

Hakudo Co., LTD.

Stock code: 7637 Tokyo Stock Exchange, 1st Section

Company Information

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1. Company Profile

Company Name : Hakuto Co., LTD.
Established : February 1932
Type of Business : Non-ferrous metals wholesale business
Net sales : 39.2 billion yen
(FY ending March 2021, consolidated basis)

Number of employees : 862 (as of April 2021)

Listed on the First Section of the Tokyo Stock Exchange

Business Description :

Processing and sales of aluminum, copper products, stainless steel, specialty steel, plastic and other plates, bars and tubes

Design of Organization: _____

Company with Audit Committee

(with Advisory Committee on Nomination and ompensation)

Composition of Directors :

Internal Directors: 4

External Directors: 5

Consolidated subsidiaries

Domestic AQR Corporation

Overseas Shanghai Hakudo Precision Materials Co.

Hakudo (Thailand) Co.

Certification : JIS Q 9100 (Kanagawa Plant, Shiga Plant)

Homepage : www.hakudo.co.jp



2. History



Headquarter at the foundation

- 2020/6 Made minority investment into Oristar Corporation in Vietnam
- 2020/1 Acquired the JIS Q 9100 Certificate at the Shiga Factory
- 2019/2 Bought out AQR Co., Ltd
- 2017/11 Launched Saitama Factory in Kasu City
- 2016/1 Acquired JIS Q 9100 Certificate at the Kanagawa Factory
- 2015/1 Started a Metal 3D printing service
- 2014/10 Established the second overseas subsidiary in Thailand
- 2008/5 Launched the Kyushu Factory in Saga Prefecture
- 2006/2 Launched the Fukushima Factory in Koriyama City
- 2005/9 Listed at Tokyo Stock Exchange Section 1
- 2003/5 Established the first overseas subsidiary in Shanghai, China
- 2000/3 Listed at JASDAQ Stock Market
- 1990/3 Launched the Shiga Factory in Shiga Prefecture
- 1978/9 Started "Next Day Deliver Service"
- 1974/10 Launched the Kanagawa Factory in Atsugi City
- 1967/5 Changed a company name to Hakudo Co., Ltd
- 1949/11 Established as a corporation
- 1932/2 Founded as a sole proprietorship



3. Hakudo's Credo

Management Philosophy

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

Our five commitments

1. To our Customers

To strive in exceeding expectations through evolving the quality, technology and service we offer.

2. to our Employees

To offer an environment where our employees can feel secure and also take pride to be a member of.
To pursue happiness of our employees and their families.

3. to our Business partners

To cherish a mutually beneficial relationship.

4. to our Shareholders

To continuously pursue elevating the corporate value and to return fair dividends.

5. to our Society

To contribute in the development of the local community, environmental protection by complying with the law and executing healthy corporate activities.

3. Hakudo's Credo

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

4. Brand Slogan



Management Philosophy

We strive to win the trust of all stake holders and to contribute to the society through 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 satisfying price

Thoughts behind the brand slogan

New technology is only possible with high quality materials.

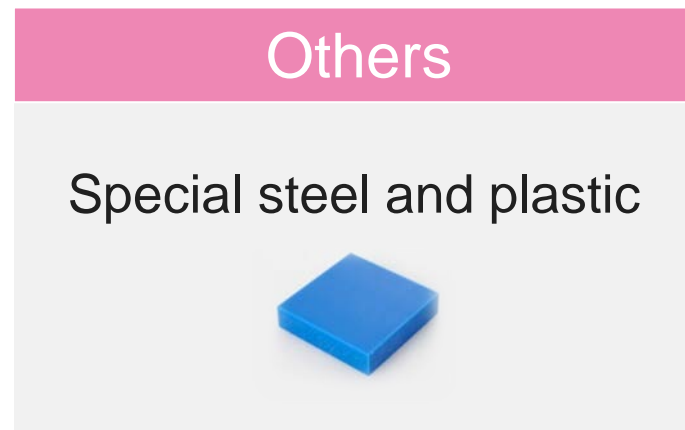
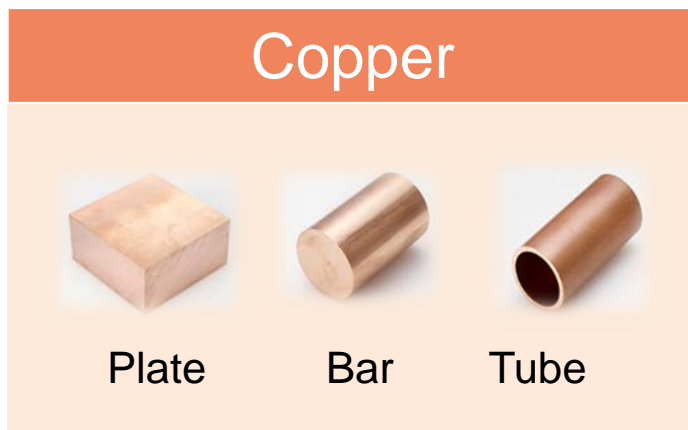
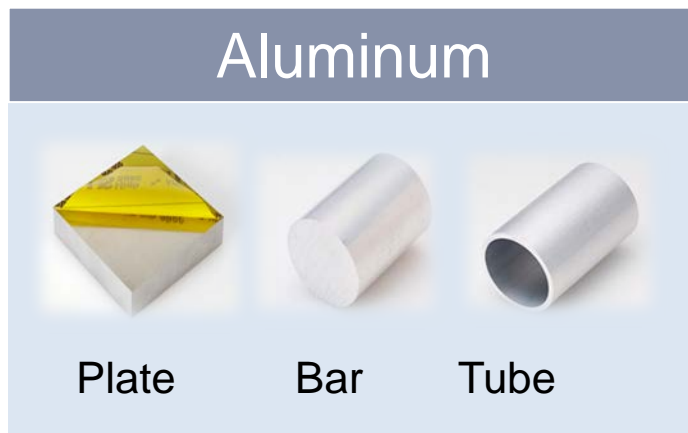
In fact, superior production materials should give birth to ideas and innovations that have never existed in the world before.

Furthermore, "materials" does not only refer to the materials we manufacture, but also to our "human resources," which motivates us to create "new" products.

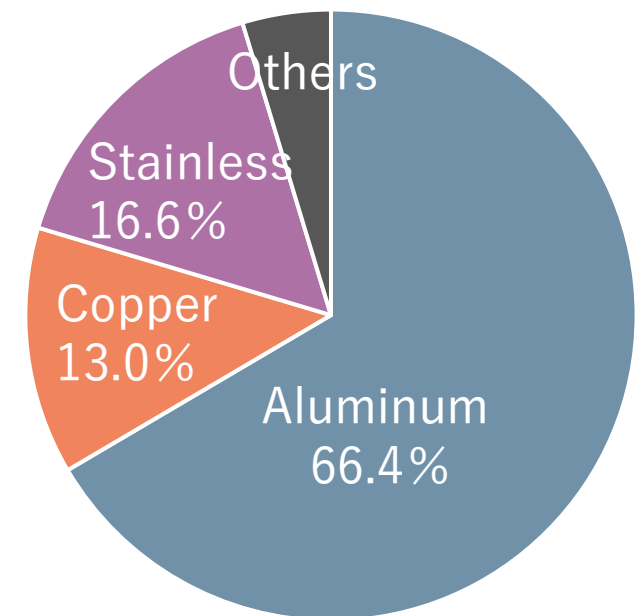
5. Business (Products we handle)

The products we handle are made of non-ferrous metals such as aluminum, copper, stainless steel, etc.

Each material has its own characteristics, such as weight and thermal conductivity, and has a wide range of applications.



【 Sales composition by product type 】
(FY2021)



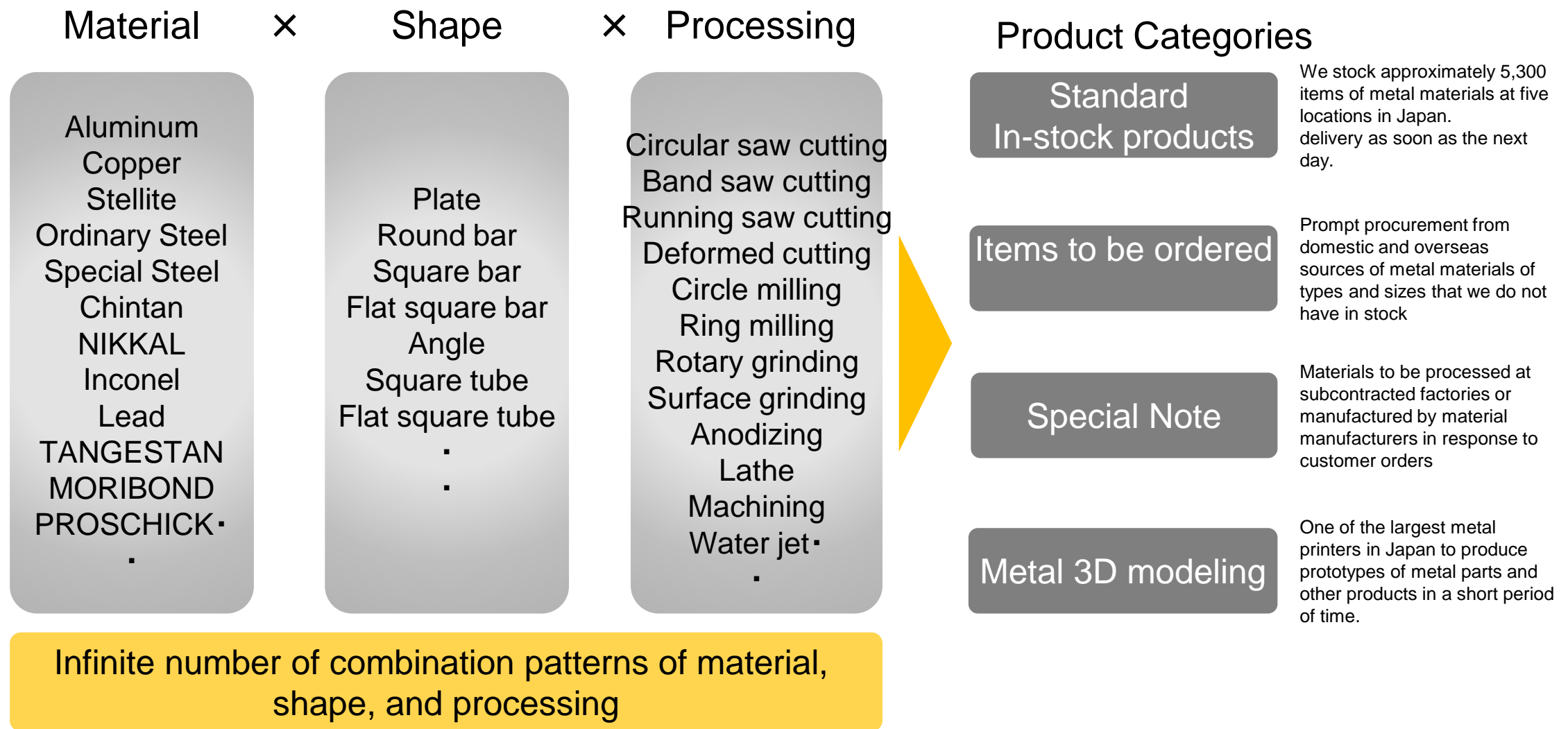
5. Business activities (applications of our products/customer industries)

It is used in a wide range of fields, from the semiconductor and automotive industries to consumer electronics and aircraft.

Breed	Industry	Usage examples
Aluminum	Semiconductor manufacturing equipment	Chamber materials for manufacturing equipment
	FPD (Liquid Crystal Display) Manufacturing Equipment	Chamber materials for manufacturing equipment
	Air pressure	Air cylinder and manifold
	Home Appliances	Molds for molding parts, etc.
	Shipbuilding	LNG carrier
	Aircraft	Aircraft structural materials and equipment
Copper	FPD (Liquid Crystal Display) Manufacturing Equipment	Target material
	Automobile	Parts
	Semiconductor	Lead frame
Stainless steel	Semiconductor manufacturing equipment	Chamber materials for manufacturing equipment
	FPD (Liquid Crystal Display) Manufacturing Equipment	Chamber materials for manufacturing equipment
	Food Products	Parts of manufacturing equipment

5. Business (Features of Hakudo)

By combining the functions of a traditional trading company with cutting, processing, and delivery services, Hakudo is able to
 We process all kinds of metal materials into the desired size and shape, and deliver them the next day at the earliest.



6. Strengths of Hakudo (Sales of standard stock products)

Hakudo's standard stock product sales save customers time and effort with six

1. Wide range of products



About 5,300 products, including non-ferrous metals and plastics stored at its 5 factories

2. small lot size support



Even one piece of 5X5 cube can be cut and machined for the just right size to meet customers' needs for same-day shipping

3. Quick Response



Hakudo quickly provides estimates, take orders, and answer any questions by online order system, e-mail, phone and fax on the same day

4. Quick Delivery



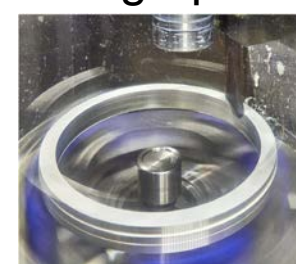
Collaboration among 5 factories in Japan and overseas facilities and partner distributors allows Hakudo to deliver to customers with the shortest possible delivery time

5. Various processing variations



All of the products in inventory can be cut to the exactly requested dimensions and machined as needed, such as by milling, polishing or irregular shapes

6. High-precision processing



Hakudo's factories in Japan have met various standards, including ISO 9001 and JIS Q9100, ensuring its ability to handle any customer quality requirements through its industry-leading quality assurance system



- Number of Customer Accounts ⇒ About 13,000
- Number of Daily Estimates ⇒ About 17,000
- Response Rate within 30 minutes ⇒ More than 70%
- Number of Daily Orders taken ⇒ About 9,000

6. Strengths of Hakudo (Sales of custom-made products)

We tie up with rolling and extrusion manufacturers and parts processors to
We provide custom-made materials and processed parts that are made to meet customer needs.

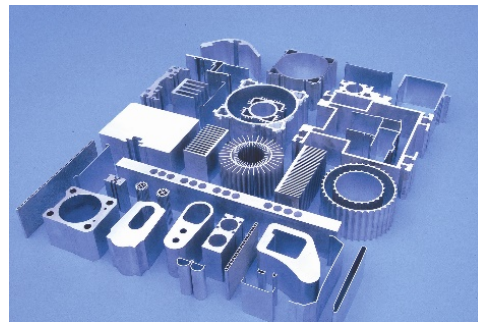
- Rolled products: Sketch materials and chamber materials for semiconductor and FPD manufacturing equipment
- Extruded parts: Pneumatic parts, cylinder body parts, manifold body parts
- Machined parts: Metal parts, products, jigs and tools are manufactured to order according to drawings.
- Imported molds and mold parts: Plastic molds, die-casting molds

Made to order by specifying dimensions



Plates of various materials can be manufactured to specified dimensions.

High dimensional accuracy even in complex shapes



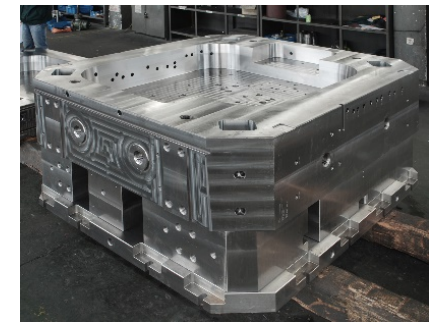
By extruding the material in a shape similar to the product, the weight of the material can be reduced, which, together with the reduction in processing man-hours, greatly contributes to cost reduction.

Utilizing domestic and international networks



By using the processing network that we have formed in cooperation with domestic and overseas customers, Hakudo will select the most suitable company to provide machined products.

Realization of low cost and high quality



Products manufactured by Chinese mold base manufacturers carefully selected by the Hakudo Group are provided under thorough quality control.

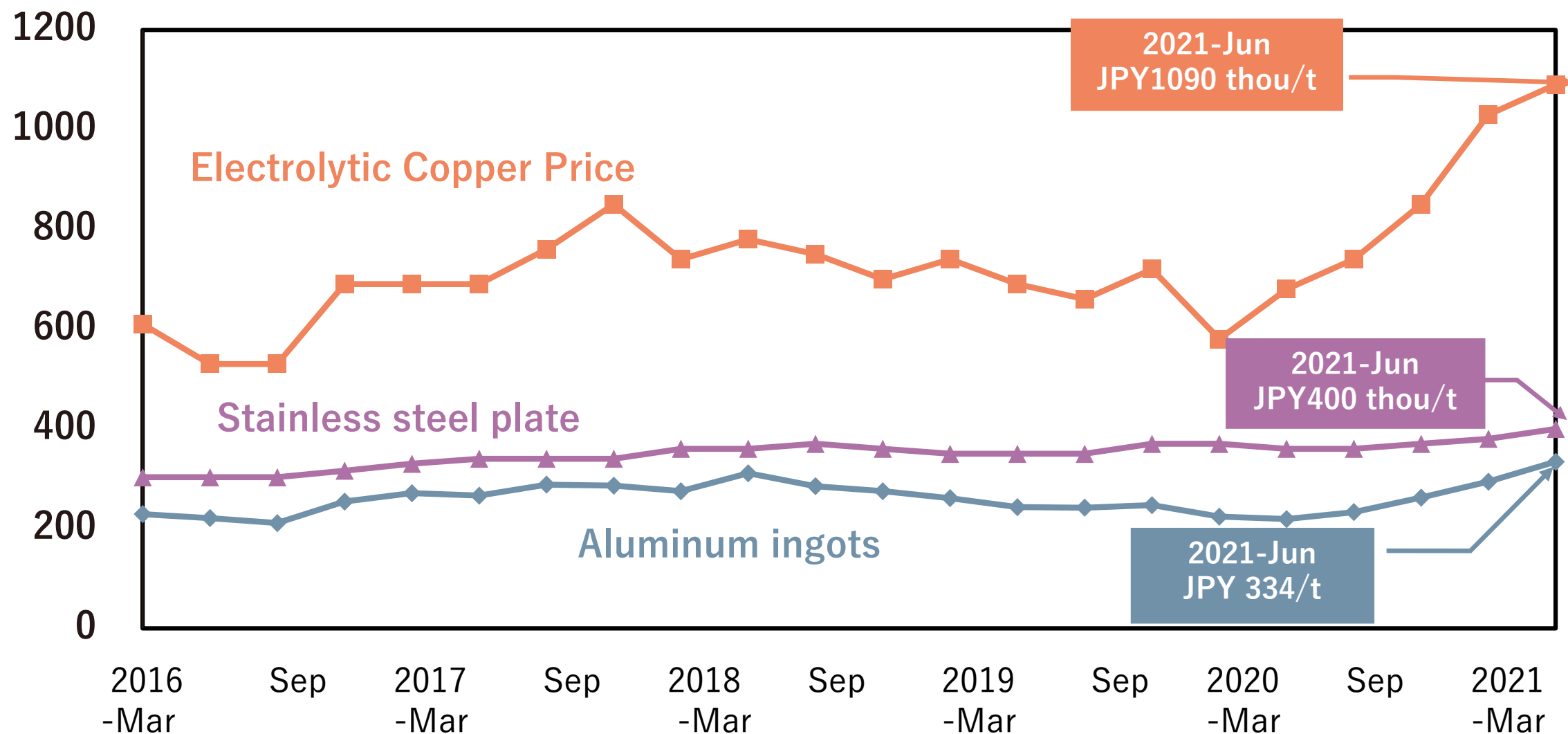
Business Environment

7. Business Environment (1)

(1) Raw material market conditions for aluminum, copper and stainless steel

Aluminum, copper and stainless steel bullion prices continue to rise

(Unit : JPY Thou /t)

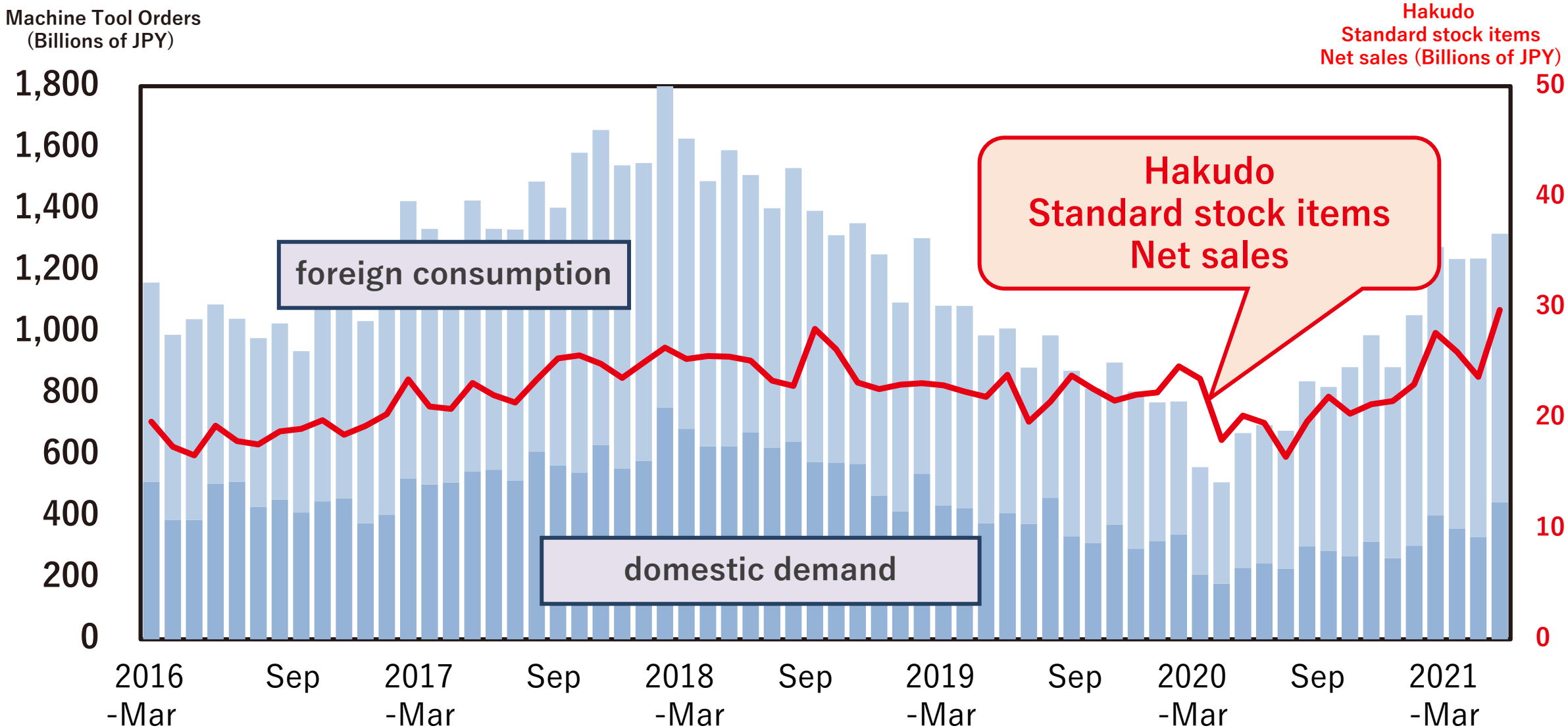


Stainless steel sheet: The Tekko Shimbun monthly central value
Aluminum ingots: Nikkei monthly average

7. Business Environment (2)

Comparison of Machine Tool Orders and Standard Inventory Sales

Orders for machine tools are recovering in both foreign and domestic demand.



Source: Japan Machine Tool Builders' Association, Machine Tool Orders Statistics

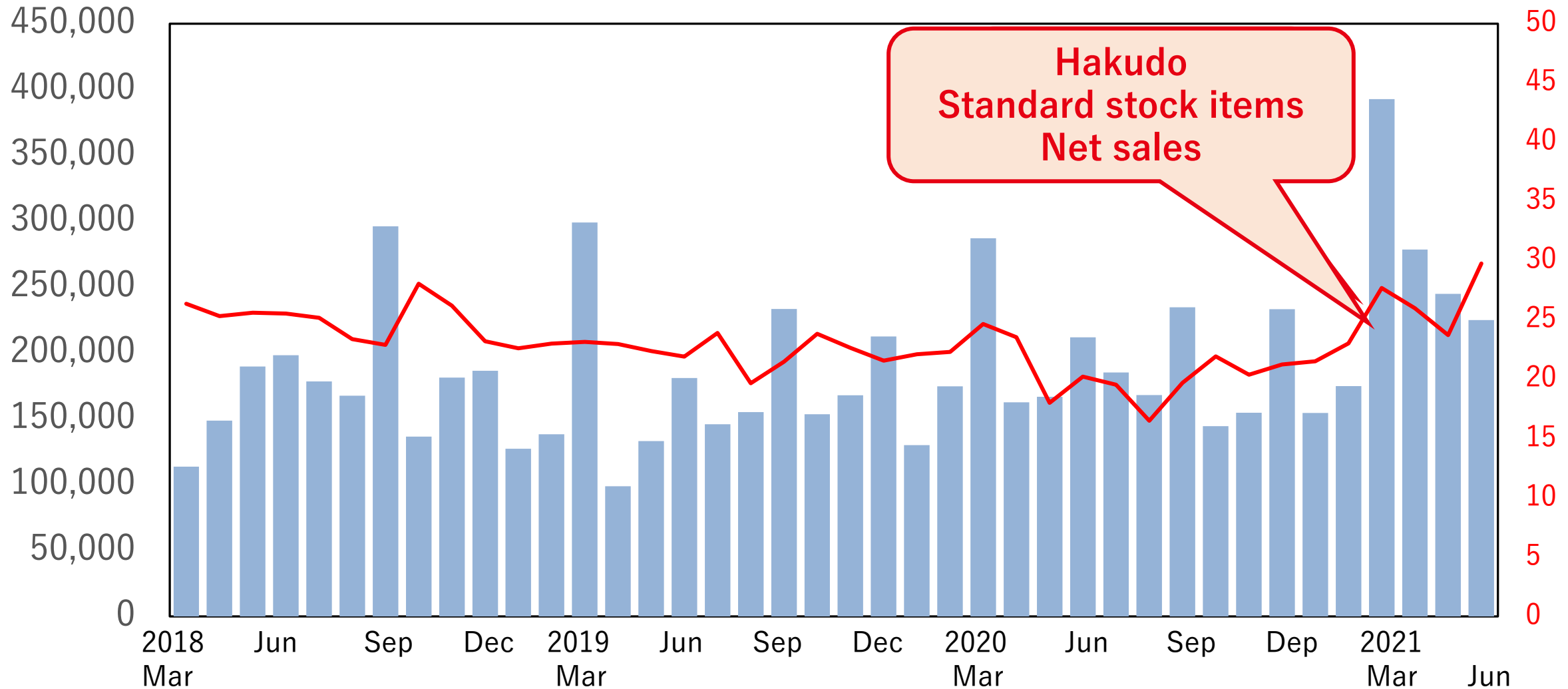
Business Environment (3)

Comparison of Semiconductor Production Equipment Sales and Standard Inventory Sales

Continued growth in demand for 5G-related and data center applications is expected

Sales of manufacturing equipment made in Japan (JPY 100 billion)

Hakudo Standard stock items Net sales (JPY Billions)



Source: Japan Semiconductor Equipment Association Statistical Data



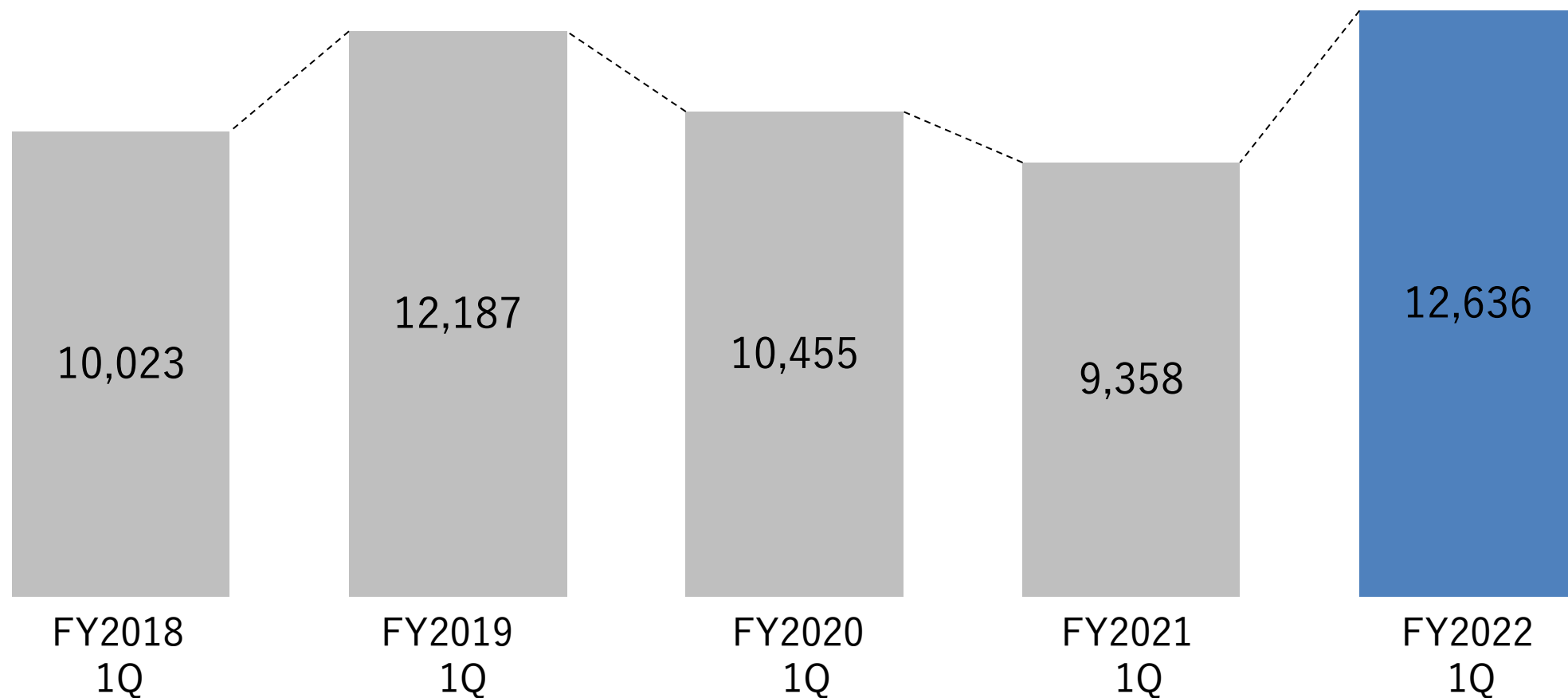
Latest Financial Results

8. Recent Business Performance (1) Sales Trend

Increase of 35.0% from the same period of the previous year

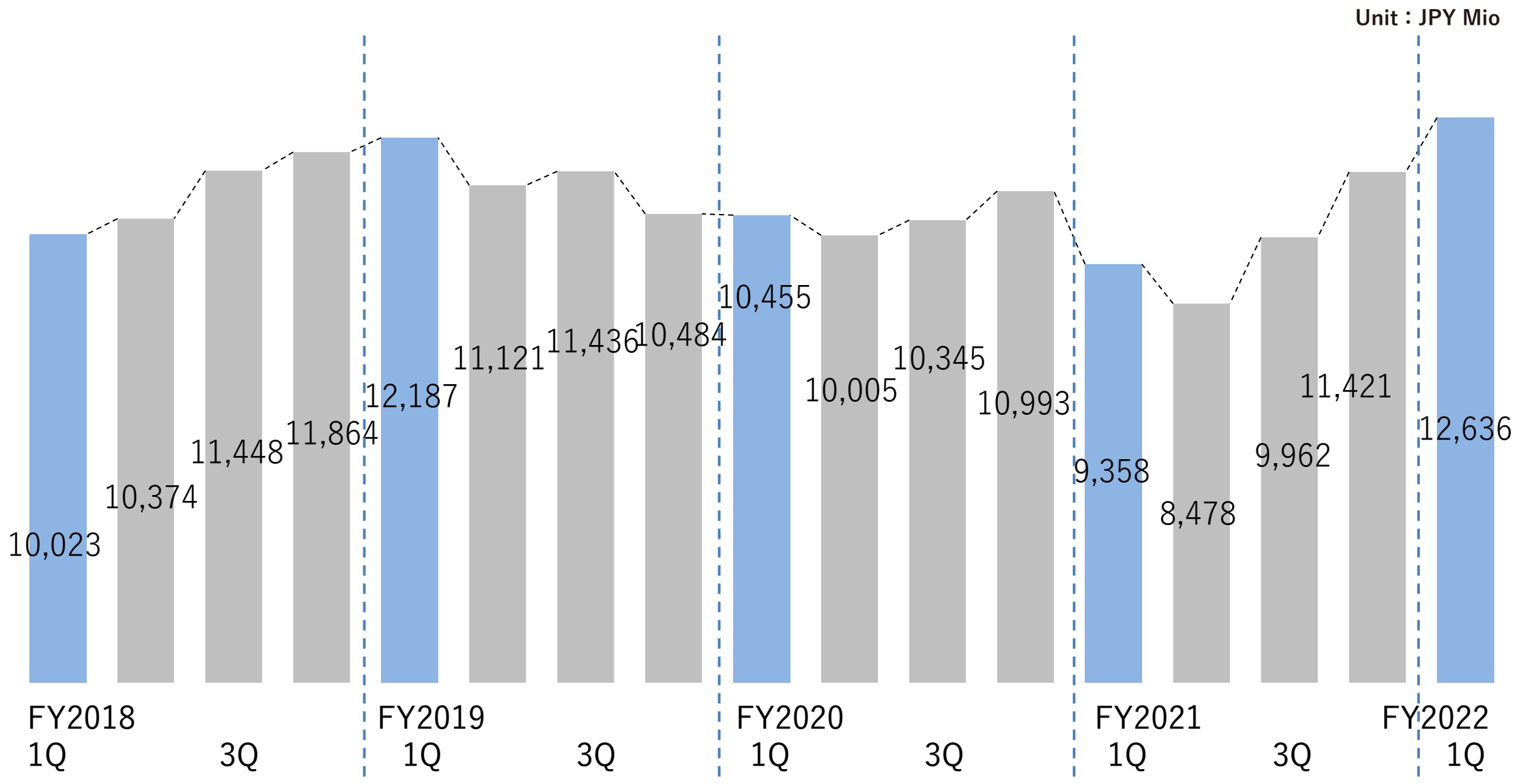
In the same quarter of the previous fiscal year, the impact of the new coronavirus infection led to a slump in sales, but in the first quarter of the fiscal year ending March 31, 2022, sales reached a record high on the back of growth in the semiconductor production equipment industry.

Unit : JPY Mio



8. Recent Business Results (2) Quarterly Sales Trends

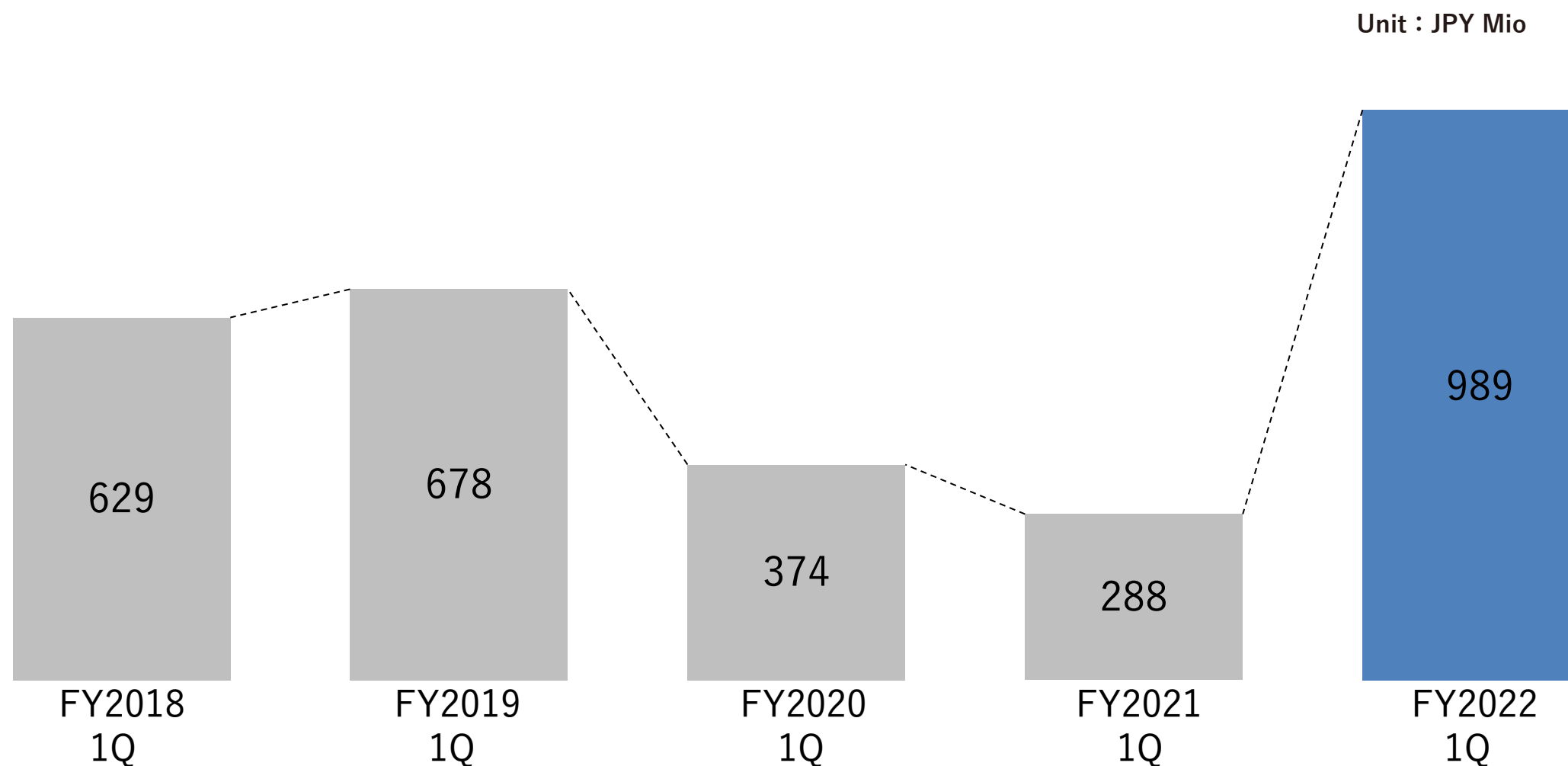
After bottoming out in the 2Q of FY2021, the impact of the coronavirus infection has been overcome, and the company will continue to perform well in the current fiscal year.



8. Recent Business Results (3) Operating Income Trends

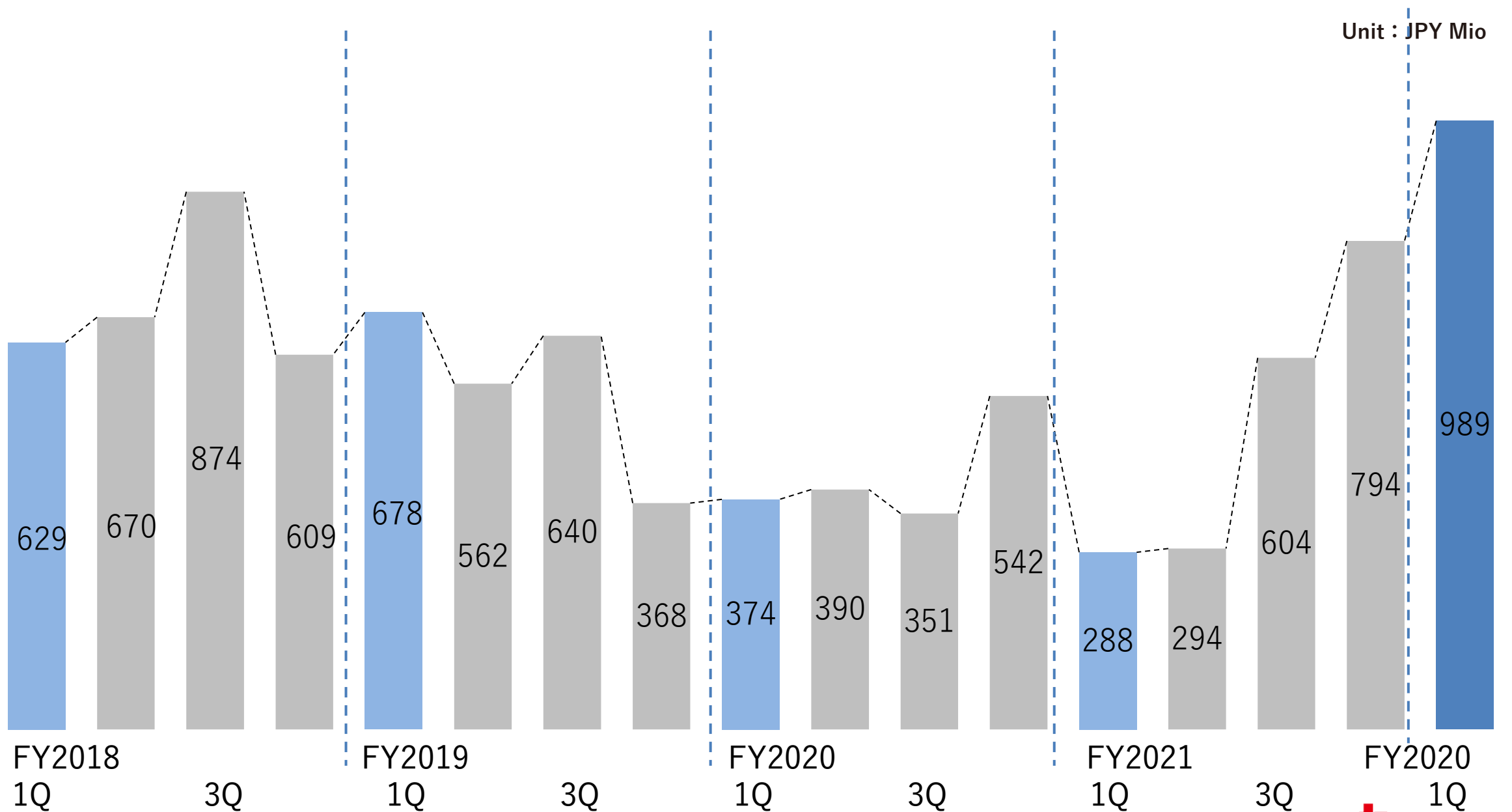
243.0% Increase compared to the same period of the previous year

- ◆ The main reason for the increase in the selling price and the decrease in the selling price rate is the increase in the selling price.
- ◆ The increase in the inventory valuation of products in response to the raw material market situation



8. Recent Business Results (4) Quarterly Trends in Operating Income

Operating income to increase from 3Q FY2021



Topics

9. Revision of Financial Forecast for FY Ending March 31, 2022

Upward revision of earnings forecast from initial forecast

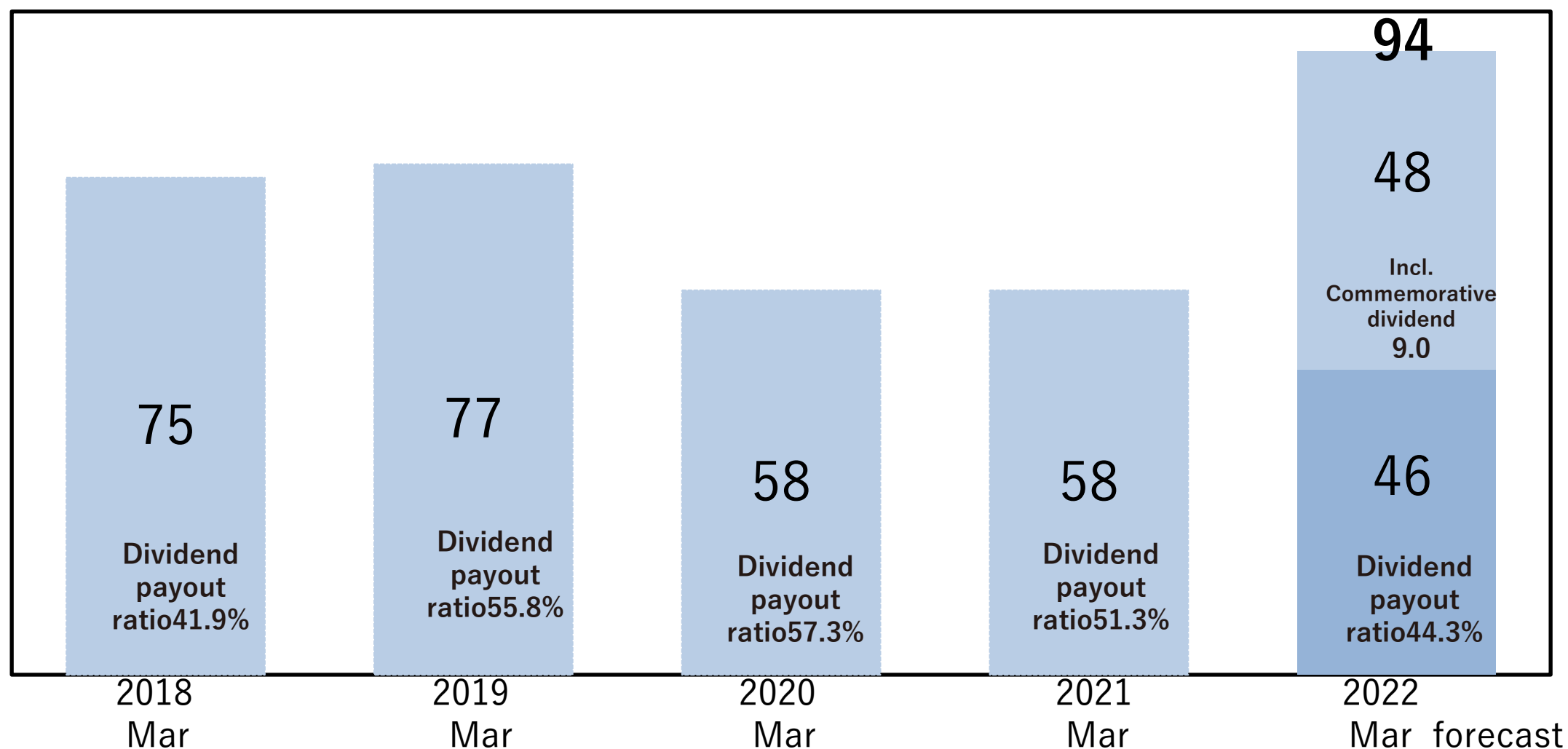
Second Quarter of Fiscal Year Ending March 31, 2022	Previous forecasts	Revised forecasts	Amount of change	Percentage change
Net sales (JPY Mio)	23,700	25,400	1,700	7.2%
Operating income (JPY Mio)	1,410	1,880	400	29.1%
Ordinary income (JPY Mio)	1,480	1,880	400	27.0%
Net income attributable to the parent company (JPY Mio)	1,020	1,300	280	27.5%

Fiscal Year Ending March 31, 2022	Previous forecasts	Revised forecasts	Amount of change	Percentage change
Net sales (JPY Mio)	48,000	52,000	4,000	8.3%
Operating income (JPY Mio)	2,920	3,420	500	17.1%
Ordinary income (JPY Mio)	3,000	3,500	500	16.7%
Net income attributable to the parent company (JPY Mio)	2,070	2,400	330	15.9%

10. Dividend Forecast ~ Dividend per Share

Interim dividend to be paid from fiscal year ending March 31, 2022

Dividend forecast increased due to upward revision of business performance



※2022  : Interim dividend  : Dividend forecast

11. New Shareholder Benefit Program Established

Introduced the Hakudo Premium Benefit Club, a point-based shareholder benefit program, to further reward shareholders.

What is the Premium Benefit Club?

The Premium Benefit Club is a service in which shareholders are awarded "benefit points" based on the number of shares they hold and the period of time they have held the shares, and can use the points to exchange for products and services of their choice.

Number of shares owned	Points to be awarded	Time of presentation
Less than 300 shares	0 points	-
300~399 shares	3,000 points	November each year
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	
More than 3000 shares	50,000 points	

12. Selection of New Market Segmentation for TSE

Status of compliance with the New Market Classification of the Tokyo Stock Exchange

- ❑ On July 9, 2021, we received the primary judgment results from the Tokyo Stock Exchange regarding compliance with the listing maintenance standards in the new market category, and confirmed that we are in compliance with the listing maintenance standards for the "Prime Market."
- ❑ In accordance with the schedule set by the Tokyo Stock Exchange, the Board of Directors will now proceed with the prescribed procedures, including the resolution on the selection of market segments in the new market classification.

Focused Policy

13. Focused Policy (1) – 1

(1) Realization of Dantotsu quality, Dantotsu speed, Dantotsu service, and satisfactory price

(1)-1 Aggressive introduction of labor-saving production equipment such as robots, and innovation of manufacturing sites by promoting IoT in manufacturing sites.

【 Past investment performance and plans for the next fiscal year 】

In FY Mar 2022, the company plans to invest JPY 873 mio in factory automation equipment and white copper net services.

Fixed Assets Acquisitions (Consolidate)

(Unit: JPY Mio)

	2018 Mar	2019 Mar	2020 Mar	2021 Mar	2022 Mar (forecast)
Fixed assets	1,227	1,086	593	485	611
Intangible fixed assets	83	213	111	105	262
Total amount of acquisition	1,311	1,300	705	591	873

As a result of the capital investment, the production capacity of our plants has increased to 137% compared to the fiscal year ended March 31, 2018.

【 Deferred delivery incidence rate (rate of cases delayed beyond the catalog delivery date) 】

Decreased by about 1/13 in FY3/2021 compared to FY3/2018

【 Manufacturing-related return incidence rate 】

Decreased to about 1/4 in FY2021/3 compared to FY2018/3

13. Focused Policy (1) – 2

(1) Realization of Dantotsu quality, Dantotsu speed, Dantotsu service, and satisfactory price

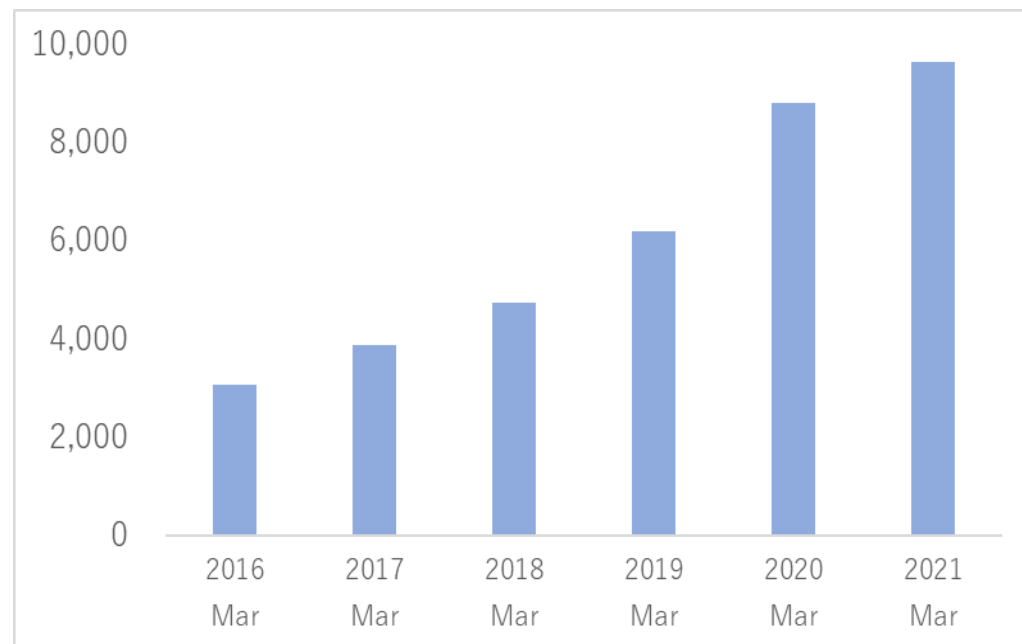
(1)-2 "Further improvement of the convenience of the "Hakudo Net Service"

- The number of item sizes has been greatly expanded, and approximately 21,900 item sizes are now available.
- Increasingly handling tools, screws, and other non-material items
- Aiming for a 90% usage rate of the White Copper Net service for quotations

【 Number of items available for the Hakudo Net Service 】



【 Number of Companies Registered to Use the Hakudo Net Service (Cumulative) 】



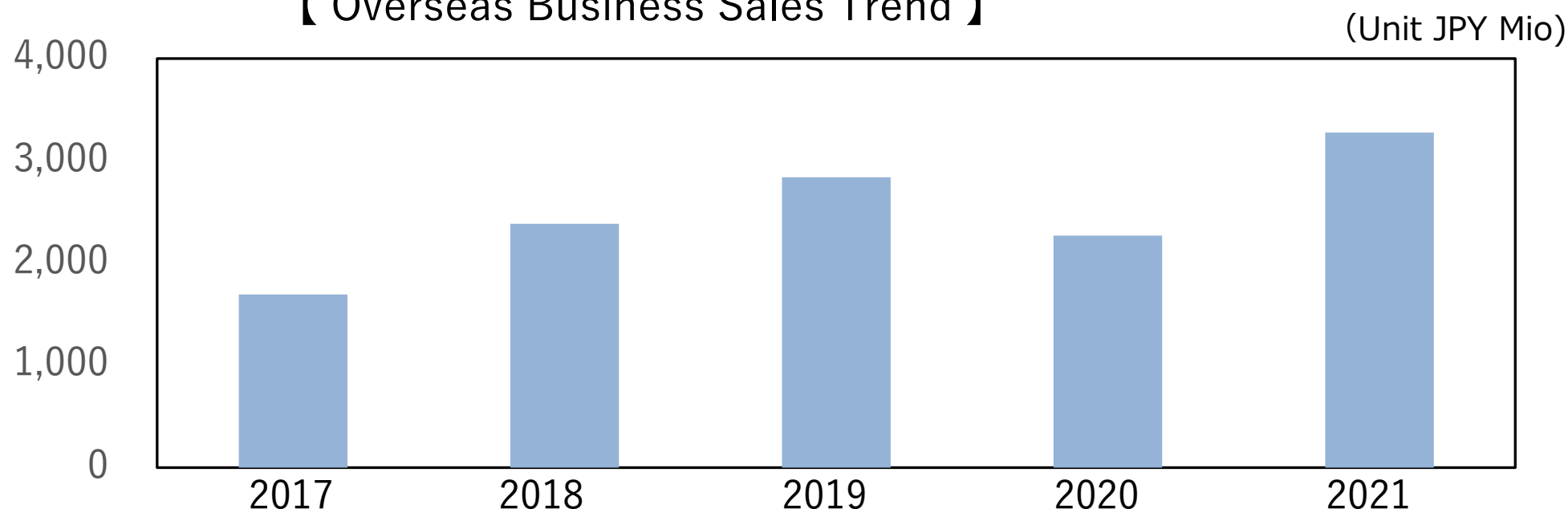
13. Focused Policy (2)

(2) Expansion of overseas business

- Increase in sales and profits of overseas subsidiaries
- Establishment of a cooperative structure with Oristar, a major non-ferrous metals trading company in Vietnam, in which we completed our investment in June 2020
- Establish a sales network for custom-made plates of nonferrous metals and stainless steel overseas
- Strengthen ties with overseas distributors and consider new countries to enter (U.S., South Korea, etc.)
- Strengthening of overseas web

Aim for overseas business sales to account for more than 10% of the total sales of the Hakudo Group

【 Overseas Business Sales Trend 】



※ Total amount of export sales from Japan to non-overseas subsidiaries and sales of overseas subsidiaries

13. Focused Policy (3) – 1

(3) Developing new businesses

(3)-1 Contract manufacturing of metal products using 3D printers

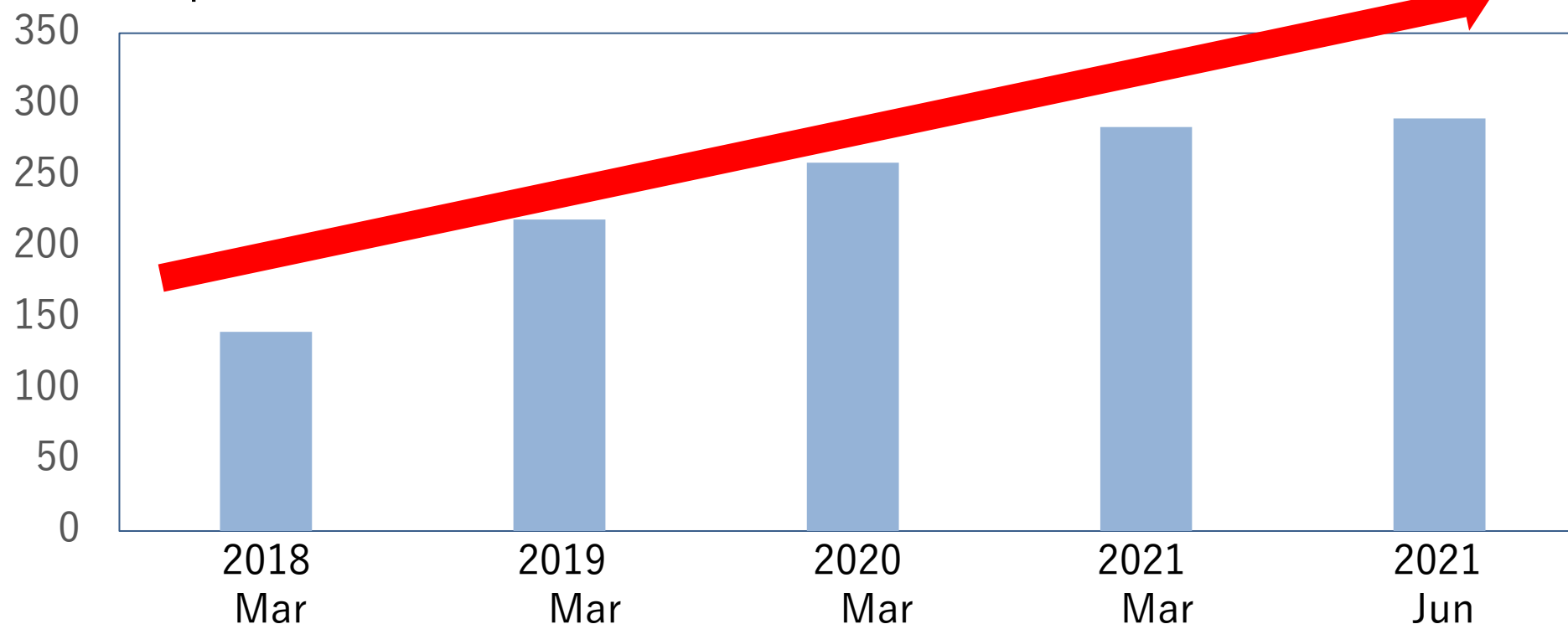
Strengthen sales of aluminum die-casting alloy "ADC12" molding services

- Total solution for 3D molding "3D+ONE"
- Strengthen inspection system by increasing inspection facilities
- Strengthen inspection system by reinforcing inspection facilities
- Expand sales to the metal mold and automobile industries by targeting the synergistic effect of 3D printers



Source : 3D Systems Corporation

【 Number of 3D printer-related accounts (cumulative) 】



13. Focused Policy (3) – 2

(3) Developing new businesses

(3)-2 Aiming to become a convenience dealer of aerospace standard materials

The industry's largest
Extensive inventory lineup

A wide range of materials used for aircraft structural materials, various equipment and satellite parts are available in a wide range of sizes.

Ensure quality in
accordance with standards

Acquired JIS Q 9100 (aerospace) certification Kanagawa Plant, Shiga Plant

Support for import from
overseas

Using our extensive overseas network, we can respond quickly to imports.

Waterjet to be introduced in January 2020, with sales mainly to the aerospace industry



Cutting and processing of any material
into any shape

13. Focused Policy (4)

(4) Approaches to ESG/SDGs

Establishment of ESG/SDGs Management Committee led by senior management "Aiming to realize "continuous contribution to society through business" and "enhancement of corporate value over the medium and long term Aiming to realize "continuous contribution to society through business" and "enhancement of medium- to long-term corporate value

Classification	Examples of materiality	Goals of SDGs 17
E	Efforts to realize a decarbonized society	    
	Reduction of scrap ratio	
	Reduction of industrial waste	
	Improving delivery efficiency	
	Reduction of power consumption	
	Eco-series reinforced	
S	Improve employee satisfaction	  
	Employee health promotion	
	Strengthen disaster countermeasures	
G	Compliance, Risk Management	
	Company-wide acquisition of JISQ9100	

Thank you very much for your attention.

■ Notes on this document

•This document contains projections based on assumptions, outlooks and plans regarding the future as of August 2021. Actual results may differ materially from those in the forward-looking statements due to risks and uncertainties related to the global economy, competitive conditions, and other factors.

•This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

■ For more information, please contact

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