2014

Annual Report

Hakuto Co.,Ltd.

Contents

To Our Shareholders, Employees and Friends

We would like to take this opportunity to express our heartfelt gratitude for your continued support and encouragement.

In the following, we present a report of Hakuto's business performance for the 62nd term, which began on April 1, 2013, and ended on March 31, 2014.

During the term under review, Europe gradually eased its sovereign debt crisis while economic indicators in the United States recovered. The capital markets regained a sense of calm midway through the fiscal term.

Overall, the global economy continued to see a very gradual recovery, and despite political tension in the Black Sea and on the Korean Peninsula, economic conditions were comparatively stable up to the term-end.

Business conditions in Japan also recovered, especially for exporters, because of the yen depreciation brought about by the monetary easing and economic stimulus measures carried out by the government to escape deflation. Stock prices, too, recovered thanks to these measures, which underpinned improvements in corporate performance. Many companies also responded favorably to the government's calls to increase wages by boosting the base pay of their workers.

In addition, the sharp rise in capital investment brought about by ongoing public works spending following the Great East Japan Earthquake and Tokyo's winning bid to host the 2020 Summer Olympic Games created a very positive medium-term business outlook for related sectors.

In Asia, the Hakuto Group's largest market, Southeast Asia enjoyed relatively strong economic conditions, but China saw prolonged stagnation in its real economic growth rate and caution is still required with regard to its financial system. In addition, soaring payroll costs in the manufacturing industry along China's coastal area caused concern about a sharp drop in profitability.

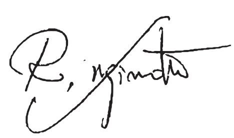
Given these economic conditions, in the electronics industry, the Hakuto Group's core business, semiconductor sales reached record highs in 2013. The penetration of smartphones and tablet devices continued, although it slowed somewhat. Communications infrastructure-related investment was strong, accommodating the need for larger communications capacity.

Sales in the amusement-related business and in-vehicle product-related business were also strong thanks to an uptick in wages and consumers' willingness to purchase a hybrid vehicle (HV) or electric vehicle (EV) when replacing their car. The photovoltaic power generation field enjoyed a boom in its related businesses, because many companies are now involved in the business due to the launch in July 2012 of Japan's feed-in tariff system for renewable energy.

In industrial chemical-related markets, despite the lack of a full-scale recovery in utilization rates in the petroleum-related industry in Japan, the paper and pulp industry switched from imported paper to domestically made paper due to yen depreciation.

Given this environment, each of the Hakuto Group's business segments recorded year-on-year gains in sales, as consolidated net sales reached ¥132,620 million (up 18.6%), consolidated operating income rose to ¥4,043 million (up 30.4%) and consolidated net income grew to ¥2,337 million (up 16.6%). A solid return of profits to shareholders is one of our important management policies, and we target a consolidated dividend payout ratio of 20% or higher. We decided to pay a year-end dividend of ¥20.00 per share for the term under review. Accordingly, the total annual dividend was ¥35.00 per share, including an interim dividend of ¥15.00 per share.

We look forward to your understanding of and support for the Hakuto Group, and we ask our shareholders to continue to watch our business operations from a long-term perspective.



Ryusaburo Sugimoto,
President

The Year in Review

Electronics

Electronic Devices Division

Overview of the Term under Review

↑ The in-vehicle product-related business was strong thanks to robust conditions in the China market and a recovery in North America.

↑ Growing demand in Asia and North America drove sales of multifunction printers.

↑ Sales of products for industrial equipment increased, underpinned by the acquisition of new customers.

↓ Consumer markets saw weaker conditions as sales of flat-screen TVs, in particular, ended up falling below companies' targets. Japanese manufacturers' market share of mobile phone handsets decreased, causing a drop in sales.

Outlook for the Next Term (Ending March 31, 2015)

- The in-vehicle product-related business should continue to see strong conditions given increased demand primarily in North America.
- The multifunction printer market is expected to maintain positive conditions given rising demand for color printers overseas.
- Demand should increase for products for industrial equipment due to recovery in capital investment.
- Consumer-related products, especially Japanese-made flat-screen TVs, smartphones and digital cameras, are expected to see difficult conditions.

Electronic Components Division

Overview of the Term under Review

↑ We began selling electricity at five mega solar power plants in Japan with a generating capacity of 2MW.

↑ The photovoltaic panel-related business enjoyed strong sales. Our joint venture company for residents also performed well.

↑ Our LCD panel/touch panel business for major OA manufacturers outperformed expectations.

↑ The connector business for personal computers recorded robust growth thanks to replacement demand after the end of support for Windows XP and last-minute demand prior to Japan's consumption tax hike.

Outlook for the Next Term (Ending March 31, 2015)

- The photovoltaic power generation business for non-residential customers is forecast to see strong demand, despite persistently lower electricity selling prices, due to low utilization rates at approved power plants.
- Sales of optical products to major carriers are expected to remain strong, driven by major investments in 100G networks. Optical products for undersea cables should see higher demand thanks to plans for major projects.
- The connector business for personal computers is forecast to face stiff competition due to the anticipation that tablet devices will lose their market share.

Electronic and Electronic Equipment Division

Overview of the Term under Review

↑ Sales of large equipment, such as laser systems, pelletron particle accelerators, and cyclotrons for making RI preparations for PET scans, contributed greatly.

↑ Sales of high-frequency device manufacturing equipment for smartphones were strong.

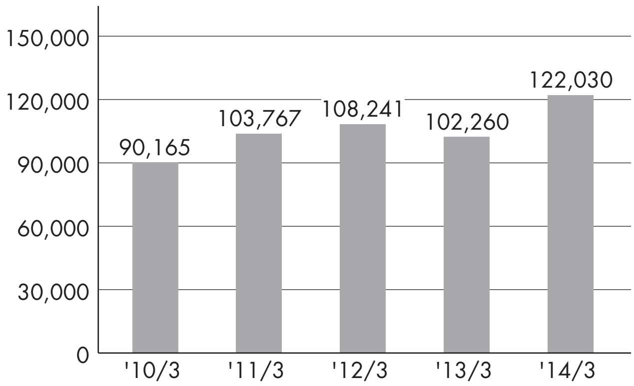
↑ Vacuum refrigerating machines for touch panels continued to see strong performance.

↓ Vacuum pumps for original equipment manufacturers (OEMs) were strong on the back of yen depreciation, but margins deteriorated due to the higher cost of imports.

Outlook for the Next Term (Ending March 31, 2015)

- The full-scale launch of compound semiconductor manufacturing equipment made by Veeco Instruments Inc. will become a pillar of the business and contribute to sales.
- The rising cost of importing vacuum pump equipment from yen depreciation is forecast to have an impact on sales prices.
- The launch of the new steppers and direct exposure equipment business will help expand sales.

Sales
(millions of yen)



Chemicals

Overview of the Term under Review

↑ Sales of anti-fouling agents for heat exchangers in the petroleum and petrochemicals market were strong.

↑ Sales of BASF-made fluid catalyst cracking (FCC) greatly exceeded expectations.

↑ Sales of factory-made products were solid, including antifoaming agents, and automotive-related chemicals were strong.

↑ Our cosmetics business enjoyed strong Alcasealan and OEM sales.

Outlook for the Next Term (Ending March 31, 2015)

· Competition in the petroleum and petrochemical industry is forecast to intensify due to the shutdown of distillation towers and rationalization of monomer plants.

· We will launch a new amine recycling business for petroleum refineries.

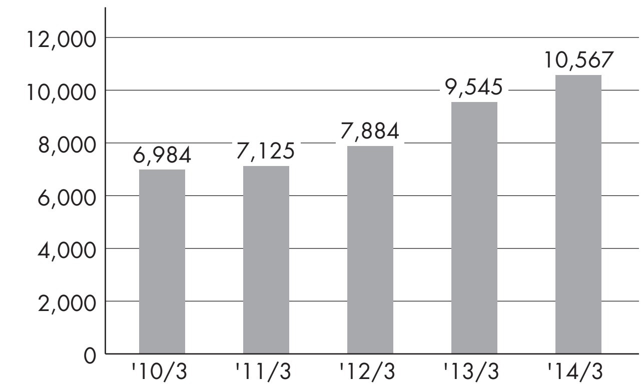
· The reorganization of the business acquired from BASF should progress smoothly from the beginning of the year.

· We have high expectations for our new deodorizer business for the automotive coatings process.

· We will begin preparation work on the launch of a cosmetics brand.

· We will focus on expanding sales of automotive-related products and paper and pulp in Shanghai and Thailand.

Sales
(millions of yen)



Others

This segment is primarily engaged in consignment of the Company's overall operations and logistics management, and insurance agency businesses.

Financial Review

Income Statement Items

The sales performance of the Hakuto Group increased from the previous term. As a result, in the term under review, we posted consolidated net sales of ¥132,620 million (up 18.6% year on year). In terms of profit, we got the influence of the weak yen, and the gross profit ratio fell, but we posted gross profit of ¥19,096 million (up 10.1%), reflecting higher net sales. Selling, general and administrative expenses were ¥15,053 million (up 5.7%), This result partly reflected personnel expenses, especially the reserve for bonus and depreciation of renovated a core computer system.

As a result, operating income for the term was ¥4,043 million (up 30.4%). Net income was ¥2,337 million (up 16.6%), due primarily to the impairment loss for selling real estate shall be sold by the decision of the Board of Directors meeting.

Balance Sheet Items

Current assets at the end of the term under review expanded by ¥5,574 million, up 9.3% from the previous term. This was mainly due to an increase of ¥5,136 million in notes and account receivable and an increase of ¥272 million in inventories.

Fixed assets at the end of the term under review increased by ¥3,058 million, up 21.1% from the previous term. This reflected a rise of ¥2,666 million in machinery and equipment and an increase of ¥1,731 million in investment securities.

Based on the above, total assets at the end of the term under review increased by ¥8,632 million (up 11.6%) from the previous term to ¥82,808 million.

Current liabilities increased by ¥3,552 million (up 14.4%) from the end of the previous term. This was due mainly to a rise in accounts payable of ¥3,615 million.

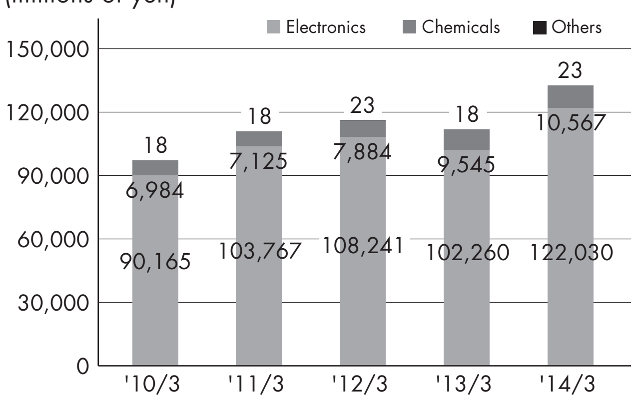
Non-current liabilities increased by ¥2,106 million (up 35.2%) from the end of the previous term. This was largely attributable to a ¥1,477 million increase in long-term debt.

Based on the above, total liabilities at the end of the term under review increased by ¥5,658 million (up 18.5%) from the previous term to ¥36,280 million.

Net assets increased by ¥2,974 million (or 6.8%) in comparison with the previous term to ¥46,528 million. This largely reflected a ¥1,571 million increase in retained earnings, and an ¥1,114 million increase in net unrealized holding gains on available-for-sale securities.

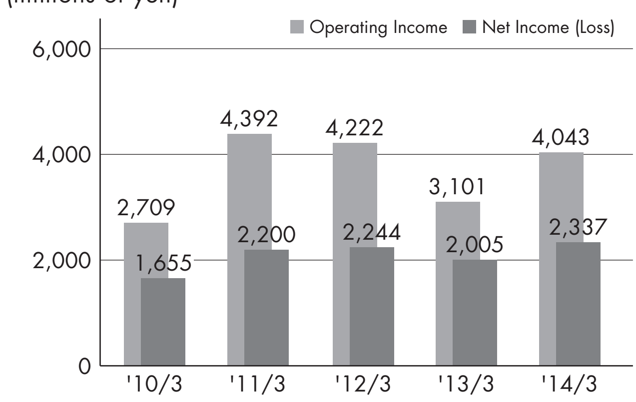
Sales by Product Category

(millions of yen)



Operating Income and Net Income

(millions of yen)



Cash Flows

In the term under review, there was a net inflow of ¥1,733 million in cash flows from operating activities, a net outflow of ¥2,070 million in cash flows from investing activities, a net inflow of ¥1,011 million in cash flows from financing activities, and an increase of ¥191 million in the effect of exchange rate changes on cash and cash equivalents. As a result, cash and cash equivalents at the end of the term under review increased by ¥865 million from the end of the previous term to ¥11,134 million.

Cash flows from operating activities

Income taxes payable totaled ¥1,203 million and there was an increase in trade receivables of ¥4,464 million. Income before income taxes of ¥3,699 million and an increase in notes and accounts payable ¥3,073 million, among others, resulted in a net inflow of ¥1,733 million in cash flows from operating activities. In the previous term, cash flows from operating activities resulted in a net inflow of ¥695 million due primarily to income before income taxes of ¥3,074 million.

Cash flow from investing activities

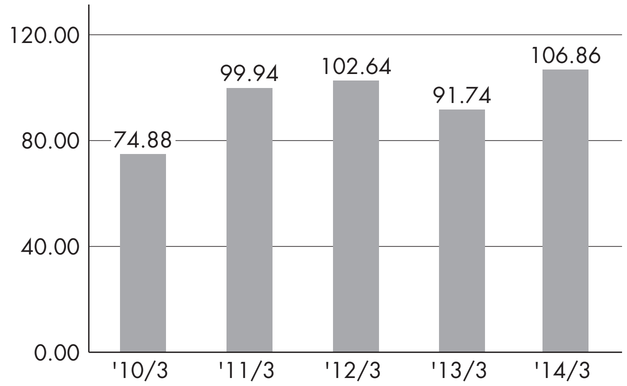
Proceeds from withdrawal of time deposits amounted to ¥1,388million. Despite this, payments into time deposits amounting to ¥478 million and ¥2,679 million of expenditures to acquire tangible fixed assets resulted in a net outflow of ¥2,070 million in cash flows from investing activities. In the previous term, cash flows from investing activities resulted in a net outflow of ¥1,846 million due primarily to payment of ¥1,267 million for time deposits.

Cash flows from financing activities

Payments for cash dividends amounted to ¥765 million. Despite this, proceeds from long-term borrowings (net) of ¥1,894 million resulted in a net inflow of ¥1,011 million in cash flows from financing activities. In the previous term, cash flows from financing activities resulted in a net outflow of ¥1,624 million, due primarily to repayments of cash dividends paid of ¥765 million.

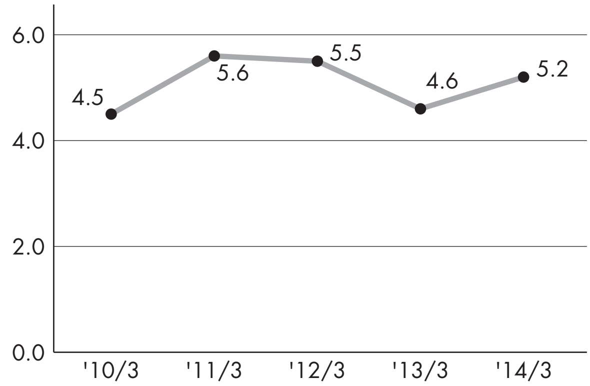
Net Income per Share

(yen)



Return on Equity

(%)



Consolidated Balance Sheets

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2014 and 2013

Assets

Current Assets:	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
Cash and time deposits (Notes 4 and 17)	¥ 11,418	¥ 11,365	$ 110,941
Marketable securities (Notes 3, 4 and 17)	–	0	–
Receivables (Note 4):			
Notes and accounts receivable - trade	33,582	29,441	326,292
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	1,167	172	11,339
Allowance for doubtful accounts	(98)	(134)	(952)
Inventories (Note 7)	16,538	16,266	160,688
Deferred tax assets (Note 15)	713	715	6,928
Prepaid expenses and other current assets	1,940	1,861	18,849
Total current assets	65,260	59,686	634,085
Property, Plant and Equipment:			
Land and land improvements	3,237	3,494	31,452
Buildings and structures	5,501	5,871	53,449
Machinery and equipment	4,766	1,903	46,308
Other assets	4,395	4,788	42,703
	17,899	16,056	173,912
Accumulated depreciation	(9,884)	(9,511)	(96,036)
Total property, plant and equipment	8,015	6,545	77,876
Investments and Other Non-current Assets:			
Investment securities (Notes 3, 4 and 5)	7,600	5,869	73,844
Allowance for loss on investment securities	–	(81)	–
Deferred tax assets (Note 15)	213	40	2,070
Other non-current assets	1,720	2,117	16,711
Total investments and other non-current assets	9,533	7,945	92,625
Total Assets	¥ 82,808	¥ 74,176	$ 804,586

See accompanying notes.

Liabilities and Net Assets

Current Liabilities:	Millions of Yen 2014	2013	Thousands of U.S. Dollars (Note 1) 2014
Short-term borrowings (Notes 4 and 8)	¥ 3,736	¥ 3,708	$ 36,300
Long-term debt due within one year (Notes 4 and 8)	2,631	2,214	25,564
Payables (Note 4):			
Notes and accounts payable - trade	16,605	12,849	161,339
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	827	968	8,035
Income taxes payable (Note 15)	915	611	8,890
Allowance for employees' bonuses	892	773	8,667
Accrued expenses and other current liabilities	2,590	3,521	25,166
Total current liabilities	28,196	24,644	273,961
Non-current Liabilities:			
Long-term debt (Notes 4 and 8)	5,481	4,004	53,255
Allowance for employees' severance and retirement benefits (Note 9)	–	346	–
Net defined benefit liability	555	–	5,393
Allowance for directors' and corporate auditors' severance and retirement benefits	45	36	437
Deferred tax liabilities (Note 15)	1,830	1,377	17,781
Other non-current liabilities	173	215	1,680
Total non-current liabilities	8,084	5,978	78,546
Contingent liabilities			
Net Assets (Note 21): Owners' Equity			
Common stock:			
Authorized - 54,000,000 shares			
Issued and outstanding - 24,137,213 shares	8,100	8,100	78,702
Capital surplus	7,289	7,492	70,822
Retained earnings	31,777	30,206	308,754
Treasury stock, at cost - 2,278,812 shares	(3,982)	(4,185)	(38,690)
Total owners' equity	43,184	41,613	419,588
Accumulated Other Comprehensive Income			
Net unrealized holding gains (losses) on investment securities	3,280	2,166	31,869
Unrealized gains (losses) on hedging derivatives	64	78	622
Foreign currency translation adjustments	307	(303)	2,983
Remeasurements of defined benefit plans	(307)	–	(2,983)
Total other comprehensive income	3,344	1,941	32,491
Total net assets	46,528	43,554	452,079
Total Liabilities and Net Assets	¥ 82,808	¥ 74,176	$ 804,586

See accompanying notes.

Consolidated Statements of Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2013	2012	2014
Net Sales (Notes 5 and 20)	¥132,620	¥111,823	¥116,148	$1,288,574
Cost of Sales (Note 5)	113,524	94,478	98,337	1,103,032
Gross Profit	19,096	17,345	18,319	185,542
Selling, General and Administrative Expenses (Notes 10 and 18)	15,053	14,244	14,097	146,259
Operating Income (Note 20)	4,043	3,101	4,222	39,283
Other Income (Expenses):				
Interest and dividend income	222	179	179	2,157
Interest expenses	(103)	(109)	(150)	(1,001)
Exchange gain (loss), net	(46)	139	(153)	(447)
Gains on sale of investment securities	15	17	114	146
Loss on valuation of investment securities	–	–	(21)	–
Provision of allowance for loss on investment securities	–	(81)	–	–
Impairment losses on property, plant and equipment (Note 11)	(517)	(436)	(91)	(5,023)
Loss on reduction of fixed assets	(98)	–	–	(952)
Compensation received (Note 13)	–	141	–	–
Subsidy income (Note14)	124	–	–	1,205
Litigation settlement (Note 12)	–	–	(90)	–
Other - net	59	123	9	573
	(344)	(27)	(203)	(3,342)
Income before Income Taxes	3,699	3,074	4,019	35,941
Income Taxes Provision (Note 15):	1,362	1,069	1,724	13,234
Current	1,394	1,166	1,310	13,545
Deferred	(32)	(97)	414	(311)
Income before Minority Interests	2,337	2,005	2,295	22,707
Minority interests in net income	–	–	51	–
Net Income	¥ 2,337	¥ 2,005	¥ 2,244	$ 22,707

Amounts per Share (Note 2(r)):	Yen			U.S. Dollars (Note 1)
Net Income	¥ 106.86	¥ 91.74	¥ 102.64	$ 1,038.28
Cash Dividends Applicable to the Year	35.00	35.00	35.00	340.07

See accompanying notes.

Consolidated Statements of Comprehensive Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2013	2012	2014
Income before minority interests	¥ 2,337	¥ 2,005	¥ 2,295	$ 22,707
Other comprehensive income (losses) (Note 22)				
Net unrealized holding gains (losses) on investment securities	1,113	269	(462)	10,814
Unrealized gains on hedging derivatives	(14)	58	55	(136)
Foreign currency translation adjustments	610	874	52	5,927
Share of other comprehensive income of associates accounted for using equity method	1	3	(1)	10
	1,710	1,204	(356)	16,615
Comprehensive income	4,047	3,209	1,939	39,322
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent	4,047	3,209	1,888	39,322
Comprehensive income attributable to minority interests	–	–	51	–

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2013	2012	2014
Common stock:				
Balance, beginning of year	¥ 8,100	¥ 8,100	¥ 8,100	$ 78,702
Total changes of items during the period	–	–	–	–
Balance, end of year	8,100	8,100	8,100	78,702
Capital surplus				
Balance, beginning of year	7,492	7,492	7,492	72,794
Disposal of treasury stock	(203)	–	(0)	(1,972)
Total changes of items during the period	(203)	–	(0)	(1,972)
Balance, end of year	7,289	7,492	7,492	70,822
Retained earnings				
Balance, beginning of year	30,206	28,965	27,493	293,490
Dividends from surplus	(766)	(765)	(765)	(7,443)
Changes in the scope of consolidation	–	–	(6)	–
Net income	2,337	2,005	2,244	22,707
Total changes of items during the period	1,571	1,241	1,473	15,264
Balance, end of year	31,777	30,206	28,965	308,754
Treasury stock				
Balance, beginning of year	(4,185)	(4,185)	(4,185)	(40,663)
Disposal of treasury stock	433	–	0	4,208
Purchase of treasury stock	(230)	(0)	(0)	(2,235)
Total changes of items during the period	203	(0)	0	1,973
Balance, end of year	(3,982)	(4,185)	(4,185)	(38,690)
Total owners' equity				
Balance, beginning of year	41,613	40,372	38,900	404,324
Dividends from surplus	(766)	(765)	(765)	(7,443)
Changes in the scope of consolidation	–	–	(6)	–
Net income	2,337	2,005	2,244	22,707
Disposal of treasury stock	230	–	0	2,235
Purchase of treasury stock	(230)	(0)	(0)	(2,235)
Total changes of items during the period	1,571	1,241	1,472	15,264
Balance, end of year	43,184	41,613	40,372	419,588
Net unrealized holding gains (losses) on investment securities				
Balance, beginning of year	2,166	1,895	2,357	21,045
Net changes of items other than owners' equity	1,114	271	(462)	10,824
Total changes of items during the period	1,114	271	(462)	10,824
Balance, end of year	3,280	2,166	1,895	31,869
Unrealized gains (losses) on hedging derivatives, net of taxes				
Balance, beginning of year	78	19	(36)	758
Net changes of items other than owners' equity	(14)	59	55	(136)
Total changes of items during the period	(14)	59	55	(136)
Balance, end of year	64	78	19	622
Foreign currency translation adjustment				
Balance, beginning of year	(303)	(1,177)	(1,229)	(2,944)
Net changes of items other than owners' equity	610	874	52	5,927
Total changes of items during the period	610	874	52	5,927
Balance, end of year	307	(303)	(1,177)	2,983
Remeasurements of defined benefit plans				
Balance, beginning of year	–	–	–	–
Net changes of items other than owners' equity	(307)	–	–	(2,983)
Total changes of items during the period	(307)	–	–	(2,983)
Balance, end of year	(307)	–	–	(2,983)
Minority interests				
Balance, beginning of year	–	151	218	–
Net changes of items other than owners' equity	–	(151)	(67)	–
Total changes of items during the period	–	(151)	(67)	–
Balance, end of year	–	–	151	–
Net assets				
Balance, beginning of year	43,554	41,260	40,210	423,183
Dividends from surplus	(766)	(765)	(765)	(7,443)
Changes in the scope of consolidation	–	–	(6)	–
Net income	2,337	2,005	2,244	22,707
Disposal of treasury stock	230	–	0	2,235
Purchase of treasury stock	(230)	(0)	(0)	(2,235)
Net changes of items other than owners' equity	1,403	1,053	(423)	13,632
Total changes of items during the period	2,974	2,294	1,050	28,896
Balance, end of year	¥ 46,528	¥ 43,554	¥ 41,260	$ 452,079

See accompanying notes.

Consolidated Statements of Cash Flows

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
Cash Flows from Operating Activities:	2014	2013	2012	2014
Income before income taxes	¥ 3,699	¥ 3,074	¥ 4,019	$ 35,941
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	809	559	585	7,860
Impairment losses on property, plant and equipment	517	436	91	5,023
Gains on sale of investment securities, net	(15)	(17)	(88)	(146)
Loss on valuation of investment securities	–	–	21	–
Allowance for loss on investment securities, net	–	81	–	–
Allowance for directors' and corporate auditors' severance and retirement benefits, net	–	(4)	2	–
Loss on reduction of fixed assets	98	–	–	952
Change in receivables	(4,464)	372	1,456	(43,373)
Change in inventories	57	(1,394)	(1,182)	554
Change in payables	3,073	(1,066)	(1,211)	29,858
Income taxes paid (refund), net	(1,203)	(1,670)	(690)	(11,689)
Other	(838)	324	599	(8,142)
Net cash provided by (used in) operating activities	1,733	695	3,602	16,838
Cash Flows from Investing Activities:				
Proceeds from sale of property, plant and equipment	96	150	12	933
Payments for purchase of property, plant and equipment	(2,679)	(724)	(432)	(26,030)
Proceeds from sale of marketable securities and investment securities	24	69	315	233
Payments for purchase of marketable securities and investment securities	(167)	(10)	(23)	(1,623)
Purchase of investments in subsidiaries	–	(153)	(119)	–
Other	656	(1,178)	(250)	6,374
Net cash provided by (used in) investing activities	(2,070)	(1,846)	(497)	(20,113)
Cash Flows from Financing Activities:				
Change in short-term borrowings	(39)	(659)	(590)	(379)
Proceeds from long-term debt	4,530	2,480	1,450	44,015
Repayments of long-term debt	(2,636)	(2,597)	(2,643)	(25,612)
Payments for redemption of bonds	–	–	(500)	–
Payments for purchase of treasury stock	(0)	(0)	(0)	(0)
Cash dividends paid	(765)	(765)	(765)	(7,433)
Other	(79)	(83)	(83)	(768)
Net cash provided by (used in) financing activities	1,011	(1,624)	(3,131)	9,823
Effect of Exchange Rate Changes on Cash and Cash Equivalents	191	504	62	1,856
Net Increase (Decrease) in Cash and Cash Equivalents	865	(2,271)	36	8,404
Cash and Cash Equivalents at Beginning of Year	10,269	12,540	12,523	99,777
Decrease in Cash and Cash Equivalents Resulting from Excluding Consolidation	–	–	(19)	–
Cash and Cash Equivalents at End of Year (Note 17)	¥11,134	¥10,269	¥12,540	$108,181

See accompanying notes.

Notes to Consolidated Financial Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014, 2013 and 2012

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reclassified and translated into English from the consolidated financial statements of Hakuto Co., Ltd. ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Under the new accounting standards, financial statements are prepared by overseas subsidiaries in accordance with International Financial Reporting Standards.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014 which was ¥102.92 to U.S. $1. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Principles of consolidation - The consolidated financial statements include the accounts of the Company and its 14 (14 in 2013 and 2012) significant subsidiaries ("the Group"). All significant inter-company balances and transactions have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries. The excess of cost of investments in subsidiaries over the equity in the net assets at dates of acquisition is recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over 5 years.

Hakuto Enterprises Ltd , Hakuto Taiwan Ltd , Hakuto (Thailand) Ltd. and Hakuto Engineering (Thailand) Ltd. changed their closing date from December 31 to March 31 in the previous consolidated fiscal year, and the Group uses financial statements of 15 months, from January 1, 2011 to March 31, 2012, for those subsidiaries when preparing consolidated financial statements.

Moldec Co, Ltd. changed its closing date from February 29 to March 31 in the previous consolidated fiscal year, and the Group uses financial statements of 13 months, from March 1, 2011 to March 31, 2012, for Moldec Co, Ltd. when preparing consolidated financial statements.

Shunde Morning Sky Ltd., Hakuto Enterprise (Shanghai) Ltd., and Hakuto Trading (Shenzhen) Ltd., whose closing dates are December 31, performed provisional settlement of account on March 31 in order to present consolidated financial statements more fairly, and the Group uses financial statements of 15 months, from January 1, 2011 to March 31, 2012, for those subsidiaries when preparing consolidated financial statements.

(b) Equity method - Investments in significant affiliated companies (20% to 50% owned) are accounted for by the equity method.

(c) Inventories - Inventories are stated at cost (write-down amount of book value as a result of declines in profitability), determined primarily by the moving-average cost method for merchandise, finished goods, raw material and work in process and done by the first-in, first-out cost method for supplies.

(d) Securities - Securities are classified as (a) securities held for trading purposes ("trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) for all other securities that are not classified in any of the above categories ("available-for-sale securities").

The Group has no trading securities or held-to-maturity debt securities. Equity securities issued by significant subsidiaries are consolidated and significant affiliated companies are accounted for using the equity method. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair value are stated at moving-average cost.

If the fair value of available-for-sale securities declines significantly, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity securities is not readily available, such securities should be written down to net asset value with a corresponding change in the income statement in the event net asset value declines significantly. In these cases, this fair value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Allowance for loss on investment securities is provided for probable losses on certain equity securities with no available fair value based on the evaluation of their financial conditions.

(e) Derivative transactions and hedge accounting

Derivative transactions not designated in hedge accounting relationships:

The Group states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses, unless derivative financial instruments are used for hedging purposes.

Hedge accounting:

I. Method of hedge accounting

i: Basic method

The Group defers recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

ii: In cases that forward foreign exchange contracts are used as hedging instruments and meet certain hedging criteria

Forward foreign exchange contracts and hedged items are accounted for in the following manner:

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable, the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date. This is not applied for the year ended March 31, 2014 and 2013 (see: III "Change in accounting policies").

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable, the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract. This is not applied for the years ended March 31, 2014 and 2013 (see: III "Change in accounting policies").

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

iii: In cases that interest rate swap contracts are used as hedging instruments and meet certain hedging criteria

The net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. In this case, the interest rate swap is not recognized at fair value.

II. Hedging derivative financial instruments used by the Group and hedged items are as follows:

For the years ended March 31, 2014 and 2013

Hedging instruments	Hedged items
Forward foreign exchange contracts	Future transaction in foreign currency
Interest rate swap contracts	Floating rates on loans payable

For the year ended March 31, 2012

Hedging instruments	Hedged items
Forward foreign exchange contracts	Foreign currency accounts receivable or payable and future transaction in foreign currency
Interest rate swap contracts	Floating rates on loans payable

III. Evaluation of hedge effectiveness

The Group evaluates the hedging effectiveness of other derivative contracts by comparing the cumulative changes in cash flows or the changes in the fair value of hedged items with corresponding changes in the hedging instruments.

The Group is not required to evaluate the hedge effectiveness of forward foreign exchange contracts, because the significant terms of foreign currency transactions of hedging instruments and those of hedged items are the same, and the risk of foreign exchange rate changes would be entirely eliminated. Also, the Group is not required to evaluate the hedge effectiveness of interest rate swap contracts, because the contracts are used as hedging instruments and meet certain hedging criteria.

(Change in accounting policies)

Up to the year ended March 31, 2012, forward foreign exchange contracts which meet certain criteria were accounted for by the allocation method, which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

Effective for the year ended March 31, 2013, the Company has adopted the basic method of hedge accounting, in order to achieve a fairly presentation of gain or loss related to open derivatives positions.

The change was not applied retrospectively to the previous year because the effect of this change on the financial result is immaterial.

(f) Property, plant and equipment, and depreciation - Property, plant and equipment are carried at cost. Depreciation is calculated primarily using the declining-balance method. In accordance with revisions of the Corporation Tax Law, buildings acquired by the Company and its domestic subsidiaries after March 31, 1998 are depreciated using the straight-line method.

The range of useful lives is from 10 to 50 years for buildings and from 2 to 15 years for machinery and equipment, which is included in other assets.

(Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates)

From the year ended March 31, 2013, in accordance with the amendment in corporate tax law, the Company and its domestic subsidiaries have changed the depreciation method for property, plant and equipment. Assets acquired on or after April 1, 2012 were depreciated using the method prescribed in amended corporate tax law.

The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2013.

(g) Leased assets - The Group applies the same depreciation methods to leased assets whose ownership transfers to lessees as fixed assets owned by the Group. Leased assets of which ownership does not transfer to lessees are depreciated over the term of the lease contracts based on the straight-line method.

(h) Impairment losses of fixed assets - A fixed assets (asset group) is considered impaired if its recoverable amount is less than its carrying amount. The recoverable amounts of fixed assets are defined as the higher of (i) the fair value less costs or (ii) the smallest value.

A fixed asset is evaluated for impairment based on the asset group of which it is a part. The asset group is the lowest level at which identifiable cash flows from fixed assets of the group are largely independent of other assets and liabilities. A group may consist of a single asset or several assets that are managed jointly.

Losses on impairment are recognized when the estimated undiscounted cash flows to be generated by a group of fixed assets are less than the carrying amount of the assets in the group, in which case, the impaired assets are written down to their recoverable amounts.

The Group analyzes its assets for possible impairment at least annually and more frequently if conditions indicate that an asset might be impaired.

(i) Income taxes - The Group recognizes the tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

(j) Allowance for doubtful accounts - Allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries is computed based on the past bad debt experience ratio for normal receivables, plus the estimated irrecoverable amount of doubtful receivables on an individual account basis.

(k) Allowance for employees' bonuses - The Group provides allowance for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(l) Provision for bonuses to directors and corporate auditors -Provision for bonuses to directors and corporate auditors is provided for in the estimated amounts which the Company will pay.

(m) Provision for product warranties - The Company provides an accrual for estimated future warranty costs based on the historical relationship of warranty costs to net sales.

(n) Employees' severance and retirement benefits - The Company and certain consolidated subsidiaries provide post-employment benefit plans substantially by funded contributory pension plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. Also, extra severance and retirement benefits will be paid, in the case of earlier voluntary retirement, etc.

The pension plans cover 100% of the total severance and retirement benefits of the Company's employees from the year ended March 31, 2001.

1 Period allocation methodology for the estimated retirement benefit amount

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on a straight-line basis.

2 Amortization of actuarial gains/losses

Actuarial gains/losses are amortized pro rata in the years followings the year in which the difference occurs by the straight-line method over the specified number of years (10 years) within the average remaining years of service of the employees.

3 Application of the simplified method for small businesses

For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the consolidated fiscal year are recorded as retirement benefit obligations.

(Change in accounting policy)

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012 (hereinafter, the "Statement No.26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012 (hereinafter, the "Guidance No.25")) except the article 35 of the Statement No.26 and the article 67 of the Guidance No.25 and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with the article 37 of the Statement No.26, the effect of the change in accounting policies arising from initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income.

As a result of the application, a liability for retirement benefits in the amount of JPY 555 million has been recognized and accumulated other comprehensive income has decreased by JPY 307 million, at the end of the current fiscal year.

(Accounting Standards issued but not yet applied)

- Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012)

1. Summary

The application of these accounting standards is intended to improve the accounting methods applied to actuarial gains and losses and past service costs that are yet to be recognized and the calculation method for retirement benefit obligations and service cost.

2. Effective date

Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on March 31, 2015. As transitional methods of handling these accounting standards have been laid down, they shall not be applied retroactively to financial statements for prior fiscal years.

3. Effect of applying these accounting standards

The impact of the revision on consolidated financial statements is currently under evaluation.

(o) Directors' and corporate auditors' severance and retirement benefits - Directors and corporate auditors of the Company and certain consolidated subsidiaries are entitled to lump-sum payments at the time of severance or retirement, subject to the approval of the shareholders. Liabilities for directors' and corporate auditors' severance and retirement benefits have been provided at an amount required in accordance with the internal rules had all directors and corporate auditors retired as of the balance-sheet date. The Company abolished the directors' and corporate auditors' retirement benefits plan in June 2004, and directors' and corporate auditors' retirement benefits have not been accrued for services provided since then.

(p) Translation of foreign currency items - Receivables and payables denominated in foreign currencies are translated into Japanese yen at the current rate. Foreign currency items covered by forward exchange contracts are translated at the contracted rates in the year ended March 31, 2012 (see: (e) III "Change in accounting policies").

(q) Translation of foreign currency financial statements - Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the current rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Foreign currency translation adjustments are recorded as a component of net assets.

(r) Amounts per share - The calculation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is calculated based on the weighted-average number of shares of common stock and contingent issuance of common stock from the bonds with warrants. For the years ended March 31, 2014, 2013 and 2012, diluted net income per share is not disclosed, since there is no residual stock. The Company's shares that remain in the ESOP trust accounts, which were recorded as treasury stock under shareholders' equity, were included in the treasury stock to be excluded from the scope of the average number of shares of common stock when calculating net income per share for the term.

The average number of shares of the excluded treasury stock was 9,996 for the current fiscal year when calculating net income per share for the term.

Cash dividends per share presented in the consolidated income statements represent the cash dividends declared applicable to each year.

(s) Cash flow statement - In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(t) Reclassification - From the current fiscal year, the Company classified the labor costs and operating costs of the technical service section in selling, general and administrative expenses, which had been stated in cost of sales in prior years, due to appropriate presentation resulting from the revision of the cost aggregation. This change was made on the decision that the Company regarded the technical service section as a supporting section of sales departments with the introduction of a new system.

As a result, ¥229 million and ¥254 million that had been stated as cost of sales for the years ended March 31, 2013 and 2012 were classified to be stated as selling, general and administrative expenses.

(u) Additional information

Employee stock ownership plan (ESOP)

From the current fiscal year, the Company has begun the early application of the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trust (PITF No.30, December 25, 2013).

1. Transaction summary

The Company has established a trust in which certain employee members of Hakuto Employee Shareholding Association ("Our Shareholding Association") who meet certain requirements are its beneficiaries. During a predetermined period for acquisition, said trust, or the ESOP Trust, will acquire the number of the Company's shares that Our Shareholding Association is expected to acquire for the five years. Afterward, the ESOP Trust sells off the Company's shares to Our Shareholding Association on a fixed day each month. The remaining funds will be distributed according to the contribution ratio of the employees as beneficiaries in the case when the ESOP Trust will enable employees to profit from a rise in stock prices. The Company will pay back the loan payable collectively to the bank based on its guarantee clause in the loan agreement with the bank in the case when a liability associated with the trust results from a loss caused by a drop in stock prices.

2. The Company's own stock in the trust

The Company's own stock in the trust is recorded in treasury stock under net assets based on the book value in the trust (excluding ancillary expenses). The book value and the number of these treasury stock at the end of the current consolidated fiscal year were ¥230 million and 235,400 shares, respectively.

3. Aggregate book value on loan under gross price method

The value was ¥230 million as of March 31, 2014.

3. Securities

(a) Summarized information of acquisition costs, book values and fair values of securities with available fair values as of March 31, 2014 and 2013 was as follows:

2014	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,506	¥ 6,402	¥ 4,896
Subtotal	¥ 1,506	¥ 6,402	¥ 4,896
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 65	¥ 59	¥ (6)
Subtotal	65	59	(6)
Total	¥ 1,571	¥ 6,461	¥ 4,890

2013	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,111	¥ 4,466	¥ 3,355
Subtotal	¥ 1,111	¥ 4,466	¥ 3,355
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 451	¥ 361	¥ (90)
Subtotal	451	361	(90)
Total	¥ 1,562	¥ 4,827	¥ 3,265

2014	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 14,633	$ 62,204	$ 47,571
Subtotal	$ 14,633	$ 62,204	$ 47,571
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 631	$ 573	$ (58)
Subtotal	631	573	(58)
Total	$ 15,264	$ 62,777	$ 47,513

(b) Total sales of available-for-sale securities sold for the years ended March 31, 2014, 2013 and 2012 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	2014
Available-for-sale securities:				
Total sales amount	**¥ 24**	¥ 69	¥ 315	**$ 233**
Gains	**15**	17	114	**146**
Losses	–	0	25	–

4. Financial instruments

1. Qualitative information on financial instruments

(i) Policy for using financial instruments

The Group raises operating funds particularly from bank loans for business of the sale of electronic components and equipment, and the production and sale of petrochemical products. Temporary surplus funds are turned over as safe and secure deposits or loans to our group companies. We use derivatives to reduce risks of fluctuations of interest rate on borrowings and exchange rate, and do not intend to conduct speculative transactions.

(ii) Details and risks of financial instrument used and systems for relevant risk management

Notes and accounts receivable, which are operating receivables, are exposed to consumer credit risk. The risk is controlled by the operation department of the Credit Administration Division, according to the Company's rules regarding the administration of credit and account receivables, etc. Investment securities are exposed to equity price risk as a result of market price fluctuations. The risks are controlled by the Financial and Accounting Department, by checking market prices periodically and reporting them to the executive board. Payment due dates of most notes and accounts payable, which are operating debt, are within one year.

Some borrowings are exposed to the risk of interest-rate fluctuations, and we use interest-rate swaps as hedging instruments. As certain hedging criteria have been fulfilled, the valuation of hedge effectiveness is omitted. Derivative transactions include forward exchange contracts, and they are used to hedge exposure to the risk of exchange-rate fluctuations relating to accounts receivable and payable in foreign currency. Since the derivative transaction contracts of the Company and part of the consolidated subsidiaries are concluded with highly creditworthy banks inside Japan, the Company evaluates there is little risk of default by counterparties.

The systems for risk management for derivatives are managed by the Manager of Financial and Accounting Department in accordance with the Regulations on Market Risk Management in the Foreign Exchange Contract Conclusion Manual of the Company, and the balance of the forward exchange contracts is reported at the monthly regular meeting of the Board of Directors as monthly financial results.

For further details of hedging instruments, hedged items, hedging policy, and the valuation method of hedge effectiveness, etc., see "Derivative transactions and hedge accounting" in "Summary of significant accounting policies" described above.

(iii) Supplemental explanation on fair value of financial instruments

Financial instruments without market prices or prices based on market are stated at reasonably calculated value. Since such calculations consider various factors, values may fluctuate under different conditions. In addition, concerning the contracted amounts of derivative transactions listed in "2. Fair values of financial instruments," the amounts themselves should not be considered indicative of the market risk related to the derivative transaction.

(iv) Concentration of credit risk

There is no specific concentration of credit risks at the end of consolidated fiscal year under review.

2. Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2014 and 2013 were as follows.

Financial instruments which have difficulty recognizing fair value are not included in the following table.

2014	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 11,418	¥ 11,418	¥ –
(2) Marketable securities	–	–	–
(3) Receivables	34,749	34,749	–
(4) Investment securities	6,461	6,461	–
Total assets	52,628	52,628	–
(5) Short-term borrowings	3,736	3,736	–
(6) Long-term borrowings (*1)	8,112	8,114	2
(7) Payables	17,432	17,432	–
Total liabilities	29,280	29,282	2
Derivatives transactions (*2)	103	103	–

2013	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 11,365	¥ 11,365	¥ –
(2) Marketable securities	0	0	–
(3) Receivables	29,613	29,613	–
(4) Investment securities	4,827	4,827	–
Total assets	45,805	45,805	–
(5) Short-term borrowings	3,708	3,708	–
(6) Long-term borrowings (*1)	6,218	6,203	(15)
(7) Payables	13,817	13,817	–
Total liabilities	23,743	23,728	(15)
Derivatives transactions (*2)	(82)	(82)	–

2014	Thousands of U.S. Dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 110,941	$ 110,941	$ –
(2) Marketable securities	–	–	–
(3) Receivables	337,631	337,631	–
(4) Investment securities	62,777	62,777	–
Total assets	511,349	511,349	–
(5) Short-term borrowings	36,300	36,300	–
(6) Long-term borrowings (*1)	78,819	78,838	19
(7) Payables	169,374	169,374	–
Total liabilities	284,493	284,512	19
Derivatives transactions (*2)	1,001	1,001	–

(*1) Long-term borrowings included in current liabilities due date within one year are included.
(*2) The net receivables and payables arising from derivative transactions are presented at a net amount. Net liabilities are shown in parentheses.

(a) Calculation methods for fair value of financial instruments and matters related to securities
(1) Cash and time deposits, (3) Receivables
Since these are settled in a short term and their fair values are close to book values, they are stated at book value.
(2) Marketable securities, (4) Investment securities
Since marketable securities are settled in a short term and their fair values are close to book values, they are stated at book value. In terms of investment securities, the fair values of shares are based on market price and those of bonds are based on market price or price offered by correspondent financial institutions.
(5) Short-term borrowings, (7) Payables
Since these are settled in a short term and their fair values are close to book values, they are stated at book value.
(6) Long-term borrowings
Fair value of long-term borrowings is based on current price calculated by discounting the total amount of principal and interest with an interest rate assumed to be applied for new borrowings of the same type.

(b) Financial instruments of which fair values cannot be easily known

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Classification	Book Value		Book Value
Shares of subsidiaries and affiliated companies	¥ 971	¥ 934	$ 9,435
Unlisted shares	168	108	1,632

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

(c) Amounts of receivables and securities with maturity, that will be redeemed after the consolidated balance-sheet date

2014	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 11,418	¥ –	¥ –	¥ –
Receivables	34,749	–	–	–
Marketable securities	–	–	–	–
Total	¥ 46,167	¥ –	¥ –	¥ –

2013	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 11,365	¥ –	¥ –	¥ –
Receivables	29,613	–	–	–
Marketable securities	0	–	–	–
Total	¥ 40,978	¥ –	¥ –	¥ –

2014	Thousands of U.S. Dollars			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	$ 110,941	$ –	$ –	$ –
Receivables	337,631	–	–	–
Marketable securities	–	–	–	–
Total	$ 448,572	$ –	$ –	$ –

(d) Amounts of long-term borrowings, that will be repaid after the consolidated balance sheet date

2014	Millions of Yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term borrowings	¥ 2,631	¥ 2,160	¥ 1,172	¥ 954	¥ 649	¥ 546

2013	Millions of Yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term borrowings	¥ 2,214	¥ 1,760	¥ 1,267	¥ 483	¥ 328	¥ 166

2014	Thousands of U.S. Dollars					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term borrowings	$ 25,564	$ 20,987	$ 11,387	$ 9,269	$ 6,306	$ 5,306

5. Non-consolidated subsidiaries and affiliated companies

Summarized information on balances and transactions with affiliated companies as of the years ended March 31, 2014, 2013 and 2012 was follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Receivables	¥ 1,167	¥ 172	$ 11,339
Investment securities	971	934	9,435
Payables	827	970	8,035

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	2014
Sales to	¥ 1,898	¥ 362	¥ 25	$ 18,442
Purchases from	2,776	3,902	3,070	26,972

6. Related party transactions

Related party transactions for 2014, 2013 and 2012 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
(Major Shareholder)	2014	2013	2012	2014
Lufs:				
Sales	¥ 1,599	¥ –	¥ –	$ 15,536
Receivables	1,016	–	–	9,872
Takayama International Education Foundation:				
Payment of interest on bonds	¥ –	¥ –	¥ 10	$ –
Redemption of bonds	–	–	500	–

7. Inventories

Inventories as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Merchandise and finished goods	¥ 16,041	¥ 15,780	$155,860
Raw materials	425	382	4,129
Work in process	56	91	544
Supplies	16	13	155
Total	¥ 16,538	¥ 16,266	$160,688

8. Short-term borrowings and long-term debt

(a) Short-term borrowings consisted principally of loans from banks. The average interest rates on short-term borrowings as of March 31, 2014 was 0.7% and as of March 31, 2013 was 0.8%

(b) Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
0.68% to 1.96% loans from Japanese insurance companies, due in 2013 to 2020	¥ 614	¥ 377	$ 5,966
0.55% to 3.35% loans from Japanese banks, due in 2013 to 2020	7,498	5,841	72,853
Total	¥ 8,112	¥ 6,218	$ 78,819
Less amount due within 1 year	2,631	2,214	25,564
Long-term debt	5,481	4,004	53,255

9. Employees' severance and retirement benefits

Accrued employees' retirement benefits included in the liability section of the consolidated balance sheet at March 31, 2013 consisted of the following:

	Millions of Yen
	2013
Funded status:	
Projected benefit obligation	¥ (3,106)
Pension assets	2,504
Unfunded projected benefit obligation	(602)
Unrecognized actuarial differences	523
Net projected benefit obligation recognized	(79)
Prepaid pension expense	267
Employees' severance and retirement benefits	¥ (346)

The components of net periodic benefit cost for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen	
	2013	2012
Severance and retirement benefit expenses:		
Service costs-benefits earned during the year	¥ 457	¥ 439
Interest cost on projected benefit obligation	45	43
Expected return on plan assets	(28)	(24)
Amortization of actuarial differences	56	71
Extra severance and retirement benefits	75	65
Severance and retirement benefit expenses	¥ 605	¥ 594

The discount rate used by the Company to measure the projected pension benefit obligation was 1.0% for 2013 and the rate of expected return on plan assets was 1.3% for 2013.

1. Defined benefit plans for the year ended March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
(1) Movement in retirement benefit obligations (except plan applying the simplified method):		
Balance at April 1, 2013	¥ 2,766	$ 26,875
Service cost	188	1,827
Interest cost	28	272
Actuarial loss (gain)	1	10
Benefits paid	(98)	(952)
Other	8	77
Balance at March 31, 2014	¥ 2,893	$ 28,109

	Millions of Yen	Thousands of U.S. Dollars
(2) Movements in plan assets (expect plan applying the simplified method)		
Balance at April 1, 2013	¥ 2,415	$ 23,465
Expected return on plan assets	31	301
Actuarial loss (gain)	16	155
Contributions paid by the employer	215	2,089
Benefits paid	(95)	(923)
Balance at March 31, 2014	¥ 2,582	$ 25,087

	Millions of Yen	Thousands of U.S. Dollars
(3) Movement in liability for retirement benefits on plan applying the simplified method:		
Balance at April 1, 2013	¥ 251	$ 2,439
Service cost	71	690
Benefits paid	(51)	(496)
Contributions paid by the employer	(27)	(262)
Balance at March 31, 2014	¥ 244	$ 2,371

	Millions of Yen	Thousands of U.S. Dollars
(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits		
Funded retirement benefit obligations	¥ 3,018	$ 29,324
Plan assets	(2,664)	(25,884)
	354	3,440
Unfunded retirement benefit obligations	201	1,953
Total net liability (asset) for retirement benefits at March 31, 2014	555	5,393
Liability for retirement benefits	555	5,393
Total net liability (asset) for retirement benefits at March 31, 2014	¥ 555	$ 5,393

	Millions of Yen	Thousands of U.S. Dollars
(5) Retirement benefit costs		
Service cost	¥ 188	$ 1,827
Interest cost	28	272
Expected return on plan assets	(31)	(301)
Net actuarial loss amortization	35	339
Retirement benefit costs based on the simplified method	71	690
Total retirement benefit costs for the year ended March 31, 2014	¥ 291	$ 2,827

	Millions of Yen	Thousands of U.S. Dollars
(6) Accumulated adjustments for retirement benefit		
Actuarial gains and losses that are yet to be recognized	¥ 473	$ 4,596
Total balance at March 31, 2014	¥ 473	$ 4,596

	Millions of Yen	Thousands of U.S. Dollars
(7) Plan assets		
1. Plan assets comprise:		
General account	¥ 2,388	$ 23,202
Bonds	210	2,040
Equity securities	57	554
Other	9	88
Total	¥ 2,664	$ 25,884

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 were as follows:

Discount rate	1.0%
Long-term expected rate of return	1.3%

2. Defined contribution plan

The contribution amount of certain subsidiaries for the year ended March 31, 2014 was ¥46 million.

10. Research and development expenses

Research and development expenses for the development of new products or the improvement of existing products are charged to income as incurred. Such amounts charged to income for the years ended March 31, 2014, 2013 and 2012 were ¥143 million ($1,389 thousand), ¥149 million and ¥141 million respectively.

11. Impairment losses

The Group recognized impairment losses for groups of assets in the years ended March 31, 2014 and 2013 and 2012 as follows:

2014		
Location	Use	Type of assets
Itami-shi, Hyogo	Assets to be sold	Land and buildings
Isehara-shi, Kanagawa	Business assets	Land and buildings
Guangdong, China	Unused assets	Machinery and equipment

2013		
Location	Use	Type of assets
Funabashi-shi, Chiba	Factory	Land, etc.

2012		
Location	Use	Type of assets
Suginami-ku, Tokyo	Unused assets	Land and buildings

The Group classifies its fixed assets into each business segment and each consolidated subsidiary, and assets unused or to be sold by individual asset. The book values of the unused land whose fair value had declined significantly were reduced to their recoverable amounts. For unused assets such as buildings and structures, production facilities, which had not been used for business without a concrete utilization plan, their book value were impaired to recoverable amounts.

The impairment losses for the year ended March 31, 2014 amounted to ¥517 million ($5,023 thousand).
The impairment losses for the year ended March 31, 2013 amounted to ¥436 million.
The impairment losses for the year ended March 31, 2012 amounted to ¥91 million.
In the year ended March 31 2014, the Group decided to sell buildings and land of the Kansai branch in Itami -shi, Hyogo due to transfer. Also, a subsidiary continued to record operating losses. Each recoverable amount of the lands and buildings was based on assessment by an independent real estate appraiser.
The recoverable amounts of the machinery and equipment of another subsidiary were estimated at zero since the estimates of future cash flows as value in use were not expected.
In the year ended March 31, 2013, the Group decided to transfer production basis and sell off fixed assets the factory of a subsidiary, the recoverable amounts of the land were their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards for land and so on.
In the year ended March 31, 2012, the recoverable amounts of the land were their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards for buildings and structures.

12. Litigation settlement

Litigation settlement was caused by the litigation related to the share transfer agreement in the subsidiary of the Company in United States, which was dissolved in August 2012.

13. Compensation received

A subsidiary received compensation from Tokyo Electric Power Company, Incorporated for lost earnings.

14. Subsidy income

A subsidiary received a subsidy for business activity which was contributed the industrial recovery of Fukushima.

15. Income taxes

(a) Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which in the aggregate resulted in normal statutory rates of approximately 38.0% for the years ended March 31, 2014 and 2013, and 40.7% for the years ended March 31, 2012.
Income taxes of overseas consolidated subsidiaries are based generally on tax rates applicable in their countries of incorporation.
The following table summarizes the significant difference between the statutory tax rate and effective tax rate for consolidated financial statement purposes for the years ended March 31, 2014, 2013 and 2012.

	2014	2013	2012
Statutory tax rate:	38.0%	38.0%	40.7%
Valuation allowance	2.4	(2.3)	3.8
Non-deductible expenses	1.4	1.6	1.3
Per capita inhabitant tax	0.9	1.2	1.0
Lower tax rates of overseas consolidated subsidiaries	(7.2)	(6.6)	(7.1)
Amortization of goodwill	0.0	0.2	0.5
Subsidiaries	2.6	2.9	2.3
Decrease of deferred tax assets at the fiscal year-end due to the change of tax rate	1.6	–	1.3
Special credit tax	(2.6)	(0.4)	(0.3)
Others	(0.4)	0.2	(0.6)
Effective tax rate	36.8%	34.8%	42.9%

(b) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Directors' and corporate auditors' retirement benefits	¥ 16	¥ 13	$ 155
Accrued employees' bonuses	297	265	2,886
Employees' retirement benefits	–	87	–
Net defined benefit liability	180	–	1,749
Allowance for doubtful accounts	19	18	185
Devaluation of inventories	304	341	2,954
Devaluation of investment securities	334	357	3,245
Differences between fair value and cost of assets of consolidated subsidiaries	343	353	3,333
Loss on write-down of property, plant and equipment	–	52	–
Impairment loss on property, plant and equipment	427	218	4,149
Net loss carryforwards	615	611	5,976
Others	487	395	4,731
Less-Valuation allowance	(1,672)	(1,534)	(16,246)
Total deferred tax assets	¥ 1,350	¥ 1,176	$ 13,117
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	¥(1,602)	¥(1,107)	$ (15,565)
Retained earnings of subsidiaries	(559)	(461)	(5,431)
Gain on land valuation	–	(50)	–
Others	(93)	(180)	(904)
Total deferred tax liabilities	(2,254)	(1,798)	(21,900)
Net deferred tax assets (liabilities)	¥ (904)	¥ (622)	$ (8,783)

(c) Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates
Based on the promulgation of an Act for the partial revision of income taxes on March 31, 2014, the special corporate tax for reconstruction is no longer applied from April 1, 2014. As a result of this, the statutory tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2014 to March 31, 2015 were changed from 38.0% to 35.6% accordingly. Due to this change, deferred tax assets (net of deferred tax liabilities) decreased by ¥59 million ($573 thousand) and deferred income taxes increased by ¥59 million ($573 thousand) respectively.

16. Derivative financial instruments

Please refer to Note 2. (e) Derivative transactions and hedge accounting and Note 4. Financial instruments.

The following tables summarize fair value information as of March 31, 2014 and 2013 of derivative transactions for which hedge accounting has been adopted.

(a) Derivative transactions for which hedge accounting has not been adopted
Currency-related transactions

2014		Millions of Yen			
Classification	Type of transaction	Contracted amount	Over 1 year	Fair value	Valuation gains and losses
Trading outside marketplace transaction	Future exchange contract				
	Sell				
	U.S. dollars	¥ 6,196	¥ –	¥ (18)	¥ (18)
	Buy				
	U.S. dollars,	3,114	–	18	18
	Euro,	415	–	4	4
	Canadian dollars	–	–	–	–
Total		¥ 9,725	¥ –	¥ 4	¥ 4

2013		Millions of Yen			
Classification	Type of transaction	Contracted amount	Over 1 year	Fair value	Valuation gains and losses
Trading outside marketplace transaction	Future exchange contract				
	Sell				
	U.S. dollars	¥ 4,831	¥ –	¥ (208)	¥ (208)
	Buy				
	U.S. dollars,	2,924	–	0	0
	Euro,	284	–	(5)	(5)
	Canadian dollars	80	–	4	4
Total		¥ 8,119	¥ –	¥ (209)	¥ (209)

2014		Thousands of U.S. Dollars			
Classification	Type of transaction	Contracted amount	Over 1 year	Fair value	Valuation gains and losses
Trading outside marketplace transaction	Future exchange contract				
	Sell				
	U.S. dollars	$60,202	$ –	$ (175)	$ (175)
	Buy				
	U.S. dollars,	30,257	–	175	175
	Euro,	4,032	–	39	39
	Canadian dollars	–	–	–	-
Total		$94,491	$ –	$ 39	$ 39

Interest-related transactions
Not applicable.

(b) Derivative transactions for which hedge accounting has been adopted
Currency-related transactions

2014			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Basic method	Future exchange contract	Forecasted transaction in foreign currency			
	Sell				
	U.S. dollars,		¥ 106	¥ –	¥ 1
	Buy				
	U.S. dollars,	Forecasted transaction in foreign currency	784	–	99
	Euro,		176	–	2
	Canadian dollars		138	–	(3)
	Total		¥ 1,204	¥ –	¥ 99

2013			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Basic method	Future exchange contract	Forecasted transaction in foreign currency			
	Sell				
	U.S. dollars,		¥ –	¥ –	¥ –
	Buy				
	U.S. dollars,	Forecasted transaction in foreign currency	595	198	94
	Euro,		42	–	9
	Canadian dollars		116	–	23
	Total		¥ 753	¥ 198	¥ 126

2014			Thousands of U.S. Dollars		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Basic method	Future exchange contract Sell U.S. dollars,	Forecasted transaction in foreign currency	$ 1,029	$ –	$ 10
	Buy				
	U.S. dollars,	Forecasted transaction in foreign currency	7,618	–	962
	Euro,		1,710	–	19
	Canadian dollars		1,341	–	(29)
	Total		$11,698	$ –	$ 962

Interest-related transactions

2014			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Special method for interest swap	Interest rate swap Pay fixed Receive floating	Long-term borrowings	¥ 2,067	¥ 1,498	¥ –
	Total		¥ 2,067	¥ 1,498	¥ –

2013			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Special method for interest swap	Interest rate swap Pay fixed Receive floating	Long-term borrowings	¥ 2,770	¥ 2,013	¥ –
	Total		¥ 2,770	¥ 2,013	¥ –

2014			Thousands of U.S. Dollars		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Over 1 year	Fair value
Special method for interest swap	Interest rate swap Pay fixed Receive floating	Long-term borrowings	$20,084	$14,555	$ –
	Total		$20,084	$14,555	$ –

17. Cash and cash equivalents

The reconciliation between cash and time deposits on the consolidated balance sheets and cash and cash equivalents on the consolidated statements of cash flows as of March 31, 2014, 2013 and 2012 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	2014
Cash and time deposits	¥11,418	¥11,365	¥13,383	$110,941
Add: marketable securities	–	0	127	–
Total	11,418	11,365	13,510	110,941
Less: time deposits with maturities exceeding three months	(284)	(1,096)	(843)	(2,759)
Less: corporate bonds exceeding three months	–	–	(127)	0
Cash and cash equivalents	¥11,134	¥10,269	¥12,540	$108,181

18. Information for certain lease transactions

Future lease payments under operating leases as of March 31, 2014 and 2013 were ¥499 million ($4,848 thousand) and ¥303 million, including ¥257 million ($2,497 thousand) and ¥166 million due within one year.

19. Subsequent events

On May 15, 2014, the Board of Directors approved payment of year-end cash dividends to the shareholders of record as of March 31, 2014 of ¥20.0 ($0.19) per share or a total of ¥442 million ($4,295 thousand).

On May 8, 2013, the Board of Directors approved payment of year-end cash dividends to the shareholders of record as of March 31, 2013 of ¥20.0 per share or a total of ¥437 million.

20. Segment information

1. General information about reportable segments

The reportable segments of the Group are the components of the Company, for which discrete financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about allocations of management resources.

The Group aligns divisions according to its goods and products, and each division sets out a business strategy and promotes business globally.

The Company consists of the segments related to the Company's goods and products based on divisions, and since consolidated subsidiaries also deal with the same goods and products as the Company, the Group sets four reportable segments of the Electronic Components division, Electronic and Electric Equipment division, Industrial Chemicals division and Others, in order to enable the Company's Board of Directors to make decisions about allocations of management resources and evaluate performance.

Main products and services belonging to each segment

Segment	Main products and services
Electronic Components	Semiconductor devices, connectors, optical components
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
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, base materials for cosmetics
Others	Consignment of the Company's overall operation and logistics management, insurance agency businesses

2. Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

The basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items is generally the same as described in "Note 2 Summary of significant accounting policies."

Each segment income is the amount based on operating income.

In the past, the Group calculated the valuation of inventory by the company specific rule. However, as from the year ended March 31, 2013, the Group has changed such calculation method in order to conform to requirements under financial reporting.

In the past, the Group charged the financial cost like interest rate to reported segment performance. However, as from the year ended March 31, 2013, the Group has changed to eliminate the financial cost in order to control segment performance by same policy with consolidated financial reporting.

For the year ended March 31, 2012, the report was modified by the same method for the years ended March 31, 2014 and 2013.

3. Information about reported segment sales and profit or loss

2014	Millions of Yen				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 100,940	¥ 21,090	¥ 10,567	¥ 23	¥ 132,620
To other segments	–	–	–	705	705
Total	¥ 100,940	¥ 21,090	¥ 10,567	¥ 728	¥ 133,325
Segment income	2,643	847	513	18	4,021
Other					
Depreciation and amortization	444	67	285	–	796

2013	Millions of Yen				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 83,951	¥ 18,309	¥ 9,545	¥ 18	¥ 111,823
To other segments	–	–	–	678	678
Total	¥ 83,951	¥ 18,309	¥ 9,545	¥ 696	¥ 112,501
Segment income	1,707	1,056	343	15	3,121
Other					
Depreciation and amortization	347	53	146	–	546

2012	Millions of Yen				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 88,550	¥ 19,691	¥ 7,884	¥ 23	¥ 116,148
To other segments	–	–	0	669	669
Total	¥ 88,550	¥ 19,691	¥ 7,884	¥ 692	¥ 116,817
Segment income	2,317	1,303	577	15	4,212
Other					
Depreciation and amortization	358	60	151	–	569

2014	Thousands of U.S. Dollars				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	$ 980,762	$ 204,916	$ 102,672	$ 224	$ 1,288,574
To other segments	–	–	–	6,850	6,850
Total	$ 980,762	$ 204,916	$ 102,672	$ 7,074	$ 1,295,424
Segment income	25,680	8,230	4,984	175	39,069
Other					
Depreciation and amortization	4,314	651	2,769	–	7,734

Reportable segment assets and liabilities have not been shown, as they are not used as the basis for deciding the allocation of management resource or evaluating operating performance.

Segment income is adjusted to reflect operating income as reported in the consolidated statement of income.

4. Difference between the total of segments and consolidated statements of operations
(a) Sales

(a) Net sales

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	2014
Segment total	¥ 133,325	¥ 112,501	¥ 116,817	$ 1,295,424
Eliminations	(705)	(678)	(669)	(6,850)
Net sales shown in the consolidated statements of income	¥ 132,620	¥ 111,823	¥ 116,148	$ 1,288,574

(b) Income

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	2014
Segment total	¥ 4,021	¥ 3,121	¥ 4,212	$ 39,069
Amortization of goodwill	(5)	(18)	(46)	(49)
Other adjustment	27	(2)	56	262
Operating income shown in the consolidated statements of income	¥ 4,043	¥ 3,101	¥ 4,222	$ 39,283

(Related information)
For the years ended March 31, 2014, 2013 and 2012

1. Information about products and services
Information about products and services is omitted, since similar information is disclosed in segment information.

2. Information about geographic areas
(a) Sales

Millions of Yen			
2014			
Japan	Asia	Others	Total
¥ 82,654	¥ 48,703	¥ 1,263	¥ 132,620

Millions of Yen			
2013			
Japan	Asia	Others	Total
¥ 68,782	¥ 42,357	¥ 684	¥ 111,823

Millions of Yen			
2012			
Japan	Asia	Others	Total
¥ 75,231	¥ 40,163	¥ 754	¥ 116,148

Thousands of U.S. Dollars			
2014			
Japan	Asia	Others	Total
$ 803,090	$ 473,212	$ 12,272	$1,288,574

Net sales are classified into country or region, based on customers' location.
Breakdown of regions belong to each section is as follows:
Asia: China, Taiwan, Singapore, Thailand, etc.
Others: United States, Europe, etc.

(b) Tangible fixed assets
Information about tangible fixed assets is omitted, since the amount of tangible fixed assets located in Japan exceeds 90% of that of tangible fixed assets in the consolidated balance sheets.

3. Information about major customers
Information about major customers is omitted, since there is no major customer that makes up more than 10% of consolidated net sales.

(Information about impairment losses fixed assets by reportable segments)
For the years ended March 31, 2014, 2013 and 2012

	Millions of Yen				
	2014				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	¥ 171	¥ –	¥ –	¥ –	¥ 171

	Millions of Yen				
	2013				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	¥ –	¥ –	¥ 436	¥ –	¥ 436

	Millions of Yen				
	2012				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	¥ –	¥ –	¥ 91	¥ –	¥ 91

	Thousands of U.S. Dollars				
	2014				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	$ 1,661	$ –	$ –	$ –	$ 1,661

For the year ended March 31, 2014
The Group recognized impairment loss of ¥345 million on disposal by sale of buildings and land in Itami-shi, Hyogo, and it is not allocated to reportable segments.

(Information about goodwill in reportable segments)
For the years ended March 31, 2014, 2013 and 2012

	Millions of Yen				
	2014				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 0	¥ 5	¥ –	¥ –	¥ 5
Unamortized balance	¥ 1	¥ 14	¥ –	¥ –	¥ 15

	Millions of Yen				
	2013				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 13	¥ 5	¥ –	¥ –	¥ 18
Unamortized balance	¥ 2	¥ 18	¥ –	¥ –	¥ 20

	Millions of Yen				
	2012				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 42	¥ 4	¥ –	¥ –	¥ 46
Unamortized balance	¥ 13	¥ 23	¥ –	¥ –	¥ 36

	Thousands of U.S. Dollars				
	2014				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	$ 0	$ 49	$ –	$ –	$ 49
Unamortized balance	$ 10	$ 135	$ –	$ –	$ 145

(Information about negative goodwill)
For the years ended March 31, 2014, 2013 and 2012
Not applicable.

21. Net assets

Net assets comprise four subsections, which are owners' equity, accumulated gains (losses) from valuation and translation adjustments, share subscription rights and minority interests. The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock; they were available for distribution by a resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

Payments of dividends are accounted for as appropriation of retained earnings or other capital surplus, as applicable, in the period approved at the shareholders' meeting or at the Board of Directors or as of the date when dividends are determined to take effect by the shareholders or the Board of Directors.

22. Comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Net unrealized holding gains (losses) on investment securities			
Increase (decrease) during the year	¥ 1,545	¥ 408	$ 15,012
Reclassification adjustments	66	(17)	641
Sub-total, before tax	1,611	391	15,653
Tax (expense) or benefit	(498)	(122)	(4,839)
Sub-total, net of tax	¥ 1,113	¥ 269	$ 10,814
Unrealized gains (losses) on hedging derivatives			
Increase (decrease) during the year	¥ 99	¥ 126	$ 962
Reclassification adjustments	(126)	(32)	(1,224)
Sub-total, before tax	(27)	94	(262)
Tax (expense) or benefit	13	(36)	126
Sub-total, net of tax	¥ (14)	¥ 58	$ (136)
Foreign currency translation adjustments			
Increase (decrease) during the year	¥ 610	¥ 874	$ 5,927
Reclassification adjustments	–	–	–
Sub-total, before tax	610	874	5,927
Tax (expense) or benefit	–	–	–
Sub-total, net of tax	¥ 610	¥ 874	$ 5,927
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	¥ 2	¥ 3	$ 20
Reclassification adjustments	(1)	0	(10)
Sub-total	¥ 1	¥ 3	$ 10
Total other comprehensive income	¥ 1,710	¥ 1,204	$ 16,615

Independent Auditor's Report

To the Board of Directors of
Hakuto Co., Ltd.:

We have audited the accompanying consolidated financial statements of Hakuto Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the three years in the period ended March 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hakuto Co., Ltd. and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the three years in the period ended March 31, 2014, in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 26, 2014
Tokyo, Japan

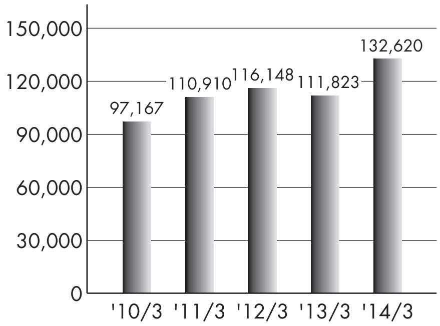
Consolidated Financial Highlights

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2014, 2013 and 2012

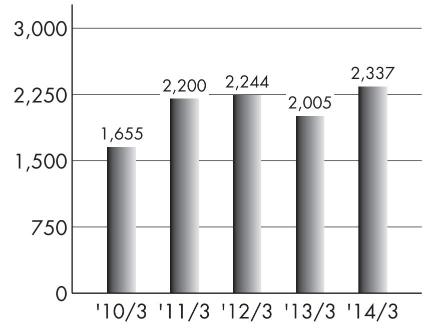
	Millions of Yen 2014	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars 2014	Percent change between 2014 and 2013
OPERATING DATA					
NET SALES	¥132,620	¥111,823	¥116,148	$1,288,574	18.6%
INCOME BEFORE INCOME TAXES	3,699	3,074	4,019	35,941	20.4%
NET INCOME	2,337	2,005	2,244	22,707	16.5%
FINANCIAL DATA					
TOTAL ASSETS	¥ 82,808	¥ 74,176	¥ 72,381	$ 804,586	11.6%
NET ASSETS	46,528	43,554	41,260	452,079	6.8%
PER SHARE DATA	Yen			U.S. Dollars	
NET INCOME PER SHARE	¥ 106.86	¥ 91.74	¥ 102.64	$ 1,038.28	16.5%
CASH DIVIDENDS PER SHARE	35.00	35.00	35.00	340.07	0.0%

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥102.92 to U.S. $1.
See Note 1 to the consolidated financial statements.

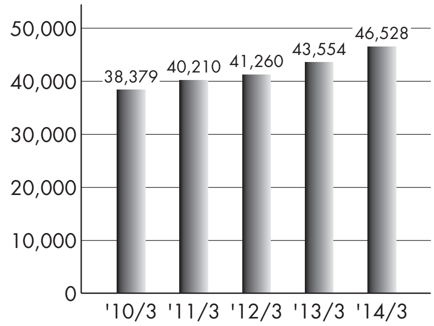
Net Sales
(millions of yen)



Net Income
(millions of yen)



Net Assets (Shareholders' Equity)
(millions of yen)



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