

February 28, 2005

Notice concerning an exercise of stock acquisition right on NAITO's convertible bond

Okaya & Co., Ltd., ("Okaya") resolved, at the board meeting held on February 28, 2005, for an exercise of stock acquisition right on NAITO Co.'s convertible bond. As a result, NAITO Co. would become a subsidiary of Okaya.

1. Reason for the exercise of stock acquisition right

Promising future performances of NAITO Co. due to financial supports by the designated sponsors.

2. Outline of NAITO Co. (new subsidiary)

(1) Name	NAITO Co., Ltd.
(2) Representative	Hisashi Suzuki, president
(3) Address	1-11, Showamachi 2-chome, Kita-ku, Tokyo
(4) Date of establishment	January 23, 1953
(5) Business	Wholesale of machineries and tools
(6) Fiscal year	March 1 to the end of February
(7) Number of employees	345
(8) Business locations	Tokyo, Sapporo, Sendai, Saitama, Nagoya, Osaka, Okayama, Hiroshima, Fukuoka, etc.
(9) Capital	JPY2,166,235,800
(10) Total outstanding shares	4,095,661 shares Common stock: 3,854,661 shares Preference stock: 250,000 shares
(11) Shareholders	39.0% Okaya & Co. 8.0% Tungaloy Corporation 8.0% Hitachi Tool Engineering, Ltd. 8.0% Union Tool Company 8.0% Kyocera Corporation

(12) Business result

(in million yen)

Consolidated figures	FY ended Mar-03	FY ended Mar-04	FY ended Feb-05 *
Sales	53,025	45,283	38,500
Net profit/(loss)	(7,049)	(635)	1,050
Total asset	34,695	13,507	N/a
Shareholder's equity	(968)	2,657	N/a

* forecast as of November 15, 2004 (11 months period)

(13) Officers from Okaya

Hisashi Suzuki, President

Takayuki Goshima, Director

Mikiya Nakamura, Director (Managing director of Okaya)

Masaaki Miyazaki, Director (Managing director of Okaya)

Kenji Iwata, Auditor (Auditor of Okaya)

(14) Business with Okaya None in FY 2003

(15) Note: Okaya is leasing an office building at 1-11, Showamachi 2-chome,
Kita-ku, Tokyo to NaITO Co. since March, 2004.(at JPY9,000,000/mo)

3. Details of exercise of stock acquisition right

- (1) Date of exercise March 1, 2005
(2) Number of shares to be issued 1,000,000 shares
(3) Before and after

	Before exercise	After exercise
Okaya owns:		
Common stock	1,500,000 shares for JPY750,000,000	2,500,000 shares for JPY1,000,000,000
(Unit price)	(@500)	(@400)
(% of total outstanding)	(39.00%)	(51.59%)
Convertible bond	JPY250,000,000	None
Total outstanding shares		
Common stock	3,845,661 shares	4,845,661 shares
Preferred stock	250,000 shares	250,000 shares