

Dear Shareholders,

Hakuto Co., Ltd.

1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

Notice of the 64th Annual General Meeting of Shareholders

You are cordially invited to attend the 64th Annual General Meeting of Shareholders of Hakuto Co., Ltd. (the “Company”), which will be held as per the schedule below.

If you are unable to attend the Meeting in person, please first review on pages 33 to 43 of the Reference Materials for the General Meeting of Shareholders presented hereinafter, and exercise your voting rights no later than 5:30 p.m. on Monday, June 27, 2016, using one of the methods outlined below.

Sincerely,

Ryusaburo Sugimoto
President

Details

1. Date & Time: Tuesday, June 28, 2016 at 10:00 a.m.
(Reception commences at 9:00 a.m.)

2. Venue: Conference Room, 8th Floor, Head Office Building,
1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

3. Meeting Agenda

(1) Items to be reported:

1. Business Report and Consolidated Financial Statements of the Company’s 64th fiscal year (from April 1, 2015 to March 31, 2016), and the audit reports on Consolidated Financial Statements by the Accounting Auditors (CPAs) and the Company’s Audit & Supervisory Board
2. Non-Consolidated Financial Statements of the Company’s 64th fiscal year (from April 1, 2015 to March 31, 2016)

(2) Items to be resolved:

Item 1: Partial Amendments to the Articles of Incorporation

Item 2: Appointment of Nine (9) Directors

Item 3: Appointment of One (1) Audit & Supervisory Board Member

4. Information on Exercise the Voting Rights

Please refer to “Information on Exercise the Voting Rights” on page 44.

5. Matters concerning internet disclosure information

The “Consolidated Statement of Changes in Net Assets,” the “Notes to the Consolidated Financial Statements,” the “Non-Consolidated Statement of Changes

in Net Assets” and the “Notes to the Non-Consolidated Financial Statements” have been posted on the Company’s website (<http://www.hakuto.co.jp>) in accordance with the relevant laws and regulations and Article 15 of the Articles of Incorporation of the Company. Hence, they are not included in the attached documents to the Notice of the 64th Annual General Meeting of Shareholders as part of the set of documents to be provided. For this reason, the “Consolidated Financial Statements” and “Non-Consolidated Financial Statements” indicated in the attached documents to this Notice are part of the consolidated financial statements and non-consolidated financial statements that were audited by Audit & Supervisory Board Members for preparing the audit report and the Accounting Auditors (CPAs) for preparing the independent auditor’s report respectively.

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- If you are attending the Meeting in person, please bring the enclosed Form for Exercising Voting Rights and present it at the reception desk.
 - Revisions to the Reference Materials for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements shall be posted on the Company’s website.
 - If you make a diverse exercise of your voting rights, please notify the Company in writing of your intention and the reasons thereof not later than three days prior to the General Meeting of Shareholders.

The Company’s website: (<http://www.hakuto.co.jp>)

[Submitted Documents]

Business Report

(From April 1, 2015 to March 31, 2016)

1. Corporate Group's Business Environment

(1) Business conditions during the fiscal year under review

1) Business developments and results

Looking back on the global economy during the fiscal year ended March 31, 2016, the zero interest rate policy was terminated in the U.S. due to its stable economic environment. In Europe, while there has been an economic recovery from the financial crisis, it has been dampened by the worsening refugee crisis and the growing threat of terrorism. In addition, the slowdown in the Chinese economy led to concerns about its negative impact on the global economy as a whole.

While the Japanese economy showed steady growth supported by inbound tourism consumption mainly in the first half of the fiscal year, the so-called China shock in August 2015 triggered concerns about the economic outlook. Although negative interest rates were adopted as an economic stimulus measure in February 2016, ongoing yen appreciation and low stock prices led to increased concerns over the deterioration in corporate earnings, mainly surrounding the export industry.

Under such conditions, with regard to the electronics industry, the Group's mainstay area of business, vehicle-mounted products for the automobile industry showed steady growth in demand. On the other hand, the economic slowdown in China resulted in a decrease in demand for housing facilities-related products, such as elevators and air conditioners. China's economic slowdown also resulted in a decrease in demand for electronic components and related parts, manufacturing facilities for smartphones, as well as for housing facilities-related products. Thus, exports of electronics products to emerging markets in Asia remained sluggish, affected by the sharp appreciation of the yen in the last quarter. Further, the shipping volume of solar panels significantly decreased due to revision of renewable energy prices under the feed-in-tariff scheme, and the semiconductor manufacturing equipment market also declined due to deterioration of the semiconductor industry. As such, markets other than the automobile-related market remained weak. The industrial chemicals market continued strong as a whole. While demand among the paper and pulp industry remained weak due to continuous shrinkage of the industry, demand among the cosmetic industry remained robust thanks to inbound tourism consumption. Although petroleum products exports to Asian countries decreased, products for the petroleum refining industry showed favorable sales.

Under such circumstances, consolidated net sales for the fiscal year under review amounted to ¥116,296 million, an 11.3% year-on-year decrease. Regarding profit and loss, gross profit decreased 11.6% to ¥17,221 million. Selling, general and administrative expenses decreased 5.7% to ¥14,315 million, operating income decreased 32.5% to ¥2,906 million, ordinary profit decreased 36.9% to ¥2,873 million and net income attributable to owners of parent decreased 40.0% to ¥2,034 million.

The following is a breakdown of business performance by segment for the fiscal year.

Electronic Components Business

In the electronic components segment, vehicle-mounted products remained strong, due to favorable automotive sales in the U.S., in addition to an increasing trend for the number of loaded automobile-related electronic components. On the other hand, the effects of a decline in the purchase price of electricity caused a downturn in photovoltaic power generation-related products, such as solar panels. Additionally, economic slowdown in China caused a downturn in connectors geared toward the personal computers and household appliances markets.

As a result, sales in the electronic components segment for the consolidated fiscal year under review decreased 11.3% year-on-year to ¥88,098 million, and segment income decreased 60.8% year-on-year to ¥1,152 million.

Electronic and Electric Equipment Business

In the electronic and electric equipment segment, vacuum devices geared toward the measurement and analytics markets showed steady growth. However, compound semiconductor manufacturing equipment for LEDs remained sluggish, caused by a decrease in demand for capital investment, due to deterioration of the semiconductor market. Exposure apparatus for semiconductor packages and laminators fell below planned targets, due to extension of clients' capital investment plans.

As a result, sales in this segment for the consolidated fiscal year under review decreased 17.3% year-on-year to ¥18,477 million, and segment income increased 14.5% year-on-year to ¥1,018 million.

Industrial Chemicals Business

In the industrial chemicals segment, intensifying competition forced a struggle in detergents for paper and pulp. However, sales of polymerization inhibitors for petroleum and petrochemicals, petroleum refining catalysts and cosmetics-related products with Alcasealan as their principle raw material grew steadily. In addition, during the last consolidated fiscal year, an industrial chemicals subsidiary was sold.

As a result, sales in this segment for the consolidated fiscal year under review increased 3.1% year-on-year to ¥9,694 million, and segment income increased 32.6% year-on-year to ¥587 million.

Others Business

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. Sales in this segment were ¥707 million, a 0.3% year-on-year decrease, and segment income was ¥26 million, a 26.0% year-on-year increase for the consolidated fiscal year under review.

Sales by segment

	FY 2014 (fiscal year ended March 2015)		FY 2015 (fiscal year ended March 2016)	
	Sales (¥ million)	Ratio to total (%)	Sales (¥ million)	Ratio to total (%)
Electronic Components	99,301	75.4	88,098	75.3
Electronic and Electric Equipment	22,343	17.0	18,477	15.8
Industrial Chemicals	9,399	7.1	9,694	8.3
Others	709	0.5	707	0.6
Sub-total	131,754	100.0	116,978	100.0
Internal Transaction	(681)	—	(682)	—
Total	131,073	100.0	116,296	100.0

Note: Figures are exclusive of consumption tax.

Outlook of the Next Fiscal Year

In the fiscal year ending March 31, 2017, while there is some concern for the world economy over the effects of the slowdown of the Chinese economy and the drop in crude oil prices, a smooth recovery is expected overall. In addition, steady growth is expected domestically, aided by the underpinning of current business conditions and from the forecasted early implementation of additional economic countermeasures by the government, due to an imperative for recovery from natural disaster.

In the electronics-related market, continued growth is expected in the car-electronics and data-center fields, and even in smartphone and industrial fields, where production has been decreasing since the latter half of last year, recovery is anticipated due to progress in inventory adjustment.

The Group will capture the movement of both the market environment as well as emerging technologies with acute sensitivity by further strengthening its vehicle-mounted and industrial equipment markets-related products, launching new businesses, including the smart-house business, and by moving forward with its early-stage development and market introduction of next-generation steppers, in order to plan for a well-balanced business development.

In consideration of such business conditions, the Company forecasts consolidated results of operations for the fiscal year ending March 31, 2017 as follows: net sales to increase 10.1% year-on-year to ¥128,000 million, operating income to increase 13.5% to ¥3,300 million, ordinary profit to increase 18.3% to ¥3,400 million, and net income attributable to owners of parent to increase 13.0% to ¥2,300 million.

2) Investment in plant & equipment

The total investment in plant and equipment for the consolidated fiscal year under review was ¥395 million.

3) Fund procurement

There are no material facts to report.

4) Business segment transfers, absorption-type splits, and incorporation-type splits

There are no items to report.

5) Business segments transferred from other companies

There are no items to report.

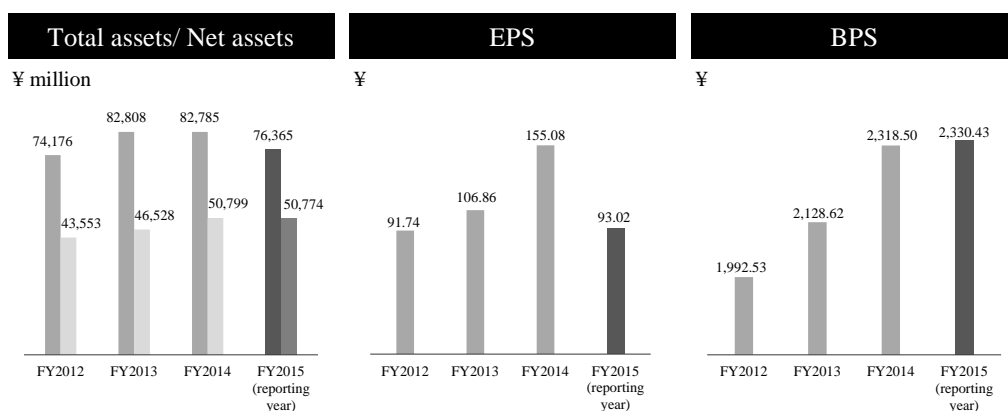
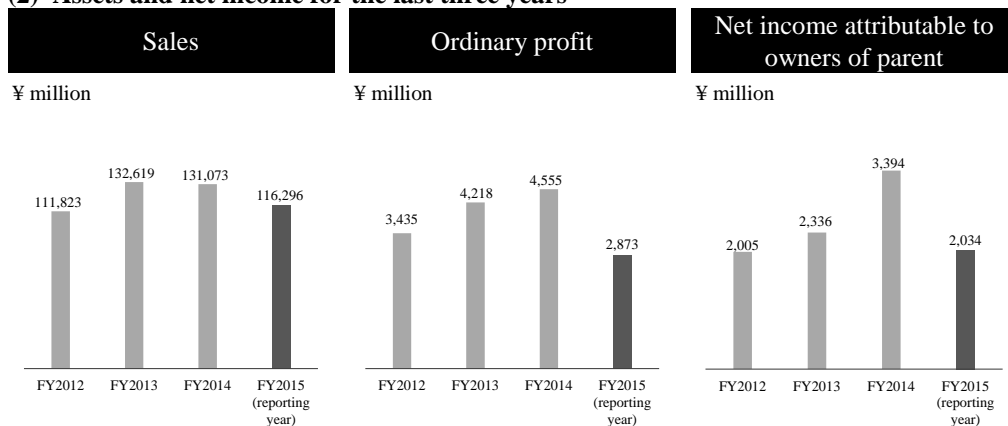
6) Succession to rights and responsibilities related to the businesses of other juridical persons through absorption-type mergers and splits

There are no items to report.

7) Acquisitions and disposals of shares, ownership interests, or share subscription rights, etc. in other companies

There are no items to report.

(2) Assets and net income for the last three years



(¥ million)

	FY2012	FY2013	FY2014	FY2015 (reporting year)
Sales	111,823	132,619	131,073	116,296
Ordinary profit	3,435	4,218	4,555	2,873
Net income attributable to owners of parent	2,005	2,336	3,394	2,034
EPS (yen)	91.74	106.86	155.08	93.02
Total assets	74,176	82,808	82,785	76,365
Net assets	43,553	46,528	50,799	50,774
BPS (yen)	1,992.53	2,128.62	2,318.50	2,330.43

Notes:

1. EPS (Earnings Per Shares) is calculated based on the average number of outstanding shares during the fiscal year. BPS (Book Value Per Share) is calculated based on the number of shares outstanding as of the end of the fiscal year. The total number of outstanding shares excludes treasury shares.
2. The treasury shares excluded from calculating EPS and BPS for FY2013, FY2014 and FY2015 include the shares of the Company held by the ESOP Trust Account (please refer to “6) Other important matters concerning shares” on page 12).

(3) Principal subsidiaries

	Capital stock	Ratio of voting rights held by the Company (%)	Principal lines of business
Microtek Inc.	¥300 million	100	Import/export of electronic equipment and components
Hakuto Enterprises Ltd.	HK\$22,025 thd.	100	Import/export of electronic equipment and components
Hakuto Singapore Pte. Ltd.	S\$5,000 thd.	100	Import/export of electronic equipment and components
Hakuto Taiwan Ltd.	NT\$70,000 thd.	100	Import/export of electronic equipment and components
Hakuto Enterprises (Shanghai) Ltd.	US\$8,000 thd.	100	Import/export of electronic equipment and components

(4) Issues facing the Company

The Group's operating environment has been changing more and more drastically due to the accelerated movement of industry reorganization in addition to macroeconomic factors such as the slowdown in the Chinese economy and fluctuation of foreign currencies. Under such circumstances, the Group established the new medium-term management plan "E&C +2020" to be executed through fiscal 2020 in order to achieve sustainable growth and improvement of corporate value, by adding new factors to the technological prowess it has accumulated to date and its high value-added unique business model, while pursuing a synergy of the electronic and chemicals segments as core business. In the E&C +2020, the Group set its financial targets of fiscal 2020 as follows:

Sales: ¥180,000 million, Operating income: ¥7,000 million, ROE: 8% or more

In order to achieve the targets, the Group will address the issues stated below.

1) Enhancement of earnings base

The Group considers that steady and balanced earnings growth among each segment is necessary in order to enhance its high value-added unique business model and achieve sustainable growth. The Group endeavors to effectively reallocate management resources and grow next-generation key products by prioritizing current business segments and concentrating in the strategic growth fields. The Group will pursue an additional earnings base by utilizing M&A strategy on a priority basis.

2) Active challenges into new markets and new business opportunities

Reorganization among suppliers and customers has been accelerating in the electronics industry. In order to achieve further significant growth, while mitigating management risks due to an over-reliance on particular business fields and partners, the new-business development group of each business segment will focus on developing and expanding new markets that are free of the traditional boundaries of electronics. Such markets include the smart-house business, environmental devices and medical devices.

3) Strengthening overseas business

With regard to overseas business, the Group will make efforts to hire and train

personnel who will support the Group's strategy to establish marketing channels focused on local businesses in Asia and reorganize its business. At the same time, the Group will establish the organizational structure toward "total optimization." As shown in self-driving technology, the car electronics field is highly innovative. In the field, the Group will enhance our presence in the market by expanding business bases in the U.S. and Europe where many Japanese companies have their development and production sites.

4) Designing management that contributes to growth

Based on the purpose of the Corporate Governance Code implemented last year, the Group will make every effort to establish so-called "proactive" management, in addition to further enhancement of "reactive" management, in order to contribute its own growth.

Specifically, the Group will steadily execute respective measures, including the aforementioned M&A strategy, the human resource strategy for overseas business, the IT strategy to centralize information of globally developed core systems, the financial strategy to optimize balance sheets by improving capital efficiency and shareholder returns, and an IR strategy to facilitate constructive dialogue with shareholders.

(5) Main business lines (as of March 31, 2016)

The Group is principally engaged in the sale, export and import of electronic components and electronic and electric equipment, and the manufacture and sale of industrial chemicals.

Main products in each segment are as follows.

Segment	Main products
Electronic Components	Semiconductor devices; connectors; optical components; photovoltaic panels
Electronic and Electric Equipment	Devices and equipment used in the manufacturing of semiconductors; equipment for PCBs; various vacuum 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	Outsourcing business

(6) Principal offices and plants (as of March 31, 2016)

1) Principal offices and plants of the Company

Name	Location
Head Office	Shinjuku-ku, Tokyo
Kansai Branch	Osaka, Osaka
Nagoya Branch	Nagoya, Aichi
Isehara Technical Center	Isehara, Kanagawa
Yokkaichi Factory	Yokkaichi, Mie
Yokkaichi Research Laboratory	Yokkaichi, Mie

2) Offices of principal subsidiaries

Name	Location
Microtek Inc.	Shinjuku-ku, Tokyo
Hakuto Enterprises Ltd.	Kowloon, Hong Kong
Hakuto Singapore Pte. Ltd.	Singapore
Hakuto Taiwan Ltd.	Taipei, Taiwan
Hakuto Enterprises (Shanghai) Ltd.	Shanghai, China

(7) Employees (as of March 31, 2016)

1) Employees of the Group

Business segment	Number of employees	Change from end of previous fiscal year
Electronic Components	638	(20)
Electronic and Electric Equipment	266	11
Industrial Chemicals	137	6
Others	95	(4)
Common in the Group	172	4
Total	1,308	(3)

Notes:

1. The number of employees is the number of those who are employed by the Group.
2. Employees working for the “Common in the Group” are attached to back-office sections that cannot be classified into particular business segments.

2) Employees of the Company

Number of employees	Change from end of previous fiscal year	Average age	Average number of years of service
641	Increase by 13	43.0	14.3

Note: The above figures exclude 24 employees currently dispatched to subsidiaries.

(8) Principal sources of borrowings (as of March 31, 2016)

(¥ million)

Sources	Balance of borrowings
Sumitomo Mitsui Banking Corporation	1,407
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,158

(9) Other important matters concerning the Group

There are no material facts to report.

2. Profile of the Company

(1) Shares (as of March 31, 2016)

- | | | |
|--|--------------------------|--|
| 1) Number of shares authorized for issuance: | 54,000,000 shares | |
| 2) Number of shares issued and outstanding: | 24,137,213 shares | (no change from the previous fiscal year) |
| (Of which, treasury shares: | 2,214,751 shares) | |
| 3) Number of shares per trading unit (tangen): | 100 shares | |
| 4) Number of shareholders: | 5,726 | (decreased by 196 from the previous fiscal year) |

5) Major shareholders (top ten):

Name of shareholder	Number of shares held (thousands shares)	Ownership (%)
Takayama International Education Foundation	4,226.2	19.27
Japan Trustee Services Bank, Ltd. (trust account)	1,191.2	5.43
Ichiro Takayama	1,058.9	4.83
Ken Takayama	1,058.9	4.83
Ryutaro Takayama	1,058.8	4.83
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	916.2	4.17
The Master Trust Bank of Japan, Ltd. (trust account)	830.9	3.79
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	398.2	1.81
STATE STREET BANK AND TRUST COMPANY 505223	368.5	1.68
Hakuto Employee Stock Ownership Plan	345.2	1.57

Notes:

- Number of shares held is rounded down to the nearest 100 shares.
- Ownership is calculated based on the number of shares issued and outstanding (21,922,462), which excludes treasury shares. Percentages have been rounded down to two decimal places. Therefore, 134,800 shares of the Company held by the ESOP Trust Account (please refer to "6) Other important matters concerning shares" below) are not added to the treasury shares.
- Treasury shares are excluded from the list of major shareholders above.

6) Other important matters concerning shares

The Company resolved at its meeting of the Board of Directors on February 28, 2014 to introduce an Employee Stock Ownership Plan (ESOP) Trust as an employee incentive plan with the purpose of further enhancing the welfare benefit plan for employees who support the growth of the Company and encouraging employees to raise their awareness about performance and stock value by attaching an incentive to raise the stock price, thereby promoting enhancement of corporate value on a mid-to-long-term basis.

In conjunction with the introduction of the ESOP Trust, a resolution was reached at

the meeting of the Board of Directors on February 28, 2014 to dispose, by way of third-party allotment, of 235,400 treasury shares (ratio of 0.98% against the total number of shares issued and outstanding) at a total amount of 229,985,800 yen to Mitsubishi UFJ Trust and Banking Corporation [Joint trustee: The Master Trust Bank of Japan, Ltd. (ESOP Trust Account)] and executed the disposition effective March 20, 2014. The total number of shares held in the ESOP Trust Account as of March 31, 2016 is 134,800.

(2) Share subscription rights

There are no items to report.

(3) Corporate Officers

1) Directors and Audit & Supervisory Board Members (as of March 31, 2016)

Name	Positions in the Company	Responsibility and status of material holding of concurrent positions
Ryusaburo Sugimoto	President (Representative Director)	
Yoshinae Takada	Director & Senior Executive Managing Officer	Supervisor over Corporate Administration Div. and Corporate Management Div. and Division Manager of Corporate Management Div. and in charge of Risk Management and Corporate Compliance
Ryoji Abe	Director & Executive Managing Officer	Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div. and in charge of Overseas Business Operation Div.
Nobuhito Shintoku	Director & Managing Officer	Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center and Branch Manager of Kansai Branch and in charge of Branch Office (related to Administration), President of Hakuto A&L Co., Ltd.
Kazunobu Kitano	Director & Managing Officer	Division Manager of Electronic Equipment Div.
Ichiro Takayama	Director	
Keiji Kondo	External Director	Attorney at law
Masahito Kamijo	External Director	Chairman of Resona Research Institute Co., Ltd.
Satoshi Nakaizumi	Full-time External Audit & Supervisory Board Member	Certified Public Accountant
Atsushi Inuzuka	External Audit & Supervisory Board Member	External Audit & Supervisory Board Member of Nippon Filcon Co., Ltd.
Mikio Yoden	External Audit & Supervisory Board Member	Certified Tax Accountant

Notes:

1. Among the Directors, Messrs. Keiji Kondo and Masahito Kamijo are External Directors.
2. Messrs. Satoshi Nakaizumi, Atsushi Inuzuka and Mikio Yoden are External Audit & Supervisory Board Members.
3. Messrs. Satoshi Nakaizumi, Atsushi Inuzuka and Mikio Yoden, who are all Audit & Supervisory Board Members, have extraordinary insight regarding financial and accounting matters, as described below.
 - The full-time Audit & Supervisory Board Member Mr. Satoshi Nakaizumi holds license as a certified public accountant.
 - The Audit & Supervisory Board Member Mr. Atsushi Inuzuka has considerable insight

- with regard to general business management including financial and accounting matters, with abundant experience and knowledge as a former business manager and an External Audit & Supervisory Board Member.
- The Audit & Supervisory Board Member Mr. Mikio Yoden holds license as a certified tax accountant.
4. The Company appointed Director Messrs. Keiji Kondo and Masahito Kamijo, and Messrs. Satoshi Nakaizumi, Atsushi Inuzuka and Mikio Yoden, who are Audit & Supervisory Board Members, as Independent Officers as stipulated by Tokyo Stock Exchange, and filed the relevant notification with the TSE.
 5. Effective April 1, 2016, the Company has changed the responsibility of the following Director.

Name	Responsibility
Nobuhito Shintoku	Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center and in charge of Branch Office (related to Administration)

2) Overview of agreements limiting liability

The Company, based on the provisions of Article 427, Paragraph 1 of the Companies Act (the “Act”), has entered into agreements that limit the liability of each of Directors (excluding executive directors) and Audit & Supervisory Board Members in the manner provided in Article 423, Paragraph 1 of the Act.

Based on these agreements, the liability of Mr. Ichiro Takayama, Mr. Keiji Kondo and Mr. Masahito Kamijo, who are all Directors, shall be limited to the higher of an amount of at least ¥3 million or an amount stipulated by the provisions of Article 425, Paragraph 1 of the Act, and the liability of Mr. Satoshi Nakaizumi, Mr. Atsushi Inuzuka and Mr. Mikio Yoden, who are all Audit & Supervisory Board Members, shall be limited to the higher of an amount of at least ¥2 million or an amount stipulated by the provisions of Article 425, Paragraph 1 of the Act.

3) Directors and Audit & Supervisory Board Members retired during the fiscal year under review

Name	Date of retirement	Reason	Positions as of retirement and material concurrent positions
Noriaki Tomioka	June 25, 2015	Expiration of term of office	Director & Senior Vice President, In charge of Electronic Equipment Div. and Overseas Business Operation Div.
Katsuyoshi Iwashiro	June 25, 2015	Expiration of term of office	External Director
Shinkichi Suzuki	June 25, 2015	Expiration of term of office	Full-time Audit & Supervisory Board Member

4) Total compensation to Directors and Audit & Supervisory Board Members for the fiscal year under review

Positions	Number of recipients	Amount of payment (¥ million)
Directors (External Directors)	10 (3)	165 (10)
Audit & Supervisory Board Members (External Audit & Supervisory Board Members)	4 (3)	21 (17)
Total	14	187

Notes:

1. Payments to Directors do not include the employee salaries of persons simultaneously appointed as employee and director.
2. As of the end of fiscal year ended March 31, 2016, the number of Directors is eight (including two External Directors) and the number of Audit & Supervisory Board Members is three (including three External Audit & Supervisory Board Members). The above number of recipients and payment amounts include two Directors and one Audit & Supervisory Board Member retired due to the expiration of their terms of office at the conclusion of the 63rd Annual General Meeting of Shareholders held on June 25, 2015.
3. The upper limit on compensation for Directors was set at ¥450 million (not including employee salaries) in the 39th Annual General Meeting of Shareholders held on June 27, 1991.
4. The upper limit on compensation for Audit & Supervisory Board Members was set at ¥60 million in the 40th Annual General Meeting of Shareholders held on June 29, 1992.

5) Matters regarding External Directors and External Audit & Supervisory Board Members

- (A) Matters regarding status of material holding of concurrent positions (in positions with executive authority at other companies) and relationships between the Company and those other companies
- Director Masahito Kamijo is Chairman of Resona Research Institute Co., Ltd. There are no special relationships between Resona Research Institute Co., Ltd. and the Company.
- (B) Principal concurrent positions as other companies' External Directors or Audit & Supervisory Board Members etc. and relationships between the Company and those other companies
- Audit & Supervisory Board Member Mr. Atsushi Inuzuka is an External Audit & Supervisory Board Member of Nippon Filcon Co., Ltd. There are no special relationships between Nippon Filcon Co., Ltd. and the Company.

(C) Main activities during the fiscal year under review

Position	Name	Main activities
Director	Keiji Kondo	Mr. Kondo attended all 11 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported transparent and lawful decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a lawyer.
Director	Masahito Kamijo	Mr. Kamijo attended all 9 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his abundant experience and wide-ranging insight as a former manager of a financial institution.
Audit & Supervisory Board Member	Satoshi Nakaizumi	Mr. Nakaizumi attended all 11 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a certified public accountant. Mr. Nakaizumi also attended all 11 Audit & Supervisory Board meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters. In addition to the aforementioned Board of Directors meetings and Audit & Supervisory Board meetings, Mr. Nakaizumi, as the full-time Audit & Supervisory Board Member, attended important meetings, including Board of Managing Directors meetings, and gave necessary advice and recommendations from the professional point of view.
Audit & Supervisory Board Member	Atsushi Inuzuka	Mr. Inuzuka attended 10 out of 11 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his abundant experience and deep insight about management as a former business manager in the other industry. Mr. Inuzuka also attended 10 out of 11 Audit & Supervisory Board meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.

Position	Name	Main activities
Audit & Supervisory Board Member	Mikio Yoden	Mr. Yoden attended all 9 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported reasonable and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his expert perspective as a certified tax accountant. Mr. Yoden also attended all 9 Audit & Supervisory Board meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.

Notes:

1. Mr. Masahito Kamijo was elected as a Director at the 63rd Annual General Meeting of Shareholders held on June 25, 2015. Therefore, the number of Board of Directors meetings that he could attend was different from those of other Directors.
2. Mr. Mikio Yoden was elected as an Audit & Supervisory Board Member at the 63rd Annual General Meeting of Shareholders held on June 25, 2015. Therefore, the number of Board of Directors meetings and Audit & Supervisory Board meetings that he could attend was different from those of other Audit & Supervisory Board Members.

(4) Accounting Auditor

1) Name: KPMG AZSA LLC

2) Compensation

	Amount of Payment (¥ million)
Compensation for work related to the fiscal year under review	52
Total monetary and other assets payable to the Accounting Auditor by the Company and its subsidiaries	52

Notes:

1. Audit & Supervisory Board agreed with the amount of compensation to the Accounting Auditor, as stipulated in Article 399, Paragraph 1 of the Companies Act, based on the necessary appropriateness review regarding the details of audit plans by the Accounting Auditor, the status of statutory audit and basis of fee estimates.
2. Among the Company's principal subsidiaries, Hakuto Enterprises Ltd., Hakuto Singapore Pte. Ltd., Hakuto Taiwan Ltd. and Hakuto Enterprises (Shanghai) Ltd. have all undergone statutory audits by accounting auditors other than the one retained by the Company.
3. The audit agreement between the Company and its Accounting Auditor does not distinguish compensation paid for audit work performed in conformity with the Companies Act and compensation paid for audit work performed in conformity with the Financial Instruments and Exchange Law, and it is effectively impossible to do so. Accordingly, the amount of compensation paid for audit work related to the fiscal year under review is reported as the total of these two amounts.

3) Policy regarding decisions to dismiss or not reappoint an accounting auditor

When the Accounting Auditor meets any of the provisions of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall resolve to dismiss the Accounting Auditor with the unanimous consent of Audit & Supervisory Board Members. In this instance, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the fact and the reason for dismissal of the Accounting Auditor at the first General Meeting of Shareholders held after the dismissal.

Additionally, in cases when the Company's statutory audit work is severely obstructed by an event such as a business-suspension order issued to the Accounting Auditor by regulatory authorities, the Audit & Supervisory Board shall resolve a proposal to submit to the General Meeting of Shareholders regarding either dismissal or non-reappointment of the Accounting Auditor.

(5) Internal control systems

1. Basic policy on establishing internal control system

The Company resolved, at the meeting of the Board of Directors, the basic policy to establish "Systems for ensuring that execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems necessary to ensure the properness of operation of a company and its consolidated subsidiaries" (internal control system) provided for in Article 362, Paragraph 4, item 6 of the Companies Act and Article 100, Paragraph 1 and Paragraph 3 of the Enforcement Regulations of the Companies Act as follows:

1) Systems for ensuring that actions taken by Directors and employees are in compliance with both the laws and regulations of Japan and the Company's Articles of Incorporation

- (A) With the Hakuto Group Ethical Code and the Rules for Compliance serving as the code of conduct for the Company and its consolidated subsidiaries ("the Group"), training and other measures targeting the Group's Directors and employees shall be regularly implemented to ensure that all company activities are in compliance with the laws and regulations of Japan and consistent with social mores.
- (B) A Director shall be appointed to bear managerial responsibility for compliance activities. Working under this Director, the General Affairs Dept., which shall bear operational responsibility for compliance activities, shall prepare compliance programs and build and maintain the Group-wide compliance systems. The Internal Control Office shall audit compliance system functions and effectiveness.
- (C) Based on the Rules for Ethics, the Compliance Committee shall be established and chaired by the President of the Company. This Committee shall discuss important compliance matters for the Group as a whole and report the results of these discussions to the Board of Directors.
- (D) Based on the Group's Whistleblower Protection Rule, a channel allowing employees to directly report to the Group-wide Compliance Committee information on violations of laws and regulations or social mores shall be established and maintained.
- (E) No relationship whatsoever shall be had with anti-social factions and groups which may threaten the order or safety of the civil society, and the Company shall take a resolute stance systematically against any undue claims or sabotage attacks through close coordination with outside professionals such as the police and lawyers.

2) Systems for preserving and managing information on Directors' performance of their duties

- (A) Documents (including electromagnetic record) relating to Directors' performance of their duties shall be preserved and managed, together with related information, as required by the Rules for Document Management. This information shall be maintained in viewable condition for at least ten years, as necessary.
- (B) In accordance with the Information Security Policies, the Rules for Electronic Data Management and other rules for information security, protection, management and use of electronic information shall be improved and facilitated.

3) Rules and other systems to manage the risk of loss

- (A) A Director shall be appointed to be responsible for risk management. Working under this Director, the General Affairs Dept., which shall bear operation responsibility for risk management, shall construct the Group-wide risk management system.
- (B) A Director responsible for risk management decides departments in charge of each type of risk assumed by the Group. Those departments carry out various measures to make risk management more effective, and continuously monitor status of risk management.
- (C) In preparation for the possibility of the realization of the Group-wide risks, the

Rules for Crisis Management including emergency measures, measures for containing damage, recovery measures, and measures for preventing recurrences shall be formulated. When risks are realized, damage shall be minimized by responding swiftly and appropriately.

4) Systems for ensuring Directors perform their duties effectively

- (A) Efficient performance of duties by Directors shall be promoted by appropriately implementing management systems. These systems shall cover the formulation of management plans for the consolidated group companies by the Board of Directors, the setting of performance objectives and budgets and the management of performance on a monthly and quarterly basis for each business segment or by each subsidiary by responsible Directors based on the management plans, and the review of monthly and quarterly performance and the implementation of performance improvement measures by the Board of Directors and the Board of Managing Directors.
- (B) The speed of decision-making shall be increased through measures like simplifying the decision-making process. The Board of Managing Directors shall make a decision on important matters in a council system to ensure decisions are made with heightened caution.
- (C) To ensure the efficient performance of and establish responsibility for actions taken based on Board of Directors resolutions, responsible parties, their responsibilities and implementation details shall be determined based on the Rules for General Organization, the Rules for Segregation of Duties, the Rules for Administrative Authority and the Rules for Managing Affiliates in Japan and Overseas.

5) Systems for ensuring the propriety of business activities pursued by the Corporate Group consisting of the Company and its subsidiaries

- (A) With the Hakuto Group Ethical Code serving as a code of conduct for the Group, Internal Control Systems for the Hakuto Group shall be constructed by having each of Group companies adopt necessary rules based on the Group Ethical Code.
- (B) The Directors responsible for compliance and risk management shall retain authority and responsibility for the construction of compliance and risk management systems at each subsidiary. The General Affairs Dept. shall promote and manage the construction of these systems throughout the Hakuto Group.
- (C) The Department responsible for management of subsidiaries shall supervise subsidiaries' management based on the Rules for Managing Affiliates in Japan and Overseas. The responsibilities include: (i) having subsidiaries periodically report to the Company as to their operational performance, financial status and other significant management issues, (ii) holding periodical top management meetings which the Group's Directors attend and (iii) establishing the reporting system under which any significant issues in subsidiaries are reported to the management meetings.
- (D) Based on the Financial Instruments and Exchange Law, each company of the Group shall establish and implement necessary, appropriate internal controls over financial reporting in order to ensure the reliability of the financial reports of the Group. In addition, the Internal Control Office shall periodically examine the effectiveness of the internal controls, report findings to the Board of Directors and provide advice on improvement and corrective measures as per

needed, as required by the Rules for Internal Control.

6) Matters regarding employees whom Audit & Supervisory Board Members request to assist them in their duties, and matters regarding the independence of such employees from Directors

The Rules concerning the employees appointed to support Audit & Supervisory Board Members in their duties shall be provided, and employees supporting Audit & Supervisory Board Members in their duties shall be appointed from among the Company's employees. The Audit & Supervisory Board's agreement shall be obtained in advance regarding the transfers and performance evaluations of such employees. Employees assigned to assist Audit & Supervisory Board Members shall not simultaneously bear responsibility for the Company business activities and shall not follow directions issued by Directors.

7) Systems allowing Directors and employees to report to Audit & Supervisory Board Members, and other systems concerning reporting to Audit & Supervisory Board Members

(A) Directors and employees shall immediately report to Audit & Supervisory Board events causing great damage to the Company, events that are likely to cause great damage to the Company or its subsidiaries should they happen, discoveries of illegal or improper activity, and other events specified as warranting a report to Audit & Supervisory Board. Audit & Supervisory Board Members may also seek reports from Directors and employees. Reports shall be submitted in formats determined in discussions by the Directors and Audit & Supervisory Board.

(B) Audit & Supervisory Board Members shall be periodically reported to by the Internal Control Office regarding the status of the internal audits of the Group, and by the General Affairs Dept. regarding the update of the Group compliance and risk management and the status of whistle-blowing activity.

(C) It shall be prohibited to give any disadvantageous treatment to a whistle-blower who internally reports to Audit & Supervisory Board Members on the ground of such whistleblowing. Full dissemination to all Directors and employees shall be ensured about this matter.

8) Other systems for ensuring the efficient performance of audits by Audit & Supervisory Board Members

(A) Discussions shall be regularly held with the President to promote appropriate mutual understanding and the effective performance of audit work.

(B) Audit & Supervisory Board Members shall be able to consult with outside professionals such as lawyers or CPAs when it is necessary for them to conduct their duties, and the Company shall bear such costs.

2. Overview of operation status of internal control system

With regard to the aforementioned systems for ensuring the propriety of business activities, the Company endeavors to establish and properly operate such systems. The overview of the operation of systems for ensuring the propriety of business activities during the fiscal year under review is as follows:

1) Status on compliance

The Company has established the "Compliance Committee" headed by the president.

Each responsible department of the Company periodically reports to the Compliance Committee on the status of compliance trainings, use of whistle-blowing systems and other educational activities regarding compliance. During the fiscal year under review, the Company held training on compliance in order to inform all Hakuto Group employees including overseas subsidiaries about the Hakuto Group Ethical Code.

2) Status on the risk management of loss

A responsible department was appointed to be in charge of each type of risk assumed by the Group. Each respective department manages its responsible risk and reports the status at the monthly risk management meeting attended by the Director responsible for risk management. Thus, cross-sectional information sharing about risks is undertaken and the status of risk management is monitored on a continuous basis. During the fiscal year under review, the Company conducted a drill to form emergency headquarters assuming a large-scale earthquake in order to enhance the effectiveness of the BCP (Business Continuity Plan) established to prevent exacerbation of damages from natural disasters and keep any loss to a minimum.

3) Status on ensuring the propriety of business activities of the Group

The Company's Audit & Supervisory Board Members and the Internal Audit Department conduct internal audits of the Group companies based on its audit plan, and perform monitoring in accordance with the Group management control.

As to the management control of subsidiaries, the Company's Corporate Planning Department is in charge of the management control system, which was established by the Department. The Department receives periodic reports, including preliminary approval and results of operations, from subsidiaries in accordance with the Rules for Managing Affiliates in Japan and Overseas. It also monitors the overall management control by reviewing monthly management control reports submitted by subsidiaries. In addition, management meetings in the presence of the president and management persons responsible for respective overseas subsidiaries are held three times a year, and management issues realized at overseas subsidiaries are reported by each member of management in the meetings.

4) Status on audits by Audit & Supervisory Board Members

The Company's Audit & Supervisory Board consists of three External Audit & Supervisory Board Members (of which one is full-time). The Audit & Supervisory Board meets 11 times, with the full-time Audit & Supervisory Board Member reporting the status of the Company and Audit & Supervisory Board Members exchanging opinions. Furthermore, Audit & Supervisory Board Members monitor the performance of duties of Directors by attending important meetings such as Board of Directors meetings, Board of Managing Directors meetings and Compliance Committee meetings, as well as periodically holding meetings with the President, the Accounting Auditor and the Internal Audit Department.

Audit & Supervisory Board Members ensure cooperation with the Internal Audit Department by receiving reports from the Internal Audit Department as to the results of internal audits performed based on the department's audit plan.

(6) Policies regarding the distribution of retained earnings

The Company has positioned the enhancement of shareholder returns as an important management policy and made it a fundamental policy to distribute shareholder returns based on considerations of the Company's performance and the

need to build internal reserves to strengthen the Company's finances and prepare for future business expansion.

Dividends shall be distributed with the basic intent of maintaining a stable payout and the goal of achieving a consolidated dividend payout ratio of at least 30%, after overall considerations of factors such as each fiscal year's performance, financial conditions and future business strategies.

Internal reserves shall be actively invested in business fields with high growth and profit potential, to strengthen sales and technical capabilities and invest in areas such as capital facilities and R&D with the goal of expanding the Company's business in the future.

In order to flexibly carry out a capital policy, the Company will acquire common stocks for treasury shares in an appropriate manner, considering financial conditions and other factors.

Regarding the year-end dividend payment for the fiscal year under review, the Company resolved to pay the dividend of ¥20 per share, according to the above-mentioned policies and business performance at the Board of Directors meeting held on May 13, 2016. Added to the interim dividend of ¥20 per share paid in December 2015, the total amount of dividends paid for the fiscal year under review is ¥40 per share, and the consolidated payout ratio is 43.0%.

The Company stipulates in the Articles of Incorporation that the Company, by a resolution of the Board of Directors, pays dividends from surplus pursuant to the provision of Article 459, Paragraph 1 of the Companies Act. As a policy, the Company pays out dividends twice in each fiscal year as interim dividends and year-end dividends.

The Company acquired 170,800 common stocks for treasury shares (total acquisition cost: ¥224,602,000) according to the resolution at the Board of Directors meeting held on November 30, 2015.

(7) Basic policies on company control

The Company, in a Board of Directors meeting, has resolved the following basic policies regarding those who direct the determination of the company's financial and operational policies ("the basic policies"), which are stipulated in Article 118 of the Companies Act Enforcement Regulations.

1) Content of the basic policies

Under its management philosophy that Hakuto, through its sound business, is committed to contributing to the development of Japanese industries and global trading as well as the welfare and peace of human society, the Company, as an electronics trading company handling the most technologically advanced electronic and electric equipment and electronic components, and as a chemical manufacturer producing environmentally friendly industrial chemicals, has worked to stably provide products and services to meet the needs of the times and, as generating appropriate levels of profits, has practiced solid and stable management over the long term.

The Company is characterized by its status as an independent trading company with no ties to a specific manufacturer, and the consequent independence of its management. This means that the Company, in its inventory procurement, is not limited to the offerings of specific manufacturers and can handle a wide variety of domestic and overseas products, and has allowed the Company to create a supply system perfectly suited to customers' diversifying needs and work with manufacturers to develop products that meet customer needs. As a trading company

linking suppliers, who are manufacturers, and customers, our corporate culture of placing a high value on people-to-people connections has formed a tight network, binding suppliers with customers, and embodies mutual development and the creation of positive relationships since our foundation to present.

As a technical trading company and chemical manufacturer, personnel with expert knowledge in the fields of electronics and electricity, and chemistry, are indispensable for providing added value, improving customer satisfaction, and developing competitive products. Employees are necessarily the core of our management resources and the Company has consistently pursued management policies that spare no time or capital when it comes to securing outstanding personnel and providing ongoing training.

Tangible and intangible assets in the form of the Company's management philosophy, which is based on the high ambition of contributing to society, commercial rights based on sales agent agreements with suppliers, technology and know-how, and personnel who share a corporate culture and have deep knowledge of their work have increased the Company's corporate value, enhanced the soundness of its finances, and made it possible for the Company to forthrightly return profits to shareholders in forms such as dividends that have either been stable or risen on Company performance, and treasury share acquisitions.

Judging from the Company's management to date and the conduct of companies that have won generally high praise from society, those who direct the determination of the Company's financial and operational policies must develop a full understanding of, and maintain based on that understanding, the trusting relationships with the various stakeholders supporting the Company, and secure, and maximize, the Company's corporate value and the common interests of the shareholders over the medium-to-long term. It follows, therefore, that those who inappropriately purchase large quantities of the Company's stock or engage in similar activity with a high likelihood of damaging the Company's corporate value and the common interests of shareholders would be inappropriate for directing the determination of Company's financial and operational policies.

2) Initiatives contributing to realization of the basic policies

(A) Initiatives aimed at increasing corporate value and maximizing the common interests of shareholders

The Company seeks to enhance the collaboration between the Electronics Segment and the Chemical Segment to enjoy a synergy effect and also establish a solid management base focusing on the good balance of major Divisions.

Additionally, for further improving our corporate value, the Company plans to implement the following strategies in each segment:

■ Electronics Segment

The Company will thoroughly implement the user-oriented (customer viewpoint) sales and marketing activities and enhance the coordination function for the purpose of creating and maximizing the added value. The Company also intends to acquire and maintain the top position as a business agent in various commercial rights by completely acquiring important customers in the target market of each product.

■ Chemicals Segment

Backed by higher awareness of environment protection measures, the Company will exploit a new demand and provide new products that can meet

the needs of the society. The Company will also develop markets and customers where the Company can expect the synergy effect with the Electronics business.

- (B) Initiatives for preventing parties who are inappropriate, in light of the basic policies, from directing the determination of the Company's financial and operational policies

The Company, in order to secure, and maximize, the Company's corporate value and the common interests of the shareholders, is currently discussing the positive and negative aspects of initiatives (measures defined in Article 118 Paragraph 3. b. of the Companies Act Enforcement Regulations and referred to below as "anti-takeover defenses") intended to prevent parties who are inappropriate, in light of the basic policies, from directing the determination of the Company's financial and operational policies, and has not yet resolved to implement any particular anti-takeover defenses.

Nevertheless, should the source of the Company's corporate value over the medium-to-long term come under threat by the acquisition of 20% or more of the Company's outstanding shares by a particular individual or group, or if increases in the Company's corporate value or maximization of common shareholder interests are otherwise threatened, the individual or group engaging in such a share acquisition shall be deemed inappropriate for directing the determination of the Company's financial and operation policies, and the Board of Directors, in pursuit of its fiduciary responsibility to make prudent management judgments, may take appropriate defensive measures, to the extent allowed by the laws and regulations of Japan and the Company's Articles of Incorporation, to increase the Company's corporate value and maximize the common shareholder interest.

Note: The monetary amounts included in this Business Report are rounded down to the nearest unit.

Consolidated Balance Sheet

As of March 31, 2016

(Unit: ¥ million)

Assets	
Current assets	60,655
Cash and deposits	8,366
Notes and accounts receivable - trade	33,550
Merchandise and finished goods	15,840
Work in progress	49
Raw materials and supplies	508
Deferred tax assets	746
Other current assets	1,629
Less: Allowance for doubtful accounts	(35)
Noncurrent assets	15,709
Tangible fixed assets:	6,850
Buildings and structures	1,034
Machinery and production equipment	2,281
Land	3,080
Other tangible fixed assets	453
Intangible assets:	1,109
Investments and other assets:	7,749
Investment securities	7,329
Net defined benefit asset	12
Deferred tax assets	30
Other investments	438
Less: Allowance for doubtful accounts	(60)
Total assets	76,365

Consolidated Balance Sheet

As of March 31, 2016

(Unit: ¥ million)

Liabilities	
Current liabilities	20,993
Notes and accounts payable - trade	12,762
Electronically recorded obligations - operating	2,547
Short-term borrowings	2,300
Accrued income taxes	460
Allowance for bonuses to employees	927
Allowance for product warranty	12
Other current liabilities	1,981
Long-term liabilities	4,597
Long-term borrowings	2,498
Deferred tax liabilities	1,664
Allowance for directors' severance and retirement benefits	22
Net defined benefit liability	371
Other long-term liabilities	40
Total liabilities	25,590
Net Assets	
Shareholders' Equity	47,035
Capital stock	8,100
Capital surplus	7,289
Retained earnings	35,756
Treasury shares	(4,109)
Accumulated other comprehensive income	3,738
Other unrealized gains on available-for-sale securities	3,410
Deferred gains or losses on hedge	(28)
Foreign currency translation adjustment	831
Remeasurements of retirement benefits	(474)
Total net assets	50,744
Total liabilities and net assets	76,365

Consolidated Statement of Income

April 1, 2015 to March 31, 2016

(Unit: ¥ million)

Sales		116,296
Cost of sales		99,074
Gross profit		17,221
Selling, general and administrative expenses		14,315
Operating income		2,906
Non-operating revenue		
Interest and dividend income	252	
Other miscellaneous revenues	138	390
Non-operating expenses		
Interest expense	60	
Foreign exchange losses	229	
Claim management expenses	54	
Investment losses on equity method	22	
Other miscellaneous expenses	56	423
Ordinary profit		2,873
Extraordinary income		
Gain on sale of tangible fixed assets	1	
Gain on sale of investment securities	280	
Other miscellaneous income	4	286
Extraordinary losses		
Loss on sales and disposal of tangible fixed assets	5	
Loss on valuation of investment securities	236	
Loss on valuation of shares of subsidiaries	81	
Other miscellaneous loss	0	323
Income before income taxes and minority interest		2,836
Income taxes - current	988	
Income taxes - deferred	(186)	801
Net income		2,034
Net income attributable to owners of parent		2,034

Non-Consolidated Balance Sheet

As of March 31, 2016

(Unit: ¥ million)

Assets	
Current assets	43,867
Cash and deposits	2,705
Notes receivable - trade	4,372
Accounts receivable - trade	22,724
Merchandise and finished goods	11,528
Work in progress	20
Raw materials and supplies	428
Advance payment	684
Prepaid expenses	141
Deferred tax assets	662
Accounts receivable - other	380
Other current assets	229
Less: Allowance for doubtful accounts	(11)
Noncurrent assets	19,394
Tangible fixed assets:	5,839
Buildings	764
Structures	32
Machinery and production equipment	2,126
Vehicles	4
Tools, furniture and fixtures	206
Land	2,623
Lease assets	62
Construction in progress	18
Intangible assets:	1,092
Goodwill	3
Leasehold rights	20
Software	1,001
Software in progress	46
Other intangible assets	20
Investments and other assets:	12,461
Investment securities	6,273
Investment securities in affiliates	2,882
Investments in capital of affiliates	100
Long-term loans to affiliates	3,292
Claims on obligors under rehabilitation procedure	27
Prepaid pension cost	672
Other investments	220
Less: Allowance for doubtful accounts	(1,008)
Total assets	63,261

Non-Consolidated Balance Sheet

As of March 31, 2016

(Unit: ¥ million)

Liabilities	
Current liabilities	16,859
Notes payable - trade	54
Electronically recorded obligations - operating	2,590
Accounts payable - trade	9,883
Short-term borrowings	556
Long-term borrowings due within one year	1,296
Lease obligations	35
Accounts payable - other	44
Accrued expenses	795
Accrued income taxes	298
Advances received	509
Deposits received	11
Allowance for bonuses to employees	719
Allowance for product warranty	12
Other current liabilities	51
Long-term liabilities	3,956
Long-term borrowings	2,498
Lease obligations	26
Deferred tax liabilities	1,422
Allowance for Directors' severance and retirement benefits	1
Long-term guarantee deposited	8
Total liabilities	20,816
Net Assets	
Shareholders' Equity	39,066
Capital stock	8,100
Capital surplus	7,289
Appropriation for statutory reserve	2,532
Other capital surplus	4,756
Retained earnings	27,786
Other retained earnings	27,786
Reserve for reduction entry of tangible fixed assets	0
General reserve	16,000
Balance to be carried forward	11,786
Treasury shares	(4,109)
Valuation and translation adjustments	3,379
Other unrealized gains on available-for-sale securities	3,407
Deferred gains or losses on hedge	(28)
Total net assets	42,445
Total liabilities and net assets	63,261

Non-Consolidated Statement of Income

April 1, 2015 to March 31, 2016

(Unit: ¥ million)

Sales		87,788
Cost of sales		75,616
Gross profit		12,171
Selling, general and administrative expenses		10,581
Operating income		1,590
Non-operating revenue		
Interest and dividend income	1,156	
Other miscellaneous revenues	61	1,218
Non-operating expenses		
Interest expense	50	
Foreign exchange losses	113	
Claim management expenses	54	
Other miscellaneous expenses	22	240
Ordinary profit		2,568
Extraordinary income		
Gain on sale of investment securities	275	275
Extraordinary losses		
Loss on sales and disposal of tangible fixed assets	5	
Loss on valuation of investment securities	236	
Loss on valuation of shares of affiliates	86	
Provision of allowance for doubtful accounts for affiliates	96	
Other miscellaneous loss	0	424
Income before income taxes		2,420
Income taxes - current	739	
Income taxes - deferred	31	771
Net income		1,649

Reference Materials for the General Meeting of Shareholders

Agenda items and reference materials

Item 1: Partial Amendments to the Articles of Incorporation

1. Reasons for proposal

In order to provide the Company's Electronic and Electric Equipment Business segment for the new entry into the field of medical devices, the Company proposes to add a new business objective paragraph to Article 2 (Purpose) of the current Articles of Incorporation and to adjust the paragraph numbering accordingly.

2. Details of amendments

The amendments to the Articles of Incorporation are as follows:

(Underlining denotes change)

Current Articles	Proposed Amendments
(Purpose) Article 2. The purposes of the Company shall be to engage in the following business:	(Purpose) Article 2. The purposes of the Company shall be to engage in the following business:
(1) to (3) (Omitted)	(1) to (3) (Same as the current article)
(New)	<u>(4) Manufacture and sale, manufacture, sale, rental, repair and import/export of medical devices, regenerative medical products and their parts and accessories.</u>
<u>(4) to (16)</u> (Omitted)	<u>(5) to (17)</u> (Same as the current article)

Item 2: Appointment of Nine (9) Directors

The term of office of all eight (8) Directors will expire at the conclusion of this General Meeting of Shareholders. In order to further enhance the management structure, we request for the approval of an additional Director and the appointment of nine (9) Directors.

Career histories of the candidates for Directors are as follows:

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
1	Ryusaburo Sugimoto (Jun. 3, 1954) 【Reelection】	Apr. 1978 Joined the Company Jun. 2004 Director & Vice President, Division Manager of Semiconductor Devices Div. Aug. 2006 Director & Senior Vice President, Division Manager of Semiconductor Devices 1st Div. and in charge of Semiconductor Devices 2nd Div. Jun. 2007 Director & Executive Vice President, in charge of Electronics Business and Semiconductor Devices Business Apr. 2008 President (Representative Director) (present)	38,340

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
2	Yoshinae Takada (May 27, 1957) 【Reelection】	<p>Apr. 1983 Joined the Company</p> <p>Jun. 2004 Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., and in charge of E.D.P. Dept.</p> <p>Apr. 2008 Director & Vice President, Division Manager of Corporate Management Div.</p> <p>Jun. 2008 Director & Senior Vice President, Division Manager of Corporate Management Div.</p> <p>Jun. 2011 Director & Executive Vice President, Supervisor over Corporate Administration Div. and Corporate Management Div. and in charge of Risk Management and Corporate Compliance</p> <p>Nov. 2012 Director & Executive Vice President, Supervisor over Corporate Administration Div. and Corporate Management Div. and Division Manager of Corporate Management Div. and in charge of Risk Management and Corporate Compliance</p> <p>Jun. 2015 Director & Senior Executive Managing Officer, Supervisor over Corporate Administration Div. and Corporate Management Div. and Division Manager of Corporate Management Div. and in charge of Risk Management and Corporate Compliance (present)</p>	8,700

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
3	Ryoji Abe (Nov. 9, 1957) 【Reelection】	<p>Mar. 1983 Joined the Company</p> <p>Oct. 2007 Division Manager of Semiconductor Devices 2nd Div.</p> <p>Apr. 2008 Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.</p> <p>Jun. 2008 Director & Vice President, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.</p> <p>Apr. 2010 Director & Vice President, in charge of Semiconductor Devices 2nd Div. and Division Manager of Electronic Components Div.</p> <p>Mar. 2011 Director & Vice President, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.</p> <p>Jun. 2015 Director & Executive Managing Officer, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div. and in charge of Overseas Business Operation Div.(present)</p>	6,700

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
4	Nobuhito Shintoku (Dec. 6, 1960) 【Reelection】	<p>Apr. 1985 Joined the Company</p> <p>May 2005 Manager of Human Resources Dept., Corporate Administration Div.</p> <p>Apr. 2008 Manager of General Affairs Dept., Corporate Administration Div. and Chief of Isehara Technical Center</p> <p>Apr. 2010 Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center</p> <p>Jun. 2011 Director & Vice President, Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center and in charge of Branch Office (related to Administration)</p> <p>Jun. 2011 President (Representative Director) of Hakuto A&L Co., Ltd. (present)</p> <p>Apr. 2013 Director & Vice President, Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center and Branch Manager of Kansai Branch and in charge of Branch Office (related to Administration)</p> <p>Jun. 2015 Director & Managing Officer, Division Manager of Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center and Branch Manager of Kansai Branch and in charge of Branch Office (related to Administration)</p> <p>Apr. 2016 Director, V.P. & Managing Officer, Corporate Administration Div. and Manager of General Affairs Dept. and Chief of Isehara Technical Center and in charge of Branch Office (related to Administration) (present)</p>	7,000

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
5	Kazunobu Kitano (Mar. 17, 1957) 【Reelection】	Jan. 1982 Joined the Company Apr. 2008 Manager of 3rd Sales Dept., Electronic Equipment 1st Div. Apr. 2010 Manager of 2nd Sales Dept., Electronic Equipment Div. Jul. 2011 President (Representative Director) of Adixen Japan Ltd. Dec. 2013 Division Manager of Electronic Equipment Div. Jun. 2015 Director & Managing Officer, Division Manager of Electronic Equipment Div. (present)	3,800
6	Akira Togo (Apr. 21, 1958) 【New】	Oct. 1982 Joined the Company Dec. 2003 Manager of Sales Administration Dept., Chemical Business Div. (in charge of water treatment) Apr. 2008 Deputy Division Manager of Chemical Business Div. Apr. 2015 Division Manager of Chemical Business Div. Jun. 2015 Managing Officer, Division Manager of Chemical Business Div. (present)	—

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
7	Ichiro Takayama (Jan. 3, 1958) 【Reelection】	Jun. 1986 Qualified Medical Doctor (U.S.) May 1990 Qualified Medical Doctor (Japan) Jun. 1990 Director of the Company Jun. 1996 Retired from Director Jun. 2000 Director of the Company (present)	1,058,923
8	Keiji Kondo (Dec. 26, 1951) 【Reelection】 【External】 【Independent】	Oct. 1979 Passed the Bar Examination Apr. 1984 Completed the training of a Legal Apprentice Apr. 1984 Registered as an attorney (present) Apr. 1984 Joined YUASA AND HARA Dec. 1996 Retired from YUASA AND HARA Mar. 1997 Established Fukuda and Kondo Law Firm (present) Jun. 2014 Director of the Company (present) <Significant concurrent positions outside the Company> Joint representation, Fukuda and Kondo Law Firm	—
Reason, etc. for appointing External Directors: Reason: Although Mr. Keiji Kondo has not been directly engaged in company management, he is familiar with corporate law in his capacity as an attorney and has extraordinary insight to govern corporate management, and is deemed appropriate to carry out the duties of an External Director. Therefore, his appointment as an External Director is requested. Term of office: Mr. Keiji Kondo will have served as an External Director for two years as of the end of this General Meeting of Shareholders.			

Candidate Number	Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate	
9	Masahito Kamijo (Jul. 12, 1954) 【Reelection】 【External】 【Independent】	Jun. 2006	Representative Director and Managing Executive Officer of Saitama Resona Bank, Limited	-
		Jun. 2008	Director and Senior Managing Executive Officer of Resona Bank, Limited	
		Jun. 2009	Representative Director and President of Saitama Resona Bank, Limited	
		Apr. 2014	Director and Chairman of Saitama Resona Bank, Limited	
		Apr. 2015	Chairman of Resona Research Institute Co., Ltd.	
		Jun. 2015	Director of the Company (present)	
		Reason, etc. for appointing External Directors: Reason: Mr. Masahito Kamijo had served as Representative Director and President of Saitama Resona Bank, Limited and in other capacities that have allowed him to accumulate a wealth experience in company management. It is judged, therefore, that seeking his opinions and advice on critical management issues would help promote proper decision making, and his appointment as an External Director is requested. Term of office: Mr. Masahito Kamijo will have served as an External Director for one year as of the end of this General Meeting of Shareholders.		

Notes:

1. Mr. Akira Togo is a new candidate for Director.
2. There are no special interests between the Company and the candidates for Directors above.
3. Mr. Keiji Kondo and Mr. Masahito Kamijo are both candidates for appointment to the position of External Director.
4. The Company appointed each of Mr. Keiji Kondo and Mr. Masahito Kamijo, a candidate of Director, as Independent Officer as stipulated by provisions of Tokyo Stock Exchange, and filed the relevant notification with the TSE. If appointed as originally proposed, the Company will appoint them as Independent Officers.
5. Mr. Masahito Kamijo is to assume an Outside Director of Clarion Co., Ltd. effective June 24, 2016.
6. Special notes on the candidates for appointment as External Directors are provided below.
 - (1) Independence of External Director candidates
 - 1) Neither Mr. Keiji Kondo nor Mr. Masahito Kamijo is an executive person (as defined in Article 2, Paragraph 3, Item 6, of the Companies Act Enforcement Regulations, same applies below) or a director (excluding a company of which he is an executive person, same applies below) at the Company's designated related companies (as defined in Article 2, Paragraph 3, Item 19 of the Companies Act Enforcement Regulations, same applies below), and neither of them has served as an executive person or a director of the Company's designated related companies over the past five years.
 - 2) Neither Mr. Keiji Kondo nor Mr. Masahito Kamijo has served as an executive person

or a director of the Company or the Company's subsidiary in the past.

- 3) Neither Mr. Keiji Kondo nor Mr. Masahito Kamijo has received significant sums of money or other assets from either the Company or any of its designated related companies over the past two years and no such receipts are scheduled.
- 4) Neither Mr. Keiji Kondo nor Mr. Masahito Kamijo has any family relationships of the third degree or closer to any person working as an executive person or a director at either the Company or any of its designated related companies.

(2) Agreements limiting the liability of External Directors

Based on Article 427, Paragraph 1 of the Companies Act ("the Act"), the Company has entered into contracts with each Director (excluding executive directors) to limit liability for damages as stipulated in the same Article 423, Paragraph 1 of the Act, to the higher of ¥3 million or the minimum liability limit amount stipulated in Article 425, Paragraph 1 of the Act. Should the reappointment of Mr. Ichiro Takayama, Mr. Keiji Kondo and Masahito Kamijo be approved, the Company will extend the above agreement with each of them.

Item 3: Appointment of One (1) Audit & Supervisory Board Member

The term of office of Mr. Atsushi Inuzuka, an Audit & Supervisory Board Member, will expire at the conclusion of this General Meeting of Shareholders. Approval of the appointment of one (1) Audit & Supervisory Board Member is, therefore, requested.

The Audit & Supervisory Board has approved this proposal.

Career history of the candidate for Audit & Supervisory Board Member is as follows:

Name (Date of Birth)	Brief History, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
Hidenori Mizuno (Jul. 10, 1957) 【New】 【External】 【Independent】	Apr. 1982 Joined the Mitsubishi Trust and Banking Corporation (the current Mitsubishi UFJ Trust and Banking Corporation)	-
	Jun. 2009 Executive Officer, General Manager of Personnel Division of the Mitsubishi UFJ Trust and Banking Corporation	
	Jun. 2011 Managing Director of the Mitsubishi UFJ Trust and Banking Corporation	
	Jun. 2012 Managing Director of the Mitsubishi UFJ Trust and Banking Corporation, Managing Officer and vice in charge of compliance of Mitsubishi UFJ Financial Group Inc.	
	Jun. 2013 Managing Executive Officer of the Mitsubishi UFJ Trust and Banking Corporation	
	Jun. 2014 President (Representative Director) of Mitsubishi UFJ Trust Business Co., Ltd. (present)	
Reason for appointing Audit & Supervisory Board Member: Mr. Hidenori Mizuno has a wealth experience and knowledge as a business manager. It is judged, therefore, that he will provide supervision and helpful advice on corporate management, and his appointment as an External Director is requested.		

Notes:

1. Mr. Hidenori Mizuno is a new candidate for Audit & Supervisory Board Member.
2. There are no special interests between the Company and the candidate.
3. Mr. Hidenori Mizuno is a candidate for appointment to the position of External Audit & Supervisory Board Member.
4. The Company appointed Mr. Hidenori Mizuno, a candidate of Audit & Supervisory Board Member, as Independent Officer as stipulated by provisions of Tokyo Stock Exchange, and filed the relevant notification with the TSE. If appointed as originally proposed, the Company will appoint him as an Independent Officer.
5. Special notes on the candidate for appointment as External Audit & Supervisory Board

Member are provided below.

(1) Independence of External Audit & Supervisory Board Member candidate

- 1) Mr. Hidenori Mizuno is not an executive person (as defined in Article 2, Paragraph 3, Item 6, of the Companies Act Enforcement Regulations, same applies below) or a director (excluding a company of which he is an executive person, same applies below) at the Company's designated related companies (as defined in Article 2, Paragraph 3, Item 19 of the Companies Act Enforcement Regulations, same applies below), and he has never served as an executive person or a director of the Company's designated related companies over the past five years.
- 2) Mr. Hidenori Mizuno has never served as an executive person or a director of the Company or the Company's subsidiaries in the past.
- 3) Mr. Hidenori Mizuno has not received significant sums of money or other assets from either the Company or any of its designated related companies over the past two years and no such receipts are scheduled.
- 4) Mr. Hidenori Mizuno does not have any family relationships of the third degree or closer to any person working as an executive person or a director at either the Company or any of its designated related companies.

(2) Agreements limiting the liability

Based on Article 427, Paragraph 1 of the Companies Act ("the Act"), the Company has entered contracts with each Audit & Supervisory Board Member to limit liability for damages as stipulated in the same Article 423, Paragraph 1 of the Act, to the higher of ¥2 million or the minimum liability limit amount stipulated in Article 425, Paragraph 1 of the Act. Should the appointment of Mr. Hidenori Mizuno be approved, the Company will enter into the above agreement with him.

【Information on Exercise the Voting Rights】

You may exercise your voting rights by one of the following three methods.

■ By Attending the General Meeting of Shareholders

Please submit your Form for Exercising Voting Rights and present it at the reception desk. (A personal seal will not be required.)

Date & Time: **Tuesday, June 28, 2016 at 10:00 a.m.**
 (Reception commences at 9:00 a.m.)

Venue: **Conference Room, 8th Floor, Head Office Building,**
 1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

■ By Submitting the Form for Exercising Voting Rights by Mail

Please indicate “for” or “against” for each agenda item shown on the enclosed Form for Exercising Voting Rights, and post it to the Company without postage stamp.

Exercise Due Date: **No later than 5:30 p.m. on Monday, June 27, 2016**

■ By Exercising Voting Rights via the Internet

Please access the Voting Rights Exercise Site: (<http://www.evote.jp/>) by a personal computer, a smartphone or a cell phone. Enter the “Login ID” and “Temporary Password” noted on the enclosed Form for Exercising Voting Rights, follow the instructions on the screen and indicate “for” or “against” for each agenda item.

Exercise Due Date: **No later than 5:30 p.m. on Monday, June 27, 2016**

- (1) Please enter your “Login ID” and “Temporary Password,” both of which are noted on the Form for Exercising Voting Rights, in the appropriate spaces on the Voting Right Exercise Site (<http://www.evote.jp/>). Follow the instructions on your computer screen and indicate whether you are for or against each item.
- (2) To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their “Temporary Password” on the Voting Rights Exercise Site.
- (3) Costs (the Internet connection fees, etc.) for accessing the Voting Rights Exercise Site shall be borne by the shareholder. For shareholders using cell phones, packet transmission fees and other cell phone usage fees will be incurred, and these, too, shall be borne by the shareholder.

Procedures for Exercising Voting Rights via the Internet, etc.

Shareholders are requested to read the following items before exercising voting rights via the Internet, etc. If you plan to attend the General Meeting of Shareholders in person, it is not necessary to either mail your voting form or to exercise your voting rights via the Internet, etc.

Voting Rights Exercise Site

- (1) Exercise of voting rights is possible only by using a personal computer, a smartphone or a cell phone (i-mode, EZweb, Yahoo! Keitai)* to access the site below, which is specified by the Company. Site access, however, shall not be possible between the hours of 2:00 a.m. and 5:00 a.m.

<Voting Rights Exercise Site URL> <http://www.evotage.jp/>

* “i-mode,” “EZweb,” and “Yahoo!” are the respective trademarks or registered trademarks of NTT Docomo, Inc., KDDI Corporation, and Yahoo! Inc. of the U.S.

- (2) Firewalls, anti-virus software, proxy servers, or other aspects of the shareholder’s Internet usage environment may prevent the use of a personal computer or a smartphone to exercise of voting rights.
- (3) Please use the i-mode, EZweb, or Yahoo! Keitai services when using a cell phone to exercise voting rights. For security-related reasons, cell phones that cannot send encrypted data (SSL transmissions) and cell phone information cannot be used to exercise voting rights.

* It is also possible to access voting rights exercise site by using a cell phone that can read barcodes to read the QR Code to the right. Please refer to your cell phone owner’s manual for detailed instructions on how to read barcodes.



- (4) Voting rights may be exercised until 5:30 p.m. on June 27, 2016 (Monday), but shareholders are requested to do so as early as possible. A help desk has been established to answer questions and help shareholders exercise their voting rights.

Treatment of voting rights exercised multiple times

- (1) If you exercise your voting rights both by mail and via the Internet, etc., the voting via the Internet, etc. shall prevail regardless of the arrival date of the mailed vote.
- (2) In the case of multiple voting via the Internet, etc., the last voting shall prevail.

For more information

Questions regarding the system for voting via the Internet:

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Department
(Helpdesk) Tel: 0120-173-027 (only in Japan, toll free)
Hours: 9:00–21:00

Other questions:

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Department
Tel: 0120-232-711 (only in Japan, toll free)
Hours: 9:00–17:00 (excluding weekends and national holidays)

e-Voting platform for institutional investors

Institutional investors who have applied in advance to use the e-Voting Platform for institutional investors (also referred to as the “TSE Platform”) run by ICJ, Inc. can cast their votes via this system instead of the Company’s system for voting via the Internet, which is described above.

The English translation is an abridged version of the original invitation notice in Japanese. In the event of discrepancy, the Japanese version shall prevail.