

Financial Results for the Fiscal Year Ended on March 31, 2024

Hakudo Co., Ltd. (7637)

May 10, 2024

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FY03/24 Results

Result Highlights

Net sales

57,253 million yen
(down 7.1% YoY)

Gross profit

9,267 million yen
(down 8.7% YoY)

Ordinary profit

2,847 million yen
(down 28.6% YoY)

FY03/24 Summary

Net sales

- Sales decreased by 7.1% YoY due to continued stagnation in the semiconductor production equipment (SPE) industry.
- Sales (JPY4,586million) in North America were added starting from the current consolidated fiscal year, and sales in the overseas segment increased by JPY4,533 million YoY.

Gross profit

- Gross profit decreased by 8.7% YoY due to lower sales and due to the impact of a decrease (JPY399 million) in inventory valuation gain.

Ordinary profit

- Ordinary profit decreased by 28.6% YoY despite the recognition of Non-operating profits such as dividend income and foreign exchange gains, due to increased freight, labor, and other costs.

Summary of Consolidated Statements of Income (PL)

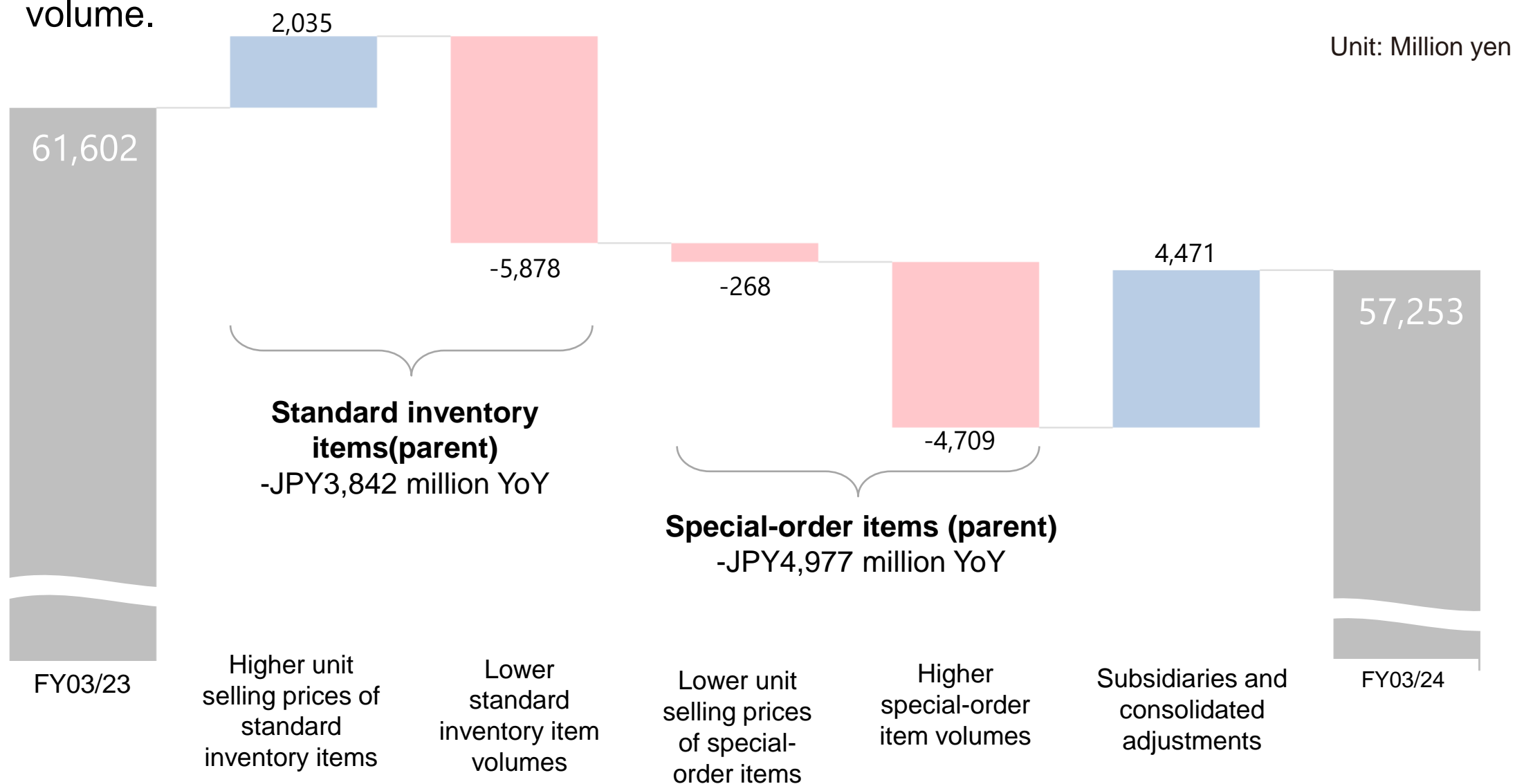
- Net sales decreased by JPY4,349 million YoY due to the impact of a decrease in sales volume caused by the continued stagnation in the semiconductor production equipment (SPE) industry.
- Ordinary profit decreased by JPY1,141 million YoY due to an increase in various G&A expenses and a decrease in the impact of inventory valuation profit.

Unit: Million yen

	FY03/23	Sales ratio	FY03/24	Sales ratio	YoY Change (rate)	YoY Change (amount)
Net sales	61,602	-	57,253	-	-7.1%	-4,349
Standard stock items	38,322	62.2%	34,460	60.2%	-10.1%	-3,861
Special-order items	23,279	37.8%	22,792	39.8%	-2.1%	-487
Gross profit	10,152	16.5%	9,267	16.2%	-8.7%	-884
Operating profit	3,777	6.1%	2,523	4.4%	-33.2%	-1,254
Ordinary profit	3,988	6.5%	2,847	5.0%	-28.6%	-1,141
Inventory revaluation impact	505	0.8%	105	0.2%	-79.0%	-399
Ordinary profit (Excluding inventories impact)	3,483	5.7%	2,741	4.8%	-21.3%	-742
Profit attributable to owners of parent	2,737	4.4%	1,916	3.3%	-30.0%	-820

Factors Affecting Year-on-Year Change in Net Sales

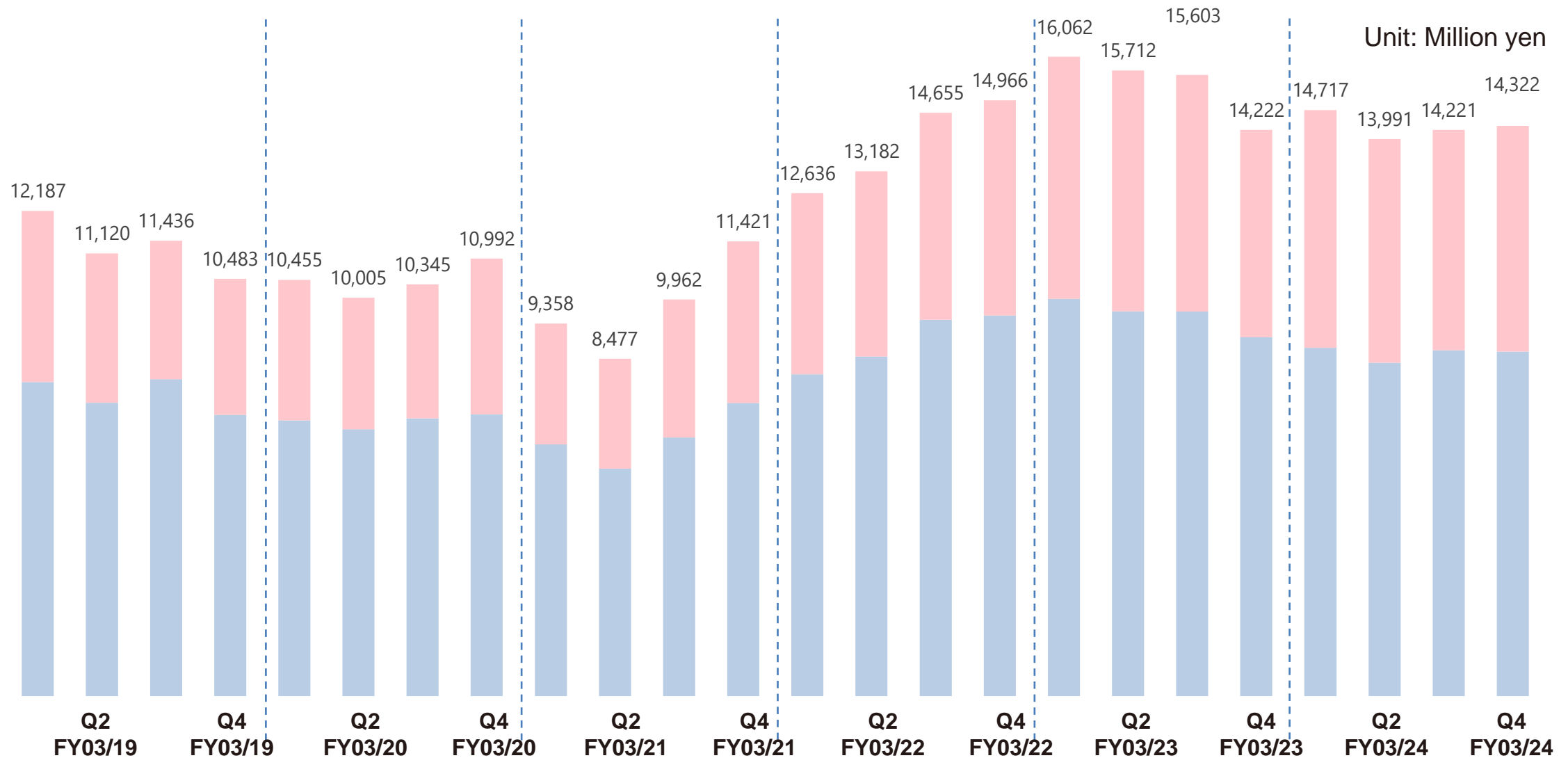
- Although unit selling prices of standard inventory products increased due to the impact of raw material market hypes and other factors, sales of standard inventory products decreased by JPY3,842 million YoY due to the significant impact of a decrease in sales volume.



For Hakudo's individual standard stock items: sales volume -15.0% YoY, selling price +6.3% YoY

Quarterly Sales Trends

- Despite the addition of sales in North America starting from the current consolidated fiscal year, recent sales have been on a downward trend, mainly due to declining sales to the semiconductor production equipment(SPE) industry.



Standard stock items
 Special-order items

Net Sales by Product Category

- Stainless steel sales increased due to the addition of sales in North America.
- Mainstay aluminum products declined by 14.0% YoY due to lower sales to the semiconductor manufacturing equipment industry. Overall sales declined by 7.1% YoY.

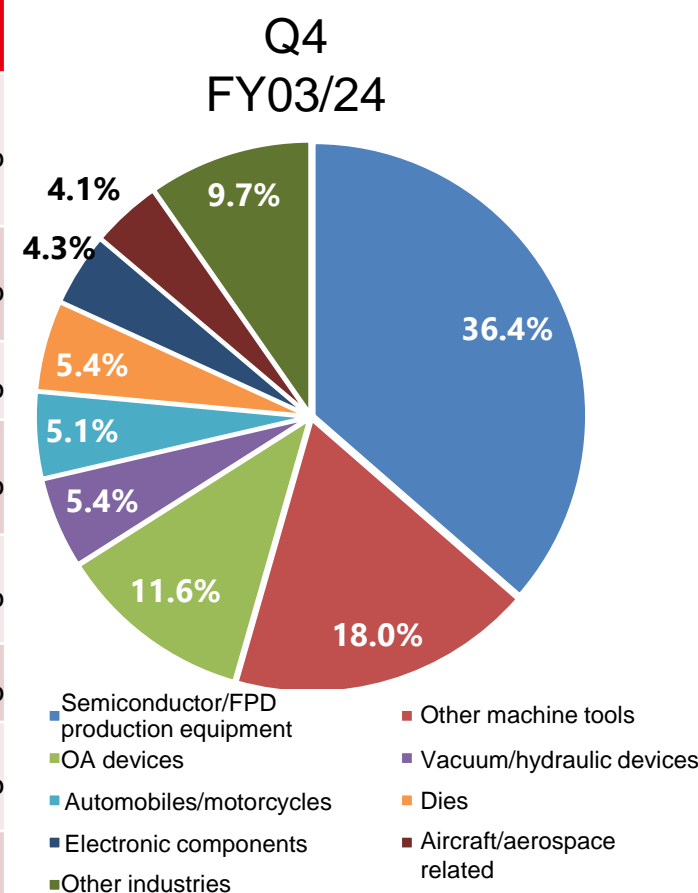
Unit: Million yen

	FY03/23				total	FY03/24				total	Vs. Q4 FY03/23	YoY
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q			
Consolidated net sales	16,062	15,712	15,603	14,222	61,602	14,717	13,991	14,221	14,322	57,253	0.7%	-7.1%
Aluminum	10,694	10,249	10,076	8,800	39,821	9,060	8,339	8,244	8,587	34,232	-2.4%	-14.0%
Copper	2,106	2,010	2,134	2,248	8,500	2,138	2,024	2,126	2,141	8,431	-4.8%	-0.8%
Stainless steel	2,565	2,607	2,632	2,414	10,218	2,830	2,971	3,074	2,947	11,824	22.1%	15.7%
Others	696	844	761	759	3,061	687	655	774	645	2,764	-14.9%	-9.7%

Composition Ratio of Net Sales by Industry (Japan)

- Sales ratio for Semiconductor/FPD production equipment industry declined YoY.
- Both sales amount and sales ratio increased in Automobile/Motorcycles industry and Aircraft/Aerospace industry, which are positioned as our mid-term strategic targets

	FY03/23					FY03/24				
	1Q	2Q	3Q	4Q	total	1Q	2Q	3Q	4Q	total
Semiconductor/ FPD production equipment	47.2%	45.0%	43.0%	37.5%	43.4%	39.3%	38.5%	36.2%	36.4%	37.6%
Other machine tools	15.0%	15.4%	15.5%	17.3%	15.7%	17.7%	17.7%	18.3%	18.0%	17.9%
OA devices	8.6%	7.8%	8.6%	9.9%	8.7%	8.9%	9.0%	8.8%	11.6%	9.6%
Vacuum/hydraulic devices	6.5%	6.9%	7.8%	7.4%	7.1%	7.1%	5.5%	5.7%	5.4%	5.9%
Automobiles/ motorcycles	4.3%	4.9%	4.9%	4.9%	4.7%	4.7%	5.9%	6.3%	5.1%	5.5%
Dies	4.1%	4.7%	5.2%	5.6%	4.8%	4.8%	5.5%	5.6%	5.4%	5.3%
Electronic components	3.7%	4.1%	4.0%	4.3%	4.0%	4.1%	4.3%	4.2%	4.3%	4.2%
Aircraft/aerospace related	3.1%	2.9%	3.1%	3.7%	3.2%	4.4%	3.8%	4.6%	4.1%	4.3%
Other industries	7.6%	8.3%	7.8%	9.3%	8.2%	9.0%	9.6%	10.3%	9.7%	9.6%



Financial Performance by Segment

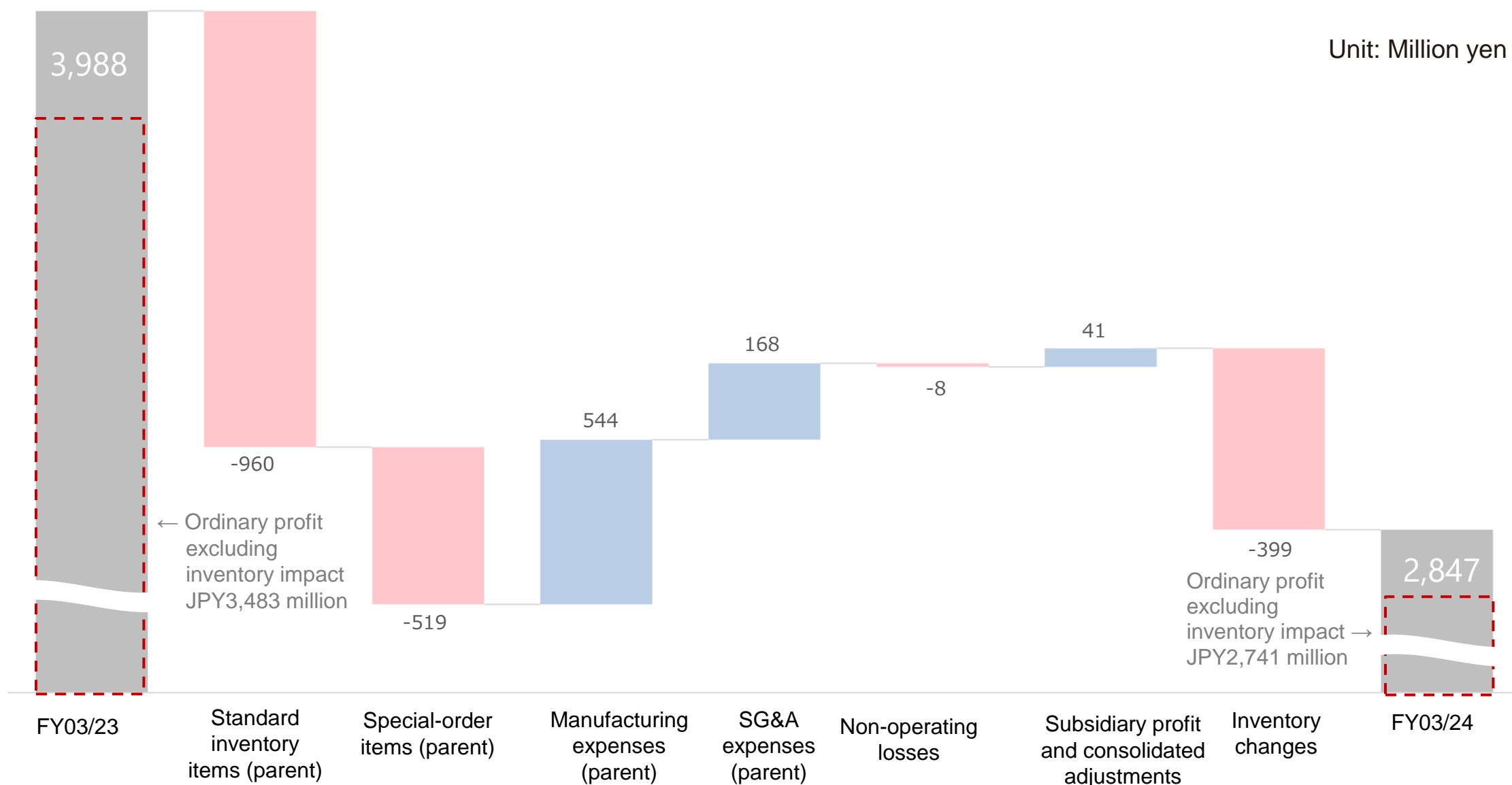
- In North America, the company posted an operating loss by JPY205 million and ordinary loss by JPY97 million due to PMI expenses, despite non-operating profits such as a JPY70 million gain on debt forgiveness of West Coast Aluminum & Stainless, LLC, which was acquired last year.
- In China, both domestic and foreign demand was weak, resulting in a recurring loss of JPY9 million.
- On the other hand, in the other segment (Thailand), ordinary income increased by JPY46 million YoY.

Unit: Million yen

	FY03/23				FY03/24			
	Net sales	Operating profit/losses	Ordinary profit/losses	Profit attributable to owners of parent	Net sales	Operating profit/losses	Ordinary profit/losses	Profit (loss) attributable to owners of parent
Japan	58,803	3,810	3,995	2,776	49,900	2,627	2,814	1,885
North America	-	-126	-126	-126	4,586	-205	-97	-71
China	1,581	-0	25	14	1,360	-39	-9	-11
Other	1,216	93	94	72	1,405	141	141	114

Factors Affecting Year-on-Year Change in Ordinary Profit

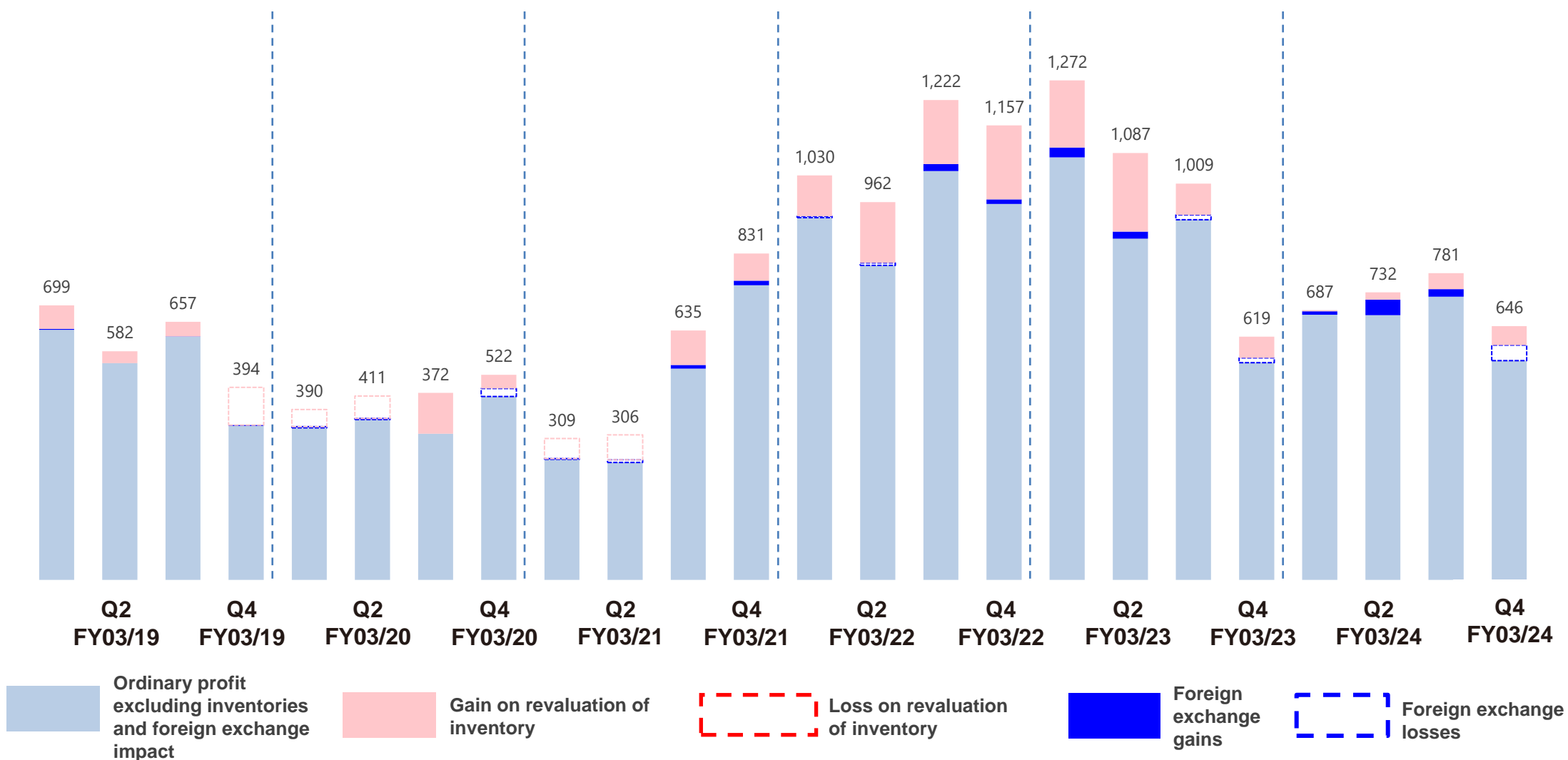
- Profits decreased due to the impact of a drop in sales volumes of both Standard inventory items and Special-order items.
- Ordinary profit declined by JPY1,141 million YoY due to higher costs per sales volume(KG), such as freight and energy costs, and lower inventory evaluation positive impact.



Quarterly Ordinary Profit Trends

- Increase by JPY26 million vs. the 4Q of the previous fiscal year due to a rise in inventory valuation gain.
- Decrease by JPY135 million from the previous quarter (3Q) due to a decrease in foreign exchange gains and ordinary loss in North America.

Unit: Million yen



Balance Sheet (BS)

- Inventories, accounts receivable, and accounts payable decreased significantly due to lower sales.
- Non-current assets increased JPY567 million due to an increase in equipment investment.

Unit: Million yen

Assets	As of March 31, 2023	Composition ratio	As of March 31, 2024	Composition ratio	Change
Current assets	33,829	78.4%	32,128	76.5%	-1,701
Cash and deposits	6,038	14.0%	5,700	13.6%	-337
Notes and accounts receivable – trade (Including electronically recorded monetary claims - operating) Inventories	16,835	39.0%	16,052	38.2%	-782
Inventories	10,631	24.6%	10,221	24.3%	-410
Other current assets	324	0.8%	153	0.4%	-171
Non-current assets	9,319	21.6%	9,887	23.5%	+567
Property, plant and equipment	6,250	14.5%	6,653	15.8%	+403
Intangible assets	1,413	3.3%	1,422	3.4%	+8
Investments and other assets	1,655	3.8%	1,811	4.3%	+155
Total assets	43,149	100.0%	42,015	100.0%	-1,133
Liabilities and net assets	As of March 31, 2023	Composition ratio	As of March 31, 2024	Composition ratio	Change
Current liabilities	21,768	50.4%	19,420	46.2%	-2,348
Notes and accounts payable – trade (Including electronically recorded obligations – operating)	19,020	44.1%	17,147	40.8%	-1,873
Accrued expenses	860	2.0%	788	1.9%	-71
Income taxes payable	579	1.3%	324	0.8%	-255
Other current liabilities	1,308	3.0%	1,160	2.8%	-148
Non-current liabilities	151	0.4%	114	0.3%	-37
Total liabilities	21,920	50.8%	19,534	46.5%	-2,385
Net assets	21,229	49.2%	22,481	53.5%	+1,251
Total liabilities and net assets	43,149	100.0%	42,015	100.0%	-1,133

Current assets: Down JPY1,701 million

- Decrease in inventories due to lower sales

Non-current assets: Up JPY567 million

- Increase in property, plant and equipment due to purchase of solar power panels and various machinery and equipment

Current liabilities: Down JPY2,348 million

- Decrease in notes and accounts payable-trade due to lower sales

Non-current liabilities: Down JPY37 million

Net assets: Up JPY1,251 million

Cash Flows

- Cash flow from operating activities was +JPY2,527 million , mainly due to a decrease in working capital resulting from lower sales.
- Cash flows from investing activities was –JPY1,612 million , mainly due to capital and IT investments in Japan.
- Cash flows from financing activities was –JPY1,328 million , mainly due to repayment of long-term bank debt (U.S. sub-subsidiary) and dividend payments.

Unit: Million yen

	FY03/23	FY03/24
Cash flows from operating activities	321	2,527
Cash flows from investing activities	-1,552	-1,612
Cash flows from financing activities	-1,416	-1,328
Effect of exchange rate change on cash and cash equivalents	11	75
Cash and cash equivalents at end of period	6,038	5,700

<Main Breakdown>

① Cash flows from operating activities +JPY2,527 million

- Profit before tax adjustments : +JPY2,847 million
- Depreciation : +JPY1,048 million
- Amortization of goodwill : +JPY41 million
- Decrease (increase) in notes and accounts receivable-trade : +JPY861 million
- Decrease (increase) in inventories : +JPY499 million
- Increase (decrease) in notes and accounts payable-trade : -JPY1,938 million
- Income tax payments : -JPY1,153 million

② Cash flows from investing activities –JPY1,612 million

- Payments for purchase of property, plant and equipment : -JPY1,338 million
- Payments for purchase of intangible assets : -JPY210 million
- Payments for purchase of investment securities : -JPY56 million

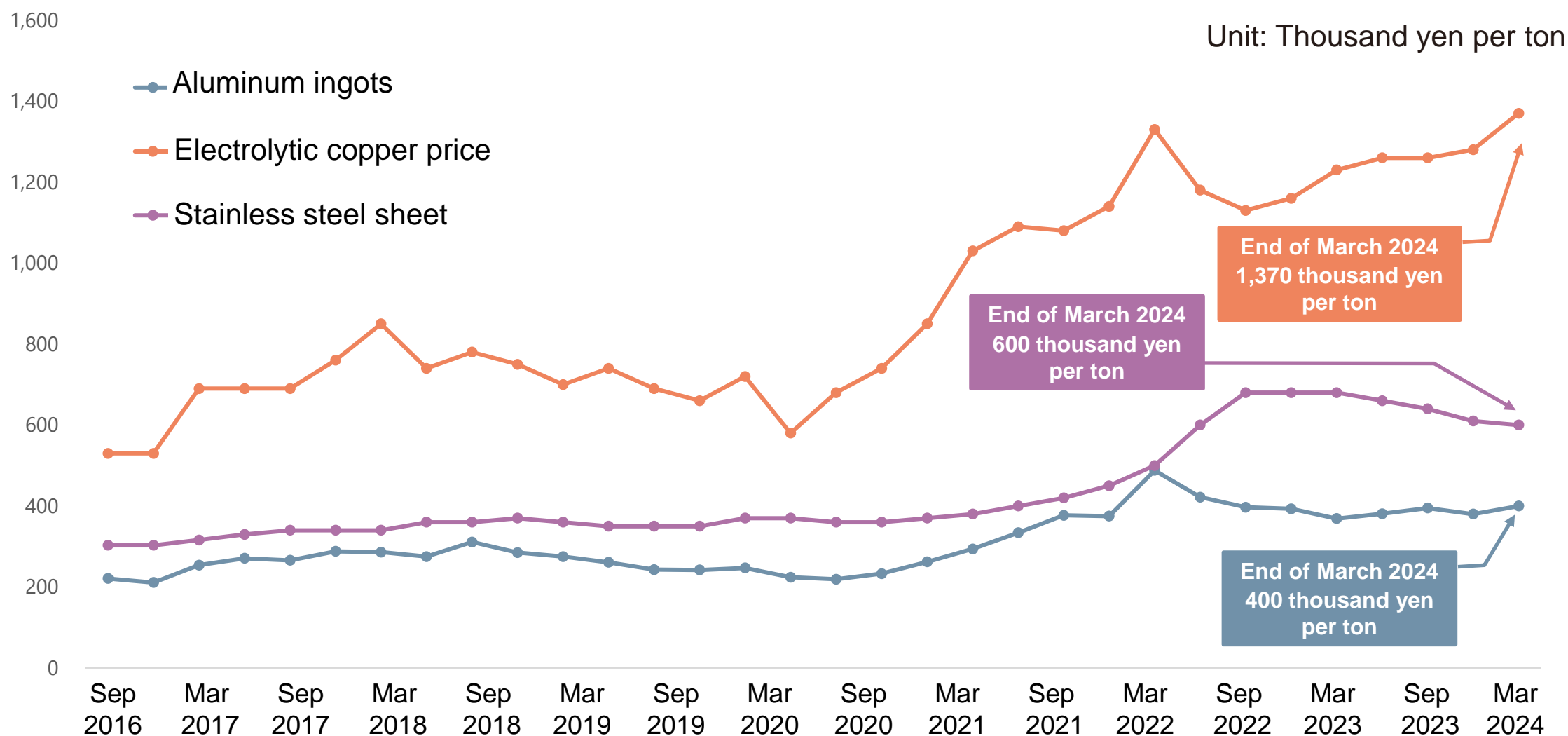
③ Cash flows from financing activities –JPY1,328 million

- Repayment of long-term debt : -JPY372 million
- Decrease due to dividend payment : -JPY974 million

Business Environment (1)

Raw Material Market Trends for Aluminum, Copper and Stainless Steel

- Aluminum ingots price continued to rise until March 2022. Price has been on a downtrend since then, but has recently risen again due to the weak yen and other factors. Electrolytic copper prices also rose rapidly and reached new highs.

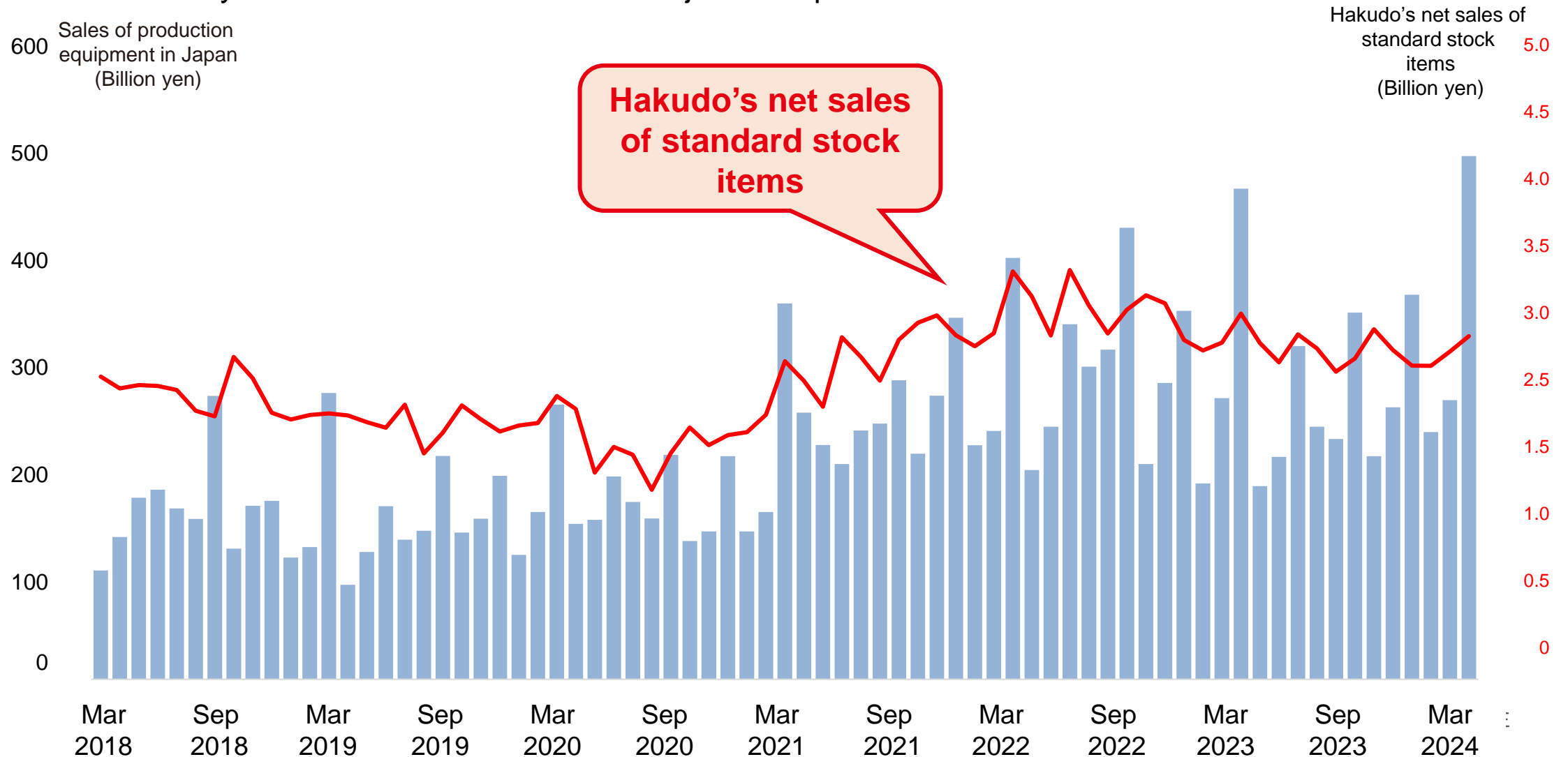


Electrolytic copper price: JX Nippon Mining & Metals Stainless steel sheet: Japan Metal Daily median
Aluminum ingots: Nikkei monthly average

Business Environment (2)

Comparison of Semiconductor Production Equipment Sales and Standard Stock Items Sales

- In the long term, huge demand is expected to increase due to IoT, DX, AI, and electric vehicles, etc. Although a sense of bottoming out has emerged, a full-fledged recovery is expected to still take time.
- Although there was a temporary equipment demand for generated AI and China at the end of the fiscal year, memory and logic semiconductors, which account for a large portion of semiconductor demand, have yet to see a recovery in demand and are still in an adjustment phase.

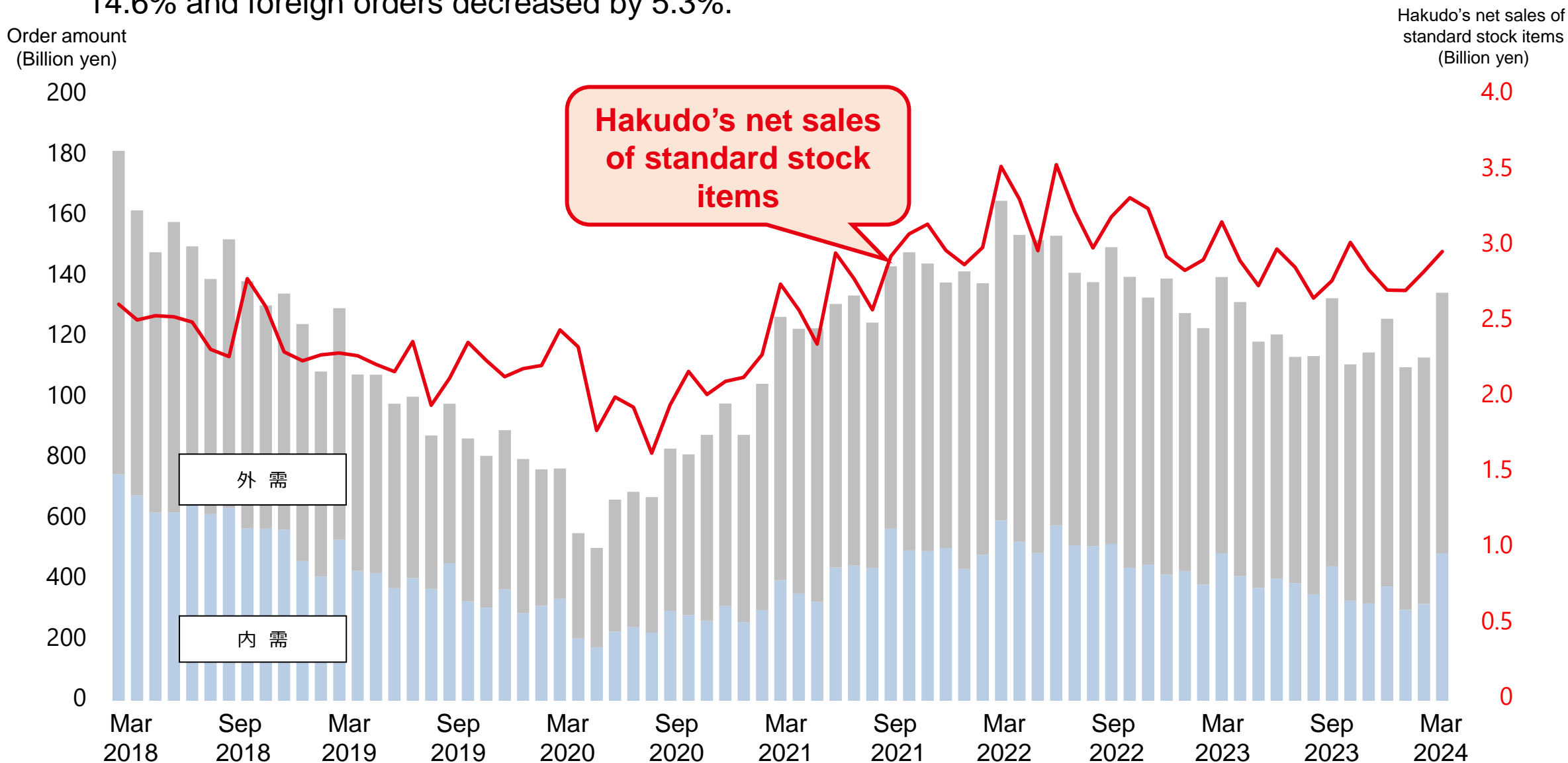


Source: Semiconductor Equipment Association of Japan - statistical data

Business Environment (3)

Comparison of Machine Tool Orders and Standard Stock Items Sales

- The volume of machine tool orders has been in decline since its peak in March 2022.
- Compared to the Q4 (January-March) in the previous fiscal year, domestic orders decreased by 14.6% and foreign orders decreased by 5.3%.

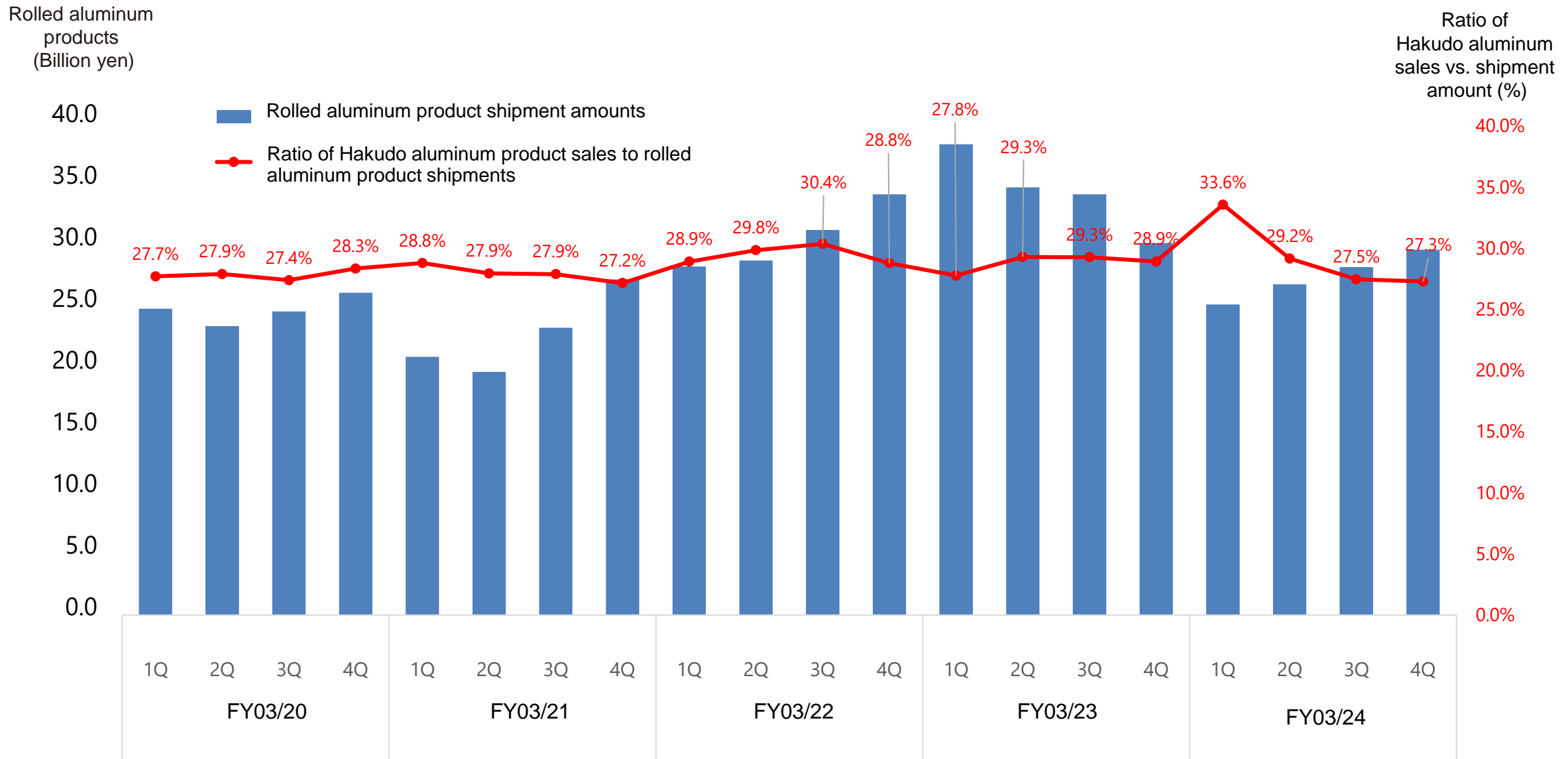


Source: Japan Machine Tool Builders' Association - machine tool orders statistics

Business Environment (4)

Ratio of Hakudo aluminum product sales to rolled aluminum product shipment value

- Hakudo's aluminum product sales are around 30% of rolled aluminum product shipment value, our industry share remained almost unchanged in spite of a sales decrease.



Note: Aluminum rolled products shipment value is the total of sheets (6.0 mm+), disks, tubes, and bars.

Source: Rolled Aluminum Statistics Monthly Report, Japan Aluminum Association

FY03/25

Financial Forecasts

FY03/25 Financial Forecasts

- Although the semiconductor production equipment industry, which has a significant impact on the Hakudo Group's business performance, is expected to see increased sales and profits in the long term due to expected demand expansion, the current situation remains in an adjustment phase, and a full-fledged recovery is not still expected until the second half of the current year or later.
- On the other hand, we plan to strategically start procuring more inventories and increasing personnel in preparation for a full-fledged recovery in demand.

	FY03/23	Sales ratio	FY03/24	Sales ratio	Rate of change vs. previous year's result	FY03/25 target of MTMP
Net sales	57,253	-	64,100	-	12.0%	71,800
Operating profit	2,523	4.4%	3,060	4.8%	21.3%	-
Ordinary profit	2,847	5.0%	3,200	5.0%	12.4%	5,400
Inventory revaluation impact	105	0.2%	※ -	-	-	-
Ordinary profit (Excluding inventories impact)	2,741	4.8%	3,200	5.0%	12.4%	-
Profit attributable to owners of parent	1,916	3.3%	2,140	3.3%	11.7%	-

※ As it is difficult to forecast raw material market conditions, the forecast for inventory evaluation impact is assumed only for the 1Q period, and the impact is not incorporated for this forecast from the 2Q forward.

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Shareholder Returns (Changes of the Dividend Policy)

- The Company's basic dividend policy is to strengthen its financial position and distribute its proper cash backed by business performance. The dividend policy was changed in February 2024 in order to strengthen shareholder return measures.

Dividend payout ratio (Full year)

<present>

More than **40%**



<New>

More than **45%**

Minimum annual dividend (newly applied)

80 JPY

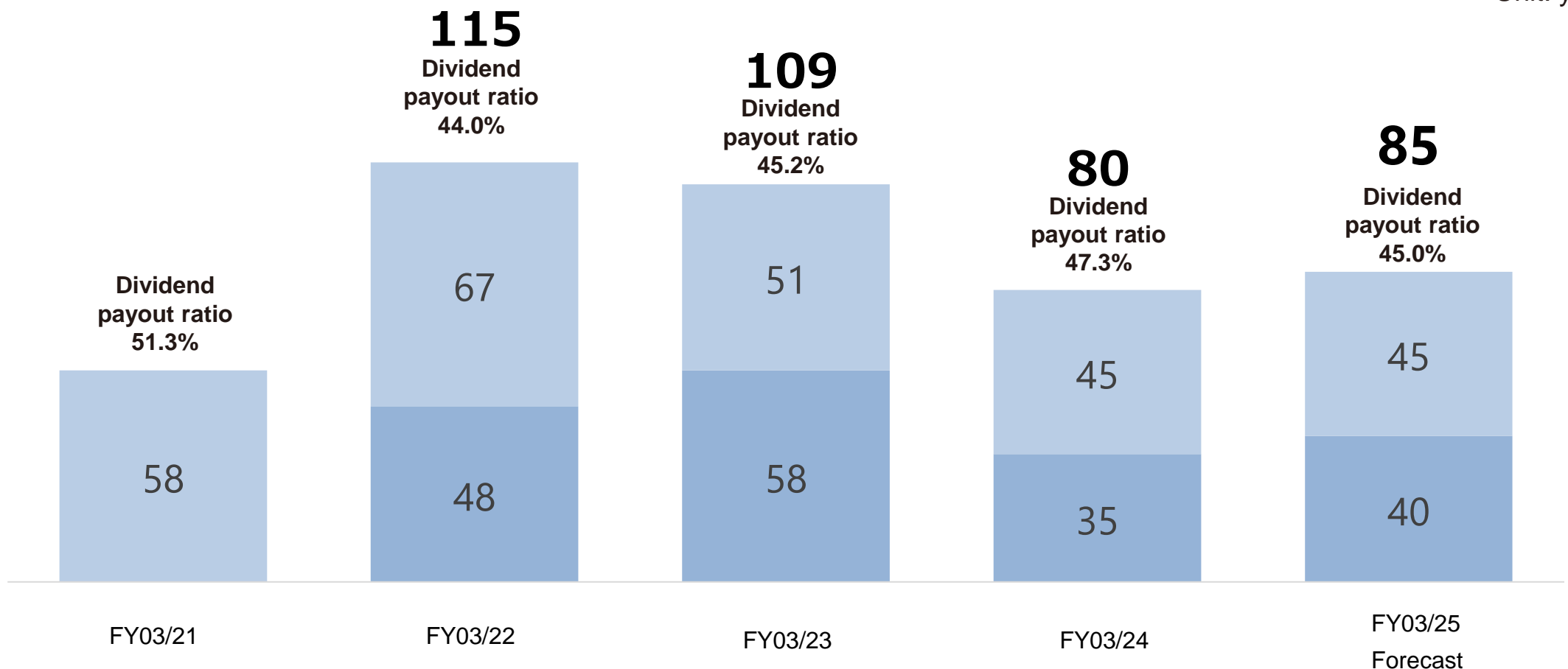
In principle,
the higher of the above two shall be the dividend amount.

Shareholder Returns (Dividends)

- Based on the Revision of Dividend Forecast, the annual dividend for the FY03/25 is expected to be 85 yen per share (+5 yen from the previous year).

Dividend Forecast for FY03/24

Unit: yen



The lower section indicates the interim dividend, while the upper section represents the year-end dividend.

*The dividend for FY03/22 includes a commemorative dividend of JPY9 per share.

Shareholder Returns (Shareholder Benefit Plan)

- On January 17, 2024, the base date will be changed from the end of September of each year to the end of March of each year.
- There will be no changes other than the base date in terms of the number of units held and points awarded.

Shareholder Benefit Plan

Shareholders holding three units (300 shares) or more listed or recorded in the Company's shareholder registry as of the end of March each year are eligible for the shareholder benefit. The points can be exchanged for more than 4,000 carefully selected products on the Hakudo Premium Benefits Club, a special website for shareholders only, or exchanged for "WILLs Coin" a common shareholder benefit coin that can be combined with benefit points from other Premium Benefits Club companies.

Shareholder Benefit Points Chart (1 point is approximately equal to 1 yen)

Number of shares held	Awarded points	
Less than 300 shares	0 points	Every May
300-399 shares	3,000 points	
400-499 shares	5,000 points	
500-599 shares	10,000 points	
600-999 shares	20,000 points	
1,000-1,999 shares	30,000 points	
2,000-2,999 shares	40,000 points	
3,000 shares or more	50,000 points	

Example of selected items



Initiatives and Progress Report for Achieving the Medium-Term Management Plan (FY03/23~ FY03/25)

Review of FY03/24 of the Medium-term Management Plan

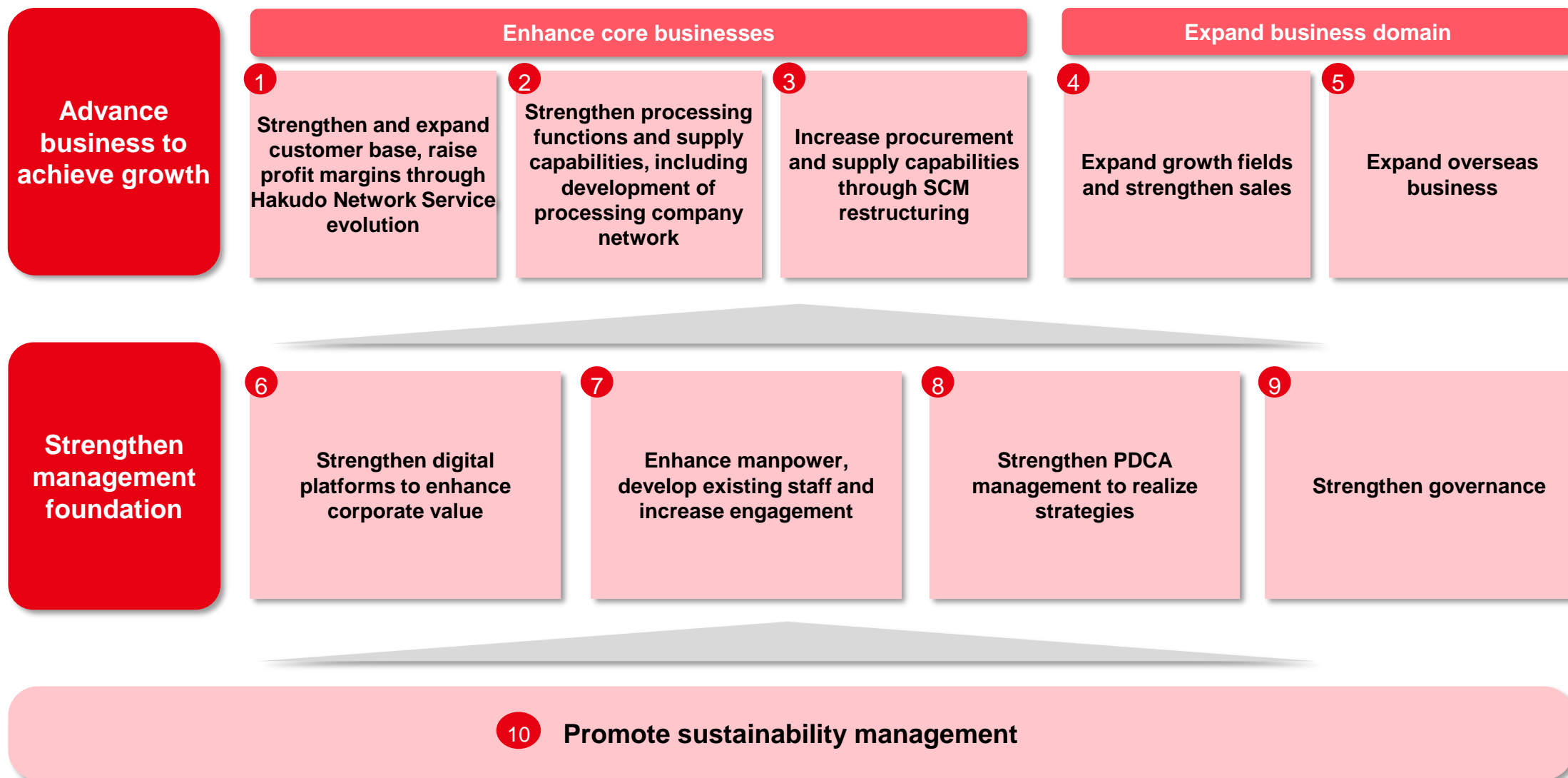
- We have not achieved the forecast figure due to lower sales volume caused by continued stagnant demand and delayed recovery in the semiconductor production equipment industry, the mainstay of the Company's business, as well as higher freight, electricity and other costs.
- Downward revision of earnings forecast was made in Q3 FY03/24.

	FY03/24				Difference	Achievement rate
	Actual	Sales ratio	MTMP target	Sales ratio		
(Million yen)						
Net sales	57,253	-	66,800	-	-9,546	85.7%
Operating profit	2,523	4.4%	4,400	6.6%	-1,876	57.3%
Ordinary profit	2,847	5.0%	4,500	6.7%	-1,652	63.3%
Inventory revaluation impact	105	0.2%	-	-	-	-
Ordinary profit (excluding inventories and foreign exchange impact)	2,741	4.8%	4,500	6.7%	-1,758	60.9%
Profit attributable to owners of parent	1,916	3.3%	3,100	4.6%	-1,183	61.8%

Medium-term Management Plan Key Strategic Policies

- Targeting business evolution, a stronger management foundation and the promotion of sustainability management by FY03/25 based on exceptional strategies.

Management Issues and Key Strategic Policies



*For details, please refer to the Medium-term Management Plan presentation announced on May 26, 2022

Review of Initiatives from the Second Year of the Medium-Term Management Plan (FY03/24)

- We continued to improve a customer convenience by enhancing the functionality of the Hakudo Net Service and also increasing the number of product items.
- Sustainability management has been also promoted through the installation of solar power panels and the market placement of environmentally friendly eco products.

Date	Implementation status of initiatives	Related key strategic policies
April 2023	<ul style="list-style-type: none"> ✓ Established a new base (Iga Warehouse) in Iga City, Mie Prefecture, Japan. Began operation of waterjet cutting machines, machining centers, wire cutting machines, etc. ✓ Established "Business Administration Division" by integrating and reorganizing Administration Division and Corporate Planning Division. ✓ Established "ESG/SDGs Promotion Office" as a dedicated department to promote ESG/SDGs. 	<ul style="list-style-type: none"> ② Strengthen processing functions and supply capabilities, including development of processing company network ⑩ Promote sustainability management
July	<ul style="list-style-type: none"> ✓ At the foot of the "New Products and Services Subcommittee," the seventh subcommittee of the ESG/SDGs Management Committee 	<ul style="list-style-type: none"> ⑩ Promote sustainability management
July	<ul style="list-style-type: none"> ✓ At foot of the 7th and final meeting of the ESG/SDG Management Committee, the "New Products and New Services Subcommittee" was launched. 	<ul style="list-style-type: none"> ① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution
September	<ul style="list-style-type: none"> ✓ Introduced electric vehicles. 	<ul style="list-style-type: none"> ⑩ Promote sustainability management
September	<ul style="list-style-type: none"> ✓ Addition of automatic product reviews and ordering functionality for the "3D printer modeling with metal" service on the White Copper Net service. 	<ul style="list-style-type: none"> ① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution
October	<ul style="list-style-type: none"> ✓ Establishment of a new sales promotion section in the Standard Products Sales Division to increase the total order rate by strengthening inside sales activities. 	<ul style="list-style-type: none"> ④ Expand growth fields and strengthen sales
October	<ul style="list-style-type: none"> ✓ Number of non-material items in the Hakudo Net Service exceeds 50,000 items. 	<ul style="list-style-type: none"> ① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution
November	<ul style="list-style-type: none"> ✓ Drawing" function for specifying drilling and notch machining on the web and "Material Drawing Assist" function for automatically presenting necessary materials from drawing 3D CAD data are added to Hakudo Net Service. 	<ul style="list-style-type: none"> ① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution
December	<ul style="list-style-type: none"> ✓ Started sales of Eco63S square bar. 	<ul style="list-style-type: none"> ⑩ Promote sustainability management
January 2024	<ul style="list-style-type: none"> ✓ Installed solar panels at the Shiga Plant. 	<ul style="list-style-type: none"> ⑩ Promote sustainability management
February	<ul style="list-style-type: none"> ✓ Started operation of employee training program for the new fiscal year. 	<ul style="list-style-type: none"> ⑦ Enhance manpower, develop existing staff and increase engagement
March	<ul style="list-style-type: none"> ✓ Revised personnel evaluation system 	<ul style="list-style-type: none"> ⑦ Enhance manpower, develop existing staff and increase engagement

Implementation Status of Key Strategic Policies (1)

(1) Strengthen and expand customer base, raise profit margins through Hakudo Net Service (E-Commerce) evolution



Hakudo standard stock
5,400 items
+
Inventory at other companies
79,500 items
※by the end of March 2024

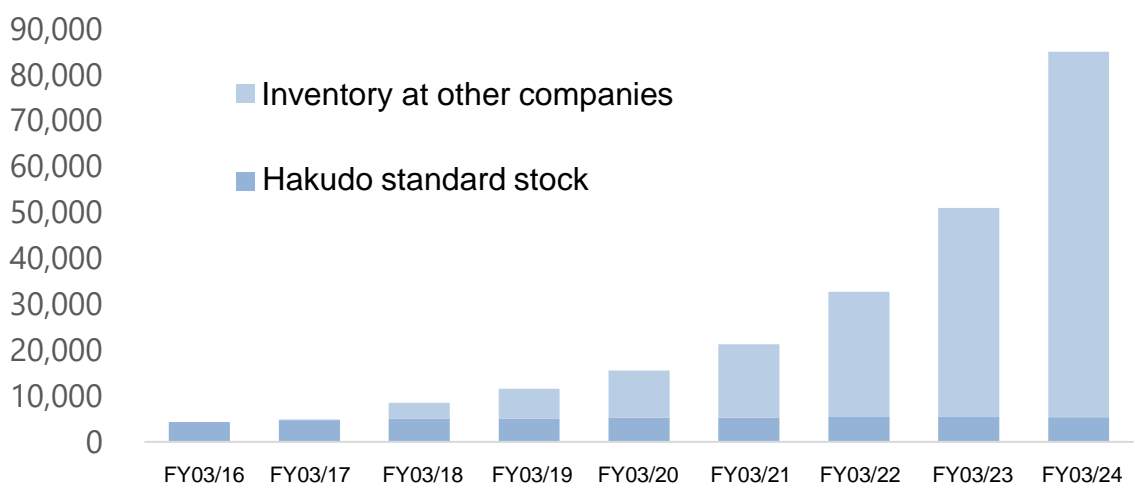
companies using
11,800 companies
registered users
24,100 users
※Including the number of registrations for CS net services
※by the end of March 2024

EC Packages for Foreign Countries
• Thailand introduced
• China and U.S. to be introduced in Q2

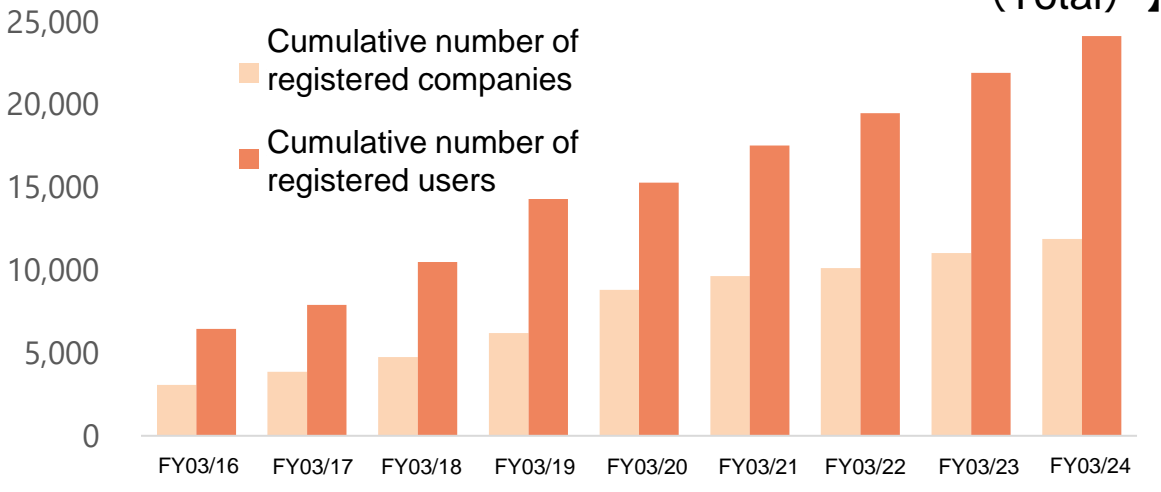
Convenient new features
"metal 3D printer modeling"
"drawing in the web"
"material of CAD data of drawing"



【Number of Items Available at Hakudo Net Service】



【Number of Companies Registered at Hakudo Net Service (Total)】



Note: Includes CS Network Service registrations
あたらしい、を、素材から。



Implementation Status of Key Strategic Policies (2)

(2) Expand growth fields, strengthen sales



Consolidate the industry through specialized departments

Establish a method for accumulating industry knowledge through consolidation of semiconductor related sales partners



Obtaining new customers

Utilize 3D printers to acquire new customers in automotive-related fields

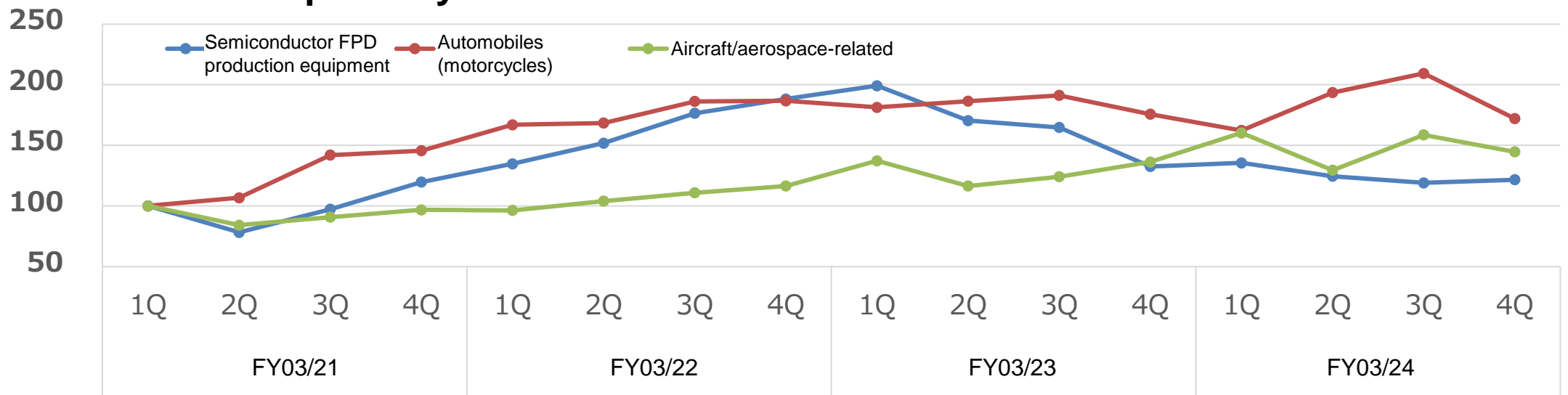


Established a new base

(Iga Warehouse) in Iga City

Consolidate processing equipment such as waterjet cutting machines, machining centers, and wire cutting machines

【Growth domain quarterly sales indicators】



Note: Sales index based on sales in Q1 FY03/21

Implementation Status of Key Strategic Policies (3)

(3) Overseas business expansion

- The 100-day PMI phase for West Coast Aluminum & Stainless, LLC, which became our group company in March 2023, was completed. The Company entered a phase of business expansion, including the start of an EC business and a processing business.
- Achieved the overseas sales ratio target of 12% for the Hakudo Group in the final year of the medium-term management plan (FY03/25) ahead of the schedule.

Status of Activities

◆ Expansion of Sales Items

Expanding e-commerce business at overseas subsidiaries, mainly in Thailand.

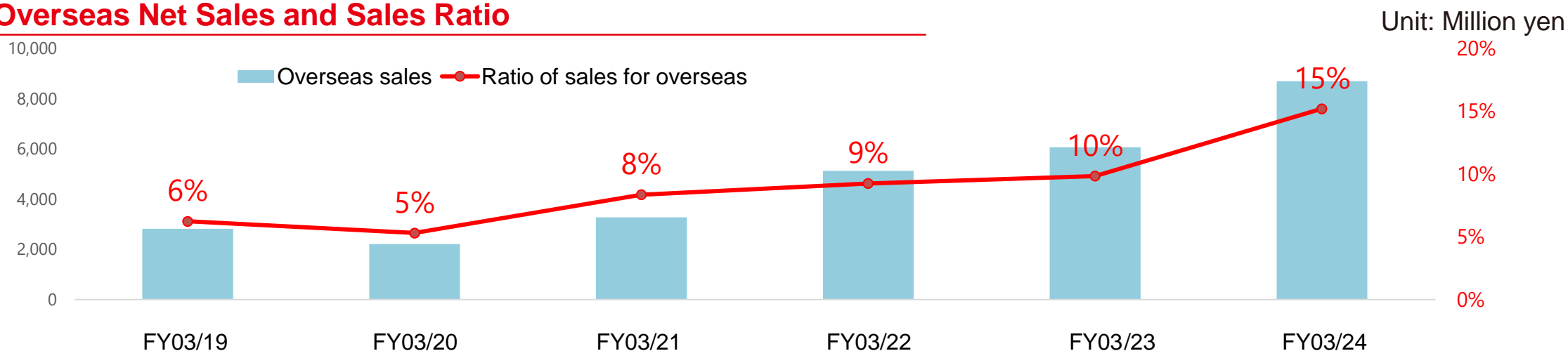
In Southeast Asia, we aim to expand sales via distributor partners, particularly in Vietnam.

Nonferrous metals import wholesale and processing business started at a U.S. subsidiary. E-commerce business is scheduled to start in Q2 FY03/25.

◆ Consideration of investment and partnerships

Continued to pay visits and have discussions with possible investment candidates and partners mainly in the U.S., South Korea and Taiwan. In addition, some pilot transactions have already started in Taiwan.

Overseas Net Sales and Sales Ratio



Note: Overseas sales calculated as the sum of overseas subsidiary sales and head office export sales to non-subsubsidiary companies overseas.

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Planned Initiatives for FY03/25

- The main initiatives in line with our key strategic policies for FY03/25 are as shown below.
- We aim to achieve our medium-term management plan by increasing sales through overseas business expansion and improving profit margins with the evolution of Hakudo Network Service.

Key Strategic Policies		Planned Initiatives for FY03/25 (Excerpt)
Advance business to achieve growth	① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution	<ul style="list-style-type: none"> ✓ Increase the variety of items offered, with a goal of growing gross profit ✓ Boost the number of Hakudo Network Service (including CS Network Service) users ✓ Launch e-commerce services in our overseas subsidiaries
	② Strengthen processing functions and supply capabilities, including development of processing company network	<ul style="list-style-type: none"> ✓ Enhance our blueprint processing services and implement automatic quotation features ✓ Enhanced processing services through introduction of laser processing machines
	③ Increase procurement and supply capabilities through SCM restructuring	<ul style="list-style-type: none"> ✓ Introduce additional automated machinery to save manpower and standardize factory operations
	④ Expand growth fields and strengthen sales	<ul style="list-style-type: none"> ✓ Conduct customer feedback sessions and relay their needs to manufacturers ✓ Pursue industry-wide sales expansion by leveraging new processing equipment ✓ Started special sales activities focused on new dormant and existing customers
	⑤ Expand overseas business	<ul style="list-style-type: none"> ✓ Expand our US subsidiary's operations ✓ Explore potential investment opportunities in South Korea and Taiwan
Strengthen management foundation	⑥ Strengthen digital platforms to enhance corporate value	<ul style="list-style-type: none"> ✓ Optimize operational efficiency using Robotic Process Automation (RPA) and the Internet of Things (IoT)
	⑦ Enhance manpower, develop existing staff and increase engagement	<ul style="list-style-type: none"> ✓ Introduce new HR evaluation system (more performance based) ✓ Enrich our employee benefits program to enhance employee satisfaction
	⑧ Strengthen PDCA management to realize strategies	<ul style="list-style-type: none"> ✓ Compile and disclose an integrated report
	⑨ Strengthen governance	<ul style="list-style-type: none"> ✓ Extend the range of our JIS Q27001 certification coverage

Progress in Sustainability Management (1/3)



- The status of efforts to date for action items and targets pursued by subcommittees established under the ESG/SDGs Management Committee are as follows. This information is reported to the Board of Directors, which in return provides proposals and advice for the actions.
- Our CO₂ emissions reduction target by FY2030 was achieved ahead of schedule.
- Efforts to reduce CO₂ emissions include the installation of solar power panels at the Shiga Plant and the introduction of EVs. The Company has also decided to install solar power panels at its Fukushima Plant.

Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	FY03/24 Efforts
1. Reducing environmental impact and responding to climate change	Reduce CO ₂ emissions	Commence concrete reduction measures to achieve (1) 42% reduction by FY03/30 compared to FY2020 (2) carbon neutrality by FY03/50.	<ul style="list-style-type: none"> • CO₂ emissions 	<ul style="list-style-type: none"> ✓ Solar panel installation at Shiga Plant ✓ Preparation for installation of solar panels at Fukushima Plant ✓ Introduced two electric vehicles ✓ Purchase FIT Non-Fossil Certificates ✓ Support for disclosure of CDP (Carbon Disclosure Project)
	Improve manufacturing efficiency	Contribute to society by conserving and reducing the depletion of natural resources and curbing environmental pollution through more efficient deliveries, less industrial waste, and lower scrap rates.	<ul style="list-style-type: none"> • Energy consumed • Freight cost reduction rates • Waste disposal costs • Manufacturing department consumable costs 	<ul style="list-style-type: none"> ✓ Implemented activities to improve delivery efficiency by restructuring the distribution network ✓ Reduced standby power consumption of facilities ✓ Continued cutting oil recycling measures ✓ Introduction of environmentally friendly packaging materials
	Promote paperless offices	Reduce costs by eliminating resource waste and promoting recycling, preserve forests and contribute to the protection of the natural environment.	<ul style="list-style-type: none"> • Office printing costs 	<ul style="list-style-type: none"> ✓ Decreased printing expenses for meeting materials through digitization
2. Building responsible supply chains	Strengthen environment-friendly products	Contribute to society through the stable supply of products with low environmental impact (ECO products, etc.), and management that considers environmental impacts.	<ul style="list-style-type: none"> • Environment-friendly product sales volumes 	<ul style="list-style-type: none"> ✓ Expand sales of ECO products and consider lineup expansion
	Promote green procurement	Contribute to society by ensuring that suppliers comply with the Hakudo Green Procurement Guidelines, and management that considers environmental impacts.	<ul style="list-style-type: none"> • Number of MOUs exchanged with suppliers complying with the Green Procurement Guidelines • Green procurement rates 	<ul style="list-style-type: none"> ✓ Conducted MOU exchanges with multiple business partners
	Strengthen relationships with suppliers	Contribute to society by cooperating with suppliers and implementing CO ₂ reduction measures, and promoting CO ₂ reductions throughout the supply chain.	<ul style="list-style-type: none"> • Green aluminum suppliers discovered • Recycled aluminum suppliers discovered 	<ul style="list-style-type: none"> ✓ Started sales of "ECO63S square bar" with low CO₂ emissions
	Respect human rights	Contribute to society by working with supply chain partners to promote human rights awareness in management.	<ul style="list-style-type: none"> • Formulation of internal human rights policies 	<ul style="list-style-type: none"> ✓ Initiated human rights due diligence efforts ✓ Establishment of Hakudo Group Human Rights Policy ✓ Conduct fact-finding surveys on human rights ✓ Education for all employees

1. In-house KPIs for the three-year period from FY03/23 to FY03/25.

Progress in Sustainability Management (2/3)



Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	FY03/24 Efforts
3. Activities targeting society	Contribute to future generations	Contribute to the development of next-generation technologies and the strengthening of human resources by supporting advancement of manufacturing culture and human resource development in Japan.	<ul style="list-style-type: none"> ● Number of industry-academia collaboration projects 	<ul style="list-style-type: none"> ✓ Visited university research exhibitions and explored opportunities for new collaborative initiatives ✓ Planned and made Factory Tours for Uni.students ✓ Provided metal materials for EV racing car parts for free
	Contribute to society	Contribute to a sustainable society, instilling a sense of pride in employees and earning the trust of society.	<ul style="list-style-type: none"> ● Amount of donations to local communities and organizations 	<ul style="list-style-type: none"> ✓ Expand installation of donated vending machines within the company ✓ Collecting in-house used books and donated them ✓ Donation to Japanese Red Cross Society (Noto Peninsula Earthquake Relief Fund) ✓ Donation to Japan Committee for UNICEF
4. Investing in human resources	Increase employee satisfaction	Increase employee satisfaction to enhance employee motivation to be productive and responsive to customers, enhance our impact on society (social contributions) and positively impact company performance.	<ul style="list-style-type: none"> ● Attrition rates ● Paid leave acquisition rates ● Percentage of male employees taking parental leave ● Number of significant near-miss incidents 	<ul style="list-style-type: none"> ✓ Explored strategies to prevent employee resignations due to child-rearing or caregiving responsibilities ✓ Enhancement of benefits and activities to promote employee awareness ✓ Provide support to promote use of sports clubs ✓ Preemptively prevented near-miss incidents through workplace inspections ✓ Identified current issues through company-wide stress check test so as to come up with a plan to tackle the issues.
	Promote diversity	Increase organizational productivity and competitiveness by hiring and utilizing diverse human resources.	<ul style="list-style-type: none"> ● Female employee ratios ● Female manager ratios ● Foreign nationality Manager ratio 	<ul style="list-style-type: none"> ✓ Considered implementing training and development programs for female managers and potential female managers ✓ Ensure fairness and transparency in compensation ✓ Consideration of an appropriate and fair system that encourages employees who have achieved results to challenge themselves further
	Enhance employee education	Provide knowledge and skills necessary for business operations, and opportunities to acquire knowledge and skills.	<ul style="list-style-type: none"> ● Education costs per employees ● Training participation rates 	<ul style="list-style-type: none"> ✓ Revision of HR evaluation system to motivate employees to acquire more skills

1. In-house KPIs for the three-year period from FY03/23 to FY03/25.



Progress in Sustainability Management (3/3)



Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	FY03/24 Efforts
5. Corporate governance	Zero violations	Conduct education aiming for zero tolerance.	<ul style="list-style-type: none"> ● Zero compliance violations 	<ul style="list-style-type: none"> ✓ Executed compliance training sessions ✓ Conducted comprehension checks in compliance.
	Confirm policy compliance status	Ensure compliance with each policy *Current policies and basic principles are as follows: <ul style="list-style-type: none"> • Privacy Policy • Basic Policy on Corporate Governance • Basic Policy on Sustainability • Basic Policy on Disclosure 	<ul style="list-style-type: none"> ● Confirmation of compliance with the aforementioned policies 	<ul style="list-style-type: none"> ✓ Conducted information security study meetings ✓ Implementation of information security education
	Enhance responses to business risks and disasters	Conduct thorough assessment of business risks and review BCP. Also, create a system ensuring employee safety and the smooth resumption of operations when disaster occurs, through implementation of drills and response measures.	<ul style="list-style-type: none"> ● Risk assessment points ● Number of disaster preparedness drills conducted 	<ul style="list-style-type: none"> ✓ Review of risk assessment points ✓ Carried out company-wide safety confirmation drills ✓ Conduct emergency drills
6. Internal dissemination activities of the ESG/SDGs Management Committee	Promote internal dissemination activities	Enhance the company-wide consciousness towards ESG/SDGs management by conducting educational activities and events related to ESG/SDGs.	<ul style="list-style-type: none"> ● Employee penetration of ESG/SDGs management (questionnaire survey) ● Cumulative number of episode contests 	<ul style="list-style-type: none"> ✓ Promoting communication among employees by introducing thank you cards ✓ Distributed and delivered ESG/SDGs-related posters, books, and videos ✓ Consideration of business plans involving the SDGs ✓ Distribution of Company Policies Guidebooks
7. Develop new products and services related to ESG/SDGs	Make products and services concrete	Develop new products and services	<ul style="list-style-type: none"> ● Number of new products and services introduced 	<ul style="list-style-type: none"> ✓ Considering to develop new CO₂ offset related products and services

1. In-house KPIs for the three-year period from FY03/23 to FY03/25.

Sustainability Management Initiatives



Hakudo is conducting a wide range of activities, including the creation of employment through its own farms, in addition to contributing to society through manufacturing.

Hakudo Farm



We operate Hakudo Farm as part of our effort to promote employment for people with disabilities.

As of April 2024, we have 12 employees at locations in Yokohama City, Kanagawa Prefecture and Misato City, Saitama Prefecture. We grow about 30 kinds of vegetables, mainly leafy greens.

Harvested vegetables are donated to a children's cafeteria as well as distributed to our employees.

Super Minimum Challenge



The Super Minimum Challenge is a project aimed at attaining record speeds using a 50cc engine. It is held annually in Bonneville, Utah.

The world speed record was set at the 2019 competition, where aluminum material provided by Hakudo was also used for the bikes.

More recently, parts fabricated using a 3D printer have also been used.

Koma Battle



The Japanese top ("koma") battle is a tournament-style competition in which manufacturers from all over Japan bring professionally made koma to compete against one another. High school student koma competitions are also held in each prefecture.

Hakudo supports the high school student Koma Battle in Kanagawa Prefecture by supplying materials and engaging in other activities to promote the development of Japanese manufacturing.

Shita-machi Bobsleigh



The Shita-machi Bobsleigh is a project in which small factories located in Ota Ward play a central role in creating world-class sleds, while also conveying to the world the manufacturing capability of Ota Ward, a city of industry located in Tokyo's shita-machi area.

The materials for the Shita-machi Bobsleigh are supplied by Hakudo at no cost. The bobsleigh that was made with these materials secured the 19th spot in the World Championships held in January 2023.

(Photo credit: International Bobsleigh & Skeleton Federation)

*Prepared based on information as of April 30, 2024.

Thank you very much for your attention.

■ Hakudo Official Social Media Accounts

We have created official accounts on LINE and Facebook to regularly disseminate product introductions, exhibition announcements and other useful information.

Please use the QR codes to follow Hakudo online!



■ Disclaimer

This document contains projections based on assumptions, outlooks, and plans regarding the future as of May 2024. Actual results may differ materially from those projected in forward-looking statements due to risks and uncertainties related to the global economy, competitive conditions, and other factors.

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