

For the Fiscal Year Ended March 31, 2019

Annual Select[®] 2019

Hakuto Co., Ltd.

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(Securities Code: 7433)

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Corporate Profile

Since our establishment in 1953, Hakuto has been engaged in various businesses on the global stage, providing advanced products and solutions under our dual business approach as an electronics trading company and chemical manufacturer.

In our electronics business, the Hakuto Group has earned high praise as an electronics trading company supporting global manufacturing with our procurement and technical capabilities. Even as electronic products undergo rapid evolution, we accurately ascertain customer needs, procuring and supplying high value-added products from all over the world to contribute to cutting-edge product development as a partner that connects customers and suppliers.

In the chemicals business, we endeavor to develop and manufacture high-quality industrial chemicals in the aim of combining improved productivity with environmental conservation in industries such as oil refining and petrochemical, paper and pulp, and automotive. We also strive to create new value by such means as utilizing microbial polysaccharides to promote the development and manufacture of cosmetic products.

The future to which we aspire through our business activities is the coexistence between humans, technology, and the natural environment. We believe that advanced technology will bring vitality and prosperity to people's lives and the planet, so we are pushing forward to achieve an affluent society.



I. Summary of Selected Financial Data (Consolidated)

	63 rd term Fiscal year ended March 31, 2015	64 th term Fiscal year ended March 31, 2016	65 th term Fiscal year ended March 31, 2017	66 th term Fiscal year ended March 31, 2018	67 th term Fiscal year ended March 31, 2019
Net sales (Millions of yen)	131,073	116,296	127,599	138,744	140,123
Ordinary profit (Millions of yen)	4,555	2,873	1,989	3,772	3,580
Profit attributable to owners of parent (Millions of yen)	3,394	2,034	1,903	3,287	2,473
Comprehensive income (Millions of yen)	4,676	1,146	2,781	3,142	2,430
Net assets (Millions of yen)	50,799	50,774	52,748	53,583	54,635
Total assets (Millions of yen)	82,785	76,365	78,261	84,796	87,826
Book value per share (BPS) (Yen)	2,318.50	2,330.43	2,413.21	2,568.01	2,658.10
Earnings per shares (EPS) (Yen)	155.08	93.02	87.22	156.22	118.63
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	61.4	66.5	67.4	63.2	62.2
Return on equity (ROE) (%)	6.7	4.0	3.7	6.2	4.6
Price earnings ratio (PER) (Times)	9.3	10.7	11.8	10.0	9.9
Net cash provided by (used in) operating activities (Millions of yen)	4,296	2,087	2,571	(450)	(1,198)
Net cash provided by (used in) investing activities (Millions of yen)	(374)	44	(1,209)	212	(152)
Net cash provided by (used in) financing activities (Millions of yen)	(3,658)	(5,469)	(1,947)	1,771	(699)
Cash and cash equivalents at end of period (Millions of yen)	12,127	8,366	7,748	9,245	7,608
Number of employees (Persons)	1,311	1,308	1,294	1,279	1,243

- Notes:
1. Diluted earnings per share is not presented because there were no potential shares.
 2. In the 63rd, 64th, 65th, and 66th terms, shares of the Company held by the ESOP Trust have been treated as treasury shares when calculating BPS, so these are included in treasury shares excluded from the number of shares outstanding as of the end of the fiscal year.
 3. Shares of the Company held by the ESOP Trust have been treated as treasury shares when calculating EPS, so these are excluded from the average number of outstanding shares during the fiscal year.
 4. Net sales do not include consumption taxes.
 5. In the past, the spot exchange rate on the settlement date was used to translate the revenue and expenses of overseas subsidiaries into Japanese yen. However, starting with the 67th term, the method has been changed to one in which amounts are translated into Japanese yen based on the average exchange rate for the relevant period. As such, the figures for the 66th term have been retroactively adjusted to reflect the change. The cumulative impact up to the 65th term has been reflected in the amount of net assets at the beginning of the 66th term.
 6. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances have been applied starting at the beginning of the 67th term. Figures for the 66th term have been retroactively adjusted to reflect the change in presentation.

II. Comments from the President



■ Summary of Fiscal Year Ended March 31, 2019

Sales of vehicle-mounted products continued to be favorable in the electronics business during the fiscal year under review owing primarily to rising demand for electrification of automobiles. In the industrial equipment segment, there was a noticeable decline in demand from China, due to the effect of U.S.-China trade friction, but sales of exposure apparatus and other components for smartphones were in good shape during the first half of the fiscal year under review. As for industrial chemicals, sales of chemicals for the petrochemical market and base materials for cosmetics grew. As a result, consolidated net sales increased 1.0% year-on-year to ¥140,123 million, operating profit decreased 2.6% to ¥3,642 million, ordinary profit decreased 5.1% to ¥3,580 million, and profit attributable to owners of parent decreased 24.8% to ¥2,473 million.

■ Progress on Business Strategy Set Forth in Medium-Term Management Plan

Under the medium-term management plan, we worked to expand the size of each business and achieve balanced growth based on four basic policies, namely enhancing the earnings base, accelerating the development of new business, strengthening overseas business, and promoting management that contributes to growth. In this regard, a certain level of results has been achieved.

From the standpoint of enhancing the earnings base, we defined the key markets in which to focus our human and material resources in the aim of further improving our sales capabilities. The main targets were the vehicle-mounted products and chemical markets, which continue to enjoy increasing demand. Additionally, with our electronic components and equipment, we were able to move forward on negotiations to acquire distribution rights with an eye to acquiring promising commercial rights.

With respect to accelerating the development of new business, we focused on improving the profit margin for each product and actively came up with new proposals, including modular sales of electronic components. By cooperating with our affiliates to develop and propose products, we were able to satisfy the requirements of our customers. In particular, in the industrial chemicals segment, we did not simply deliver products according to the customer's order but established techniques for consulting-based sales, proposing necessary chemicals based on on-site surveys, which led to higher added value for our products. We also rolled out measures for expanding our business in each market. Being able to acquire the necessary

licenses and permits for the import, sale, and maintenance of medical equipment and establish a new subsidiary specializing in sales of cosmetics and base materials for cosmetics were major successes that resulted from these measures.

As for strengthening overseas business, we rolled out individualized measures based on market trends and product demand in each region. In China and ASEAN, we continued to promote our business with Japanese companies and local businesses. The consulting-based sales of above-mentioned industrial chemicals were particularly well-received among local businesses, resulting in sales growth. In the U.S. and Europe, we worked to expand our sales network for vehicle-mounted semiconductor devices and developed a structure for providing service closer to the customer. Particularly, in the U.S., we moved our base of operations to Detroit where major Japanese automotive electric equipment manufacturers have their development facilities. This allowed us to propose automotive products that are built in from the development stage.

We also actively worked on promoting management that contributes to growth. Our highest priority was global visualization of inventory and management indicators with the introduction of ERP (a core system for business management). Going forward, we will focus on tighter inventory control utilizing this system. We also carried out training to strengthen governance and raise awareness of compliance and poured efforts into the current hot topic of work style reform. As a result of these efforts, we were recognized by the Ministry of Economy, Trade and Industry as one of the 2019 certified health and productivity management organizations in February 2019.

■Outlook and Initiatives for Fiscal Year Ending March 31, 2020

We expect new commercial rights to contribute to expansion of sales through the fiscal year ending March 31, 2020. On top of this, we plan to expand profitability by steadily addressing demand related to 5G, IoT, and other technologies expected to take off, specifically demand for optical communications, industrial, and consumer components and equipment. We will also work on acquiring new highly profitable commercial rights and businesses through M&A.

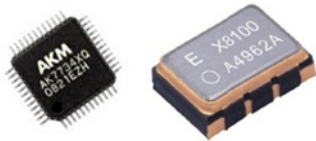
Thank you in advance for your continued understanding and support as we press forward on expanding our business to achieve balanced growth.

III. Business Overview

Electronics Business

Electronic Components Business

Electronic devices



Providing cutting-edge devices that are the basis for electronic products. We support our customers' product development through field application engineering support and design-in activities.

Electronic components



Addressing customer needs with a rich lineup from connectors to electric components and materials. In recent years, we have been developing our solar power generation system business. We also have an overwhelming advantage over other trading companies in the rapidly growing optical-related segment.

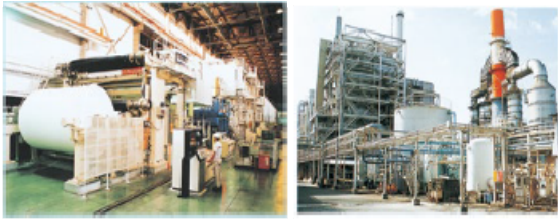
Electronic and Electric Equipment Business

Electronic and electric equipment



Procuring cutting-edge equipment from all over the world. Supporting manufacturing with engineering-based support. Providing inspection equipment used in research and development and cutting-edge equipment used on manufacturing lines for semiconductors, touch panels, and other devices. Our brand of exposure apparatus for PCBs has earned a high reputation in Japan and other countries.

Chemicals Business



Industrial Chemicals Business

Chemicals and cosmetics

Providing industrial chemicals that contribute to enhanced productivity in the oil refining and petrochemical, paper and pulp, and automotive industries.

We actively strive to develop next-generation products, including cosmetics.



IV. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	9,428	7,608
Notes and accounts receivable - trade	29,622	31,151
Electronically recorded monetary claims - operating	5,005	5,981
Merchandise and finished goods	21,657	24,820
Work in process	36	32
Raw materials and supplies	523	550
Other	1,634	1,784
Allowance for doubtful accounts	(16)	(29)
Total current assets	67,891	71,901
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,503	5,526
Accumulated depreciation	(4,563)	(4,545)
Buildings and structures, net	940	980
Machinery and equipment	4,970	5,063
Accumulated depreciation	(2,733)	(2,993)
Machinery and equipment, net	2,236	2,069
Land	3,069	3,069
Other	3,624	3,634
Accumulated depreciation	(3,131)	(3,114)
Other, net	493	519
Total property, plant and equipment	6,739	6,638
Intangible assets	453	325
Investments and other assets		
Investment securities	9,253	8,446
Deferred tax assets	128	142
Other	365	401
Allowance for doubtful accounts	(35)	(30)
Total investments and other assets	9,711	8,960
Total non-current assets	16,904	15,924
Total assets	84,796	87,826

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,812	15,881
Electronically recorded obligations – operating	2,292	2,742
Short-term loans payable	6,432	7,733
Lease obligations	21	19
Income taxes payable	632	896
Provision for bonuses	896	1,024
Provision for bonuses for directors (and other officers)	16	–
Provision for product warranties	7	7
Other	1,817	2,346
Total current liabilities	27,930	30,650
Non-current liabilities		
Long-term loans payable	1,246	589
Lease obligations	23	45
Deferred tax liabilities	1,605	1,489
Provision for retirement benefits for directors (and other officers)	11	14
Retirement benefit liability	381	384
Other	14	16
Total non-current liabilities	3,282	2,540
Total liabilities	31,212	33,190
Net assets		
Shareholders' equity		
Capital stock	8,100	8,100
Capital surplus	7,289	7,289
Retained earnings	38,980	40,460
Treasury shares	(5,492)	(5,876)
Total shareholders' equity	48,877	49,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,306	4,028
Deferred gains or losses on hedges	(18)	(1)
Foreign currency translation adjustment	793	942
Remeasurements of defined benefit plans	(376)	(307)
Total accumulated other comprehensive income	4,705	4,661
Total net assets	53,583	54,635
Total liabilities and net assets	84,796	87,826

**(2) Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	138,744	140,123
Cost of sales	120,443	121,456
Gross profit	18,301	18,667
Selling, general and administrative expenses		
Salaries and allowances	5,282	5,349
Provision for bonuses	841	1,009
Retirement benefit expenses	485	503
Other	7,952	8,162
Total selling, general and administrative expenses	14,561	15,024
Operating profit	3,740	3,642
Non-operating income		
Interest income	8	8
Dividend income	238	145
Share of profit of entities accounted for using equity method	23	18
House rent income	33	33
Other	58	96
Total non-operating income	362	302
Non-operating expenses		
Interest expenses	33	45
Loss on sales of accounts receivable	47	96
Foreign exchange losses	219	201
Other	29	21
Total non-operating expenses	330	364
Ordinary profit	3,772	3,580
Extraordinary income		
Gain on sale of businesses	29	–
Gain on liquidation of subsidiaries	20	–
Gain on sales of non-current assets	9	6
Gain on sales of investment securities	782	97
Other	4	4
Total extraordinary income	846	109
Extraordinary losses		
Loss on sales and retirement of non-current assets	4	3
Impairment loss	27	–
Loss on valuation of investment securities	–	99
Loss on valuation of investments in capital of subsidiaries and associates	74	–
Transfer cost	–	41
Other	0	0
Total extraordinary losses	107	144
Profit before income taxes	4,511	3,544
Income taxes - current	906	1,147
Income taxes - deferred	317	(76)
Total income taxes	1,224	1,071
Profit	3,287	2,473
Profit attributable to owners of parent	3,287	2,473

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	3,287	2,473
Other comprehensive income		
Valuation difference on available-for-sale securities	104	(278)
Deferred gains or losses on hedges	(15)	16
Foreign currency translation adjustment	(264)	149
Remeasurements of defined benefit plans, net of tax	31	69
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(144)	(43)
Comprehensive income	3,142	2,430
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,142	2,430
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,100	7,289	36,782	(4,040)	48,131
Cumulative effects of changes in accounting policies			(233)		(233)
Restated balance	8,100	7,289	36,549	(4,040)	47,897
Changes of items during period					
Dividends of surplus			(856)		(856)
Profit attributable to owners of parent			3,287		3,287
Disposal of treasury shares				43	43
Purchase of treasury shares				(1,494)	(1,494)
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,431	(1,451)	980
Balance at end of current period	8,100	7,289	38,980	(5,492)	48,877

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	4,203	(2)	824	(408)	4,616	52,748
Cumulative effects of changes in accounting policies			233		233	–
Restated balance	4,203	(2)	1,057	(408)	4,850	52,748
Changes of items during period						
Dividends of surplus						(856)
Profit attributable to owners of parent						3,287
Disposal of treasury shares						43
Purchase of treasury shares						(1,494)
Change of scope of consolidation						–
Net changes of items other than shareholders' equity	103	(15)	(264)	31	(144)	(144)
Total changes of items during period	103	(15)	(264)	31	(144)	835
Balance at end of current period	4,306	(18)	793	(376)	4,705	53,583

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,100	7,289	38,980	(5,492)	48,877
Cumulative effects of changes in accounting policies					
Restated balance	8,100	7,289	38,980	(5,492)	48,877
Changes of items during period					
Dividends of surplus			(960)		(960)
Profit attributable to owners of parent			2,473		2,473
Disposal of treasury shares				19	19
Purchase of treasury shares				(404)	(404)
Change of scope of consolidation			(32)		(32)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,480	(384)	1,095
Balance at end of current period	8,100	7,289	40,460	(5,876)	49,973

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	4,306	(18)	793	(376)	4,705	53,583
Cumulative effects of changes in accounting policies						-
Restated balance	4,306	(18)	793	(376)	4,705	53,583
Changes of items during period						
Dividends of surplus						(960)
Profit attributable to owners of parent						2,473
Disposal of treasury shares						19
Purchase of treasury shares						(404)
Change of scope of consolidation						(32)
Net changes of items other than shareholders' equity	(278)	16	149	69	(43)	(43)
Total changes of items during period	(278)	16	149	69	(43)	1,051
Balance at end of current period	4,028	(1)	942	(307)	4,661	54,635

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	4,511	3,544
Depreciation	910	685
Impairment loss	27	–
Loss on valuation of investments in capital of subsidiaries and associates	74	–
Increase (decrease) in provision for bonuses	69	126
Increase (decrease) in retirement benefit liability	(52)	12
Interest and dividend income	(247)	(154)
Interest expenses	33	45
Share of loss (profit) of entities accounted for using equity method	(23)	(18)
Loss (gain) on sale of businesses	(29)	–
Loss (gain) on liquidation of subsidiaries	(20)	–
Loss (gain) on sales of investment securities	(782)	(97)
Loss (gain) on valuation of investment securities	–	99
Loss (gain) on sales and retirement of non-current assets	(5)	14
Increase (decrease) in accrued consumption taxes	14	(11)
Decrease (increase) in notes and accounts receivable - trade	(2,089)	(2,257)
Decrease (increase) in inventories	(4,468)	(2,987)
Increase (decrease) in notes and accounts payable - trade	1,640	386
Other, net	23	213
Subtotal	(413)	(398)
Interest and dividend income received	260	167
Interest expenses paid	(33)	(45)
Income taxes refund	284	–
Income taxes paid	(548)	(922)
Net cash provided by (used in) operating activities	(450)	(1,198)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Payments into time deposits	(185)	–
Proceeds from withdrawal of time deposits	–	183
Purchase of property, plant and equipment	(522)	(385)
Proceeds from sales of property, plant and equipment	60	8
Purchase of intangible assets	(67)	(20)
Purchase of investment securities	(50)	(122)
Proceeds from sales of investment securities	976	197
Purchase of shares of subsidiaries	(28)	–
Proceeds from sale of businesses	37	–
Other, net	(8)	(13)
Net cash provided by (used in) investing activities	212	(152)
Cash flows from financing activities		
Increase in short-term loans payable	53,686	71,731
Decrease in short-term loans payable	(49,353)	(70,074)
Repayments of lease obligations	(19)	(20)
Proceeds from long-term loans payable	900	–
Repayments of long-term loans payable	(1,137)	(991)
Net decrease (increase) in treasury shares	(1,451)	(384)
Cash dividends paid	(854)	(960)
Net cash provided by (used in) financing activities	1,771	(699)
Effect of exchange rate change on cash and cash equivalents	(35)	41
Net increase (decrease) in cash and cash equivalents	1,497	(2,008)
Cash and cash equivalents at beginning of period	7,748	9,245
Increase in cash and cash equivalents from newly consolidated subsidiary	–	371
Cash and cash equivalents at end of period	9,245	7,608

V. Summary of Operating Performance

(1) Summary of Operating Performance in the Fiscal Year Under Review

Looking back on the global economy during the fiscal year under review, the U.S. economy remained firm owing to fiscal policy measures among others, and monetary easing and tax break were taken as the fiscal policy measures to respond to counteract economic slowdown in China. In Europe, the economy slowed down further as was affected by political turmoil such as Brexit issues.

The Japanese economy remained firm for the time being, although business confidence was somewhat subdued due to the effect of U.S.-China trade friction and an overall global economic slowdown.

With regard to the electronics industry, the mainstay area of business of the Group, the car electronics subsegment continued to be stable due to such factors as the spread of EV and the enhancement of self-driving technology and driving safety improvement equipment, while there were some subsegments where sluggishness was seen in demand for smartphones and capital investment in the Chinese manufacturing sector.

Under such circumstances, vehicle-mounted semiconductor devices performed well in the Group's electronic components business, but due to the effect of suspension in the handling of memory cards in the previous consolidated fiscal year, overall net sales in the electronic components business increased slightly-year-on year.

In the electronic and electric equipment business, demand for exposure apparatus for PCBs of smartphone-related field was robust during the first half of the fiscal year under review, and vacuum-related equipment performed well, resulting in an overall year-on-year increase in revenue. In the industrial chemicals business, demand for polymerization inhibitors and catalysts in the oil refining and petrochemical industries remained firm and demand for cosmetics bases increased, resulting year-on-year increase in revenue.

Under such circumstances, consolidated net sales for the fiscal year under review amounted to ¥140,123 million, a 1.0% year-on-year increase.

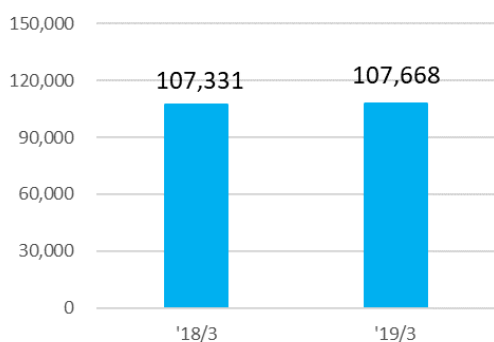
Regarding profit and loss, consolidated gross profit increased 2.0% to ¥18,667 million, and consolidated selling, general and administrative expenses increased 3.2% to ¥15,024 million. As a result, consolidated operating profit decreased 2.6% to ¥3,642 million; consolidated ordinary profit decreased 5.1% to ¥3,580 million; and profit attributable to owners of parent decreased 24.8% to ¥2,473 million.

The following is a breakdown of performance by reportable segment.

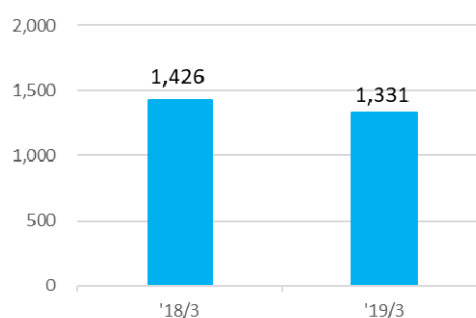
[Electronic Components Business]

In the electronic components segment, while demand for vehicle-mounted products increased in the semiconductor devices subsegment, sales of connectors mainly for equipment for consumer and industrial use primarily in China were weak. Additionally, handling of memory cards, which brought in net sales of ¥4,124 million during the first quarter of the previous year, were suspended. As a result, net sales for the fiscal year under review increased 0.3% year-on-year to ¥107,668 million, and segment profit decreased 6.6% to ¥1,331 million.

Net sales (millions of yen)



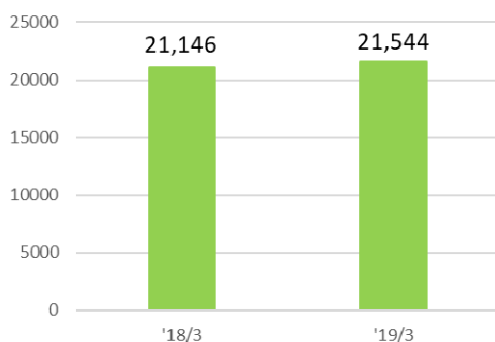
Segment profit (millions of yen)



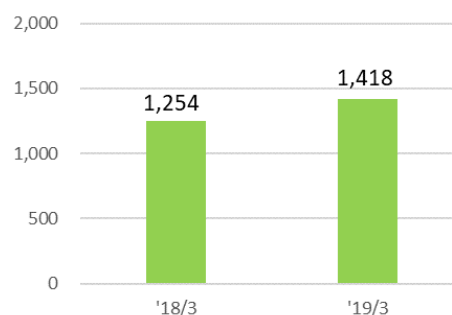
[Electronic and Electric Equipment Business]

In the electronic and electric equipment segment, demand for PCB exposure apparatus for smartphone manufacturing was strong during the first half of the fiscal year under review, but sales of vapor deposition equipment for the manufacture of smartphone lenses in the China region were weak. As a result, net sales in this segment for the fiscal year under review increased 1.9% year-on-year to ¥21,544 million, and segment profit increased 13.0% to ¥1,418 million.

Net sales (millions of yen)



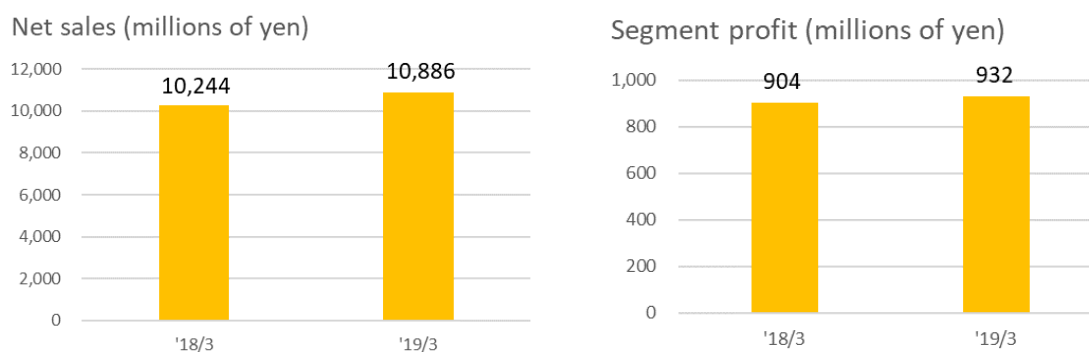
Segment profit (millions of yen)



[Industrial Chemicals Business]

In the industrial chemicals segment, sales of papermaking chemicals were sluggish in the paper and pulp subsegment due to the global declining trend in mixed paper demand driven by the spread of digital media, while sales of polymerization inhibitors and catalysts were firms in the petrochemical subsegment reflecting robust consumption. In the cosmetics subsegment, biopolymer sales remained firm.

As a result, net sales in this segment for the fiscal year under review increased 6.3% year-on-year to ¥10,886 million, and segment profit increased 3.0% to ¥932 million.



[Other Business]

The other business segment consists mainly of general operation and logistics management operations of the Company on a consignment basis, as well as agency business for insurance companies. Net sales in this segment for the fiscal year under review increased 1.1% year-on-year to ¥688 million, and segment profit decreased 38.5% to ¥16 million.

(2) Summary of Financial Position in the Fiscal Year Under Review

Balance sheet highlights

Current assets at the end of the fiscal year under review increased 5.9% year-on-year to ¥4,009 million. This was primarily due to a ¥3,163 million increase in merchandise and finished goods and a ¥1,529 million increase in notes and accounts receivable - trade.

Non-current assets decreased 5.8% year-on-year to ¥979 million. This was primarily due to an ¥806 million decrease in investment securities.

As a result of the above, total assets increased ¥3,029 million to ¥87,826 million, a year-on-year increase of 3.6%.

As for liabilities, current liabilities increased 9.7% year-on-year to ¥2,720 million. This was primarily due to a ¥1,300 million increase in short-term loans payable.

Non-current liabilities decreased 22.6% year-on-year to ¥742 million. This was primarily due to a ¥656 million decrease in long-term loans payable.

As a result of the above, total liabilities increased ¥1,977 million to ¥33,190 million, a year-on-year increase of 6.3%.

Net assets increased ¥1,051 million to ¥54,635 million, a year-on-year increase of 2.0%. This was primarily due to a ¥1,480 million increase in retained earnings.

(3) Summary of Cash Flows in the Fiscal Year Under Review

In regard to consolidated cash flows in the fiscal year under review, net cash used in operating activities amounted to ¥1,198 million, net cash used in investing activities amounted to ¥152 million, and net cash used in financing activities amounted to ¥699 million. Effect of exchange rate change on cash and cash equivalents increased ¥41 million. As a result of these factors, cash and cash equivalents decreased ¥2,008 million year on year, and when combined with the ¥371 million increase in cash and cash equivalents from newly consolidated subsidiary, the total amounted to ¥7,608 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥1,198 million. Principle sources of cash were ¥3,544 million in profit before income taxes and ¥685 million in depreciation, while uses of cash included a ¥2,987 million increase in inventories and a ¥2,257 million increase in notes and accounts receivable - trade. In the previous fiscal year, there was a ¥450 million expenditure due primarily to a ¥4,468 million increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥152 million. Principle sources of cash were ¥183 million in proceeds from withdrawal of time deposits and ¥197 million in proceeds from sales of investment securities, while uses of cash included a ¥385 million expenditure for the purchase of property, plant and equipment. In the previous fiscal year, there were proceeds of ¥212 million, primarily from proceeds from sales of investment securities of ¥976 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥699 million. The principle source of cash was ¥1,657 million in increase in short-term loans payable (net), while uses of cash included ¥991 million repayments of long-term loans payable and ¥960 million cash dividends paid. In the previous year, net cash provided by financing activities totaled ¥1,771 million, primarily as a result of increase in short-term loans payable (net) of ¥4,333 million.

VI. Corporate Data

Basic Information (as of March 31, 2019)

Trade name:	Hakuto Co., Ltd.
Established:	November 1953
Listed market:	The First Section of the Tokyo Stock Exchange (Securities Code: 7433)
Listed:	March 2000
Business year:	From April 1 to March 31
Capital stock:	8,100 million yen
Number of employees:	1,243 persons (Consolidated)
Head office:	1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo
Telephone:	+81-3-3225-8910
Consolidated subsidiaries:	Hakuto Enterprises Ltd. Hakuto Singapore Pte. Ltd. Hakuto Taiwan Ltd. Hakuto Enterprises (Shanghai) Ltd. Hakuto (Thailand) Ltd. Hakuto Engineering (Thailand) Ltd. Hakuto Trading (Shenzhen) Ltd. Hakuto America Inc. Hakuto Czech s.r.o. Hakuto A&L Co., Ltd. MOLDEC Co., Ltd. Hakuto Life Science Co., Ltd.

Directors and Audit & Supervisory Board Members (as of June 26, 2019)

President (Representative Director)	Ryusaburo Sugimoto
Director, V.P. & Senior Executive Managing Officer	Yoshinae Takada
Director, V.P. & Executive Managing Officer	Ryoji Abe
Director, V.P. & Managing Officer	Nobuhito Shintoku
Director, V.P. & Managing Officer	Akira Togo
Director, V.P. & Managing Officer	Tamaki Miyashita
Director	Ichiro Takayama
Director*	Keiji Kondo
Director*	Masahito Kamijo
Full-time Audit & Supervisory Board Member**	Fumiaki Yamamoto
Audit & Supervisory Board Member**	Hidenori Mizuno
Audit & Supervisory Board Member**	Keiji Okanan

* External Director ** External Audit & Supervisory Board Member

Stock Status (as of March 31, 2019)

Total number of authorized shares:	54,000,000 shares
Total number of issued shares:	24,137,213 shares
Number of shareholders:	5,555

Major shareholders (Top 10)

Name	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
Takayama International Education Foundation	4,226.2	20.56
Japan Trustee Services Bank, Ltd.	2,234.2	10.87
Ichiro Takayama	1,058.9	5.15
Ken Takayama	1,058.9	5.15
Ryutaro Takayama	1,058.8	5.15
The Master Trust Bank of Japan, Ltd.	881.0	4.29
J.P. MORGAN BANK LUXEMBOURG S.A. 380578 (Standing proxy: Mizuho Bank, Ltd.)	682.8	3.32
Hakuto Employee Stock Ownership Plan	401.2	1.95
RE FUND 107-CLIENT AC (Standing proxy: Citibank, N.A., Tokyo Branch)	383.9	1.87
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	379.2	1.84

Notes: 1. Of the above number of shares held, the number of shares in association with fiduciary activities is as follows:

Japan Trustee Services Bank, Ltd.	2,234.2 thousand shares
The Master Trust Bank of Japan, Ltd.	881.0 thousand shares

2. In addition to the above, the Company holds 3,582,918 shares as treasury shares. But since there is no voting right to the treasury shares, it is excluded from above list.

Treasury shares (number of shares held)	3,582,918 shares
Shareholding ratio	14.84%

* Annual Select is an English-language disclosure format developed by ZAIHON, INC. to increase the level of convenience of investors outside Japan based on Japanese-language statutory disclosure material, timely disclosure material prescribed by securities exchanges and voluntarily disclosed IR material. Annual Select is a registered trademark of ZAIHON, INC. Reproduction or copying without prior permission is prohibited.

* While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Company does not guarantee it is 100% accurate. Therefore, please verify the original Japanese text for any final judgments made based on this information.