

Financial Results
Half-Year Ended on September 30,2024
(Q2 FY03/25 Results)

Hakudo Co., Ltd. (7637)

November 21, 2024

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1. Q2 FY03/25 Financial Results

Result Highlights

Net sales

32,488 million yen
(up 13.2% YoY)

Gross profit

5,194 million yen
(up 13.9% YoY)

Ordinary profit

1,777 million yen
(up 25.2% YoY)

Q2 FY03/25 summary

Net sales

- Sales increased by 13.2% from the previous consolidated interim accounting period, mainly due to increasing sales volume to the semiconductor production equipment industry, driven by AI-related products and increased demand from the Chinese market.
- In the overseas market, sales increased in all segments including China, Thailand, and North America. Sales increased by 827 million yen from the previous interim consolidated accounting period.

Gross profit

- Gross profit increased by 13.9% YoY due to the impact of higher inventory valuation gains.

Ordinary profit

- Ordinary profit increased by 25.2% YoY due to increase of operating profit and foreign exchange gains.

Summary of Consolidated Statements of Income (PL)

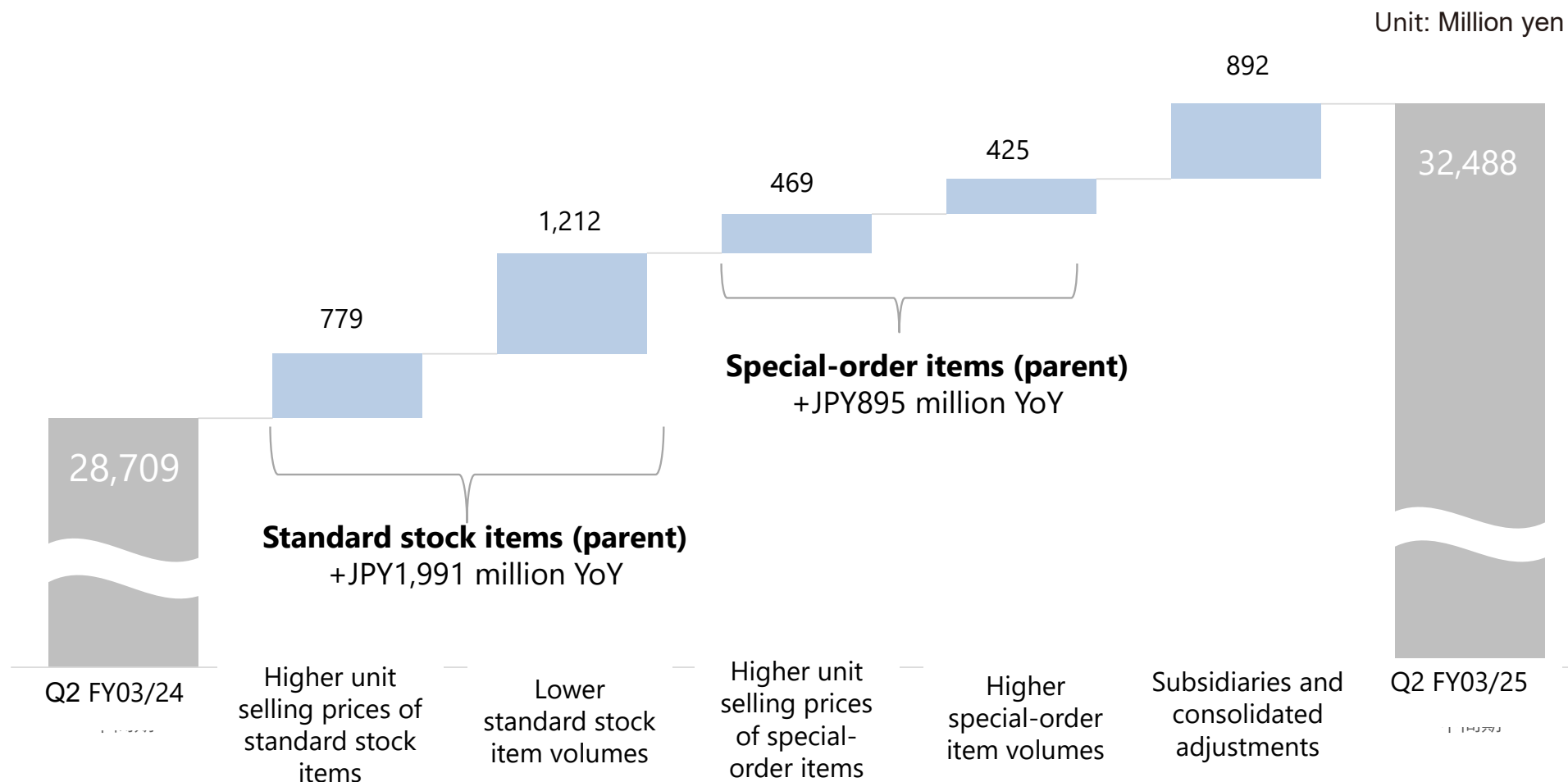
- Net sales increased by JPY3,778 million YoY because sales volume of OA devices industry and the demand of semiconductor production equipment (SPE) for China and generative AI increased.
- Ordinary profit increased by JPY357 million YoY due to the impact of an increase in the sales inventory valuation gain, and foreign exchange gains.

Unit: Million yen

| | Q2 FY03/24 | Sales ratio | Q2 FY03/25 | Sales ratio | YoY Change (rate) | YoY Change (amount) |
|---|------------|-------------|------------|-------------|-------------------|---------------------|
| Net sales | 28,709 | - | 32,488 | - | 13.2% | 3,778 |
| Standard stock items | 17,121 | 59.6% | 19,227 | 59.2% | 12.3% | 2,105 |
| Special-order items | 11,587 | 40.4% | 13,260 | 40.8% | 14.4% | 1,673 |
| Gross profit | 4,561 | 15.9% | 5,194 | 16.0% | 13.9% | 633 |
| Operating profit | 1,220 | 4.3% | 1,570 | 4.8% | 28.7% | 350 |
| Ordinary profit | 1,419 | 4.9% | 1,777 | 5.5% | 25.2% | 357 |
| Inventory revaluation impact | 16 | 0.1% | 236 | 0.7% | - | 220 |
| Ordinary profit (Excluding inventories impact) | 1,403 | 4.9% | 1,540 | 4.7% | 9.8% | 136 |
| Profit attributable to owners of parent | 985 | 3.4% | 1,223 | 3.8% | 24.2% | 238 |

Factors Affecting Year-on-Year Change in Net Sales

- Unit sales prices of both Standard stock items and Special-order items increased, and the impact of an increase in sales volume was significant, increasing by JPY3,778 million YoY.

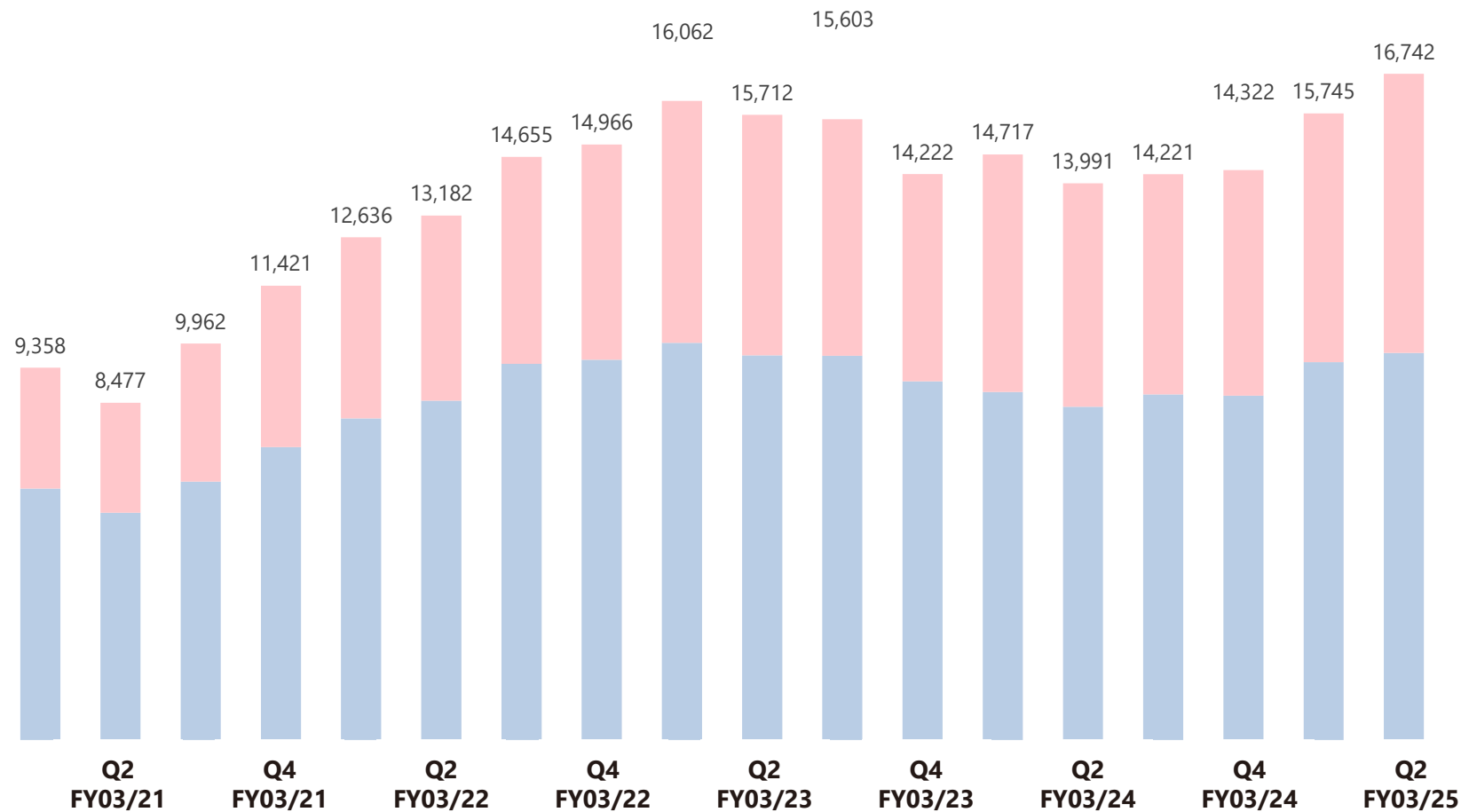


For Hakudo's individual standard stock items: sales volume +7.5% YoY, selling price +4.3% YoY

Quarterly Sales Trends

- Though the sales had remained sluggish due to the stagnation of the semiconductor production equipment(SPE) industry since FY03/23 4Q, the sales showed continuous recovery in FY03/24 Q2. Sales in FY03/25 Q2 is the highest (JPY16,742 million) in the past five years.

Unit: Million yen



Standard stock items



Special-order items

Net Sales by Product Category

- The sales of the entire product categories increased on a QoQ due to increase in both the sales volume and unit selling prices caused by a recovery of semiconductor production equipment(SPE) industry.

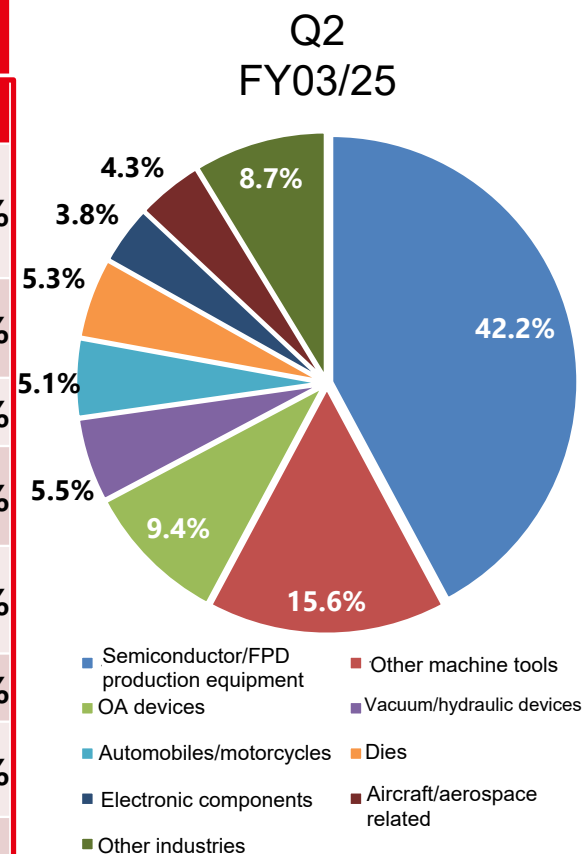
Unit: Million yen

| | FY03/24 | | | | FY03/25 | | Vs. Q2 FY03/24 |
|-------------------------------|---------|---------------|--------|--------|---------|---------------|-------------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | |
| Consolidated net sales | 14,717 | 13,991 | 14,221 | 14,322 | 15,745 | 16,742 | 19.7% |
| Aluminum | 9,060 | 8,339 | 8,244 | 8,587 | 9,363 | 10,449 | 25.3% |
| Copper | 2,138 | 2,024 | 2,126 | 2,141 | 2,442 | 2,312 | 14.2% |
| Stainless steel | 2,830 | 2,971 | 3,074 | 2,947 | 3,061 | 3,122 | 5.1% |
| Others | 687 | 655 | 774 | 645 | 878 | 857 | 30.7% |

Composition Ratio of Net Sales by Industry (Japan)

- Both of sales ratio and sales to Semiconductor/FPD production equipment industry , OA devices , and Aircraft/aerospace related industry increased significantly QoQ.
- Sales to other machine tools industry and Automobiles/motorcycles and dies increased though sales ratio decreased due to an increase in company-wide sales.

| | FY03/24 | | | | | FY03/25 | |
|---|---------|--------------|-------|-------|-------|---------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| Semiconductor/ FPD production equipment | 39.3% | 38.5% | 36.2% | 36.4% | 37.6% | 37.3% | 42.2% |
| Other machine tools | 17.7% | 17.7% | 18.3% | 18.0% | 17.9% | 17.8% | 15.6% |
| OA devices | 8.9% | 9.0% | 8.8% | 11.6% | 9.6% | 10.3% | 9.4% |
| Vacuum/hydraulic devices | 7.1% | 5.5% | 5.7% | 5.4% | 5.9% | 5.9% | 5.5% |
| Automobiles/ motorcycles | 4.7% | 5.9% | 6.3% | 5.1% | 5.5% | 5.1% | 5.1% |
| Dies | 4.8% | 5.5% | 5.6% | 5.4% | 5.3% | 5.4% | 5.3% |
| Electronic components | 4.1% | 4.3% | 4.2% | 4.3% | 4.2% | 4.0% | 3.8% |
| Aircraft/aerospace related | 4.4% | 3.8% | 4.6% | 4.1% | 4.3% | 4.3% | 4.3% |
| Other industries | 9.0% | 9.6% | 10.3% | 9.7% | 9.6% | 10.0% | 8.7% |



Financial Performance by Segment

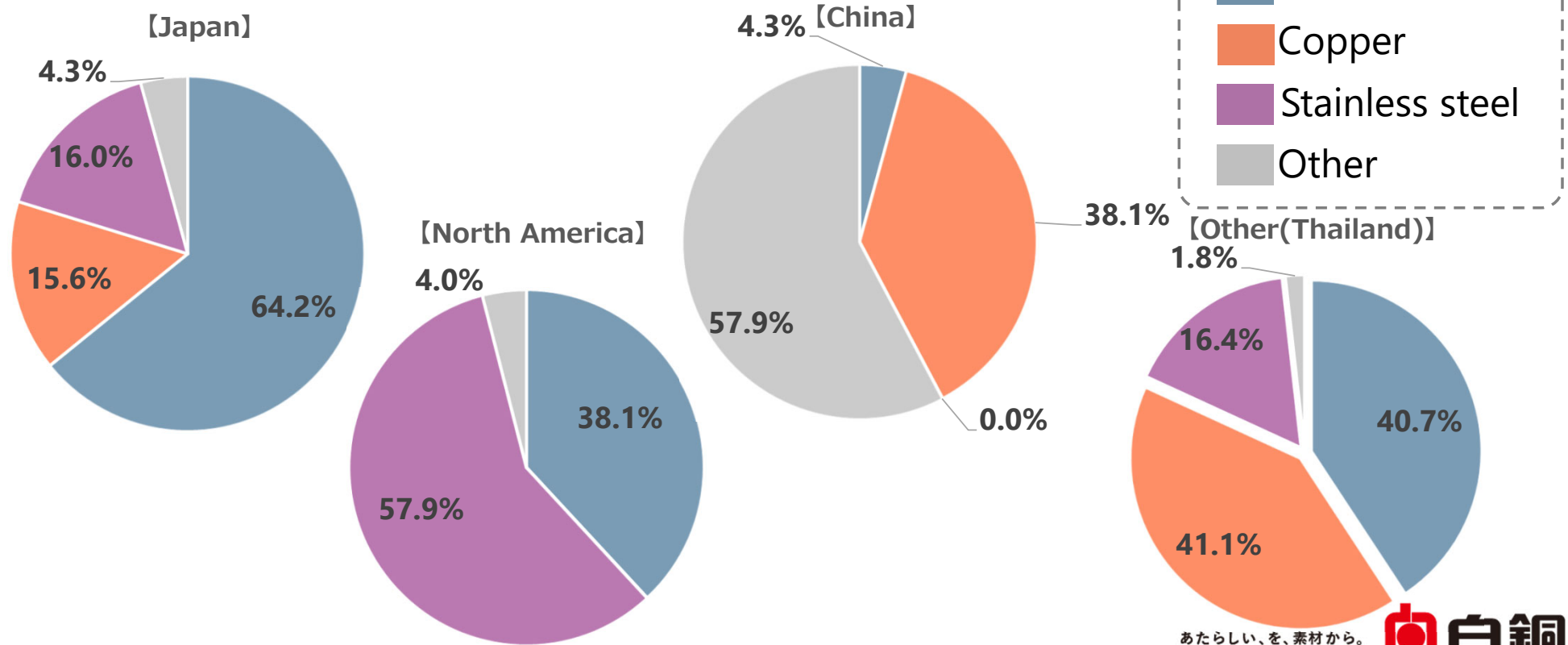
- Though the Company posted an operating loss by JPY93 million in North America segment, ordinary profit recorded JPY18 million and increased by JPY20 million YoY due to Non-operating incomes such as foreign exchange gains of Yen-denominated parent-subsidiary intercompany loan.
- In China segment, the Company posted an operating loss by JPY2 million but ordinary profit recorded JPY9 million and increased by JPY11 million YoY due to the Non-operating incomes such as Real estate leasing fees.
- Sales of other segment (Thailand) remained in great form and ordinary profit increased by JPY13 million YoY.

Unit: Million yen

| | | Q2 FY03/24 | | | | Q2 FY03/25 | | | |
|--|---------------|------------|-------------------------|------------------------|---|------------|-------------------------|------------------------|--|
| | | Net sales | Operating profit/losses | Ordinary profit/losses | Profit attributable to owners of parent | Net sales | Operating profit/losses | Ordinary profit/losses | Profit (loss) attributable to owners of parent |
| | Japan | 25,115 | 1,211 | 1,343 | 908 | 28,066 | 1,574 | 1,654 | 1,117 |
| | North America | 2,321 | -54 | -1 | 14 | 2,594 | -93 | 18 | 23 |
| | China | 614 | -17 | -2 | -1 | 985 | -2 | 9 | 7 |
| | Other | 658 | 80 | 80 | 64 | 841 | 92 | 94 | 75 |

Sales Ratio by Segment

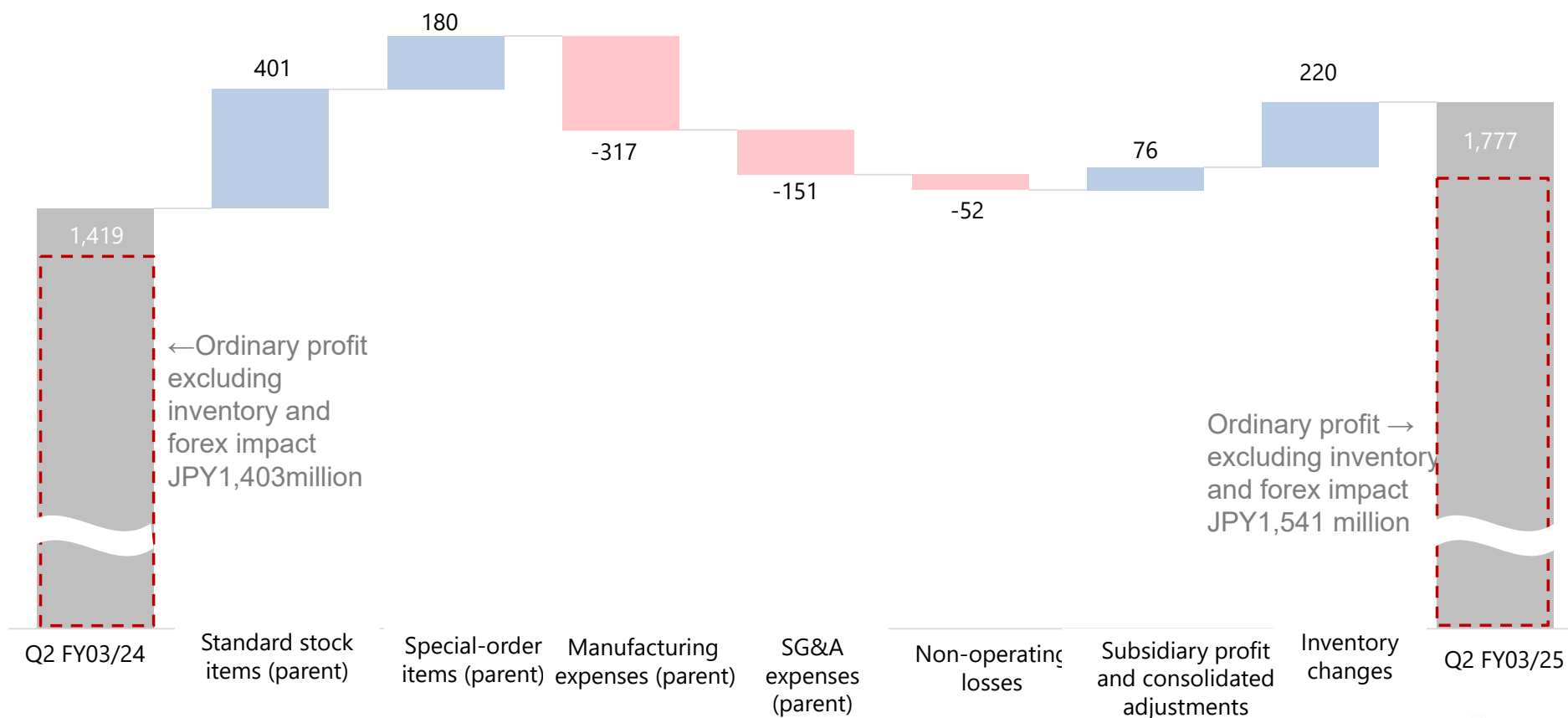
- 【Japan】Aluminum products are a large proportion of sales and sales ratio of copper products and stainless steel products is the same. due to the large sales to the semiconductor manufacturing equipment industry.
- 【North America】Stainless steel products are a large proportion of sales due to the housing and construction industry.
- 【China】Aluminum products are a high percentage of total sales due to the large sales to the semiconductor manufacturing equipment industry, while the percentage of other products, including specialty steel products for the mold and die and automobile industries, is larger than in Japan.
- 【Other (Thailand)】Copper products for the metal mold and automobile industries account for a large share of the total.



Factors Affecting Year-on-Year Change in Ordinary Profit

- Profits of both Standard stock items and Special-order items significantly increased due to the impact of an increase in sales volumes and unit selling prices.
- Though logistics & labor costs and depreciation increased, profits increased JPY357 million YoY due to the impact of an increase in net sales and unit selling prices.

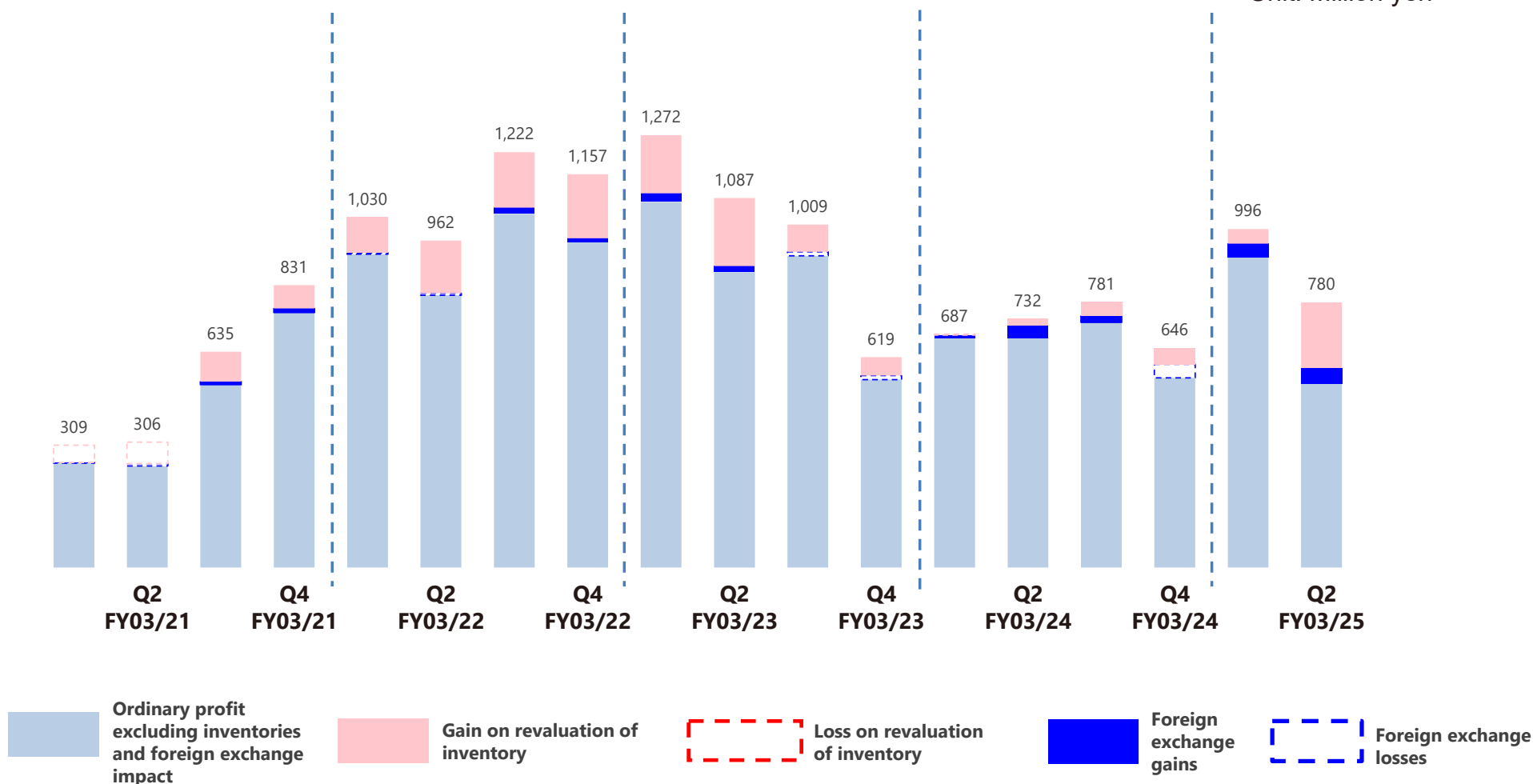
Unit: Million yen



Quarterly Ordinary Profit Trends

- Ordinary profit increased by JPY48 million QoQ due to an increase in sales and inventory revaluation impact.
- Compared to the Q1 and Q2 of FY03/24, ordinary profit decreased by JPY215 million because the cost of goods sold such as manufacturing expenses temporarily increased.

Unit: Million yen



Balance Sheet (BS)

- Accounts receivable-trade, Inventories, Accounts payable-trade increased due to the impact of recent increase in net sales.
- Dollar-denominated goodwill amount increased due to the yen depreciation compared to the end of the previous fiscal year.

Unit: Million yen

| Assets | As of March 31, 2024 | Composition ratio | As of Sep 30, 2024 | Composition ratio | Change |
|---|----------------------|-------------------|--------------------|-------------------|--------|
| Current assets | 32,128 | 76.5% | 33,784 | 77.2% | +1,656 |
| Cash and deposits | 5,700 | 13.6% | 4,445 | 10.2% | -1,254 |
| Notes and accounts receivable – trade (Including electronically recorded monetary claims - operating) Inventories | 16,052 | 38.2% | 17,657 | 40.4% | +1,604 |
| Inventories | 10,221 | 24.3% | 11,448 | 26.2% | +1,226 |
| Other current assets | 153 | 0.4% | 232 | 0.5% | +79 |
| Non-current assets | 9,887 | 23.5% | 9,968 | 22.8% | +80 |
| Property, plant and equipment | 6,653 | 15.8% | 6,615 | 15.1% | -37 |
| Intangible assets | 1,422 | 3.4% | 1,516 | 3.5% | +93 |
| Investments and other assets | 1,811 | 4.3% | 1,836 | 4.2% | +24 |
| Total assets | 42,015 | 100.0% | 43,753 | 100.0% | +1,737 |
| Liabilities and net assets | As of March 31, 2024 | Composition ratio | As of Sep 30, 2024 | Composition ratio | Change |
| Current liabilities | 19,420 | 46.2% | 20,419 | 46.7% | +998 |
| Notes and accounts payable – trade (Including electronically recorded obligations – operating) | 17,147 | 40.8% | 18,713 | 41.5% | +1,025 |
| Accrued expenses | 788 | 1.9% | 926 | 2.1% | +138 |
| Income taxes payable | 324 | 0.8% | 607 | 1.4% | +283 |
| Other current liabilities | 1,160 | 2.8% | 711 | 1.6% | -448 |
| Non-current liabilities | 114 | 0.3% | 82 | 0.2% | -32 |
| Total liabilities | 19,534 | 46.5% | 20,501 | 46.9% | +966 |
| Net assets | 22,481 | 53.5% | 23,251 | 53.1% | +770 |
| Total liabilities and net assets | 42,015 | 100.0% | 43,753 | 100.0% | +1,737 |

Current assets: Up JPY1,656 million

- Inventories and accounts receivable increased due to increase of net sales.
- Decrease in inventories due to inventory procurement, which has been strategically increased.

Non-current assets: Up JPY80 million

- Increase in property, plant and equipment due to purchase of machinery and equipment.
- Dollar-denominated goodwill amount increased due to the yen depreciation compared to the end of the previous fiscal year.(+JPY 84 million)

Current liabilities: Up JPY998 million

- increase in notes and accounts payable-trade due to higher sales

Non-current liabilities: Down JPY32 million

- Decrease in over one-year lease obligations

Net assets: Up JPY770 million

Cash Flows

- Cash flow from operating activities was -JPY143 million, mainly due to an increase in notes and accounts receivable-trade, inventories resulting from higher sales and income tax payments.
- Cash flows from investing activities was -JPY571 million mainly due to Factory Capex and IT investments in Japan.
- Cash flows from financing activities was -JPY532million , mainly due to repayment of long-term debt and dividend payments.

Unit: Million yen

| | Q2 FY03/24 | Q2 FY03/25 |
|--|------------|------------|
| Cash flows from operating activities | 119 | -143 |
| Cash flows from investing activities | -623 | -571 |
| Cash flows from financing activities | -873 | -532 |
| Effect of exchange rate change on cash and cash equivalents | 63 | -7 |
| Cash and cash equivalents at end of period | 4,724 | 4,445 |

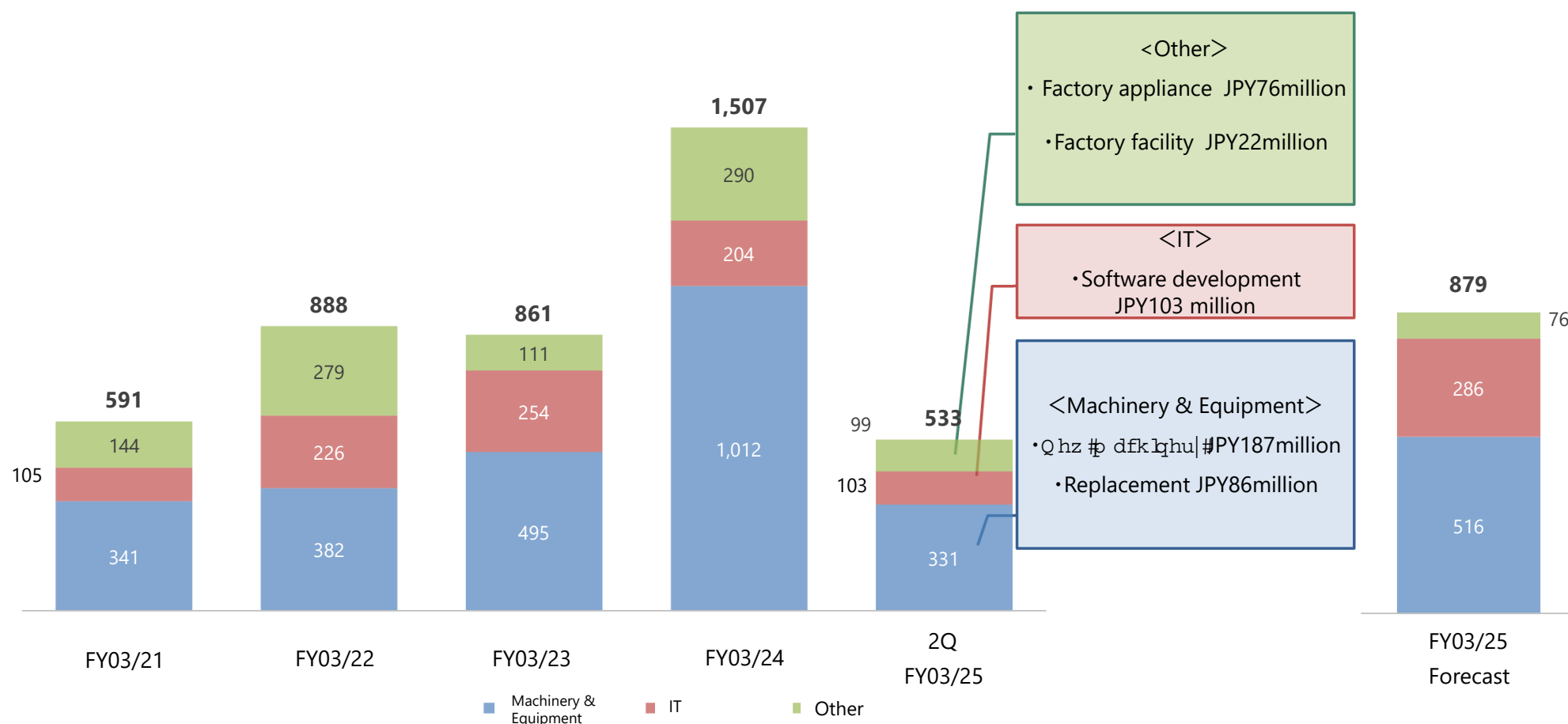
<Main Breakdown>

- ① **Cash flows from operating activities -JPY143 million**
- Profit before tax adjustments : +JPY1,777million
 - Depreciation : +JPY563 million
 - Amortization of goodwill : +JPY22 million
 - Decrease (increase) in notes and accounts receivable-trade : -JPY1,545 million
 - Decrease (increase) in inventories : -JPY1,150 million
 - Increase (decrease) in notes and accounts payable-trade : +JPY950 million
 - Income tax payments : -JPY289 million
- ② **Cash flows from investing activities -JPY571 million**
- Payments for purchase of property, plant and equipment : -JPY463 million
 - Payments for purchase of intangible assets : -JPY100 million
 - Payments for purchase of investment securities : -JPY6 million
- ③ **Cash flows from financing activities -JPY532 million**
- Repayment of long-term debt : -JPY509 million
 - Decrease due to dividend payment : -JPY23 million

Change of capital and IT investment

- The Company made a capital and IT investment for introducing a Laser processing machine and an overseas EC software package in FY03/25.
- The Company plans to invest in IT system to start up E-commerce business in China and America in the second half of FY03/25.

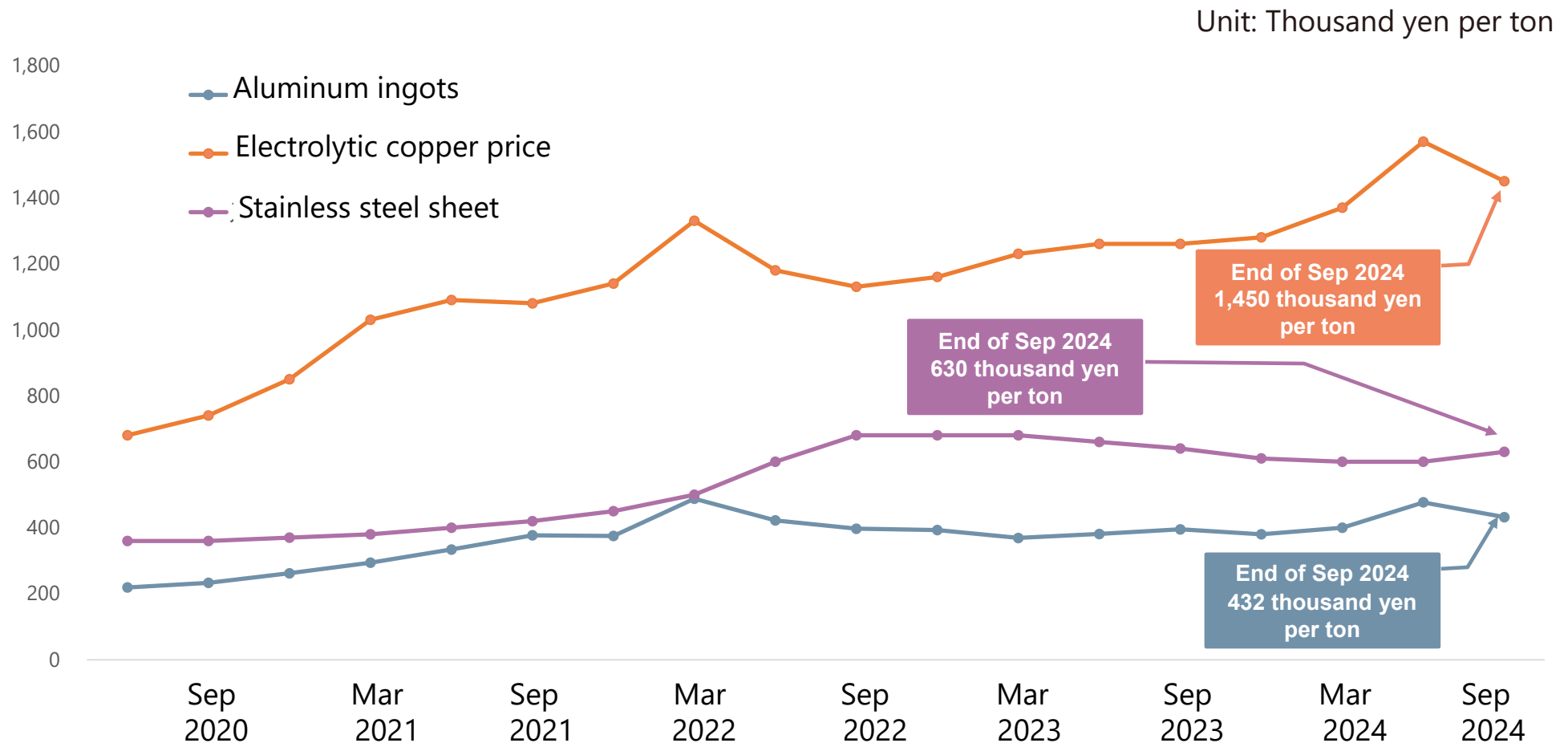
Unit: Million yen



Business Environment (1)

Raw Material Market Trends for Aluminum, Copper and Stainless Steel

- Though Aluminum ingot prices, which had continued to rise since the end of March 2023 due to the yen depreciation and increase in the price of LME, the price of the last 3 months decreased.
- Electrolytic copper price substantially decreased compared to the end of June 2024.
- Stainless steel price has been flat.



Electrolytic copper price: JX Nippon Mining & Metals
Aluminum ingots: Nikkei monthly average

Stainless steel sheet: Japan Metal Daily median

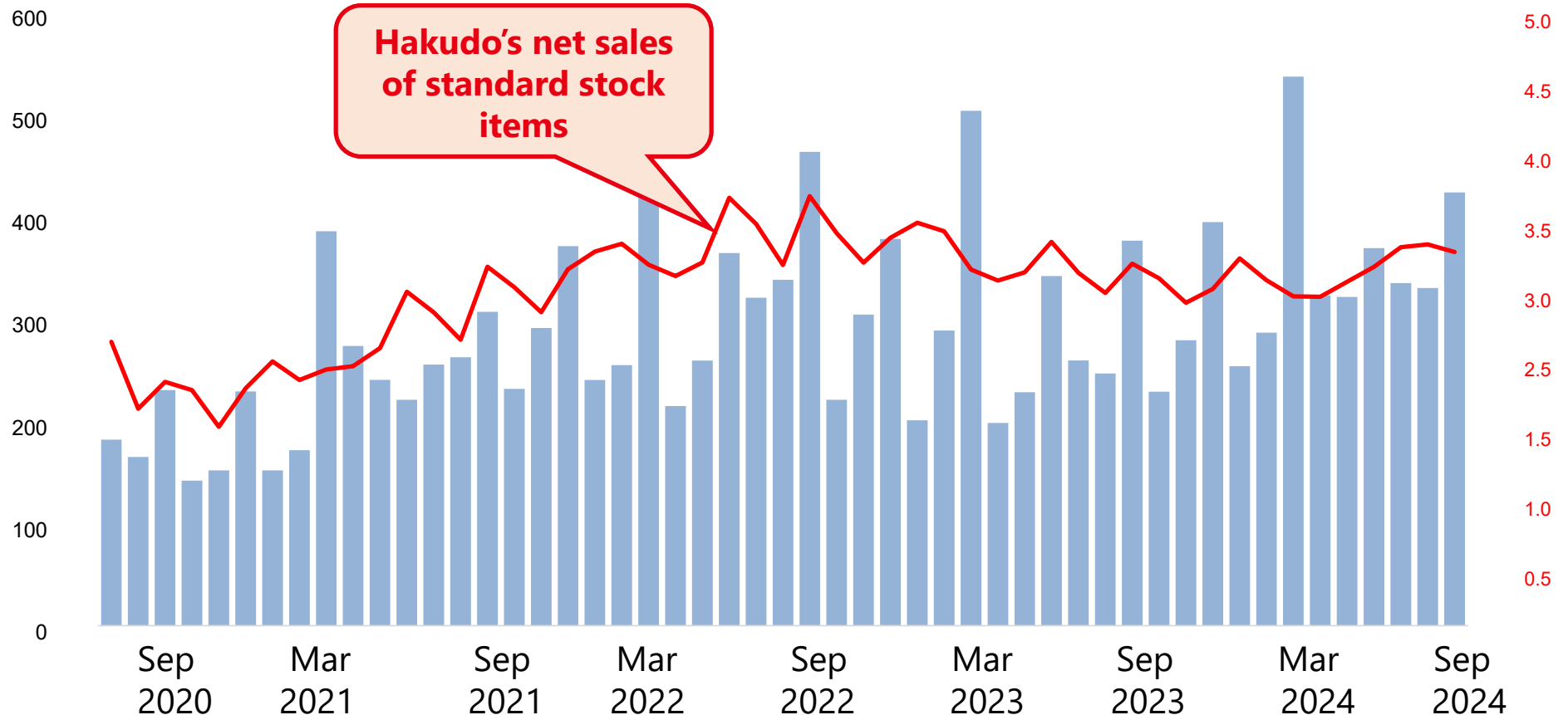
Business Environment (2)

Comparison of Semiconductor Production Equipment Sales and Standard Stock Items Sales

- Inventory procurement and production volume adjustments by semiconductor manufacturers bottomed out due to generative AI and expansion of demand in capital investment for semiconductor in China.
- However, future prospect is still unclear due to high interest rate and volatile movement in foreign exchange rate and stock markets.

Sales of production equipment in Japan
(Billion yen)

Hakudo's net sales of standard stock items
(Billion yen)



Source: Semiconductor Equipment Association of Japan - statistical data

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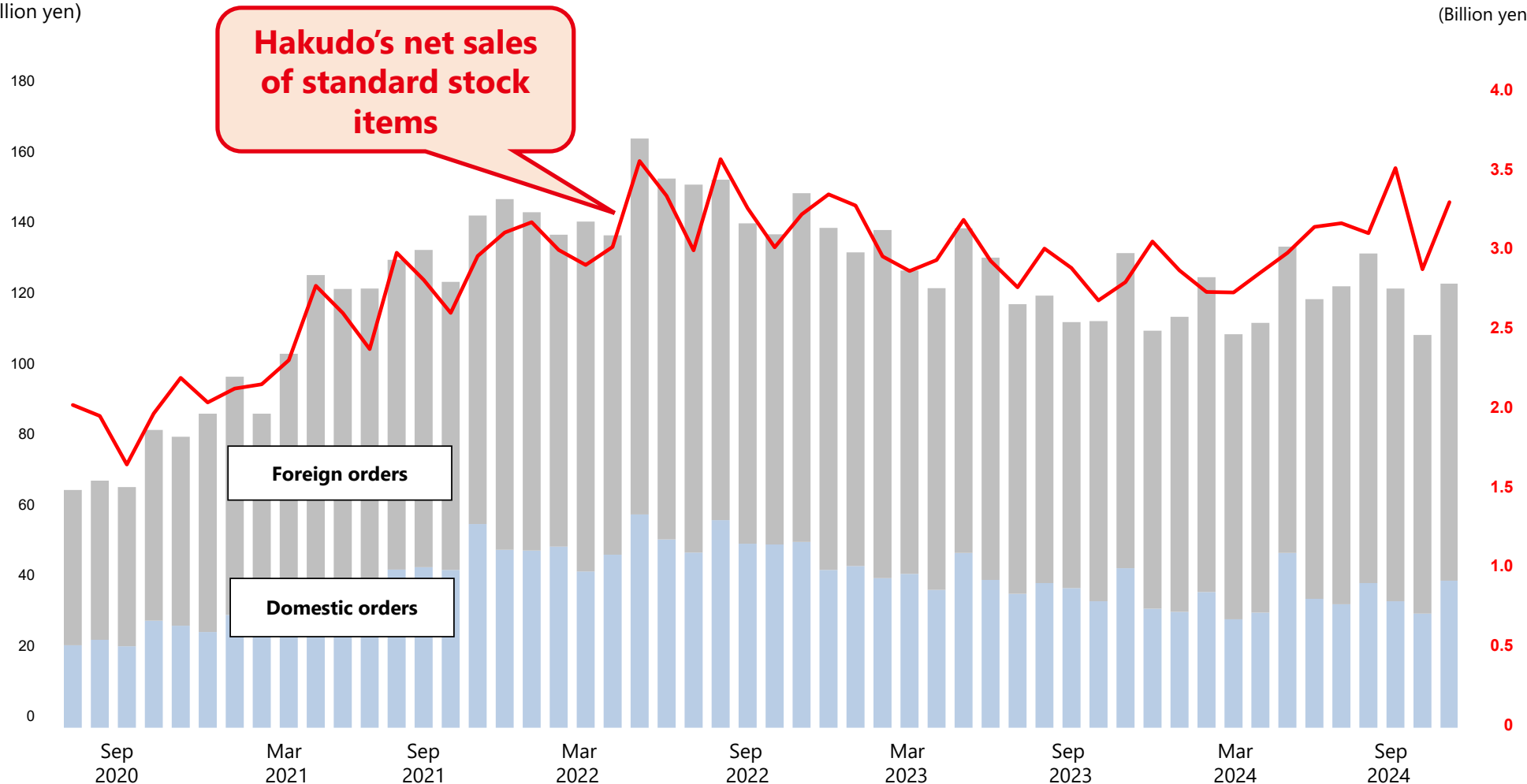
Business Environment (3)

Comparison of Machine Tool Orders and Standard Stock Items Sales

- Machine tool industry has been delayed in recovering the demand because capital investment was put off due to a concern of economic slowdown such as inflation and high Interest rates
- Compared to the Q2 (July-September) in the previous fiscal year, domestic orders decreased by 8.9% and foreign orders increased by 3.2%.

Order amount
(Billion yen)

Hakudo's net sales of
standard stock items
(Billion yen)



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

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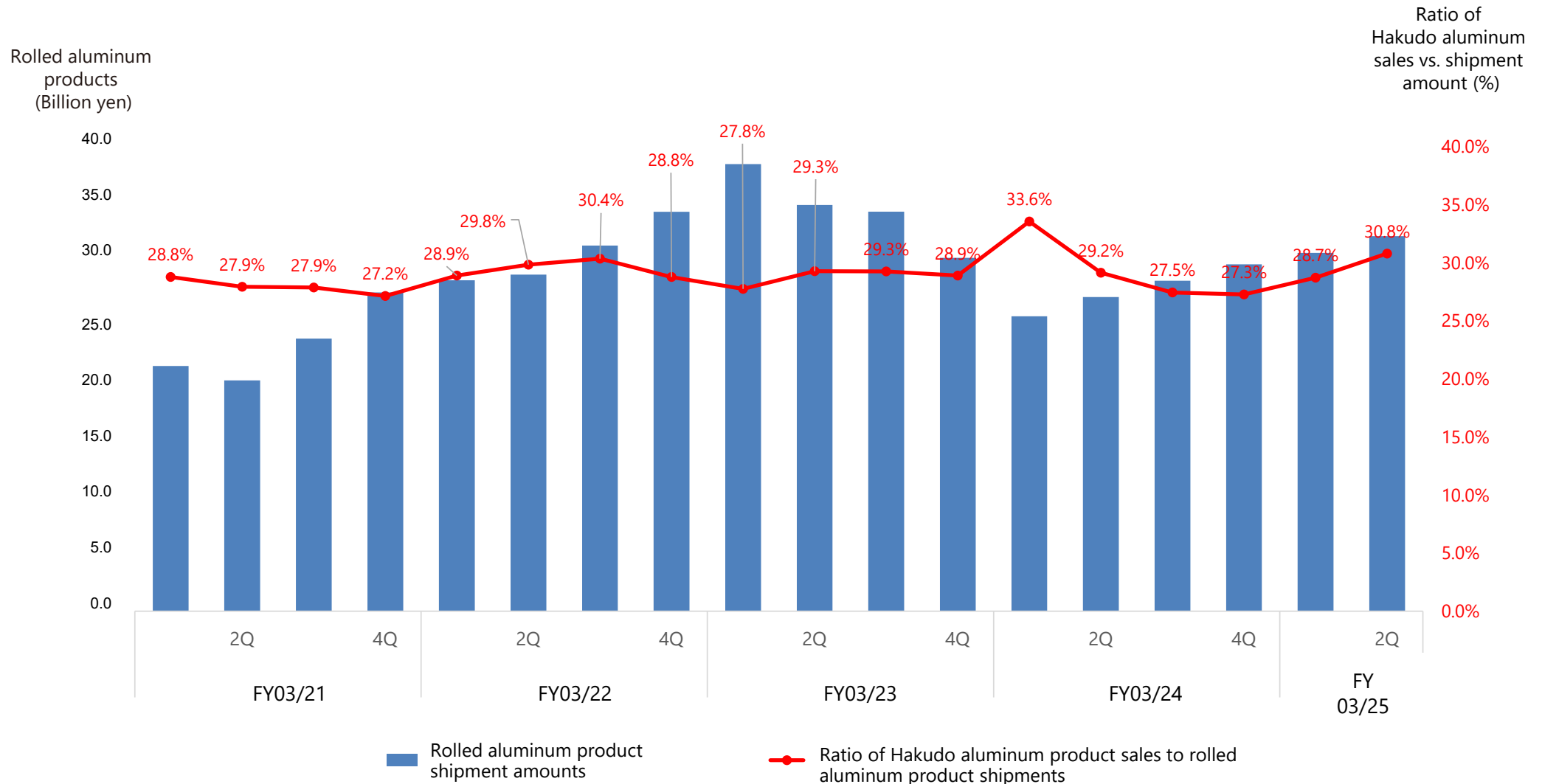
あたらしい、を、素材から。



Business Environment (4)

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

- Hakudo's aluminum product sales are around 30% of rolled aluminum product shipment value, and our industry market share has remained stable.



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

Source: Rolled Aluminum Statistics Monthly Report, Japan Aluminum Association

2. FY03/25 Financial Forecasts

FY03/25 Financial Forecasts

- Though the Company did not achieve an ordinary profit target in Q2 FY2025, targets for Net sales and operating profit, Profit attributable to owners of parent were accomplished.
- On the other hand, the Company left its full-year forecasts unchanged, taking into account the recent rise in interest rates in Japan, sharp fluctuations in foreign exchange rates and stock markets, and the uncertain outlook for the raw materials market.

| (Million yen) | FY03/25 Q2 forecast | FY03/25 Q2 result | Achieve ment rate | Amount | FY03/25 full-year forecast | Progress rate |
|--|------------------------|----------------------|-------------------------|--------|----------------------------------|------------------|
| Net sales | 31,800 | 32,488 | 102.2% | 688 | 64,100 | 50.7% |
| Operating profit | 1,560 | 1,570 | 100.7% | 10 | 3,060 | 51.3% |
| Ordinary profit | 1,780 | 1,777 | 99.8% | -2 | 3,200 | 55.5% |
| Profit attributable to owners of parent | 1,220 | 1,223 | 100.3% | 3 | 2,140 | 57.2% |

Note: Interim earnings forecast was revised upward in Q1 due to partial recovery in the semiconductor production equipment industry and the impact of higher raw materials prices.

Shareholder Returns (Dividends)

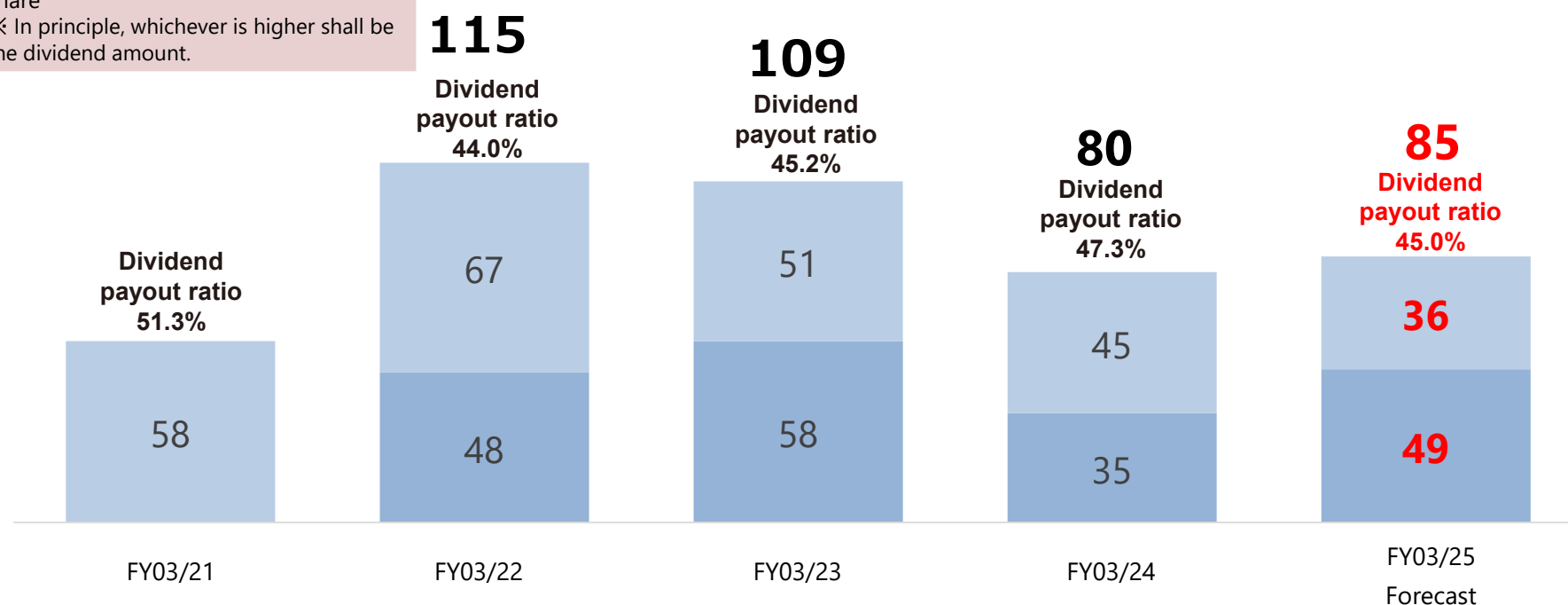
- Based on the upward revision of Q2 FY03/25 Financial Forecasts, the mid-term dividend was revised by 49 yen per share (+9 yen from the beginning of the fiscal year 2025).
- The annual dividend for the FY03/25 is expected to be 85 yen per share.

Dividend Forecast for FY03/25

Unit: yen

Dividend Policy

- Dividend payout ratio of 45% or more for the full year
- Minimum annual dividend of 80 yen per share
- ※ In principle, whichever is higher shall be the dividend amount.



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

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

Shareholder Returns (Shareholder Benefit Plan)

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

Shareholder Benefit Plan

Shareholders holding three units (300 shares) or more listed or recorded in the Company's shareholder registry as of the end of March each year are eligible for the shareholder benefit. The points can be exchanged for more than 5,000 carefully selected products on the Hakudo Premium Benefits Club, a special website for shareholders only, or exchanged for "WILLs Coin" a common shareholder benefit coin that can be combined with benefit points from other Premium Benefits Club companies.

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

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

Example of selected items



3. Progress of Mid-Term Business Strategies

Planned Initiatives for FY03/25

- The main initiatives in line with our key strategic policies for FY03/25 are as shown below.

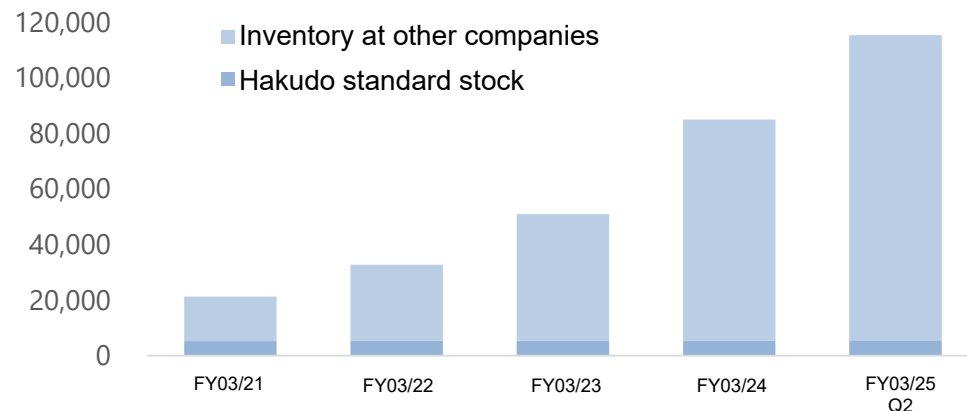
| Key Strategic Policies Established in the Medium-Term Management Plan | | Planned Initiatives for FY03/25 (Excerpt) |
|--|--|---|
| Advance business to achieve growth | ① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution | <ul style="list-style-type: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

Progress of Mid-Term Business Strategies (1)

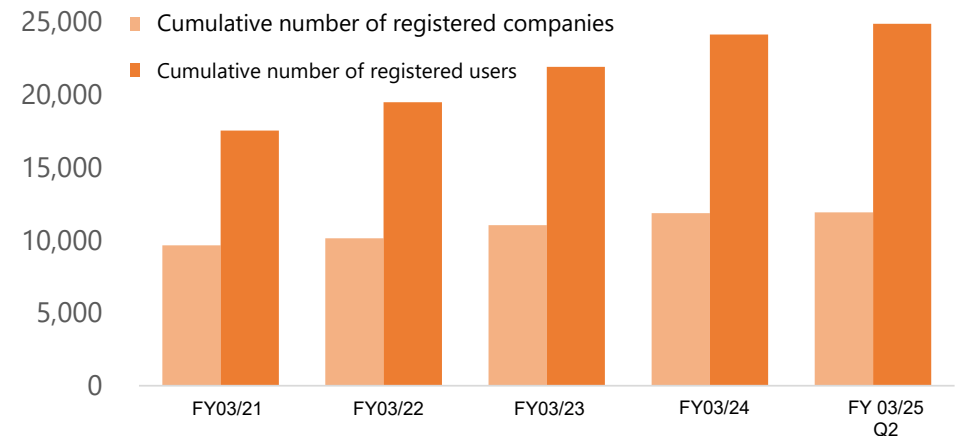
(1) Strengthen and expand customer base, raise profit margins through Hakudo Network Service (E-Commerce) evolution



【Number of Items Available at Hakudo Net Service】



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



Note: Includes CS Net Service registrations

Progress of Mid-Term Business Strategies (2)

(2) Expand growth fields, strengthen sales



Q2 FY03/25
sales ratio
42.2%

Consolidate the industry through specialized departments

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



Q2FY03/25
sales ratio
5.1%

Obtaining new customers

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

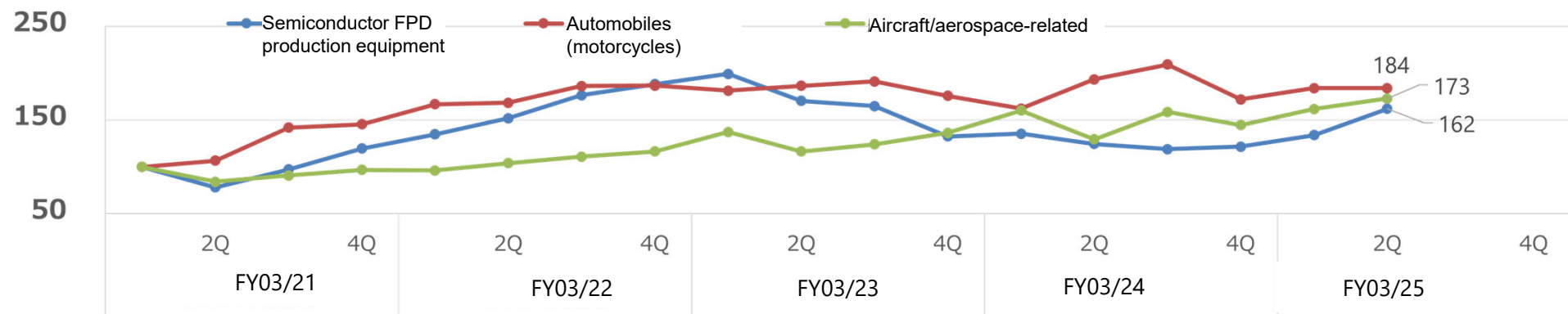


Q2 FY03/25
sales ratio
4.3%

Enhanced overseas procurement function

Collaboration with WCAS to strengthen import procurement capabilities for aerospace standard materials made by overseas manufacturers

【Growth domain quarterly sales indicators】

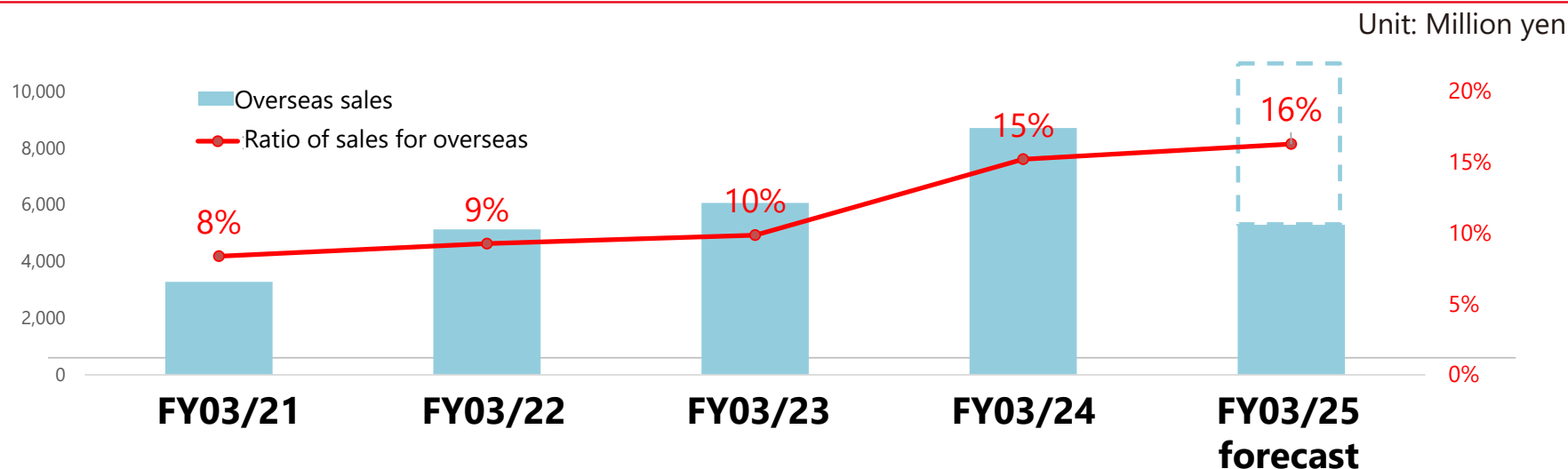


Note: Sales index based on sales in Q1 FY03/21

Progress of Mid-Term Business Strategies (3)

(3) Overseas business expansion

Overseas Net Sales and Sales Ratio



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

Status of Activities

◆ Expansion of Sales Items

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

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

Expanding both nonferrous metals import wholesale business and processing business at U.S. subsidiary.

◆ Consideration of investment and partnerships

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

4. Initiatives for Sustainability Management

Progress in Sustainability Management (1/3)



- The status of efforts to date for action items and targets pursued by subcommittees established under the ESG/SDGs Management Committee are as follows. This information is reported to the Board of Directors, which in return provides proposals and advice for the actions.
- Our CO₂ emissions reduction target by FY2030 was achieved ahead of schedule.
- Efforts to reduce CO₂ emissions include the installation of solar power panels at the Shiga Plant and the introduction of EVs. The Company has also decided to install solar power panels at its Fukushima Plant.
- In addition, Hakudo started Brokerage Sales of FIT Non-Fossil Certificates from October 2024.

| Material issues | Initiatives | FY03/27 Targets | FY03/27 KPIs | Q2 FY03/25 Efforts |
|--|--|--|--|--|
| 1. Reducing environmental impact and responding to climate change | Reduce CO ₂ emissions | Commence concrete reduction measures to achieve (1) 42% reduction by FY03/30 compared to FY2020 (2) carbon neutrality by FY03/50. | <ul style="list-style-type: none"> CO₂ emissions The amount of CO₂ emissions reduction by our initiatives | <ul style="list-style-type: none"> ✓ Preparation for installation of solar panels at Fukushima Plant ✓ Introduced six electric vehicles ✓ Achieve our target to reduce the amount of CO₂ emissions for fiscal year 2023 (reduced by 42% compared to fiscal year 2020) |
| | Improve manufacturing efficiency | Contribute to society by conserving and reducing the depletion of natural resources and curbing environmental pollution through more efficient deliveries, less industrial waste, and lower scrap rates. | <ul style="list-style-type: none"> Energy consumed Freight cost reduction rates Waste disposal costs Manufacturing department consumable costs | <ul style="list-style-type: none"> ✓ Implemented activities to improve delivery efficiency by restructuring the distribution network ✓ Reduced standby power consumption of facilities ✓ Continued cutting oil recycling measures ✓ Introduction of environmentally friendly packaging materials |
| | Promote paperless offices | Reduce costs by eliminating resource waste and promoting recycling, preserve forests and contribute to the protection of the natural environment. | <ul style="list-style-type: none"> Office printing costs | <ul style="list-style-type: none"> ✓ Decreased printing expenses for meeting materials through digitization |
| 2. Building responsible supply chains | Strengthen environment-friendly products | Contribute to society through the stable supply of products with low environmental impact (ECO products, etc.), and management that considers environmental impacts. | <ul style="list-style-type: none"> Environment-friendly product sales volumes | <ul style="list-style-type: none"> ✓ Expand sales of ECO products and consider lineup expansion |
| | Promote green procurement | Contribute to society by ensuring that suppliers comply with the Hakudo Green Procurement Guidelines, and management that considers environmental impacts. | <ul style="list-style-type: none"> Number of MOUs exchanged with suppliers complying with the Green Procurement Guidelines Green procurement rates | <ul style="list-style-type: none"> ✓ Conducted MOU exchanges with multiple business partners |
| | Strengthen relationships with suppliers | Contribute to society by cooperating with suppliers and implementing CO ₂ reduction measures, and promoting CO ₂ reductions throughout the supply chain. | <ul style="list-style-type: none"> Green aluminum suppliers discovered Recycled aluminum suppliers discovered | <ul style="list-style-type: none"> ✓ Started sales of "ECO63S square bar" with low CO₂ emissions ✓ Started to consider launching more products to restrain the amount of CO₂ emissions |
| | Respect human rights | Contribute to society by working with supply chain partners to promote human rights awareness in management. | <ul style="list-style-type: none"> Formulation and implementation of our Group human rights policies | <ul style="list-style-type: none"> ✓ Initiated human rights due diligence efforts ✓ Internal penetration activities of Hakudo Group Human Rights Policy ✓ Confirmation of human rights guidelines with client |

Progress in Sustainability Management (2/3)



| Material issues | Initiatives | FY03/27 Targets | FY03/27 KPIs | Q2 FY03/25 Efforts |
|---------------------------------|---|---|---|--|
| 3. Activities targeting society | Contribute to future generations | Contribute to the development of next-generation technologies and the strengthening of human resources by supporting advancement of manufacturing culture and human resource development in Japan. | <ul style="list-style-type: none"> Number of industry-academia collaboration projects | <ul style="list-style-type: none"> ✓ Visited university research exhibitions and explored opportunities for new collaborative initiatives ✓ Planned and made Factory Tours for student. |
| | Contribute to society | Contribute to a sustainable society, instilling a sense of pride in employees and earning the trust of society. | <ul style="list-style-type: none"> Amount of donations to local communities and organizations | <ul style="list-style-type: none"> ✓ Making a donation continuously ✓ Collecting in-house used books and donated them |
| 4. Investing in human resources | Increase employee satisfaction | Increase employee satisfaction to enhance employee motivation to be productive and responsive to customers, enhance our impact on society (social contributions) and positively impact company performance. | <ul style="list-style-type: none"> Attrition rates Average overtime working hours Paid leave acquisition rates Percentage of male employees taking parental leave | <ul style="list-style-type: none"> ✓ Enhance a work environment for employees to take a paid leave more easily ✓ Make an improvement plan based on the survey of employee benefits ✓ Provide support to promote use of sports clubs |
| | Promote diversity | Increase organizational productivity and competitiveness by hiring and utilizing diverse human resources. | <ul style="list-style-type: none"> Female employee ratios Female manager ratios Foreign nationality Manager ratio | <ul style="list-style-type: none"> ✓ Promote for employing more people with disabilities ✓ Make a future plan for implementing training and development programs for female managers and potential female managers ✓ Hire more permanent employee from overseas actively |
| | management of healthy good work environment | Promotion the health both mentally and physically of employees Improve adequacy living as a member of society | <ul style="list-style-type: none"> The rate of people have heavy stress The number of cases of harassment Work-related accident frequency rate | <ul style="list-style-type: none"> ✓ Promote health care continuously(obtain healthy Top-tier company "silver"). ✓ Analysis the factor of heavy stress based on the result of survey ✓ Conduct the Counseling by professional. ✓ Strengthen workplace patrols to prevent minor incident before it happens |
| | Enhance employee education | Provide knowledge and skills necessary for business operations, and opportunities to acquire knowledge and skills. | <ul style="list-style-type: none"> Education costs per employees Training participation rates | <ul style="list-style-type: none"> ✓ Carry out the education based on the annual educational plan ✓ Fulfilling new hire training ✓ Disclosure of sustainable supply chain guidelines on website and signing with suppliers |

Progress in Sustainability Management (3/3)



| Material issues | Initiatives | FY03/27 Targets | FY03/27 KPIs | Q2 FY03/25 Efforts |
|--|---|---|---|---|
| 5. Corporate governance | Zero violations | Conduct education aiming for zero tolerance. | <ul style="list-style-type: none"> Zero compliance violations | <ul style="list-style-type: none"> ✓ Executed compliance training sessions ✓ Conducted comprehension checks in compliance. |
| | Confirm policy compliance status | Ensure compliance with each policy *Current policies and basic principles are as follows: <ul style="list-style-type: none"> • Privacy Policy • Basic Policy on Corporate Governance • Basic Policy on Sustainability • Basic Policy on Disclosure | <ul style="list-style-type: none"> Confirmation of compliance with the aforementioned policies | <ul style="list-style-type: none"> ✓ Conducted information security study meetings ✓ Implementation of information security education |
| | Enhance responses to business risks and disasters | Conduct thorough assessment of business risks and review BCP. Also, create a system ensuring employee safety and the smooth resumption of operations when disaster occurs, through implementation of drills and response measures. | <ul style="list-style-type: none"> Risk assessment points Number of disaster preparedness drills conducted | <ul style="list-style-type: none"> ✓ Review of risk assessment points ✓ Carried out company-wide safety confirmation drills ✓ Conduct emergency drills |
| 6. Internal dissemination activities of the ESG/SDGs Management Committee | Promote internal dissemination activities | Enhance the company-wide consciousness towards ESG/SDGs management by conducting educational activities and events related to ESG/SDGs. | <ul style="list-style-type: none"> Employee penetration of ESG/SDGs management (questionnaire survey) Cumulative number of episode contests | <ul style="list-style-type: none"> ✓ Promoting communication among employees by introducing thank you cards ✓ Distributed and delivered ESG/SDGs-related posters, books, and videos ✓ The survey of activities of tree-planting and environmental volunteers |
| 7. Develop new products and services related to ESG/SDGs | Make products and services concrete | Develop new products and services | <ul style="list-style-type: none"> Number of new products and services introduced | <ul style="list-style-type: none"> ✓ Preparation for Brokerage business of FIT Non-Fossil Certificates ✓ Considering to develop new CO₂ offset related products and services |

Sustainability Management Initiatives



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

Hakudo Farm



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

As of October 2024, we have 11 employees at locations in Yokohama City, Kanagawa Prefecture and Misato City, Saitama Prefecture. We grow about 30 kinds of vegetables, mainly leafy greens.

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

Super Minimum Challenge



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

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

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

Koma Battle



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

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

Shita-machi Bobsleigh



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

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

(Photo credit: International Bobsleigh & Skeleton Federation)

*Prepared based on information as of October 31, 2024

Thank you very much for your attention.

■ Hakudo Official Social Media Accounts

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

Please use the QR codes to follow Hakudo online!



■ Disclaimer

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

■ For more information, please contact:

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