

*Date : May 10, 2004*

**Notice of Reduction in Capital Reserve**

Buffalo Inc. plans to reduce its capital reserve as detailed below. The Board of Directors on May 10, 2004 approved a resolution to submit a proposal to this effect at the 18<sup>th</sup> annual shareholders meeting scheduled for June 29, 2004.

**1. Reason for reduction in capital reserve**

As stipulated in Article 289-2 of the Commercial Code, companies may reverse the portion of the capital reserve that exceeds one-fourth of capital and transfer this amount to retained earnings for the purpose of gaining more flexibility in conducting a capital policy.

**2. Amount of reduction in capital reserve**

Amount of reduction in capital reserve    ¥19,311,148,310

The capital reserve will be ¥250 billion following this reduction.

**3. Timetable**

(a) Resolution by Board of Directors	May 10, 2004
(b) Submission to shareholders	June 29, 2004 (tentative)
(c) Others	Reduction is to be conducted in the middle of August 2004, following the completion of a period during which debt holders can submit objections