(Securities Code: 7433)
June 6, 2008

Dear Shareholders,

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

Notice of the 56th Annual General Meeting of Shareholders

You are cordially invited to attend the 56th 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 Wednesday, June 25, 2008, 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 52 and 53 of the "Procedures for Exercising Voting Rights via the Internet."

Sincerely,

Ryusaburo Sugimoto
President

Details

1. Date & Time: Thursday, June 26, 2008 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 56th business year (from April 1, 2007 to March 31, 2008), 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 56th business year (from April 1, 2007 to March 31, 2008)

(2) Items to be resolved:

Item 1: Appointment of Fourteen (14) Directors
Item 2: Appointment of One (1) Corporate Auditor

4. Matters concerning convocation

(1) In the event that no indication of "for" or "against" has been made, this shall be treated as the intent of approval.
(2) If you exercise your voting rights both by mail and electronic means (Internet voting etc.), the electronic voting (Internet etc.) shall prevail regardless of the arrival date of the mailed vote.
(3) In the case of multiple voting via the Internet, the last voting shall prevail.
(4) If split votes are cast, a written notice of the diverse exercise of voting rights and the reasons thereof must be provided by three days before the General Meeting of Shareholders (June 23, 2008).

[Submitted Documents]

Business Report

(From April 1, 2007 to March 31, 2008)

1. Corporate Group's Business Environment

(1) Business conditions during the fiscal year under review

1) Business developments and results

The Japanese economic climate saw improvements in corporate profits cause solid growth in capital expenditures during the first half of the term under review as well as an upturn in personal consumption thanks to better hiring conditions supporting a modest expansion of the economy with corporate profits growing solidly on an overall basis. Nevertheless, from the medium-term period onward, the situation took a turn for the worse in the wake of a hike in crude oil prices and the American sub-prime mortgage loan crisis causing stocks to tumble and the yen to inflate. These factors slowed the economy and had a detrimental impact on corporate profits.

Under these economic circumstances, in the Electronics Division, one of the Company's core businesses, sales of electronic components segment were steady throughout the term under review including for items such as sound source ICs for cell phones, vehicle-mounted ICs and other semiconductor devices and optical transmission components for metro networks. On the other hand, for the electronic and electric equipment segment, despite increased sales in compound semiconductors manufacturing equipment on the heels of greater demand for high-luminosity LEDs, sales of printed circuit board (PCBs) manufacturing equipment and equipment related to flat panel displays (FPDs) were dogged from the medium-term period onward by a worsening investment environment attributable to the slowdown in the economy.

The chemical industry chalked up steady growth overall with improvements in capacity utilization at factories in the petro/petrochemical industries causing sales of dirt repellents and catalysts to proceed favorably. However, the hike in crude oil prices resulted in higher prices for raw materials and fuel, and reinforced fears of downward pressure on profits.

However, during the term under review, a sum of about ¥2.45 billion representing products such as steppers for FPDs scheduled for sale in the next fiscal year and advance orders of related components to suppliers was completely accounted as a provision to allowance because of the possibility that the sale of those goods in the next fiscal year and beyond may be rendered difficult because of changes in the investment plans of target customers. Because this accounting treatment is effectuated as an increase in the cost of goods sold, as under the usual treatment, gross profit (rate of gross profit) is affected along with operating income (rate of operating income) and ordinary income (rate of ordinary income).

Furthermore, during the term under review, although Microtek Inc. was acquired as a wholly owned subsidiary, the entire stock of Hakuto Korea Co., Ltd., a wholly owned subsidiary of the Company in South Korea was transferred (sold).

As a result of the above, sales for the fiscal year increased 8.0% year on year on a consolidated basis, to ¥133,259 million, with domestic sales growing 12.0%, to ¥92,709 million, and overseas sales falling 0.3%, to ¥40,549 million.

Regarding profits, gross profit dropped 5.3% year on year, to ¥19,091 million. Operating income fell 45.9% year on year, to ¥2,808 million, and ordinary profit decreased 58.1% year on year, to ¥2,233 million. The Company recorded a ¥1,064 million gain on sale of investment securities as extraordinary income for the fiscal year, while posting under extraordinary losses a ¥971 million for loss on valuation of investment securities. As a result, net income fell 85.8%, to ¥433 million.

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

Electronics Division

In the electronic and electric equipment segment, performance was sluggish in the market for printed circuit boards (PCBs) manufacturing equipment due to decreased capital spending in Japan and Taiwan despite robust sales of compound semiconductors manufacturing equipment due to an increase in high-luminosity LEDs. In the term under review, a provision for allowance for unsellable inventory of about ¥2.45 billion was accounted.

In the electronic components segment, favorable sales of optic transmission device components for metro networks in the North American telecommunications segment resulted in a substantial increase in sales. Meanwhile, robust performance by ICs for cell phones and vehicles did not rescue semiconductor devices from their downward spiral from the latter half of the fiscal year caused by a fall in the price of ICs for digital TVs and industrial devices and lackluster investments in measuring instruments.

As a result of the above, sales in the Electronics Division increased 8.1% year on year, to ¥126,202 million (including internal intersegmental sales), with operating income down by 63.4%, to ¥2,610 million.

Chemicals Division

The paper & pulp industry fared well on the whole thanks to positive sales in dirt repellents and catalysts caused by a hike in the capacity utilization of factories in the petro/petrochemical industries, despite soaring crude oil prices aggravating price competition drove down the rate of return.

As a result, sales of the Chemicals Division grew 4.7% year on year, to ¥7,037 million (including internal intersegmental sales), but operating income fell 72.6%, to ¥164 million.

Others Division

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

As a result, the Others Division reported sales of ¥590 million (including internal intersegmental sales; down 0.6% year on year) and an operating income of ¥33 million (up 29.8% year on year).

Sales by segment

	Fiscal 2006 (term ended March 2007)		Fiscal 2007 (term ended March 2008)	
	Sales (¥ million)	Ratio to total (%)	Sales (¥ million)	Ratio to total (%)
Electronics	116,704	94.5	126,202	94.7
Chemicals	6,719	5.4	7,037	5.2
Others	19	0.1	20	0.1
Total	123,442	100.0	133,259	100.0

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

2) Investment in plant & equipment

The total investment in plant and equipment for the reporting fiscal year was ¥399 million.

3) Fund procurement

There are no material facts to report.

4) Business segment transfers, absorption-type splits, and incorporation-type splits
There are no items to report.

5) Business segments transferred from other companies
There are no items to report.

6) Succession to rights and responsibilities related to the businesses of other juridical persons through absorption-type mergers and splits
There are no items to report.

7) Acquisitions and disposals of shares, ownership interests, or share subscription rights, etc. in other companies
(A) Share acquisitions
The Company acquired all of the outstanding shares of Microtek Inc. on October 1, 2007 making it a wholly owned subsidiary.
(B) Share disposals
The Company disposed of all of its holdings in the former wholly owned subsidiary, Hakuto Korea Co., Ltd., on March 24, 2008.

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

(¥ million)

	FY2004	FY2005	FY2006	FY2007 (reporting term)
Sales	108,627	115,503	123,442	133,259
Ordinary profit	4,186	4,447	5,333	2,233
Net income	2,470	2,601	3,054	433
EPS (yen)	110.62	116.37	138.74	19.62
Total assets	65,644	70,162	82,175	85,950
Net assets	35,767	39,363	41,905	39,111
BPS (yen)	1,626.50	1,786.57	1,900.95	1,770.12

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	Ratio of voting rights held by the Company (%)	Principal lines of business
Microtek Inc.	300 million yen	100	Import/export of electronic equipment and components
Hakuto Enterprises Ltd.	HK$22,025 thd.	100	Import/export of electronic equipment and components, manufacturing and sales of electronic components
Hakuto Singapore Pte. Ltd.	S$5,000 thd.	100	Import/export of electronic equipment and components
Hakuto Taiwan Ltd.	NT$70,000 thd.	100	Import/export of electronic equipment and components

(4) Issues facing the Company

Based on the environmental recognition of the "importance of rebuilding its existence value" as a business, the Company created its medium-term business plan last year with the underlying theme of "achieving ¥200 billion in consolidated sales" and, from the term under review, embarked on efforts to enhance the significance of its existence as a hybrid company engaged in the electronics and chemical industries.

In more specific terms, the Company clarified the business direction of each of the businesses of the Hakuto Group for each business strategy (e.g. product development and sales strategies) based on the tenet of "building a consolidated business system" and established stronger ties with domestic and overseas subsidiaries.

As a result, with respect to business performance in the term under review, although the Company did attain certain positive results in the area of sales volume expansion, its electronic and electric equipment segment suffered a substantial decrease in income compared to the previous fiscal year due to the accounting of an excessive provision for products as a result of a misjudgment of the sales possibilities at the time of product orders. This had the unfortunate outcome of greatly reducing the faith of many stakeholders.

The Company will take these results seriously and concentrate all its energies towards regaining trust from the next fiscal year onward. To achieve this, it is considered important that the Company, in a quest to recapture in a shorter time the numerical goals set out in the medium-term plan from which it deviated, promote further the combined strengths of the Hakuto Group and attain a responsible profit from each of its business segments as well as simultaneously strengthen business profitability determination capabilities, promote data communization and build an "operation without setbacks" through rapid judgment calls.

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, 2008)

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

Main products in each segment are as follows.

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

(6) Principal offices and plants (as of March 31, 2008)

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

(7) Employees (as of March 31, 2008)

1) Employees of the Group

Business segment	Number of employees	Change from end of previous term
Electronics	1,359	43
Chemicals	192	5
Others	88	(7)
Common in the Group	66	5
Total	1,705	46

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
637	Increase by 43	39.87	12.55

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

(8) Principal sources of borrowings (as of March 31, 2008)

(¥ million)

Sources	Balance of borrowings
Sumitomo Mitsui Banking Corporation	6,544
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,208
Resona Bank, Limited.	3,918
Nippon Life Insurance Company	1,515
Mizuho Bank, Ltd.	1,410

(9) Other important matters concerning the Group

There are no material facts to report.

2. Profile of the Company

(1) Shares (as of March 31, 2008)

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: 2,042,298 shares

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

4) Number of shareholders: 6,653 (decreased by 337 from the previous business year)

5) Major shareholders

Name of shareholder	Investment in the Company	
	Number of shares held (thousands shares)	Ownership (%)
Takayama International Education Foundation	3,033.3	13.72
Japan Trustee Services Bank, Ltd. (trust account)	2,663.8	12.05
Shigeo Takayama	1,192.8	5.39
Ichiro Takayama	1,058.9	4.79
Ken Takayama	1,058.9	4.79
Ryutaro Takayama	1,058.8	4.79
The Master Trust Bank of Japan, Ltd. (trust account)	949.8	4.29
Trust & Custody Services Bank, Ltd. (securities investment trust account)	636.7	2.88
JPMorgan Chase Bank, N.A. 385078	543.9	2.46
Satori Electric Co., Ltd.	284.0	1.28

Notes:

1. This list shows the top ten shareholders including two 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 (22,094,915), 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 no material facts to report.

(2) Share subscription rights

1) Share subscription rights distributed to Company Directors as compensation (as of March 31, 2008)

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

1. Number of share subscription rights: 2,744 (100 shares per right)
2. Type and number of shares to be converted: Common share 274,400
3. Rights issuance price: No price
4. Exercise price: ¥1,540
5. Exercise period: July 1, 2006 to June 30, 2010
6. Exercise terms
   - It is not necessary to exercise all share subscription rights at one time.
   - Directors may exercise share subscription rights even after they are no longer Directors.
   - Share subscription rights may be exercised by his/her successors in the event of a Director's death.
   - Share subscription rights may not be transferred to third parties or pledged.
7. Share subscription rights currently held by Company Directors

Holders	Share subscription rights	Number of shares to be converted	Number of holders
Directors (excluding External Directors)	1,082	108,200	11
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, 2008)

Name	Positions	Areas of responsibility or primary occupation, and/or representative status at other companies
Shigeo Takayama	Director & Honorary Chairman	President of Takayama International Education Foundation
Hiroshi Asai	President (Representative Director)	
Yoshihito Akiyama	Senior Executive Vice President (Representative Director)	In charge of Risk Management and Corporate Planning Office
Tomoyuki Yamawaki	Director & Executive Vice President	In charge of Corporate Ethics, Manager of Secretarial Office and in charge of TQM Office and Legal Affairs
Ryusaburo Sugimoto	Director & Executive Vice President	In charge of Electronics Business and Semiconductor Devices Div.
Norimichi Hada	Director & Senior Vice President	In charge of Electronic Components Business and Division Manager of Electronic Components Div.
Junji Kohira	Director & Senior Vice President	In charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div.
Yoshinae Takada	Director & Vice President	Manager of Financial & Accounting Dept., in charge of E.D.P. Dept. and J-SOX Project Team Leader
Noriaki Tomioka	Director & Vice President	In charge of Overseas Business President of Hakuto Enterprises Ltd.
Shinkichi Suzuki	Director & Vice President	Manager of Sales Administration Dept. and in charge of Human Resources Dept., General Administration Dept., General Affairs Dept., Isehara Technical Center and Branches (administration related) President of Hakuto A&L Co., Ltd.
Hitoshi Takigami	Director& Vice President	in charge of Chemical Business and Division Manager of Chemical Business Div.
Ichiro Takayama	Director	
Kozo Uno	External Director	Certified Public Accountant
Katsuyoshi Iwashiro	External Director	
Hideo Watanabe	Corporate Auditor	
Chikao Fukuda	External Auditor	Attorney at law
Tadao Kuwano	External 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 Auditors as provided for in Article 2, Item 16 of the Corporation Law.
3. Commencing April 1, 2008, a new President was appointed as follows.

New positions	Previous positions	Name
President	Executive Vice President	Ryusaburo Sugimoto
Director & Counselor	President	Hiroshi Asai

4. 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)	14 (2)	317 (9)
Corporate Auditors (External Auditors)	3 (2)	22 (9)
Total	17	339

Notes:

1. Payments to Directors who are also employees do not include amounts paid as employee salary.
2. In addition to the above remunerations, a total payment of ¥26 million for retirement benefits was paid to two (2) Directors who resigned at the conclusion of the 55th Ordinary General Meeting of Shareholders in accordance with Item 3: "Payment of retirement allowance for termination with the abolition of retirement allowances to retiring directors and the retirement allowance system for officers" approved at the 53rd Ordinary General Meeting of Shareholders held on June 28, 2005.
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 auditors

- · Director Kozo Uno is also an external auditor for Satori Electric Co., Ltd., Kadokawa Group Holdings, Inc. and Hidaka Country Club, Inc.
- · Director Katsuyoshi Iwashiro is also an external 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 8 of the 9 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	Katsuyoshi Iwashiro	Mr. Iwashiro attended all 9 of the 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 all 9 of the 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 all 6 of the Board of Corporate Auditors meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.
Corporate Auditor	Tadao Kuwano	Mr. Kuwano attended 7 of the 9 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 tax accountant. Mr. Kuwano also attended all 6 of the Board of Corporate Auditors meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.

(D) Overview of agreements limiting liability

The Company, based on the provisions of Article 427, Paragraph 1 of the Corporation Law, has entered into agreements that limit the liability of each of the External Directors and External Auditors in the manner provided in Article 423, Paragraph 1 of the 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	¥54 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 Financial Instruments and Exchange Law, and it is effectively impossible to do so. Accordingly, the amount of compensation paid for audit work related to the business year under review is reported as the total of these two amounts.

3) Non-audit work

The Company also assigns to its Accounting Auditor professional duties, including "advice on construction of internal control system in financial reporting," and "assessment of financial due diligence" which are not statutory auditing duties stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law.

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

Should the Board of Corporate Auditors resolve to dismiss an Accounting Auditor under the provisions of Article 340 of the 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 Corporate Planning Office, 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 Corporate Planning Office, 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 Corporate Planning Office shall promote and manage the construction of these systems throughout the Group.

(C) The Corporate Planning Office shall adopt rules for managing subsidiaries and implement management measures as dictated by conditions at subsidiaries.

(D) Based on the Financial Instruments and Exchange Law, each Group company shall establish necessary and appropriate internal controls over financial reporting in order to ensure the reliability of the financial reports of the Hakuto Group. In addition, the headquarters Financial & Accounting Department shall periodically examine the effectiveness of the internal controls systems, report findings to the Board of Directors and provide advice on improvement and corrective measures as per need.

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, 2008 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 2007, the total amount of dividends paid for the fiscal year under review will come to ¥35 per share, with a consolidated payout ratio of 178.4%.

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 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 medium-term business plan is achievement of annual consolidated revenues of ¥200 billion. The 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 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, 2008

(Unit: Thousand yen)

Assets	
Current assets	70,257,745
Cash and time deposits	10,251,553
Notes and accounts receivable - trade	40,877,458
Marketable securities	201,386
Inventories	13,186,553
Deferred tax assets	2,027,830
Other current assets	3,829,961
Less: Allowance for doubtful accounts	(116,996)
Noncurrent assets	15,692,193
Tangible fixed assets:	7,743,659
Buildings and structure	2,114,717
Land	4,399,374
Other tangible fixed assets	1,229,568
Intangible assets:	482,819
Investments and other assets:	7,465,715
Investment securities	6,727,868
Deferred tax assets	59,348
Other investments	764,473
Less: Allowance for doubtful accounts	(42,046)
Less: Allowance for loss on investment securities	(43,928)
Total assets	85,949,938

Consolidated Balance Sheet

As of March 31, 2008

(Unit: Thousand yen)

Liabilities	
Current liabilities	40,167,920
Notes and accounts payable - trade	17,999,122
Short-term borrowings	16,758,842
Corporate bonds due within one year	606,100
Accrued income taxes	1,413,166
Deferred tax liabilities	739
Allowance for bonuses to employees	1,122,844
Allowance for product warranty	35,500
Other current liabilities	2,231,607
Long-term liabilities	6,671,210
Corporate bonds	1,112,650
Long-term borrowings	2,441,238
Deferred tax liabilities	1,303,630
Employees' severance and retirement benefits	344,853
Directors' severance and retirement benefits	1,026,390
Other long-term liabilities	442,449
Total liabilities	46,839,130
Net Assets	
Shareholders' Equity	37,843,545
Capital	8,100,252
Capital surplus	7,492,214
Retained earnings	26,257,080
Less: Treasury shares	(4,006,001)
Valuation and exchange differences	1,267,263
Other unrealized gains on available-for-sale securities	1,313,971
Less: Gains or losses on deferred hedge	(199,953)
Foreign currency transaction adjustment	153,245
Total net assets	39,110,808
Total liabilities and net assets	85,949,938

Consolidated Statement of Income

April 1, 2007 to March 31, 2008

(Unit: Thousand yen)

Sales	133,258,832
Cost of sales	114,168,086
Gross profit	19,090,746
Selling, general and administrative expenses	16,282,806
Operating income	2,807,940
Non-operating revenue	432,845
Interest and dividend income	295,543
Investment profit on equity method	21,707
Other miscellaneous revenues	115,595
Non-operating expenses	1,007,839
Interest expense	327,987
Foreign exchange losses	625,468
Other miscellaneous expenses	54,384
Ordinary profit	2,232,946
Extraordinary income	1,082,876
Gain on sale of investment securities	1,064,186
Gain on sale of tangible fixed assets	13,688
Reversal of allowance for doubtful accounts	5,002
Extraordinary losses	1,059,123
Loss on valuation of investment securities	970,572
Loss on disposal of tangible fixed assets	18,976
Loss on sale of tangible fixed assets	2,049
Loss on valuation of membership rights	660
Loss on sale of affiliate shares	66,866
Income before income taxes	2,256,699
Income taxes – current	2,413,767
Less: Income taxes – deferred	(590,377)
Net income	433,309

Consolidated Statement of Changes in Net Assets

April 1, 2007 to March 31, 2008

(Unit: Thousand yen)

	Shareholders' Equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2007	8,100,252	7,513,572	26,596,392	(4,105,043)	38,105,173
Changes during the term					
Cash dividends			(772,441)		(772,441)
Bonuses to employees			(180)		(180)
Net income			433,309		433,309
Disposal of treasury shares		(21,358)		99,438	78,080
Acquisition of treasury shares				(396)	(396)
Net changes in items other than shareholders' equity during the term					—
Total changes during the term	—	(21,358)	(339,312)	99,042	(261,628)
Balance as of March 31, 2008	8,100,252	7,492,214	26,257,080	(4,006,001)	37,843,545

	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, 2007	3,401,530	83,619	315,075	3,800,224	41,905,397
Changes during the term					
Cash dividends				—	(772,441)
Bonuses to employees				—	(180)
Net income				—	433,309
Disposal of treasury shares				—	78,080
Acquisition of treasury shares				—	(396)
Net changes in items other than shareholders' equity during the term	(2,087,559)	(283,572)	(161,830)	(2,532,961)	(2,532,961)
Total changes during the term	(2,087,559)	(283,572)	(161,830)	(2,532,961)	(2,794,589)
Balance as of March 31, 2008	1,313,971	(199,953)	153,245	1,267,263	39,110,808

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: 15

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 Trading (Shenzhen) Ltd., MOLDEC CO., LTD., Microtek Inc., Microtek Hong Kong Ltd., and Microtek Shanghai Ltd.

The Company acquired all the stock of Microtek Inc. in October 2007 and that company, along with its subsidiaries Microtek Hong Kong Ltd. and Microtek Shanghai Ltd. (established in November 2007), is included in the scope of consolidation.

Also, Hakuto Korea Co., Ltd. was removed from consolidation by the transfer (sale) of all its stock in March 2008.

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

Hakuto California, Inc.

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

2. Matters relating to the application of equity method

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

Number of equity method affiliates: 2

Name of equity method affiliates:

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

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

Name of non-consolidated subsidiary:

Hakuto California, Inc.

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

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

3. Matters relating to the 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 Trading (Shenzhen) Ltd., Microtek Hong Kong Ltd. and Microtek Shanghai Ltd. have their account settlement dates on December 31. Meanwhile, the account settlement date for MOLDEC CO., LTD. is February 29.

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 in-house use

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

b) Other intangible assets

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

(3) Allowances and provisions

1) Allowance for doubtful accounts

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

2) Allowance for loss on investment securities

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

3) Allowance for bonuses to employees

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

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

7) Allowance for directors' severance and retirement benefits
Allowance for severance and retirement benefits to directors of the Company and some of its consolidated subsidiaries is record the estimated amounts required at the end of the term in accordance with internal regulations. As the retirement benefit system was changed in June 2004, no allowance has been made in and after July of that year.

(4) 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. A specific treatment is used for interest rate swaps that satisfies requirements for the specific treatment of interest rate swaps in hedge accounting. The Company applies designations to forward exchange contracts that fulfill the requirements for the designation method.

2) Hedge instruments and hedge items
a. Hedge instruments: Forward exchange contracts for currency options and currency swaps
Hedge items: Receivables and payables in foreign currencies and anticipated transactions in foreign currencies
b. Hedge instruments: Interest rate swaps
Hedge items: Bank loans (floating interest rate)

3) Hedge policy
In accordance with the Regulations on Market Risk Management and the Foreign Exchange Contract Conclusion Manual of the Company, currency movement risks are hedged for forward exchange contracts, etc. The purpose of interest rate swaps is to reduce the possibility of losses on borrowings as a result of interest rate fluctuations.

4) Valuation method for effectiveness of hedging activities
With respect to forward exchange contracts, important terms for foreign currency transactions in hedge instruments and hedge items can be regarded as the same. Since this can be assumed to establish a complete offset of currency movements at the time of commencement of hedging activities and thereafter continuously, the valuation of effectiveness is omitted.
Pertaining to other transactions, a comparison is made of the sum total of the change in cash flow from hedging instruments or their market price fluctuation, or the sum total of the change in cash flow from hedging items or their market price fluctuation and used as a basis to determine changes in both.

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

(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.

Changes in accounting policies

- Matters regarding changes to the depreciation and amortization method

The Company and its domestic subsidiaries shall, in accordance with the revision of the Corporate Tax Law and starting from the fiscal year under review, change to a method of depreciation and amortization that is based on said revised Law with respect to tangible fixed assets acquired on or after April 1, 2007.
The effect which this change has on the statement of income is immaterial.

Changes in presentation

- Consolidated Balance Sheet

Up to the previous fiscal year, "marketable securities" were included in the "Other" field of current assets, however, because their amount has increased in importance, its classification has been added. For the previous fiscal year, ¥1,219 thousand was accounted for "marketable securities".

Additional information

Following the revision of the Corporation Tax Law, the Company and its domestic subsidiaries have adopted the following method of depreciation for tangible fixed assets acquired on or before March 31, 2007. For those assets that have been depreciated and reached 5% of their acquisition value using the method of calculating depreciation based on the Corporation Tax Law, the difference between the remaining 5% of the acquisition value and a memorandum price will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition value. This amount is included in depreciation and amortization.
As a result of the above, operating income, ordinary profit and income before income taxes are each reduced by ¥39,156 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	175,988
Buildings and structure	419,459
Land	646,410
Other	4,260
Total	1,246,117

Additionally, secured liabilities are stated below:

(Unit: Thousand yen)

Short-term borrowings	229,792
Long-term borrowings	279,381

2. Accumulated amounts of depreciation for tangible fixed assets: ¥9,562,176 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: ¥13,591 thousand

5. Guarantee obligations:

Guarantee for loans from financial institutions by the Company's employees.

¥7,350 thousand

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of outstanding shares and treasury shares

	Number of shares as of end of the previous term (shares)	Increase during the term (shares)	Decrease during the term (shares)	Number of shares as of end of the term (shares)
Outstanding shares				
Common shares	24,137,213	—	—	24,137,213
Total	24,137,213	—	—	24,137,213
Treasury shares				
Common shares (Note)	2,092,809	224	50,695	2,042,338
Total	2,092,809	224	50,695	2,042,338

Note: During this term, the number of treasury common shares increased by 224 shares due to purchase of odd lots from odd-lot shareholders, and decreased by 50,695 shares due to exercise of share option and request of purchase by shareholders of fractional shares.

2. Dividends

(1) Dividend payment

Resolution	Class of share	Total dividends paid (thousand yen)	Per share dividends (yen)	Record date	Effective date
Board Meeting held on May 15, 2007	Common shares	385,778	17.50	March 31, 2007	June 11, 2007
Board Meeting held on November 14, 2007	Common shares	386,662	17.50	September 30, 2007	December 10, 2007

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

Resolution	Class of share	Source of dividend payment	Total dividends paid (thousand yen)	Per share dividends (yen)	Record date	Effective date
Board Meeting held on May 15, 2008	Common shares	Retained earnings	386,661	17.50	March 31, 2008	June 9, 2008

3. Share subscription rights and treasury share subscription rights

Item	Detail	Class of share to be converted	Number of shares to be converted (shares)				Balance as of the term (thousand yen)
			Number of shares as of end of the previous term	Increase	Decrease	Number of shares as of end of the term	
The Company	Share subscription rights issued in 2004 (Note)	Common shares	325,000	—	50,600	274,400	—

Note: 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: ¥1,770.12
Net income per share: ¥19.62

Other notes

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

Non-Consolidated Balance Sheet
As of March 31, 2008

(Unit: Thousand yen)

Assets	
Current assets	54,554,306
Cash and time deposits	4,788,399
Notes receivable - trade	3,198,504
Accounts receivable - trade	29,492,142
Marketable securities	201,386
Merchandise	8,406,890
Finished products	286,913
Raw materials	167,415
Work in progress	30,415
Supplies	10,486
Advance payment	128,070
Prepaid expenses	174,754
Deferred tax assets	1,752,800
Short-term loans to affiliates	4,050,000
Deposits paid	1,459,132
Other current assets	418,500
Less: Allowance for doubtful accounts	(11,500)
Noncurrent assets	14,772,637
Tangible fixed assets:	5,175,235
Buildings	1,493,481
Structures	74,948
Machinery and production equipment	106,662
Vehicles	6,074
Tools, furniture and fixtures	435,500
Land	3,056,960
Construction in progress	1,610
Intangible assets:	166,091
Leasehold rights	20,193
Software	125,248
Other intangible assets	20,650
Investments and other assets:	9,431,311
Investment securities	5,833,273
Investment securities in affiliates	3,294,010
Claims on obligors under rehabilitation procedure	13,523
Other investments	348,433
Less: Allowance for doubtful accounts	(14,000)
Less: Allowance for loss on investment securities	(43,928)
Total assets	69,326,943

Non-Consolidated Balance Sheet

As of March 31, 2008

(Unit: Thousand yen)

Liabilities	
Current liabilities	30,655,847
Notes payable - trade	4,685,080
Accounts payable - trade	9,108,450
Short-term borrowings	13,470,000
Long-term debt due within one year	282,800
Accounts payable - other	51,781
Accrued expenses	704,898
Accrued income taxes	1,147,114
Advances received	116,025
Deposits received	17,349
Allowance for bonuses to employees	833,000
Allowance for product warranty	35,500
Other current liabilities	203,850
Long-term liabilities	3,251,609
Corporate bonds	500,000
Long-term borrowings	1,468,000
Deferred tax liabilities	293,800
Employees' severance and retirement benefits	53,237
Directors' severance and retirement benefits	906,700
Other long-term liabilities	29,872
Total liabilities	33,907,456
Net Assets	
Shareholders' Equity	34,145,919
Capital	8,100,252
Capital surplus	7,492,226
Appropriation for statutory reserve	2,532,385
Other capital surplus	4,959,841
Retained earnings	22,559,370
Other retained earnings	22,559,370
Reserve for reduction entry of tangible fixed assets	399
Reserve for special depreciation	826
General reserve	16,000,000
Balance to be carried forward	6,558,145
Less: Treasury shares	(4,005,929)
Valuation and exchange differences	1,273,568
Other unrealized gains on available-for-sale securities	1,343,675
Less: Gains or losses on deferred hedge	(70,107)
Total net assets	35,419,487
Total liabilities and net assets	69,326,943

Non-Consolidated Statement of Income

April 1, 2007 to March 31, 2008

(Unit: Thousand yen)

Sales	96,097,028
Cost of sales	83,826,398
Gross profit	12,270,630
Selling, general and administrative expenses	11,407,623
Operating income	863,007
Non-operating revenue	1,219,751
Interest and dividend income	1,145,629
Other miscellaneous revenues	74,122
Non-operating expenses	288,239
Interest expense	158,086
Interest on corporate bonds	10,334
Foreign exchange losses	96,435
Other miscellaneous expenses	23,384
Ordinary profit	1,794,519
Extraordinary income	1,070,968
Gain on sale of investment securities	1,064,186
Gain on sale of tangible fixed assets	1,780
Reversal of allowance for doubtful accounts	5,002
Extraordinary losses	1,208,277
Provision for allowance for loss on investment securities	968,398
Loss on disposal of tangible fixed assets	5,943
Loss on valuation of membership rights	550
Loss on sale of affiliate shares	233,386
Income before income taxes	1,657,210
Income taxes – current	1,982,000
Less: Income taxes – deferred	(833,500)
Net income	508,710

Non-Consolidated Statement of Changes in Net Assets

April 1, 2007 to March 31, 2008

(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, 2007	8,100,252	2,532,385	4,981,199	7,513,584	470	978	16,000,000	6,821,653	22,823,101
Changes during the term									
Reversal of reserve for reduction entry of tangible fixed assets				—	(71)			71	—
Reversal of reserve for special depreciation				—		(152)		152	—
Cash dividends				—				(772,441)	(772,441)
Net income				—				508,710	508,710
Disposal of treasury shares			(21,358)	(21,358)					—
Acquisition of treasury shares				—					—
Net changes in items other than shareholders' equity during the term				—					—
Total changes during the term	—	—	(21,358)	(21,358)	(71)	(152)	—	(263,508)	(263,731)
Balance as of March 31, 2008	8,100,252	2,532,385	4,959,841	7,492,226	399	826	16,000,000	6,558,145	22,559,370

	Shareholders' Equity		Valuation and exchange differences			
	Treasury shares	Total shareholders' equity	Other unrealized gains on available-for-sale securities	Gains or losses on deferred hedge	Total valuation and exchange differences	Total net asses
Balance as of March 31, 2007	(4,104,971)	34,331,966	3,399,863	83,275	3,483,138	37,815,104
Changes during the term						
Reversal of reserve for reduction entry of tangible fixed assets		—			—	—
Reversal of reserve for special depreciation		—			—	—
Cash dividends		(772,441)			—	(772,441)
Net income		508,710			—	508,710
Disposial of treasury shares	99,438	78,080			—	78,080
Acquisition of treasury shares	(396)	(396)			—	(396)
Net changes in items other than shareholders' equity during the term		—	(2,056,188)	(153,382)	(2,209,570)	(2,209,570)
Total changes during the term	99,042	(186,047)	(2,056,188)	(153,382)	(2,209,570)	(2,395,617)
Balance as of March 31, 2008	(4,005,929)	34,145,919	1,343,675	(70,107)	1,273,568	35,419,487

Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

1. (1) Valuation standards and methods of securities

1) Securities of subsidiaries and affiliates

The cost method using the moving-average method is used.

2) Other securities

Available-for-sale securities

Securities for which market quotations are available:

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

Securities for which market quotations are unavailable:

Valued at cost using the moving average method.

(2) Valuation standards and methods of derivatives, etc.

Derivatives: Stated at fair market value.

(3) Valuation standards and methods of inventories

Merchandise, finished products, raw materials and work in progress:

Stated at cost using the moving average method.

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 in-house use

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

2) Other intangible assets

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

(3) Long-term prepaid expenses

Long-term prepaid expenses are amortized by using the straight-line method over the amortization period stipulated in the Corporate Tax Law.

3. Allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Allowance for loss on investment securities

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

(3) Allowance for bonuses to employees

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

(4) Allowance for bonuses to directors

Allowance for bonus to directors of the Company is 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) Allowance for employees' severance and retirement benefits

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

(7) Allowance for directors' severance and retirement benefits

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

4. 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 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 non-consolidated financial statements

Accounting for consumption taxes

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

Changes in accounting policies

- Matters regarding changes to the depreciation and amortization method

The Company shall, in accordance with the revision of the Corporate Tax Law and starting from the medium-term period under review, change to a method of depreciation and amortization that is based on said revised Law with respect to tangible fixed assets acquired on or after April 1, 2007. The effect which this change has on the statement of income is immaterial.

As a result of the above, the operating income, ordinary income and income before income tax are each reduced by ¥7,606 thousand.

Changes in presentation

- Balance Sheet

Up to the previous fiscal year, the item “Deposits paid” was included in the “Other” field of current assets, however, because their amount has increased in importance, its classification has been added. For the previous fiscal year, ¥90,388 thousand was accounted for “Deposits paid”.

Additional information

Following the revision of the Corporation Tax Law, the Company has adopted the following method of depreciation for tangible fixed assets acquired on or before March 31, 2007. For those assets that have been depreciated and reached 5% of their acquisition value using the method of calculating depreciation based on the Corporation Tax Law, the difference between the remaining 5% of the acquisition value and a memorandum price will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition value. This amount is included in depreciation and amortization.

As a result of the above, the operating income, ordinary profit and income before income taxes are each reduced by ¥39,010 thousand.

Notes to Non-Consolidated Balance Sheet

1. Accumulated amounts of depreciation for tangible fixed assets: ¥6,497,452 thousand

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

Buildings	¥6,181 thousand

3. Guarantee obligations:
   Guarantee for loans from financial institutions by the Company's employees.
   ¥7,350 thousand

4. Monetary claims on and obligations to affiliates

Short-term monetary claims on and obligations to affiliates:	¥4,967,280 thousand
Short-term monetary obligations to affiliates:	¥964,509 thousand

5. Monetary claims on and obligations to directors or corporate auditors'

Short-term monetary claims on and obligations to directors or corporate auditors':	¥188 thousand

Notes to Non-Consolidated Statement of Income

Transactions with affiliates

Sales to subsidiaries:	¥6,230,291 thousand
Purchases from subsidiaries:	¥3,504,916 thousand
Other operating transactions:	¥1,021,275 thousand
Non-operating transactions:	¥29,577 thousand

Notes to Non-Consolidated Statement of Changes in Net Assets

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

Common shares:	2,042,298 shares

Tax effect accounting

1. Major items for deferred tax assets

	(Unit: Thousand yen)
Directors' severance and retirement benefits	368,936
Allowance for bonuses to employees	338,948
Loss on valuation of investment securities	512,523
Allowance for doubtful accounts	5,129
Allowance for loss on investment securities	17,874
Loss on valuation of inventories	1,199,970
Loss on valuation of membership rights	78,605
Accrued enterprise taxes	95,366
Gains or losses on deferred hedge	48,098
Employees' severance and retirement benefits	21,662
Gain on valuation of merger assets	138,782
Asset Impairment loss	38,748
Loss on valuation of affiliate shares	213,622
Others	102,756
Subtotal deferred tax assets	3,181,019
Valuation allowance	(799,356)
Total deferred tax assets	2,381,663

2. Major items for deferred tax liabilities

	(Unit: Thousand yen)
Loss on valuation of investment securities	(921,822)
Reserve for special depreciation	(567)
Others	(274)
Total deferred tax liabilities	(922,663)
Net deferred tax assets	1,459,000

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	257,107	181,809	75,298
Vehicles	13,811	6,765	7,046
Software	62,841	35,614	27,227
Total	333,759	224,188	109,571

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

	(Unit: Thousand yen)
Within one (1) year	54,650
Over one (1) year	54,921
Total	109,571

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	–	–	Director & Honorary Chairman of the Company	Direct 5.41% held	–	–	Expense advancement	1,728	Current assets, etc.	188
		–	–	Director & Honorary Chairman of the Company President of Takayama International Education Foundation	Direct 13.76% held	–	–	Bond issuance	–	Corporate bonds	500,000
								Interest payment*	10,250	Current assets, etc.	309
								Expense advancement	4,942	Current assets, etc.	–

(Terms and conditions of transactions and their decisions)

Note: Interests and others were traded under general terms and conditions as the transaction was for the so-called transaction for third parties.

3. Subsidiaries and affiliates

(Unit: Thousand yen)

Position	Name	Address	Capital or investments	Business or position	Voting right ownership	Relationship		Transaction	Amount traded	Item	Balance at end of term
						Concurrent position	Business relationship				
Subsidiary	Microtek Inc.,	Suginami-ku, Tokyo	300,180	Sale of semiconductor, electronic equipment and components	Direct 100% holding	3 persons	Purchase and sale of electronic components	Funds loan	3,850, 000	Short-term loans to affiliates	3,850, 000
								Interests receipt	11,571	Current assets, etc.	–

(Terms and conditions of transactions and their decisions)

Note: Interests and others were traded under general terms.

Per-share information

Net assets per share: ¥1,603.06

Net income per share: ¥23.04

Other notes

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

Reference Materials for the General Meeting of Shareholders

Agenda items and reference materials
Item 1:
Appointment of Fourteen (14) Directors
The term of office of all fourteen (14) Directors will expire at the conclusion of this General Meeting of Shareholders. Approval of the appointment of fourteen (14) Directors is, therefore, requested.
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 (Representative Director)	1,192,800
		Jun. 2000	Chairman (Representative Director)	
		Jun. 2007	Director & Honorary Chairman (present)	
		<Representation at other companies> President of Takayama International Education Foundation		
2	Ryusaburo Sugimoto (Jun. 3, 1954)	Apr. 1978	Joined the Company	14,240
		Jun. 2004	Director & Vice President, Division Manager of Semiconductor Devices Div.	
		Aug. 2006	Director & Senior Vice President, Division Manager of Semiconductor Devices 1st Div. and in charge of Semiconductor Devices 2nd Div.	
		Jun. 2007	Director & Executive Vice President, in charge of Electronics Business and Semiconductor Devices Div.	
		Apr. 2008	President (Representative Director) (present)	
3	Yoshihito Akiyama (Feb. 5, 1943)	Jul. 1969	Joined the Company	20,388
		Jun. 1994	Director & Vice President, Manager of Accounting Dept.	
		Jun. 2000	Director & Senior Vice President, Manager of Corporate Planning Dept.	
		Jun. 2001	Director & Executive Vice President, Manager of Corporate Planning Dept.	
		Jun. 2007	Senior Executive Vice President (Representative Director), in charge of Risk Management and Corporate Planning Office	
		Apr. 2008	Senior Executive Vice President (Representative Director), in charge of Risk Management (present)	

<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 rowspan="10">4</td><td rowspan="10">Tomoyuki Yamawaki (Oct. 10, 1943)</td><td>Sep. 1966</td><td>Joined the Company</td><td rowspan="10">16,071</td></tr>
<tr><td>Jun. 1996</td><td>Director & Vice President, Manager of Corporate Planning Dept.</td></tr>
<tr><td>Apr. 1998</td><td>Director & Vice President, Manager of President’s Office</td></tr>
<tr><td>Jun. 2000</td><td>Director & Senior Vice President, Manager of Secretarial Office and General Manager of Affiliate Company Administration Dept.</td></tr>
<tr><td>Jul. 2000</td><td>Director & Senior Vice President, General Manager of Affiliate Company Administration Dept.</td></tr>
<tr><td>Jun. 2001</td><td>Director & Senior Vice President, Manager of Secretarial Office</td></tr>
<tr><td>Apr. 2002</td><td>Director & Senior Vice President, Manager of Secretarial Office and in charge of TQM Office</td></tr>
<tr><td>Jun. 2004</td><td>Director & Executive Vice President, in charge of Corporate Ethics, Manager of Secretarial Office and in charge of TQM Office</td></tr>
<tr><td>Jun. 2007</td><td>Director & Executive Vice President, in charge of Corporate Ethics, Manager of Secretarial Office and in charge of TQM Office and Legal Affairs</td></tr>
<tr><td>Apr. 2008</td><td>Director & Executive Vice President, in charge of Corporate Ethics, Manager of Secretarial Office and Legal Affairs Office and in charge of TQM Office (present)</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
5	Norimichi Hada (Oct. 8, 1946)	Oct. 1969	Joined the Company	12,993
		Nov. 1992	Manager of Connector Systems Dept., Components Business Div.	
		Sep. 1993	Deputy Division Manager of Components Business Div. and Manager of Connector Systems Dept.	
		Jul. 1996	Division Manager of Electronic Components Div.	
		Apr. 1997	President of Hakuto Taiwan Ltd. (former S&T HITECH LTD.)	
		Jun. 2001	Director & Vice President, General Manager of Affiliate Company Administration Dept. of the Company	
		Sep. 2001	Director & Vice President, Division Manager of Electronics 1st Div. and in charge of Branches & Offices	
		Apr. 2003	Director & Vice President, Division Manager of Electronic Components 2nd Div. and in charge of Branches	
		Feb. 2004	Director & Vice President, Division Manager of Electronic Components Div.	
		Aug. 2006	Director & Senior Vice President, Division Manager of Electronic Components Div.	
		Jun. 2007	Director & Senior Vice President, in charge of Electronic Components Business and Division Manager of Electronic Components Div.	
		Apr. 2008	Director & Senior Vice President, in charge of Overseas Business (present) President of Hakuto Enterprises Ltd. (present) Chairman of Hakuto Singapore Pte. Ltd. (present) Chairman of Hakuto Taiwan Ltd. (present) Chairman of Hakuto Enterprises (Shanghai) Ltd. (present)	
		<Representation at other companies> President of Hakuto Enterprises Ltd.		

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	Yoshinae Takada (May 27, 1957)	Apr. 1983	Joined the Company	2,100
		Dec. 2001	Manager of Corporate Planning Dept., Corporate Administration Div.	
		Apr. 2003	Deputy Division Manager of Corporate Administration Div. and Manager of Corporate Planning Dept.	
		Jun. 2003	Deputy Division Manager of Corporate Administration Div. and Manager of Corporate Planning Dept. and Financial & Accounting Dept.	
		Jun. 2004	Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., and in charge of E.D.P. Dept.	
		Jul. 2006	Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept. and in charge of E.D.P. Dept. and Overseas Subsidiaries Management Div.	
		Apr. 2007	Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., in charge of E.D.P. Dept. and J-SOX Project Team Leader	
		Jun. 2007	Director & Vice President, Manager of Financial & Accounting Dept., in charge of E.D.P. Dept. and J-SOX Project Team Leader	
		Apr. 2008	Director & Vice President, Division Manager of Corporate Administration Div., Manager of Corporate Planning Dept. and Financial & Accounting Dept. (present)	

<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 rowspan="9">7</td><td rowspan="9">Noriaki Tomioka (Apr. 18, 1949)</td><td>Mar. 1973</td><td>Joined the Company</td><td rowspan="9">3,100</td></tr>
<tr><td>Apr. 1999</td><td>Manager of 1st Sales Dept., 1st System Group, Electronics 2nd Div.</td></tr>
<tr><td>Dec. 2001</td><td>Deputy General Manager of Electronics 2nd Div.</td></tr>
<tr><td>Jan. 2003</td><td>President of Hakuto Enterprises Ltd.</td></tr>
<tr><td>Mar. 2007</td><td>Chairman of Hakuto Enterprises (Shanghai) Ltd.</td></tr>
<tr><td>Apr. 2007</td><td>Chairman of Hakuto Taiwan Ltd.</td></tr>
<tr><td>Jun. 2007</td><td>Director & Vice President, in charge of Overseas Business of the Company</td></tr>
<tr><td>Apr. 2008</td><td>Director & Vice President, in charge of Electronic Equipment Business and Division Manager of Electronic Equipment 1st & 2nd Div. (present)</td></tr>
<tr><td></td><td></td></tr>
<tr><td rowspan="9">8</td><td rowspan="9">Shinkichi Suzuki (Nov. 15, 1948)</td><td>Mar. 1974</td><td>Joined the Company</td><td rowspan="9">1,100</td></tr>
<tr><td>Nov. 2000</td><td>Deputy Manager of Finance Dept., Corporate Administration Div.</td></tr>
<tr><td>Dec. 2001</td><td>Manager of Human Resources Dept., Corporate Administration Div.</td></tr>
<tr><td>May 2005</td><td>Manager of Sales Administration Dept.</td></tr>
<tr><td>May 2006</td><td>President of Hakuto A&L Co., Ltd. (present)</td></tr>
<tr><td>Jun. 2007</td><td>Director & Vice President, Manager of Sales Administration Dept. and in charge of Human Resources Dept., General Administration Dept., General Affairs Dept., Isehara Technical Center and Branches (administration related) of the Company</td></tr>
<tr><td>Apr. 2008</td><td>Director & Vice President, Division Manager of Corporate Administration Div. and Manager of Human Resources Dept. (present)</td></tr>
<tr><td colspan="2"><Representation at other companies>
President of Hakuto A&L Co., Ltd.</td></tr>
<tr><td></td><td></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
9	Hitoshi Takigami (Oct. 27, 1956)	Apr. 1985	Joined the Company	1,100
		Apr. 2003	General Manager of Sales Dept., Chemical Business Div.	
		Dec. 2003	Deputy Division Manager of Chemical Business Div.	
		Apr. 2006	Division Manager of Chemical Business Div.	
		Jun. 2007	Director & Vice President, in charge of Chemical Business and Division Manager of Chemical Business Div. (present)	
10	Ryoji Abe* (Nov. 9, 1957)	Mar. 1983	Joined the Company	1,000
		Aug. 2002	Manager of AP Sales Promotion Dept., Electronic Devices 1st Div.	
		Feb. 2006	Manager of AP Sales Dept., Semiconductor Devices Div.	
		Apr. 2006	Manager of 1st Sales Dept., Semiconductor Devices 2nd Div.	
		Apr. 2007	Deputy Division Manager of Semiconductor Devices 2nd Div.	
		Oct. 2007	Division Manager of Semiconductor Devices 2nd Div.	
		Apr. 2008	Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div. (present)	
11	Jun Takagi* (Jul. 8, 1959)	Apr. 1984	Joined the Company	1,500
		Apr. 2003	Manager of 2nd Devices Sales Dept., Electronic Components 1st Div.	
		Jun. 2004	Deputy Division Manager of Semiconductor Devices Div.	
		Apr. 2006	Deputy Division Manager of Semiconductor Devices 1st Div.	
		Apr. 2007	Division Manager of Semiconductor Devices 1st Div. (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
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
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 Auditor of Satori Electric Co., Ltd. (present) Jun. 2004 External Director of the Company (present) Jun. 2005 External Auditor of Kadokawa Group Holdings, Inc. (present) Mar. 2007 External Auditor of Hidaka Country Club, 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, Limited.) Jun. 2002 President of Shoei Insurance Service Co., Ltd. Jun. 2003 External Auditor of Kobayashi Yoko Co., Ltd. (present) Jun. 2005 External Director of the Company (present)	2,800

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) In case of the candidates' service over the past five years as External Directors or External Auditors of other companies, records of inappropriate actions by these companies during the candidates' terms of office therein, steps taken by the candidates to prevent such inappropriate actions, or responses taken by the candidates to deal with such actions after their occurrence
   Kobayashi Yoko Co., Ltd., where, Katsuyoshi Iwashiro also serves as External Auditor, was in violation of regulations of Commodity Exchange Act, which was adopted inappropriate manner of solicitation. It was, then, received administrative treatment such as cease-and-desist order and other orders by Ministry of Agriculture, Forestry and Fisheries and Ministry of Economy, Trade and Industry. On July, 2007, Katsuyoshi Iwashiro always requires Kobayashi Yoko Co., Ltd., to operate their business with strict legal compliance. Since the issue was uncovered, Katsuyoshi Iwashiro has fulfilled his responsibilities by requesting to review its management body, to establish a measure to prevent the reoccurrence of such violations and to reorganize the system for full law compliance.
   (3) Years served as External Director since appointment
      1) Mr. Kozo Uno will have served as an External Director for four years as of the end of this General Meeting of Shareholders.
      2) Mr. Katsuyoshi Iwashiro will have served as an External Director for three years as of the end of this General Meeting of Shareholders.
   (4) 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.

(5) 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 2:

Appointment of One (1) Corporate Auditor

The term of office of Mr. Chikao Fukuda, 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
Chikao Fukuda (Jan. 8 1942)	Sep. 1968 Passed the Bar Examination, Japan Mar. 1971 Graduated from The Legal Training and Research Institute of the Supreme Court of Japan Apr. 1971 Admitted to the Bar (Daini Tokyo Bar Association) (present) Apr. 1997 Founded FUKUDA & KONDO (present) Jun. 2001 External Auditor of the Company (present) <Representation at other companies> Founding Partner of FUKUDA & KONDO	-

Notes:

1. There are no interest relationships between the candidate for Corporate Auditor and the Company.
2. Corporate Auditor Candidate Chikao Fukuda is a candidate for the appointment to the position of External Auditor provided in Article 2, Paragraph 3, Item 8 of the Corporation Law Enforcement Regulations.
3. Information relating in particular to the candidate for appointment as External Auditor is provided below.
   (1) Reasons for appointing External Auditor
   Mr. Chikao Fukuda possesses a deep insight in the area of business law as well as significant knowledge to govern the corporate management through his experience as an attorney at law involved in corporate legal affairs. For the past seven years, he has audited the actions taken by Directors in the execution of their duties from an objective and fair perspective and has fulfilled his role with distinction as Corporate Auditor. Therefore, we hereby ask that he be elected as External Auditor.
   (2) Years served as External Auditor since appointment
   Mr. Chikao Fukuda will have served as an External Auditor for seven years as of the end of this General Meeting of Shareholders.
   (3) Independence of External Auditor candidate
      1) Mr. Chikao Fukuda has not 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) Mr. Chikao Fukuda has not received significant sums of money or other asset from either the Company or any of its designated related companies over the past two years and no such receipts are scheduled.
      3) Mr. Chikao Fukuda does not have 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 companies.

(4) Agreements limiting the liability of External Auditors

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

Mr. Chikao Fukuda is presently serving as External Auditor and the Company has entered into agreements with Mr. Chikao Fukuda limiting his liability for damages to the higher of an amount of ¥2 million or the smallest amount specified under Article 425, Paragraph 1 of the Corporation Law. Should the reappointment of Mr. Chikao Fukuda be approved, the Company will extend the above agreements with both.

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 25, 2008 (Wednesday), 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.