

Providing the Foundation for Creation

Integrated Report 2025



 **Hakudo**

Providing the foundation for creation.

Providing the foundation for creation.

 **Hakudo**

11F Mitsubishi Building,
2-5-2 Marunouchi, Chiyoda-ku, Tokyo
100-8302 Japan



Providing the foundation for creation.

The Hakudo Brand Slogan expresses our pride and aspirations as a specialized materials trading company.

Materials are what upholds our business and our lives.

Materials are what gives shape to innovation.

We create new value through high quality materials to support manufacturing worldwide.

Here, we report on the current state of Hakudo, which contributes to society through materials, as well as the growth strategy for achieving our vision of the future.

Hakudo's Credo

- Management Philosophy | We strive to win the trust of all stakeholders and to contribute to society by offering goods, convenience, and peace of mind to all those involved in manufacturing.
- Brand Slogan | **Providing the foundation for creation.**
- Brand Value / Brand Promise | Exceptional quality, speed and service at a reasonable price

Our Five Commitments



Code of Conduct

1. We always keep the spirit of altruism in mind
2. We strive to provide new value for our customers
3. We act from the customers' perspective with gratitude and sincerity
4. We strive to achieve self-realization by embracing challenges
5. We always strive to improve ourselves and our skills without complacency
6. We value communication
7. We are always positive, cheerful, and energetic

On the Publication of the Integrated Report

This is the first integrated report created by Hakudo Co., Ltd.

This report has been created with the hope that its publication will promote dialogue with shareholders, investors, and a variety of other stakeholders, leading to a deeper understanding of the company than ever before.

Hakudo has an extremely long history with some unique business areas, and we felt that we had not adequately explained our business model, future challenges, and vision to stakeholders. We hope that this integrated report will help make these aspects clearer.

In May 2025, Hakudo announced Medium-Term Management Plan FY2025 to FY2027: Moving forward “beyond expectations” STEP. This represents the STEP stage in the HOP, STEP, JUMP framework for achieving our vision for FY2031.

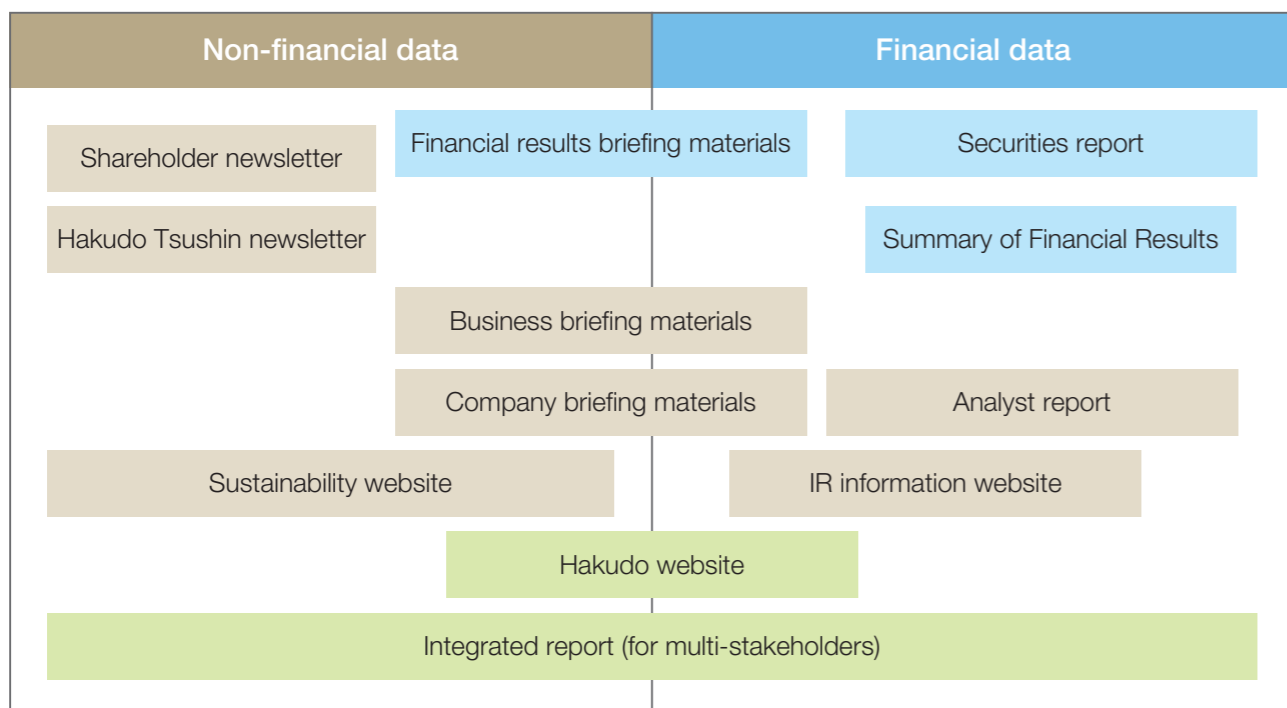
This report was created out of the same desire as the Medium-Term Management Plan to continue moving forward, so we hope that investors, stakeholders, employees, and their families will read it and share their opinions and thoughts with us.

Detailed financial and non-financial data not fully included in this report can be viewed on the company website.

<https://www.hakudo.co.jp/en/>



Data Disclosure System



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Editorial policy

This report has been published with the aim of reporting comprehensively on our efforts to increase corporate value to shareholders, investors, and all of our other stakeholders. The International Integrated Reporting Framework by the IFRS Foundation and the Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry have been used as references in editing this report.

Reporting scope: Hakudo Co., Ltd. and group companies
 Reporting period: FY03/25 (April 1, 2024 to March 31, 2025),
 with some FY03/26 activities included
 Publication date: August 2025

Cautionary statement regarding forward-looking statements

Forward-looking statements and other future-related descriptions contained in this report are based on the data currently available to the company and certain assumptions the company believes to be reasonable and are not intended as a commitment on the part of the company. Actual results may differ significantly due to a variety of factors.

The History of Hakudo

Hakudo has constantly endeavored to take on groundbreaking initiatives ahead of the industry while pursuing higher-quality, higher-value-added services.

- 1932** Hiroji Yamada founded Hakudo Shoten as a private business in Sakurabashi, Kyobashi-ku (now Chuo-ku), Tokyo
- 1934** Relocated to Hatchobori, Chuo-ku, Tokyo and reorganized as Hakudo Shoten & Co. (reorganized as joint-stock company in 1949)
- 1967** Changed trade name to Hakudo Co., Ltd. Completed construction of a four-story headquarters building in Hatchobori
- 1968** The first computers were installed
- 1978** Started immediate processing and delivery service Started cut-to-order sales of aluminum plates and round bars
- 1979** Started cut-to-order sales of thick copper plates
- 1982** 50th anniversary Awarded the Order of the Sacred Treasure, Fifth Class



Hatchobori headquarters building (1967)

- 1985** Started sales of proprietary brand YH75 Plate
- 1987** Started cut-to-order sales of stainless steel
- 1988** Atsugi Toda Process Center (now the Kanagawa Process Center) completed
- 1990** Started operations at the Shiga Process Center
- 2000** Registered over-the-counter shares with the Japan Securities Dealers Association
- 2001** Started internet sales (coguchi.com)
- 2003** Established Shanghai Hakudo Precision Materials Co., Ltd. in Shanghai, China
- 2004** Relocated headquarters to Marunouchi, Chiyoda-ku, Tokyo Listed on the Second Section of the Tokyo Stock Exchange



Atsugi Toda (now Kanagawa) Process Center (1988)



Shanghai Hakudo Precision Materials Co., Ltd. (2003)

- 2005** Listed on the First Section of the Tokyo Stock Exchange
- 2006** Started operations at the Koriyama Process Center (now the Fukushima Process Center)
- 2008** Started operations at the Kyushu Process Center (now the Saga Process Center)
- 2012** Launched the Hakudo Net Service
- 2014** Established Hakudo (Thailand) Co., Ltd. in Bangkok, Thailand
- 2015** Started contract manufacturing and sales using metal 3D printers
- 2016** Obtained certification for the aerospace standard JIS Q 9100
- 2017** Established representative office in Ho Chi Minh City, Vietnam Started operations at the Saitama Process Center

- 2019** Made Takase Aluminum Co., Ltd. (now AQR Co., Ltd.) a wholly-owned subsidiary
- 2020** Acquired non-ferrous metals sales business from Toko Metal Co., Ltd. Invested in Oristar Corporation, a major Vietnamese non-ferrous metals trading company
- 2022** Moved to the Tokyo Stock Exchange Prime Market Established Hakudo USA Inc. in Los Angeles, USA
- 2023** Acquired 51% equity interest in the US company West Coast Aluminum & Stainless, LLC
- 2024** Started operations at the Fukuoka Process Center



In front of the prewar Hakudo Shoten building (Circa 1934)



Employees who joined after the war



50th anniversary (1982)



Orders of the Sacred Treasure, Fifth Class award ceremony (1982)



Shiga Process Center (1990)



West Coast Aluminum & Stainless, LLC (2023)

1932 1942 1952 1962 1972 1982 1992 2002 2012 2022 2024

Founding Spirit

Respect for humanity and the pursuit of rationality

A saying from founder Hiroji Yamada has stayed with us since Hakudo was founded—“Respect for humanity and the pursuit of rationality.” These words express the need for balancing these two seemingly contradictory aspects in doing business. Hakudo still cherishes this founding spirit today.



Founder Hiroji Yamada



At the postwar Hakudo Shoten building (Circa 1959)

The next person could be a customer

While not explicitly stated in our corporate philosophy, Hakudo also has the slogan: The next person could be a customer. This represents viewing everyone involved in the processes downstream of one’s own work as “customers” and providing products and services that will delight them. Hakudo has placed importance on these words and built new services while standing in the customer’s shoes.



Delivery truck at that time (1985)

Instilling Our Philosophy

Passing down our history to future employees

When President Tsunoda was appointed in 2012, the policies he implemented to boost employee motivation and empower them to work proactively included establishing a corporate philosophy, compiling a company history, and hosting alumni get-togethers. Compiling the company history and hosting alumni get-togethers are vital in paying respect to our founder and our many forebears who built the foundations of the company and contributed to its development, as well as in passing this spirit on to current and future employees. The company history was compiled in 2016, and the first alumni get-together was held in 2017. While the phrase “Respect for humanity and the pursuit of rationality” had been established as our corporate philosophy, we decided that we should establish something clearer, something that would serve as a guideline where anyone could understand the direction the company should take, leading to the creation of a new corporate philosophy in 2014.

The Hakudo Group’s new corporate philosophy

We embrace the concept expressed in the “life equation”—“The Result of Our Life or Work = Attitude × Effort × Ability.” It serves as a guiding principle that, to advance in the same direction, the most important factor—attitude—should be oriented toward the positive rather than the negative. When establishing our new management philosophy, we set up a Management Philosophy Creation Committee with members from different departments and age groups to ensure that the philosophy would be determined through discussions about what employees working in different departments actually feel, rather than having top management decide everything top-down. “Respect for humanity and the pursuit of rationality” remains part of our philosophy to this day as our founder’s words. Our corporate philosophy consists of our Management Philosophy, the Five Commitments, and the Code of Conduct, integrated as one.

Message from the President

Ongoing endeavors to create exceptional value to support manufacturing in the run-up to Hakudo's 100th anniversary

Q What are Hakudo's strengths, and what is its business model?

Since Hakudo was founded in 1932, we have delivered non-ferrous metals and a wide range of other materials to companies throughout the manufacturing industry. We currently leverage our strengths in "exceptional quality, speed, and service" in an effort to achieve "reasonable prices". For our first pillar, "exceptional quality," we have obtained JIS Q 9100 (aerospace) certification, which means that, in addition to processing non-ferrous metals, steel, and plastics, we also meet the quality control requirements of the aerospace industry in

our metal 3D printer manufacturing contract services, an area expected to grow significantly. We aim to comprehensively improve quality, not only in the precision of material cutting and processing, but also in the quality of service provided by our order departments (customer center) and sales teams. For our second pillar, "exceptional speed," we focus on responding rapidly when it comes to estimates and order confirmations that significantly impact order rates, as well as further improving our next-day delivery and providing quick responses in internal operations as well. For our third pillar, "exceptional service," we have made service our source of differentiation precisely because we deal in commodities and focus on competitive advantages unrelated to price, such as product assortment, convenience of our network service, and the quality of service by our customer center and sales team. These "exceptional" strategies differentiate us from competitors, boost customer satisfaction, and achieve high profit margins.



Koji Tsunoda
President and Representative Director

Q What is Hakudo's future growth strategy?

Medium-Term Management Plan FY2025 to FY2027 identifies business growth through business evolution and strengthening our management foundation as our key business strategies. In business growth through business evolution, we will focus on deepening our core businesses and expanding our business domains. To deepen our core businesses, we will expand the Hakudo Net Service, which accounts for 80% of estimates and 40% of orders, to promote the digitalization of estimates, orders, mill test certificates, and other documents we provide. Furthermore, we will expand the range of our services to include not only new processing methods such as waterjet and laser processing but also instant quote systems using CAD data as well as component processing. To expand our business domains, we plan to enter North America and expand in Asia, targeting an international sales ratio of 20% by 2031. We will also avoid excessive dependence on specific industries and expand our business domains to diverse industry sectors including semiconductors, automotive, aerospace, and defense.



Q What domains is Hakudo focusing on in sustainability management?

We are working on seven material issues under our Basic Policy on Sustainability. We are particularly focused on developing new products and services related to ESG/SDGs and are working to increase sales of our environmentally friendly ECO series. The ECO series provides environmentally friendly alternatives from different manufacturers made with materials that comply with restrictions on the use of specific substances hazardous to human health and the environment, as well as materials and manufacturing methods that lower carbon dioxide emissions in an effort to protect the global environment. We are also working with manufacturers to develop environmentally friendly materials. In addition, we are promoting the sale of safety and welfare products, such as air-conditioned clothing and products with heat stroke alert features. Another area we are focusing on is investment in human resources. We support employee learning by fully subsidizing tuition costs for language study and certification acquisition, and also create skill maps for employees and implement human resource training programs.

Q What social value does Hakudo provide?

FY2031 marks our 100th anniversary, and for many years we have passed down our founder's credo of "Respect for humanity and the pursuit of rationality." Based on the concept of making our customers' first process the final process for Hakudo, we provide high-value-added products and services such as small-lot sales and detailed processing services tailored to customer needs. In 2012, we launched the Hakudo Net Service to provide quick response and quick delivery. This not only improves convenience for customers but also contributes to streamlining and total cost reduction. Hakudo will continue contributing to the manufacturing industry to support everyday life and happiness for all people while striving for sustainable management that also contributes to local communities and the global environment until our 100th anniversary in FY2031 and beyond. While shareholder returns are important, we also hope our stakeholders will reap the emotional benefits of knowing you are helping us "create everyday happiness for people," and ask for your continued support.

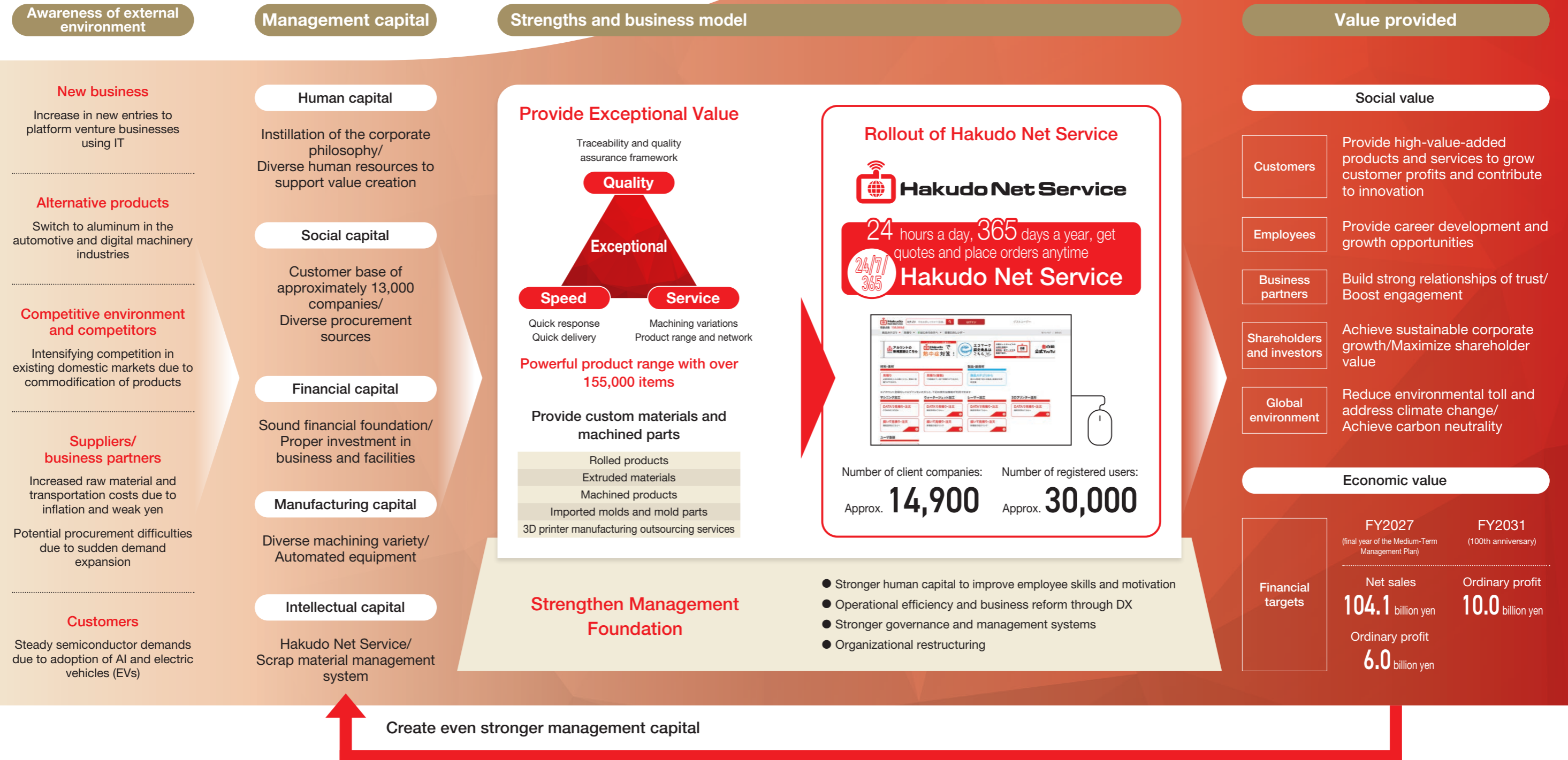
Value Creation Process

The Hakudo Group invests its management capital in the business of providing high-quality materials along with exceptional value to customers involved in manufacturing around the world.

In circulating the social and economic value created by this, we aim to achieve sustainable growth.

We strive to win the trust of all stakeholders and to contribute to society by offering goods, convenience, and peace of mind to all those involved in manufacturing.

Achieving our management philosophy

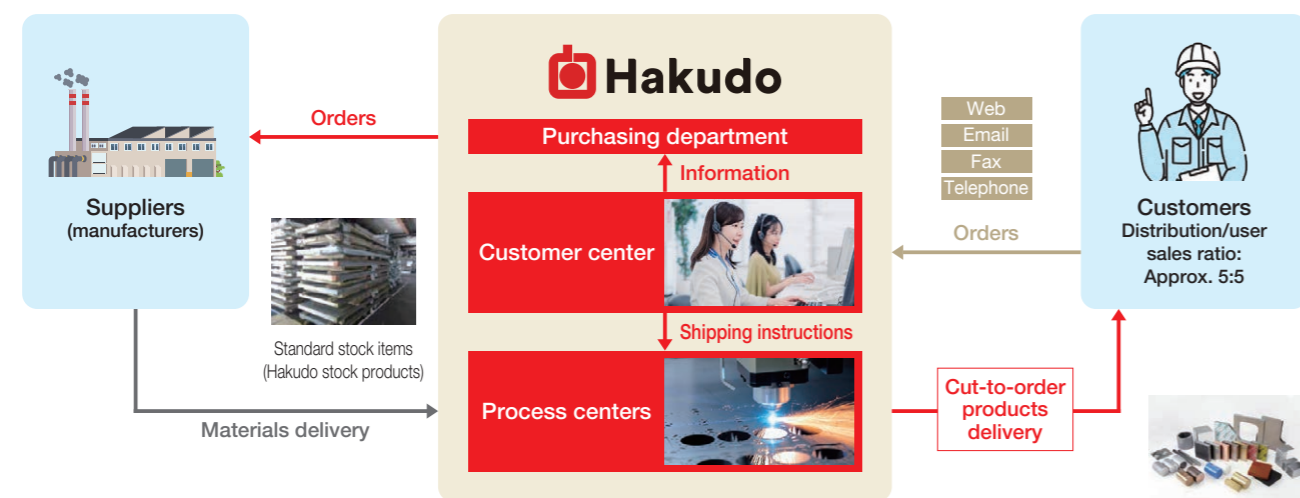


The Hakudo Business Model

Hakudo employs a unique business model built on two pillars—standard stock items and special order items—to deliver exceptional value (exceptional quality, exceptional speed, exceptional service, and reasonable prices). We support our many customers involved in manufacturing both in Japan and abroad.

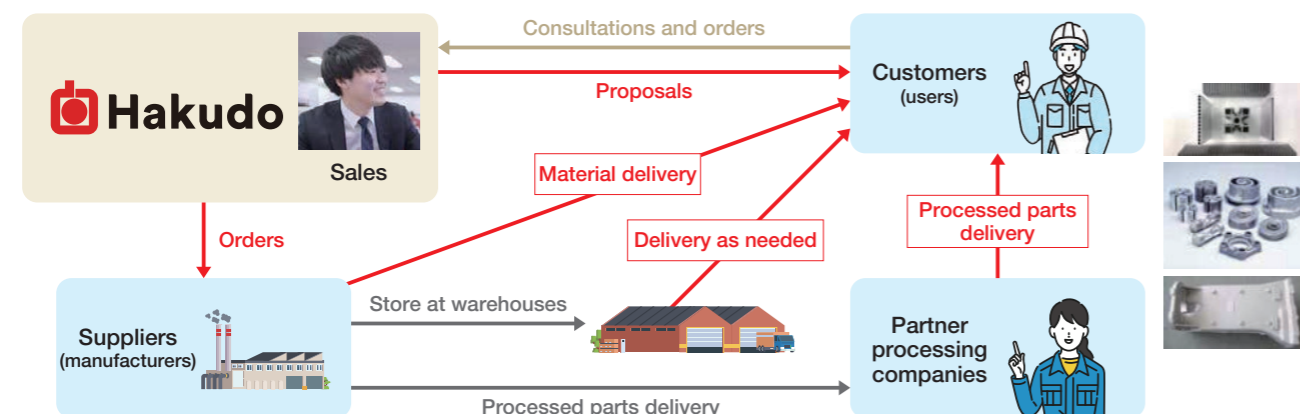
Standard Stock Items

At our process centers, we stock aluminum, copper, stainless steel, special steel, plastic, and a wide array of other industrial materials, all with different properties such as weight, hardness, and thermal conductivity. The services we offer include cutting and machining products based to customer orders and delivering them as fast as the next business day to support the business of companies in distribution and manufacturing.



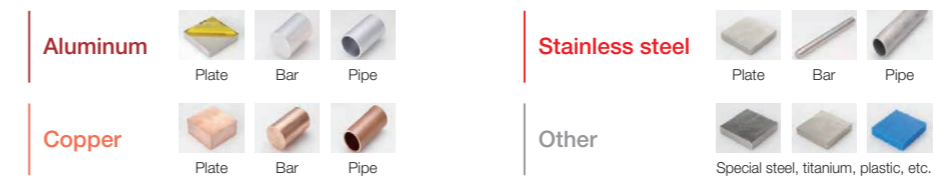
Special Order Items

This “metals coordinator” business delivers high-precision, complex, custom-made materials and processed parts. We team up with manufacturers of rolled/extruded materials and parts processors that possess outstanding technology to meet a wide range of demands. We provide high-quality, low-cost manufacturing equipment parts for semiconductors and other cutting-edge products as well as molds, jigs, and tools that support manufacturing.



Products we carry and customer industries

The products we carry are non-ferrous metal materials such as aluminum, copper, and stainless steel. The strength, weight, thermal conductivity, and other characteristics differ by material, and their applications are diverse.



Net sales composition by industry

	FY03/24					FY03/25				
	Q1	Q2	Q3	Q4	Cumulative	Q1	Q2	Q3	Q4	Cumulative
Semiconductor/FPD manufacturing equipment	39.3%	38.5%	36.2%	36.4%	37.6%	37.3%	42.2%	43.0%	39.4%	40.6%
Other machine tools	17.7%	17.7%	18.3%	18.0%	17.9%	17.8%	15.6%	14.9%	15.8%	16.0%
OA equipment	8.9%	9.0%	8.8%	11.6%	9.6%	10.3%	9.4%	8.7%	9.3%	9.4%
Automotive and motorcycles	4.7%	5.9%	6.3%	5.1%	5.5%	5.1%	5.1%	5.6%	5.7%	5.4%
Aerospace	4.4%	3.8%	4.6%	4.1%	4.3%	4.3%	4.3%	4.3%	5.2%	4.5%
Other	24.9%	24.9%	25.8%	24.8%	25.1%	25.2%	23.3%	23.6%	24.6%	24.1%

FY03/25 saw an increase from the prior year's Q4 in net sales composition ratios for semiconductor/FPD manufacturing equipment, automotive and motorcycles, and aerospace.

While net sales composition ratios for other industries fell below that of Q4 of the previous year, annual net sales increased across all industries.

Immediate delivery system via Hakudo Net Service



Hakudo Net Service is an online quote and ordering system that commenced in 2012, allowing customers to request quotes and order products 24 hours a day, 365 days a year. Today, we have not only expanded the range of products we carry to include tools and subsidiary materials in addition our standard stock items, but in 2023, we added a new feature for 3D printing estimates and orders, a drawing function that lets users specify hole drilling and notching on the screen, and a material procurement assisting function that calculates raw material costs based on 3D CAD data, further expanding our services as a partner in manufacturing.

Top-class processing equipment

Examples of aluminum and stainless steel

Processing method	Type	Minimum (mm)	Maximum (mm)
Fine cutting	Aluminum	7.0 × 7.0	2000.0 × 3000.0
	Stainless steel	7.0 × 7.0	2500.0 × 3000.0
Four face milling	Aluminum	7.0 × 7.0	2000.0 × 3000.0
	Stainless steel	5.0 × 5.0	2000.0 × 3000.0
Six face milling	Aluminum	7.0 × 7.0	1245.0 × 2495.0
	Stainless steel	5.0 × 5.0	1250.0 × 2500.0
Circle milling	Aluminum	ø100.0	ø800.0
Fine rings	Aluminum	4 × ø140 × ø50	120.3 × ø800 × ø760
	Stainless steel	8.0 × 8.0	450.0 × 450.0
Rotary grinding	Aluminum	8.0 × 8.0	450.0 × 450.0
	Stainless steel	8.0 × 8.0	450.0 × 450.0
Surface grinding	Aluminum	8.0 × 8.0	450.0 × 450.0
	Stainless steel	8.0 × 8.0	450.0 × 450.0
Machining	Aluminum, copper, stainless steel, special steel	8.0 × 8.0	450.0 × 450.0
	Pending	Pending	Pending
Waterjet	Pending	Pending	Pending
	Aluminum	C0.1	C99
Corner chamfer	Aluminum	C0.1	C99
	Stainless steel	C0.1	C99

* Varies depending on plate thickness.

Messages from Division Managers

Standard Products Sales Division

Creating a company that helps customers solve problems through “exceptional quality, exceptional speed, exceptional service, and reasonable prices”

The Standard Products Sales Division has established seven sales locations in Japan and conducts sales efforts centered on approximately 5,500 items (aluminum, copper, brass, stainless steel, ordinary and special steel, titanium, other metals, plastics, and tools) stocked at company process centers.

We can cut and process most products from a single sheet, bar, or gram and deliver them the same day. We also handle products not in stock based on consultation.

We plan to keep increasing the variety of our products and processing methods so we can exceed customer expectations. We will keep working to improve convenience so we can help solve the challenges our customers face.



Tetsuya Yamada
Senior Managing Director



Message from an employee

Employee M at the East Japan Customer Center

At the East Japan Customer Center, we handle approximately 300 to 400 estimates and orders per day from major customers. We take pride in being an important department that can receive direct feedback from customers through faxes, emails, and many phone calls. We always strive to meet customer needs and be of service in any way we can. At Hakudo, we work as a team across the company, and I feel the cross-department connections are strong. The satisfaction of collaborating with different departments to exceed customer expectations is always a joy, no matter how many times I experience it.

Message from an employee

Employee I in the Tokyo Sales Office

I work in sales to customers in the metal processing industry primarily in the Tokyo area. The customers I am responsible for number in the hundreds, and their requests are diverse and change daily. I find fulfillment in this work because providing a fast, high-quality response has allowed me to build trust with customers, not just as a company representative but as an individual salesperson. Within the company, I have many colleagues I can talk with about everything from work-related matters to personal issues, and this closeness is what allows us to work as a team.



Special Order Products Sales Division

Leveraging “exceptional quality, exceptional speed, exceptional service, and reasonable prices” to expand growth areas

The Special Order Products Sales Division sells custom-made products and processed items to customers, primarily major manufacturers and their partners. This business functions as a “metals coordinator,” making a variety of proposals based on customer requirements.

We focus our sales efforts on the semiconductor and FPD manufacturing equipment industry, automotive industry, and aerospace industry, which we position as growth areas.

First, for the semiconductor and FPD manufacturing equipment industry, which accounts for about 40% of our revenue, we work with manufacturers to develop and propose environmentally friendly new materials in addition to our existing products, and strive to increase our market share in the industry.

Next, for the automotive industry, we have established a specialized sales team for automotive industry and are expanding sales of other products such as mass production materials, molds, and processed items to customers we began dealing

with through 3D printers, a service we started in 2015.

Finally, for the aerospace industry, we obtained JIS Q 9100 aerospace certification in 2016. Going forward, we will create a comprehensive product range of materials that comply with aerospace standards in an effort to be a “convenient dealer in aerospace materials.”



Takashi Tomoi
Executive Officer and Executive General Manager of the Special Order Products Sales Division



Message from an employee

Employee T in the Special Sales Section

We approach automotive body manufacturers and parts manufacturers as a team specialized to the automotive industry and sell materials and processed components for prototyping and mass production primarily of automotive parts. Providing components made with the latest technology using metal 3D printers housed in our own process centers is also one of our most compelling features. Since expanding sales to the automotive industry is a new business area and also positioned as a key strategy for us, we make it a point to actively share useful information throughout the company. In addition to conducting interpersonal negotiations as a salesperson, I would like to be involved in planning and implementing new sales and promotions that maximize and optimize sales using digital marketing through web advertising, social media, and more.

Messages from Division Managers

Overseas Sales Division

Fast expansion of our international business leveraging Hakudo's strengths of cutting, processing, and e-commerce

The Overseas Sales Division was created in April 2025 through the integration of the Overseas Sales Department and our overseas locations. In order to respond rapidly to the needs of international customers as a division going forward, we will focus on increasing coordination between offices, diversifying our procurement sources, and developing global human resources all while creating a stronger foundation for our international business.

Regarding our market, in addition to the markets we have had throughout Asia, we established Hakudo USA Inc. in the US in December 2022 and are proactively promoting business in North America together with our subsidiary West Coast Aluminum & Stainless, LLC.

Going forward, we will enter India and other new markets leveraging Hakudo's strengths in e-commerce and cutting/processing while utilizing methods such as partnerships with new distributors and M&A in addition to growing sales in existing markets.



Ariyuki Shibata
Executive General Manager of the Overseas Sales Division

Message from an employee

Employee M in the Overseas Sales Section

I am involved in a wide range of export operations, including creating estimates, processing orders, booking arrangements for ships and aircraft, and documenting exports, for customers throughout Southeast Asia, primarily in Shanghai, Thailand, and Malaysia. In communication with international customers, sudden issues can arise due to language and cultural differences, so I strive to respond flexibly according to the situation at hand. Since the international market is vast, I want to build services that work beyond Southeast Asia and help customers worldwide recognize the Hakudo brand. I also believe it is necessary to develop export systems and services aimed at international customers in order to provide services tailored to the needs of individual countries. I want to proactively help improve systems so we can provide our international customers with the same swift response that we provide to our domestic customers.



Manufacturing Division

Delivering exceptional quality at exceptional speed to customers by installing automated equipment proactively to be the top plant in the industry

The Manufacturing Division is constantly evolving to deliver products of exceptional quality at exceptional speed from our six domestic process centers.

We respond to customer needs for delivery times, precision, and processing methods through proactive investment in high-value-added equipment such as automation equipment and drawing processing, including the installation of a total of three stainless steel automated processing machines, waterjet cutting machines, laser cutting machines, and machining centers domestically.

We will continue our pursuit of the "exceptional" in our effort to be the top plant in the industry.



Mitsushige Yamada
Managing Director

Message from an employee

Employee T in the Fukushima Manufacturing Section

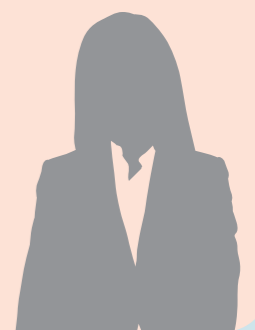
I joined the company in 2006 as a founding member of the Fukushima Process Center, where I currently serve as process center supervisor. My primary role is providing on-site command and supervision, which requires giving instructions for efficient work, understanding employee skills and physical condition, and appropriate staffing, all while preventing accidents caused by a variety of hazardous factors. My decisions significantly impact process center performance, meaning that the responsibility is great, but I find the satisfaction even greater. Having my achievements recognized and watching junior employees and teams I have developed grow are also sources of profound satisfaction. Since I have been involved in all aspects of cutting and processing work, I want to leverage that experience to participate in initiatives aimed at automation and digital transformation.



Message from an employee

Employee I in the Fukushima Manufacturing Section

I am responsible for small-scale processing of aluminum, copper, and stainless steel materials, as well as training new employees and foreign workers. I strive daily to meet customer needs through safe work practices, exceptional quality, and exceptional speed. I currently handle small-scale processing, but I would like to take on the challenge of large-scale processing in the future, which requires licenses for cranes and forklifts. There are several other female employees at our facility besides me, and I feel that part of the appeal of the company is that it is a place where women can thrive.



Special Feature

Digital Transformation at Hakudo



Strengthen and grow our customer base and improve profit margins by evolving the Hakudo Net Service

We aim to improve the convenience of the Hakudo Net Service by expanding our range of products, adding new features, and improving functionality to create a one-stop service.



Number of client companies:
Approx. **14,900**

Number of registered users:
Approx. **30,000**

* Includes CS-Net Service registrations
* As of March 31, 2025

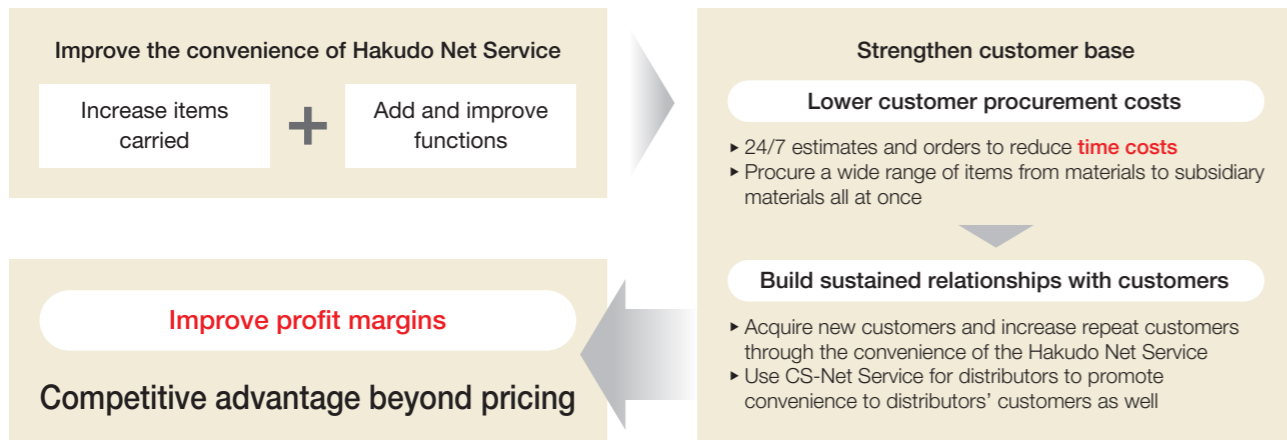
What is the Hakudo Net Service?

The Hakudo Net Service is a web service that enables estimates and orders 24 hours a day, 365 days a year, whenever you like. This service started in 2012 and has come to be used by many customers. It offers not only materials but also cutting tools and other subsidiary materials. It also has a variety of functions to make it more convenient for customers to use.

Website



Strengthening and Expanding Our Customer Base and Boosting Profit Margins

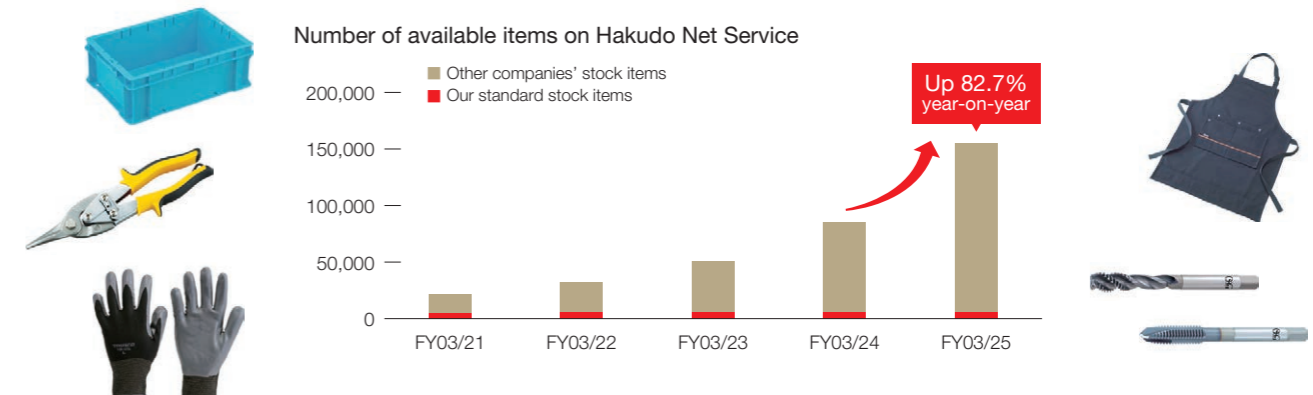


Increased items we carry

Standard stock items:
Approx. **5,500**

Other companies' stock items (ordered):
Approx. **150,000**

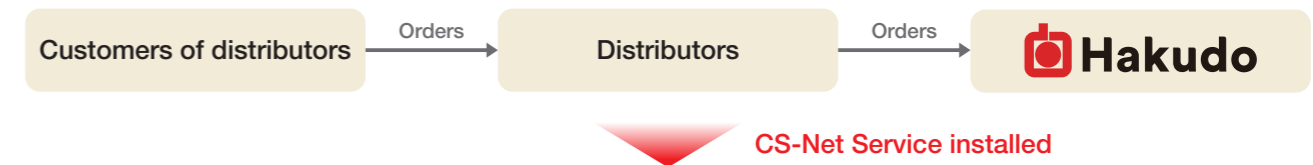
* As of March 31, 2025



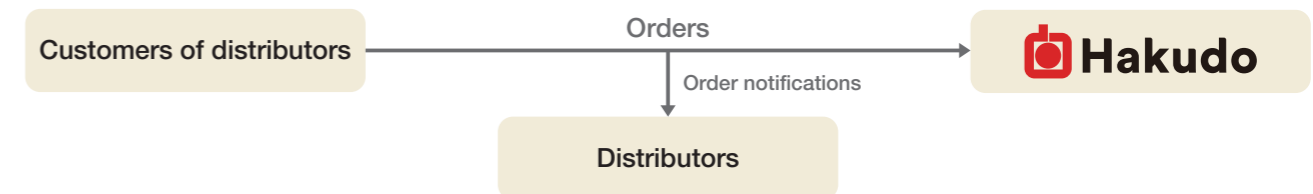
CS-Net Service: Using the Hakudo Net Service to Advance Customer DX

CS-Net Service is a service that enables customer DX through the Hakudo Net Service at distribution partners to streamline complex product ordering processes.

Conventional process



Order process using CS-Net Service



Instant quote verification and order registration directly by customers of distributors possible without having to go through a distributor!

Benefits for customers of distributors

- Next day delivery at the earliest
- A comprehensive product range of more than 29,000 items
- 24/7 estimates and orders anytime

Benefits for distributors

- Streamlined complex ordering procedures
- Margins can be set by customer and product
- Online verification of order status, invoice numbers, and material test certificates possible

Long-Term Vision

Hakudo has created its Medium-Term Management Plan using backcasting from its vision for FY2031, which marks our 100th anniversary.

The Medium-Term Management Plan FY2025 to FY2027 is positioned as the STEP stage in the HOP, STEP, JUMP framework.

P. 21 New Medium-Term Management Plan

- Overview of the Medium-Term Management Plan FY2025 to FY2027
- Key Strategic Initiatives
- Key Financial Indicators and Shareholder Return Targets
- Hakudo's Business
- Assumptions About the External Environment
- Hakudo's Growth Potential Based on Internal Resources

P. 25 Deepen Core Businesses

- Boost Manufacturing Capacity and Efficiency Through Process Center and SCM Reforms
- Increase Additional Value and Sales Through Expanding Processing Functions and Product Items

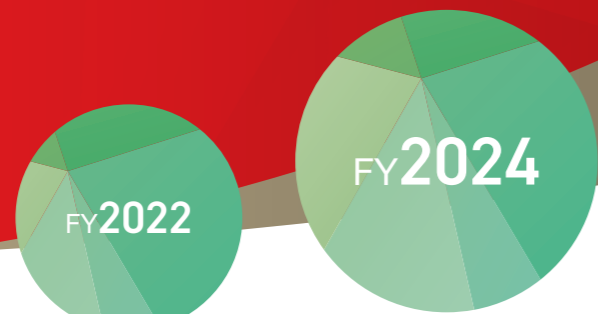
P. 26 Expand Business Domains

- Semiconductor, Automotive, and Aerospace Domains
- Overseas Business

P. 27 Strengthen Management Foundation

P. 28 Capital Management Policy

HOP



Previous Medium-Term Management Plan results

Net sales **66.4** billion yen
 Ordinary profit **3.2** billion yen

Medium-Term Management Plan

Moving forward
 "beyond expectations"
 STEP



Our Vision for Hakudo

A company that exceeds stakeholder expectations and experiences sustained growth

JUMP



Our vision for the 100th anniversary (FY2031)

Ordinary profit **10.0** billion yen

Strategic direction

- Boost business performance through higher customer satisfaction and return benefits to stakeholders, creating a positive cycle that drives sustained corporate growth
- Further expand international business and develop e-commerce to boost global competitiveness

Key business strategies

Deepen Core Businesses

Strengthen and expand the customer base and increase the profit margin by enhancing the Hakudo Net Service
 Strengthen processing functions and supply capabilities, including development of our processing partners network

Expand Business Domains

Expand the growth areas / Strengthen sales and marketing activities
 Expand our overseas business

Strengthen Management Foundation

Expand human resources, upgrade existing workforce skills / Improve employee engagement
 Strengthen corporate governance

Promote Sustainability Management

Enhance measures to address climate change
 Strengthen our commitment to social responsibility

Main activities/achievement

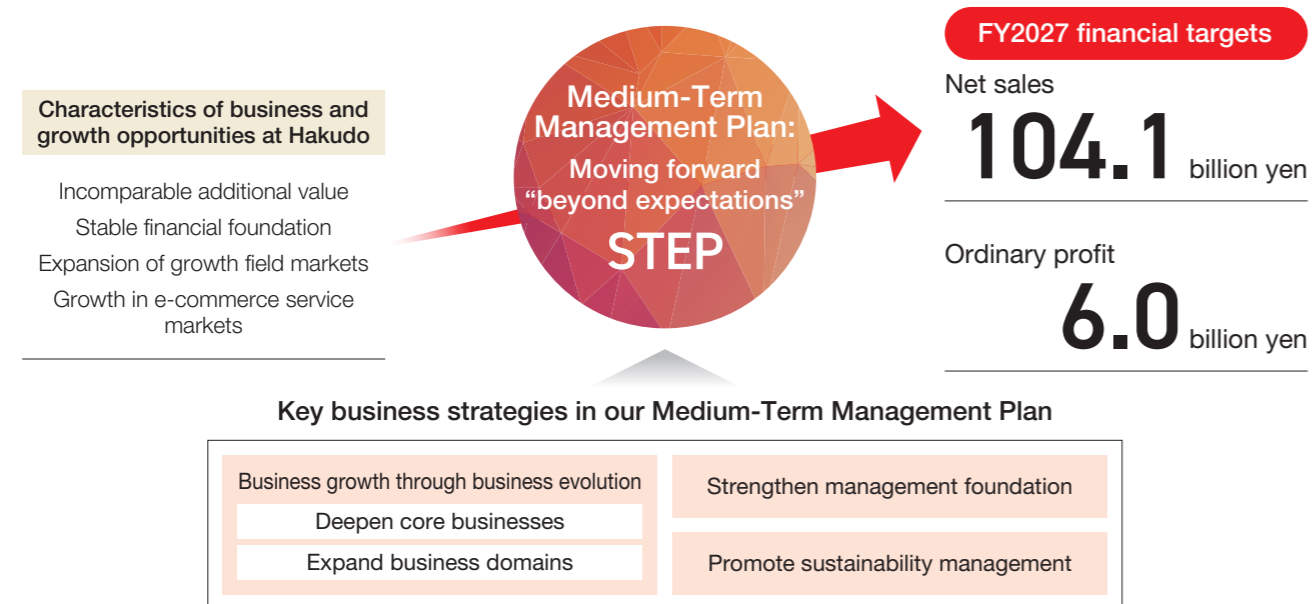
- Expanded our product items including tools and subsidiary materials
- Added drawing function and material procurement assisting function
- Transitioned to an open website platform to quote without the need to log in
- Installed laser and waterjet processing machines
- Acquired JIS Q 9100 (aerospace) company-wide
- Established our 100% subsidiary, Hakudo USA Inc. in California, USA
- Acquired 51% equity interest in West Coast Aluminum & Stainless, LLC in the US
- Implemented EC software packages at our subsidiary in Thailand
- Renewed employee training program / Revised the HR evaluation system
- Set new dividend payout ratio and annual minimum dividend amount / Strengthened return to stockholders
- Established Corporate Administration Division and strengthened governance structure
- Installed solar panels on the slope at the Shiga Process Center and the Fukushima Process Center
- Introduced EVs (60% of our company cars in Japan to be converted to EVs and HVs)
- Installed donation-based vending machines at our headquarters
- Made some donations for the purpose of social contribution

Major initiatives in the previous Medium-Term Management Plan

New Medium-Term Management Plan

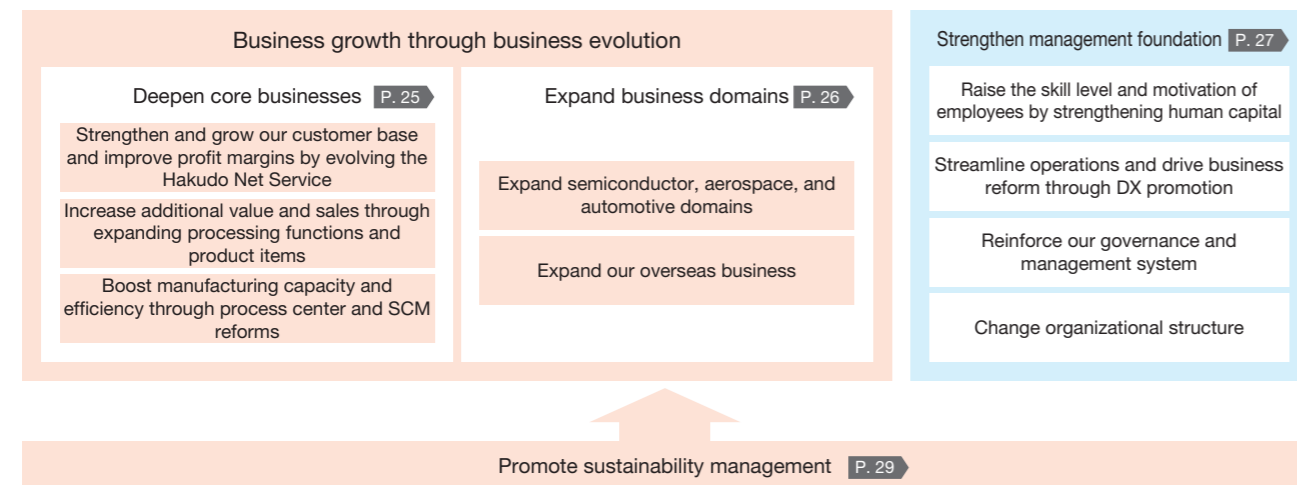
The key business strategies have been established for our Medium-Term Management Plan in light of changes anticipated in the external environment as well as Hakudo's strengths and growth opportunities. We aim for net sales of 104.1 billion yen and ordinary profit of 6.0 billion yen in FY2027.

Overview of the Medium-Term Management Plan FY2025 to FY2027



Key Strategic Initiatives

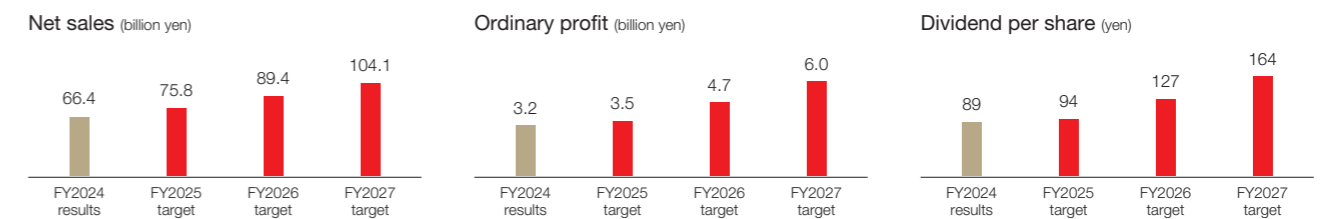
Through deepening core businesses and expanding business domains based on boosting customer satisfaction and strengthening business management foundation primarily through DX and organizational reinforcement, we aim to be a company of sustainable growth.



Key Financial Indicators and Shareholder Return Targets

Alongside our management targets of growing net sales and ordinary profit, we also aim to stabilize key financial planning indicators such as ROIC and operating cash flow as well as boost shareholder returns.

	FY2024 results	FY2025 target	FY2026 target	FY2027 target	
Key financial indicators	Net sales	66.4 billion yen	75.8 billion yen	104.1 billion yen	
	Ordinary profit	3.2 billion yen	3.5 billion yen	6.0 billion yen	
	ROIC	8.7%	9.0%	11.8%	14.0%
	Operating cash flow	1.7 billion yen	3.7 billion yen	3.9 billion yen	4.8 billion yen
	Overseas sales ratio	15.4%	15.6%	16.0%	18.0%
Shareholder return targets	Dividend payout ratio	45%	45%	45%	
	Dividend per share	89 yen	94 yen	127 yen	164 yen



Hakudo's Business

Hakudo is a trading company specializing in non-ferrous metals, steel, and plastic materials.

Aluminum accounts for the highest percentage of sales, and the semiconductor and FPD manufacturing equipment industry accounts for approximately 40% of sales.

Standard stock items

This business involves processing our in-house stock of plates, bars, and pipes of aluminum, copper, stainless steel, and more into the size and shape requested by the customer and delivering it as early as the next day.

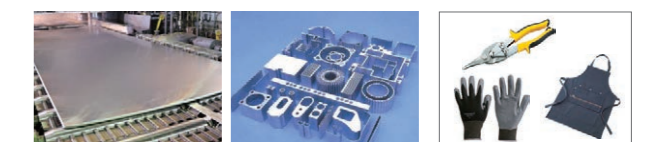


Hakudo stock items

Special order items

This business involves partnering with material manufacturers and parts processing manufacturers to deliver custom materials and processed parts.

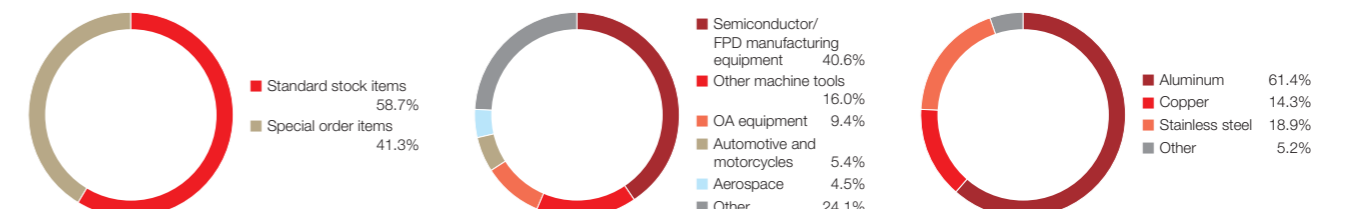
Subsidiary materials (screws, work gloves) and other companies' stock items are also classified as special order items.



Custom-made materials and processed products

Subsidiary materials

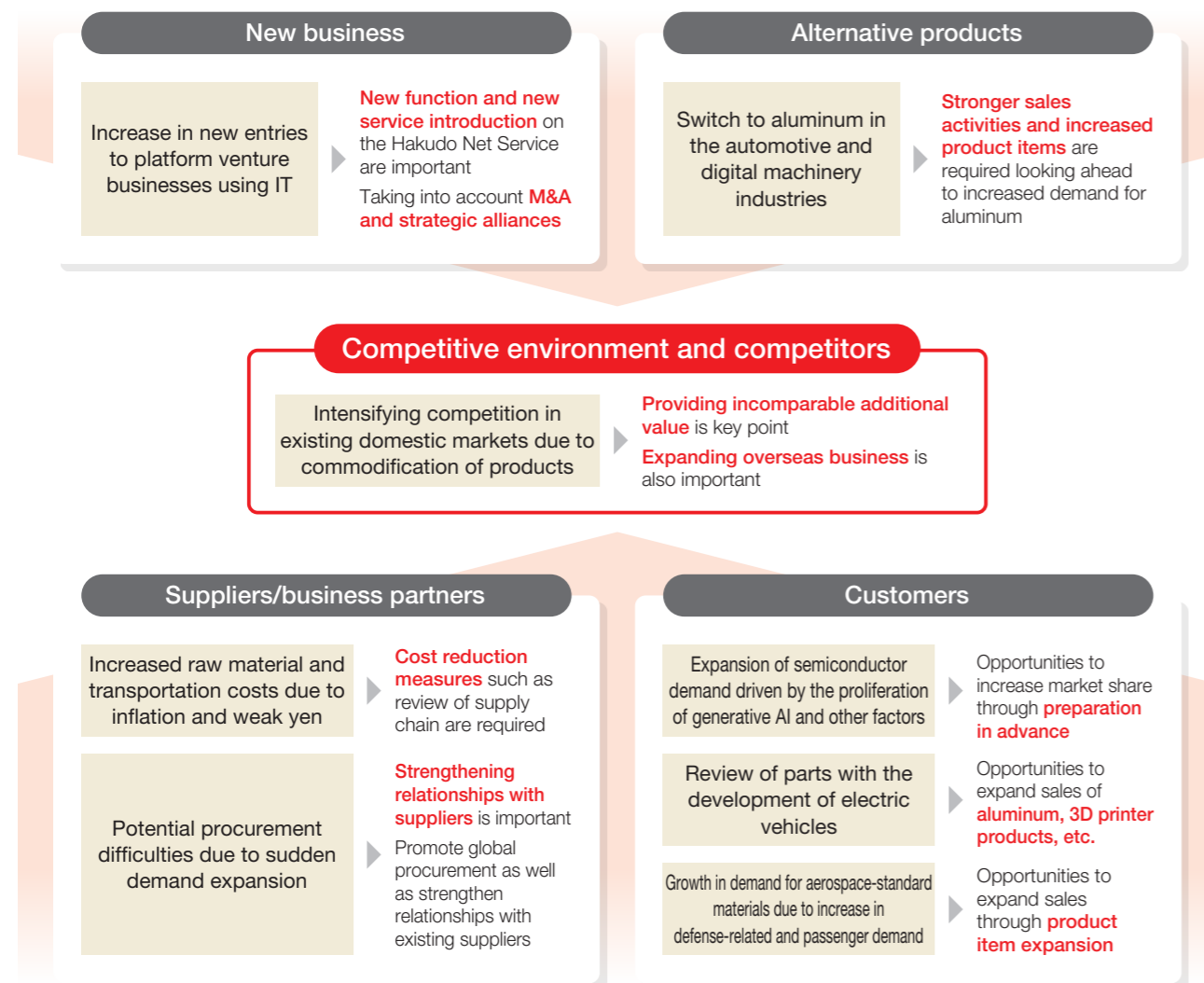
Net sales ratio by segment (FY03/25 results)



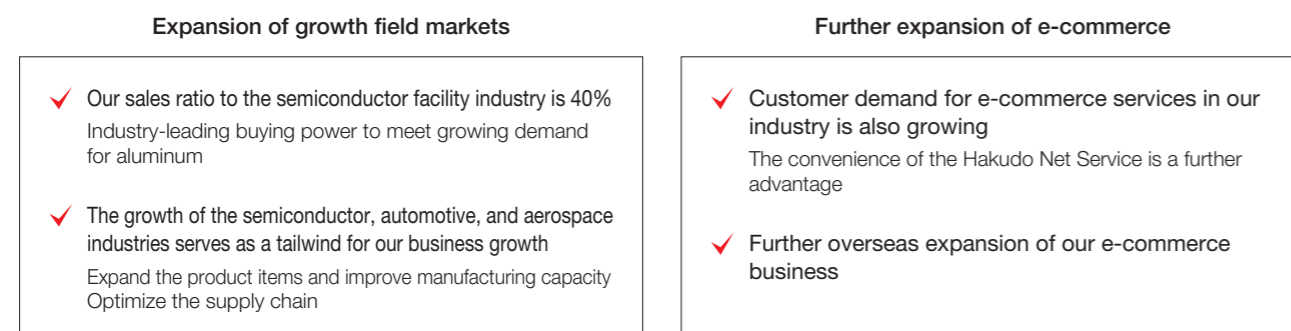
New Medium-Term Management Plan

Assumptions About the External Environment

We will adapt to the accelerating changes in the external environment as we pursue continued growth.



Future business opportunities in terms of external environment

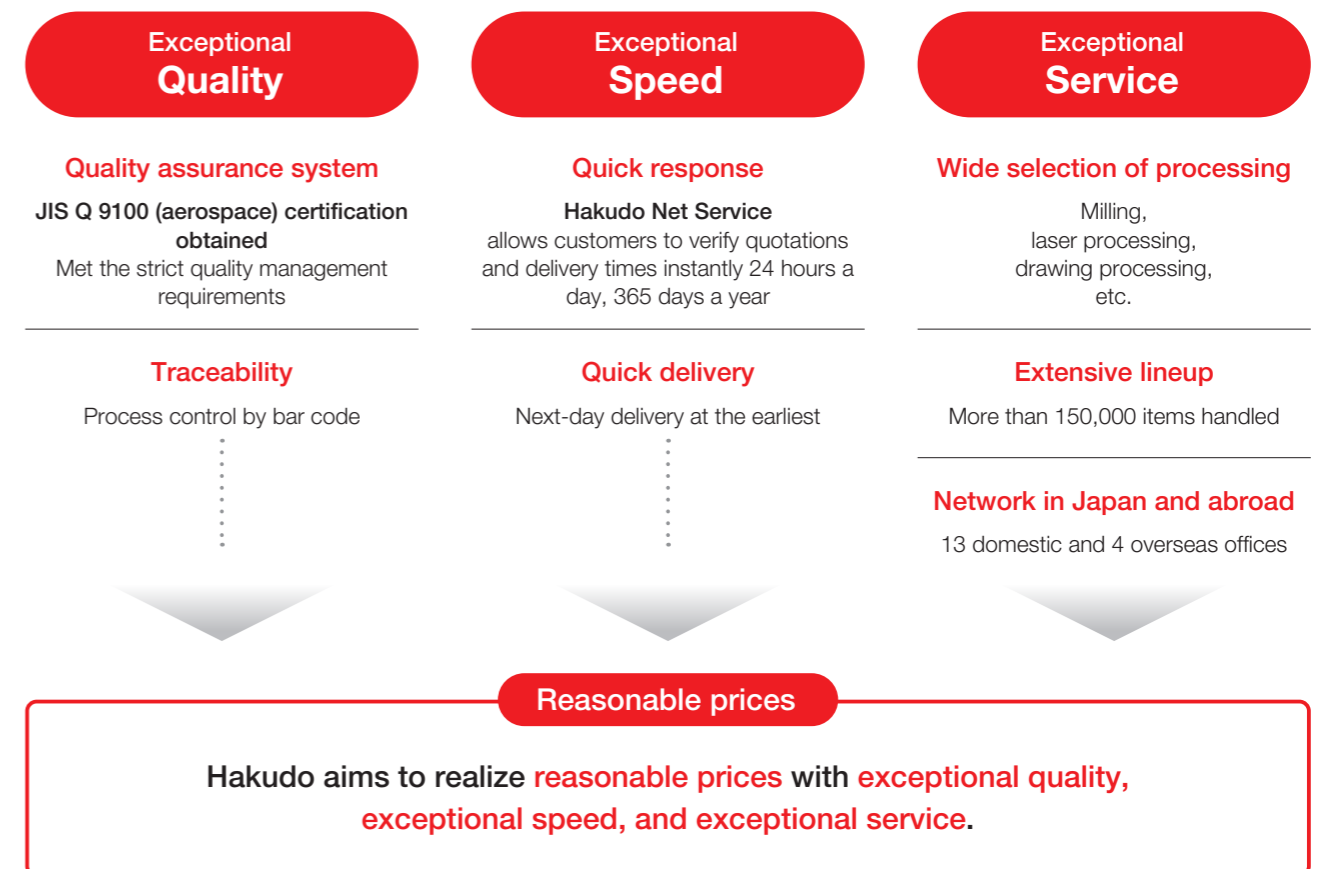


Hakudo's Growth Potential Based on Internal Resources

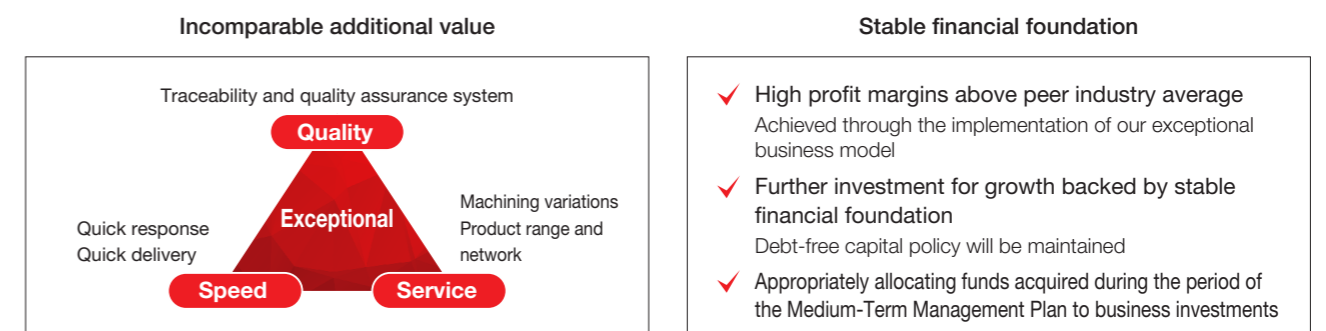
Adding the external environment to the added value created through exceptional quality, speed, and service serves an opportunity to boost business performance.

The three exceptionals at Hakudo

We leverage our "three exceptionals"—exceptional quality, exceptional speed, and exceptional service—as strengths to achieve reasonable prices.



Hakudo's growth foundation given our internal resources



Deepen Core Businesses

In an effort to deepen core business, we have established three measures: evolving the Hakudo Net Service [P. 17](#), expanding processing functions and product range, and reforming process centers and SCM.

Boost Manufacturing Capacity and Efficiency Through Process Center and SCM Reforms

We aim to become “the top plant in the industry” by upgrading our supply chain from procurement to delivery, and by improving production efficiency through the promotion of automation and the use of IoT.

Standard stock items	Implementation period	Purchase	Stock	Order	Process	Delivery
Strengthening of procurement functions	Ongoing	<ul style="list-style-type: none"> Review of suppliers and reduction of purchase prices Product placement optimization and improved on-time delivery rates with some manufacturers 				
Process center transfer and new start-up	New Saitama Process Center is scheduled to begin operations in FY2025				<ul style="list-style-type: none"> Increase in capacity by launching new process centers (Fukuoka, Saitama) Improvement of operating efficiency by transferring inventory products 	
Process and warehouse automation equipment development and installation	Automation equipment is scheduled to be installed in FY2025, with continued implementation considered thereafter				<ul style="list-style-type: none"> Development and introduction of cost-effective process automation equipment under consideration Consideration of installing an automated warehouse for some products 	
Reorganization and functional assignment of the manufacturing management division	Ongoing				<ul style="list-style-type: none"> Separation of planning and management functions and maintenance of SQDC Reinforcement of process center organizational infrastructure 	
Continuous review of logistics delivery network	Ongoing					<ul style="list-style-type: none"> Addressing Japan's 2024 Logistics Problem Review of logistics network
Reduction of electricity consumption	Solar panels are scheduled to be installed at Saga Process Center in March 2026				<ul style="list-style-type: none"> Utilization of self-generated electricity by installing solar panels Reduction of standby power, which accounts for about 1/3 to 1/4 of total power consumption 	
Increase in manufacturing management personnel and strengthening of front-line workers	Ongoing				<ul style="list-style-type: none"> Recruitment of strategic human resources Increase in personnel for planning and management functions Expansion of comprehensive and systematic education system 	
Hakudo Net Service ordered items (special order items)	Ongoing					<ul style="list-style-type: none"> Expansion of items handled

Increase Additional Value and Sales Through Expanding Processing Functions and Product Items

We will expand supply capacity by expanding in-house processing facilities and strengthening alliances with processing companies.

Aggressively expanding product lineup is also aimed at increasing sales.

Measures for sales expansion

Expand processing functions	Expand product items	Improve service level
<ul style="list-style-type: none"> Enhance parts machining services and strengthen sales of precision machined parts Promote the automation of quotation for machined products based on CAD data Strengthen virtual supply capacity Strengthen alliances with processing companies and expand cooperative plants 	<ul style="list-style-type: none"> Find more suppliers for materials such as titanium and Inconel other than aluminum Increase items for subsidiary materials 	<ul style="list-style-type: none"> Increase user friendliness of the Hakudo Net Service to improve order success rate through careful customer follow-up activities Further deepen areas of expertise through organizational restructuring and personnel reinforcement Actively utilize new marketing media and strengthen external communications, including B-to-C.

Expand Business Domains

We will implement sales expansion measures in the semiconductor, automotive, and aerospace fields and expand overseas business to achieve the FY2027 overseas sales target.

Semiconductor, Automotive, and Aerospace Domains

The company aims to expand the business performance of semiconductor, automotive, and aerospace industries in which political and external environmental factors give major impacts on us by capturing market trends in a timely manner and strengthening cooperation with suppliers.

Field	Sales expansion measures in each field	FY03/25 sales ratio
Semiconductor field	<ul style="list-style-type: none"> Capturing semiconductor market conditions, future trends and demand outlook in a timely manner Further deepening relationships with device manufacturers Securing multiple suppliers for stable procurement based on country risk and other factors Making a progress monitoring by customer and sales performance 	<p>40.6%</p> <p>Consolidate semiconductor-related sales destinations into a specialized department to build a system for accumulating industry knowledge</p>
Automotive field	<ul style="list-style-type: none"> Capturing EV market trends and supportive policy supports by governments Surveying market needs for thin sheet, coil material (slit material), and laser cutting Strengthening sales activities by utilizing 3D printers Implementing continuous PR activities including participation in industry exhibitions and advertisements in industry newspapers 	<p>5.4%</p> <p>Leverage metal 3D printers to acquire new automotive customers and expand sales of other products</p>
Aerospace field	<ul style="list-style-type: none"> Creating industry maps for private and public sector demand, and promptly responding to changes in economic conditions Cultivating overseas suppliers for materials other than aluminum, such as titanium, Inconel, and Hastelloy Strengthening sales activities for new products based on customer needs Implementing continuous PR activities including participation in industry exhibitions and advertisements in industry newspapers 	<p>4.5%</p> <p>Collaborate with WCAS to bolster imports of aerospace standard materials by international manufacturers</p>

Overseas Business

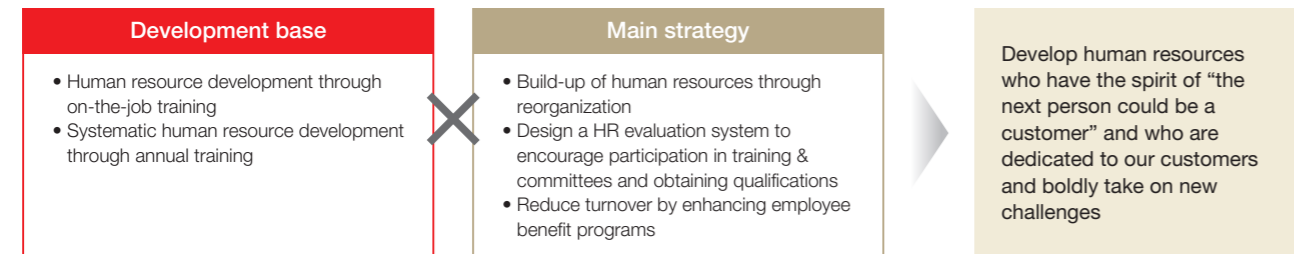
We established the Overseas Sales Division to ensure that sales to overseas customers reach 18.7 billion yen by FY2027, and to speed up information sharing and decision making between offices. We also aim to increase added value and profit margins by developing e-commerce sites and cutting and processing business.



Strengthen Management Foundation

We will work on strengthening human capital, governance structure, DX promotion as a management foundation to support the evolution of our business.

Raise the skill level and motivation of employees by strengthening human capital



Reinforcing our governance and management system



Streamline operations and drive business reform through DX promotion

The DX we aim for

Productivity and business value improvement

Development and utilization of DX human resources

Establish data accumulation and analysis infrastructure

- Productivity and business value improvement through the development and utilization of digital transformation human resources
- Develop new digital transformation human resources by accumulating data and establishing an analysis infrastructure

Digital transformation initiatives

- Digital transformation with customers**
 - Addition of Hakudo Net Service functions
 - Automatic quotation and order function for “metal 3D printer modeling”
 - “Draw to Estimate/Order” function that allows users to specify complex processing such as drilling on the Web
 - “Material Acquisition Assist” for automatic estimation and ordering of materials from 3D CAD data
 - “Estimate/Order with Data” function for estimating and ordering machining fees from 3D CAD data
- In-house digital transformation**

DX initiatives	Details	KPIs
Productivity improvement	<ul style="list-style-type: none"> Improvement of manufacturing efficiency by introducing equipment such as automatic processing machines Reduction of work and cost by introducing RPA 	Standard time achievement rate Amount of costs reduced
Business value improvement	<ul style="list-style-type: none"> Transition to a sales system that is not dependent on human resources Information dissemination and customer development through the introduction and operation of digital marketing tools 	The number of newly acquired customers Account utilization rate Order acceptance rate Sales/profit per person
DX human resource development	<ul style="list-style-type: none"> Operation of business improvement projects Training to increase employee IT literacy 	Number of qualified employees

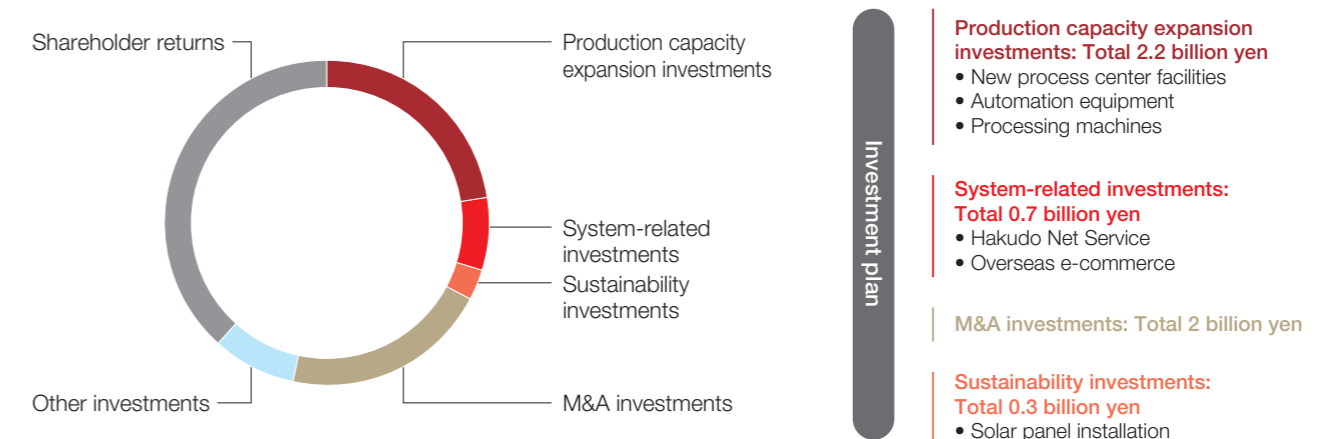
Capital Management Policy

We strive to achieve sustainable growth and maximize shareholder value by appropriately allocating funds acquired during the period of the Medium-Term Management Plan to business investments and shareholder returns.

Cash allocation

In the Medium-Term Management Plan, we plan to invest a total of approximately 6 billion yen, with approximately 2.2 billion yen allocated to production capacity expansion investments, approximately 0.7 billion yen to system-related investments, approximately 2 billion yen to M&A investments, and approximately 0.3 billion yen to sustainability investments.

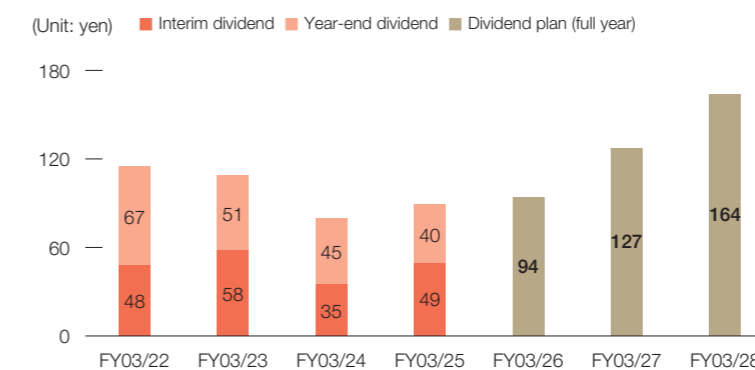
Hakudo is taking steps to achieve management that is conscious of capital costs. Our cost of equity capital is calculated based on CAPM (Capital Asset Pricing Model), which in our recognition ranges between 6.0 to 9.0% due to fluctuations based on differences in assumptions and when calculations are performed. We also make investment decisions internally by referring to the cost of capital calculated each period.



Shareholder return strategies

Hakudo positions appropriate profit distribution to shareholders as one of management’s most important priorities and follows a basic policy of distributing performance-backed results while strengthening our financial position and building internal reserves for future business development. Based on this basic policy, dividends are distributed at a payout ratio of 45% for the full year or 80 yen per share annually, whichever is higher.

Going forward, we will continue working from a medium- to long-term perspective to achieve sustainable growth, improve corporate value, and increase shareholder value.



Dividend policy

In principle, dividends are distributed at a payout ratio of 45% or more for the full year or a minimum of 80 yen per share annually, whichever is higher

Sustainability Management

Hakudo promotes sustainability initiatives across all aspects of our business activities in an effort to be a company that contributes to society and is trusted by all, as stated in our management philosophy.

Basic Policy on Sustainability

The Hakudo Group recognizes the crucial importance of facilitating sustainability management that considers ESG, the SDGs, etc. in line with Hakudo's management philosophy as set forth in its corporate philosophy and is committed to enhancing its value while helping to achieve a sustainable society by focusing on the following points in its business activities.

1. We build a deeper understanding of sustainability management that includes consideration for ESG/SDGs and work to contribute to the environment and society through business.
2. We strive to conserve the global environment and nature, prevent global warming, and build a circular economy.
3. We promote employee health while achieving diverse human resource development, hiring, and working styles.
4. We improve the soundness, efficiency, and transparency of the Group in order to address a wide variety of risks.
5. We strive to strengthen relationships with all stakeholders related to the Group's businesses.
6. We implement initiatives that contribute to building a society where all members can live with peace of mind.

Sustainability Management Promotion System

The Committee has created a system of 10 subcommittees based on the three elements of ESG (environment, society, and governance) that work on specific initiatives allocated based on the 17 goals in the SDGs.

Currently, the ESG/SDGs Management Committee, composed of eight subcommittees, plays a central role in providing activity reports to management meetings and the Board of Directors once per quarter.

Basic policies, sustainability targets, and other issues for consideration are discussed in order to promote sustainability at the Hakudo Group.



<Committee discussions>

- Sustainability disclosure investigation reports
- Eco Mark product review report
- Installation of solar panels on Saga Process Center roof
- Introduction of internal carbon pricing
- Reports on purchasing FIT (feed-in tariff) non-fossil certificates

Material Issues and Basic Approach

By undertaking the following material issues under the Basic Policy on Sustainability, we will continue contributing to society and also strive to continually increase corporate value.

Material issues	Initiatives	FY03/27 objectives	FY03/27 KPIs	State of progress as of Q4 FY03/25
1. Reduce environmental impact and respond to climate change	Reduce CO ₂ emissions	<ul style="list-style-type: none"> 90% reduction by FY2030 (compared to FY2020) Promote specific reduction measures for achieving carbon neutrality by FY2050 	<ul style="list-style-type: none"> CO₂ emissions CO₂ emissions reduced through in-house initiatives 	<ul style="list-style-type: none"> Started operation of solar panels at Fukushima Process Center Introduced six battery electric vehicles (BEVs) Achieved FY2024 CO₂ emission reduction target (42% reduction compared to FY2020)
	Improve manufacturing efficiency	<ul style="list-style-type: none"> Continue to contribute to society by conserving and reducing the depletion of natural resources and curbing environmental pollution Improve delivery efficiency Reduce industrial waste Lower scrap rates 	<ul style="list-style-type: none"> Power consumption Freight cost reduction rate Amount of waste 	<ul style="list-style-type: none"> Reduced standby power for equipment Implemented efforts to increase delivery efficiency, including supply chain restructuring Introduced environmentally friendly packaging materials Continued implementing measures to recycle oil from cutting
	Promote paperless offices	<ul style="list-style-type: none"> 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"> Reduced paper and toner cartridge usage through digitization of meeting materials
2. Build responsible supply chains	Strengthen environmentally friendly products	<ul style="list-style-type: none"> Contribute to society through management that considers environmental impact Plan, introduce, and ensure stable supply of products with low environmental impact (eco-friendly products, etc.) 	<ul style="list-style-type: none"> Eco-friendly product sales weight 	<ul style="list-style-type: none"> Grow eco-friendly product sales and enhance the eco-friendly product lineup
	Promote green procurement	<ul style="list-style-type: none"> Contribute to society by ensuring that suppliers comply with the Hakudo Green Procurement Guidelines 	<ul style="list-style-type: none"> Number of memorandums of understanding signed with suppliers on compliance with the Green Procurement Guidelines 	<ul style="list-style-type: none"> Disclosed Green Procurement Guidelines on the website and signed agreements with business partners
	Strengthen relationships with suppliers	<ul style="list-style-type: none"> Contribute to society by cooperating with suppliers and implementing CO₂ reduction measures Promote CO₂ reductions throughout the supply chain 	<ul style="list-style-type: none"> Discover green aluminum suppliers Discover recycled aluminum suppliers 	<ul style="list-style-type: none"> Sales of ECO63S Square Bar with reduced CO₂ emissions Consider introducing products with reduced CO₂ emissions
3. Strengthen activities targeting society	Respect human rights	<ul style="list-style-type: none"> Contribute to society by working with supply chain partners to promote human rights awareness in management 	<ul style="list-style-type: none"> Create and implement a human rights policy within the company 	<ul style="list-style-type: none"> Implemented human rights due diligence Raised awareness of the Hakudo Group Human Rights Policy Disclosed sustainable supply chain guidelines on the website and signed agreements with business partners Started supplier questionnaires
	Contribute to future generations	<ul style="list-style-type: none"> Support the advancement of manufacturing culture and human resource development in Japan Contribute to the development of next-generation technologies and the strengthening of human resources 	<ul style="list-style-type: none"> Number of industry-academia partnership projects considered 	<ul style="list-style-type: none"> Visited university research laboratories to explore possible partnership projects Organized process center tours for students Provided support for metal materials to students participating in Student Formula and Robot Contest (ROBOCON) competitions
	Contribute to society	<ul style="list-style-type: none"> Contribute to a sustainable society Instill a sense of pride in employees and earn the trust of society 	<ul style="list-style-type: none"> Community and organizational contribution efforts 	<ul style="list-style-type: none"> Received commendation from the Cabinet Office related to the Medal with Dark Blue Ribbon for donation achievements Continued donations through charity vending machines Collected books within the company and donated used books Donated to the Japanese Red Cross Society (Noto Peninsula Earthquake Relief Fund) Donated to the Scholarship Foundation for Traffic Accident Orphans
4. Invest in human resources	Increase employee satisfaction	<ul style="list-style-type: none"> 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"> Turnover rate Average overtime hours Paid leave take-up rate Parental leave take-up rate among male employees 	<ul style="list-style-type: none"> Creating an environment that makes taking paid leave easier Considered improvement measures based on surveys regarding employee benefits Continued support for promoting sports club utilization
	Promote diversity	<ul style="list-style-type: none"> Increase organizational productivity and competitiveness by hiring and utilizing diverse human resources 	<ul style="list-style-type: none"> Employment rate of people with disabilities Percentage of women in managerial positions Percentage of foreign nationals in managerial positions 	<ul style="list-style-type: none"> Promoted continuous employment for people with disabilities by implementing workplace experience programs Considered implementing training for female managers and female manager development training Actively recruited foreign nationals as employees
	Create a good, healthy work environment	<ul style="list-style-type: none"> Promote mental and physical health of employees Improve level of satisfaction in social life 	<ul style="list-style-type: none"> Percentage of high-stress workers Number of harassment incidents Workplace accident frequency rate 	<ul style="list-style-type: none"> Continued promotion of health-focused management (acquired Silver Certification for Excellent Health Company) Analyzed high-stress factors based on survey results Implemented counseling by specialists Proactively preventing near misses through stronger workplace inspections
5. Enhance corporate governance	Enhance employee education	<ul style="list-style-type: none"> Provide knowledge and skills necessary for business operations Provide opportunities to acquire knowledge and skills 	<ul style="list-style-type: none"> Training cost per employee 	<ul style="list-style-type: none"> Implemented education based on annual education plans Enhanced new employee training
	Eliminate violations	<ul style="list-style-type: none"> Conduct education aiming for zero tolerance 	<ul style="list-style-type: none"> Zero compliance violations 	<ul style="list-style-type: none"> Implemented compliance training Implemented compliance comprehension checks
	Confirm policy compliance status	<ul style="list-style-type: none"> Ensure compliance with each policy Hakudo Group Human Rights Policy Privacy Policy Basic Policy on Corporate Governance Basic Policy on Sustainability Basic Policy on Disclosure Internal Workplace Environment Improvement Policy Education and Human Resource Development Policy 	<ul style="list-style-type: none"> Confirm compliance status with the policies to the left 	<ul style="list-style-type: none"> Distributed educational videos to increase compliance among all employees Distributed policy guidebooks
6. Promote internal dissemination activities of the ESG/SDGs Management Committee	Enhance responses to business risks and disasters	<ul style="list-style-type: none"> Conduct thorough assessment of business risks and review BCP 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 Confirm disaster preparedness Confirm disaster preparedness at all business locations 	<ul style="list-style-type: none"> Reviewed risk assessment points Implemented company-wide safety confirmation drills Implemented disaster preparedness training Considered enhanced flood countermeasures at process centers
	Promote internal dissemination activities	<ul style="list-style-type: none"> Enhance company-wide consciousness toward ESG/SDGs management Conduct educational activities and events related to ESG/SDGs 	<ul style="list-style-type: none"> Penetration rate of ESG/SDGs among employees Cumulative number of episode contest entries 	<ul style="list-style-type: none"> Facilitated employee communication through the introduction of thank-you cards Distributed ESG/SDGs-related posters, books, and videos Researched reforestation and environmental volunteer activities Participated in cleanup activities around company facilities
7. Develop new products and services related to ESG/SDGs	Make products and services concrete	<ul style="list-style-type: none"> Develop new products and services 	<ul style="list-style-type: none"> Number of new products and services introduced 	<ul style="list-style-type: none"> Started intermediary sales of FIT Non-Fossil Certificates Considering CO₂ offset-related products and services

Response to Climate Change

Response and Basic Approach to Climate Change

The Hakudo Group positions sustainability management as a critical management issue and promotes these initiatives through proactive data disclosure. We will continue to create an even stronger response to sustainability across all of our business activities.

As a concrete initiative for climate change, we disclose the following data on the four elements of governance, strategy, risk management, and metrics and targets, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Governance

Matters related to sustainability-related risks and opportunities are reported by the ESG/SDGs Management Committee through management meetings to the Board of Directors and also directly to the Board of Directors as needed, with the Board of Directors monitoring. Management meetings chaired by the President and Representative Director help to supervise sustainability risks and opportunities.

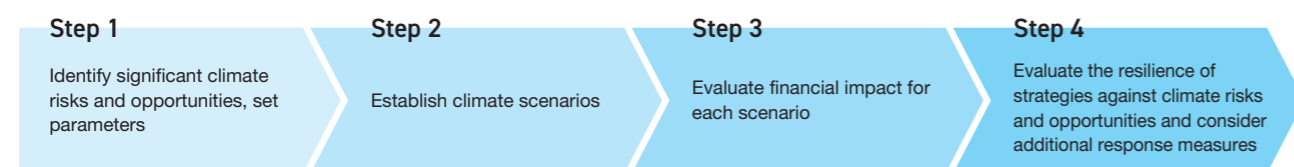


Strategy

Reference scenarios

Category	Scenario overview	Main reference scenarios
1.5°C/Under 2°C scenario	Scenarios in which global CO ₂ emissions reach net zero by 2050 and global temperature rise from pre-industrial levels is limited to 1.5°C, or in which policies and regulations for achieving a decarbonized society are implemented and temperature rise is limited to under 2°C. Transition risks are high, but physical risks are lower than the 4°C scenario.	<ul style="list-style-type: none"> IEA World Energy Outlook 2023, Net-Zero Emissions by 2050 Scenario APS (Announced Pledges Scenario)
4°C scenario	A scenario where no new policies or regulations are introduced and global CO ₂ emissions from energy continue to rise. Transition risks are low, but physical risks are high.	<ul style="list-style-type: none"> IPCC RCP 8.5

Scenario analysis steps



- Step 1:** Extract climate risks and opportunities; Evaluate high-importance risks and opportunities; Set parameters related to high-importance risks and opportunities.
- Step 2:** Based on information from Step 1, identify scenarios with high relevance among existing scenarios; Establish climate scenarios (vision of society).
- Step 3:** Based on the scenarios established in Step 2 as well as the major climate risks and opportunities and relevant parameters identified in Step 1, analyze financial impact for each scenario.
- Step 4:** Evaluate the resilience of company strategies against climate risks and opportunities; Consider additional response measures.

Risk Management

Risks/opportunities identified, hypothetical financial impact for FY2030, and our response

Category	Type	Details	Business/financial impact		Our response
			1.5°C/Under 2°C	4°C	
Risks	Policy/rule	Increased costs to deal with the introduction of carbon taxes, etc.	Minor	Minor	Continue reviewing electricity purchasing sources and consider introducing renewable energy, including self-generated power.
	Technology	Decreased sales of existing products due to emergence of new materials (renewable materials, etc.)	Minor	Minor	Expand the eco-friendly range of products with lower CO ₂ emissions in the manufacturing process for a lower environmental toll to increase customer choices and avoid declining sales. Review product portfolio and sales strategies as necessary.
	Market	Increased costs of existing raw materials (copper/aluminum) due to rising demand for decarbonization	Minor	Minor	Work with suppliers to minimize rising costs for raw materials due to changes to the manufacturing process due to decarbonization. Reflect this in sales prices as well after having instilled in customers an understanding of the lower environmental impact.
	Reputation	Poor company reputation due to insufficient data disclosure or insufficient climate change response	Medium	Medium	Prevent us from getting a poor corporate reputation by diversifying TCFD data disclosure methods and increasing data disclosed for TCFD initiatives.
Physical risks	Acute	Increased risk of damage to buildings or interruptions to business due to increasing intensity and frequency of wind/flood damages	Medium	Medium	Create stronger BCP measures and focus on flood risk as selection criteria for location when expanding or constructing process centers in the future.
		Risk of delayed deliveries due to disruptions to transportation networks	Minor	Minor	Create redundancies in transportation networks as part of our BCP and disperse process centers and inventory to improve disaster resilience in manufacturing and distribution.
Opportunities	Resource streamlining	Fundamental review of the supply chain (joint delivery, etc.)	Minor	Minor	Aim to reduce CO ₂ emissions in delivery networks for materials and shipment of products. Work with transportation companies to further improve delivery network efficiency and promote electrification truck alongside joint deliveries.
	Energy sources	Reduced electricity costs through the use of renewable energy and self-generated power	Minor	Minor	We have begun installing solar panels at our process centers. We will also continue considering the possibility of purchasing electricity generated from renewable energy.
	Products and services	Increase in new demand for low-carbon products	Minor	Minor	Expand the eco-friendly range of products with lower CO ₂ emissions in the manufacturing process for a lower environmental toll to meet demand from environmentally aware customers.
	Market	Increased sales of copper and aluminum due to rising demand from decarbonization	Minor	Minor	Expand the eco-friendly range of products with lower CO ₂ emissions in the manufacturing process for a lower environmental toll to match the growing market for decarbonized copper and aluminum products and increase customer choices to boost sales for decarbonized products.
	Resilience		Increased market value and differentiation as a company progressive on climate issues	Medium	Medium
Reduction of power consumption			Minor	Minor	Reduce standby power at our process centers and proactively work with equipment manufacturers to install new machinery and equipment in order to save energy.

Business/financial impact assessment criteria:

Major: Would significantly impact performance Medium: Would impact performance Minor: Would impact performance slightly

Metrics and Targets

As a result of working to achieve our CO₂ emission reduction targets through energy-saving efforts as well as use of renewable energy and FIT Non-Fossil Certificates, we achieved our target of reducing carbon emissions by 42% from FY2020 levels by FY2030 ahead of schedule in FY2023 and FY2024.

Based on these results, we changed our targets to “reduce CO₂ emissions by 90% from FY2020 levels by FY2030” and “achieve carbon neutrality by FY2050.”

CO₂ emissions reduction targets based on Scopes 1, 2, and 3

Scope	Applicability	Base year	Target year	Reduction targets
Scopes 1 & 2	Hakudo Group	2020	2030	Before the change: 42.0% reduction compared to FY2020 After the change: 90.0% reduction compared to FY2020
Scopes 1 & 2	Hakudo Group	2020	2050	Achieve carbon neutrality
Scope 3	Consider setting emission reduction targets throughout the supply chain			

CO₂ emissions for the past 5 years based on Scopes 1, 2, and 3 (t-CO₂)

Scope	Applicability	FY2020 (base year)	FY2021	FY2022	FY2023	FY2024
Scopes 1 & 2	Hakudo Group ^{*1}	5,097	6,057	4,522 ^{*2}	2,902 ^{*2}	2,802 ^{*2*}
Scope 3	Hakudo Group	404,514 ^{*3}	540,011 ^{*3}	534,981 ^{*3}	408,982 ^{*3}	517,332

*1 Figures for six Hakudo Group companies are listed.

Figures for FY2022 and earlier do not include Hakudo USA Inc. and West Coast Aluminum & Stainless, LLC.

*2 The CO₂ emissions listed are those after using FIT Non-Fossil Certificates, which certify that electricity comes from renewable energy.

*3 For FY2020 to FY2023, CO₂ emissions for Hakudo alone are listed.

*4 FY2024 emissions have undergone third-party assurance. For details on the scope of third-party assurance, see the company website.

Response to Climate Change

Strategy Transition Plan

Period	Base year	Results for the current year	Medium-Term Management Plan target (through FY2027)	Medium-term target (through FY2030)	Long-term target (through FY2050)
CO ₂ emissions Scopes 1 & 2**	FY2020 results 5,097 t-CO ₂	FY2024 results 2,802 t-CO ₂	FY2027 target 2,038 t-CO ₂ (60% reduction compared to FY2020)	New FY2030 target 509 t-CO ₂ 90% reduction compared to FY2020	FY2050 target Carbon neutrality
Key measures	Promote energy saving <ul style="list-style-type: none"> Reduce standby power used by process center equipment Convert process center lighting to LED 				
	Promote the use of renewable energy <ul style="list-style-type: none"> Install solar panels at process centers Convert company vehicles to EVs or HVs Use FIT Non-Fossil Certificates or carbon credits 				
	Foster awareness within Hakudo by introducing internal carbon pricing Further promote the use of renewable energy Proactively utilize new technologies				
CO ₂ emissions Scope 3	FY2020 results 404,514 t-CO ₂ *2	FY2024 results 517,332 t-CO ₂ *3	Consider setting emission reduction targets throughout the supply chain		

*1 Figures for six Hakudo Group companies are listed.

Results for FY2020 do not include Hakudo USA Inc. and West Coast Aluminum & Stainless, LLC.

*2 Figures for Hakudo alone are listed.

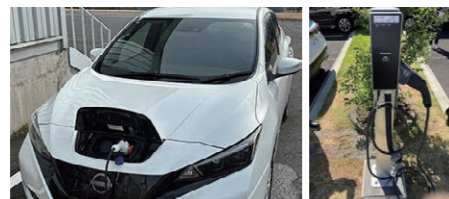
*3 Figures for six Hakudo Group companies are listed.

Concrete Initiatives

Hakudo recognizes that responding to climate change is a critical management issue and is working to reduce our environmental impact (reduce CO₂ emissions) with a focus on the following four areas.

- Reduce standby power used by process center equipment
- Convert company vehicles to electric vehicles
- Install solar panels at process centers
- Utilize FIT Non-Fossil Certificates

Examples of efforts



As of June 2025, we have introduced seven EVs and five charging stations at the Fukushima Process Center, Kanagawa Process Center, Shiga Process Center, Saga Process Center, Atsugi Sales Office, Kyushu Sales Office, and Fukuoka Process Center.



In January 2024, we installed solar power generation equipment (1,260 panels, generation capacity of 724.5 kW) and storage batteries at the Shiga Process Center. In January 2025, we installed solar power generation equipment (980 panels, generation capacity of 367.5 kW) at the Fukushima Process Center.

Examples of Sustainability Management Initiatives

In addition to contributing to society through manufacturing, Hakudo works on a broad range of efforts aimed at creating jobs through our company farm.

Products in the ECO series

Hakudo has for some time offered the ECO series of products, which contain zero to low levels of environmental pollutants such as lead, cadmium, or beryllium. In addition to this, we have recently added materials manufactured from recycled aluminum.

Sales of the ECO series have increased each year. We also donate a portion of the proceeds from sales of products in the ECO series. This combination of sales of environmentally friendly products and social contribution through donations is also part of an effort to raise employee awareness regarding our social contribution efforts.

Due to heightened awareness in sustainability across society in recent times, we believe demand for environmentally friendly products such as the ECO series will rise.

By enhancing a product range and increasing sales, we will continue ramping up our efforts to reduce CO₂ emissions and protect the environment going forward.

Environmental management system standard JIS Q 14001 certification

Hakudo has obtained JIS Q 14001 certification, a Japanese standard for environmental management system requirements, at five process centers in Kanagawa, Shiga, Fukushima, Kyushu, and Saitama since October 2023.

Examples of sustainability management initiatives

In addition to contributing to society through manufacturing, Hakudo works on a broad range of efforts aimed at creating jobs through our company farm.



Hakudo operates Hakudo Farm as part of an effort to promote employment for people with disabilities. Operations have been established in Yokohama, Kanagawa Prefecture and Misato, Saitama Prefecture, with approximately 30 varieties of vegetables cultivated, mainly leafy vegetables. The vegetables harvested are donated to children's food pantries or distributed to company employees.

Super Minimum Challenge is a project where small vehicles powered by 50 cc engines race to break speed records. It is held annually in Bonneville, Utah, USA. The motorbikes are made with aluminum materials provided by Hakudo, and in the 2019 competition, it set a new world speed record. Recently, 3D printed components have also been used.

The KOMATAISEN is a tournament where manufacturers from across Japan bring spinning tops they have created to compete. High school KOMATAISEN are also held in different prefectures. Hakudo provides materials to sponsor the Kanagawa Prefecture High School KOMATAISEN and more, contributing to the advancement of Japanese manufacturing.

Shitamachi Bobsleigh is a project centered on small town factories in Ota Ward to create world-class sleds and show the world Ota Ward's manufacturing ability as an industrial city. Hakudo provides materials for Shitamachi Bobsleigh free of charge, and a bobsleigh made with Hakudo materials placed 19th at the January 2023 World Championships.

(Photograph courtesy of the International Bobsleigh & Skeleton Federation (IBSF))

Human Capital Management

One of Our Five Commitments in the Hakudo corporate philosophy is “To Our Employees.”

To Our Employees

To create an environment where our employees can feel secure and take pride in being a member, pursuing happiness of our employees and their families. The pursuit of happiness is impossible without a work environment that provides security and a sense of pride. While the definition of happiness varies, our workers have people they love who love them back, and people they care about who care about them back, which is why Hakudo aims to bring the families of our workers joy and create a company everyone can take pride in.

Create Workplaces Where Employees Can Thrive

To create workplaces where employees find it even easier to thrive, we have identified potential risks posed by our business activities. We have set KPIs for the themes we identified and conduct regular monitoring to prevent risks and strive toward improvement. We have also expanded benefits for employees with parenting or caregiving responsibilities to boost employee productivity and motivation to serve customers by increasing employee satisfaction in an effort to increase influence on society (social contribution) and on company performance.



Develop Human Resources for Sustainable Growth

The Hakudo Group respects diversity in terms of age, nationality, gender, values, and disability, and strives to create an inclusive workplace where each and every employee can thrive.

Since FY03/23, we have disclosed human capital data, created annual education plans for each employee, and allocated costs for education as we work to develop human resources for the next generation.

Initiatives to Maximize Human Capital

At Hakudo, we believe that people are our greatest asset, which is why we focus on developing human resources. New employee training includes on-the-job training at our own process centers and customer centers as well as accompanying sales staff, taking about one year to build a foundation as a working professional. Even after employees have been formally assigned, we continue working on their medium- to long-term development through continuous monitoring.

We also encourage employees to obtain qualifications, subsidizing not only examination fees and study costs for acquiring qualifications but also providing rewards when employees pass qualification exams.

We establish an annual education plan for each employee, providing opportunities to acquire not only general knowledge as a working professional but also specialized knowledge needed in their assigned department.

Develop International Human Resources

We have also been particularly focused on developing international human resources in recent years. With subsidies for the cost of attending English conversation schools and also having started internal recruitment for international MBA programs, Hakudo has established a foundation to support employees who are eager to learn.

Human Capital Strategy and Major Initiatives

Theme	Strategy and major initiatives	Indicators	FY2023 results	FY2024 results	FY2027 target
Increase employee satisfaction	Boost employee productivity and motivation to serve customers by pursuing mental and physical wellbeing as well as increasing employee satisfaction, thereby increasing influence on society and on company performance. (Main initiatives) <ul style="list-style-type: none"> Adopt performance-linked bonuses and other measures to achieve fair and equitable treatment based on results Improve engagement through regular employee satisfaction surveys Enhance employee benefits (subsidize social gathering expenses, club activity expenses, etc.) Conduct follow-up interviews with new employees within three years of joining the company 	Turnover rate (all workers)	12.2%	7.9%	6.0%
		Annual paid leave take-up rate	71.3%	64.3%	90.0%
		Parental leave take-up rate among all male employees	85.7%	91.3%	100.0%
Promote diversity	Hire and utilize diverse human resources to boost organizational productivity and competitiveness. Aim to build an organization where diverse human resources can demonstrate their creativity by accepting one another for our differences in values and individuality as we grow together. (Main initiatives) <ul style="list-style-type: none"> Introduce post-retirement re-employment system up to age 70 Implement Japanese language education for foreign employees Proactively promote local hires to management positions at subsidiaries overseas Proactively promote female employees in job categories with high proportions of female employees to management positions Introduce reduced working hours system that surpasses legal requirements to support parenting workers 	Percentage of female employees in management positions ^{*1}	14.5%	14.5%	30.0%
		Percentage of mid-career hires in management positions ^{*1}	66.7%	63.8%	— ^{*2}
		Percentage of foreign employees in management positions ^{*1}	14.5%	11.6%	20.0%
Establish a safe and healthy work environment	Prioritize the safety and health of people above all else in all of our business activities. Promote the mental and physical health of each and every employee, create safe workplaces, prevent different forms of harassment, and otherwise establish a safe and healthy work environment. (Main initiatives) <ul style="list-style-type: none"> Cover costs for secondary health examinations Provide voluntary health examination subsidies for employees aged 45 and over and their spouses Implement sports club membership fee subsidy system Provide mental healthcare for employees through stress checks Conduct regular harassment training Implement reporting system that utilizes not only internal but also external institutions 	Workplace accident frequency rate ^{*3}	0.9	6.0	0
		Number of harassment incidents	1	1	0
Enhance employee education	The Employee Training Committee was established in July 2020 to develop and enhance educational systems for utilizing and developing diverse human resources. It also provides proactive support for employees who boldly take on challenges and strive for self-realization. (Main initiatives) <ul style="list-style-type: none"> Develop skill maps by hierarchy and department and build corresponding training systems Expand qualification acquisition incentive system Subsidize education costs for voluntary career development and skill development Introduce language training systems in Japan and abroad 	Annual investment in education per employee	87,000 yen	124,000 yen	150,000 yen

*1 Applies to consolidated companies. Other indicators apply to the reporting company.

*2 Since the percentage of mid-career hires in management positions is already high and is assumed to remain high, we have not set future targets.

*3 Frequency rate = Number of casualties from workplace accidents ÷ Total actual working hours × 1,000,000

Human Rights Due Diligence

The Hakudo Group has established the Hakudo Group Human Rights Policy that shows our responsibility regarding human rights. This policy is fundamental to our corporate activities and applies to all executives and employees at all Hakudo Group companies as a complement to the Group’s corporate philosophy.

Based on this policy, the Hakudo Group will take the utmost care to ensure that we do not violate the human rights of all stakeholders, and that human rights violations involving anyone related to our corporate activities are not overlooked.

The Hakudo Group supports and respects international standards on human rights and will strive to fulfill our responsibility to respect human rights in

accordance with the UN Guiding Principles on Business and Human Rights by addressing negative impacts on human rights that arise in our business activities and transactions.

To this end, we conduct human rights due diligence surveys by third-party organizations at business locations with a high proportion of foreign employees and implement human rights surveys for all employees, and in the event that we are found to be involved in something that directly or indirectly impacts human rights in a negative way, we will work on remedial and corrective measures while continuously verifying effectiveness.

Sustainability Initiatives by Employees

The Hakudo Group has established an ESG/SDGs Management Committee to deliberate and evaluate matters related to sustainability risks and opportunities. One of the eight subcommittees established under this committee, the Sustainability Management Promotion Subcommittee, conducts ESG and SDGs awareness activities and events in an effort to raise employee awareness of ESG and SDGs as a company.

The Sustainability Management Promotion Subcommittee has divided members into three teams, with each team considering how to spread awareness of company initiatives throughout the organization. My team creates announcement posters for the Basic Sustainability Policy and implements the Hakudo SDGs Poster Contest and the Thank You Card project to express gratitude to one another. When implementing each project, we make sure that any employee can participate. To promote awareness throughout the company, we need to attract the interest and attention of as many people as possible. For the poster contest, we allowed employees to vote and distributed ecologically friendly merchandise bearing the company logo to creators, with much greater participation than we expected. Hakudo also sells the ECO series of products, which contain no environmental pollutants. With inquiries from customers regarding the eco-friendly products on the rise and more and more people participating in our in-house eco-friendly products study sessions, I feel that interest in environmental issues has risen.



Employee S

The team I am part of implemented the first Sustainability Episode Contest last year. All employees can join, and the theme is open as long as it involves an episode related to sustainability, such as practices they follow for ESG and SDGs, things they focus on in everyday life, or points that resonate with them in the Basic Sustainability Policy. Since this was the first contest, I was concerned we might not receive that many submissions, but we received about 50 episode submissions, giving me a sense that awareness of sustainability is spreading throughout the company. Recently, I feel that employee reactions to the activities of our subcommittee have changed. Our awareness posters and recommended readings, which received no response when we first started, now generate more improvement suggestions and feedback. In my daily work, I avoid printing documents whenever possible, although it is a simple way. Since I work in the procurement department, I also collect information about sustainability initiatives for each company and new products when meeting with suppliers. Although it is not directly related to my work, I also bring my own water bottle every day. We are currently holding a Business Idea Contest to come up with new products and services related to sustainability. We are soliciting ideas from all employees. Rather than a top-down approach, we want to come up with bottom-up ideas that will delight customers and society at large.



Employee K

The team I participate in within the Sustainability Management Promotion Subcommittee introduces and distributes videos and books on ESG and the SDGs for internal use, as well as creates and distributes computer backgrounds. Past initiatives include introducing roughly one video a month from NIKKEI ESG Management Forum videos, short videos, and recommended movies, distributing five books on ESG and the SDGs to each department at a pace of about one book every few months, and distributing business card background images with SDGs logos for web meetings and screensavers along with setup instructions. We have received positive feedback from within the company, with comments such as "we can watch short videos easily during break time" and "the comic book style makes it easy to read." Posters created by our subcommittee and recommended books are displayed at each business location, creating an environment that makes ESG and the SDGs feel more accessible. However, I feel there is still room to improve awareness within the company, so we will continue promoting internal awareness efforts through the subcommittee. In my daily work, I strive to go paperless, avoid wasting paper, and wear an SDGs badge. I also focus on creating an atmosphere and relationships that allow department members to work together peacefully.



Employee F



Employee Y

Since I belong to the Manufacturing Department, I make an effort to provide feedback on ESG and the SDGs from the perspective of the process centers in my subcommittee activities. We have selected books and videos on the SDGs as a subcommittee team, placed them in each department, and encouraged viewing of videos. Through these efforts, I believe we have been able to instill knowledge on the SDGs widely throughout the company. The SDGs have become a more frequent topic of conversation in the workplace as well, so I feel that the SDGs have become more familiar through our everyday work. I myself have become more aware about taking whatever action I can, even in the smallest of ways, such as saving copy paper and conserving electricity. Moving forward, our goal is to further promote awareness of sustainability within the company while encouraging individual workers to think about what they can do based on their understanding of the SDGs.

Topics

Social Contribution Efforts at Hakudo

Awarded the Medal with Dark Blue Ribbon

Hakudo received the Medal with Dark Blue Ribbon for its donations to the Japan Committee for UNICEF. The Medal with Dark Blue Ribbon is awarded to individuals and organizations that donate private funds for the public good.

This award was received as a result of initiatives by Hakudo's ESG/SDGs Management Committee, in which we donate a portion of the proceeds from sales of our ECO series to UNICEF as a social contribution effort.

Hakudo also fosters awareness of social contribution among employees by conducting internal surveys to select donation recipients, an initiative carried out annually since FY2022.

Hakudo will not only continue these social contribution efforts going forward, but will communicate these initiatives to spark interest among our employees and business partners.



Speed skating

The Speed Skating Club was created in April 2022. It has two members, Takahiro Ito (right) and Riku Tsuchiya (left), national athletes selected for special training for the speed skating.



Hakudo supports both athletes who aim to win medals at the 2026 Milan-Cortina Olympics and contributes to the promotion of sports.

Installation of charity vending machines

Since November 2022, we have begun installing charity vending machines at our headquarters and the Kanagawa Process Center. 10 yen per beverage purchased is donated to the Fund to Support Children's Futures.



Fund to Support Children's Futures:

A fund created as part of the National Movement to Support Children's Futures, which aims to create a society where all children can grow up to achieve their hopes and dreams, promoted by the Cabinet Office, Ministry of Education, Culture, Sports, Science and Technology, etc. It is used to support the work of NPOs addressing childhood poverty.

Corporate Governance

Basic Approach

Hakudo and the Hakudo Group recognize the importance of ensuring transparency, fairness, and disclosure in management based on the Hakudo Group corporate philosophy.

Hakudo transitioned to a company with an Audit and Supervisory Committee with approval at the Annual General Meeting of Shareholders held on June 29, 2017.

Hakudo has also appointed four Directors who are Audit and Supervisory Committee Members and holds Audit and Supervisory Committee meetings monthly, while the Audit and Supervisory Committee Members also attend Board of Directors meetings and have established a system that allows them to adequately monitor whether the execution of duties by Directors and the management of the Board of Directors comply

with laws, regulations, the Articles of Incorporation, and internal regulations.

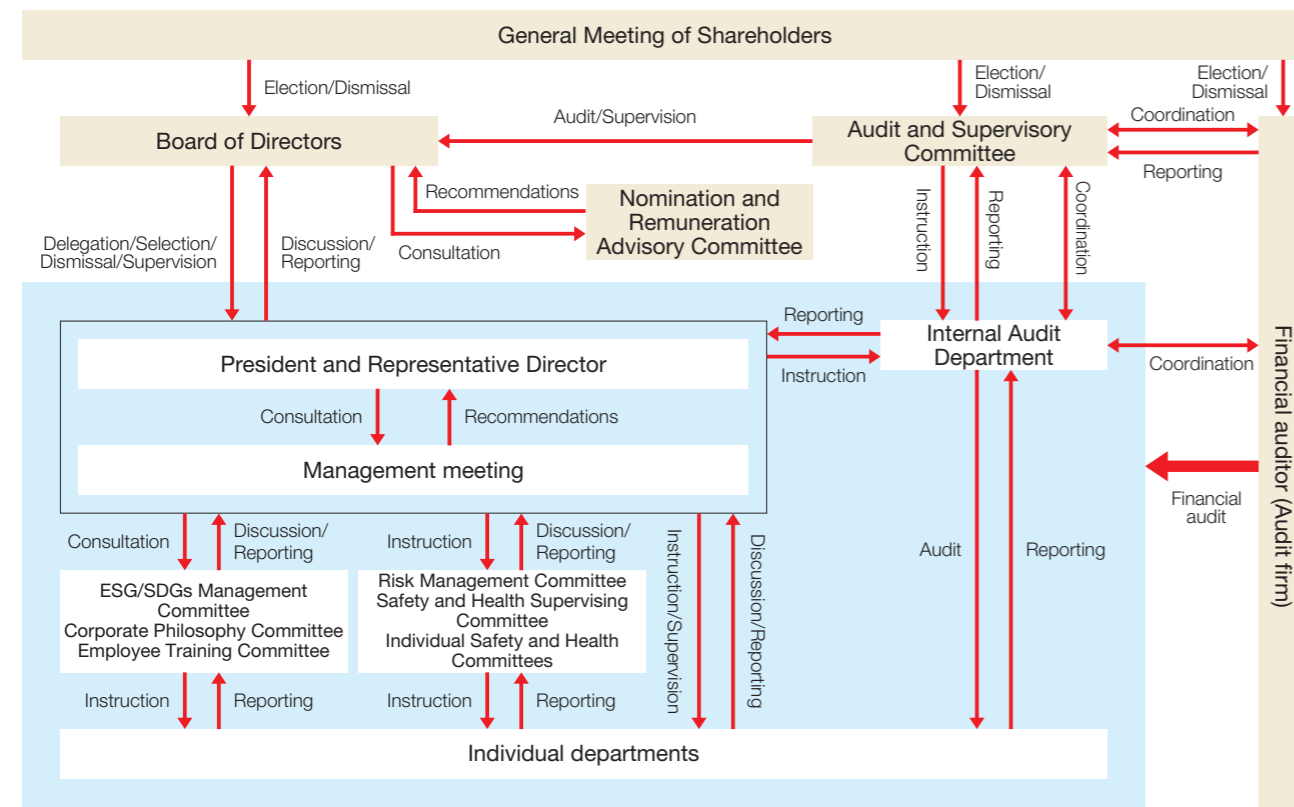
Hakudo has established the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors to ensure transparency and objectivity in matters relating to the nomination and remuneration of Directors and to further strengthen corporate governance.

Furthermore, we have also established the Internal Audit Department and conduct regular internal audits of all divisions based on an annual plan. The results of these are reported at monthly Board of Directors meetings.

Moving forward, we will continue to pursue the optimal management structure for the company and work to further strengthen corporate governance.

Corporate Governance Structure

Hakudo is a company with an Audit and Supervisory Committee, where outside Directors constitute a majority, in order to further strengthen the supervisory function of the Board of Directors over management and corporate governance and to improve the soundness and efficiency of management.



Board of Directors

In addition to making important management resolutions based on laws and regulations, the Articles of Incorporation, and Board regulations, the Board of Directors supervises the execution of duties by Directors.

■ Scope of delegation to management

The Board of Directors clearly stipulates the authority for approval, review, and consent for decision-making bodies and decision-makers such as the Board of Directors, the President and Representative Director, supervising directors, and general managers based on the Board of Directors regulations and the Regulations on Work Authority.

■ Operations

The Board of Directors strives to engage in open and constructive discussion and exchanges of opinion. The Board of Directors also distributes materials in advance (including materials other than Board of Directors materials), develops an annual Board of Directors schedule, and ensures adequate time for deliberation. Independent outside Directors also seek information from the company as needed, share information and understanding, and work together to participate in Board of Directors discussions from an independent and objective standpoint.

■ Composition

The Board of Directors consists of up to ten Directors (excluding Directors serving as Audit and Supervisory Committee Members) and up to four Directors serving as Audit and Supervisory Committee Members for separate supervision and execution based on our Articles of Incorporation. We also proactively appoint independent outside Directors to maintain and improve supervision of management and executive functions.

Chair Koji Tsunoda
President and Representative Director

■ Main areas of discussion

- Management strategy/sustainability/governance
- Financial results/finance
- Audit and Supervisory Committee/financial auditor
- Risk management/internal control/compliance
- Human resources
- Individual matters
- Regular reports

Audit and Supervisory Committee

The Audit and Supervisory Committee audits the state of business execution by Directors (excluding Directors who are Audit and Supervisory Committee Members), exercises authority regarding the election and dismissal of the financial auditor and audit remuneration, and otherwise actively exercises authority while expressing opinions and making appropriate decisions from an independent and objective standpoint. The Committee also receives timely and appropriate reports from the Directors on matters necessary for auditing and shares necessary information in conjunction with independent outside Directors.

■ Attendance at important meetings

Directors who are Audit and Supervisory Committee Members can attend management meetings and other important meetings as they strive to understand and monitor the state of management in a timely and accurate manner.

■ Composition

The Audit and Supervisory Committee is composed of up to four Directors who are Audit and Supervisory Committee Members in accordance with the company's Articles of Incorporation, the majority of which are outside Directors.

Chair Ryuichi Iwata
Director (Audit and Supervisory Committee Member)

■ Main areas of discussion

- Deliberation and resolutions on important matters related to auditing
- Auditing of important account items such as accounts receivable/accounts payable/inventory

Nomination and Remuneration Advisory Committee

The Board of Directors has established the Nomination and Remuneration Advisory Committee as its advisory body to ensure transparency and objectivity regarding the nomination and remuneration of Directors and to further strengthen corporate governance, and receives appropriate advice and involvement regarding the nomination and remuneration of Directors.

■ Operations

The Nomination and Remuneration Advisory Committee is held to ensure active and constructive deliberations, and reports as necessary to the Board of Directors meeting held after the Nomination and Remuneration Advisory Committee is held regarding the execution of duties and resolutions on recommendations or opinions.

■ Composition

The Nomination and Remuneration Advisory Committee is composed of five outside Directors (including four independent outside Directors) to ensure independence and objectivity.

Chair Junichi Furukawa
Outside Director

■ Main areas of discussion

- Activity planning
- Executive personnel
- Executive remuneration
- Governance

Corporate Governance

Management Meeting

Management meetings make decisions on and coordinate basic policies for business execution, fundamental plans, and other important management matters, while also deciding on and deliberating important business matters to be submitted to the Board of Directors. They also develop, investigate, deliberate, determine, and monitor the implementation of important matters to provide recommendations in response to inquiries from the President.

Operations

This meeting is held at least once a month at our headquarters and is convened as necessary.

Management meetings receive reports from related departments as necessary on matters related to company management, deliberate on important matters (including consideration, coordination, and consultation at this meeting), and make resolutions on deliberative matters at the discretion of the decision-maker.

Various Committees

Hakudo has established cross-departmental committees separate from our existing management structure to implement concrete measures for internal controls, risk management, and more. These committees serve as a link between management and departments, taking advice and instructions from management and developing these into concrete measures within individual committees, then providing instruction to the departments on their implementation. The committees have the departments report on implementation status and challenges for these measures, then regularly propose and report solutions to challenge and strategies for promoting measures to management.

Committee names

- ESG/SDGs Management Committee
- Corporate Philosophy Committee
- Employee Training Committee
- Risk Management Committee
- Safety and Health Supervising Committee
- Individual Safety and Health Committees

Executive Remuneration

At the Board of Directors meeting held on February 12, 2020, Hakudo made a resolution on the policy for determining individual Director remuneration, and at the Board of Directors meeting held on June 28, 2023, made a resolution to change the policy. In making these resolutions, the Board of Directors consulted with the Nomination and Remuneration Advisory Committee in advance on the content of the resolutions and received

recommendations.

The Board of Directors has also confirmed that the methods for determining individual Director remuneration for this fiscal year and the remuneration determined for Directors are consistent with the policy for determining remuneration resolved at the Board of Directors and that these respect the recommendations of the Nomination and Remuneration Advisory Committee.

Total remuneration by Director category, total remuneration by type, and number of eligible Directors

Director category	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)						Number of eligible Directors
		Basic remuneration	Performance-linked remuneration, etc.					
			Performance-linked bonus (A+B)	Performance-linked bonus C	Stock price-linked bonus	Special bonus		
Directors (excluding Audit and Supervisory Committee Members and outside Directors)	137	84	53	-	-	-	-	3
Directors (Audit and Supervisory Committee Members) (excluding outside Directors)	26	21	-	-	5	-	-	1
Outside Directors (excluding Audit and Supervisory Committee Members)	17	17	-	-	-	-	-	2
Outside Directors (Audit and Supervisory Committee Members)	24	24	-	-	-	-	-	3
Total	206	147	53	-	5	-	-	9

Board Effectiveness Self-Assessment

Hakudo conducts an annual analysis and evaluation of Board of Directors effectiveness to improve the function of the Board of Directors and discloses an overview of the results.

For FY03/25, we conducted a questionnaire survey of all Directors and analyzed and evaluated the effectiveness of the Board of Directors based on the opinions of outside consultants. As a result, we affirmed the proper management and efficacy of the Board of Directors at Hakudo. In efforts to improve board functionality, we saw improved evaluations for human resource strategy, which was identified as a challenge last year, through initiatives such as increasing the number of executive employees at the general manager level and above from a human resource development perspective and enhancing hierarchical education and training.

On the other hand, areas identified for improvement included the need for further discussion on the company's vision, cost of capital, and return on capital, as well as enhancing executive training including for newly appointed Directors.

The Board of Directors will establish forums to regularly discuss the company's vision and long-term management plans while enhancing discussions about cost of capital and return on capital.

For executive training, we will implement measures to further enhance effectiveness, including conducting orientation for newly appointed Directors and providing opportunities for training and programs that the company deems necessary, either through in-house sessions or external courses, as we work to further improve board effectiveness.

Message from an Audit and Supervisory Committee Member

Hakudo transitioned to being a company with an Audit and Supervisory Committee through approval at the Annual General Meeting of Shareholders in June 2017 to further strengthen our corporate governance structure.

One of the benefits of being a company with an Audit and Supervisory Committee is stronger coordination with the Internal Audit Department, and we believe that establishing an organizational and efficient auditing structure can help strengthen corporate governance and internal controls.

Directors who are Audit and Supervisory Committee Members also leverage their respective areas of expertise and have their auditing responsibilities divided based on reliability of financial reporting or based on compliance with the laws and regulations and the effectiveness and efficiency of operations.

Audit and Supervisory Committee Members attend Board of Directors meetings and conduct strict audits of the legality and appropriateness of business execution by Directors based on the Audit and Supervisory Committee audit standards determined by the Audit and Supervisory Committee while also exchanging opinions with the audit corporation. In attending the Board of Directors meetings, I feel that governance at Hakudo has steadily improved. I get the sense that, in addition to the open and lively discussions, comments that take into consideration the perspectives of different stakeholders have increased.

Moving forward, I believe that stronger monitoring of how measures to resolve issues that need to be addressed are

Ryuichi Iwata Director (Audit and Supervisory Committee Member, full-time)



implemented will lead to more effective governance.

One of Hakudo's goals in the Medium-Term Management Plan is stronger global competitiveness, meaning that governance of subsidiaries overseas will become increasingly important.

Currently, we conduct financial audits of our subsidiaries overseas using local accounting firms and audit firms. We also conduct business audits in cooperation with the Internal Audit Department. The boards of directors at subsidiaries overseas include those seconded from Hakudo or who serve dual roles as Directors, and since they are involved in important decision-making, we also conduct briefings with them as necessary about the situations at their companies.

Since our subsidiaries overseas may increase in the future, we will work to improve the level of auditing.


As a full-time Audit and Supervisory Committee Member, I will also promote active communication and leverage our Group network to help improve the effectiveness of audits.

Starting in FY2025, two Directors who are Audit and Supervisory Committee Members were replaced and a new structure was established. Through auditing, we will strive to prevent scandals and risks before they occur.

Directors (as of June 30, 2025)

■ Outside ■ Internal

Junichi Furukawa
 Director (Independent)
 Born March 27, 1968



Reason for election

Junichi Furukawa has abundant managerial experience and broad insight, and is conversant with sound and efficient management with a sense of balance as a manager, and we expect him to appropriately execute duties as outside Director. In addition, we expect him to be involved in selecting the Company's executive candidates and deciding on executive remuneration from an objective and neutral standpoint as a member of the Nomination and Remuneration Advisory Committee, and also to contribute to strengthening the supervisory function regarding conflicts of interest.

Masatoshi Ishimoto
 Director (Independent)
 Born March 30, 1962



Reason for election

Masatoshi Ishimoto has been engaged in the management of a company listed on the First Section of the Tokyo Stock Exchange (current Prime Market) for many years and has abundant managerial experience and broad insight, and we expect him to appropriately execute duties as outside Director. In addition, we expect him to be involved in selecting the Company's executive candidates and deciding on executive remuneration from an objective and neutral standpoint as a member of the Nomination and Remuneration Advisory Committee, and also to contribute to strengthening the supervisory function regarding conflicts of interest.


Hajime Nukada
 Director (Audit and Supervisory Committee Member/Independent)
 Born December 13, 1971



Reason for election

Hajime Nukada is conversant with corporate finance and tax affairs as a certified public accountant and tax accountant, and therefore is expected to provide supervision and advice on the execution of duties by Directors from a professional perspective, utilizing this knowledge. We have determined that he is capable of appropriately performing the duties as an outside Director who is an Audit and Supervisory Committee Member. In addition, we expect him to be involved in selecting the Company's executive candidates and deciding on executive remuneration from an objective and neutral standpoint as a member of the Nomination and Remuneration Advisory Committee, and also to contribute to strengthening the supervisory function regarding conflicts of interest.

Toru Takama
 Director (Audit and Supervisory Committee Member/Independent)
 Born September 14, 1957



Reason for election

Toru Takama has abundant experience as a corporate executive and extensive knowledge in ICT and overseas business, and through this expertise is expected to provide supervision and advice on the execution of duties by Directors, particularly from a professional perspective on system development and information security issues. We have determined that he is capable of appropriately performing the duties as an outside Director who is an Audit and Supervisory Committee Member. In addition, we expect him to be involved in selecting the Company's executive candidates and deciding on executive remuneration from an objective and neutral standpoint as a member of the Nomination and Remuneration Advisory Committee, and also to contribute to strengthening the supervisory function regarding conflicts of interest.


Kanako Tajiri
 Director (Audit and Supervisory Committee Member)
 Born April 10, 1981



Reason for election

Kanako Tajiri has abundant experience and specialized knowledge as a lawyer over many years, and therefore is expected to provide supervision and advice on the execution of duties by Directors from a professional perspective, utilizing this knowledge. We have determined that she is capable of appropriately performing the duties as an outside Director who is an Audit and Supervisory Committee Member. In addition, we expect her to be involved in selecting the Company's executive candidates and deciding on executive remuneration from an objective and neutral standpoint as a member of the Nomination and Remuneration Advisory Committee, and also to contribute to strengthening the supervisory function regarding conflicts of interest.

Koji Tsunoda
 President and Representative Director
 Born August 15, 1962



Reason for election

Koji Tsunoda has fulfilled the role of President and Representative Director in making decisions on important management matters and supervising business execution, and we have determined that his continued leadership in management is optimal for the Company's sustainable growth.

Tetsuya Yamada
 Senior Managing Director
 Born March 28, 1969



Reason for election

Tetsuya Yamada has extensive knowledge in financial relations and management and is conversant with the Company's businesses, and we have determined that he is capable of contributing to the Company's sustainable growth.

Mitsushige Yamada
 Managing Director
 Born September 20, 1967



Reason for election

Mitsushige Yamada has extensive experience in corporate finance and sufficient insight based on his participation in management at several companies, and we have determined that he is capable of contributing to the Company's sustainable growth.

Ryuichi Iwata
 Director (Audit and Supervisory Committee Member, full-time)
 Born February 17, 1962



Reason for election

Ryuichi Iwata has abundant experience and specialized knowledge in the Company's business over many years, and through his experience as General Manager of Internal Audit Department and Corporate Auditor, has deep insight into the Company's internal control and risk management. We expect him to utilize this knowledge to provide appropriate supervision and advice, make fair and equitable decisions, and ensure the soundness of the Company's business as a Director who is an Audit and Supervisory Committee Member.

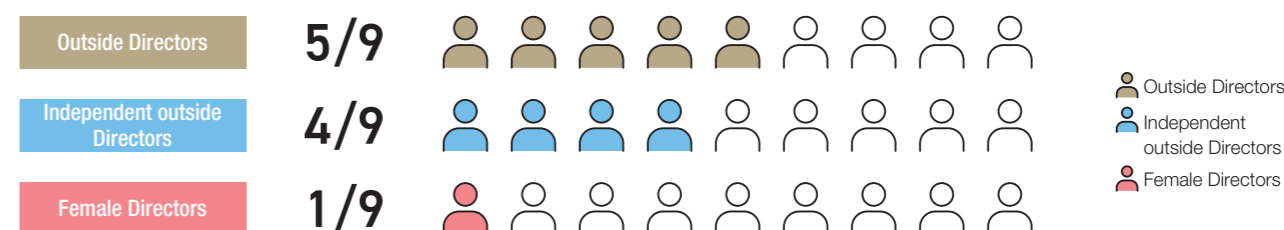
Skill Matrix

Name	Position in the Company	Attributes	Areas of particular expertise							
			Corporate management	Financial accounting	Human resource development and training	Legal affairs and compliance	Production technology	Global business	ICT	ESG and sustainability
Koji Tsunoda	President and Representative Director		●			●	●		●	●
Tetsuya Yamada	Senior Managing Director		●		●	●		●		●
Mitsushige Yamada	Managing Director		●	●			●	●	●	
Junichi Furukawa	Director	Outside Independent	●	●		●				●
Masatoshi Ishimoto	Director	Outside Independent	●	●	●			●		
Ryuichi Iwata	Director (Audit and Supervisory Committee Member, full-time)		●		●	●	●			●
Hajime Nukada	Director (Audit and Supervisory Committee Member)	Outside Independent		●		●		●		●
Toru Takama	Director (Audit and Supervisory Committee Member)	Outside Independent	●		●			●	●	
Kanako Tajiri	Director (Audit and Supervisory Committee Member)	Outside				●				●

● Outside Director ■ Independent Independent Director as defined by the securities exchange, etc.

* Of the expertise each Director possesses, items are marked with ●, which indicates the area each Director is especially expected to contribute to.

Independence and Diversity of Directors (Unit: persons)



Appointment Policy and Procedures

Directors are appointed based on the policy shown to the right, and candidates are deliberated on by the Nomination and Remuneration Advisory Committee before a resolution is made at the Board of Directors, which is then submitted to the General Meeting of Shareholders as candidates for Directors.

When submitting candidates for Directors who are Audit and Supervisory Committee Members to the General Meeting of Shareholders, consent must be obtained from the Audit and Supervisory Committee before making a resolution at the Board of Directors as required by the Companies Act.

■ Appointment policy for Director candidates excluding Audit and Supervisory Committee Members

Directors are appointed based on a consideration of the overall composition of the Board of Directors in order to create an optimal structure of Directors who are well-versed in business company operations, possess extensive knowledge and experience, and can respond appropriately to business management challenges.

■ Appointment policy for Director candidates who are Audit and Supervisory Committee Members

Directors who are Audit and Supervisory Committee Members are appointed based on a consideration of the overall balance of the Audit and Supervisory Committee in terms of knowledge of finance, accounting, and law in order to create a structure that is able to contribute to appropriate decision-making and management supervision by the Board of Directors.

Roundtable with Outside Directors

ROUNDTABLE DISCUSSION



Junichi Furukawa
Outside Director

Masatoshi Ishimoto
Outside Director

Hajime Nukada
Outside Director
(Audit and Supervisory Committee Member)

Toru Takama
Outside Director
(Audit and Supervisory Committee Member)

Kanako Tajiri
Outside Director
(Audit and Supervisory Committee Member)

Hakudo's Strengths and Corporate Culture as Seen by Outside Directors

Furukawa Hakudo has an extensive product range as well as the structure and processing technology to handle high-mix, low-volume orders and speedy deliveries once an order is received. Being able to do the things that our customers take for granted in an everyday way is Hakudo's biggest strength, and our value to society. While our ability to serve a wide range of customers is a strength other companies do not possess, not everything is perfect, and we must always strive to aim higher. Every single employee must avoid complacency and work in earnest. This is the most difficult task. Our challenge is how to pass down the spirit of our founder over the generations.

Ishimoto Our employees are bright and earnest, and their loyalty to the company appears high. When it comes to assigned tasks, each employee properly understands their role and has the ability to work as a

team as well as the persistence to see things through to the end. On the other hand, the initiative to seek challenges on their own feels somewhat lacking.

Nukada This is because there is an atmosphere of maintaining harmony at the company. Despite this, Directors and employees work together as one in their routine work to achieve performance targets. Under the strong leadership of President Tsunoda, Hakudo's speed in addressing challenges and our meticulous customer orientation have become its strengths. The challenge is how to develop management and supervisors to support Hakudo going forward.

Takama Nukada mentioned "maintaining harmony," and I also get the impression that Hakudo is "a company with good teamwork."

Tajiri Despite over 90 years of history, Hakudo proactively works to introduce new services such as the Hakudo Net Service and spread information through social media such as Instagram, Facebook and YouTube, making it a company that combines tradition with innovation. The company has achieved exceptional

quality, exceptional speed, exceptional service, and reasonable prices through its DX strategy. On the other hand, the percentage of women in managerial positions is far from high, so my impression is that Hakudo must continue working to create a culture where both men and women can thrive.

Board Effectiveness and the Role of Outside Directors

Nukada Outside Directors with diverse backgrounds make up a majority of the Board of Directors, where active exchanges of opinion take place. Sufficient time for preparation is provided to allow information sharing in advance. The Board proceedings are also conducted by President Tsunoda as the chairman in a way that encourages active questions and comments from participants, creating an atmosphere where outside Directors can freely express their opinions. I am able to ask naive questions free from preconceptions or express

my frank opinions on how management decisions ought to be made, based on my experience as an executive at other companies as well as my knowledge and experience in accounting and tax affairs, which is my background.

Ishimoto The Board of Directors brings together members with different areas of expertise, which I also believe is well-balanced. Based on my experience in corporate management, I try to express opinions from a medium- to long-term perspective on whether decisions are aligned with Hakudo's corporate philosophy and corporate culture, whether the probability of premises for plans are reasonable, what hedge strategies are in place for inherent risks, and whether expected returns are sufficient.

Furukawa The fact that internal Directors are experienced and well-versed in both internal and external affairs is another characteristic of the Board. Outside Directors view the company from a different perspective when expressing opinions, which I believe serves as a bridge to society at large. If I had to point out an issue, it would be that discussions often end up as simply reporting, and perhaps more improvements could be made to prevent failures from happening twice. From my position as an outside Director, I try to provide advice from the customer's perspective rather than as someone from within the company.

Nukada There have definitely been cases in which insufficient measures to prevent recurrence of errors in company operations have led to repeated errors. I feel there is a need to establish and implement recurrence prevention measures as an internal control to ensure the same problem does not happen twice.



Roundtable with Outside Directors



Assessment of the Medium-Term Management Plan and Future Expectations for Hakudo

Tajiri Specific analysis and improvement measures based on the failure to achieve targets in the previous Medium-Term Management Plan have been presented, and I believe the new plan incorporates measures to achieve targets. That said, given the high exposure to risks from such external factors as dependence on the semiconductor business or risks from foreign exchange and tariffs, I believe a thorough examination of the external environment and the formulation of countermeasures are necessary in order to address the risks.

Furukawa I also strongly support the content and targets of the Medium-Term Management Plan. We must first achieve the targets for this fiscal year, the first year of the three-year plan, and then carry that momentum into the next fiscal year. I would like sales to focus on improving the order success rate, and production to work on improving quality, taking pride in their work as an unparalleled organization.

Takama I believe it is of the utmost importance for the company to work as one to offer incomparable additional value in terms of quality, speed, and service. The key will be how quickly and accurately market trends and customer needs are understood and then tied to added value. In that sense, I hope that not only sales representatives but also those working in manufacturing, delivery, and online operations will appreciate contact with customers and work to create added value.

Ishimoto Increasing the scale of business by promoting international business and boosting operational efficiency through DX will be key points for achieving performance targets. The challenge is securing (training and hiring) the human resources to support this. Taking on new markets and implementing reform for new systems requires that the company create a culture where people can continually take on challenges without the fear of failure and without being punished when they do fail.

Nukada There are two challenges to achieving the targets of the Medium-Term Plan, which are (1) increasing and developing human resources who can thrive internationally, and (2) boosting process center productivity. I believe that overcoming these challenges will bring us much closer to achieving our targets.

Tajiri For future growth, creating a structure that can allocate the right people to the right positions at the right time is vital as well.

Ishimoto As Tajiri pointed out, to promote the advancement of women in the workplace, it is crucial to



ROUNDTABLE DISCUSSION

improve knowledge and abilities through more thorough internal training and proactively promoting women to important roles, as well as changing mindsets by hiring mid-career female employees and providing opportunities to interact with women who thrive at other companies through participation in external training programs.

Furukawa I also think human resources are vital. Recently, we have been actively hiring mid-career employees, and outstanding workers have joined the company. My wish is for our new graduate employees to be inspired by mid-career employees to thrive more fully in their careers. I would like employees to care about Hakudo as a company and believe from the bottom of their hearts that the company's development will lead to their own happiness, and then take initiative with their actions. Employee education is indispensable for this goal. In addition to proactively implementing regular group training, Hakudo must provide education and improve the level of outside contractors, foreign workers, and temporary workers. I believe it is necessary to foster a sense of unity between Hakudo and its workers.

Takama I would like to see human resource and organizational development increase sales by 60%, along with thorough preparation for PMI if the company wishes to pursue M&As. I expect the company to comply with the laws and regulations and contribute to society throughout this growth process.

Nukada From the standpoint of sustainability management, I believe it is necessary to anticipate future social trends and, as a company listed on the Prime Market of the Tokyo Stock Exchange, steadily



implement appropriate targets as well as measures to achieve them. Since Hakudo's business is built on the "three exceptionals" (exceptional quality, speed and service), offering the world value as a non-ferrous metals trading company in a way that truly lives up to this phrase will help grow our value to society immensely.

Takama I also expect Hakudo to contribute to the progress of Japanese manufacturing through its supply of products to the semiconductor, automotive, and aerospace industries as a non-ferrous metals trading company.

Furukawa I believe the Hakudo business model is something society needs and will continue to demand. If continuous efforts are made to further instill and leverage that value, Hakudo will be able to grow and evolve even more in the future.

Tajiri Metal products are essential to all industries, and society simply cannot function without them. I believe that providing these metal products to customers who need them with a combination of exceptional quality, speed, and service will allow Hakudo to contribute to a more prosperous world. For the Hakudo Group as a whole to continue healthy growth going forward, thorough compliance and strengthened governance are indispensable. I would like to leverage my experience and knowledge as a lawyer to strive to enhance corporate value for the Hakudo Group.

Ishimoto I hope to contribute in whatever small way I can so that all stakeholders involved with Hakudo—business partners, employees, shareholders, and others—can value their involvement with Hakudo as a company they can be proud of.

Compliance / Risk Management

■ Establishment of standards of conduct

The Hakudo Group has established standards of conduct to provide all employees with an outline for upright conduct. In its corporate activities, the Hakudo Group educates employees to act with high ethical standards based on our standards of conduct, taking into consideration compliance with laws and regulations, industry rules, and internal regulations, as well as customer satisfaction, fair transactions, respect for human rights, social contribution, and environmental initiatives.

■ Compliance education

Multilingual compliance training programs are conducted regularly within the company for all employees along with efforts to foster awareness of compliance at Hakudo. Internal study sessions, external training sessions, and correspondence courses are conducted as well. Hakudo will continue to aim for zero tolerance of violations and implement regular education to encourage employee awareness while building systems to prevent violations so that we can live up to the trust society has placed in us.

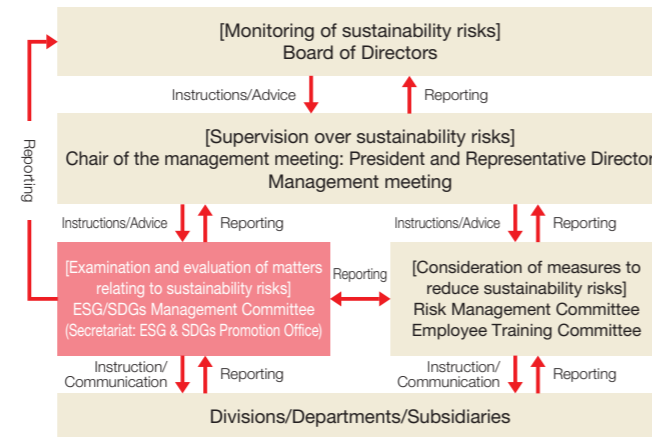
■ Internal whistleblowing system

To detect and prevent the risk of internal fraud at an early stage, we have established reporting channels separate from the usual reporting route that goes through supervisors for employees who discover fraudulent activities. Internal whistleblowing channels are established both inside and outside the company and accept questions, concerns, and provision of information. The company has a duty to protect and maintain confidentiality for employees who make inquiries, which is why employees can consult anonymously. We have also entered into contracts with third-party organizations to allow for consultation with lawyers, etc.

■ Risk management system

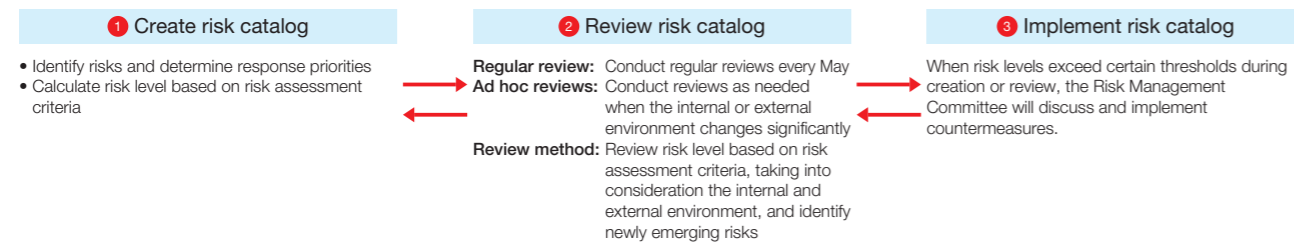
The ESG/SDGs Management Committee reviews and evaluates sustainability risk matters reported by each division, department, and subsidiary, which the Committee then report to the Board of Directors through management meetings or directly to the Board of Directors as needed, with the Board of Directors providing oversight.

The Risk Management Committee and Employee Training Committee also consider measures to reduce sustainability risks.



■ Risk management system

Hakudo has established a Risk Management Committee that oversees the management of the different types of risks related to the business activities of the Group. The Risk Management Committee is composed of the General Manager of the ESG & SDGs Promotion Office as the chair, with managers representing each department serving as committee members. Based on the Risk Management Regulations, the Risk Management Committee is responsible for building and implementing the risk management system, and, more specifically, implements the risk management system using the following cycle.



Hakudo defines risk as “any risk that could possibly cause physical, economic, or reputational damage or disadvantage to the organization” and positions risk management as “efforts to maximize returns while minimizing the impact of risks.” We also ensure that Directors and employees remain constantly aware of the possibility that a serious crisis could threaten the survival of the Hakudo Group and implement precautions to avoid, mitigate, and prevent such crises, along with any other necessary measures.

■ Business risks

The Hakudo Group defines major risks as “risks that may have significant impact on business performance, etc.” An assessment of major risks, as well as their likelihood, and impact is as follows.

Category	Major risks	
Cross-business risks	(1) Impact of non-ferrous metal market conditions (2) Dependence on sales to specific industries (3) Impact of raw material supply issues (4) Securing and developing human resources (5) Impact of impairment of fixed assets	(6) Impact of aging and deterioration of facilities (7) Impact of business restructuring and business withdrawal (8) Impact of corporate acquisitions and mergers (9) International business activities
	(10) Impact of disasters, accidents, infectious diseases, etc. (11) Impact of information security issues (12) Impact of litigation and other legal proceedings	(13) Recoverability of deferred tax assets (14) Climate risks (15) Human rights risks

■ Main risks

Major risks assessed as having high likelihood of occurrence or major impact are listed below as the main risks.

Main risks	Countermeasures	Impact	Likelihood
Impact of non-ferrous metal market conditions	a. Price fluctuations in products we carry caused by non-ferrous metal market conditions are passed on to selling prices on a quarterly basis or as needed depending on the product type and item. b. We optimize inventory levels for our stock products by adjusting order quantities on an item-by-item basis, taking into account past sales performance and sales forecasts. c. In addition to valuation based on replacement cost at year-end, we conduct long-term retention assessments based on the number of months for stock turnover to reduce impact on performance.	Major	Medium
Dependence on sales to specific industries	Hakudo is implementing the following business initiatives to avoid dependence on specific industries for its revenue. a. We will expand the product range for our ECO series, which contains products compliant with regulations on environmental pollution. We increase number of items that help reduce CO ₂ emissions and provide other environmental benefits and meet demand for items such as cadmium-free and lead-free brass. b. We will expand our range of aerospace standard materials. We view this as an industry with long-term growth potential, and one in which we can leverage our unique strengths to drive expansion. c. We view the automotive sector, where there are expectations for technological innovation and growth, as an area to grow, and will thus organize our structure, make capital investments as needed, and acquire processing technology. d. We will expand our range of ordered items. Hakudo will meet demand for subsidiary materials other than metals, which we have conventionally carried in small quantities, by enabling customers to order products of manufacturers and industry peers through the Hakudo Net Service. We have also expanded the Hakudo Net Service to individual users as well as corporate customers and are working to capture demand from individual users. e. Hakudo is working to proliferate and improve functionality for features of the website added in the previous consolidated fiscal year that make immediate quoting and ordering of metal 3D printed products and drawing processing possible, as well as new features on Hakudo Net Service such as material procurement assisting function, which automatically calculates material size immediately for uploaded 3D CAD files. f. We are diversifying our processing methods. By introducing and expanding automated equipment, we will meet increasing demand. We will also capture demand for thin sheets of aluminum and stainless steel, for which we have increased stock through the installation of a new fiber laser processing machine, and meet demand for difficult-to-cut materials using a waterjet cutting machine.	Major	Medium
Impact of business restructuring and business withdrawal	a. Through business restructuring, we will work to reduce functional redundancies and eliminate inefficiencies in human resources and labor costs by reallocating human resources to strategic fields and operations. b. By facilitating exchange of human resources with diverse capabilities, expertise, and experience, as well as integrating organizations with different organizational cultures and ideas, we will strive to build new and strong competitive advantages. c. After restructuring a business, the effects of restructuring are measured both quantitatively and qualitatively. Withdrawal conditions have also been established. d. Through regular communication with law firms, accounting firms, and other experts, we obtain information about legal risks and changes in the economic and social environment that require consideration and receive support as necessary.	Major	Low
Impact of corporate acquisitions and mergers	a. When planning business expansion through investments, we have a process for making institutional decisions that involves establishing basic requirements such as legal compliance as well as economic, technical, and other qualitative criteria for determining the feasibility of such investments, then examining these criteria individually or in combination. b. After implementing investments, we measure their effects both quantitatively and qualitatively to help build stronger PMI. Withdrawal conditions are also established for each project. c. During the investment review stage, we make efforts to investigate regulations and consult with law firms, accounting firms, and other experts. After implementing investments, we obtain information about regulations and environmental changes that require consideration and receive necessary support through regular communication with experts. d. We are also considering insurance coverage to mitigate risks related to investments.	Major	Medium
International business activities	a. When developing business through international business activities, we strive to consult with local law firms, accounting firms, and other experts and investigate regulations during the review stage. After implementing investments, we obtain information about local regulations and environmental changes that require consideration and receive necessary support through regular communication with experts. b. When those we are investing in are also customers, we conduct credit investigations regularly to prevent losses.	Major	Low
Impact of disasters, accidents, infectious diseases, etc.	a. In Japan, we are building a risk dispersal system for natural disasters by dispersing process centers, implementing seismic reinforcement, and obtaining comprehensive damage insurance to cover losses in order to prevent and mitigate impact on business and finances, as well as a system to minimize impact through creating BCPs and regular reviews of these plans to enable business recovery as quickly as possible. b. At our international locations, we are building a system that enables rapid response by obtaining different types of insurance and establishing reporting and action procedures in the event of unforeseen circumstances. c. We raise awareness among employees on actions and countermeasures in the event of a disaster and regularly conduct safety drills in preparation for an emergency. d. For infectious diseases, we have built a system that allows us to take measures against the source of infection and its route as well as standard preventive measures through consultation with outside experts based on government announcements.	Major	Medium
Impact of information security issues	a. In FY2024, we obtained JIS Q 27001 certification at all company business locations and are reducing the occurrence of information security incidents by strengthening information leak prevention and establishing and implementing internal rules in compliance with JIS Q 27001. b. The Risk Management Committee is working to continuously improve information security management by establishing internal regulations on information security, implementing measures to prevent unauthorized access, providing education to employees, and regularly evaluating and reviewing these initiatives. To ensure efficient and stable business operations in particular, we are updating aging systems and have established an Information Security Response Team to address cyberattacks comprehensively, constantly monitoring unauthorized access from outside, and building a system to enable an appropriate response in the event of an emergency. c. The institutionalization of remote work has created increased opportunity to take PCs and other IT devices outside the office, which is why we have introduced encrypted products as well as configured remote lock and remote wipe functions as measures against loss or theft incidents involving IT equipment. d. We are working to increase employee awareness of information leaks by providing ongoing education to ensure thorough understanding and compliance with rules on preventing information leaks.	Major	Medium

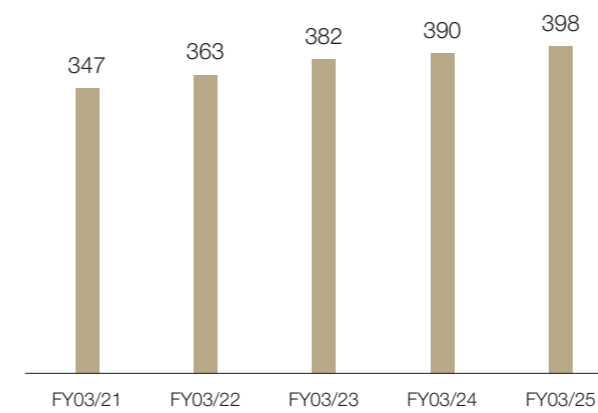
Financial Data

(Millions of yen)

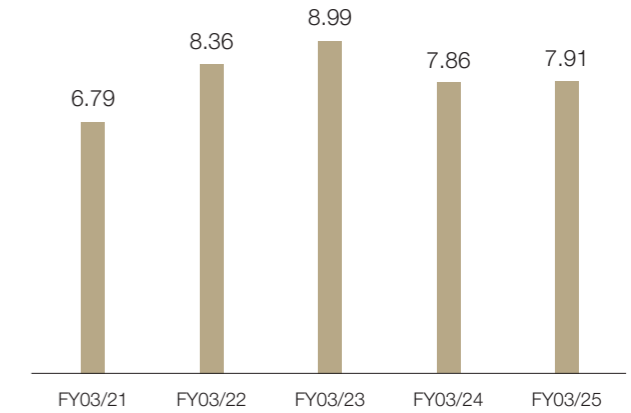
Category	Accounting period	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
Profit/loss	Net sales	39,219	55,441	61,602	57,253	66,410
	Net sales of standard stock items	24,982	35,625	38,322	34,460	38,964
	Net sales of special order items	14,237	19,815	23,279	22,792	27,445
	Gross profit	6,670	10,310	10,153	9,268	10,573
	Gross profit margin (%)	17.0	18.6	16.5	16.2	15.9
	SG&A expenses	4,688	6,054	6,375	6,744	7,590
	Operating profit	1,982	4,256	3,777	2,523	2,983
	Operating profit margin (%)	5.1	7.7	6.1	4.4	4.5
	Ordinary profit	2,083	4,374	3,989	2,848	3,215
	Ordinary profit margin (%)	5.3	7.9	6.5	5.0	4.8
Profit attributable to owners of parent	1,282	2,964	2,738	1,917	2,237	
Balance sheet	Notes and accounts receivable (including electronically recorded monetary claims - operating)	12,851	17,010	16,835	16,053	16,834
	Inventories	5,961	7,803	10,632	10,222	12,522
	Tangible fixed assets	6,370	6,098	6,250	6,653	6,405
	Intangible assets	402	509	1,414	1,423	1,470
	Total assets	33,115	41,781	43,150	42,016	44,745
	Notes and accounts payable (including electronically recorded obligations)	13,133	18,653	19,021	17,147	18,599
	Interest-bearing debt	0	0	0	0	0
	Liabilities	15,246	21,952	21,920	19,535	20,990
	Shareholders' equity	17,870	19,829	21,229	22,481	23,755
	Net assets	17,870	19,829	21,229	22,481	23,755
Cash flow	Cash flows from operating activities	2,128	4,556	321	2,528	1,782
	Cash and cash equivalents at the end of the period	5,924	8,675	6,038	5,701	5,474
Other indicators	Depreciation	836	840	845	1,048	1,153
	Equity ratio (%)	54.0	47.5	49.1	53.5	53.1
	Current ratio (%)	163.61	153.47	155.41	165.43	167.44
	EBITDA	2,817	5,096	4,623	3,571	4,136
	ROE (%)	7.3	15.7	13.3	8.8	9.7
	ROA (%)	6.1	11.5	9.2	6.2	7.0
	ROIC (%)	7.9	15.7	12.7	7.9	8.7
	Total number of issued shares at the end of the period	11,343,300	11,343,300	11,343,300	11,343,300	11,343,300
	Basic earnings per share (yen)	113.01	261.34	241.37	168.99	197.23
	Net assets per share (yen)	1,575.56	1,748.32	1,869.66	1,982.14	2,094.50
Dividend per share (annual) (yen)	58.00	115.00	109.00	80.00	89.00	
Dividend payout ratio (%)	51.3	44.0	45.2	47.3	45.1	

Non-Financial Data

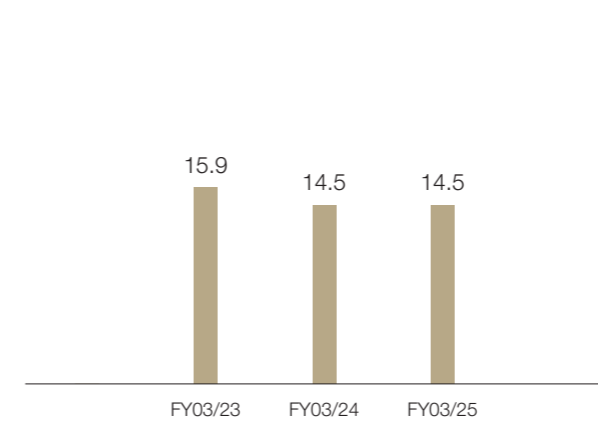
Number of Employees



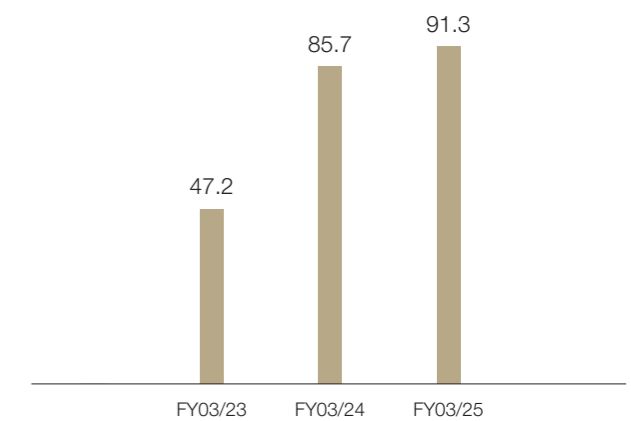
Average Annual Salary (Millions of Yen)



Percentage of Women in Managerial Positions (%)



Parental Leave Take-Up Rate Among Male Employees (%)



Average years of service

FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
15.8	16.0	16.0	16.1	16.1

Average age

FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
41.4	41.8	41.9	41.9	41.8

Corporate Profile

Corporate Overview

Company name	Hakudo Co., Ltd.
Foundation	February 1932
Industry	Wholesale of non-ferrous metals
Net sales	66.4 billion yen (FY03/25; consolidated)
Number of employees	398 (As of March 31, 2025)
Listed market	Tokyo Stock Exchange Prime Market
Business	Processing and sales of plates, bars, and pipes of aluminum, copper, stainless steel, special steel, plastic, and other materials



Tokyo Marunouchi Headquarters

Major Sales Branches and Process Centers

Headquarters	(Chiyoda-ku, Tokyo)
East Japan Sales Department	(Chiyoda-ku, Tokyo)
East Japan Customer Center	(Asao-ku, Kawasaki-shi)
Sendai Sales Office	(Aoba-ku, Sendai-shi)
Takasaki Sales Office	(Takasaki-shi, Gunma)
Atsugi Sales Office	(Atsugi-shi, Kanagawa)
West Japan Sales Department	(Yodogawa-ku, Osaka)
West Japan Customer Center	(Yodogawa-ku, Osaka)
Nagoya Sales Office	(Naka-ku, Nagoya-shi)
Hiroshima Sales Office	(Naka-ku, Hiroshima-shi)
Kyushu Sales Office	(Tosu-shi, Saga)
Special Order Products Sales Department	(Chiyoda-ku, Tokyo)
Overseas Sales Department	(Chiyoda-ku, Tokyo)
Manufacturing Department	(Atsugi-shi, Kanagawa)
Kanagawa Process Center	(Atsugi-shi, Kanagawa)
Shiga Process Center	(Hino-cho, Gamo-gun, Shiga)
Fukushima Process Center	(Koriyama-shi, Fukushima)
Saga Process Center	(Tosu-shi, Saga)
Saitama Process Center	(Kazo-shi, Saitama)
Fukuoka Process Center	(Chikugo-shi, Fukuoka)

(Notes) 1. The Fukuoka Process Center was opened on December 1, 2024. With the opening of this process center, the Kyushu Process Center was renamed the Saga Process Center on the same date.
2. The Takasaki Sales Office was closed on March 31, 2025.

Major Group Companies

Shanghai Hakudo Precision Materials Co., Ltd.	(Shanghai, China)
Hakudo (Thailand) Co., Ltd.	(Bangkok, Thailand)
AQR Co., Ltd.	(Chiyoda-ku, Tokyo)
Hakudo USA Inc.	(California, USA)
West Coast Aluminum & Stainless, LLC	(California, USA)

State of Shares (As of March 31, 2025)

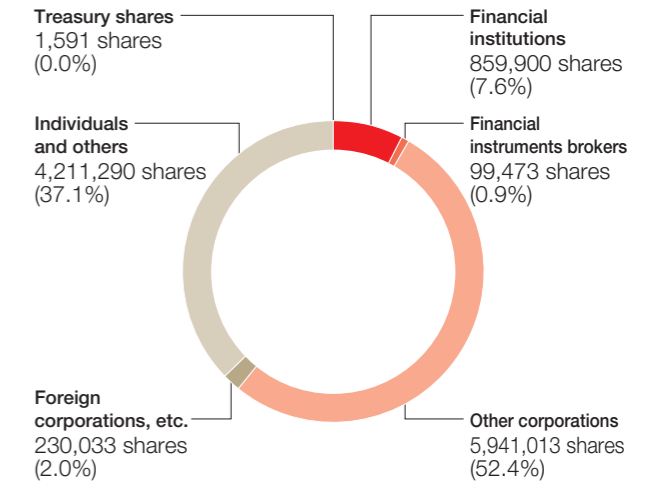
Total number of authorized shares	16,720,000 shares
Total number of issued shares	11,343,300 shares
Number of shareholders	5,761

Major Shareholders (Top 10; as of March 31, 2025)

Shareholder name	Number of shares held (thousand shares)	Shareholding ratio (%)
K&P Asset Management LLC	1,371	12.0
Kids Learning Network Company	1,140	10.0
Soukou Co., Ltd.	1,132	9.9
N&N Asset Management LLC	925	8.1
Tomonori Yamada	676	5.9
SY Management LLC	676	5.9
EastGate Corporation	652	5.7
The Master Trust Bank of Japan, Ltd. (trust account)	617	5.4
Mitsushige Yamada	290	2.5
Custody Bank of Japan, Ltd. (trust account)	160	1.4

(Note) Treasury shares (1,591 shares) are excluded when calculating shareholding ratios.

Share Ownership Distribution



Share Price and Trading Volume

