordinary basis. However, with the diversification of business transactions, and the increasing refinement and complexity of products handled in recent years, we expect to see such expenses for compensation of damages, outside after-purchase expenses, emerging on a more regular basis. Therefore, from this consolidated fiscal year, we have shifted to a method for calculating these expenses as non-operating expenses. Hence, the amount is recorded in “Other” for this consolidated fiscal year.

Consequently, comparing with the method used previously, ordinary profit declined by ¥31,109 thousand.

Notes to Non-Consolidated Balance Sheet

1. Accumulated amounts of depreciation for tangible fixed assets: ¥6,252,198 thousand

2. Government grants on acquisition of tangible fixed assets eligible for reduction from acquisition costs:
   Buildings ¥6,181 thousand

3. Guarantee obligations: ¥6,943 thousand
   Amounts borrowed from financial institutions by the Company's employees are guaranteed.

4. Monetary claims on and obligations to affiliates

Short-term monetary claims on and obligations to affiliates:	¥2,376,414 thousand
Long-term monetary claims on affiliates:	¥100,000 thousand
Short-term monetary obligations to affiliates:	¥1,408,845 thousand

5. As the last day of this term fell into a non-business day of financial institutions, any notes and bills receivable and payable that were matured on the last day of this term are deemed to have been settled on that day.
   The amounts of notes and bills matured on the last day of this term are as follows:

Notes and bills receivable-trade:	¥231,054 thousand
Notes and bills payable-trade:	¥1,765,404 thousand

Notes to Non-Consolidated Statement of Income

Transactions with affiliates

Sales to subsidiaries:	¥7,819,195 thousand
Purchases from subsidiaries:	¥5,099,477 thousand
Other operating transactions:	¥1,073,295 thousand
Non-operating transactions:	¥27,051 thousand

Notes to Non-Consolidated Statement of Changes in Shareholders' Equity

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

Common stock:	2,092,769 shares

Tax effect accounting

1. Major items for deferred tax assets

	(Unit: Thousand yen)
Directors' severance and retirement benefits	379,434
Allowance for bonuses to employees	334,879
Loss on valuation of investment securities	44,991
Allowance for doubtful accounts	4,717
Allowance for loss on investment securities	93,400
Loss on valuation of inventories	240,300
Loss on valuation of membership rights	78,381
Loss on valuation of affiliate shares	215,412
Gain on valuation of merger assets	141,471
Asset impairment loss	38,748
Accrued enterprise taxes	65,992
Others	153,235
Subtotal deferred tax assets	1,790,960
Valuation allowance	(290,239)
Total deferred tax assets	1,500,721

2. Major items for deferred tax liabilities

	(Unit: Thousand yen)
Loss on valuation of investment securities	(2,332,500)
Deferred hedge	(57,727)
Reserve for special depreciation	(671)
Others	(323)
Total deferred tax liabilities	(2,391,221)
Net deferred tax liabilities	(890,500)

Leased noncurrent assets

1. Amounts equivalent to purchase prices, accumulated depreciations and balance as of business year-end

(Unit: Thousand yen)

	Amount equivalent to purchase price	Amount equivalent to accumulated depreciation	Amount equivalent to balance as of end of term
Tools, furniture and fixtures	360,732	251,035	109,697
Software	74,718	33,730	40,988
Total	435,450	284,765	150,685

2. Amounts equivalent to prepaid lease charges as of business term-end

(Unit: Thousand yen)

Within one (1) year	85,969
Over one (1) year	64,716
Total	150,685

3. Other important matters regarding leased items

Since the balance of prepaid lease charges as of the end of the term accounts for a small percentage of the balance of tangible fixed assets as of the end of the term, interests paid are included in the amount equivalent to the purchase price and the amount equivalent to the balance of prepaid lease charges as of the end of the term.

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		Transaction	Amount traded	Item	Balance at end of term
						Concurrent position	Business relationship				
Director	Shigeo Takayama	–	–	Chairman of the Company	Direct 5.42%	–	–	Corporate bond redemption	100,000	Corporate bonds due within one year	–
								Interest payment*1	1,467	Current liabilities, etc.	–
								Expense advancement	1,195	Current assets, etc.	403
		–	–	Chairman of the Company President of Takayama International Education Foundation	Direct 5.54%	–	–	Corporate bond redemption	500,000	Corporate bonds due within one year	–
								Bond issuance	500,000	Corporate bonds	500,000
								Interest payment*2	7,560	Current liabilities, etc.	225
								Expense advancement	1,930	Current assets, etc.	–

(Terms and conditions of transactions and their decisions)

Notes:

1. Interests and others were traded under general terms and conditions.
2. 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
   There are no matters to report.

Per-share information

Net assets per share: ¥1,715.40
Net income per share: ¥102.41

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 Shareholders' Equity and the Notes to Non-Consolidated Financial Statements.

Reference Materials for the General Meeting of Shareholders

Agenda items and reference materials
Item 1:
Amendments to the Articles of Incorporation
1. Reasons for amendments

(1) The proposed amendments will make it possible to set forth rules related to the handling of shares and procedures pertaining to the exercise of shareholder rights in provisions for handling shares. Procedures pertaining to the exercise of shareholder rights include the requirement that the exercise of the shareholder right to make proposals, and other shareholder rights, be in writing. (Proposed new Article 11)

(2) The proposed amendments would newly establish provisions aimed at strengthening and enhancing management by making it possible to designate a Director and Honorary Chairman and a Counseling Director as directors with executive responsibilities. (Proposed new Article 22, Paragraph 3)

(3) The proposed amendments would newly establish provisions making it possible to name an Honorary Chairman, Counselor, and Advisor in order to reflect in the Company's management their rich experience and broad insight as members of senior management. (Proposed new Article 23)

(4) Article 4 of the Articles of Incorporation requires the naming of an Accounting Auditor as a company organ. The proposed amendments, however, would newly establish "Chapter VI Accounting Auditor," to align the organ of Accounting Auditors to other organs. (Proposed new Articles 38, 39, and 40)

(5) The proposed amendments would increase the number of articles in the Articles of Incorporation in accordance with the number of new articles to be added.

2. Details of Amendments

The amendments to the Articles of Incorporation are as follows.

(Underlining denotes change)

Current Articles	Proposed Amendments
Article 11. Share Handling Regulations Handling of Company shares and related handling charges shall be governed by the Share Handling Regulations established by the Board of Directors as well as by law, regulation or these Articles of Incorporation.	Article 11. Share Handling Regulations Handling of Company shares and related handling charges and procedures for the exercise of shareholder rights shall be governed by the Share Handling Regulations established by the Board of Directors as well as by law, regulation or these Articles of Incorporation.
Article 22. Representative Director and Executive Directors 1. The Board of Directors shall select a representative director by a resolution of the Board of Directors.	Article 22. Representative Director and Executive Directors (Same as the current article)
2. The Board of Directors shall, by a resolution of the Board of Directors, designate one (1) President of the Company, and may designate one (1) person each as Chairman and Deputy Chairman of the Board of Directors and several persons as Vice Presidents, Executive Vice Presidents and Senior Vice Presidents.	(Same as the current article)
(New provision)	3. As necessary, the Board of Directors may, by a resolution of the Board of Directors, designate a Director and Honorary Chairman and a Counseling Director.
(New article)	Article 23. Honorary Chairman, Counselor, and Advisor 1. The Board of Directors may, by a resolution of the Board of Directors, designate an Honorary Chairman. 2. The Board of Directors may, by a resolution of the Board of Directors, designate a Counselor and an Advisor.
Article 23–36 (Omitted)	Article 24–37 (Same as the current article)

Current Articles	Proposed Amendments
(New chapter)	**CHAPTER VI. ACCOUNTING AUDITOR**
(New article)	Article 38. Appointment Method An Accounting Auditor shall be appointed by a resolution of the General Meeting of Shareholders.
(New article)	Article 39. Term of Office 1. The term of office for the Accounting Auditor shall expire as of the conclusion of the final General Meeting of Shareholders relating to the business year ending within one (1) year of the Accounting Auditor's appointment. 2. To the extent that a specific resolution to the contrary is not passed in the General Meeting of Shareholders mentioned above, the Accounting Auditor shall be recognized as having been reappointed in said General Meeting of Shareholders.
(New article)	Article 40. Accounting Auditor Compensation) Accounting Auditor compensation shall be determined by the Representative Directors, with the agreement of the Board of Corporate Auditors.
CHAPTER VI. ACCOUNTING	**CHAPTER VII. ACCOUNTING**
Article 37–40 (Omitted)	Article 41–44 (Same as the current article)

Item 2:

Appointment of Fourteen (14) Directors

The term of office of all thirteen Directors will expire at the conclusion of this General Meeting of Shareholders. Approval of the appointment of Fourteen (14) Directors is requested to strengthen the Company's management by increasing one (1) additional Director.

Career histories of the candidates are as follows.

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Representative Status at Other Companies	Number of Shares of the Company Owned by the Candidate
1	Shigeo Takayama (May 27, 1916)	Nov. 1953 Founded the Company as President Jun. 2000 Chairman (present) <Representation at other companies> President of Takayama International Education Foundation	1,192,600
2	Hiroshi Asai (Oct. 12, 1947)	Apr. 1971 Joined Matsushita Electric Trading Co., Ltd. (currently Matsushita Electric Industry Co., Ltd.) Feb. 2000 Joined the Company Jun. 2000 Director Jun. 2004 President (present)	15,921
3	Yoshihito Akiyama (Feb. 5, 1943)	Jul. 1969 Joined the Company Jun. 1996 Director and Manager of Accounting Dept. Apr. 1997 Director and Deputy General Manager of Administrative Control Division and Manager of Marketing Administration Dept. Apr. 1998 Director and Manager of Corporate Planning Dept. Jun. 2000 Senior Vice President and Manager of Corporate Planning Dept. Jun. 2001 Executive Vice President and Manager of Corporate Planning Dept. Dec. 2001 Executive Vice President and Division Manager of Corporate Administration Division Apr. 2003 Executive Vice President and in charge of Corporate Administration Division Jun. 2004 Executive Vice President and in charge of Risk Management Jun. 2006 Executive Vice President and in charge of Risk Management and Sales Development Dept. Apr. 2007 Executive Vice President and in charge of Risk Management (present)	20,188

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Representative Status at Other Companies		Number of Shares of the Company Owned by the Candidate
4	Tomoyuki Yamawaki (Oct. 10, 1943)	Sep. 1966	Joined the Company	15,871
		Jun. 1996	Director and Manager of Corporate Planning Dept.	
		Apr. 1998	Director and Manager of President's Office	
		Jun. 2000	Senior Vice President, Manager of Secretariat and Division Manager of Affiliate Company Administration Division	
		Jul. 2000	Senior Vice President and Division Manager of Affiliate Company Administration Division	
		Jun. 2001	Senior Vice President and Manager of Secretariat	
		Apr.2002	Senior Vice President, Manager of Secretariat and in charge of Environment, Safety and Quality Assurance Promotion Office	
		Jun.2004	Executive Vice President, Manager of Secretariat and in charge of Environment, Safety and Quality Assurance Promotion Office and Corporate Ethics (present)	

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Representative Status at Other Companies		Number of Shares of the Company Owned by the Candidate
5	Ryusaburo Sugimoto (Jun. 3, 1954)	Apr. 1978	Joined the Company	2,940
		Apr. 2000	Manager of Sales Dept. No. 5, Electronics Division No. 1	
		Apr. 2003	Division Manager of Electronic Components Division No. 1	
		Oct. 2003	Division Manager of Electronic Components Division No.1 and Manager of Electronic Device Sales Dept. No. 3	
		Feb. 2004	Division Manager of Electronic Device Division	
		Apr. 2004	Division Manager of Electronic Device Division and Manager of Sales Administration Dept.	
		Jun. 2004	Director, Division Manager of Electronic Device Division and Manager of Sales Administration Dept.	
		Apr. 2006	Director, Division Manager of Electronic Device Division No. 1, in charge of Electronic Device Division No. 2, and Manager of Device Sales Administration Dept.	
		Aug. 2006	Senior Vice President, Division Manager of Electronic Device Division No. 1, in charge of Electronic Device Division No. 2, and Manager of Device Sales Administration Dept.	
		Apr. 2007	Senior Vice President, in charge of Electronic Device Business, and Manager of Device Sales Administration Dept. (present)	

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Representative Status at Other Companies		Number of Shares of the Company Owned by the Candidate
6	Norimichi Hada (Oct. 8, 1946)	Oct. 1969	Joined the Company	12,593
		Nov. 1992	Manager of Connector Systems Dept., Component Business Division	
		Sep. 1993	Deputy Division Manager of Component Business Division and Manager of Connector Systems Dept.	
		Jul. 1996	Division Manager of Electronics Component Business Division	
		Apr. 1997	President of Hakuto Taiwan Ltd. (former S&T HITECH LTD.)	
		Jun. 2001	Director and Division Manager of Affiliate Company Administration Division of the Company	
		Sep. 2001	Director, Division Manager of Electronics Division No. 1, and in charge of branches & offices	
		Apr. 2002	Director, Division Manager of Electronics Division No. 1, Manager of Devices Sales Dept. No. 2 and in charge of branches & offices	
		Apr. 2003	Director, Division Manager of Electronic Components Division No. 2, and in charge of branches	
		Feb. 2004	Director and Division Manager of Electronic Components Division	
		Aug. 2006	Senior Vice President and Division Manager of Electronic Components Division (present)	

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Representative Status at Other Companies	Number of Shares of the Company Owned by the Candidate
7	Junji Kohira (Nov. 18, 1947)	Mar. 1970 Joined the Company Jul. 1995 Manager of Sales Dept. No. 3, System Division No. 2 Apr. 2000 President of S&T Enterprises Ltd. (currently Hakuto Enterprises Ltd.) Jan. 2003 Manager of Marketing Planning Office, Electronics Division No. 2 of the Company Dec. 2003 Division Manager of Electronic Equipment Division No. 4, Manager of Technology Dept. and of Marketing Planning Office Feb. 2004 Division Manager of Electronic Equipment Division No. 1, Manager of Technology Dept. No. 3 and of Marketing Planning Office Jun. 2004 Director, Division Manager of Electronic Equipment Division No. 1, Manager of Technology Dept. No. 3 and of Marketing Planning Office, and Division Manager of Electronic Equipment Division No. 2 Apr. 2005 Director, Division Manager of Electronic Equipment Division No. 2, and in charge of Electronic Equipment Division No. 1 May 2006 President of Hakuto Korea Co., Ltd. (present) Aug. 2006 Senior Vice President, Division Manager of Electronic Equipment Division No. 2, and in charge of Electronic Equipment Division No. 1 Apr. 2007 Senior Vice President, in charge of Electronic Equipment Business, Division Manager of Electronic Equipment Division No. 2 and in charge of Sales Development Dept. (present)	10,300
		<Representation at other companies> President of Hakuto Korea Co., Ltd.	

<table>
<tr><th>Candidate Number</th><th>Name (Date of Birth)</th><th colspan="2">Brief History, Position, Responsibility, and Representative Status at Other Companies</th><th>Number of Shares of the Company Owned by the Candidate</th></tr>
<tr><td>8</td><td>Yoshinae Takada (May 27, 1957)</td><td>Apr. 1983
Dec. 2001

Apr. 2003

Jun. 2003

Jun. 2004

Jul. 2006

Apr. 2007</td><td>Joined the Company
Manager of Corporate Planning Dept., Corporate Administration Division
Deputy Division Manager of Corporate Administration Division, and Manager of Corporate Planning Dept.
Deputy Division Manager of Corporate Administration Division, Manager of Corporate Planning Dept. and Financial & Accounting Dept.
Director, Manager of Corporate Planning Dept. and Financial & Accounting Dept., and in charge of E.D.P. Dept.
Director, Manager of Corporate Planning Dept. and Financial & Accounting Dept., in charge of E.D.P. Dept. and Overseas Subsidiaries Management Division
Director, Manager of Corporate Planning Dept. and Financial & Accounting Dept., in charge of E.D.P. Dept. and J-SOX Project Team Leader
(present)</td><td>2,100</td></tr>
<tr><td rowspan="2">9</td><td rowspan="2">Noriaki Tomioka* (Apr. 18, 1949)</td><td>Mar. 1973
Apr. 1999

Dec. 2001

Jan. 2003

Mar. 2007

Apr. 2007</td><td>Joined the Company
Manager of Sales Dept. No. 1, System Group No. 1 of Electronics Division No. 2
Deputy General Manager of Electronics Division No. 2
President of Hakuto Enterprises Ltd. (present)
Chairman of Hakuto Enterprises (Shanghai) Ltd. (present)
Chairman of Hakuto Taiwan Ltd. (present)</td><td rowspan="2">3,100</td></tr>
<tr><td colspan="2"><Representation at other companies>
President of Hakuto Enterprises Ltd.</td></tr>
</table>

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Representative Status at Other Companies	Number of Shares of the Company Owned by the Candidate
10	Shinkichi Suzuki* (Nov. 15, 1948)	Mar. 1974 Joined the Company Nov. 2000 Deputy Manager of Finance Dept., Corporate Administration Division Dec. 2001 Manager of Personnel Dept., Corporate Administration Division May 2005 Manager of Sales Administration Dept. (present) May 2006 President of Hakuto A&L Co., Ltd. (present) <Representation at other companies> President of Hakuto A&L Co., Ltd.	1,000
11	Hitoshi Takigami* (Oct. 27, 1956)	Apr. 1985 Joined the Company Apr. 2003 Manager of Sales Dept., Chemical Business Division Dec. 2003 Deputy Division Manager of Chemical Business Division Apr. 2006 Division Manager of Chemical Business Division (present)	1,000
12	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 Representative Status at Other Companies	Number of Shares of the Company Owned by the Candidate
13	Kozo Uno (Jul. 3, 1933)	Aug. 1963 Registered as Certified Public Accountant (present) Jul. 1969 Senior Partner of Asahi & Co. (accounting corporation, currently KPMG AZSA & Co.) May 1974 Established a private office as CPA (present) Oct. 1993 Deputy Managing Partner of Asahi & Co. (currently KPMG AZSA & Co.) May 1997 Managing Partner of Asahi & Co. May 1999 Chairman of Asahi & Co. Aug. 2003 External Corporate Auditor of Satori Electric Co., Ltd. (present) Jun. 2004 Director of the Company (present) Jun. 2005 External Corporate Auditor of Kadokawa Group Holdings, Inc. (present) <Representation at other companies> President of Kozo Uno Accounting Office	-
14	Katsuyoshi Iwashiro (Mar. 30, 1945)	Oct. 2001 Deputy President of The Asahi Bank, Ltd. (currently Resona Bank Ltd.) Jun. 2002 President of Shoei Insurance Service Co., Ltd. Jun. 2003 External Corporate Auditor of Kobayashi Yoko Co., Ltd. (present) Jun. 2005 Director of the Company (present)	1,600

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. The asterisk* mark designates candidates being proposed for initial appointment.
4. 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 Corporation Law Enforcement Regulations.
5. 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 three years as of the end of this General Meeting of Shareholders.
2) Mr. Katsuyoshi Iwashiro will have served as an External Director for two 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 Corporation Law Enforcement Regulations, same applies below) at either the Company or any of its designated related companies (as defined in Article 2, Paragraph 3, Item 18 of the Corporation Law 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 Corporation Law. Should the reappointments of Mr. Kozo Uno and Mr. Katsuyoshi Iwashiro be approved, the Company will extend the above agreements with both.

Item 3:

Appointment of One (1) Corporate Auditor

The term of office of Mr. Hideo Watanabe, 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 Representative Status at Other Companies		Number of Shares of the Company Owned by the Candidate
Hideo Watanabe (Aug. 24 1947)	Apr. 1975 Nov. 1983 Dec. 1997 Dec. 2001 Apr. 2003 Jun. 2003	Joined Hakuto Chemical Co., Ltd. Transferred the Company Manager of Accounting Dept., Corporate Administration Division Manager of Accounting and Finance Depts., Corporate Administration Division Deputy Division Manager of Corporate Administration Division and Manager of Financial & Accounting Dept. Corporate Auditor of the Company (present)	4,500

Note: There are no interest relationships between the candidate for Corporate Auditor and the Company.

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 26, 2007 (Tuesday), 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.