

June 4, 2019

Dear Shareholders,

Hakuto Co., Ltd.

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

Notice of the 67th Annual General Meeting of Shareholders

You are cordially invited to attend the 67th 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 31 to 42 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 Tuesday, June 25, 2019, using one of the methods outlined on page 43.

Sincerely,

Ryusaburo Sugimoto
President

Details

1. Date & Time: Wednesday, June 26, 2019 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 67th fiscal year (from April 1, 2018 to March 31, 2019), 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 67th fiscal year (from April 1, 2018 to March 31, 2019)

(2) Items to be resolved:

Item 1: Appointment of Nine (9) Directors

Item 2: 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 43.

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 67th 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, Consolidated Financial Statements, and Non-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>)

Business Report

(From April 1, 2018 to March 31, 2019)

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

Meanwhile, the Japanese economy remained firm for the time being, although business confidence was somewhat subdued in the second half of the fiscal year due to the effect of U.S.-China trade friction and global economic slowdown.

Under such conditions, with regard to the electronics industry, the mainstay area of business of the Group, the car electronics subsegment continued to be stable due to such factors as the spread of EV and the enhancement of self-driving technology and driving safety improvement equipment, while there were some subsegments where sluggishness was seen in demand for smartphones and capital investment in the Chinese manufacturing sector. On the other hand, with regard to chemicals business, demand for polymerization inhibitors and catalysts in oil refining and petrochemical industries remained firm and demand for cosmetics bases increased. As a result, overall business conditions were favorable.

Under such circumstances, consolidated net sales for the fiscal year under review amounted to ¥140,123 million, a 1.0% year-on-year increase. Regarding profit and loss, gross profit increased 2.0% to ¥18,667 million; selling, general and administrative expenses increased 3.2% to ¥15,024 million; operating income decreased 2.6% to ¥3,642 million; ordinary profit decreased 5.1% to ¥3,580 million; and net income attributable to owners of parent decreased 24.8% to ¥2,473 million.

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

Electronic Components Business

In the electronic components segment, while demand for vehicle-mounted products increased in the semiconductor devices subsegment, however, sales of the products mainly for industrial equipment in Chinese market slowed for the second half of the fiscal year, and sales of connectors for equipment for consumer and industrial use were weak.

As a result, sales in this segment for the fiscal year under review increased 0.3% year-on-year to ¥107,668 million, and segment income decreased 6.6% year-on-year to ¥1,331 million.

Electronic and Electric Equipment Business

In the electronic and electric equipment segment, demand for vacuum devices was solid throughout the year, and demand for exposure apparatus for PCBs of smartphones was expanded during the first half of the fiscal year under review, but sales of vapor deposition equipment for manufacture of smartphone lenses in the China region was weak.

As a result, sales in this segment for the fiscal year under review increased 1.9% year-on-year to ¥21,544 million, and segment income increased 13.0% year-on-year to ¥1,418 million.

Industrial Chemicals Business

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

As a result, sales in this segment for the fiscal year under review increased 6.3% year-on-year to ¥10,886 million, and segment income increased 3.0% year-on-year to ¥932 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 for the fiscal year under review increased 1.1% year-on-year to ¥688 million, and segment income decreased 38.5% year-on-year to ¥16 million.

Sales by segment

	FY2017 (fiscal year ended March 2018)		FY2018 (fiscal year ended March 2019)	
	Sales (¥ million)	Ratio to total (%)	Sales (¥ million)	Ratio to total (%)
Electronic Components	107,331	77.0	107,668	76.5
Electronic and Electric Equipment	21,146	15.2	21,544	15.3
Industrial Chemicals	10,244	7.4	10,886	7.7
Others	680	0.4	688	0.5
Sub-total	139,402	100.0	140,787	100
Internal Transaction	(657)	—	(663)	—
Total	138,744	100.0	140,123	100

Notes:

1. Starting from the fiscal year under review, the Company has changed the foreign currency translation method of revenue and expenses of overseas subsidiaries to a method in which amounts are translated into the Japanese yen based on the average exchange rate for the relevant period. This change in accounting policies has been applied retrospectively from FY2017 onward.
2. Figures are exclusive of consumption tax.

Outlook of the Next Fiscal Year

With regard to the outlook for the next fiscal year, there are concerns over a slowdown in the global economy, but adjustments have been made to overcome various issues among major countries, and although the economic environment remained uncertain, recovery in capital investment is also expected from the second half of 2019.

In the electronic components business, the Group will focus on expanding sales of products in the areas where expansion of technological innovation is expected, such as vehicle-mounted products field including development of advanced driver assistance system (ADAS), IoT, and 5G communications. In the electronic and electric equipment business, the Group will remain committed to obtaining orders from the semiconductor manufacturing related field which is advancing in miniaturization, and to obtaining orders from the Asian market, mainly in Greater China, for PCBs manufacturing equipment. In the industrial chemicals business, the Group will continue to strengthen sales of polymerization inhibitors for monomers in Asian markets, while also focusing on the sales of environment-conscious products including those in new field.

In consideration of such business conditions, the Company forecasts consolidated results of operations for the fiscal year ending March 31, 2020 as follows: net sales to increase 14.2% year-on-year to ¥160,000 million, operating income to increase 9.8% to ¥4,000 million, ordinary profit to increase 11.7% to ¥4,000 million, and net income attributable to owners of parent to increase 13.2% to ¥2,800 million.

2) Investment in plant & equipment

The total investment in plant and equipment for the fiscal year under review was ¥405 million.

3) Fund procurement

There are no items 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.

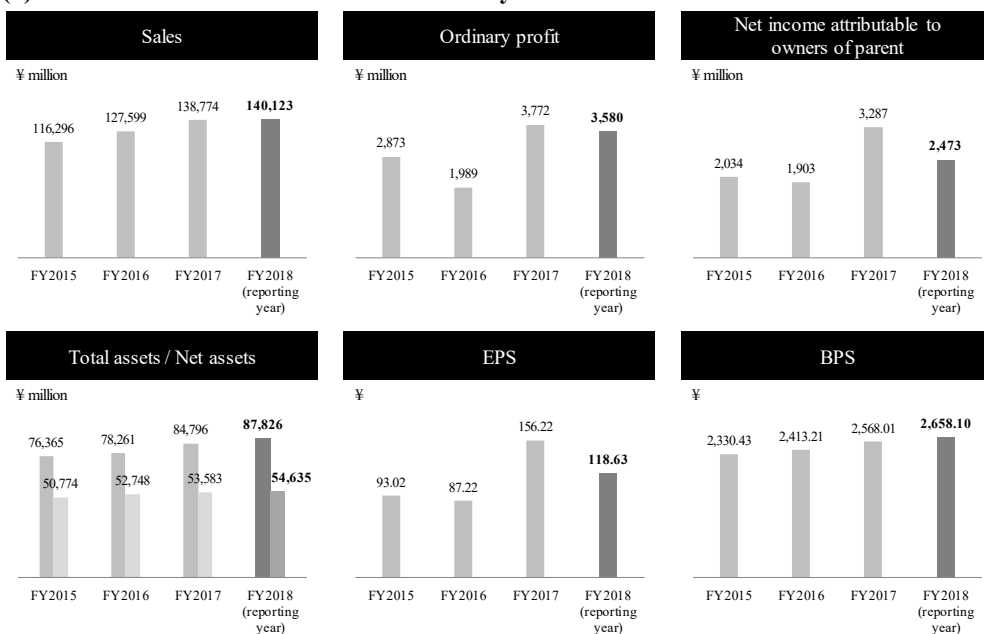
6) Succession to rights and responsibilities related to the businesses of other juridical persons through absorption-type mergers and splits

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)

	FY2015	FY2016	FY2017	FY2018 (reporting year)
Sales	116,296	127,599	138,744	140,123
Ordinary profit	2,873	1,989	3,772	3,580
Net income attributable to owners of parent	2,034	1,903	3,287	2,473
EPS (yen)	93.02	87.22	156.22	118.63
Total assets	76,365	78,261	84,796	87,826
Net assets	50,774	52,748	53,583	54,635
BPS (yen)	2,330.43	2,413.21	2,568.01	2,658.10

Notes:

- Starting from the fiscal year under review, the Company has changed the foreign currency translation method of revenue and expenses of overseas subsidiaries to a method in which amounts are translated into the Japanese yen based on the average exchange rate for the relevant period. "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances also have been applied. These changes in accounting policies have been applied retrospectively from FY2017 onward.
- 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.
- The treasury shares excluded from calculating EPS and BPS include the shares of the Company held by the ESOP Trust Account. The ESOP Trust was terminated on July 26, 2018.

(3) Principal subsidiaries

	Capital stock	Ratio of voting rights held by the Company (%)	Principal lines of business
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.	RMB56,364 thd.	100	Import/export of electronic equipment and components

(4) Issues facing the Company

The Group established the 5-year medium-term management plan “E&C +2020” in the beginning of FY2016 and has been working to address management issues such as the enhancement of earnings base and active challenges into new markets and new business opportunities, aiming to achieve sustainable growth and improvement of medium- to long-term corporate value. The Group will address the following issues to realize both business expansion and secure stable earnings at the same time toward the last year of the Company’s medium-term management plan in 2020, to achieve our targets.

1) Strengthening sales strategies for each business segment

The Group will implement various measures including organizational structure reform and concentration of management resources in the areas with high profitability and growth potential under the strategy aiming to rapidly expand the sales of high value-added products in highly active markets while promoting the balanced growth of all business segments, which is the strength of the Group.

More specifically, in the electronic components business, the Group has established the Chubu Region Automotive Devices Division for the purpose of promoting sales of semiconductor devices automotive-related companies in the Chubu region, as part of efforts to expand further into vehicle-mounted products markets. In the electronic and electric equipment business, the Group will prioritize house-brand products related to the manufacture of PCB and laser processing and device and equipment used in the manufacturing of semiconductors. In the industrial chemicals business, the Group will work to expand sales of environment-conscious products and products related to environmental protection, such as odor control.

2) Accelerating the development of new business

As a specialized trading company with high technology, we will focus on expansion into higher value-added new businesses and the development of new products to trade. In the electronics business, the Group will promote, among others, EMS business such as module business, business management solution business targeting a wide variety of industries such as apparel and logistics, and medical equipment business such as diagnostic imaging devices for the detection of breast cancer. In the industrial chemicals business, the Group will continue to actively take on challenges in new field including the development of products related to building materials with the application of research technology and in-house cosmetics products.

In addition, the Group will aim to expand business and improve profit in an efficient

manner utilizing such means as M&A and business transfer.

3) Strengthening overseas business

By strengthening the network of overseas locations, the Group will strive to steadily capitalize on business opportunities related to consumption demand and capital investment demand in the Greater China and Southeast Asia, which continue to achieve relatively high economic growth. In particular, for local business in the Greater China whose market size and growth expectations are high, we have established sections in charge of the promotion of business in the Greater China for semiconductor devices business, electronic components business, and electronic and electric equipment businesses respectively.

For global supply chains such as those in automotive-related industries, the Group will strive to enhance customer and supplier confidence and increase transaction volume through a flexible global support system, making the most of the functions of Group locations in the U.S. and Europe.

4) Promoting management that contributes to growth

With regard to business management, we will work to strengthen consolidated business management through the introduction of subsystems that are designed to utilize the core system database as more strategic business data, which has already been deployed in the Company and major overseas locations of the Group, advancement of inventory management, trade receivable management, and foreign exchange risk management, and business process efficiency improvements including the introduction of RPA.

The Group will also promote healthy management in respect for employees' work-life balance. As a result of the active efforts we have made so far, the Company has been recognized by the METI as one of the White 500 certified health and productivity management organizations.

As for compliance management, the Group will continue to operate a group-wide employee education program to raise the consciousness about compliance among employees and endeavor to strengthen internal control, aiming to ensure healthy corporate growth.

(5) Main business lines (as of March 31, 2019)

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, 2019)

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
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, 2019)**1) Employees of the Group**

Business segment	Number of employees	Change from end of previous fiscal year
Electronic Components	610	(7)
Electronic and Electric Equipment	267	(3)
Industrial Chemicals	137	(6)
Others	93	3
Common in the Group	136	(23)
Total	1,243	(36)

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
662	Decrease by 19	44.0	14.5

Note: The above figures exclude 23 employees currently dispatched to subsidiaries.

(8) Principal sources of borrowings (as of March 31, 2019)

(¥ million)

Sources	Balance of borrowings
Sumitomo Mitsui Banking Corporation	2,500
MUFG Bank, Ltd.	2,257

(9) Other important matters concerning the Group

There are no items to report.

2. Profile of the Company

(1) Shares (as of March 31, 2019)

- | | | |
|--|--|--|
| 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: 3,582,918 shares) | |
| 3) Number of shares per trading unit (tangen): | 100 shares | |
| 4) Number of shareholders: | 5,555 | (increased by 156 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	20.56
Japan Trustee Services Bank, Ltd. (trust account)	1,298.2	6.31
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.(trust account)	881.0	4.28
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	682.8	3.32
Hakuto Employee Stock Ownership Plan	401.2	1.95
RE FUND 107-CLIENT AC	383.9	1.86
DFA INTL SMALL CAP VALUE PORTFOLIO	379.2	1.84

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 (20,554,295), which excludes treasury shares. Percentages have been rounded down to two decimal places.
- Treasury shares are excluded from the list of major shareholders above.

6) Other important matters concerning shares

There are no items to report.

(2) Share subscription rights

There are no items to report.

(3) Corporate Officers

1) Directors and Audit & Supervisory Board Members (as of March 31, 2019)

Name	Positions in the Company	Responsibility and status of material holding of concurrent positions
Ryusaburo Sugimoto	President (Representative Director)	
Yoshinae Takada	Director, V.P. & 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, V.P. & Executive Managing Officer	Division Manager of Semiconductor Devices Technology & Operation Center and President of Electronic Components Company and Division Manager of Overseas Business Operation Div. and Branch Manager of South Korea Branch
Nobuhito Shintoku	Director, V.P. & Managing Officer	Division Manager of Corporate Administration Div. and Manager of Human Resources Dept. and General Affairs Dept. and Chief of Isehara Technical Center and in charge of Branch Office (related to Administration), President of Hakuto A&L Co., Ltd.
Akira Togo	Director, V.P. & Managing Officer	President of Chemical Solution Company Representative Director & Chairman of Hakuto Life Science Co., Ltd.
Ichiro Takayama	Director	
Keiji Kondo	External Director	Attorney at law
Masahito Kamijo	External Director	External Director of ZENKOKU HOSHO Co., Ltd.
Fumiaki Yamamoto	Full-time External Audit & Supervisory Board Member	External Audit & Supervisory Board Member of SWCC Showa Holdings Co., Ltd.
Mikio Yoden	External Audit & Supervisory Board Member	Certified Tax Accountant
Hidenori Mizuno	External Audit & Supervisory Board Member	President (Representative Director) of Mitsubishi UFJ Trust Business Co., Ltd. Outside Auditor of Nippon Filcon Co., Ltd.

Notes:

1. Among the Directors, Messrs. Keiji Kondo and Masahito Kamijo are External Directors.
2. Messrs. Fumiaki Yamamoto, Mikio Yoden and Hidenori Mizuno are External Audit & Supervisory Board Members.
3. Messrs. Fumiaki Yamamoto, Mikio Yoden and Hidenori Mizuno, who are all Audit & Supervisory Board Members, have extraordinary insight regarding financial and accounting matters, as described below.
 - Full-time Audit & Supervisory Board Member Mr. Fumiaki Yamamoto has a wealth of

- experience and knowledge developed through his involvement in management and audit at multiple companies as well as knowledge of business administration in general including finance and accounting.
- The Audit & Supervisory Board Member Mr. Mikio Yoden holds license as a certified tax accountant.
 - The Audit & Supervisory Board Member Mr. Hidenori Mizuno has considerable insight with regard to general business management including financial and accounting matters, with abundant experience and knowledge as a business manager and an External Audit & Supervisory Board Member.
4. The Company appointed Director Messrs. Keiji Kondo and Masahito Kamijo, and Messrs. Fumiaki Yamamoto, Mikio Yoden and Hidenori Mizuno, 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, 2019, the Company has changed the position and the responsibility of the following Directors.

Name	Responsibility
Yoshinae Takada	Supervisor over Corporate Administration Div. and Corporate Management Div. and in charge of Risk Management and Corporate Compliance
Ryoji Abe	In charge of Semiconductor Devices and Electronic Components Business and Division Manager of Semiconductor Devices Technology & Operation Center and Division Manager of Overseas Business Operation Div. and Branch Manager of South Korea Branch

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 Messrs. Ichiro Takayama, Keiji Kondo and 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 Messrs. Fumiaki Yamamoto, Mikio Yoden and Hidenori Mizuno, 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 who retired during the fiscal year under review

Name	Date of retirement	Reason	Positions as of retirement and material concurrent positions
Kazunobu Kitano	June 27, 2018	Expiration of term of office	Director, in charge of System Products Company
Satoshi Nakaizumi	June 27, 2018	Expiration of term of office	Full-time External Audit & Supervisory Board Member, CPA

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)	9 (2)	178 (12)
Audit & Supervisory Board Members (External Audit & Supervisory Board Members)	4 (4)	23 (23)
Total	13	202

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, 2019, 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).
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
- The Audit & Supervisory Board Member Mr. Hidenori Mizuno is the President (Representative Director) of Mitsubishi UFJ Trust Business Co., Ltd. There are no special relationships between Mitsubishi UFJ Trust Business 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
- Director Masahito Kamijo is an External Director of ZENKOKU HOSHO Co., Ltd. There are no special relationships between ZENKOKU HOSHO Co., Ltd. and the Company.
 - Audit & Supervisory Board Member Fumiaki Yamamoto is an External Audit & Supervisory Board Member of SWCC Showa Holdings Co., Ltd. There are no special relationships between SWCC Showa Holdings Co., Ltd. and the Company.
 - The Audit & Supervisory Board Member Mr. Hidenori Mizuno is an Outside Auditor 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 11 out of 12 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 12 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	Fumiaki Yamamoto	Mr. Yamamoto attended all 10 Board of Directors meetings held during the fiscal year under review and provided advice and recommendations that supported and appropriate decision-making within the Board of Directors by, for example, expressing opinions based on his abundant experience and wide-ranging insight developed through his involvement in management and audit at multiple companies. He also attended all 10 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, Yamamoto, as the full-time Audit & Supervisory Board Member, attended important meetings, including Board of Managing Directors meetings, and gave necessary advice and recommendations as appropriate.
Audit & Supervisory Board Member	Mikio Yoden	Mr. Yoden attended all 12 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. He also attended all 12 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	Hidenori Mizuno	Mr. Mizuno attended all 12 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 business manager in the other industry. He also attended all 12 Audit & Supervisory Board meetings where his activities included participation in exchanges of opinions and discussions of audit results and important audit-related matters.

Note: as Audit & Supervisory Board Member Fumiaki Yamamoto was elected at the 66th Annual General Meeting of Shareholders held on June 27, 2018, the number of Board of Directors meetings held and the number of Audit & Supervisory Board meetings held are different from 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	62
Total monetary and other assets payable to the Accounting Auditor by the Company and its subsidiaries	68

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) Non-audit services

During the fiscal year under review, the Company received assistance services from the Accounting Auditor concerning the application of the "Accounting Standard for Revenue Recognition" in addition to services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act.

4) 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 gave to all employees including officers compliance training, which was programed based on the results of the compliance attitude survey conducted in February 2018. In addition, the Company gave export control training to officers and senior executives including those at overseas locations to ensure that they are well aware of legal issues related to export control in view of recent U.S.-China trade friction and other topics.

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 surprise drill on “standard-type email attacks” as part of information security risk mitigation measures. In addition, the Company also gave warnings through e-learning to prevent cyberattacks and information leakage accidents.

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). In the fiscal year under review, the Audit & Supervisory Board meets 12 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 maintaining a consolidated dividend payout ratio in the range of 30% to 50%, 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, it was resolved at the Board of Directors meeting held on May 15, 2019 to pay the dividend of ¥30 per share, which consists of ¥20 per share ordinary dividend and ¥10 commemorative dividend (for the 65th anniversary of foundation), according to the above-mentioned policies and business performance. Added to the interim dividend of ¥20 per share paid in December 2018, the total amount of dividends paid for the fiscal year under review is ¥50 per share, and the consolidated payout ratio is 42.1%. 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.

During the fiscal year under review, pursuant to the resolution passed at the Board of Directors meeting held on February 28, 2019, the Company acquired 331,000 shares of treasury stock (for a total acquisition cost of ¥403 million).

(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, 2019

(Unit: ¥ million)

Assets	
Current assets	71,901
Cash and deposits	7,608
Notes and accounts receivable - trade	31,151
Electronically recorded claims - operating	5,981
Merchandise and finished goods	24,820
Work in progress	32
Raw materials and supplies	550
Other current assets	1,784
Less: Allowance for doubtful accounts	(29)
Noncurrent assets	15,924
Tangible fixed assets:	6,638
Buildings and structures	980
Machinery and production equipment	2,069
Land	3,069
Other tangible fixed assets	519
Intangible assets:	325
Investments and other assets:	8,960
Investment securities	8,446
Deferred tax assets	142
Other investments	401
Less: Allowance for doubtful accounts	(30)
Total assets	87,826

Consolidated Balance Sheet

As of March 31, 2019

(Unit: ¥ million)

Liabilities	
Current liabilities	30,650
Notes and accounts payable - trade	15,881
Electronically recorded obligations - operating	2,742
Short-term borrowings	7,733
Accrued income taxes	896
Allowance for bonuses to employees	1,024
Allowance for product warranty	7
Other current liabilities	2,365
Long-term liabilities	2,540
Long-term borrowings	589
Deferred tax liabilities	1,489
Allowance for directors' severance and retirement benefits	14
Net defined benefit liability	384
Other long-term liabilities	62
Total liabilities	33,190
Net Assets	
Shareholders' Equity	49,973
Capital stock	8,100
Capital surplus	7,289
Retained earnings	40,460
Treasury shares	(5,876)
Accumulated other comprehensive income	4,661
Other unrealized gains on available-for-sale securities	4,028
Deferred gains or losses on hedge	(1)
Foreign currency translation adjustment	942
Remeasurements of retirement benefits	(307)
Total net assets	54,635
Total liabilities and net assets	87,826

Consolidated Statement of Income

April 1, 2018 to March 31, 2019

(Unit: ¥ million)

Sales		140,123
Cost of sales		121,456
Gross profit		18,667
Selling, general and administrative expenses		15,024
Operating income		3,642
Non-operating revenue		
Interest and dividend income	154	
Investment profit on equity method	18	
House rent income	33	
Other miscellaneous revenues	96	302
Non-operating expenses		
Interest expense	45	
Loss on sales of accounts receivable	96	
Foreign exchange losses	201	
Other miscellaneous expenses	21	364
Ordinary profit		3,580
Extraordinary income		
Gain on sale of tangible fixed assets	6	
Gain on sale of investment securities	97	
Other miscellaneous income	4	109
Extraordinary losses		
Loss on sales and disposal of tangible fixed assets	3	
Loss on valuation of investment securities	99	
Warehouse relocation expenses	41	
Other miscellaneous loss	0	144
Income before income taxes		3,544
Income taxes - current	1,147	
Income taxes - deferred	(76)	1,071
Net income		2,473
Net income attributable to owners of parent		2,473

Non-Consolidated Balance Sheet

As of March 31, 2019

(Unit: ¥ million)

Assets	
Current assets	56,919
Cash and deposits	4,203
Notes receivable - trade	787
Electronically recorded claims - operating	5,981
Accounts receivable - trade	26,008
Merchandise and finished goods	17,975
Work in progress	14
Raw materials and supplies	474
Advance payment	419
Prepaid expenses	154
Accounts receivable - other	364
Other current assets	552
Less: Allowance for doubtful accounts	(18)
Noncurrent assets	17,727
Tangible fixed assets:	5,975
Buildings	762
Structures	22
Machinery and production equipment	1,909
Vehicles	0
Tools, furniture and fixtures	363
Land	2,861
Lease assets	55
Intangible assets:	300
Goodwill	22
Leasehold rights	20
Software	235
Other intangible assets	21
Investments and other assets:	11,451
Investment securities	7,453
Investment securities in affiliates	3,280
Investments in capital of affiliates	178
Claims on obligors under rehabilitation procedure	3
Prepaid pension cost	309
Other investments	259
Less: Allowance for doubtful accounts	(33)
Total assets	74,647

Non-Consolidated Balance Sheet

As of March 31, 2019

(Unit: ¥ million)

Liabilities	
Current liabilities	27,330
Notes payable - trade	14
Electronically recorded obligations - operating	2,742
Accounts payable - trade	13,265
Short-term borrowings	7,100
Long-term borrowings due within one year	633
Lease obligations	15
Accounts payable - other	175
Accrued expenses	1,110
Accrued income taxes	706
Advances received	531
Deposits received	93
Allowance for bonuses to employees	848
Allowance for product warranty	7
Other current liabilities	85
Long-term liabilities	1,819
Long-term borrowings	589
Lease obligations	43
Deferred tax liabilities	1,168
Allowance for directors' severance and retirement benefits	1
Long-term guarantee deposited	16
Total liabilities	29,149
Net Assets	
Shareholders' Equity	41,469
Capital stock	8,100
Capital surplus	7,289
Appropriation for statutory reserve	2,532
Other capital surplus	4,756
Retained earnings	31,956
Other retained earnings	31,956
Reserve for reduction entry of tangible fixed assets	0
General reserve	16,000
Balance to be carried forward	15,956
Treasury shares	(5,876)
Valuation and translation adjustments	4,028
Other unrealized gains on available-for-sale securities	4,029
Deferred gains or losses on hedge	(1)
Total net assets	45,497
Total liabilities and net assets	74,647

Non-Consolidated Statement of Income

April 1, 2018 to March 31, 2019

(Unit: ¥ million)

Sales		116,274
Cost of sales		102,199
Gross profit		14,075
Selling, general and administrative expenses		11,692
Operating income		2,382
Non-operating revenue		
Interest and dividend income	1,299	
Other miscellaneous revenues	145	1,444
Non-operating expenses		
Interest expense	27	
Loss on sales of accounts receivable	96	
Foreign exchange losses	130	
Other miscellaneous expenses	19	272
Ordinary profit		3,554
Extraordinary income		
Gain on sale of tangible fixed assets	5	
Gain on sale of investment securities	97	
Other miscellaneous income	4	107
Extraordinary losses		
Loss on sales and disposal of tangible fixed assets	3	
Loss on valuation of investment securities	99	102
Income before income taxes		3,560
Income taxes - current	886	
Income taxes - deferred	(42)	844
Net income		2,716

Reference Materials for the General Meeting of Shareholders

Agenda items and reference materials

Item 1: 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.

Therefore, we request the approval of the appointment of nine (9) Directors to further improve the management structure by increasing the number of Directors by one (1).

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)	52,440

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>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</p> <p>Apr. 2019 Director, V.P. & Senior Executive Managing Officer, Supervisor over Corporate Administration Div. and Corporate Management Div. and in charge of Risk Management and Corporate Compliance (present)</p>	11,500

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>Jun. 2008 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.</p> <p>Oct. 2016 Director, V.P. & Executive Managing Officer, President of Device Solution Company and Division Manager of Electronic Components Div. and in charge of Overseas Business Operation Div.</p> <p>Apr. 2018 Director, V.P. & Executive Managing Officer, Division Manager of Semiconductor Devices Technology & Operation Center and President of Electronic Components Company and in charge of Overseas Business Operation Div.</p> <p>Nov. 2018 Director, V.P. & Executive Managing Officer, Division Manager of Semiconductor Devices Technology & Operation Center and President of Electronic Components Company and Division Manager of Overseas Business Operation Div. and Branch Manager of South Korea Branch</p> <p>Apr. 2019 Director, V.P. & Executive Managing Officer, in charge of Semiconductor Devices and Electronic Components Business and Division Manager of Semiconductor Devices Technology & Operation Center and Division Manager of Overseas Business Operation Div. and Branch Manager of South Korea Branch (present)</p>	8,100

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>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. 2017 Director, V.P. & Managing Officer, Division Manager of Corporate Administration Div. and Manager of Human Resources Dept. and General Affairs Dept. and Chief of Isehara Technical Center and in charge of Branch Office (related to Administration) (present)</p>	9,800

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	Akira Togo (Apr. 21, 1958) [Reelection]	<p>Oct. 1982 Joined the Company</p> <p>Dec. 2003 Manager of Sales Administration Dept., Chemical Business Div. (in charge of water treatment)</p> <p>Apr. 2008 Deputy Division Manager of Chemical Business Div.</p> <p>Apr. 2015 Division Manager of Chemical Business Div.</p> <p>Jun. 2015 Managing Officer, Division Manager of Chemical Business Div.</p> <p>Jun. 2016 Director, V.P. & Managing Officer, Division Manager of Chemical Business Div.</p> <p>Mar. 2018 Representative Director & Chairman, Hakuto Life Science Co., Ltd. (present)</p> <p>Apr. 2018 Director, V.P. & Managing Officer, President of Chemical Solution Company of the Company (present)</p>	5,300
6	Tamaki Miyashita (Jan. 21, 1971) [New]	<p>Apr. 2000 Joined the Company</p> <p>Jan. 2010 Manager of Third Sales Dept., Semiconductor Devices 1st Div.</p> <p>Apr. 2014 Deputy Managing Director of Hakuto Enterprises Ltd.</p> <p>Oct. 2015 Managing Director of Hakuto Enterprises Ltd.</p> <p>Sep. 2017 Deputy Division Manager of Electronic Equipment Div.</p> <p>Apr. 2018 Managing Officer, President of System Products Company and Manager of Sales 3rd Dept.</p> <p>Apr. 2019 Managing Officer, President of System Products Company and in charge of Greater China Equipment Business Promotion (present)</p>	1,000

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
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 External 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 five 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	External Director of the Company (present)	
		Jun. 2016	External Director of Clarion Co., Ltd.	
		Jun. 2018	External Director, ZENKOKU HOSHO Co., Ltd. (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 four years as of the end of this General Meeting of Shareholders.				

Notes:

1. Mr. Tamaki Miyashita is a new candidate for Director.
2. There are no special interests between the Company and each candidate.
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 their reelection is approved as originally proposed, the Company will continue to appoint them as Independent Officers.
5. Special notes on the candidates for appointment as External Directors are provided below.
 - (1) Independence of External Director candidates
Director candidates Mr. Keiji Kondo and Mr. Masahito Kamijo satisfy the requirements for independent officers prescribed by the Tokyo Stock Exchange as well as the

Company's independence requirements set forth in the "Independence Criteria for External Officers" (see p. 41).

(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 Mr. Masahito Kamijo be approved, the Company will extend the above agreement with each of them.

Item 2: Appointment of One (1) Audit & Supervisory Board Member

The term of office of Mr. Mikio Yoden, an Audit & Supervisory Board Member, will expire at the conclusion of this General Meeting of Shareholders. Therefore, we request for the approval of the appointment of one (1) Audit & Supervisory Board Member.

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, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
Keiji Okanan (Jan. 13, 1957) [New] [External] [Independent]	Apr. 1979	Joined the National Tax Agency
	Jul. 1999	Assistant Regional Commissioner (Large Enterprise Examination and Criminal Investigation), Sapporo Regional Tax Bureau
	Jul. 2006	Director, Office of Rulings and Legal Affairs, National Tax Agency
	Jul. 2008	Assistant Regional Commissioner (Management and Co-ordination), Osaka Regional Tax Bureau
	Jul. 2011	Regional Commissioner, Fukuoka Regional Tax Bureau
	Jun. 2012	Deputy Commissioner (Revenue Management and Collection), National Tax Agency
	Sep. 2013	Senior Managing Director, Nihon Joryushu Shuzo Kumiai (present)
		-

Reason for appointing External Audit & Supervisory Board Member:

Although Mr. Keiji Okanan has never been directly involved in corporate management, as he has held important positions at the National Tax Agency and regional tax bureaus for many years, he has a thorough knowledge of not only tax, but also finance and accounting, as well as sufficient insight to be able to supervise corporate management in general. It is judged, therefore, that he will be able to perform his duties properly, and his appointment as an External Audit & Supervisory Board Member is requested.

Notes:

1. Mr. Keiji Okanan is a new candidate for Audit & Supervisory Board Member.
2. There are no special interests between the Company and the candidate.
3. Mr. Keiji Okanan is a candidate for appointment to the position of External Audit & Supervisory Board Member.
4. If the election of Mr. Keiji Okanan, a new candidate for Audit & Supervisory Board Member, is approved, the Company plans to submit notification to Tokyo Stock Exchange concerning his appointment as an independent officer as provided for by the aforementioned exchange.
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
Audit & Supervisory Board Member candidate Mr. Keiji Okanan satisfies the requirements for independent officers prescribed by the Tokyo Stock Exchange as well as the

Company's independence requirements set forth in the "Independence Criteria for External Officers" (see the next page).

(2) Agreements limiting the liability of External Audit & Supervisory Board Members

Based on Article 427, Paragraph 1 of the Companies Act ("the Act"), the Company has entered into 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. Keiji Okanan be approved, the Company will enter into the above agreement with him.

(Reference) Independence Criteria for External Officers

External Directors and Audit & Supervisory Board Members of the Company (hereinafter collectively referred to as External Officers) shall be determined to be independent if they do not fall under any of the following criteria:

1. A person whose major business partner is the Company (meaning a person who has received from the Company a payment equivalent to 2% or more of the annual consolidated net sales for the most recent fiscal year of that person) or an executive of that person;
2. A person is a major business partner of the Company (meaning a person who has paid to the Company a payment equivalent to 2% or more of the annual consolidated net sales for the most recent fiscal year of the Company) or an executive of that person;
3. A person who is a certified public accountant, tax accountant, attorney, judicial scrivener, patent attorney, consultant, etc., who receives money or other property from the Company in an amount of ¥10 million or more per year separately from compensation as an Officer of the Company (if the person who receives such property is an organization, such as a juridical person, association, etc., a person who belongs to an organization that receives property from the Company in an amount exceeding 2% of annual revenue of the organization);
4. A person belonging to the audit corporation that is the Accounting Auditor of the Company or its consolidated subsidiary who is in charge of providing audit services to the Company or its consolidated subsidiary;
5. An executive of a financial institution that is indispensable in financing of the Company to the extent the Company is dependent on the financial institution as the Company cannot find a substitute;
6. A major shareholder of the Company or its executive;
7. An executive of a company a major shareholder of which is the Company;
8. An executive of a company at which an Officer of the Company is serving as an External Officer;
9. A person who receives a donation of ¥10 million or more per year from the Company (if the person who receives such donation is an organization, such as a juridical person, association, etc., a person who belongs to an organization that receives donation from the Company in an amount exceeding 2% of annual revenue of the organization);
10. A person who has fallen under any of 1. through 9. above anytime during the last three (3) years;
11. A spouse or a relative within the second degree of kinship of any of the persons listed in 1. through 10. above (limited to important persons);
12. A spouse or a relative within the second degree of kinship of a Director, Executive Officer, Manager, or other employee (limited to important persons) of the Company or its subsidiary;
13. A spouse or a relative within the second degree of kinship of a person who has fallen under a Director, Executive Officer, Manager, or other employee (limited to important persons) of the Company or its subsidiary any time during the last three (3) years;
14. A person who has special circumstances other than those listed in 1. through

13. above that prevent him or her from performing the duties as an independent External Officer, such as conflict of interest with general shareholders of the Company; or
15. A person whose total term of office as an External Officer at the Company has exceeded eight (8) years.

Notes:

1. An “executive” is an executive director, an executive officer, or an officer or employee holding a similar position at a corporation or other organization.
2. A “major shareholder” is a person who holds shares that are equivalent of 10% or more of the total voting rights at the end of the most recent fiscal year.
3. An “important person” is an officer or employee who holds a position that is equivalent to or above the position of executive director, executive officer, or general manager of a division/department.

[Information on Exercise the Voting Rights]

Voting rights exercisable at a general meeting of shareholders are important rights of shareholders.

Shareholders are requested to exercise their voting rights after reviewing the “Reference Materials for the General Meeting of Shareholders” attached below.

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.

Date & Time:

Wednesday, June 26, 2019 at 10:00 a.m.

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 return it to the Company.

Exercise Due Date:

No later than 5:30 p.m. on Tuesday, June 25, 2019

By Exercising Voting Rights via the Internet

Enter your vote for each proposal according to the instructions on the next page.

Exercise Due Date:

No later than 5:30 p.m. on Tuesday, June 25, 2019

Procedures for Exercising Voting Rights via the Internet

- (1) If you exercise your voting rights both by mail and via the Internet, the voting via the Internet shall prevail. In the case of multiple voting via the Internet, the last voting shall prevail.
- (2) Shareholders may not be able to use the Voting Rights Exercise Site depending on their Internet environment, subscribed services, or the model of the device used.
- (3) 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.
- (4) The shareholders are to bear any costs incurred for the access to the Voting Rights Exercise Site using a PC, smartphone, or mobile phone, such as Internet connection and telecommunication charges.

e-Voting platform for institutional investors

Institutional investors who have applied in advance to use the e-Voting Platform for institutional investors 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.

[How to vote via the Internet]

■ Exercising voting rights by scanning the QR Code

Smartphone users can log in to the Voting Rights Exercise Site without entering the login ID and the temporary password provided on the Voting Rights Exercise Form.

1. Please scan the QR Code provided on the lower right of the Voting Rights Exercise Form using a smartphone.

* QR Code is a registered trademark of Denso Wave Incorporated.

2. Then, enter your vote for each proposal according to the instructions on the screen.

You can log in to the website using the QR Code only once.

If you intend to exercise your voting rights again to change your previous vote or exercise your voting rights without using the QR Code, please see “Exercising voting rights by entering login ID and temporary password” below.

■ Exercising voting rights by entering login ID and temporary password

<Voting Rights Exercise Site URL> <https://evote.tr.mufg.jp/>

1. Please access the Voting Rights Exercise Site.
2. Enter the “login ID” and the “temporary password” provided on the Voting Right Exercise Form.
3. Enter a new password.
4. Then, enter your vote for each proposal according to the instructions on the screen.

If you have any questions about the exercise of voting rights via the Internet, such as how to use a PC, smartphone, or mobile phone to vote, please call the help desk below.

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Department (Helpdesk)

Tel: 0120-173-027

Hours: 9:00 a.m.–9:00 p.m. (only in Japan, toll free)

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