2016

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 64th term, which began on April 1, 2015 and ended on March 31, 2016.

In the global economy during the consolidated fiscal year under review, the zero interest rate policy was terminated in the United States due to the stable economic environment, but Europe struggled to find a path out of deflation. The euro zone countries failed to agree on measures to deal with the worsening crisis of refugees from the neighboring Middle East and Africa and the growing threat of terrorism. In Asia, the downturn in the Chinese economy gradually became clear, leading to rising concerns about its negative impact on the world economy as a whole.

With the global economy lacking in strength, since the adoption of negative interest rates the Japanese economy has been characterized by yen appreciation and a weak stock market. Due to fears about a sudden deceleration in the economy, there is intensified debate about delaying the introduction of higher consumption taxes, and it is anticipated that an improvement in business confidence will take some time to materialize.

In the electronics industry, a core business for the Hakuto Group, demand was strong for automotive equipment for the automotive industry. On the other hand, the impact of the slowing economy in China depressed demand for electronic components, related parts and manufacturing facilities for smartphones as well as demand for housing facilities-related products such as elevators and air conditioners. In addition, exports of electronic products to developing countries in Asia were sluggish due in part to the effects of the yen's sharp appreciation in the fourth quarter.

In the domestic market, shipments of cell modules for photovoltaic panels fell sharply due to revisions of the feed-in tariff system for renewable energy. Areas besides those related to automotive were sluggish, such as the cooling market for semiconductor manufacturing equipment, which was affected by worsening conditions in the market for semiconductors.

In the industrial chemical-related field, the market for paper and pulp continued to contract and remained sluggish, but the cosmetics industry was robust, benefiting from inbound tourism consumption. Although exports of petrochemical products to Asia slowed, the business was firm overall due partly to the supporting strength of products for the petroleum refining industry.

Operating in this environment, the Hakuto Group posted consolidated net sales of ¥116,296 million for the fiscal year under review, down 11.3% from the preceding fiscal year.

With regard to profits, consolidated gross profit was ¥17,222 million (down 11.6% year on year), consolidated selling, general and administrative expenses were ¥14,315 million (down 5.7%).

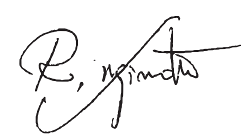
Consolidated operating income declined by 32.5% to ¥2,906 million, while ordinary income fell by 36.9% to ¥2,874 million. Net income attributable to the owners of the parent was ¥2,035 million, down 40%.

As for the year-end dividend, the Hakuto Group considers increasing returns to shareholders to be one of its most important management policies. While keeping in mind the need to bolster internal reserves to strengthen the Group's financial condition and future business development, our basic policy is to post returns to shareholders in a way that reflects business performance.

Our approach is based on the maintenance of a stable dividend and targets a consolidated dividend payout ratio of 30% or higher. Comprehensive consideration is given to factors such as business performance during each fiscal year, the financial conditions and future business strategies. As for internal reserves, they are put to active use for investment in businesses with high growth potential or high profitability, to strengthen sales and technical capabilities, for capital investment and for research and development with the goal of future expansion of the Group's business.

Keeping in mind the above policies and business performance during the fiscal year under review, the year-end dividend is scheduled to be ¥20 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 previous year's strength was maintained in components for in-vehicle and industrial equipment products.
- Demand for smartphone ICs peaked out, and demand from China remained depressed.
- The PC storage peripheral market contracted due to the accelerating shift to the cloud.

Outlook for the Next Term (Ending March 31, 2017)

- We expect continued robust sales of components for in-vehicle and industrial equipment products.
- We anticipate that the challenging situation will continue for smartphones overseas and for products used in digital electronics such as televisions.
- We have high expectations for products used in broadcast and communications, a business that will launch in preparation for the Tokyo Olympics.

Electronic Components Division

Overview of the Term under Review

- In the communications business, the slowdown continued in capital investments by carriers in the domestic communications market.
- There was a sharp decline in demand for photovoltaic power products.
- The business of wholesaling electricity from the five mega solar power plants remained steady.
- Weakness at domestic PC and hard disk manufacturers affected the core connector business.

Outlook for the Next Term (Ending March 31, 2017)

- In the communications business, the backbone network in China and overseas data centers are forecast to drive growth.
- We will launch a new smart-house business.
- Visibility of PC-related products will remain poor due to anticipated restructuring among domestic PC manufacturers.

Electronic and Electronic Equipment Division

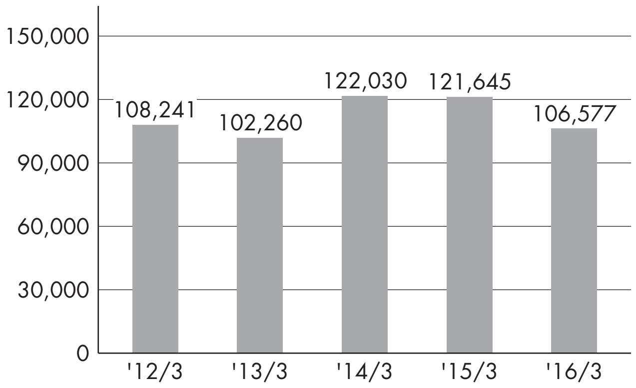
Overview of the Term under Review

- Customer withdrawal from the LED business had a significant impact on sales of compound semiconductor manufacturing equipment (MOCVD equipment).
- Steppers for IC packages used in PCs were weak.
- Vacuum pumps for an OEM customer in the analysis market remained firm.
- Sales were positive for flexible printed circuit (FPC) substrate exposure and testing devices for smartphones.

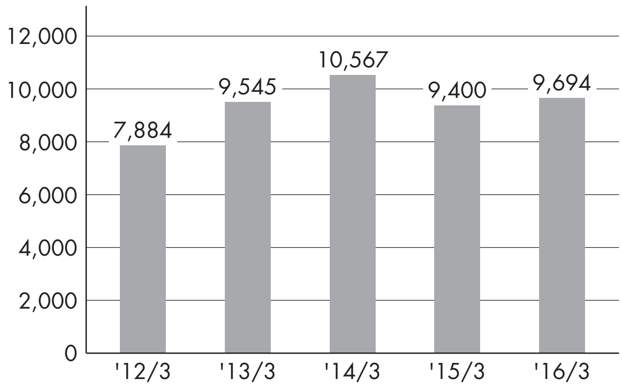
Outlook for the Next Term (Ending March 31, 2017)

- We have high expectations for investment in coating equipment for next-generation magnetic heads for hard disk drives (HDDs).
- As demand grows for magnetic sensors, we forecast rising orders for related equipment.
- Package manufacturers have begun deployment of next-generation steppers.

Sales
(millions of yen)



Sales
(millions of yen)



Chemicals

Overview of the Term under Review

- In the petroleum and petrochemical business, catalysts, amines and newly deployed products did well.
- Water treatment agents and polymerization inhibitors for monomer plants remained strong.
- In cosmetics, Alcasealan sales grew sharply.
- In the petroleum and petrochemical business, we expect competition to intensify as a result of mergers among our customers and of consolidation of petrochemical plants.

Outlook for the Next Term (Ending March 31, 2017)

- We forecast that in the paper and pulp business, paperboard will be strong.
- In the cosmetics business, using Alcasealan as a base we will focus on growing sales of the "TAEKO brand" and OEM.
- We aim to reinvigorate overseas sales, primarily in South Korea, China, Taiwan and Thailand.

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 came to ¥116,296 million for the fiscal year under review, down 11.3% from the preceding fiscal year.

With regard to profits, consolidated gross profit was ¥17,221 million (down 11.6% year on year), consolidated selling, general and administrative expenses were ¥14,315 million (down 5.7%) and consolidated operating income declined by 32.5% to ¥2,906 million, while ordinary income fell by 36.9% to ¥2,837 million. Net income attributable to the owners of the parent was ¥2,035 million, down 40%.

Balance Sheet Items

Current assets at the end of the term under review contracted by ¥5,391 million, down 8.2% from the previous term. This reflected a decline in cash and deposits of ¥4,071 million and a decline in merchandise and finished goods of ¥2,256 million. Fixed assets decreased by ¥1,029 million, or 6.1%, compared to the end of the previous consolidated fiscal year. This was due mainly to a drop in assets for retirement benefits of ¥371 million and a fall in machinery and equipment of ¥319 million. As a result of these factors, total assets amounted to ¥76,366 million as of March 31, 2016, dipping ¥6,420 million (7.8%) from a year earlier.

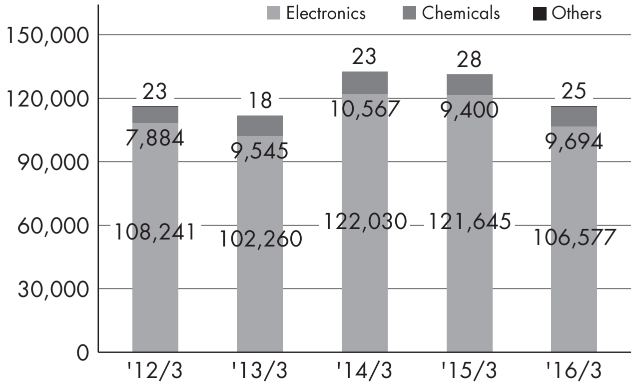
Current liabilities decreased by ¥4,713 million (down 18.3%) from the end of the previous term. The main reasons for this decline were a ¥2,988 million drop in short-term borrowings, as well as a ¥1,886 million decline in notes and accounts payable-trade.

Non-current liabilities declined by ¥1,682 million (down 26.8%) from the end of the previous term. This was largely due to a ¥1,312 million decrease in long-term debt.

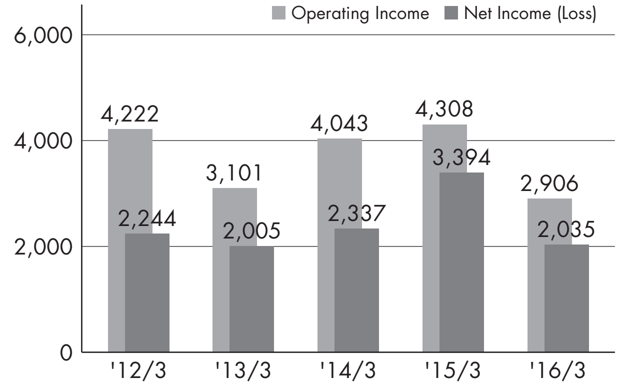
Based on the above, total liabilities at the end of the term under review decreased by ¥6,396 million (down 20.0%) from the previous term to ¥25,591 million.

Net assets decreased by ¥24 million (or 0.0%) in comparison with the previous term to ¥50,775 million. This largely reflected a ¥1,041 million increase in retained earnings and a ¥831 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 ¥2,087 million, net cash provided by investing activities was ¥45 million, and net cash used in financing activities totaled ¥5,469 million. Exchange rate fluctuations had the effect of decreasing cash and cash equivalents by ¥424 million. As a result of these factors, cash and cash equivalents stood at ¥8,366 million as of March 31, 2016, down ¥3,761 million from March 31, 2015.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥2,087 million. Although there were outflows such as trade receivables rising by ¥1,432 million and income taxes paid, which came to ¥1,115 million, these were offset by income before income taxes of ¥2,837 million and a decrease in inventories of ¥1,937 million. In the previous term, cash flows from operating activities resulted in a net inflow of ¥4,296 million due primarily to income before income taxes of ¥5,054 million.

Cash flow from investing activities

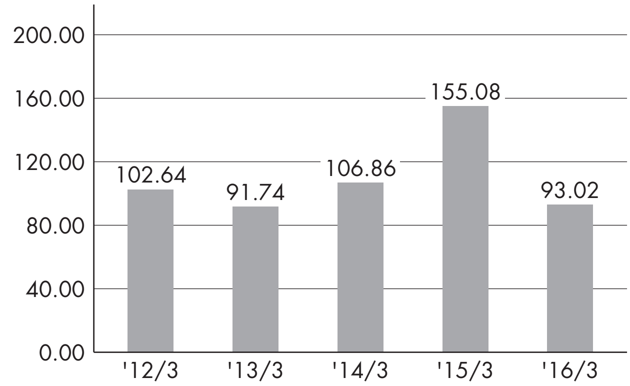
Cash used to purchase investment securities came to ¥260 million and cash used to purchase tangible fixed assets was ¥201 million, but gains on sales of investment securities of ¥525 million resulted in net cash provided by investing activities of ¥45 million. In the previous term, payments for purchase of tangible fixed assets used ¥473 million, resulting in ¥3,075 million in cash used in investing activities.

Cash flows from financing activities

As a result of outflows used to repay long-term borrowings of ¥2,141 million and (net) ¥2,114 million used for repayment of short-term borrowings, in addition to cash dividends paid of ¥986 million, net cash used in financing activities totaled ¥5,469 million. In the preceding term, net cash used in financing activities came to ¥3,659 million, due primarily to (net) ¥2,176 million used to repay long-term borrowings.

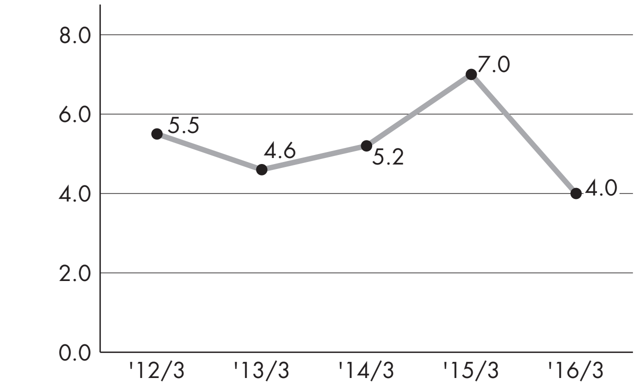
Net Income (Loss) per Share

(yen)



Return on Equity

(%)



Consolidated Balance Sheets

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2016 and 2015

Assets

Current Assets:	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Cash and time deposits (Notes 4 and 16)	¥ 8,366	¥ 12,438	$ 74,246
Receivables (Note 4):			
Notes and accounts receivable - trade	33,156	32,406	294,249
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	394	468	3,497
Allowance for doubtful accounts	(36)	(129)	(319)
Inventories (Note 7)	16,399	18,700	145,536
Deferred tax assets (Note 14)	747	785	6,629
Prepaid expenses and other current assets	1,630	1,379	14,466
Total current assets	60,656	66,047	538,303
Property, Plant and Equipment:			
Land and land improvements	3,080	3,080	27,334
Buildings and structures	5,369	5,360	47,648
Machinery and equipment	4,848	4,833	43,024
Other assets	3,902	4,144	34,629
Sub-total	17,199	17,417	152,636
Accumulated depreciation	(10,349)	(10,124)	(91,844)
Total property, plant and equipment	6,850	7,293	60,792
Investments and Other Non-current Assets:			
Investment securities (Notes 3, 4 and 5)	7,330	7,325	65,051
Net defined benefit asset (Note 9)	13	383	115
Deferred tax assets (Note 14)	30	41	266
Other non-current assets	1,487	1,697	13,197
Total investments and other non-current assets	8,860	9,446	78,630
Total Assets	¥ 76,366	¥ 82,786	$ 677,725

Liabilities and Net Assets

	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Current Liabilities:			
Short-term borrowings (Notes 4 and 8)	¥ 1,004	¥ 3,163	$ 8,910
Long-term debt due within one year (Notes 4 and 8)	1,297	2,126	11,510
Payables (Note 4):			
Notes and accounts payable - trade	13,563	15,623	120,367
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	1,747	1,168	15,504
Income taxes payable (Note 14)	461	532	4,091
Allowance for employees' bonuses	928	936	8,236
Accrued expenses and other current liabilities	1,994	2,159	17,695
Total current liabilities	20,993	25,707	186,306
Non-current Liabilities:			
Long-term debt (Notes 4 and 8)	2,498	3,810	22,169
Net defined benefit liability (Notes 9)	372	365	3,301
Allowance for directors' and corporate auditors' severance and retirement benefits	22	19	195
Deferred tax liabilities (Note 14)	1,665	1,999	14,776
Other non-current liabilities	41	87	364
Total non-current liabilities	4,598	6,280	40,806
Net Assets			
Owners' Equity			
Common stock:			
Authorized - 54,000,000 shares			
Issued and outstanding - 24,137,213 shares	8,100	8,100	71,885
Capital surplus	7,289	7,289	64,688
Retained earnings	35,756	34,715	317,323
Treasury stock, at cost - 2,226,930 shares	(4,109)	(3,932)	(36,466)
Total owners' equity	47,036	46,172	417,430
Accumulated Other Comprehensive Income:			
Net unrealized holding gains (losses) on investment securities	3,410	3,207	30,263
Unrealized gains (losses) on hedging derivatives	(29)	(7)	(257)
Foreign currency translation adjustments	832	1,663	7,384
Accumulated adjustments for retirement benefit	(474)	(236)	(4,207)
Total other comprehensive income	3,739	4,627	33,182
Total net assets	50,775	50,799	450,612
Total Liabilities and Net Assets	¥ 76,366	¥ 82,786	$ 677,725

See accompanying notes.

Consolidated Statements of Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016, 2015 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
Net Sales (Notes 5 and 19)	¥116,296	¥131,073	¥132,620	$1,032,091
Cost of Sales (Note 5)	99,075	111,591	113,524	879,260
Gross Profit	17,221	19,482	19,096	152,831
Selling, General and Administrative Expenses (Notes 10 and 17)	14,315	15,174	15,053	127,041
Operating Income (Note 19)	2,906	4,308	4,043	25,790
Other Income (Expenses):				
Interest and dividend income	252	198	222	2,236
Interest expenses	(61)	(88)	(103)	(541)
Exchange gain (loss), net	(230)	77	(46)	(2,041)
Gains on sale of fixed asset	1	218	3	9
Gains on sale of investment securities	281	4	15	2,494
Loss on valuation of investment securities	(236)	–	–	(2,094)
Loss on valuation of shares of subsidiaries	(81)	–	–	(719)
Impairment losses (Note 11)	–	(50)	(517)	–
Loss on reduction of fixed asset	–	–	(98)	–
Subsidy income (Note 12)	–	–	124	–
Gains on sale of shares of subsidiaries	–	240	–	–
Extraordinary dividend income (Note 13)	–	107	–	–
Other - net	4	40	55	35
	(69)	746	(344)	(612)
Income before Income Taxes	2,837	5,054	3,699	25,177
Income Taxes Provision (Note 14):	802	1,660	1,362	7,118
Current	989	1,364	1,394	8,777
Deferred	(187)	296	(32)	(1,660)
Net Income	2,035	3,394	2,337	18,060
Non-controlling interests in net income	–	–	–	–
Net income attributable to owners of parent	¥ 2,035	¥ 3,394	¥ 2,337	$ 18,060

Amounts per Share (Note 2(o)):	Yen			U.S. Dollars (Note 1)
Net Income	¥ 93.02	¥ 155.08	¥ 106.86	$ 0.83
Cash Dividends Applicable to the Year	40.00	40.00	35.00	0.35

See accompanying notes.

Consolidated Statements of Comprehensive Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016, 2015 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
Net Income	¥ 2,035	¥ 3,394	¥ 2,337	$ 18,060
Other comprehensive income (losses) (Note 21)				
Net unrealized holding gains (losses) on investment securities	206	(75)	1,113	1,828
Unrealized gains on hedging derivatives	(22)	(71)	(14)	(195)
Foreign currency translation adjustments	(831)	1,356	610	(7,375)
Accumulated adjustments for retirement benefit	(239)	71	–	(2,121)
Share of other comprehensive income of associates accounted for using equity method	(2)	2	1	(18)
Total other comprehensive income	(888)	1,283	1,710	(7,881)
Comprehensive income	1,147	4,677	4,047	10,179
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent	1,147	4,677	4,047	10,179
Comprehensive income attributable to Non-controlling interests	–	–	–	–

Consolidated Statements of Changes in Net Assets

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016, 2015 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
Common stock:				
Balance, beginning of year	¥ 8,100	¥ 8,100	¥ 8,100	$ 71,885
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	8,100	8,100	8,100	71,885
Total changes of items during the period	–	–	–	–
Balance, end of year	8,100	8,100	8,100	71,885
Capital surplus				
Balance, beginning of year	7,289	7,289	7,492	64,688
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	7,289	7,289	7,492	64,688
Disposal of treasury stock	–	–	(203)	–
Total changes of items during the period	–	–	(203)	–
Balance, end of year	7,289	7,289	7,289	64,688
Retained earnings				
Balance, beginning of year	34,715	31,777	30,206	308,084
Cumulative effects of changes in accounting policies	–	317	–	–
Restated balance	34,715	32,094	30,206	308,084
Dividends from surplus	(994)	(773)	(766)	(8,821)
Net income attributable to owners of parent	2,035	3,394	2,337	18,060
Total changes of items during the period	1,041	2,621	1,571	9,239
Balance, end of year	35,756	34,715	31,777	317,323
Treasury stock				
Balance, beginning of year	(3,932)	(3,982)	(4,185)	(34,895)
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	(3,932)	(3,982)	(4,185)	(34,895)
Disposal of treasury stock	47	50	433	417
Purchase of treasury stock	(224)	(0)	(230)	(1,988)
Total changes of items during the period	(177)	50	203	(1,571)
Balance, end of year	(4,109)	(3,932)	(3,982)	(36,466)
Total owners' equity				
Balance, beginning of year	46,172	43,184	41,613	409,762
Cumulative effects of changes in accounting policies	–	317	–	–
Restated balance	46,172	43,501	41,613	409,762
Dividends from surplus	(994)	(773)	(766)	(8,821)
Net income attributable to owners of parent	2,035	3,394	2,337	18,060
Disposal of treasury stock	47	50	230	417
Purchase of treasury stock	(224)	(0)	(230)	(1,988)
Total changes of items during the period	864	2,671	1,571	7,668
Balance, end of year	47,036	46,172	43,184	417,430
Net unrealized holding gains (losses) on investment securities				
Balance, beginning of year	3,207	3,280	2,166	28,461
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	3,207	3,280	2,166	28,461
Net changes of items other than owners' equity	203	(73)	1,114	1,802
Total changes of items during the period	203	(73)	1,114	1,802
Balance, end of year	3,410	3,207	3,280	30,263
Unrealized gains (losses) on hedging derivatives				
Balance, beginning of year	(7)	64	78	(62)
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	(7)	64	78	(62)
Net changes of items other than owners' equity	(22)	(71)	(14)	(195)
Total changes of items during the period	(22)	(71)	(14)	(195)
Balance, end of year	(29)	(7)	64	(257)
Foreign currency translation adjustment				
Balance, beginning of year	1,663	307	(303)	14,759
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	1,663	307	(303)	14,759
Net changes of items other than owners' equity	(831)	1,356	610	(7,375)
Total changes of items during the period	(831)	1,356	610	(7,375)
Balance, end of year	832	1,663	307	7,384
Accumulated adjustments for retirement benefit				
Balance, beginning of year	(236)	(307)	–	(2,094)
Cumulative effects of changes in accounting policies	–	–	–	–
Restated balance	(236)	(307)	–	(2,094)
Net changes of items other than owners' equity	(238)	71	(307)	(2,112)
Total changes of items during the period	(238)	71	(307)	(2,112)
Balance, end of year	(474)	(236)	(307)	(4,206)
Net assets				
Balance, beginning of year	50,799	46,528	43,554	450,825
Cumulative effects of changes in accounting policies	–	317	–	–
Restated balance	50,799	46,845	–	450,825
Dividends from surplus	(994)	(773)	(766)	(8,821)
Net income attributable to owners of parent	2,035	3,394	2,337	18,060
Disposal of treasury stock	47	50	230	417
Purchase of treasury stock	(224)	(0)	(230)	(1,988)
Net changes of items other than owners' equity	(888)	1,283	1,403	(7,881)
Total changes of items during the period	(24)	3,954	2,974	(213)
Balance, end of year	¥ 50,775	¥ 50,799	¥ 46,528	$ 450,612

See accompanying notes.

Consolidated Statements of Cash Flows

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016, 2015 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
Cash Flows from Operating Activities:				
Income before income taxes	¥ 2,837	¥ 5,054	¥ 3,699	$ 25,177
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,053	1,096	809	9,345
Impairment losses	–	50	517	–
Gains on sale of investment securities, net	(281)	(4)	(15)	(2,494)
Loss on valuation of investment securities	236	–	–	2,094
Loss on valuation of shares of subsidiaries	81	–	–	719
Loss on reduction of fixed asset	–	–	98	–
Gains on sale of shares of subsidiaries	–	(240)	–	–
Gains on sale and retirement of fixed asset	4	(208)	–	35
Change in receivables	(1,432)	2,887	(4,464)	(12,709)
Change in inventories	1,937	(1,522)	57	17,190
Change in payables	(950)	(1,425)	3,073	(8,431)
Income taxes paid, net	(1,091)	(1,775)	(1,203)	(9,682)
Other	(307)	383	(838)	(2,725)
Net cash provided by (used in) operating activities	2,087	4,296	1,733	18,521
Cash Flows from Investing Activities:				
Proceeds from sale of property, plant and equipment	1	315	96	9
Payments for purchase of property, plant and equipment	(201)	(473)	(2,679)	(1,784)
Proceeds from sale of marketable securities and investment securities	525	10	24	4,659
Payments for purchase of marketable securities and investment securities	(260)	(9)	(167)	(2,307)
Proceeds from sales of shares of subsidiaries with changing of scope of consolidation	–	171	–	–
Other	(20)	(389)	656	(178)
Net cash provided by (used in) investing activities	45	(375)	(2,070)	399
Cash Flows from Financing Activities:				
Change in short-term borrowings	(2,114)	(703)	(39)	(18,761)
Proceeds from long-term debt	–	700	4,530	–
Repayments of long-term debt	(2,141)	(2,876)	(2,636)	(19,001)
Net decrease in treasury stock	(162)	58	(0)	(1,438)
Cash dividends paid	(986)	(765)	(765)	(8,750)
Other	(66)	(73)	(79)	(586)
Net cash provided by (used in) financing activities	(5,469)	(3,659)	1,011	(48,536)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(424)	731	191	(3,763)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,761)	993	865	(33,378)
Cash and Cash Equivalents at Beginning of Year	12,127	11,134	10,269	107,624
Cash and Cash Equivalents at End of Year (Note 16)	¥ 8,366	¥12,127	¥11,134	$ 74,246

See accompanying notes.

Notes to Consolidated Financial Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016, 2015 and 2014

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, 2016 which was ¥112.68 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 (13 in 2015 and 14 in 2014) 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, 2016, 2015 and 2014

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.

(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 Group 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 fiscal year ended March 31, 2015, 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 fiscal year ended March 31, 2015.

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 fiscal year ended March 31, 2015. 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, 2016, 2015 and 2014, 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 159,548 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) Change in accounting policy - The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income. Certain amounts in the prior year comparative information were reclassified to conform to this change in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

There is no effect on the consolidated financial statements of the current fiscal year.

(r) Additional information

Employee stock ownership plan (ESOP)

From the year 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, 2016 and 2015 were ¥132 million ($1,171 thousand) and 134,800 shares, and ¥179 million and 183,300 shares, respectively.

3. Aggregate book value on loan under gross price method
The value was ¥161 million ($1,429 thousand) as of March 31, 2016.
The value was ¥207 million as of March 31, 2015.

3. Securities

(a) Summarized information of acquisition costs, book values and fair values of securities with available fair values as of March 31, 2016 and 2015 was as follows:

2016	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,368	¥ 6,144	¥ 4,776
Subtotal	¥ 1,368	¥ 6,144	¥ 4,776
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 146	¥ 132	¥ (14)
Subtotal	146	132	(14)
Total	¥ 1,514	¥ 6,276	¥ 4,762

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

2016	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 12,141	$ 54,526	$ 42,385
Subtotal	$ 12,141	$ 54,526	$ 42,385
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 1,296	$ 1,171	$ (125)
Subtotal	1,296	1,171	(125)
Total	$ 13,436	$ 55,698	$ 42,261

(b) Total sales of available-for-sale securities sold for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Available-for-sale securities:				
Total sales amount	¥ 525	¥ 10	¥ 24	$ 4,659
Gains	281	4	15	2,494
Losses	–	–	–	–

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, 2016 and 2015 were as follows.

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

2016	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 8,366	¥ 8,366	¥ –
(2) Receivables	33,550	33,550	–
(3) Investment securities	6,276	6,276	–
Total assets	48,192	48,192	–
(4) Short-term borrowings	1,004	1,004	–
(5) Long-term borrowings (*1)	3,795	3,843	48
(6) Payables	15,310	15,310	–
Total liabilities	20,109	20,157	48
Derivatives transactions (*2)	65	65	–

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)	–

2016	Thousands of U.S. Dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 74,246	$ 74,246	$ –
(2) Receivables	297,746	297,746	–
(3) Investment securities	55,699	55,699	–
Total assets	427,689	427,689	–
(4) Short-term borrowings	8,910	8,910	–
(5) Long-term borrowings (*1)	33,679	34,105	426
(6) Payables	135,871	135,871	–
Total liabilities	178,460	178,886	426
Derivatives transactions (*2)	577	577	–

(*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 2016 Book Value	Millions of Yen 2015 Book Value	Thousands of U.S. Dollars 2016 Book Value
Shares of subsidiaries,affiliated companies and investments in capital of subsidiaries and affiliates	¥ 1,040	¥ 1,035	$ 9,228
Unlisted shares	14	194	124

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

2016	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	¥ 8,366	¥ –	¥ –	¥ –
Receivables	33,550	–	–	–
Total	¥ 41,916	¥ –	¥ –	¥ –

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	¥ –	¥ –	¥ –

2016	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	$ 74,246	$ –	$ –	$ –
Receivables	297,746	–	–	–
Total	$ 371,992	$ –	$ –	$ –

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

2016	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	¥ 1,297	¥ 1,093	¥ 789	¥ 476	¥ 140	¥ –

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

2016	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	$ 11,510	$ 9,702	$ 7,002	$ 4,223	$ 1,242	$ –

(e) The impairment losses on equity securities

The impairment losses on equity securities for the fiscal years ended March 31, 2016 were ¥318 million ($2,818 thousand) (equity of Investment securities ¥236 million ($2,099 thousand), Shares of subsidiaries ¥81 million ($720 thousand)).

5. Non-consolidated subsidiaries and affiliated companies

Summarized information on balances and transactions with affiliated companies as of the years ended March 31, 2016, 2015 and 2014 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Receivables	¥ 394	¥ 468	$ 3,497
Investment securities	1,039	1,035	9,221
Payables and other current liabilities	1,747	1,168	15,504

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Sales to	¥ 1,052	¥ 1,719	¥ 1,898	$ 9,336
Purchases from	2,662	2,320	2,776	23,624

6. Related party transactions

Related party transactions for 2016, 2015 and 2014 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
(Major Shareholder)	2016	2015	2014	2016
Lufs:				
Sales	¥ –	¥ –	¥ 1,599	$ –
Receivables	–	–	1,016	–

7. Inventories

Inventories as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Merchandise and Finished goods	¥ 15,841	¥ 18,097	$140,584
Raw materials	495	545	4,393
Work in process	50	44	444
Supplies	13	14	115
Total	¥ 16,399	¥ 18,700	$145,536

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, 2016 was 1.2% and as of March 31, 2015 was 0.7%

(b) Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
0.68% to 0.75% loans from Japanese insurance companies, due in 2016 to 2020	¥ 324	¥ 407	$ 2,875
0.43% to 1.15% loans from Japanese banks, due in 2016 to 2020	3,471	5,529	30,804
Total	¥ 3,795	¥ 5,936	$ 33,679
Less amount due within 1 year	1,297	2,126	11,510
Long-term debt	2,498	3,810	22,169

9. Employees' severance and retirement benefits

1. Defined benefit plans for the year ended March 31, 2016 and 2015.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
(1) Movement in retirement benefit obligations (expect plan applied sinmplified method):			
Balance at the beginning of the year	¥ 2,561	¥ 2,893	$ 22,728
Changes in accounting policies	–	(492)	–
Balance at the beginning of the year reflect changes in accounting policies	2,561	2,401	22,728
Service cost	199	195	1,766
Interest cost	27	25	240
Actuarial loss (gain)	357	6	3,167
Benefits paid	(101)	(82)	(896)
Other	(12)	16	(106)
Balance at the end of the year	¥ 3,031	¥ 2,561	$ 26,899

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
(2) Movements in plan assets (expect plan applied sinmplified method)			
Balance at the beginning of the year	¥ 2,814	¥ 2,582	$ 24,974
Expected return on plan assets	36	34	320
Actuarial loss (gain)	(35)	80	(311)
Contributions paid by the employer	207	193	1,837
Benefits paid	(99)	(75)	(879)
Other	(0)	0	(0)
Balance at the end of the year	¥ 2,923	¥ 2,814	$ 25,941

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
(3) Movement in liability for retirement benefits on plan applying the simplified method:			
Balance at the beginning of the year	¥ 235	¥ 244	$ 2,086
Service cost	46	63	408
Benefits paid	(6)	(1)	(53)
Contributions paid by the employer	(23)	(24)	(204)
Decrease due to change in the scope of consolidation	–	(47)	–
Other	(1)	0	(9)
Balance at the end of the year	¥ 251	¥ 235	$ 2,228

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits			
Funded retirement benefit obligations	¥ 3,031	¥ 2,561	$ 26,899
Plan assets	(2,923)	(2,814)	(25,941)
	108	(253)	958
Unfunded retirement benefit obligations	251	235	2,228
Total Net liability (asset) for retirement benefits	359	(18)	3,186
Asset for retirement benefits	(13)	(383)	(115)
Liability for retirement benefits	372	365	3,301
Total Net liability (asset) for retirement benefits	¥ 359	¥ (18)	$ 3,186

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
(5) Retirement benefit costs			
Service cost	¥ 200	¥ 195	$ 1,775
Interest cost	27	25	240
Expected return on plan assets	(36)	(34)	(319)
Net actuarial loss amortization	56	55	497
Retirement benefit costs based on the simplified method	46	63	408
Other	15	–	132
Total retirement benefit costs	¥ 308	¥ 304	$ 2,733

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
(6) Adjustments for retirement benefit			
Actuarial gains and losses	(335)	130	(2,973)
Total balance at the end of the year	¥ (335)	¥ 130	$ (2,973)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
(7) Accumulated adjustments for retirement benefit			
Actuarial gains and losses that are yet to be recognized	(677)	(343)	(6,008)
Total balance at the end of the year	¥ (677)	¥ (343)	$ (6,008)

	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars 2016
(8) Plan assets			
1. Plan assets comprise:			
General account	**¥ 2,587**	¥ 2,503	**$ 22,959**
Bonds	**262**	240	**2,325**
Equity securities	**49**	59	**435**
Other	**25**	12	**222**
Total	**¥ 2,923**	¥ 2,814	**$ 25,941**

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:

	2016	2015
Discount rate	**0.0%**	1.0%
Long-term expected rate of return	**1.3%**	1.3%

2. Defined contribution plan

The contribution amount of certain subsidiaries for the years ended March 31, 2016 and 2015 were ¥56 million ($497 thousand) and ¥54 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, 2016, 2015 and 2014 were ¥152 million ($1,347 thousand), ¥136 million and ¥143 million respectively.

11. Impairment losses

The Group recognized impairment losses for groups of assets in the years ended March 31, 2016, 2015 and 2014 as follows:

2016		
Location	Use	Type of assets
–	–	–

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

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.

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

12. Subsidy income

A subsidiary received a subsidy for business activity which was contributed the industrial recovery of Fukushima in the year ended March 31 2014.

13. Extraordinary dividend income

The receipt of the dividend is from the organizational restructuring of the investment in the year ended March 31 2015.

14. 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 33.1% for the year ended March 31, 2016, and 35.6% for the year ended March 31, 2015, and 38.0% for the year ended March 31, 2014.

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, 2016, 2015 and 2014.

	2016	2015	2014
Statutory tax rate:	33.1%	35.6%	38.0%
Valuation allowance	4.0	(1.7)	2.4
Non-deductible expenses	0.9	0.5	1.4
Withholding tax of overseas consolidated subsidiaries divend	1.9	0.9	1.0
Non-deductable withholding tax of overseas	0.4	0.2	0.3
Per capita inhabitant tax	1.3	0.7	0.9
Lower tax rates of overseas consolidated subsidiaries	(6.0)	(5.9)	(7.2)
Undistributed earnings of foreign subsidiaries	(8.8)	2.7	2.6
Decrease of deferred tax assets at the fiscal year-end due to the charge of tax rate	1.0	0.9	1.6
Special credit of corporation tax	(1.0)	(0.5)	(2.6)
Others	1.5	(0.6)	(1.6)
Effective tax rate	28.3%	32.8%	36.8%

(b) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Deferred tax assets:	2016	2015	2016
Directors' and corporate auditors' retirement benefits	¥ 7	¥ 6	$ 62
Accrued employees' bonuses	258	282	2,290
Net defined benefit liability	89	90	790
Allowance for doubtful accounts	29	34	257
Devaluation of inventories	380	357	3,372
Devaluation of investment securities	294	256	2,609
Differences between fair value and cost of assets of consolidated subsidiaries	284	313	2,520
Impairment loss on property, plant and equipment	224	245	1,988
Net loss carryforwards	378	555	3,355
Others	285	401	2,530
Less-Valuation allowance	(1,277)	(1,497)	(11,333)
Total deferred tax assets	¥ 951	¥ 1,042	$ 8,440
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	¥(1,353)	¥(1,350)	$ (12,007)
Retained earnings of subsidiaries	(446)	(695)	(3,958)
Net defined benefit asset	(4)	(124)	(35)
Others	(36)	(46)	(321)
Total deferred tax liabilities	(1,839)	(2,215)	(16,321)
Net deferred tax assets (liabilities)	¥ (888)	¥(1,173)	$ (7,881)

(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).

On March 31, 2016, 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, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 32.3% to 30.9% and 30.6%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥41 million ($368 thousand), net unrealized holding gains on investment securities increased by ¥76 million ($675 thousand), unrealized gains (losses) on hedging derivatives, decreased by ¥1 million ($5 thousand), accumulated adjustments for retirement benefit, decreased by ¥11 million ($101 thousand), as of March 31, 2016 and deferred income tax expense recognized for the year ended March 31, 2016 increased by ¥23 million ($201 thousand).

15. 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, 2016 and 2015 of derivative transactions for which hedge accounting has been adopted.

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

2016		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	¥ 6,176	¥ –	¥ 127	¥ 127
	Yen	–	–	–	–
	Buy				
	U.S. dollars,	3,277	–	(24)	(24)
	Euro,	307	–	3	3
	Yen	180	–	1	1
Total		¥ 9,940	¥ –	¥ 107	¥ 106

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)

2016		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	$54,810	$ –	$ 1,127	$ 1,127
	Yen	–	–	–	–
	Buy				
	U.S. dollars,	29,082	–	(213)	(213)
	Euro,	2,725	–	27	27
	Yen	1,597	–	9	9
Total		$88,214	$ –	$ 950	$ 950

Interest-related transactions
Not applicable.

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

2016			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,		¥ 579	¥ 160	¥ 30
	Buy	Forecasted transaction in foreign currency			
	U.S. dollars,		811	92	(37)
	Euro,		231	–	(2)
	Canadian dollars		318	–	(33)
	Total		¥ 1,938	¥ 253	¥ (42)

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)

2016			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	$ 5,138	$ 1,420	$ 266
	Buy U.S. dollars,	Forecasted transaction in foreign currency	7,197	816	(328)
	Euro,		2,050	–	(18)
	Canadian dollars		2,822	–	(293)
	Swiss franc		1	–	–
	Total		$17,199	$ 2,245	$ (373)

Interest-related transactions

2016			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	¥ 962	¥ 494	¥ –
	Total		¥ 962	¥ 494	¥ –

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	¥ –

2016			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	$ 8,537	$ 4,384	$ –
	Total		$ 8,537	$ 4,384	$ –

16. 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, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Cash and time deposits	¥ 8,366	¥ 12,438	¥ 11,418	$ 74,246
Total	8,366	12,438	11,418	74,246
Less:time deposits with maturities exceeding three months	–	(311)	(284)	–
Cash and cash equivalents	¥ 8,366	¥ 12,127	¥ 11,134	$ 74,246

17. Information for certain lease transactions

Future lease payments under operating leases as of March 31, 2016 and 2015 were ¥353 million ($3,137 thousand) and ¥456 million, including ¥219 million ($1,940 thousand) and ¥275 million due within one year.

18. Subsequent events

On May 15, 2016, the Board of Directors approved payment of year-end cash dividends to the shareholders of record as of March 31, 2016 of ¥20.0 ($0.18) per share or a total of ¥438 million ($3,887 thousand).

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 per share or a total of ¥552 million.

19. 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.

3. Information about reported segment sales and profit or loss

2016	Millions of Yen				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 88,099	¥ 18,478	¥ 9,694	¥ 25	¥ 116,296
To other segments	–	–	–	682	682
Total	¥ 88,099	¥ 18,478	¥ 9,694	¥ 707	¥ 116,978
Segment income	1,152	1,018	588	25	2,785
Other					
Depreciation and amortization	900	107	46	–	1,053

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

2016	Thousands of U.S. Dollars				
	Electronics Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	$ 781,851	$ 163,987	$ 86,031	$ 222	$ 1,032,091
To other segments	–	–	–	6,053	6,053
Total	$ 781,851	$ 163,987	$ 86,031	$ 6,275	$ 1,038,144
Segment income	10,224	9,034	5,217	222	24,716
Other					
Depreciation and amortization	7,987	950	408	–	9,345

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 2016	2015	2014	Thousands of U.S. Dollars 2016
Segment total	¥ 116,978	¥ 131,755	¥ 133,325	$ 1,038,144
Eliminations	(682)	(682)	(705)	(6,053)
Net sales shown in the consolidated statements of income	¥ 116,296	¥ 131,073	¥ 132,620	$ 1,032,082

(b) Income

	Millions of Yen 2016	2015	2014	Thousands of U.S. Dollars 2016
Segment total	¥ 2,785	¥ 4,294	¥ 4,021	$ 24,716
Amortization of goodwill	(5)	(5)	(5)	(44)
Other adjustment	126	19	27	1,118
Operating income shown in the consolidated statements of income	¥ 2,906	¥ 4,308	¥ 4,043	$ 25,790

(Related information)

For the years ended March 31, 2016, 2015 and 2014

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 2016			
Japan	Asia	Others	Total
¥ 68,624	¥ 45,676	¥ 1,996	¥ 116,296

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

Thousands of U.S. Dollars 2016			
Japan	Asia	Others	Total
$ 609,017	$ 405,360	$ 17,714	$1,032,091

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, 2016, 2015 and 2014

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 2016				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	¥ –	¥ –	¥ –	¥ –	¥ –

	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

	Thousands of U.S. Dollars 2016				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Impairment loss	$ –	$ –	$ –	$ –	$ –

(Information about goodwill in reportable segments)
For the years ended March 31, 2016, 2015 and 2014

	Millions of Yen 2016				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 0	¥ 5	¥ –	¥ –	¥ 5
Unamortized balance	¥ 0	¥ 4	¥ –	¥ –	¥ 4

	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

	Thousands of U.S. Dollars 2016				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	$ 0	$ 44	$ –	$ –	$ 44
Unamortized balance	$ 0	$ 35	$ –	$ –	$ 35

(Information about negative goodwill)
For the years ended March 31, 2016, 2015 and 2014
Not applicable.

20. 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.

21. 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
	2016	2015	2014	2016
Net unrealized holding gains (losses) on investment securities				
Increase(decrease) during the year	¥ 259	¥ (323)	¥ 1,545	$ 2,299
Reclassification adjustments	(50)	(5)	66	(444)
Sub-total, before tax	209	(328)	1,611	1,855
Tax (expense) or benefit	(3)	253	(498)	(27)
Sub-total, net of tax	¥ 206	¥ (75)	¥ 1,113	$ 1,828
Unrealized gains (losses) on hedging derivatives				
Increase(decrease) during the year	¥ (42)	¥ (10)	¥ 99	$ (373)
Reclassification adjustments	11	(99)	(126)	98
Sub-total, before tax	(31)	(109)	(27)	(275)
Tax (expense) or benefit	9	38	13	80
Sub-total, net of tax	¥ (22)	¥ (71)	¥ (14)	$ (195)
Foreign currency translation adjustments				
Increase(decrease) during the year	¥ (831)	¥ 1,356	¥ 610	$ (7,375)
Reclassification adjustments	–	–	–	–
Sub-total, before tax	(831)	1,356	610	(7,375)
Tax (expense) or benefit	–	–	–	–
Sub-total, net of tax	¥ (831)	¥ 1,356	¥ 610	$ (7,375)
Accumulated adjustments for retirement benefit				
Increase(decrease) during the year	¥ (392)	¥ 75	¥ –	$ (3,479)
Reclassification adjustments	56	55	–	497
Sub-total, before tax	(335)	130	–	(2,973)
Tax (expense) or benefit	95	(59)	–	843
Sub-total, net of tax	¥ (239)	¥ 71	¥ –	$ (2,121)
Share of other comprehensive income of associates accounted for using equity method				
Increase (decrease) during the year	¥ (2)	¥ 3	¥ 2	$ (17)
Reclassification adjustments	0	(1)	(1)	0
Sub-total	¥ (2)	¥ 2	¥ 1	$ (18)
Total other comprehensive income	¥ (888)	¥ 1,283	¥ 1,710	$ (7,881)

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, 2016 and 2015, 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, 2016, 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 misstatement, 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, 2016 and 2015, and their financial performance and cash flows for the three years in the period ended March 31, 2016 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, 2016 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 28, 2016
Tokyo, Japan

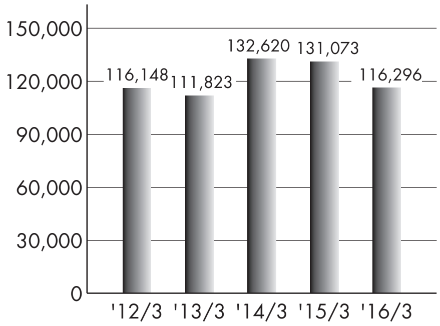
Consolidated Financial Highlights

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2016, 2015 and 2014

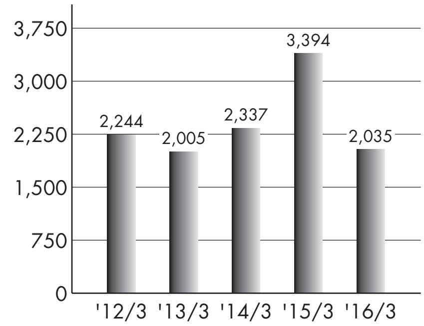
	Millions of Yen 2016	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2016	Percent change between 2016 and 2015
OPERATING DATA					
NET SALES	¥116,296	¥131,073	¥132,620	$1,032,091	(11.3%)
INCOME BEFORE INCOME TAXES	2,837	5,054	3,699	25,177	(43.9%)
NET INCOME	2,035	3,394	2,337	18,060	(40.0%)
FINANCIAL DATA					
TOTAL ASSETS	¥ 76,366	¥ 82,786	¥ 82,808	$ 677,725	(0.0%)
NET ASSETS	50,775	50,799	46,528	450,612	0.0%
PER SHARE DATA	Yen			U.S. Dollars	
NET INCOME PER SHARE	¥ 93.02	¥ 155.08	¥ 106.86	$ 0.83	(40.0%)
CASH DIVIDENDS PER SHARE	40.00	40.00	35.00	0.35	0.0%

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥112.68 to U.S. $1.
See Note 1 to the consolidated financial statements.

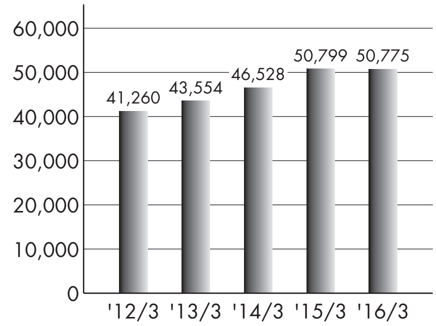
Net Sales
(millions of yen)



Net Income
(millions of yen)



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



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