2018
Annual Report

Hakuto Co.,Ltd.

Contents

To Our Shareholders, Employees and Friends

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

In the following, we present a report of Hakuto's business performance for the 66th fiscal year, which began on April 1, 2017 and ended on March 31, 2018.

During the consolidated fiscal year under review, the global economy remained firm overall, with the US economic situation stable and trending upward and steady economic growth expected in Asia. The Japanese economy continued to expand gradually.

Given this situation, in the Hakuto Group's electronic components business, revenue from general electronic components fell due to the Group's suspension in the handling of memory cards. However, revenue from semiconductor devices for In-vehicle and industrial equipment rose, resulting in an overall increase in revenue from electronic components from the previous fiscal year.

In the electronic and electric equipment business, revenue from PWB and PCB substrate exposure devices for smartphones and from vapor deposition devices for lens manufacturing increased, resulting in higher revenue overall for electronic and electric equipment.

In the industrial chemicals business, the petroleum and petrochemical field and the cosmetics field performed steadily, prompting revenue growth.

As a result, the Hakuto Group posted consolidated net sales of ¥137,579 million for the fiscal year under review, up 7.8% from the preceding fiscal year.

Consolidated gross profit rose 10.4%, to ¥18,210 million, with consolidated selling, general and administrative expenses increasing 0.5%, to ¥14,499 million. As a result, consolidated operating income leapt 79.3%, to ¥3,711 million, and net income attributable to owners of the parent increase 71.2%, to ¥3,260 million.

Net income per share was ¥154.89, up by ¥67.67 from the previous fiscal year.

Return on assets increased 2.0 percentage points year on year, to 4.6%. Return on equity rose 2.4 percentage points, to 6.1%.

The Hakuto Group considers boosting 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. We comprehensively consider factors such as business performance during each fiscal year, financial conditions and future business strategies. We put internal reserves 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 expanding 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 ¥26 per share, consisting of an ordinary dividend of ¥20 plus a special dividend of ¥6. This amount, combined with an interim dividend of ¥20 per share paid in December 2017, brings the total dividend for the fiscal year to ¥46.

Finally, we ask that our shareholders continue to provide their understanding and support, taking a long-term view of the Hakuto Group's business activities.

Ryusaburo Sugimoto,
President

The Year in Review

Electronics

Electronic Devices Division

Overview of the Fiscal Year under Review

- In-vehicle and industrial equipment products remained favorable.
- Tablet ICs for overseas manufacturers performed well.
- ICs for white goods performed well in the Chinese market.
- Prices increased and delivery times were prolonged due to expansion of IC demand, mainly for memory.

Outlook for the Next Fiscal Year (Ending March 31, 2019)

- We expect in-vehicle and industrial equipment products to continue performing well.
- We anticipate that the variety of ICs used to expand with an increase in the use of sensors and cameras as self-driving vehicles will become popular.
- We believe utilization of IoT in industrial equipment will accelerate.
- We expect a slowdown in products for amusement due to revisions to related legislation.
- We anticipate an increase in inquiries about products for audio equipment and the medical field.

Electronic Components Division

Overview of the Fiscal Year under Review

- Connectors for Japanese PC/HDD manufacturers were firm.
- Sales of products for industrial equipment expanded.
- Business at overseas data centers was strong.
- Demand for components for non-communications uses such as sensing expanded.
- Touch panels for multi-function printers (MFPs) were sluggish.
- The market for photovoltaic power products remained sluggish.

Outlook for the Next Fiscal Year (Ending March 31, 2019)

- Reorganization of Japanese PC manufacturers is resulting in an uncertain outlook.
- We anticipate expansion of investment related to in-vehicle, medical, and industrial equipment.
- We are slated to commence the overseas rollout of new products made in Japan.
- We expect the market for photovoltaic power products will bottom out and recover somewhat.
- We forecast establishment of the 5G mobile network to expand demand for optical components.
- We anticipate the expansion of capital investment in core optical networks in preparation for next-generation communications standards (400G).

Electronic and Electronic Equipment Division

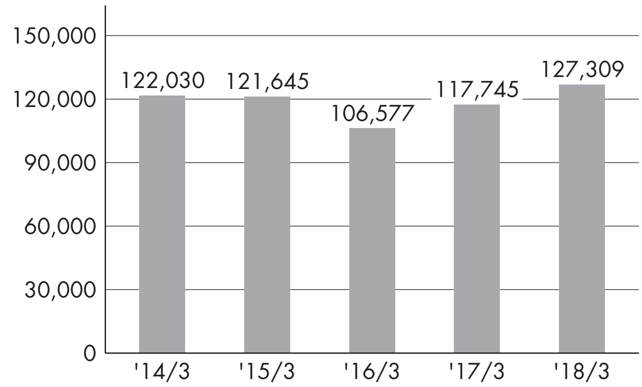
Overview of the Fiscal Year under Review

- Exposure devices for smartphones and freezers for coating equipment were favorable.
- Coating equipment did well, with expanded capital investment in the LED and LD market.
- Delivery of accelerators for overseas markets was postponed to the next period.
- Orders for steppers for next-generation smartphones were postponed due to delays in a customer's roadmap.
- Orders for laser processing systems were postponed.

Outlook for the Next Fiscal Year (Ending March 31, 2019)

- We anticipate continued active capital investment for smartphones and in-vehicle products.
- We anticipate capital investment to intensify in the EUV exposure market and believe orders for coating equipment will expand.
- We expect investment in steppers in keeping with mass-production plans for next-generation semiconductor packages.
- We anticipate an expansion of orders for laser systems for lithium-ion batteries for the EU market.

Sales
(millions of yen)



Chemicals

Overview of the Fiscal Year under Review

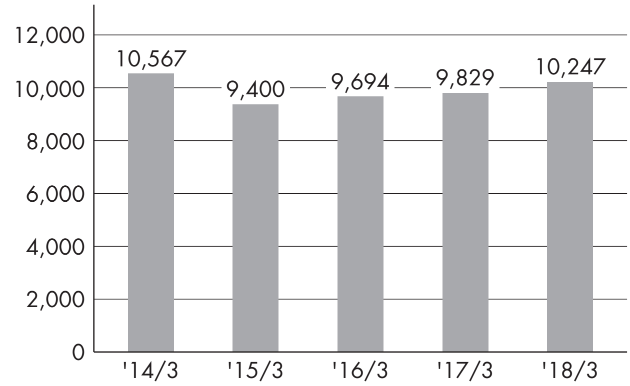
- Polymerization inhibitors and products for construction performed favorably.
- In cosmetics, Alcasealan (raw material) performed favorably and sales of OEM products expanded.
- The paper and pulp business did well although paper for household use continued to perform poorly.
- Sales of FCC catalysts performed poorly.

Outlook for the Next Fiscal Year (Ending March 31, 2019)

- We expect sales expansion in Thailand and Taiwan. We will reconsider our business model in China.
- In the cosmetics business, we established Hakuto Life Science Co., Ltd. as a subsidiary and will accelerate business development.

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 in the fiscal year under review were ¥137,579 million (up 7.8% year on year).

Consolidated gross profit was ¥18,210 million (up 10.4%), consolidated selling, general and administrative expenses were ¥14,499 million (up 0.5%), consolidated operating income was ¥3,711 million (up 79.3%), and net income attributable to owners of the parent was 3,260 million (up 71.2%).

Balance Sheet Items

Current assets at the end of the fiscal year under review rose by ¥7,409 million, up 12.1% from the previous fiscal year. This reflected an increase in inventories of ¥4,395 million, an expansion of ¥1,681 million in cash and time deposits, and in increase in notes and accounts receivable–trade of ¥1,218 million.

Non-current assets decreased by ¥343 million, down 2.0%, compared to the end of the previous consolidated fiscal year, mainly because of a decrease of ¥396 million in other non-current assets.

As a result of these factors, total assets amounted to ¥85,327 million as of March 31, 2018, up ¥7,066 million (up 9.0%) from a year earlier.

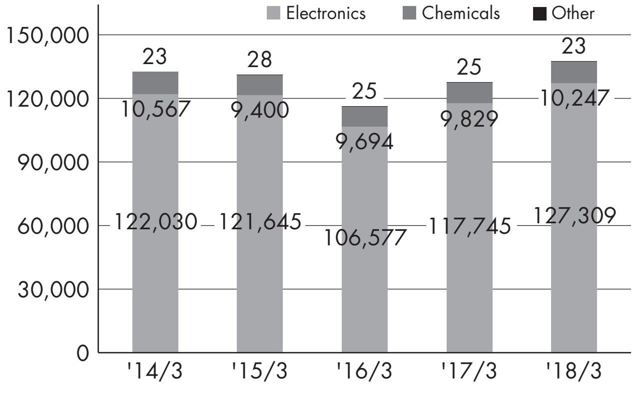
Current liabilities increased by ¥6,125 million (up 28.1%) from the end of the previous fiscal year, primarily due to a rise of ¥4,314 million in short-term debt and expansion of ¥1,020 million in notes and accounts payable–trade.

Non-current liabilities inclined by ¥105 million (up 2.8%) from the end of the previous fiscal year, largely because of a ¥182 million increase in deferred tax liabilities.

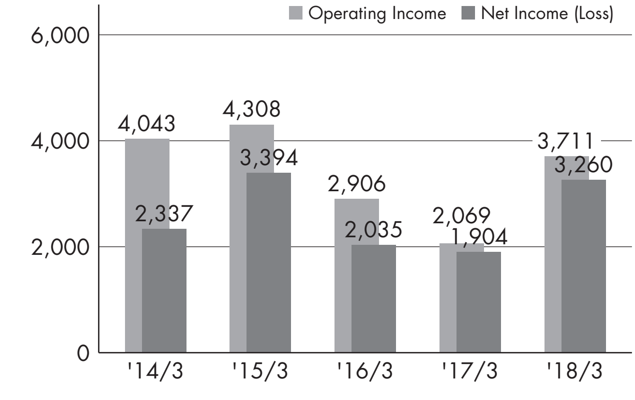
Based on the above, total liabilities at the end of the fiscal year under review increased by ¥6,230 million (up 24.4%) from the previous fiscal year to ¥31,743 million.

Net assets increased by ¥836 million (up 1.6%) in comparison with the previous fiscal year to ¥53,584 million. This mainly reflected a ¥2,404 million increase in retained earnings and a decrease of ¥1,451 million in treasury stock.

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 used in operating activities amounted to ¥459 million, net cash provided by investing activities was ¥214 million, and net cash provided by in financing activities totaled ¥1,778 million. Exchange rate fluctuations had the effect of decreasing cash and cash equivalents by ¥35 million. As a result of these factors, cash and cash equivalents stood at ¥9,246 million as of March 31, 2018, up ¥1,498 million from March 31, 2017.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥459 million. Principal sources of cash were ¥4,479 million in income before income taxes and a ¥1,641 million increase in payable, while uses of cash included a ¥4,469 million increase in inventories and a ¥2,090 million increase in receivables. In the previous fiscal year, cash flows from operating activities resulted in a net inflow of ¥2,572 million due primarily to income before income taxes of ¥1,977 million.

Cash flows from investing activities

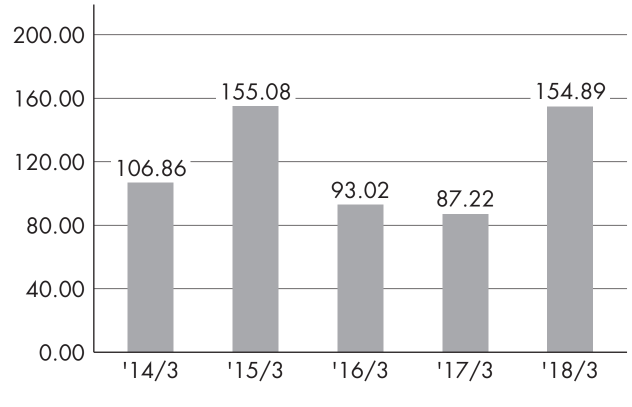
Uses of cash included ¥523 million in payments for purchase of property, plant and equipment and a ¥183 million increase in time deposits, while proceeds from sale of investment securities provided ¥977 million. As a result, net cash provided by investing activities amounted to ¥214 million. In the previous fiscal year, net cash used in investing activities amounted to ¥1,210 million, due largely to ¥372 million in payments for purchase of investment securities and ¥337 million in payments for purchase of investments in subsidiaries.

Cash flows from financing activities

Net cash provided by financing activities totaled ¥1,778 million. Principal uses of cash included acquisition of treasury stock, for a net increase of ¥1,451 million, and ¥1,138 million in repayments of long-term debt. Major sources of cash included net proceeds from short-term borrowings of ¥4,340 million. In the preceding fiscal year, net cash used in financing activities came to ¥1,947 million, due primarily to ¥1,251 million used to repay long-term debt.

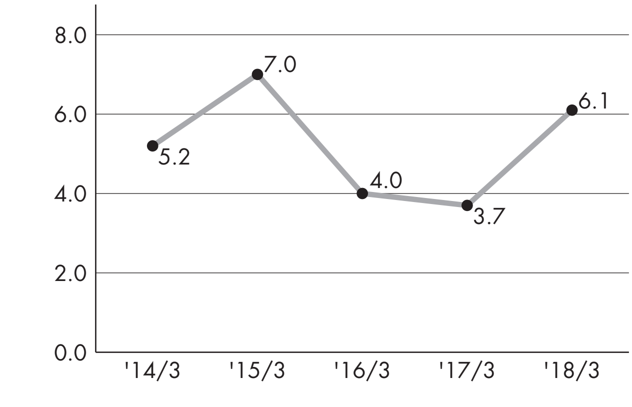
Net Income (Loss) per Share

(yen)



Return on Equity

(%)



Consolidated Balance Sheets

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2018, and 2017

Assets

Current Assets:	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Cash and time deposits (Notes 4 and 13)	¥ 9,429	¥ 7,748	$ 88,752
Receivables (Note 4):			
Notes and accounts receivable - trade	29,376	28,158	276,506
Electronically recorded monetary claims-trade	5,005	4,385	47,110
Due from unconsolidated subsidiaries and affiliated companies (Note 5)	246	140	2,316
Allowance for doubtful accounts	(16)	(11)	(151)
Inventories (Note 6)	22,218	17,823	209,130
Deferred tax assets (Note 11)	598	898	5,629
Prepaid expenses and other current assets	1,635	1,941	15,390
Total current assets	68,491	61,082	644,682
Non-Current Assets:			
Property, Plant and Equipment:			
Land	3,070	3,080	28,897
Buildings and structures	5,503	5,498	51,798
Machinery and equipment	4,970	4,901	46,781
Other assets	3,625	3,988	34,121
Sub-total	17,168	17,467	161,597
Accumulated depreciation	(10,429)	(10,703)	(98,165)
Total property, plant and equipment	6,739	6,764	63,432
Investments and Other Non-current Assets:			
Investment securities (Notes 3, 4 and 5)	9,253	9,184	87,095
Deferred tax assets (Note 11)	61	52	574
Other non-current assets	783	1,179	7,370
Total investments and other non-current assets	10,097	10,415	95,039
Total non-current assets	16,836	17,179	158,471
Total Assets	¥ 85,327	¥ 78,261	$ 803,153

See accompany notes.

Liabilities and Net Assets

Liabilities Current Liabilities:	Millions of Yen 2018	 2017	Thousands of U.S. Dollars (Note 1) 2018
Payables (Note 4):			
Notes and accounts payable - trade	¥ 14,435	¥ 13,415	$ 135,872
Electronically recorded monetary obligation-trade	2,293	2,266	21,583
Due to unconsolidated subsidiaries and affiliated companies (Note 5)	1,378	877	12,971
Short-term debt (Notes 4 and 7)	5,464	1,150	51,431
Long-term debt due within one year (Notes 4 and 7)	969	1,094	9,121
Income taxes payable (Note 11)	633	212	5,958
Provision for employees' bonuses	897	831	8,443
Accrued expenses and other current liabilities	1,861	1,960	17,516
Total current liabilities	27,930	21,805	262,895
Non-current Liabilities:			
Long-term debt (Notes 4 and 7)	1,246	1,404	11,728
Net defined benefit liability (Notes 8)	381	318	3,586
Provision for directors' and corporate auditors' severance and retirement benefits	12	10	113
Deferred tax liabilities (Note 11)	2,136	1,954	20,105
Other non-current liabilities	38	22	358
Total non-current liabilities	3,813	3,708	35,890
Total Liabilities	31,743	25,513	298,785
Net Assets **Shareholders' Equity**			
Common stock:			
Authorized - 54,000,000 shares			
Issued and outstanding - 24,137,213 shares	8,100	8,100	76,242
Capital surplus	7,289	7,289	68,609
Retained earnings	39,187	36,783	368,854
Treasury stock, at cost 3,271,467shares in 2018 and 2,279,151 shares in 2017	(5,492)	(4,041)	(51,694)
Total shareholders' equity	49,084	48,131	462,011
Accumulated Other Comprehensive Income:			
Net unrealized holding gains (losses) on investment securities	4,307	4,203	40,540
Deferred gains (losses) on hedging derivatives	(19)	(3)	(179)
Foreign currency translation adjustments	588	824	5,535
Accumulated adjustments for retirement benefit	(376)	(407)	(3,539)
Total accumulated other comprehensive income	4,500	4,617	42,357
Total net assets	53,584	52,748	504,368
Total Liabilities and Net Assets	¥ 85,327	¥ 78,261	$ 803,153

See accompany notes.

Consolidated Statements of Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018, 2017 and 2016

	Millions of Yen 2018	2017	2016	Thousands of U.S. Dollars (Note 1) 2018
Net Sales (Notes 5 and 16)	¥137,579	¥127,599	¥116,296	$1,294,983
Cost of Sales (Note 5)	119,369	111,103	99,075	1,123,579
Gross Profit	18,210	16,496	17,221	171,404
Selling, General and Administrative Expenses (Notes 9)	14,499	14,427	14,315	136,474
Operating Income (Note 16)	3,711	2,069	2,906	34,930
Other Income (Expenses):				
Interest and dividend income	247	230	252	2,325
Interest expenses	(33)	(42)	(61)	(311)
Foreign exchange gain (loss), net	(222)	(280)	(230)	(2,090)
Gain on sale of fixed asset	10	2	1	94
Gain on sale of investment securities	782	4	281	7,361
Gain on liquidation of subsidiaries	20	–	–	188
Gain on Transfer of Business	29	–	–	273
Loss on valuation of investment securities	–	–	(236)	–
Loss on valuation of shares of subsidiaries	(74)	–	(81)	(697)
Impairment loss (Note 10)	(28)	–	–	(263)
Other - net	37	(6)	5	349
Total Other Income (Expenses)	768	(92)	(69)	7,229
Income before Income Taxes	4,479	1,977	2,837	42,159
Income Taxes Provision (Note 11):	1,219	73	802	11,474
Current	901	349	989	8,481
Deferred	318	(276)	(187)	2,993
Net Income	3,260	1,904	2,035	30,685
Net income attributable to owners of parent	¥ 3,260	¥ 1,904	¥ 2,035	$ 30,685

Amounts per Share (Note 2(o)):	Yen			U.S. Dollars (Note 1)
Net Income	¥ 154.89	¥ 87.22	¥ 93.02	$ 1.46
Cash Dividends Applicable to the Year	46.00	40.00	40.00	0.43

See accompany notes.

Consolidated Statements of Comprehensive Income

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018, 2017 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2017	2016	2018
Net Income	¥ 3,260	¥ 1,904	¥ 2,035	$ 30,685
Other comprehensive income (losses) (Note 18)				
Net unrealized holding gains (losses) on investment securities	104	796	206	979
Deffered gains (losses) on hedging derivatives	(16)	26	(22)	(151)
Foreign currency translation adjustments	(236)	(8)	(831)	(2,221)
Accumulated adjustments for retirement benefit	31	67	(239)	292
Share of other comprehensive income of affiliates accounted for using equity method	(0)	(3)	(2)	(0)
Total other comprehensive income (losses)	(117)	878	(888)	(1,101)
Comprehensive income	3,143	2,782	1,147	29,584
Comprehensive income attributable to				
owners of the parent	3,143	2,782	1,147	29,584
Non-controlling interests	–	–	–	–

See accompany notes.

Consolidated Statements of Changes in Net Assets

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018, 2017 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2017	2016	2018
Common stock				
Balance, beginning of year	¥ 8,100	¥ 8,100	¥ 8,100	$ 76,242
Total changes of items during the period	–	–	–	–
Balance, end of year	8,100	8,100	8,100	76,242
Capital surplus				
Balance, beginning of year	7,289	7,289	7,289	68,609
Total changes of items during the period	–	–	–	–
Balance, end of year	7,289	7,289	7,289	68,609
Retained earnings				
Balance, beginning of year	36,783	35,756	34,715	346,226
Dividends	(856)	(877)	(994)	(8,057)
Net income attributable to owners of parent	3,260	1,904	2,035	30,685
Total changes of items during the period	2,404	1,027	1,041	22,628
Balance, end of year	39,187	36,783	35,756	368,854
Treasury stock				
Balance, beginning of year	(4,041)	(4,109)	(3,932)	(38,036)
Disposal of treasury stock	43	68	47	405
Purchase of treasury stock	(1,494)	0	(224)	(14,063)
Total changes of items during the period	(1,451)	68	(177)	(13,658)
Balance, end of year	(5,492)	(4,041)	(4,109)	(51,694)
Shareholders' equity				
Balance, beginning of year	48,131	47,036	46,172	453,041
Dividends	(856)	(877)	(994)	(8,057)
Net income attributable to owners of parent	3,260	1,904	2,035	30,685
Disposal of treasury stock	43	68	47	405
Purchase of treasury stock	(1,494)	0	(224)	(14,063)
Total changes of items during the period	953	1,095	864	8,970
Balance, end of year	49,084	48,131	47,036	462,011
Net unrealized holding gains (losses) on investment securities				
Balance, beginning of year	4,203	3,410	3,207	39,561
Net changes of items other than shareholders' equity	104	793	203	979
Total changes of items during the period	104	793	203	979
Balance, end of year	4,307	4,203	3,410	40,540
Deferred gains (losses) on hedging derivatives				
Balance, beginning of year	(3)	(29)	(7)	(28)
Net changes of items other than shareholders' equity	(16)	26	(22)	(151)
Total changes of items during the period	(16)	26	(22)	(151)
Balance, end of year	(19)	(3)	(29)	(179)
Foreign currency translation adjustments				
Balance, beginning of year	824	832	1,663	7,756
Net changes of items other than shareholders' equity	(236)	(8)	(831)	(2,221)
Total changes of items during the period	(236)	(8)	(831)	(2,221)
Balance, end of year	588	824	832	5,535
Accumulated adjustments for retirement benefit				
Balance, beginning of year	(407)	(474)	(236)	(3,831)
Net changes of items other than shareholders' equity	31	67	(238)	292
Total changes of items during the period	31	67	(238)	292
Balance, end of year	(376)	(407)	(474)	(3,539)
Net assets				
Balance, beginning of year	52,748	50,775	50,799	496,499
Dividends	(856)	(877)	(994)	(8,057)
Net income attributable to shareholders of parent	3,260	1,904	2,035	30,685
Disposal of treasury stock	43	68	47	405
Purchase of treasury stock	(1,494)	0	(224)	(14,063)
Net changes of items other than shareholders' equity	(117)	878	(888)	(1,101)
Total changes of items during the period	836	1,973	(24)	7,869
Balance, end of year	¥ 53,584	¥ 52,748	¥ 50,775	$ 504,368

See accompany notes.

Consolidated Statements of Cash Flows

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018, 2017 and 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2017	2016	2018
Cash Flows from Operating Activities:				
Income before income taxes	¥ 4,479	¥ 1,977	¥ 2,837	$ 42,159
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	910	874	1,053	8,566
Impairment loss	28	–	–	264
Gains on sale of investment securities, net	(782)	(4)	(281)	(7,361)
Gains on Transfer of Business	(29)	–	–	(273)
Gains on liquidation of subsidiaries	(20)	–	–	(188)
Loss on valuation of investment securities	–	–	236	–
Loss on valuation of shares of subsidiaries	74	–	81	697
Gain (Loss) on sale and disposal of fixed asset	(5)	16	4	(47)
Decrease (increase) in receivables	(2,090)	1,092	(1,432)	(19,672)
Decrease (increase) in inventories	(4,469)	(1,476)	1,937	(42,065)
Increase (Decrease) in payables	1,641	1,199	(950)	15,446
Income taxes paid, net	(259)	(838)	(1,091)	(2,438)
Other	63	(268)	(307)	593
Net cash provided by (used in) operating activities	(459)	2,572	2,087	(4,319)
Cash Flows from Investments Activities:				
Decrease (increase) in time deposits	(183)	0	291	(1,723)
Proceeds from sale of property, plant and equipment	60	5	1	565
Payments for purchase of property, plant and equipment	(523)	(277)	(201)	(4,923)
Proceeds from sale of investment securities	977	21	525	9,196
Payments for purchase of investment securities	(51)	(372)	(260)	(480)
Payments for purchase of investments in subsidiaries	(28)	(337)	–	(264)
Proceeds from transfer of business	38	–	–	358
Payments of acquisition of business	–	(135)	–	–
Other	(76)	(115)	(311)	(715)
Net cash provided by (used in) investing activities	214	(1,210)	45	2,014
Cash Flows from Financing Activities:				
Net increase (decrease) in short-term borrowings	4,340	151	(2,114)	40,851
Proceeds from long-term debt	900	–	–	8,471
Repayments of long-term debt	(1,138)	(1,251)	(2,141)	(10,712)
Net decrease (increase) in treasury stock	(1,451)	68	(162)	(13,658)
Cash dividends paid	(854)	(872)	(986)	(8,038)
Other	(19)	(43)	(66)	(179)
Net cash provided by (used in) financing activities	1,778	(1,947)	(5,469)	16,735
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(35)	40	(424)	(329)
Net Increase (Decrease) in Cash and Cash Equivalents	1,498	(545)	(3,761)	14,101
Cash and Cash Equivalents at Beginning of Year	7,748	8,366	12,127	72,928
Decrease in Cash and Cash Equivalents Resulting from Excluding Consolidation	–	(73)	–	–
Cash and Cash Equivalents at End of Year (Note 13)	¥ 9,246	¥ 7,748	¥ 8,366	$ 87,029

See accompany notes.

Notes to Consolidated Financial Statements

Hakuto Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018, 2017 and 2016

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 of Japan 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 of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements 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 amount into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2018 which was ¥106.24 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 10 (10 in 2017 and 13 in 2016) significant subsidiaries ("the Group"). The Group had 5 non-consolidated subsidiaries. The 5 non-consolidated subsidiaries are excluded from the scope of consolidation, since the impact on total assets, net sales, consolidated net income and loss and retained earnings is minor and there is no materiality.

The Company newly established Hakuto Life Science Co., Ltd. in the fiscal year ended March 31, 2018. Shunde Morning Sky Ltd. which was a consolidated subsidiary, had been excluded from the scope of consolidation due to completion of liquidation in the fiscal year ended March 31, 2018. All significant inter-company balances and transactions have been eliminated.

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 in which its benefit is expected to be realized.

(b) Equity method - Investments in significant affiliated companies (20% to 50% owned) are accounted for by the equity method. The equity method had been applied to the investments in 2 (3 in 2017 and 3 in 2016) affiliated companies.

(c) Translation of foreign currency financial statements - Financial statements of consolidated foreign 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.

(d) Securities - Securities are classified as (i) securities held for trading purposes ("trading securities"), (ii) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (iii) equity securities issued by subsidiaries and affiliated companies, or (iv) 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) 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.

(f) Property, plant and equipment, and depreciation - At the Company and the domestic subsidiaries, depreciation is calculated using the straight-line method, and useful lives and residual values are based on the basis determined by the Corporation Tax Law. At the foreign subsidiaries, depreciation is calculated primarily using the straight-line method for buildings, and the declining-balance method for other tangible assets. Useful lives are determined by the years estimated individually.

(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) 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.

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

(j) Allowance for 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.

(k) Employees' severance and retirement benefits - The Company and certain consolidated subsidiaries provide post-employment benefit plans substantially by funded defined contribution pension plans and funded defined benefit pension plans. Under funded defined benefit pension plans, 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. Under funded defined contribution pension plans, all eligible employees are clearly categorized for each individual contribution and the pension benefits are determined based on the sum of the contributions and their investment earnings. Also, additional severance and retirement benefits may be paid, not covered by these pension plans.

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 benefit formula basis.
2. Amortization of actuarial gains/losses
   Actuarial gains/losses are amortized pro rata in the year followings the year in which the difference occurs by the straight-line method over the specified number of years (10 years) within the average remaining years of service of the employees.
3. Application of the simplified method for small businesses
   For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the consolidated fiscal year are recorded as retirement benefit obligations.

(l) Derivative transactions and hedge accounting

Hedge accounting:

1. Method of hedge accounting

   i: Basic method

   As a general rule, derivative transactions are entered in the market value 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.

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

   For the years ended March 31, 2018, 2017 and 2016

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

3. 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.

(m) 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 cash and cash equivalents.

(n) Income taxes - The Group records deferred tax assets and liabilities on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and net operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws which are expected to be in effect when net operating loss carryforwards and temporary differences are expected to be realized.

(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, 2018, 2017 and 2016, 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 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 for the years ended March 31, 2018, 2017 and 2016 were 38,908 shares, 95,903 shares, and 159,548 shares when calculating net income per share for the term.

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

(p) Changing in accounting policy that is difficult to distinguish from changes in accounting estimate
(Change in depreciation method of property, plant and equipment)

The Company previously mainly used the declining-balance method for depreciation of property, plant and equipment (except for buildings (excluding leasehold improvements) and leased assets). Since the fiscal year ended March 31, 2017, depreciation method has been changed to the straight-line method. The Company had examined the actual status of use of the property, plant and equipment triggered by a newly settled mid-term business plan and then concluded that the straight line method is more appropriate to present the economic features of those assets since the property, plant and equipment which mainly consist of the asset for solar power farms, are expected to be stably operated and contribute to the Company's profit for a long time.

As a result of this change, Gross Profit for the fiscal year ended March 31, 2017, increased by ¥104 million compared to the amounts based on the previous method, while Operating Income and Income before Income Taxes increased by ¥149 million.

(q) Standards and guidance not yet adopted
The following standard and guidance were issued but not yet adopted.
- "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

1. Overview
The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:
Step1: Identify contract(s) with customers.
Step2: Identify the performance obligations in the contract.
Step3: Determine the transaction price.
Step4: Allocate the transaction price to the performance obligations in the contract.
Step5: Recognize revenue when the entity satisfies the performance obligation.

2. Application date
Effective from the beginning of the fiscal year ending March 31, 2022.

3. Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(r) Additional information
(i) Employee stock ownership plan (ESOP)

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, acquired the number of the Company's shares that Our Shareholding Association was expected to acquire for the five years from the fiscal year ended March 31, 2014. 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 as of the end of the trust. 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 drop-in stock prices.

2. The Company's stock in the trust
The Company's 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, 2018 and 2017 were ¥19 million ($181thousand) and 19,700 shares, ¥62 million and 64,100 shares, respectively.

3. The loan book value as applied on gross amount method
The value was ¥69 million ($649 thousand) as of March 31, 2018.
The value was ¥115 million as of March 31, 2017.

(ii) Application guideline about the collection possibility of deferred tax assets
The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")) from the year ended March 31, 2017.

3. Securities

(a) Summarized information of acquisition costs, book values and fair values of securities with available fair values as of March 31, 2018 and 2017 was as follows:

2018	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,704	¥ 7,869	¥ 6,165
Subtotal	¥ 1,704	¥ 7,869	¥ 6,165
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 34	¥ 28	¥ (6)
Subtotal	34	28	(6)
Total	¥ 1,738	¥ 7,897	¥ 6,159

2017	Millions of Yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 1,680	¥ 7,614	¥ 5,934
Subtotal	¥ 1,680	¥ 7,614	¥ 5,934
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 202	¥ 181	¥ (21)
Subtotal	202	181	(21)
Total	¥ 1,882	¥ 7,795	¥ 5,913

2018	Thousands of U.S. Dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 16,039	$ 74,068	$ 58,029
Subtotal	$ 16,039	$ 74,068	$ 58,029
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 320	$ 264	$ (56)
Subtotal	320	264	(56)
Total	$ 16,359	$ 74,332	$ 57,973

(b) Total sales of available-for-sale securities sold for the years ended March 31, 2018, 2017 and 2016 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Available-for-sale securities:				
Total sales amount	¥ 977	¥ 16	¥ 525	$ 9,196
Gains	782	4	281	7,361
Losses	–	–	–	–

(c) The impairment losses on equity securities
The impairment losses on equity securities for the fiscal year ended March 31, 2016 were ¥317 million (equity of Investment securities ¥236 million, Shares of subsidiaries ¥81 million).

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 because 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 "Note 2 (l)" 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 "Note12," 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, fair values of the financial instruments and the difference between them on the consolidated balance sheet as of March 31, 2018 and 2017 were as follows.

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

2018	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 9,429	¥ 9,429	¥ –
(2) Receivables	29,622	29,622	–
(3) Electronically recorded monetary claims-operating	5,005	5,005	–
(4) Investment securities	7,897	7,897	–
Total assets	51,953	51,953	–
(5) Short-term debt	5,464	5,464	–
(6) Long-term debt (*1)	2,215	2,216	1
(7) Payables	18,106	18,106	–
Total liabilities	25,785	25,786	1
Derivatives transactions (*2)	24	24	–

2017	Millions of Yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 7,748	¥ 7,748	¥ –
(2) Receivables	28,298	28,298	–
(3) Electronically recorded monetary claims-operating	4,385	4,385	–
(4) Investment securities	7,795	7,795	–
Total assets	48,226	48,226	–
(5) Short-term debt	1,150	1,150	–
(6) Long-term debt (*1)	2,498	2,519	21
(7) Payables	16,558	16,558	–
Total liabilities	20,206	20,227	21
Derivatives transactions (*2)	124	124	–

2018	Thousands of U.S. Dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 88,752	$ 88,752	$ –
(2) Receivables	278,822	278,822	–
(3) Electronically recorded monetary claims-operating	47,110	47,110	–
(4) Investment securities	74,332	74,332	–
Total assets	489,016	489,016	–
(5) Short-term debt	51,431	51,431	–
(6) Long-term debt (*1)	20,849	20,858	9
(7) Payables	170,426	170,426	–
Total liabilities	242,706	242,715	9
Derivatives transactions (*2)	226	226	–

(*1) Long-term debt due within one year included in current liabilities is 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, (3) Electronically recorded monetary claims-operating

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

(4) Investment securities

In terms of investment securities, the fair values of shares are based on market price.

For information on securities classified by purpose of holding, please refer to the "Note 3. Securities".

(5) Short-term debt, (7) Payables

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

(6) Long-term debt

Fair value of long-term debt is based on present value 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 which is extremely difficult to calculate the fair values

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Classification	Book Value		Book Value
Shares of non-consolidated subsidiaries and affiliated companies	¥ 1,354	¥ 1,387	$ 12,745
Unlisted shares	2	2	18

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

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

	Millions of Yen			
2018	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 9,429	¥ –	¥ –	¥ –
Receivables	29,622	–	–	–
Electronically recorded monetary claims-operating	5,005	–	–	–
Total	¥ 44,056	¥ –	¥ –	¥ –

	Millions of Yen			
2017	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 7,748	¥ –	¥ –	¥ –
Receivables	28,298	–	–	–
Electronically recorded monetary claims-operating	4,385	–	–	–
Total	¥ 40,431	¥ –	¥ –	¥ –

	Thousands of U.S. Dollars			
2018	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	$ 88,752	$ –	$ –	$ –
Receivables	278,822	–	–	–
Electronically recorded monetary claims-operating	47,110	–	–	–
Total	$ 414,684	$ –	$ –	$ –

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

	Millions of Yen					
2018	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 debt	¥ 969	¥ 656	¥ 320	¥ 180	¥ 90	¥ –

	Millions of Yen					
2017	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 debt	¥ 1,094	¥ 789	¥ 476	¥ 139	¥ –	¥ –

	Thousands of U.S. Dollars					
2018	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 debt	$ 9,121	$ 6,175	$ 3,012	$ 1,694	$ 847	$ –

5. Non-consolidated subsidiaries and affiliated companies

Summarized information on balances with non-consolidated subsidiaries and affiliated companies as of the years ended March 31, 2018 and 2017 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Receivables	¥ 246	¥ 140	$ 2,316
Investment securities	1,354	1,388	12,745
Payables and other current liabilities	1,378	877	12,971

Summarized information on transactions with affiliated companies as of the years ended March 31, 2018, 2017 and 2016 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Sales to	¥ 859	¥ 607	¥ 1,052	$ 8,085
Purchases from	3,771	1,894	2,662	35,495

6. Inventories

Inventories as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Merchandise and Finished goods	¥ 21,657	¥ 17,264	$203,850
Raw materials	510	475	4,800
Work in process	37	63	348
Supplies	14	21	132
Total	¥ 22,218	¥ 17,823	$209,130

7. 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, 2018 was 0.8% and as of March 31, 2017 was 0.9%.

(b) Long–term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
0.68% to 0.75% loans from Japanese insurance companies, due in 2017 to 2023	¥ 158	¥ 241	$ 1,487
0.35% to 1.146% loans from Japanese banks, due in 2017 to 2023	2,057	2,257	19,362
Total	¥ 2,215	¥ 2,498	$ 20,849
Less amount due within 1 year	969	1,094	9,121
Long-term debt	1,246	1,404	11,728

8. Employees' severance and retirement benefits

1. Defined benefit plans for the year ended March 31, 2018 and 2017.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
(1) Movement in retirement benefit obligations (expect plan applied simplified method):			
Balance at the beginning of the year	¥ 3,232	¥ 3,031	$ 30,422
Service cost	229	228	2,155
Interest cost	2	2	19
Actuarial loss (gain)	84	27	791
Benefits paid	(170)	(126)	(1,600)
Other	(2)	70	(19)
Balance at the end of the year	¥ 3,375	¥ 3,232	$ 31,768

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
(2) Movements in plan assets (expect plan applied simplified method)			
Balance at the beginning of the year	¥ 3,060	¥ 2,923	$ 28,803
Expected return on plan assets	39	38	367
Actuarial gain (loss)	(5)	5	(47)
Contributions paid by the employer	224	216	2,108
Benefits paid	(162)	(123)	(1,525)
Other	(1)	1	(9)
Balance at the end of the year	¥ 3,155	¥ 3,060	$ 29,697

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
(3) Movement in liability for retirement benefits on plan applying the simplified method:			
Balance at the beginning of the year	¥ 146	¥ 250	$ 1,374
Service cost	20	45	188
Benefits paid	(5)	(43)	(47)
Contributions paid by the employer	–	(22)	–
Decrease due to change in the scope of consolidation	–	(84)	–
Other	0	0	0
Balance at the end of the year	¥ 161	¥ 146	$ 1,515

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits			
Funded retirement benefit obligations	¥ 3,375	¥ 3,232	$ 31,768
Plan assets	(3,155)	(3,060)	(29,697)
	220	172	2,071
Unfunded retirement benefit obligations	161	146	1,515
Total Net liability (asset) for retirement benefits	381	318	3,586
Asset for retirement benefits	–	–	–
Liability for retirement benefits	381	318	3,586
Total Net liability (asset) for retirement benefits	¥ 381	¥ 318	$ 3,586

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
(5) Retirement benefit costs			
Service cost	¥ 229	¥ 228	$ 2,155
Interest cost	2	2	19
Expected return on plan assets	(39)	(38)	(367)
Actuarial gains and losses amortization	129	120	1,214
Retirement benefit costs based on the simplified method	20	45	188
Total retirement benefit costs	¥ 341	¥ 357	$ 3,209

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
(6) Adjustments for retirement benefit			
Actuarial gains and losses	47	100	442
Total balance at the end of the year	¥ 47	¥ 100	$ 442

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
(7) Accumulated adjustments for retirement benefit			
Actuarial gains and losses that are yet to be recognized	(531)	(579)	(4,998)
Total balance at the end of the year	¥ (531)	¥ (579)	$ (4,998)

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
(8) Plan assets			
1. Plan assets comprise:			
General account	**¥ 2,769**	¥ 2,700	**$ 26,064**
Bonds	**279**	273	**2,626**
Equity securities	**55**	49	**518**
Other	**52**	38	**489**
Total	**¥ 3,155**	¥ 3,060	**$ 29,697**

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:

	2018	2017
Discount rate	**0.0%**	0.0%
Long-term expected rate of return	**1.3%**	1.3%

2. Defined contribution plan

Amount to be paid to the defined contribution plan for the years ended March 31, 2018 and 2017 was ¥124 million ($1,167 thousand) and ¥117 million.

9. 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, 2018, 2017 and 2016 were ¥154 million ($1,450 thousand), ¥171 million and ¥152 million, respectively.

10. Impairment losses

The Group recognized impairment losses for fixed assets in the years ended March 31, 2018, 2017 and 2016 as follows:

2018		
Location	Purpose	Type of assets
Toba-city, Mie prefecture	Employee welfare facilities	Land, Buildings and facilities attached to building.

2017		
Location	Purpose	Type of assets
–	–	–

2016		
Location	Purpose	Type of assets
–	–	–

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 Group closed welfare facilities for employees on March 31, 2018. Since the facilities had been idle, The Group reduced the book value of the facilities to the recoverable amount, and booked the decrease of ¥28 million ($263 thousand) as impairment losses that classified as extraordinary losses. The breakdown of the losses is ¥11 million ($103 thousand) losses for lands and ¥17 million ($160 thousand) losses for buildings and facilities attached to buildings. The Group estimated recoverable amount of the facilities assuming that the use value is zero.

11. 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 30.6% for the year ended March 31, 2018, and 30.9% for the year ended March 31, 2017, and 33.1% for the year ended March 31, 2016.

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, 2018, 2017 and 2016.

	2018	2017	2016
Statutory tax rate:	30.6%	30.9%	33.1%
Valuation allowance	(1.5)	1.6	4.0
Non-deductible expenses	0.6	1.2	0.9
Withholding tax of overseas consolidated subsidiaries dividends	1.7	0.2	1.9
Non-deductible withholding tax of overseas	0.3	0.6	0.4
Per capita inhabitant tax	0.9	2.1	1.3
Lower tax rates of overseas consolidated subsidiaries	(5.4)	(6.5)	(6.0)
Retained earnings of foreign subsidiaries	0.0	2.1	(8.8)
Effect of reduction of income tax rates on deferred tax assets	–	–	1.0
Special credit of corporation tax	(0.9)	(0.8)	(1.0)
Effect of merger of a consolidated subsidiary	–	(28.4)	–
Others	0.9	0.7	1.5
Effective tax rate	27.2%	3.7%	28.3%

(b) Significant components of the deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Deferred tax assets:	2018	2017	2018
Provision for directors' and corporate auditors' severance and retirement benefits	¥ 3	¥ 3	$ 28
Provision for employees' bonuses	239	220	2,250
Net defined benefit liability	91	79	857
Allowance for doubtful accounts	13	33	122
Devaluation of inventories	234	239	2,203
Devaluation of investment securities	198	287	1,864
Difference between fair value and book value of assets of consolidated subsidiaries at the acquisition date	60	61	565
Impairment loss on property, plant and equipment	422	419	3,972
Net loss carryforwards	–	334	–
Others	224	240	2,107
Sub-total	1,484	1,915	13,968
Less-Valuation allowance	(602)	(689)	(5,666)
Total deferred tax assets	¥ 882	¥ 1,226	$ 8,302
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	¥(1,850)	¥(1,708)	$ (17,413)
Retained earnings of foreign subsidiaries	(487)	(488)	(4,584)
Others	(22)	(34)	(207)
Total deferred tax liabilities	(2,359)	(2,230)	(22,204)
Net deferred tax assets (liabilities)	¥(1,477)	¥(1,004)	$ (13,902)

12. Derivative financial instruments

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

The following tables summarize fair value information as of March 31, 2018 and 2017 of derivative transactions.

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

Currency-related transactions

2018 Classification	Type of transaction	Millions of Yen Contracted amount	Contracted amount due over 1 year	Fair value	Valuation gains (losses)
Trading outside marketplace transaction	Forward foreign exchange contract				
	Sell				
	U.S. dollars	¥ 8,423	¥ –	¥ 137	¥ 137
	Buy				
	U.S. dollars,	6,659	–	(85)	(85)
	Euro,	421	–	(2)	(2)
	New Taiwan dollars,	16	–	0	0
	Yen	202	–	1	1
	Total	¥ 15,721	¥ –	¥ 51	¥ 51

2017 Classification	Type of transaction	Millions of Yen Contracted amount	Contracted amount due over 1 year	Fair value	Valuation gains (losses)
Trading outside marketplace transaction	Forward foreign exchange contract				
	Sell				
	U.S. dollars	¥ 8,067	¥ –	¥ 50	¥ 50
	Buy				
	U.S. dollars,	4,173	–	(38)	(38)
	Euro,	357	–	(2)	(2)
	New Taiwan dollars,	825	–	109	109
	Yen	183	–	(1)	(1)
	Total	¥ 13,605	¥ –	¥ 118	¥ 118

2018 Classification	Type of transaction	Thousands of U.S. Dollars Contracted amount	Contracted amount due over 1 year	Fair value	Valuation gains (losses)
Trading outside marketplace transaction	Forward foreign exchange contract				
	Sell				
	U.S. dollars	$ 79,283	$ –	$ 1,290	$ 1,290
	Buy				
	U.S. dollars,	62,679	–	(800)	(800)
	Euro,	3,963	–	(19)	(19)
	New Taiwan dollars,	151	–	0	0
	Yen	1,901	–	9	9
	Total	$ 147,977	$ –	$ 480	$ 480

Interest-related transactions

Not applicable.

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

Currency-related transactions

2018 Hedge accounting methods	Type of transaction	Main hedged items	Millions of Yen Contracted amount	Contracted amount due over 1 year	Fair value
Basic method	Forward foreign exchange contract				
	Sell	Forecasted transaction in foreign currency			
	U.S. dollars,		¥ 222	¥ –	¥ 9
	Buy				
	U.S. dollars,	Forecasted transaction in foreign currency	1,732	–	(33)
	Euro,		266	–	(3)
	Total		¥ 2,220	¥ –	¥ (27)

2017 Hedge accounting methods	Type of transaction	Main hedged items	Millions of Yen Contracted amount	Contracted amount due over 1 year	Fair value
Basic method	Forward foreign exchange contract				
	Sell	Forecasted transaction in foreign currency			
	U.S. dollars,		¥ 959	¥ 137	¥ 7
	Buy				
	U.S. dollars,	Forecasted transaction in foreign currency	891	21	(8)
	Euro,		134	–	(3)
	Total		¥ 1,984	¥ 158	¥ (4)

2018			Thousands of U.S. Dollars		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Contracted amount due over 1 year	Fair value
Basic method	Forward foreign exchange contract Sell U.S. dollars,	Forecasted transaction in foreign currency	$ 2,090	$ –	$ 85
	Buy U.S. dollars,	Forecasted transaction in foreign currency	16,293	–	(311)
	Euro,		2,504	–	(28)
	Total		$20,887	$ –	$ (254)

Contracted amounts are calculated based on the price provided by financial institution that the Group contract with.

Interest-related transactions

2018			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Contracted amount due over 1 year	Fair value
Special method for interest rate swap	Interest rate swap contract Pay fixed rate Receive floating rate	Long-term debt	¥ 166	¥ 83	¥ –
	Total		¥ 166	¥ 83	¥ –

2017			Millions of Yen		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Contracted amount due over 1 year	Fair value
Special method for interest rate swap	Interest rate swap contract Pay fixed rate Receive floating rate	Long-term debt	¥ 494	¥ 166	¥ –
	Total		¥ 494	¥ 166	¥ –

2018			Thousands of U.S. Dollars		
Hedge accounting methods	Type of transaction	Main hedged items	Contracted amount	Contracted amount due over 1 year	Fair value
Special method for interest rate swap	Interest rate swap contract Pay fixed rate Receive floating rate	Long-term debt	$ 1,563	$ 781	$ –
	Total		$ 1,563	$ 781	$ –

As interest rate swaps subject to special treatment of hedge accounting are treated together with the long-term debt, the fair value of interest rate swaps is included in the fair value of the long-term debt.

13. 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, 2018, 2017 and 2016 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Cash and time deposits	¥ 9,429	¥ 7,748	¥ 8,366	$ 88,752
Total	9,429	7,748	8,366	88,752
Less:time deposits with maturities exceeding three months	(183)	–	(0)	(1,723)
Cash and cash equivalents	¥ 9,246	¥ 7,748	¥ 8,366	$ 87,029

14. Information for certain lease transactions

Future lease payments under non-cancelable operating leases as of March 31, 2018 and 2017 were ¥353 million ($3,323 thousand) and ¥517 million, including ¥243 million ($2,287 thousand) and ¥264 million due within one year.

15. Subsequent events

On May 15, 2018, the Board of Directors approved payment of year-end cash dividends to the shareholders of record as of March 31, 2018 of ¥26.0 ($0.24) per share or a total of ¥543 million ($5,111 thousand).

On May 15, 2017, the Board of Directors approved payment of year-end cash dividends to the shareholders of record as of March 31, 2017 of ¥20.0 per share or a total of ¥438 million.

16. Segment information

1. General information about reportable segments

The reportable segments of the Group are the components of the Group, 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 Company consists of in-house companies, which were newly organized in fiscal year ended March 31, 2018, and divisions according to its goods and products. The Company consists of the segments related to the Company's goods and products based on the in-house company and 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 segment, Electronic and Electric Equipment segment, Industrial Chemicals segment 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 sales, segment income or loss, segment assets, segment liabilities and other items

The basis of measurement about reported segment sales, segment income or loss, segment assets, segment liabilities and other 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. Intersegment sales amounts and transfer amounts are based on the market prices.

3. Information about reported segment sales, segment income or loss, segment assets, segment liabilities and other items

2018	Millions of Yen				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 106,224	¥ 21,085	¥ 10,247	¥ 23	¥ 137,579
To other segments	–	–	–	658	658
Total	¥ 106,224	¥ 21,085	¥ 10,247	¥ 681	¥ 138,237
Segment income	1,405	1,247	905	27	3,584
Other					
Depreciation and amortization	782	77	51	–	910

2017	Millions of Yen				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	¥ 98,554	¥ 19,191	¥ 9,829	¥ 25	¥ 127,599
To other segments	–	–	–	652	652
Total	¥ 98,554	¥ 19,191	¥ 9,829	¥ 677	¥ 128,251
Segment income	447	805	867	19	2,138
Other					
Depreciation and amortization	757	87	30	–	874

2016	Millions of Yen				
	Electronic 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	27	2,785
Other					
Depreciation and amortization	900	107	46	–	1,053

2018	Thousands of U.S. Dollars				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Net sales					
To external customers	$ 999,849	$ 198,466	$ 96,451	$ 217	$ 1,294,983
To other segments	–	–	–	6,194	6,194
Total	$ 999,849	$ 198,466	$ 96,451	$ 6,411	$ 1,301,177
Segment income	13,225	11,738	8,518	254	33,735
Other					
Depreciation and amortization	7,361	725	480	–	8,566

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 income.

(a) Net sales

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Segment total	¥ 138,237	¥ 128,251	¥ 116,978	$ 1,301,177
Eliminations	(658)	(652)	(682)	(6,194)
Net sales shown in the consolidated statements of income	¥ 137,579	¥ 127,599	¥ 116,296	$ 1,294,983

(b) Income

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Segment total	¥ 3,584	¥ 2,138	¥ 2,785	$ 33,735
Amortization of goodwill	(11)	(15)	(5)	(104)
Other adjustment	138	(54)	126	1,299
Operating income shown in the consolidated statements of income	¥ 3,711	¥ 2,069	¥ 2,906	$ 34,930

5. Changes of the reportable segment and others

As stated in Changes in depreciation method of property, plant and equipment (Note 2(p)), The Company previously used the declining-balance method for depreciation of property, plant and equipment (except for buildings (excluding facilities attached to building) and leased assets). Depreciation methods have been changed to the straight-line method since the fiscal year ended March 2017 due to judging that changing the depreciation method from the declining-balance method to the straight-line method will more appropriately reflect the actual economic situation.

The Company had examined the actual status of use of the property, plant and equipment triggered by a newly settled mid-term business plan and then concluded that the straight line method is more appropriate to present the economic features of those assets since the property, plant and equipment which mainly consist of the assets for solar power plants, are expected to be stably operated and contribute to the Company's profit for a long time.

As a result of this change, in comparison with the former method, segment income for the year ended March 31, 2017 increased by ¥104 million in Electronic Components segment, ¥14 million in Electronic and Electronic Equipment segment and ¥31 million in Industrial Chemicals segment, respectively.

(Related information)

For the years ended March 31, 2018, 2017 and 2016

i. Information about products and services

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

ii. Information about geographic areas

(a) Sales

Millions of Yen			
2018			
Japan	Asia	Others	Total
¥ 79,735	¥ 55,857	¥ 1,987	¥ 137,579

Millions of Yen			
2017			
Japan	Asia	Others	Total
¥ 71,427	¥ 54,396	¥ 1,776	¥ 127,599

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

Thousands of U.S. Dollars			
2018			
Japan	Asia	Others	Total
$ 750,518	$ 525,762	$ 18,703	$1,294,983

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.

iii. 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 goodwill in reportable segments)
For the years ended March 31, 2018, 2017 and 2016

	Millions of Yen				
	2018				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ –	¥ 11	¥ –	¥ –	¥ 11
Unamortized balance	¥ –	¥ 33	¥ –	¥ –	¥ 33

	Millions of Yen				
	2017				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	¥ 0	¥ 15	¥ –	¥ –	¥ 15
Unamortized balance	¥ –	¥ 44	¥ –	¥ –	¥ 44

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

	Thousands of U.S. Dollars				
	2018				
	Electronic Components	Electronic and Electric Equipment	Industrial Chemicals	Others	Total
Amortized amount	$ –	$ 104	$ –	$ –	$ 104
Unamortized balance	$ –	$ 311	$ –	$ –	$ 311

(Information about negative goodwill)
For the years ended March 31, 2018, 2017 and 2016
Not applicable.

(Information about Impairment losses)
For the year ended March 31, 2018
Impairment losses not allocated to reportable segments were ¥28 million ($263 thousand).
Please refer to “Note 10. Impairment losses” for details.

For the years ended March 31, 2017 and 2016
Not applicable.

17. Net assets

Net assets comprise four subsections, which are owners’ equity, accumulated other comprehensive income (losses) from valuation and translation adjustments, share subscription rights and non-controlling interests.

Under the Japanese Corporate Law (“the Law”) 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 Law, both elimination and capitalization related to legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders’ meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. 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.

18. Comprehensive income

Amounts reclassified to net income (loss) in fiscal 2018, 2017 and 2016 that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Net unrealized holding gains (losses) on investment securities				
Increase (decrease) during the year	¥ 1,028	¥ 1,153	¥ 259	$ 9,676
Reclassification adjustments	(782)	(2)	(50)	(7,361)
Sub-total, before tax effect	246	1,151	209	2,315
Tax effect	(142)	(355)	(3)	(1,336)
Sub-total, net of tax effect	¥ 104	¥ 796	¥ 206	$ 979
Deferred gains (losses) on hedging derivatives				
Increase (decrease) during the year	¥ (27)	¥ (4)	¥ (42)	$ (254)
Reclassification adjustments	4	42	11	38
Sub-total, before tax effect	(23)	38	(31)	(216)
Tax effect	7	(12)	9	65
Sub-total, net of tax effect	¥ (16)	¥ 26	¥ (22)	$ (151)
Foreign currency translation adjustments				
Increase (decrease) during the year	¥ (256)	¥ (8)	¥ (831)	$ (2,409)
Reclassification adjustments	20	–	–	188
Sub-total, before tax effect	(236)	(8)	(831)	(2,221)
Tax effect	–	–	–	–
Sub-total, net of tax effect	¥ (236)	¥ (8)	¥ (831)	$ (2,221)
Accumulated adjustments for retirement benefit				
Increase (decrease) during the year	¥ (82)	¥ (20)	¥ (390)	$ (772)
Reclassification adjustments	129	120	56	1,214
Sub-total, before tax effect	47	100	(334)	442
Tax effect	(16)	(33)	95	(150)
Sub-total, net of tax effect	¥ 31	¥ 67	¥ (239)	$ 292
Share of other comprehensive income of affiliates accounted for using equity method				
Increase (decrease) during the year	¥ (0)	¥ (0)	¥ (2)	$ (0)
Reclassification adjustments	–	(3)	0	–
Sub-total	¥ (0)	¥ (3)	¥ (2)	$ (0)
Total other comprehensive income (losses)	¥ (117)	¥ 878	¥ (888)	$ (1,101)

Independent Auditor's Report

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, 2018 and 2017, and the consolidated statesments of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the three years ended March 31, 2018, 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, 2018 and 2017, and their financial performance and cash flows for the three years ended March 31, 2018 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, 2018 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 27, 2018
Tokyo, Japan

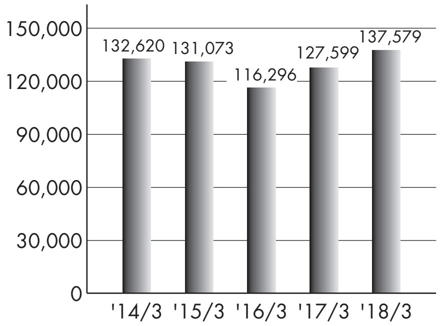
Consolidated Financial Highlights

Hakuto Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2018, 2017 and 2016

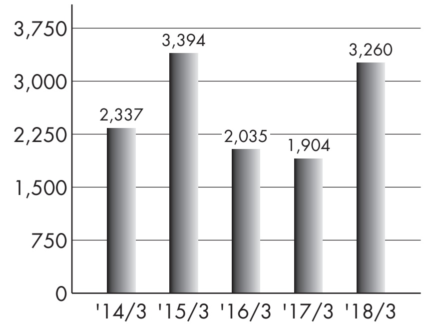
OPERATING DATA	Millions of Yen 2018	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2018	Percent Change between 2018 and 2017
NET SALES	¥137,579	¥127,599	¥116,296	$1,294,983	7.8%
OPERATING INCOME	3,711	2,069	2,906	34,930	79.3%
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	3,260	1,904	2,035	30,685	71.2%
FINANCIAL DATA					
TOTAL ASSETS	¥ 85,327	¥ 78,261	¥ 76,366	$ 803,153	9.0%
NET ASSETS	53,584	52,748	50,775	504,368	1.6%
PER SHARE DATA	Yen			U.S. Dollars	
NET INCOME PER SHARE	¥ 154.89	¥ 87.22	¥ 93.02	$ 1.46	77.6%
CASH DIVIDENDS PER SHARE	46.00	40.00	40.00	0.43	15.0%

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥106.24 to U.S. $1.
See Note 1 to the consolidated financial statements.

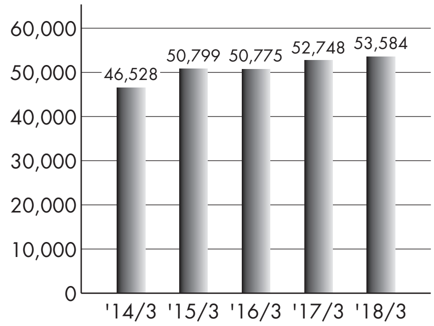
Net Sales
(millions of yen)



Net Income attibute to owners' of parent
(millions of yen)



Net Assets
(millions of yen)



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