2015 Annual Report

Hakuto Co., Ltd.

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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 63rd term, which began on April 1, 2014, and ended on March 31, 2015.

During the year under review, the U.S. economy was characterized by favorable consumption, stemming from historically low crude oil prices. A focus on interest rate rises following an end to quantitative easing brought a positive note to the economic outlook.

The European economy faced instability on a number of fronts, marked by the Greek debt crisis, economic sanctions targeting Russia, and quantitative easing by the European Central Bank. Resolving these issues is likely to take time.

In Asia, economic growth in China slowed, due partly to the impact of financial regulations targeting real estate investment. At the same time, China's presence in the global economy grew more pronounced, with the country spearheading the establishment of the Asian Infrastructure Investment Bank. This move suggests that the Chinese yuan could begin playing a full-fledged role as a settlement currency.

In Japan, the economy was marked by concerns about the impact on people's lives of a rise in consumption tax, while the government focused on promoting measures to expand income. Amid weak economic conditions, increases in interest rate were not expected for the foreseeable future. As a result, the yen depreciated significantly against the U.S. dollar, as economic stability in United States led to expectations of interest rate rises, and the yen fell to historically low levels against the dollar from the second half of 2014.

Against a backdrop of yen depreciation, the core Japanese automotive industry and other export-oriented industries enjoyed higher earnings, and performance by export-oriented businesses improved significantly. At the same time, major yen depreciation encouraged purchasing of materials and components to return to Japan.

In the electronics industry, a core business for the Hakuto Group, sales benefited from robust North American automobile sales and favorable sales of automotive equipment. These included power steering and other drives and electrical equipment, as well as products that support the shift to electronics of convenience and safety equipment providing collision safety functions, parking-assistance functions and so on.

In the mobile market, the increasing prevalence of smartphones in emerging markets prompted further investment in related manufacturing equipment, and shipments were positive for electronic components related to touch panels. The spread of inexpensive models in emerging markets is spawning intense price competition as technological innovation advances, and shifts in global market share are changing rapidly.

In the industrial chemical-related field, the domestic market has been shrinking due to the reorganization of major oil wholesale companies in the petroleum and petrochemical-related sectors. As a result, overseas business development is accelerating as companies seek out new demand.

The paper and pulp sector is experiencing a continuing downward trend in demand for paper used in advertising media. Going forward, this situation is likely to become a major issue, as companies accelerate their moves into overseas markets.

Operating in this environment, the Hakuto Group posted consolidated net sales of ¥131,073 million for the fiscal year under review, down 1.2% from the preceding fiscal year.

In terms of profit, gross profit expanded 2.0%, to ¥19,482 million, as substantial yen depreciation continuing from the second half of the fiscal year under review caused selling prices denominated in foreign currencies to rise.

Selling, general and administrative expenses increased 0.8%, to ¥15,174 million, essentially on a par with the preceding term. Accordingly, operating income grew 6.6%, to ¥4,308 million.

Net income amounted to ¥3,394 million, up 45.2% year on year. Contributing to this increase was a ¥240 million gain on sale of subsidiaries' shares in the industrial chemicals business, a ¥215 million gain on the sale of land and buildings at the Kansai Branch and an extraordinary gain of ¥107 million stemming from special dividends on investment securities.

The Hakuto Group strives to provide stable dividends, as it considers increasing the return of profits to shareholders to be one of its most important management tasks. In line with this thinking, we have revised our target consolidated payout ratio from 20% to 30% or above to further boost shareholder returns, and raised our year-end dividend by ¥5 from the forecast level of ¥20. Including the year-end dividend of ¥25, dividends for the year were thus ¥40 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

- Demand was robust for electronic devices for printers and multifunctional devices, thanks to overseas demand for the shift to color printers. Sales in emerging markets also expanded.
- Sales of products for in-vehicle and industrial equipment were also favorable.
- Profit margins rose across the board, due to the impact of yen depreciation.
- Sales of consumer-related products were problematic, due to reduced production by customers.

Outlook for the Next Term (Ending March 31, 2016)

- We expect demand to remain equivalent to the previous year's level, as manufacturers of printers and multifunctional devices shift to next-generation products.
- For in-vehicle components, we anticipate a full-fledged launch of Long-Term Evolution (LTE) communication modules.
- Demand should expand for integrated circuits used in Chinese smartphones.
- We believe that demand conditions for consumer-related products, such as televisions, digital cameras and personal computers (PCs), will remain difficult.

Electronic Components Division

Overview of the Term under Review

- We succeeded in expanding sales in the liquid crystal display (LCD) and touch-panel businesses.
- Business was robust for products related to high-speed rail, thanks to the promotion of investment in Chinese railways.
- Sales of electricity at five mega solar power plants contributed to performance throughout the year.
- Although sales were firm for photovoltaic power products for residences, demand declined for nonresidential products.
- Owing to production cutbacks by key customers, sales of PC connectors were lackluster.

Outlook for the Next Term (Ending March 31, 2016)

- In the LCD and touch-panel businesses, we look forward to higher sales outside the office automation (OA) sector, such as for use in arcade games.
- We forecast steady results in the electric power sales business.
- We anticipate ongoing residential sales in the photovoltaic power products business.
- Sales of PC connectors are likely to remain sluggish.

Electronic and Electronic Equipment Division

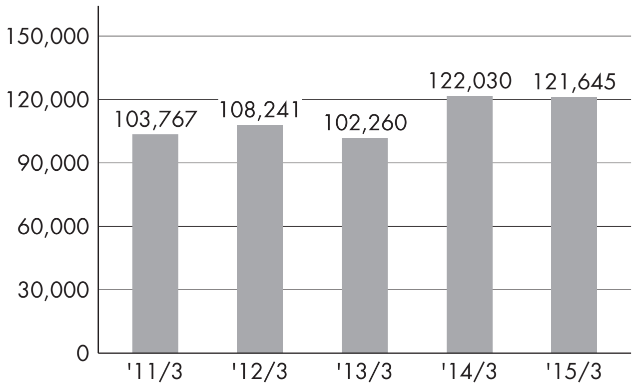
Overview of the Term under Review

- In the in-vehicle category, sales of semiconductors and thermal test solution equipment were favorable.
- Sales of high priced equipment, such as pelletron particle accelerators and cyclotrons for making resonance imaging preparations for positron emission tomography (PET) scans, contributed to overall sales. We also recorded sales of several Veeco Instruments large-scale metal-organic chemical vapor deposition (MOCVD) systems, which are used in the manufacture of light-emitting diodes (LEDs).
- Sales were positive for flexible printed circuit (FPC) substrate exposure and testing devices for smartphones.
- We acquired end-user certification on steppers for semiconductor packages, and commenced full-fledged sales.

Outlook for the Next Term (Ending March 31, 2016)

- We anticipate increased sales of Veeco Instruments compound semiconductor manufacturing equipment.
- Overseas sales of ion milling systems for microelectromechanical systems (MEMS) and sensors are expected to grow.
- Sales of steppers for semiconductor packages are expected to rise. Development of steppers for next-generation packages is also slated to begin.
- Development of new laminators for printed substrates is now complete, and sales are commencing.

Sales
(millions of yen)



Chemicals

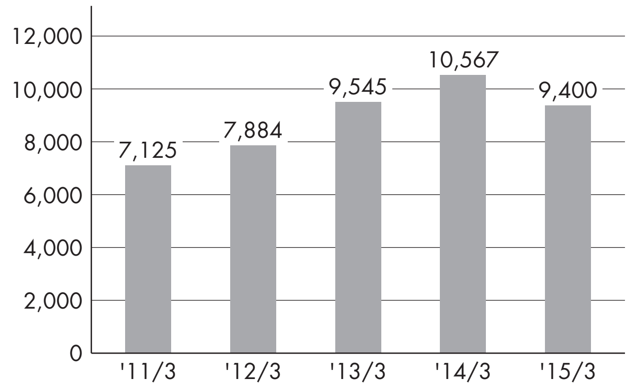
Overview of the Term under Review

- In the petroleum and petrochemical business, product sales and the construction business performed well. Performance in the construction business was particularly strong, owing to the sales of new services.
- The cosmetics business recorded substantial sales growth, particularly second-half sales of original equipment manufacturer (OEM) products.
- Although overall sales were down, the profit ratio climbed as the sales ratio of our own products increased.
- Performance in chemicals for the paper and pulp industry struggled, as customers cut production volumes.

Outlook for the Next Term (Ending March 31, 2016)

- As the consolidation of petroleum and petrochemical plants continues, competition in related markets is expected to grow more severe.
- We will expand business in fields other than petroleum and petrochemicals, paper and pulp, and automotive. We also plan to reinforce overseas sales and work toward the launch of our own brand of cosmetics.

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

Consolidated net sales for the fiscal year under review dipped ¥1,547 million, or 1.2% year on year, to ¥131,073 million. In terms of profit, the yen continued to depreciate significantly from the second half of the fiscal year, increasing selling prices of products denominated in foreign currencies. As a result, gross profit expanded ¥3,856 million, or 2.0%, to ¥19,482 million.

Selling, general and administrative expenses were essentially unchanged from the previous fiscal year, rising ¥121 million, or 0.8%, to ¥15,174 million. Accordingly, operating income expanded ¥265 million, or 6.6%, to ¥4,308 million.

In extraordinary items, during the year the Group recorded a ¥240 million gain on the sales of subsidiaries' shares in the industrial chemicals business, as well as a ¥215 million gain on the sale of land and buildings at the Kansai Branch and an extraordinary gain of ¥107 million due to special dividends on investment securities. As a result, income before income taxes expanded ¥1,355 million, or 36.6%, to ¥5,054 million, and net income surged ¥1,057 million, or 45.2%, to ¥3,394 million.

Balance Sheet Items

Current assets at the end of the term under review expanded by ¥787 million, up 1.2% from the previous term. This was mainly due to a decrease of ¥1,875 million in notes and account receivable and an increase of ¥2,162 million in inventories.

Fixed assets at the end of the term under review dropped by ¥809 million, down 4.6% from the previous term. This reflected a decline of ¥325 million in machinery and equipment and a decrease of ¥275 million in investment securities.

As a result of these factors, total assets amounted to ¥82,786 million as of March 31, 2015, dipping ¥22 million from a year earlier.

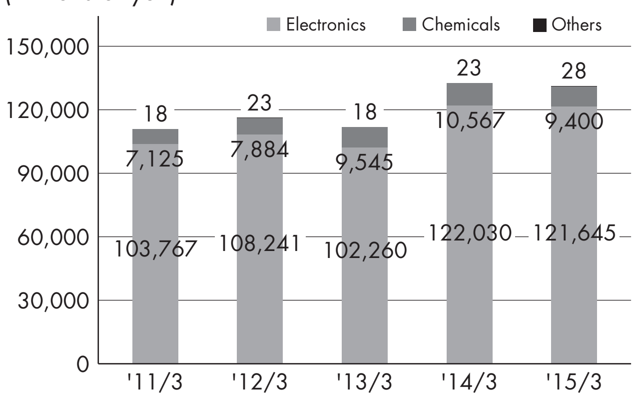
Current liabilities decreased by ¥2,489 million (down 8.8%) from the end of the previous term. The main reasons for this decline were a ¥1,078 million drop in short-term borrowings, as well as a ¥641 million decline in notes and accounts payable-trade.

Non-current liabilities declined by ¥1,804 million (down 22.3%) from the end of the previous term. This was largely due to a ¥1,671 million decrease in long-term debt.

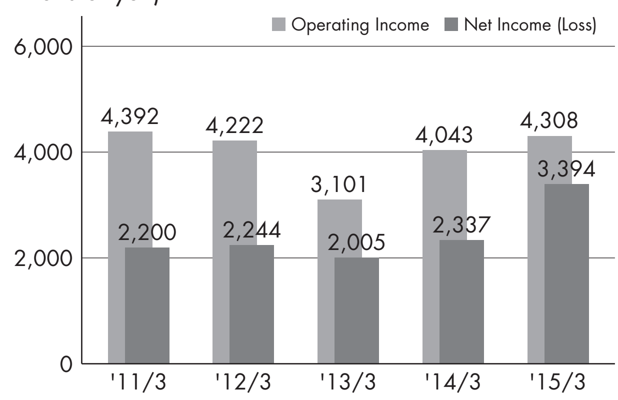
Based on the above, total liabilities at the end of the term under review decreased by ¥4,293 million (down 11.8%) from the previous term to ¥31,987 million.

Net assets increased by ¥4,271 million (or 9.2%) in comparison with the previous term to ¥50,799 million. This largely reflected a ¥2,938 million increase in retained earnings and a ¥1,356 million rise in the foreign currency translation adjustment.

Sales by Product Category
(millions of yen)



Operating Income and Net Income (Loss)
(millions of yen)



Cash Flows

During the fiscal year under review, net cash provided by operating activities amounted to ¥4,296 million, net cash used in investing activities was ¥375 million, and net cash used in financing activities totaled ¥3,659 million. Exchange rate fluctuations had the effect of increasing cash and cash equivalents by ¥731 million. As a result of these factors, cash and cash equivalents stood at ¥12,127 million as of March 31, 2015, up ¥993 million from March 31, 2014.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥4,296 million. Primary sources of cash included income before income taxes of ¥5,054 million and a ¥2,887 million decrease in trade receivables. Among major uses of cash were income taxes paid of ¥1,792 million and a ¥1,522 million increase in inventories. In the previous term, cash flows from operating activities resulted in a net inflow of ¥1,733 million due primarily to income before income taxes of ¥3,699 million.

Cash flow from investing activities

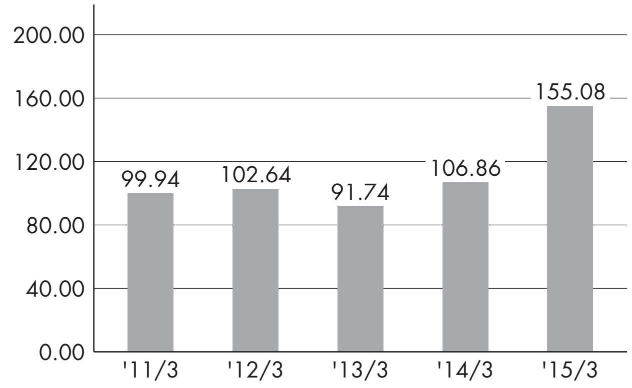
Net cash used in investing activities was ¥375 million, as proceeds from the redemption of time deposits provided ¥1,028 million, while payments into time deposits used ¥1,013 million, and payments for purchase of tangible fixed assets used ¥473 million. In the previous term, payments for purchase of tangible fixed assets used ¥2,679 million, resulting in ¥2,070 million in cash used in investing activities.

Cash flows from financing activities

Net cash used in financing activities totaled ¥3,659 million, as net changes in treasury stock provided ¥57 million, while net repayments of long-term debt used ¥2,176 million, and cash dividends paid used ¥765 million. In the preceding term, net cash provided by investing activities came to ¥1,011 million, due primarily to ¥1,894 million in net proceeds on long-term borrowings.

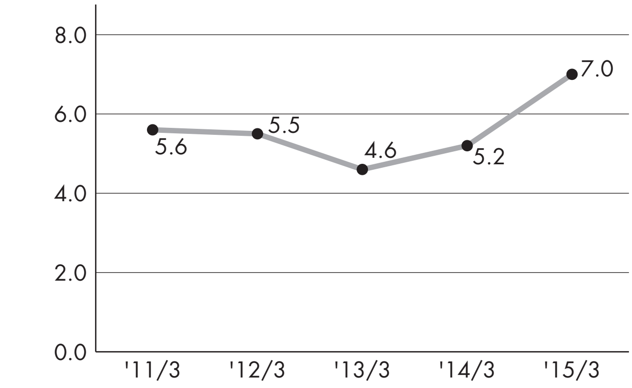
Net Income (Loss) per Share

(yen)



Return on Equity

(%)



Consolidated Balance Sheets

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2015 and 2014

Assets

Current Assets:	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Cash and time deposits (Notes 4 and 17)	¥ 12,438	¥ 11,418	$ 103,503
Receivables (Note 4):			
Notes and accounts receivable - trade	32,406	33,582	269,668
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	468	1,167	3,894
Allowance for doubtful accounts	(129)	(98)	(1,073)
Inventories (Note 7)	18,700	16,538	155,613
Deferred tax assets (Note 15)	785	713	6,532
Prepaid expenses and other current assets	1,379	1,940	11,476
Total current assets	66,047	65,260	549,613
Property, Plant and Equipment:			
Land and land improvements	3,080	3,237	25,630
Buildings and structures	5,360	5,501	44,603
Machinery and equipment	4,833	4,766	40,218
Other assets	4,144	4,395	34,485
Sub-total	17,417	17,899	144,936
Accumulated depreciation	(10,124)	(9,884)	(84,247)
Total property, plant and equipment	7,293	8,015	60,689
Investments and Other Non-current Assets:			
Investment securities (Notes 3, 4 and 5)	7,325	7,600	60,955
Net defined benefit asset (Note 9)	383	–	3,187
Deferred tax assets (Note 15)	41	213	341
Other non-current assets	1,697	1,720	14,122
Total investments and other non-current assets	9,446	9,533	78,605
Total Assets	¥ 82,786	¥ 82,808	$ 688,907

Liabilities and Net Assets

Current Liabilities:	Millions of Yen 2015	2014	Thousands of U.S. Dollars (Note 1) 2015
Short-term borrowings (Notes 4 and 8)	¥ 3,163	¥ 3,736	$ 26,321
Long-term debt due within one year (Notes 4 and 8)	2,126	2,631	17,692
Payables (Note 4):			
Notes and accounts payable - trade	15,623	16,605	130,007
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	1,168	827	9,720
Income taxes payable (Note 15)	532	915	4,427
Allowance for employees' bonuses	936	892	7,789
Accrued expenses and other current liabilities	2,159	2,590	17,966
Total current liabilities	25,707	28,196	213,922
Non-current Liabilities:			
Long-term debt (Notes 4 and 8)	3,810	5,481	31,705
Net defined benefit liability (Notes 9)	365	555	3,037
Allowance for directors' and corporate auditors' severance and retirement benefits	19	45	158
Deferred tax liabilities (Note 15)	1,999	1,830	16,635
Other non-current liabilities	87	173	724
Total non-current liabilities	6,280	8,084	52,259
Net Assets			
Owners' Equity			
Common stock:			
Authorized - 54,000,000 shares			
Issued and outstanding - 24,137,213 shares	8,100	8,100	67,405
Capital surplus	7,289	7,289	60,656
Retained earnings	34,715	31,777	288,881
Treasury stock, at cost - 2,226,930 shares	(3,932)	(3,982)	(32,720)
Total owners' equity	46,172	43,184	384,222
Accumulated Other Comprehensive Income(Note 22):			
Net unrealized holding gains (losses) on investment securities	3,207	3,280	26,687
Unrealized gains (losses) on hedging derivatives	(7)	64	(58)
Foreign currency translation adjustments	1,663	307	13,839
Accumulated adjustments for retirement benefit	(236)	(307)	(1,964)
Total other comprehensive income	4,627	3,344	38,504
Total net assets	50,799	46,528	422,726
Total Liabilities and Net Assets	¥ 82,786	¥ 82,808	$ 688,907

See accompanying notes.

Consolidated Statements of Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015, 2014 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	2015
Net Sales (Notes 5 and 20)	¥131,073	¥132,620	¥111,823	$1,090,730
Cost of Sales (Note 5)	111,591	113,524	94,478	928,610
Gross Profit	19,482	19,096	17,345	162,120
Selling, General and Administrative Expenses (Notes 10 and 18)	15,174	15,053	14,244	126,271
Operating Income (Note 20)	4,308	4,043	3,101	35,849
Other Income (Expenses):				
Interest and dividend income	198	222	179	1,648
Interest expenses	(88)	(103)	(109)	(732)
Exchange gain (loss), net	77	(46)	139	641
Gains on sale of fixed asset	218	3	86	1,814
Provision of allowance for loss on investment securities	–	–	(81)	–
Impairment losses (Note 11)	(50)	(517)	(436)	(416)
Loss on reduction of fixed asset	–	(98)	–	–
Compensation received (Note 12)	–	–	141	–
Subsidy income(Note 13)	–	124	–	–
Gains on sale of shares of subsidiaries	240	–	–	1,997
Extraordinary dividend income(Note 15)	107	–	–	890
Other - net	44	70	53	366
	746	(344)	(27)	6,208
Income before Income Taxes	5,054	3,699	3,074	42,057
Income Taxes Provision (Note 15):	1,660	1,362	1,069	13,814
Current	1,364	1,394	1,166	11,351
Deferred	296	(32)	(97)	2,463
Income before Minority Interests	3,394	2,337	2,005	28,243
Minority interests in net income	–	–	–	–
Net Income	¥ 3,394	¥ 2,337	¥ 2,005	$ 28,243

Amounts per Share (Note 2(o)):

	Yen			U.S. Dollars (Note 1)
Net Income	¥ 155.08	¥ 106.86	¥ 91.74	$ 1.29
Cash Dividends Applicable to the Year	40.00	35.00	35.00	0.33

Consolidated Statements of Comprehensive Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015, 2014 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	2015
Income before minority interests	¥ 3,394	¥ 2,337	¥ 2,005	$ 28,243
Other comprehensive income (losses) (Note 22)				
Net unrealized holding gains (losses) on investment securities	(75)	1,113	269	(624)
Unrealized gains on hedging derivatives	(71)	(14)	58	(591)
Foreign currency translation adjustments	1,356	610	874	11,284
Accumulated adjustments for retirement benefit	71	–	–	591
Share of other comprehensive income of associates accounted for using equity method	2	1	3	17
	1,283	1,710	1,204	10,677
Comprehensive income	4,677	4,047	3,209	38,920
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent	4,677	4,047	3,209	38,920
Comprehensive income attributable to minority interests	–	–	–	–

Consolidated Statements of Changes in Net Assets

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015, 2014 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	2015
Common stock:				
Balance, beginning of year	¥ 8,100	¥ 8,100	¥ 8,100	$ 67,405
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	8,100	8,100	8,100	67,405
Total changes of items during the period	–	–	–	–
Balance, end of year	8,100	8,100	8,100	67,405
Capital surplus				
Balance, beginning of year	7,289	7,492	7,492	60,656
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	7,289	7,492	7,492	60,656
Disposal of treasury stock	–	(203)	–	–
Total changes of items during the period	–	(203)	–	–
Balance, end of year	7,289	7,289	7,492	60,656
Retained earnings				
Balance, beginning of year	31,777	30,206	28,965	264,434
Cumulative effects of changes in accounting policies	317	–	–	2,638
Restated balance	32,094	30,206	28,965	267,072
Dividends from surplus	(773)	(766)	(765)	(6,434)
Net income	3,394	2,337	2,005	28,243
Total changes of items during the period	2,621	1,571	1,241	21,809
Balance, end of year	34,715	31,777	30,206	288,881
Treasury stock				
Balance, beginning of year	(3,982)	(4,185)	(4,185)	(33,136)
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	(3,982)	(4,185)	(4,185)	(33,136)
Disposal of treasury stock	50	433	–	416
Purchase of treasury stock	(0)	(230)	(0)	(0)
Total changes of items during the period	50	203	(0)	416
Balance, end of year	(3,932)	(3,982)	(4,185)	(32,720)
Total owners' equity				
Balance, beginning of year	43,184	41,613	40,372	359,359
Cumulative effects of changes in accounting policies	317	–	–	2,638
Restated balance	43,501	41,613	40,372	361,997
Dividends from surplus	(773)	(766)	(765)	(6,434)
Net income	3,394	2,337	2,005	28,243
Disposal of treasury stock	50	230	–	416
Purchase of treasury stock	(0)	(230)	(0)	(0)
Total changes of items during the period	2,671	1,571	1,241	22,225
Balance, end of year	46,172	43,184	41,613	384,222
Net unrealized holding gains (losses) on investment securities				
Balance, beginning of year	3,280	2,166	1,895	27,293
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	3,280	2,166	1,895	27,293
Net changes of items other than owners' equity	(73)	1,114	271	(606)
Total changes of items during the period	(73)	1,114	271	(606)
Balance, end of year	3,207	3,280	2,166	26,687
Unrealized gains (losses) on hedging derivatives				
Balance, beginning of year	64	78	19	533
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	64	78	19	533
Net changes of items other than owners' equity	(71)	(14)	59	(591)
Total changes of items during the period	(71)	(14)	59	(591)
Balance, end of year	(7)	64	78	(58)
Foreign currency translation adjustment				
Balance, beginning of year	307	(303)	(1,177)	2,555
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	307	(303)	(1,177)	2,555
Net changes of items other than owners' equity	1,356	610	874	11,284
Total changes of items during the period	1,356	610	874	11,284
Balance, end of year	1,663	307	(303)	13,839
Accumulated adjustments for retirement benefit				
Balance, beginning of year	(307)	–	–	(2,555)
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	(307)	–	–	(2,555)
Net changes of items other than owners' equity	71	(307)	–	591
Total changes of items during the period	71	(307)	–	591
Balance, end of year	(236)	(307)	–	(1,964)
Minority interests				
Balance, beginning of year	–	–	151	–
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	–	–	151	–
Net changes of items other than owners' equity	–	–	(151)	–
Total changes of items during the period	–	–	(151)	–
Balance, end of year	–	–	–	–
Net assets				
Balance, beginning of year	46,528	43,554	41,260	387,185
Cumulative effects of changes in accounting policies	317	–	–	2,638
Restated balance	46,845	–	–	389,823
Dividends from surplus	(773)	(766)	(765)	(6,434)
Net income	3,394	2,337	2,005	28,243
Disposal of treasury stock	50	230	–	416
Purchase of treasury stock	(0)	(230)	(0)	(0)
Net changes of items other than owners' equity	1,283	1,403	1,053	10,677
Total changes of items during the period	3,954	2,974	2,294	32,903
Balance, end of year	¥ 50,799	¥ 46,528	¥ 43,554	$ 422,726

See accompanying notes.

Consolidated Statements of Cash Flows

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015, 2014 and 2013

Cash Flows from Operating Activities:	Millions of Yen 2015	2014	2013	Thousands of U.S. Dollars (Note 1) 2015
Income before income taxes	¥ 5,054	¥ 3,699	¥ 3,074	$ 42,057
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,096	809	559	9,120
Impairment losses	50	517	436	416
Gains on sale of investment securities, net	(4)	(15)	(17)	(33)
Allowance for loss on investment securities, net	–	–	81	–
Loss on reduction of fixed asset	–	98	–	–
Gains on sale of shares of subsidiaries	(240)	–	–	(1,997)
Gains on sale and retirement of fixed asset	(208)	–	–	(1,731)
Change in receivables	2,887	(4,464)	372	24,024
Change in inventories	(1,522)	57	(1,394)	(12,665)
Change in payables	(1,425)	3,073	(1,066)	(11,858)
Income taxes paid(refund), net	(1,775)	(1,203)	(1,670)	(14,771)
Other	383	(838)	320	3,187
Net cash provided by (used in) operating activities	4,296	1,733	695	35,749
Cash Flows from Investing Activities:				
Proceeds from sale of property, plant and equipment	315	96	150	2,621
Payments for purchase of property, plant and equipment	(473)	(2,679)	(724)	(3,936)
Proceeds from sale of marketable securities and investment securities	10	24	69	83
Payments for purchase of marketable securities and investment securities	(9)	(167)	(10)	(75)
Purchase of investments in subsidiaries	–	–	(153)	–
Proceeds from sales of shares of subsidiaries with changing of scope of consolidation	171	–	–	1,423
Other	(389)	656	(1,178)	(3,237)
Net cash provided by (used in) investing activities	(375)	(2,070)	(1,846)	(3,121)
Cash Flows from Financing Activities:				
Change in short-term borrowings	(703)	(39)	(659)	(5,850)
Proceeds from long-term debt	700	4,530	2,480	5,825
Repayments of long-term debt	(2,876)	(2,636)	(2,597)	(23,933)
Net decrease in treasury stock	58	(0)	(0)	483
Cash dividends paid	(765)	(765)	(765)	(6,366)
Other	(73)	(79)	(83)	(606)
Net cash provided by (used in) financing activities	(3,659)	1,011	(1,624)	(30,449)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	731	191	504	6,084
Net Increase (Decrease) in Cash and Cash Equivalents	993	865	(2,271)	8,263
Cash and Cash Equivalents at Beginning of Year	11,134	10,269	12,540	92,652
Cash and Cash Equivalents at End of Year (Note 17)	¥12,127	¥11,134	¥10,269	$100,915

See accompanying notes.

Notes to Consolidated Financial Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015, 2014 and 2013

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.

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, 2015 which was ¥120.17 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 13 (14 in 2014 and 2013) 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.

Among consolidated subsidiaries, the account closing date of Shunde Morning Sky Ltd., Hakuto Enterprise (Shanghai)Ltd., Hakuto Trading (Shenzhen)Ltd., Microtek Hongkong Ltd. and Microtek Shanghai Ltd. are December 31. 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 statement more fairly.

For Microtek Hongkong Ltd. and Microtek Shanghai Ltd., financial statements as of the date of settlement are used and any material transactions arising in the period between the date of preparation and the date of settlement shall be handled by making adjustments as required for consolidation in 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 ("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.

(e) Derivative transactions and hedge accounting

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 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, 2015, 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

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.

(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.

(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) 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 (10years) 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)

The Company and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. Accordingly, the method of attributing expected benefit to periods was changed from the straight-line basis to the benefit formula basis, and for the method of determining the discount rate, it was changed to the method where a single weighted average discount rate reflecting the estimated period and amount of benefit payment is adopted.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, the liability for retirement benefits obligation decreased by ¥197 million and retained earnings increased by ¥316 million at the beginning of the current fiscal year. In addition, the effect this change has on profits and losses are negligible.

The effects on the earnings per share are insignificant.

(m) 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.

(n) 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.

(o) 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, 2015, 2014 and 2013, 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 208,935 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.

(p) 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.

(q) Reclassification - From the years ended March 31, 2014, 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 that had been stated as cost of sales for the years ended March 31, 2013 was classified to be stated as selling, general and administrative expenses.

(r) Additional information

Employee stock ownership plan (ESOP)

From the years ended March 31, 2014, 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 for the fiscal year ended March 31, 2015 and 2014 were ¥207 million and 183,300 shares, and ¥230 million and 235,400 shares, respectively.

3. Aggregate book value on loan under gross price method
The value was ¥207 million as of March 31, 2015.
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, 2015 and 2014 was as follows:

2015	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,499	¥ 6,035	¥ 4,536
Subtotal	¥ 1,499	¥ 6,035	¥ 4,536
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 61	¥ 60	¥ (1)
Subtotal	61	60	(1)
Total	¥ 1,560	¥ 6,095	¥ 4,535

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

2015	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 12,474	$ 50,221	$ 37,747
Subtotal	$ 12,474	$ 50,221	$ 37,747
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 508	$ 499	$ (9)
Subtotal	508	499	(9)
Total	$ 12,982	$ 50,720	$ 37,738

(b) Total sales of available-for-sale securities sold for the years ended March 31, 2015, 2014 and 2013 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	2015
Available-for-sale securities:				
Total sales amount	¥ 10	¥ 24	¥ 69	$ 83
Gains	4	15	17	33
Losses	–	–	0	–

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, 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, 2015 and 2014 were as follows.

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

2015	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 12,438	¥ 12,438	¥ –
(2) Receivables	32,874	32,874	–
(3) Investment securities	6,095	6,095	–
Total assets	51,407	51,407	–
(4) Short-term borrowings	3,163	3,163	–
(5) Long-term borrowings (*1)	5,936	5,971	35
(6) Payables	16,791	16,791	–
Total liabilities	25,890	25,925	35
Derivatives transactions (*2)	(29)	(29)	–

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

2015	Thousands of U.S. Dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 103,503	$ 103,503	$ –
(2) Receivables	273,562	273,562	–
(3) Investment securities	50,721	50,721	–
Total assets	427,786	427,786	–
(4) Short-term borrowings	26,321	26,321	–
(5) Long-term borrowings (*1)	49,397	49,688	291
(6) Payables	139,727	139,727	–
Total liabilities	215,445	215,736	291
Derivatives transactions (*2)	(241)	(241)	–

(*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, (2) Receivables
Since these are settled in a short term and their fair values are close to book values, they are stated at book value.

(3) Investment securities
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.

(4) Short-term borrowings, (6) Payables
Since these are settled in a short term and their fair values are close to book values, they are stated at book value.

(5) 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

Classification	Millions of Yen 2015 Book Value	Millions of Yen 2014 Book Value	Thousands of U.S. Dollars 2015 Book Value
Shares of subsidiaries and affiliated companies	¥ 1,035	¥ 971	$ 8,613
Unlisted shares	194	168	1,614

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 (3) Investment securities.

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

2015	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	¥ 12,438	¥ –	¥ –	¥ –
Receivables	32,874	–	–	–
Total	¥ 45,312	¥ –	¥ –	¥ –

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	–	–	–
Total	¥ 46,167	¥ –	¥ –	¥ –

2015	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	$ 103,503	$ –	$ –	$ –
Receivables	273,562	–	–	–
Total	$ 377,065	$ –	$ –	$ –

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

2015	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	¥ 2,126	¥ 1,311	¥ 1,094	¥ 789	¥ 476	¥ 140

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

2015	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	$ 17,692	$ 10,910	$ 9,104	$ 6,565	$ 3,961	$ 1,165

5. Non-consolidated subsidiaries and affiliated companies

Summarized information on balances and transactions with affiliated companies as of the years ended March 31, 2015, 2014 and 2013 was as follows:

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Receivables	¥ 468	¥ 1,167	$ 3,894
Investment securities	1,035	971	8,613
Payables and other current liabilities	1,168	827	9,720

	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars 2015
Sales to	¥ 1,719	¥ 1,898	¥ 362	$ 14,305
Purchases from	2,320	2,776	3,902	19,306

6. Related party transactions

Related party transactions for 2015, 2014 and 2013 were as follows:

(Major Shareholder)	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars 2015
Lufs:				
Sales	¥ –	¥ 1,599	¥ –	$ –
Receivables	–	1,016	–	–

7. Inventories

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Merchandise and Finished goods	¥ 18,097	¥ 16,041	$150,595
Raw materials	545	425	4,535
Work in process	44	56	366
Supplies	14	16	117
Total	¥ 18,700	¥ 16,538	$155,613

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, 2015 was 0.7% and as of March 31, 2014 was 0.7%

(b) Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
0.68% to 0.75% loans from Japanese insurance companies, due in 2014 to 2018	¥ 160	¥ 614	$ 1,332
0.43% to 3.35% loans from Japanese banks, due in 2014 to 2020	5,776	7,498	48,065
Total	¥ 5,936	¥ 8,112	$ 49,397
Less amount due within 1 year	2,126	2,631	17,692
Long-term debt	3,810	5,481	31,705

9. Employees' severance and retirement benefits

1. Defined benefit plans for the year ended March 31, 2015 and 2014.

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
(1) Movement in retirement benefit obligations (expect plan applied sinmplified method):			
Balance at April 1, 2014	¥ 2,893	¥ 2,766	$ 24,074
Changes in accounting policies	(492)	–	(4,094)
Balance at April 1, 2014 reflect changes in accounting policies	2,401	2,766	19,980
Service cost	195	188	1,623
Interest cost	25	28	208
Actuarial loss (gain)	6	1	50
Benefits paid	(82)	(98)	(682)
Other	16	8	132
Balance at the end of the year	¥ 2,561	¥ 2,893	$ 21,311

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
(2) Movements in plan assets (expect plan applied sinmplified method)			
Balance at April 1, 2014	¥ 2,582	¥ 2,415	$ 21,486
Expected return on plan assets	34	31	283
Actuarial loss (gain)	80	16	666
Contributions paid by the employer	193	215	1,606
Benefits paid	(75)	(95)	(624)
Other	0	–	0
Balance at the end of the year	¥ 2,814	¥ 2,582	$ 23,417

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
(3) Movement in liability for retirement benefits on plan applying the simplified method:			
Balance at April 1, 2014	¥ 244	¥ 251	$ 2,030
Service cost	63	71	524
Benefits paid	(1)	(51)	(8)
Contributions paid by the employer	(24)	(27)	(200)
Decresse due to change in the scope of consolidation	(47)	–	(390)
Other	0	–	0
Balance at the end of the year	¥ 235	¥ 244	$ 1,956

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits			
Funded retirement benefit obligations	¥ 2,561	¥ 3,018	$ 21,311
Plan assets	(2,814)	(2,664)	(23,417)
	(253)	354	(2,106)
Unfunded retirement benefit obligations	235	201	1,956
Total Net liability (asset) for retirement benefits	(18)	555	(150)
Asset for retirement benefits	(383)	–	(3,187)
Liability for retirement benefits	365	555	3,037
Total Net liability (asset) for retirement benefits	¥ (18)	¥ 555	$ (150)

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
(5) Retirement benefit costs			
Service cost	¥ 195	¥ 188	$ 1,623
Interest cost	25	28	208
Expected return on plan assets	(34)	(31)	(283)
Net actuarial loss amortization	55	35	458
Retirement benefit costs based on the simplified method	63	71	524
Total retirement benefit costs	¥ 304	¥ 291	$ 2,530

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
(6) Adjustments for retirement benefit			
Actuarial gains and losses	130	–	1,082
Total balance at the end of the year	¥ 130	¥ –	$ 1,082

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
(7) Accumulated adjustments for retirement benefit			
Actuarial gains and losses that are yet to be recognized	(343)	(473)	(2,854)
Total balance at the end of the year	¥ (343)	¥ (473)	$ (2,854)

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
(8) Plan assets			
1. Plan assets comprise:			
General account	¥ 2,503	¥ 2,388	$ 20,829
Bonds	240	210	1,997
Equity securities	59	57	491
Other	12	9	100
Total	¥ 2,814	¥ 2,664	$ 23,417

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.

(9) Actuarial assumptions

The principal actuarial assumptions were as follows:

	2015	2014
Discount rate	1.0%	1.0%
Long-term expected rate of return	1.3%	1.3%

2. Defined contribution plan

The contribution amount of certain subsidiaries for the year ended March 31, 2015 and 2014 were ¥54 million and ¥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, 2015, 2014 and 2013 were ¥136 million ($1,132 thousand), ¥143 million and ¥149 million respectively.

11. Impairment losses

The Group recognized impairment losses for groups of assets in the years ended March 31, 2015 and 2014 and 2013 as follows:

2015		
Location	Use	Type of assets
Shinjuku-ku, Tokyo	Unused assets	Software
Isehara-shi, Kanagawa	Unused assets	equipment

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.

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, software, 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, 2015 amounted to ¥50 million ($416 thousand).

The impairment losses for the year ended March 31, 2014 amounted to ¥517 million.

The impairment losses for the year ended March 31, 2013 amounted to ¥436 million.

In the year ended March 31, 2015, the recoverable amounts of the software and equipment were estimated at zero.

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 a subsidiary were estimated at zero.

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.

12. Compensation received

A subsidiary received compensation from Tokyo Electric Power Company, Incorporated for lost earnings in the end of years March 31, 2015.

13. Subsidy income

A subsidiary received a subsidy for business activity which was contributed the industrial recovery of Fukushima in the end of years March 31, 2015.

14. Extraordinary dividend income

The receipt of the dividend is from the organizational restructuring of the investment in the end of years March 31, 2015.

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 35.6% for the years ended March 31, 2015, and 38.0% for the years ended March 31, 2014 and 2013.

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, 2015, 2014 and 2013.

	2015	2014	2013
Statutory tax rate:	35.6%	38.0%	38.0%
Valuation allowance	(1.7)	2.4	(2.3)
Non-deductible expenses	0.5	1.4	1.6
Per capita inhabitant tax	0.7	0.9	1.2
Lower tax rates of overseas consolidated subsidiaries	(5.9)	(7.2)	(6.6)
Amortization of goodwill	0.0	0.0	0.2
Undistributed earnings of foreign subsidiaries	2.7	2.6	2.9
Decrease of deferred tax assets at the fiscal year-end due to the charge of tax rate	0.9	1.6	–
Special credit of corporation tax	(0.5)	(2.6)	(0.4)
Others	0.5	(0.4)	0.2
Effective tax rate	32.8%	36.8%	34.8%

(b) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Deferred tax assets:	2015	2014	2015
Directors' and corporate auditors' retirement benefits	¥ 6	¥ 16	$ 50
Accrued employees' bonuses	282	297	2,347
Net defined benefit liability	90	180	749
Allowance for doubtful accounts	34	19	283
Devaluation of inventories	357	304	2,971
Devaluation of investment securities	256	334	2,130
Differences between fair value and cost of assets of consolidated subsidiaries	313	343	2,605
Impairment loss	245	427	2,039
Net loss carryforwards	555	615	4,618
Others	401	487	3,336
Less-Valuation allowance	(1,497)	(1,672)	(12,457)
Total deferred tax assets	¥ 1,042	¥ 1,350	$ 8,671
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	¥(1,350)	¥(1,602)	$ (11,234)
Retained earnings of subsidiaries	(695)	(559)	(5,783)
Net defined benefit asset	(124)	–	(1,032)
Others	(46)	(93)	(383)
Total deferred tax liabilities	(2,215)	(2,254)	(18,432)
Net deferred tax assets (liabilities)	¥(1,173)	¥ (904)	$ (9,761)

(c) Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015. Due to these changes in statutory income tax rates, net deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥115 million ($957 thousand), net unrealized holding gains on investment securities increased by ¥138 million ($1,148 thousand), unrealized gains (losses) on hedging derivatives, decreased by ¥0 million ($0 thousand), accumulated adjustments for retirement benefit, decreased by ¥10 million ($83 thousand), as of March 31, 2015 and deferred income tax expense recognized for the year ended March 31, 2015 increased by ¥32 million($266 thousand).

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, 2015 and 2014 of derivative transactions for which hedge accounting has been adopted.

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

Currency-related transactions

2015		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	¥ 6,750	¥ –	¥ (58)	¥ (58)
	Yen	19	–	4	4
	Buy				
	U.S. dollars,	4,312	–	45	45
	Euro,	253	–	(7)	(7)
	Yen	154	–	(2)	(2)
Total		¥11,488	¥ –	¥ (18)	¥ (18)

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)
	Yen	–	–	–	–
	Buy				
	U.S. dollars,	3,114	–	18	18
	Euro,	415	–	4	4
	Yen	–	–	–	–
Total		¥ 9,725	¥ –	¥ 4	¥ 4

2015		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	$56,170	$ –	$ (483)	$ (483)
	Yen	159	–	34	34
	Buy				
	U.S. dollars,	35,882	–	374	374
	Euro,	2,105	–	(58)	(58)
	Yen	1,282	–	(17)	(17)
Total		$95,598	$ –	$ (150)	$ (150)

Interest-related transactions
Not applicable.

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

2015			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,		¥ 113	¥ –	¥ 1
	Buy	Forecasted transaction in foreign currency			
	U.S. dollars,		249	–	2
	Euro,		181	–	(6)
	Canadian dollars		280	40	(9)
	Swiss franc		45	–	1
	Total		¥ 868	¥ 40	¥ (11)

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	Forecasted transaction in foreign currency			
	U.S. dollars,		784	–	99
	Euro,		176	–	2
	Canadian dollars		138	–	(3)
	Total		¥ 1,204	¥ –	¥ 99

2015			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	Forecasted transaction in foreign currency			
	Sell				
	U.S. dollars,		$ 940	$ –	$ 8
	Buy	Forecasted transaction in foreign currency			
	U.S. dollars,		2,072	–	17
	Euro,		1,506	–	(50)
	Canadian dollars		2,330	333	(75)
	Swiss franc		375	–	8
	Total		$ 7,223	$ 333	$ (92)

Interest-related transactions

2015			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	¥ 1,464	¥ 962	¥ –
	Total		¥ 1,464	¥ 962	¥ –

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	¥ –

2015			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	$12,183	$ 8,005	$ –
	Total		$12,183	$ 8,005	$ –

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, 2015, 2014 and 2013 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	2015
Cash and time deposits	¥ 12,438	¥ 11,418	¥ 11,365	$103,503
Add:marketable securities	–	–	0	(0)
Total	12,438	11,418	11,365	103,503
Less:time deposits with maturities exceeding three months	(311)	(284)	(1,096)	(2,588)
Cash and cash equivalents	¥ 12,127	¥ 11,134	¥ 10,269	$100,915

Summary of net assets (liabilities) and net payment for the sales of investments excluded from consolidation is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 431	$ 3,587
Noncurrent assets	194	1,614
Current liabilities	(442)	(3,678)
Noncurrent liabilities	(81)	(674)
Gain on sale of stock	240	1,997
Sale fee	27	225
Selling price of stock	369	3,071
Cash and cash equivalents	(198)	(1,648)
Less: Proceeds from sale	¥ 171	$ 1,423

18. Information for certain lease transactions

Future lease payments under operating leases as of March 31, 2015 and 2014 were ¥456 million ($3,795 thousand) and ¥499 million, including ¥275 million ($2,288 thousand) and ¥257 million due within one year.

19. Subsequent events

On May 15, 2015, the Board of Directors approved payment of year-end cash dividends to the shareholders of record as of March 31, 2015 of ¥25.0 ($0.21) per share or a total of ¥552 million ($4,593 thousand).

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 per share or a total of ¥442 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.

As stated in "Change in Accounting policy, in Note2 (l)" the calculation methods of retirement benefit obligations and service costs were changed from the fiscal year ended March 31, 2015. Accordingly, the calculation methods of these in the business segment were changed in the same manner. Effects of the change on segment income for the fiscal year ended March 31, 2015 is insignificant.

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.

3. Information about reported segment sales and profit or loss

2015	Millions of Yen				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 99,302	¥ 22,343	¥ 9,400	¥ 28	¥ 131,073
To other segments	–	–	–	682	682
Total	¥ 99,302	¥ 22,343	¥ 9,400	¥ 710	¥ 131,755
Segment income	2,940	889	443	21	4,294
Other					
Depreciation and amortization	926	118	52	–	1,096

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

2015	Thousands of U.S. Dollars				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	$ 826,346	$ 185,928	$ 78,223	$ 233	$ 1,090,730
To other segments	–	–	–	5,675	5,675
Total	$ 826,346	$ 185,928	$ 78,223	$ 5,908	$ 1,096,405
Segment income	24,465	7,398	3,685	175	35,733
Other					
Depreciation and amortization	7,706	982	432	–	9,120

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) Net sales

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	2015
Segment total	¥ 131,755	¥ 133,325	¥ 112,501	$ 1,096,405
Eliminations	(682)	(705)	(678)	(5,675)
Net sales shown in the consolidated statements of income	¥ 131,073	¥ 132,620	¥ 111,823	$ 1,090,730

(b) Income

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	2015
Segment total	¥ 4,294	¥ 4,021	¥ 3,121	$ 35,733
Amortization of goodwill	(5)	(5)	(18)	(42)
Other adjustment	19	27	(2)	158
Operating income shown in the consolidated statements of income	¥ 4,308	¥ 4,043	¥ 3,101	$ 35,849

(Related information)

For the years ended March 31, 2015, 2014 and 2013

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			
2015			
Japan	Asia	Others	Total
¥ 75,287	¥ 54,817	¥ 969	¥ 131,073

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

Thousands of U.S. Dollars			
2015			
Japan	Asia	Others	Total
$ 626,504	$ 456,162	$ 8,064	$1,090,730

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, 2015, 2014 and 2013

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.

	Millions of Yen				
	2015				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	¥ –	¥ 23	¥ 27	¥ –	¥ 50

	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

	Thousands of U.S. Dollars				
	2015				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	$ –	$ 191	$ 225	$ –	$ 416

(Information about goodwill in reportable segments)
For the years ended March 31, 2015, 2014 and 2013

	Millions of Yen				
	2015				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 0	¥ 5	¥ –	¥ –	¥ 5
Unamortized balance	¥ 1	¥ 9	¥ –	¥ –	¥ 10

	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

	Thousands of U.S. Dollars				
	2015				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	$ 0	$ 42	$ –	$ –	$ 42
Unamortized balance	$ 8	$ 75	$ –	$ –	$ 83

(Information about negative goodwill)
For the years ended March 31, 2015, 2014 and 2013
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
	2015	2014	2013	2015
Net unrealized holding gains (losses) on investment securities				
Increase(decrease) during the year	¥ (323)	¥ 1,545	¥ 408	$ (2,688)
Reclassification adjustments	(5)	66	(17)	(41)
Sub-total, before tax	(328)	1,611	391	(2,729)
Tax (expense) or benefit	253	(498)	(122)	2,105
Sub-total, net of tax	¥ (75)	¥ 1,113	¥ 269	$ (624)
Unrealized gains (losses) on hedging derivatives				
Increase(decrease) during the year	¥ (10)	¥ 99	¥ 126	$ (83)
Reclassification adjustments	(99)	(126)	(32)	(824)
Sub-total, before tax	(109)	(27)	94	(907)
Tax (expense) or benefit	38	13	(36)	316
Sub-total, net of tax	¥ (71)	¥ (14)	¥ 58	$ (591)
Foreign currency translation adjustments				
Increase(decrease) during the year	¥ 1,356	¥ 610	¥ 874	$ 11,284
Reclassification adjustments	–	–	–	–
Sub-total, before tax	1,356	610	874	11,284
Tax (expense) or benefit	–	–	–	–
Sub-total, net of tax	¥ 1,356	¥ 610	¥ 874	$ 11,284
Accumulated adjustments for retirement benefit				
Increase(decrease) during the year	¥ 75	¥ –	¥ –	$ 624
Reclassification adjustments	55	–	–	458
Sub-total, before tax	130	–	–	1,082
Tax (expense) or benefit	(59)	–	–	(491)
Sub-total, net of tax	¥ 71	¥ –	¥ –	$ 591
Share of other comprehensive income of associates accounted for using equity method				
Increase (decrease) during the year	¥ 3	¥ 2	¥ 3	$ 26
Reclassification adjustments	(1)	(1)	0	(8)
Sub-total	¥ 2	¥ 1	¥ 3	$ 17
Total other comprehensive income	¥ 1,283	¥ 1,710	¥ 1,204	$ 10,677

Report of Independent Certified Public Accountants

On the Consolidated Financial Statements

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, 2015 and 2014, and the consolidated income statements, statement of comprehensive income, statements of changes in net assets and statements of cash flows for the three years in the period ended March 31, 2015, 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, 2015 and 2014, and their financial performance and cash flows for the three years in the period ended March 31, 2015 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, 2015 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 25, 2015
Tokyo, Japan

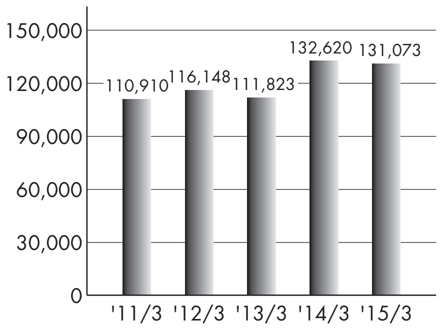
Consolidated Financial Highlights

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2015, 2014 and 2013

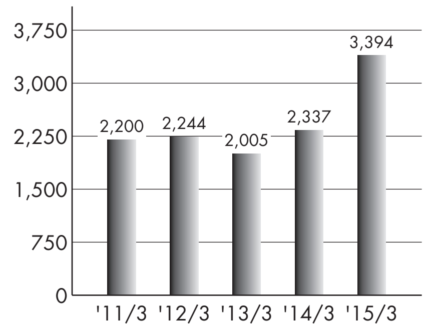
	Millions of Yen			Thousands of U.S. Dollars	Percent change between
OPERATING DATA	2015	2014	2013	2015	2015 and 2014
NET SALES	¥131,073	¥132,620	¥111,823	$1,090,730	(1.2%)
INCOME BEFORE INCOME TAXES	5,054	3,699	3,074	42,057	36.6%
NET INCOME	3,394	2,337	2,005	28,243	45.2%
FINANCIAL DATA					
TOTAL ASSETS	¥ 82,786	¥ 82,808	¥ 74,176	$ 688,907	0.0%
NET ASSETS	50,799	46,528	43,554	422,726	9.2%
PER SHARE DATA	Yen			U.S. Dollars	
NET INCOME PER SHARE	¥ 155.08	¥ 106.86	¥91.74	$ 1.29	45.1%
CASH DIVIDENDS PER SHARE	40.00	35.00	35.00	0.33	14.3%

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥120.17 to U.S. $1.
See Note 1 to the consolidated financial statements.

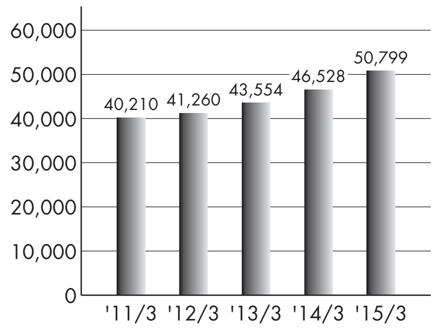
Net Sales
(millions of yen)



Net Income
(millions of yen)



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



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