

**For the Fiscal Year Ended March 31, 2020**

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**Annual Select<sup>®</sup> 2020**

**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)

	64 <sup>th</sup> term Fiscal year ended March 31, 2016	65 <sup>th</sup> term Fiscal year ended March 31, 2017	66 <sup>th</sup> term Fiscal year ended March 31, 2018	67 <sup>th</sup> term Fiscal year ended March 31, 2019	68 <sup>th</sup> term Fiscal year ended March 31, 2020
Net sales (Millions of yen)	116,296	127,599	138,744	140,123	153,182
Ordinary profit (Millions of yen)	2,873	1,989	3,772	3,580	2,139
Profit attributable to owners of parent (Millions of yen)	2,034	1,903	3,287	2,473	1,439
Comprehensive income (Millions of yen)	1,146	2,781	3,142	2,430	609
Net assets (Millions of yen)	50,774	52,748	53,583	54,635	54,011
Total assets (Millions of yen)	76,365	78,261	84,796	87,826	112,135
Book value per share (BPS) (Yen)	2,330.43	2,413.21	2,568.01	2,658.10	2,627.76
Earnings per shares (EPS) (Yen)	93.02	87.22	156.22	118.63	70.04
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	66.5	67.4	63.2	62.2	48.2
Return on equity (ROE) (%)	4.0	3.7	6.2	4.6	2.7
Price earnings ratio (PER) (Times)	10.7	11.8	10.0	9.9	13.8
Net cash provided by (used in) operating activities (Millions of yen)	2,087	2,571	(450)	(1,198)	(16,288)
Net cash provided by (used in) investing activities (Millions of yen)	44	(1,209)	212	(152)	(16)
Net cash provided by (used in) financing activities (Millions of yen)	(5,469)	(1,947)	1,771	(699)	23,547
Cash and cash equivalents at end of period (Millions of yen)	8,366	7,748	9,245	7,608	14,736
Number of employees (Persons)	1,308	1,294	1,279	1,243	1,257

- Notes:
- Diluted earnings per share is not presented because there were no potential shares.
  - In the 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.
  - In the 64th, 65th, 66th, and 67th terms, 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.
  - Net sales do not include consumption taxes.
  - 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.
  - “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



**We will utilize changes in the environment as opportunities and endeavor to meet the expectations of shareholders by firming up the base for the next stage of growth.**

Ryoji Abe  
President

### ■Summary of Fiscal Year Ended March 31, 2020

In the electronics market during the fiscal year under review, vehicle-mounted product demand was generally sluggish due to a decrease in the number of vehicles sold as a result of prolonged U.S.-China trade friction and also the impact of the spread of COVID-19 (novel coronavirus) since the start of 2020, and the industrial equipment segment was slow especially in the Chinese market. Meanwhile, in the domestic communications equipment segment related to 5G facilities and in vehicle-mounted products, advanced driver assistance systems (ADAS) performed well. As for industrial chemicals, petroleum refining related chemicals and base materials for cosmetics performed well.

As a result, consolidated net sales for the fiscal year under review increased 9.3% year-on-year to ¥153,182 million. Meanwhile, operating profit decreased 33.7% to ¥2,414 million, ordinary profit decreased 40.2% to ¥2,139 million, and profit attributable to owners of parent decreased 41.8% to ¥1,439 million. This was due to the lowering of book value based on the decline of profitability of inventories considering future trends in corporate activities and marketing, etc. as a result of the impact of novel coronavirus.

### ■Outlook and Initiatives for Fiscal Year Ending March 31, 2021

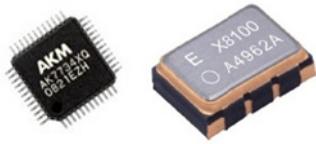
The spread of COVID-19 in countries throughout the world has had a major impact on economic activities in Japan and overseas. In the electronics market, the situation is expected to be difficult, particularly for vehicle-mounted electronic components, considering the state of operation of overseas plants. There are also concerns about delays and constraints on companies' capital investment plans in electronic and electric equipment. Industrial chemicals are also expected to be subject to production adjustments by various companies related to petroleum and paper pulp.

### 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.

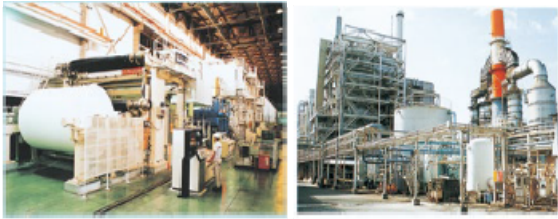
##### Electronic and Electric Equipment Business

###### 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, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	7,608	14,736
Notes and accounts receivable - trade	31,151	35,590
Electronically recorded monetary claims - operating	5,981	6,435
Merchandise and finished goods	24,820	35,786
Work in process	32	45
Raw materials and supplies	550	578
Other	1,784	4,025
Allowance for doubtful accounts	(29)	(52)
Total current assets	71,901	97,146
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,526	5,474
Accumulated depreciation	(4,545)	(4,516)
Buildings and structures, net	980	957
Machinery and equipment	5,063	5,070
Accumulated depreciation	(2,993)	(3,191)
Machinery and equipment, net	2,069	1,879
Land	3,069	3,069
Other	3,634	4,111
Accumulated depreciation	(3,114)	(3,114)
Other, net	519	996
Total property, plant and equipment	6,638	6,903
Intangible assets	325	333
Investments and other assets		
Investment securities	8,446	7,188
Deferred tax assets	142	206
Other	401	389
Allowance for doubtful accounts	(30)	(32)
Total investments and other assets	8,960	7,752
Total non-current assets	15,924	14,989
<b>Total assets</b>	<b>87,826</b>	<b>112,135</b>

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	15,881	15,641
Electronically recorded obligations - operating	2,742	2,878
Short-term borrowings	7,733	20,919
Lease obligations	19	231
Income taxes payable	896	458
Provision for bonuses	1,024	1,068
Provision for product warranties	7	6
Other	2,346	2,880
Total current liabilities	30,650	44,085
Non-current liabilities		
Long-term borrowings	589	12,320
Lease obligations	45	214
Deferred tax liabilities	1,489	1,085
Provision for retirement benefits for directors (and other officers)	14	12
Retirement benefit liability	384	390
Other	16	16
Total non-current liabilities	2,540	14,039
Total liabilities	33,190	58,124
<b>Net assets</b>		
Shareholders' equity		
Share capital	8,100	8,100
Capital surplus	7,289	7,289
Retained earnings	40,460	40,667
Treasury shares	(5,876)	(5,877)
Total shareholders' equity	49,973	50,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,028	3,502
Deferred gains or losses on hedges	(1)	(6)
Foreign currency translation adjustment	942	623
Remeasurements of defined benefit plans	(307)	(287)
Total accumulated other comprehensive income	4,661	3,831
Total net assets	54,635	54,011
<b>Total liabilities and net assets</b>	<b>87,826</b>	<b>112,135</b>

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

**(Consolidated Statements of Income)**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	140,123	153,182
Cost of sales	121,456	135,716
Gross profit	18,667	17,465
Selling, general and administrative expenses		
Salaries and allowances	5,349	5,401
Provision for bonuses	1,009	1,005
Retirement benefit expenses	503	432
Other	8,162	8,211
Total selling, general and administrative expenses	15,024	15,050
Operating profit	3,642	2,414
Non-operating income		
Interest income	8	9
Dividend income	145	136
Share of profit of entities accounted for using equity method	18	4
Rental income from buildings	33	39
Other	96	101
Total non-operating income	302	291
Non-operating expenses		
Interest expenses	45	74
Loss on sales of trade receivables	96	79
Foreign exchange losses	201	365
Other	21	46
Total non-operating expenses	364	565
Ordinary profit	3,580	2,139
Extraordinary income		
Gain on sales of non-current assets	6	8
Gain on sales of investment securities	97	108
Other	4	4
Total extraordinary income	109	121
Extraordinary losses		
Loss on sales and retirement of non-current assets	3	8
Loss on valuation of investment securities	99	106
Transfer cost	41	-
Other	0	0
Total extraordinary losses	144	115
Profit before income taxes	3,544	2,146
Income taxes - current	1,147	953
Income taxes - deferred	(76)	(247)
Total income taxes	1,071	706
Profit	2,473	1,439
Profit attributable to owners of parent	2,473	1,439



## (Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	2,473	1,439
Other comprehensive income		
Valuation difference on available-for-sale securities	(278)	(526)
Deferred gains or losses on hedges	16	(4)
Foreign currency translation adjustment	149	(318)
Remeasurements of defined benefit plans, net of tax	69	19
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(43)	(830)
Comprehensive income	2,430	609
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,430	609
Comprehensive income attributable to non-controlling interests	—	—

### (3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,100	7,289	38,980	(5,492)	48,877
Changes 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 in scope of consolidation			(32)		(32)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,480	(384)	1,095
Balance at end of 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 period	4,306	(18)	793	(376)	4,705	53,583
Changes 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 in scope of consolidation						(32)
Net changes in items other than shareholders' equity	(278)	16	149	69	(43)	(43)
Total changes during period	(278)	16	149	69	(43)	1,051
Balance at end of period	4,028	(1)	942	(307)	4,661	54,635

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,100	7,289	40,460	(5,876)	49,973
Changes during period					
Dividends of surplus			(1,233)		(1,233)
Profit attributable to owners of parent			1,439		1,439
Disposal of treasury shares				-	-
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			-		-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	206	(0)	206
Balance at end of period	8,100	7,289	40,667	(5,877)	50,179

	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 period	4,028	(1)	942	(307)	4,661	54,635
Changes during period						
Dividends of surplus						(1,233)
Profit attributable to owners of parent						1,439
Disposal of treasury shares						-
Purchase of treasury shares						(0)
Change in scope of consolidation						-
Net changes in items other than shareholders' equity	(525)	(4)	(318)	19	(830)	(830)
Total changes during period	(525)	(4)	(318)	19	(830)	(624)
Balance at end of period	3,502	(6)	623	(287)	3,831	54,011

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	3,544	2,146
Depreciation	685	825
Increase (decrease) in provision for bonuses	126	44
Interest and dividend income	(154)	(145)
Interest expenses	45	74
Share of loss (profit) of entities accounted for using equity method	(18)	(4)
Loss (gain) on sales of investment securities	(97)	(108)
Loss (gain) on valuation of investment securities	99	106
Loss (gain) on sales and retirement of non-current assets	14	0
Increase (decrease) in accrued consumption taxes	(11)	28
Decrease (increase) in trade receivables	(2,257)	(5,152)
Decrease (increase) in inventories	(2,987)	(11,136)
Increase (decrease) in trade payables	386	186
Other, net	225	(1,905)
Subtotal	(398)	(15,039)
Interest and dividends received	167	158
Interest paid	(45)	(73)
Income taxes refund	-	46
Income taxes paid	(922)	(1,380)
Net cash provided by (used in) operating activities	(1,198)	(16,288)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	183	–
Purchase of property, plant and equipment	(385)	(390)
Proceeds from sales of property, plant and equipment	8	8
Purchase of intangible assets	(20)	(152)
Purchase of investment securities	(122)	(42)
Proceeds from sales of investment securities	197	549
Other, net	(13)	10
Net cash provided by (used in) investing activities	(152)	(16)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	71,731	171,500
Repayments of short-term borrowings	(70,074)	(160,700)
Repayments of lease obligations	(20)	(135)
Proceeds from long-term borrowings	–	15,500
Repayments of long-term borrowings	(991)	(1,383)
Net decrease (increase) in treasury shares	(384)	(0)
Dividends paid	(960)	(1,233)
Net cash provided by (used in) financing activities	(699)	23,547
Effect of exchange rate change on cash and cash equivalents	41	(114)
Net increase (decrease) in cash and cash equivalents	(2,008)	7,128
Cash and cash equivalents at beginning of period	9,245	7,608
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	371	–
Cash and cash equivalents at end of period	7,608	14,736

## 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, although the U.S. economy continued to steadily expand, the Chinese economy slowed due to the prolonged U.S.-China trade friction, and Europe also continued to be unstable due to factors such as Brexit. Furthermore, novel coronavirus infections spread worldwide this year, which had a serious impact on the global economy. Although some signs of resumption of economic activities can be seen, the future remains uncertain.

Meanwhile, although a gradual recovery had continued in the Japanese economy due to sound corporate earnings and improvements in the employment environment, the spread of novel coronavirus infections is growing more serious and it is feared that this will have an enormous impact on the economy.

With regard to the electronics industry, the mainstay area of business of the Group, the domestic communications equipment segment related to 5G facilities performed well. Although advanced driver assistance systems (ADAS) performed well in the automotive segment, demand has generally been weak due to a decrease in the number of vehicles sold. Furthermore, the industrial equipment segment has also been sluggish due to the decline in capital investment in the Chinese market.

Under such conditions, the Group has worked to expand the scale of business for balanced growth of each business with the aim of achieving the quantitative targets set in the 5-year medium-term management plan “E&C +2020” established at the start of FY2016 (fiscal year ending March 31, 2021: consolidated net sales of ¥180,000 million, consolidated operating profit of ¥7,000 million, ROE of 8% or higher). In the electronic components business, communications-related components performed well backed by active investment related to 5G, and the acquisition of new commercial distribution channels for automotive-related components also contributed to a significant increase in revenue. However, in the electronic and electric equipment business, revenue decreased due to a decline in the previously strong areas of equipment related to smartphone manufacturing and vacuum-related devices due to the intensification of U.S.-China trade friction and changes in commercial distribution.

In the industrial chemicals business, the Group actively expanded business in East Asia and also ASEAN to find channels in overseas markets amid the unavoidable contraction of the domestic market, and revenue increased due to strong performance of process additives for petroleum refining and petrochemical plants and water-absorbing biopolymers for cosmetics.

As a result, consolidated net sales for the fiscal year under review amounted to ¥153,182 million, a 9.3% year-on-year increase and the highest amount on record.

Regarding profit and loss, as a result of the decrease in the gross profit margin caused by sluggish growth of highly profitable products while products with low profitability were a factor in increased revenue, and the lowering of book value based on the decline in profitability of inventories considering future trends in corporate activities and marketing, etc. due to the impact of novel coronavirus, consolidated gross profit decreased 6.4% to ¥17,465 million, and consolidated selling, general and

administrative expenses increased 0.2% to ¥15,050 million. As a result, consolidated operating profit decreased 33.7% to ¥2,414 million; consolidated ordinary profit decreased 40.2% to ¥2,139 million; and profit attributable to owners of parent decreased 41.8% to ¥1,439 million.

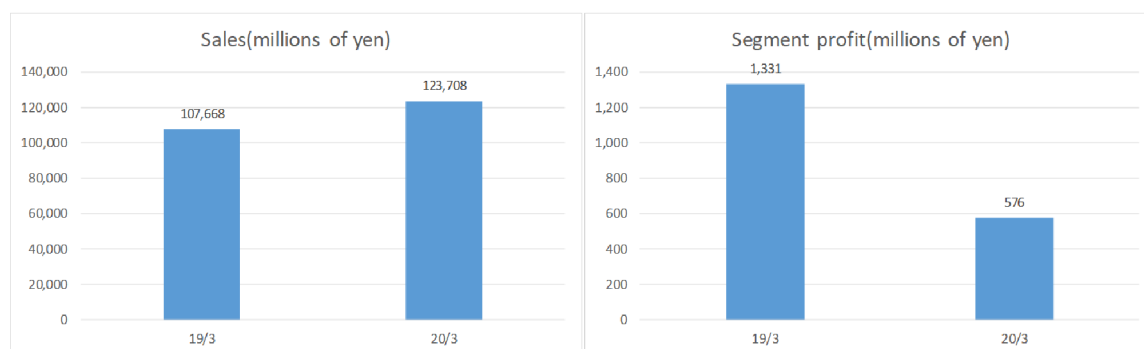
Furthermore, EPS amounted to ¥70.04, a decrease of ¥48.59 from the previous fiscal year.

ROA was 2.1%, down by 2.0 points year-on-year, while ROE was 2.7%, down by 1.9 points year-on-year.

The following is a breakdown of performance by reportable segment.

### **[Electronic Components Business]**

In the electronic components segment, optical-related components for domestic communications performed well and electronic components for smartphones grew overseas. Furthermore, net sales in this segment for the fiscal year under review increased 14.9% year-on-year to ¥123,708 million due to the acquisition of new commercial distribution channels for vehicle-mounted ICs in semiconductor devices. However, as a result of profitability deteriorating due to increased revenue being driven by products with low profitability and sluggish sales of home appliance and automotive connectors in the China region, and book value being lowered based on the decrease in profitability of inventories, segment profit decreased 56.7% to ¥576 million.



### [Electronic and Electric Equipment Business]

In the electronic and electric equipment segment, an increase in demand related to domestic communications infrastructure was seen, but sales of cooling equipment in the China region were weak due to the intensification of U.S.-China trade friction and changes in commercial distribution. Furthermore, with regard to our brand of products, demand for contact exposure apparatus for PCBs decreased for smartphones, and steppers for IC package substrates that had expected to take their place did not launch as planned due to delays in performance evaluation work.

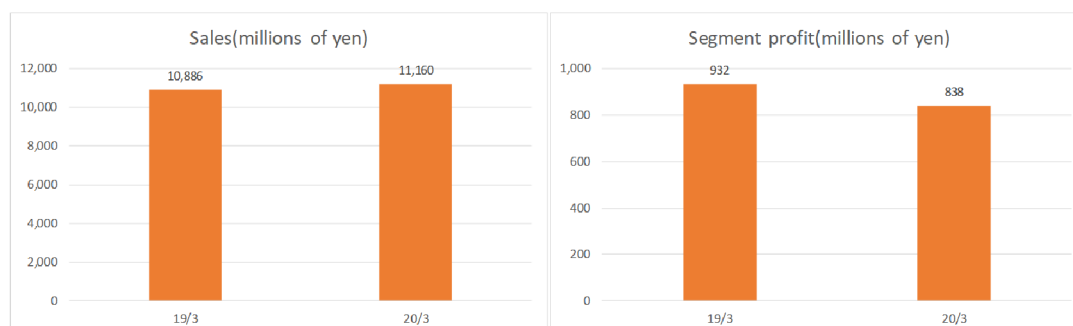
As a result, net sales in this segment for the fiscal year under review decreased 15.1% year-on-year to ¥18,286 million, and segment profit decreased 36.5% to ¥900 million primarily due to the decrease in net sales in addition to the lowering of book value based on the decline in profitability of inventories.



### [Industrial Chemicals Business]

In the industrial chemicals segment, difficulties continued in the paper and pulp subsegment due to the global declining trend in papermaking demand driven by the spread of digital media, while sales of polymerization inhibitors and catalysts were firm in the petrochemical subsegment, and cosmetics bases sold by a subsidiary remained strong in the cosmetics subsegment.

As a result, net sales in this segment for the fiscal year under review increased 2.5% year-on-year to ¥11,160 million, but segment profit decreased 10.1% to ¥838 million primarily due to increases in manufacturing costs and transportation costs associated with rising personnel expenses.



### [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 4.7% year-on-year to ¥720 million, and segment profit increased 26.2% to ¥21 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 ¥25,245 million to ¥97,146 million, a year-on-year increase of 35.1%. This was primarily due to a ¥7,128 million increase in cash and deposits resulting from efforts to secure liquidity on hand in preparation for the spread of novel coronavirus infections, a ¥4,438 million increase in notes and accounts receivable - trade resulting from the increase in sales of vehicle-mounted ICs, and a ¥10,966 million increase in merchandise and finished goods.

Non-current assets decreased ¥935 million to ¥14,989 million, a year-on-year decrease of 5.9%. This was primarily due to a ¥1,257 million decrease in investment securities resulting from the sale of shareholdings and the drop in share prices caused by the coronavirus shock, although “Other” in property, plant and equipment increased ¥477 million due to the application of IFRS 16 “Leases” in certain overseas subsidiaries from the fiscal year under review (the increase caused by application of IFRS 16 was ¥563 million).

As a result of the above, total assets increased ¥24,309 million to ¥112,135 million, a year-on-year increase of 27.7%.

As for liabilities, current liabilities increased ¥13,434 million to ¥44,085 million, a year-on-year increase of 43.8%. This was primarily due to a ¥13,186 million increase in short-term borrowings taken in order to increase working capital and secure liquidity on hand.

Non-current liabilities increased ¥11,499 million to ¥14,039 million, a year-on-year increase of 452.7%. This was primarily due to a ¥11,730 million increase in long-term borrowings taken in expectation of long-term demand for funds.

As a result of the above, total liabilities increased ¥24,933 million to ¥58,124 million, a year-on-year increase of 75.1%.

Net assets decreased ¥624 million to ¥54,011 million, a year-on-year decrease of 1.1%. This was primarily due to a ¥525 million decrease in valuation difference on available-for-sale securities and a ¥318 million decrease in foreign currency translation adjustment, while retained earnings increased by ¥206 million.

## **(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 ¥16,288 million, net cash used in investing activities amounted to ¥16 million, and net cash provided by financing activities amounted to ¥23,547 million. Effect of exchange rate change on cash and cash equivalents decreased ¥114 million. As a result, cash and cash equivalents at the end of the fiscal year under review increased ¥7,128 million year-on-year to ¥14,736 million.

The following is a breakdown of cash flows and the respective factors thereof in the fiscal year under review.

### (Cash flows from operating activities)

Inventories held by the Group have been increasing year by year as part of the Business Continuity Plan (BCP) in association with the expansion of the vehicle-mounted electronic components business. In the fiscal year under review, net cash used in operating activities amounted to ¥16,288 million. The principal sources of cash were ¥2,146 million in profit before income taxes and ¥825 million in depreciation, while uses of cash included a ¥11,136 million increase in inventories and a ¥5,152

million increase in trade receivables. In the previous fiscal year, there was a ¥1,198 million expenditure due primarily to a ¥2,987 million increase in inventories.

(Cash flows from investing activities)

As investing activities, the Group has made investments mainly associated with new businesses and capital expenditures on updating manufacturing and research facilities in the industrial chemicals business. In the fiscal year under review, net cash used in investing activities amounted to ¥16 million. The principal source of cash was ¥549 million in proceeds from sales of investment securities, while uses of cash included a ¥390 million expenditure for the purchase of property, plant and equipment. In the previous fiscal year, there was a ¥152 million expenditure due primarily to a ¥385 million purchase of property, plant and equipment.

(Cash flows from financing activities)

In response to the increase in demand for funds associated with the expansion of business, financing is principally conducted through interest-bearing debt. In the fiscal year under review, net cash provided by financing activities amounted to ¥23,547 million. The principal sources of cash were an increase in short-term borrowings (net) of ¥10,800 million and ¥15,500 million in proceeds from long-term borrowings, while uses of cash included ¥1,233 million in dividends paid. In the previous fiscal year, net cash used in financing activities totaled ¥699 million, primarily as a result of increase in ¥991 million in repayments of long-term borrowings.

**(4) Impact of Novel Coronavirus Infections on the Group**

The impact of novel coronavirus infections on the Group's production, orders and sales activities during the fiscal year under review was minor, but in terms of profit, book value was lowered based on the decline of profitability of inventories assuming that changes in the production plans and capital investment plans of business partners and delays in business negotiations, etc. will continue for some time.

In the event the impact of novel coronavirus infections on socioeconomic activities is further prolonged or exacerbated, they may have an impact on the Group's financial position, operating performance and cash flows in the following fiscal year.

## VI. Corporate Data

### Basic Information (as of March 31, 2020)

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
Share capital:	8,100 million yen
Number of employees:	1,257 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 July 10, 2020)

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

\* External Director

**Stock Status (as of March 31, 2020)**

Total number of authorized shares:	54,000,000 shares
Total number of issued shares:	24,137,213 shares
Number of shareholders:	6,634

**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.	1,919.2	9.34
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.	831.3	4.04
ATRA KK	543.9	2.65
Hakuto Employee Stock Ownership Plan	409.5	1.99
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)	376.0	1.83

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.	1,919.2 thousand shares
The Master Trust Bank of Japan, Ltd.	831.3 thousand shares

2. In addition to the above, the Company holds 3,583,078 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)	3,583,078 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.