

Financial Results for FY3/22 Q2

Table of Contents

- | | |
|--|------------|
| 1. FY3/22 Q2 Results | P2 |
| 2. FY3/22 Full-year Financial Forecasts | P19 |
| 3. Focused Strategies | P23 |

FY3/22 Q2 Results

Results highlights

Net sales

25,818 million yen
(Up 44.8 % YoY)

Gross profit

4,847 million yen
(Up 73.2 % YoY)

Operating income

1,940 million yen
(Up 232.8 % YoY)

Q2 Summary

- Achieved record highs in both net sales and operating income, backed by favorable market conditions, surpassing the upwardly revised forecasts during the term
- In the semiconductor manufacturing equipment industry, demand continues to grow for 5G-related products and for data centers, and capital investment remains strong.
- Strong sales of all products, especially mainstay aluminum products
- Inventory revaluation impact was 259 million yen (gain) in the current term, contributing to a profit increase by 373 million yen year-on-year.

[Inventory revaluation impact in the 1H forecast]

Initially announced: 114 million yen (gain), Revision on August 10: 190 million yen (gain)

- Introduced shareholder benefit program as part of investor relation activities and enhancement of shareholder returns
- Increased annual dividends and interim dividend which was introduced in the current term

Summary of Consolidated Statements of Income (PL)

Sustained strong performance, especially in the semiconductor manufacturing equipment industry, and achieved a significant increase in both sales and profits year-on-year.

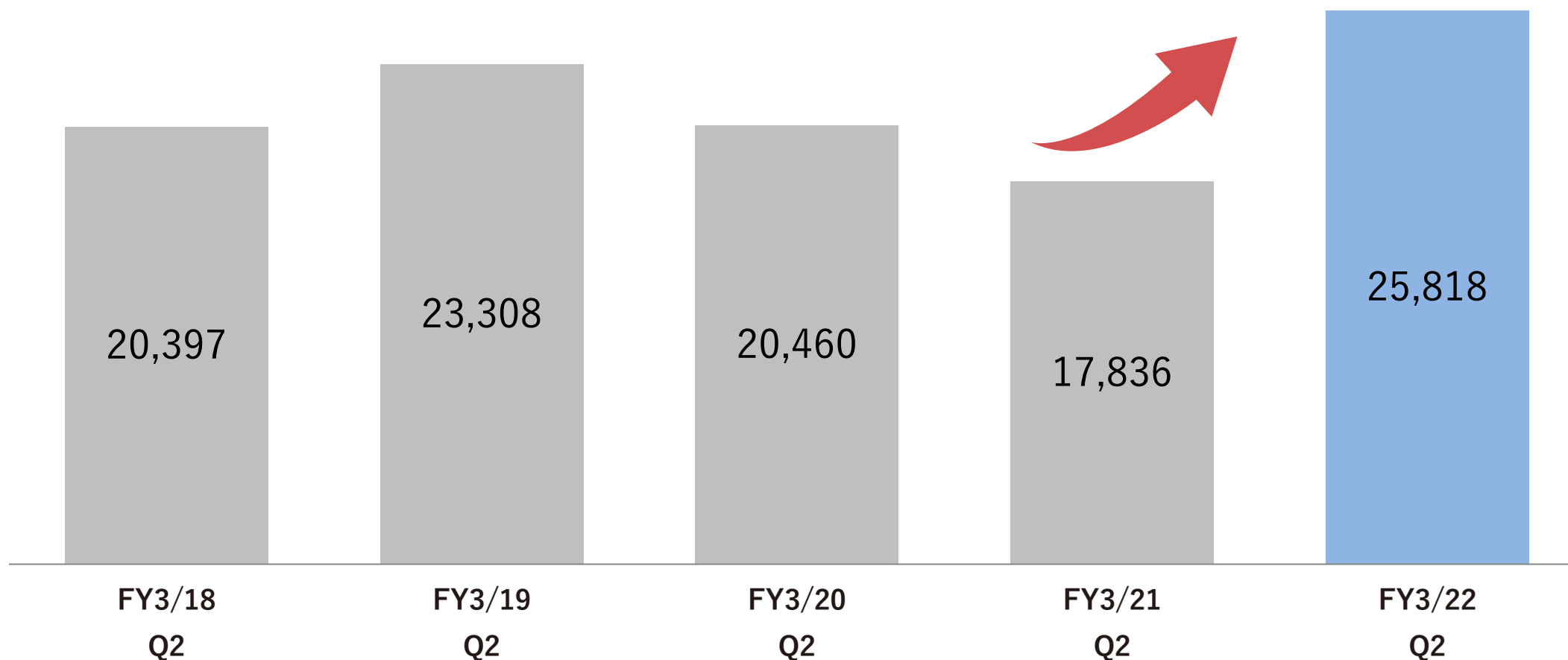
(Million yen)	FY3/21 Q2	Ratio to sales	FY3/22 Q2	Ratio to sales	Percentage change
Net sales	17,836	-	25,818	-	+44.8%
Gross profit	2,799	15.7%	4,847	18.8%	+73.2%
Operating income (before inventory valuation adjustments)	697	3.9%	1,681	6.5%	+141.2%
Inventory valuation impact	-114	—	+259	—	—
Operating income (after inventory valuation adjustments)	583	3.3%	1,940	7.5%	+232.8%
Ordinary income	616	3.5%	1,993	7.7%	+223.3%
Net income attributable to owners of profit	428	2.4%	1,355	5.2%	+216.6%

Recent Business Performance: Sales Trend

Up by 44.8% YoY

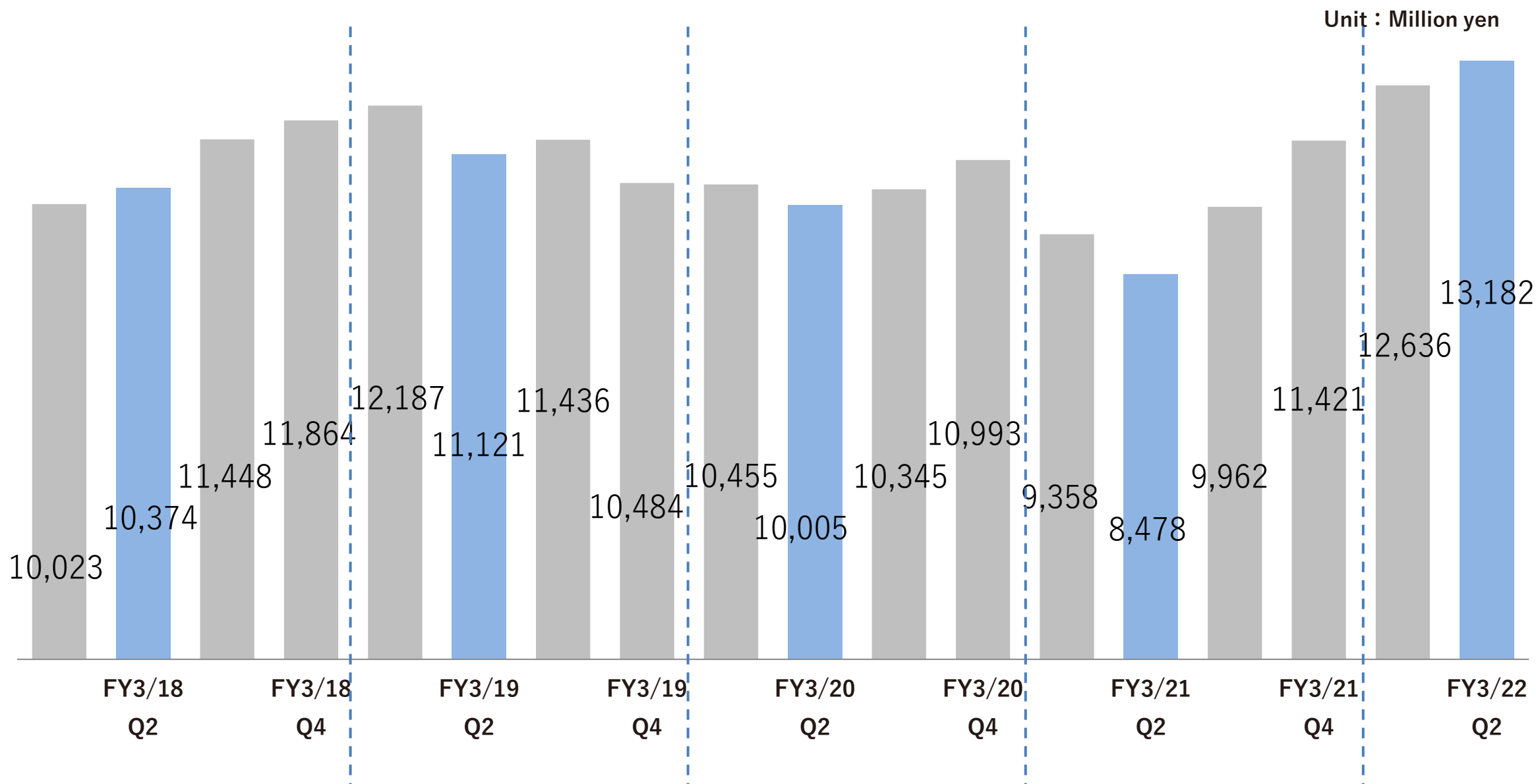
- ◆ In the same quarter of the previous year, we were forced to suffer a slump in sales due to the impact of COVID-19. However, in the Q2 of FY3/22, we achieved record-high net sales for the 1H period, backed by the favorable conditions in the semiconductor manufacturing equipment industry.

Unit : Million yen



Quarterly Sales Trends

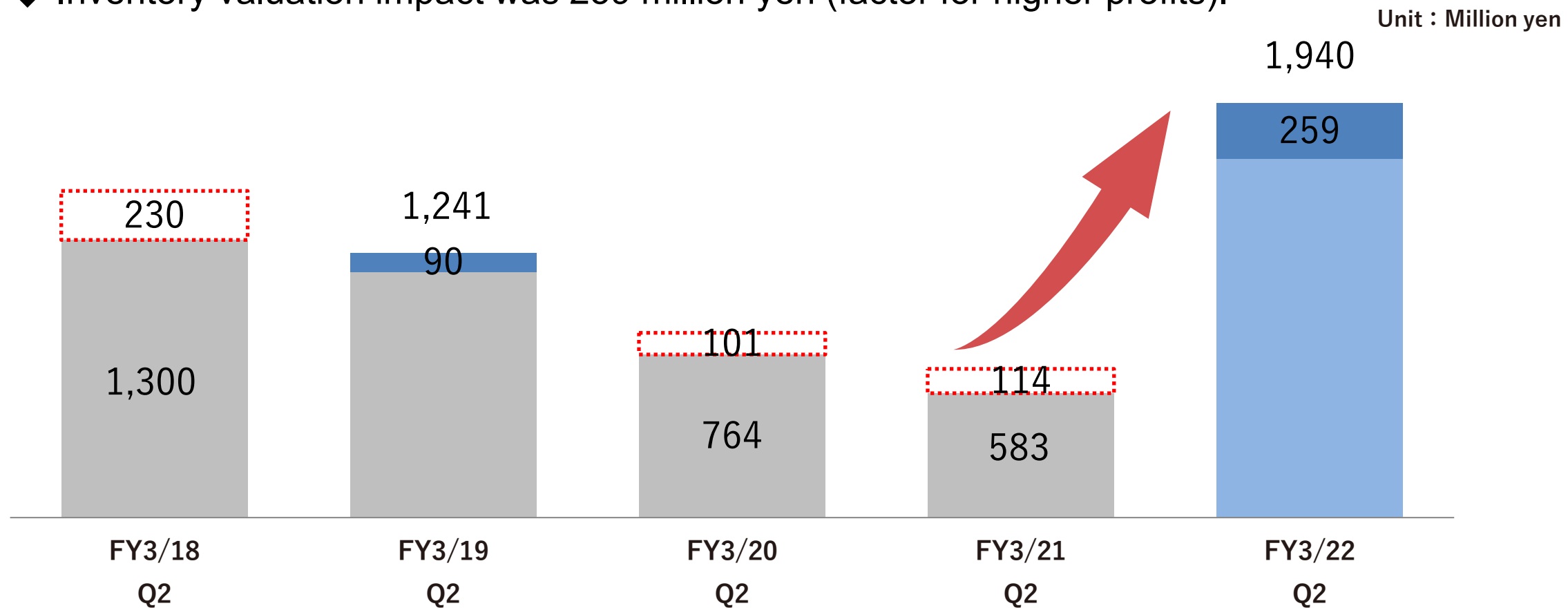
The performance has been recovering from the impact of COVID-19 after bottoming out in the Q2 of FY3/21, and the strong performance remains at a record high level this term.



Recent Business Performance: Operating Income

Up by 232.8% YoY

- ◆ Increase in net sales and reduction in cost of sales ratio were the main factors.
- ◆ Inventory valuation impact was 259 million yen (factor for higher profits).

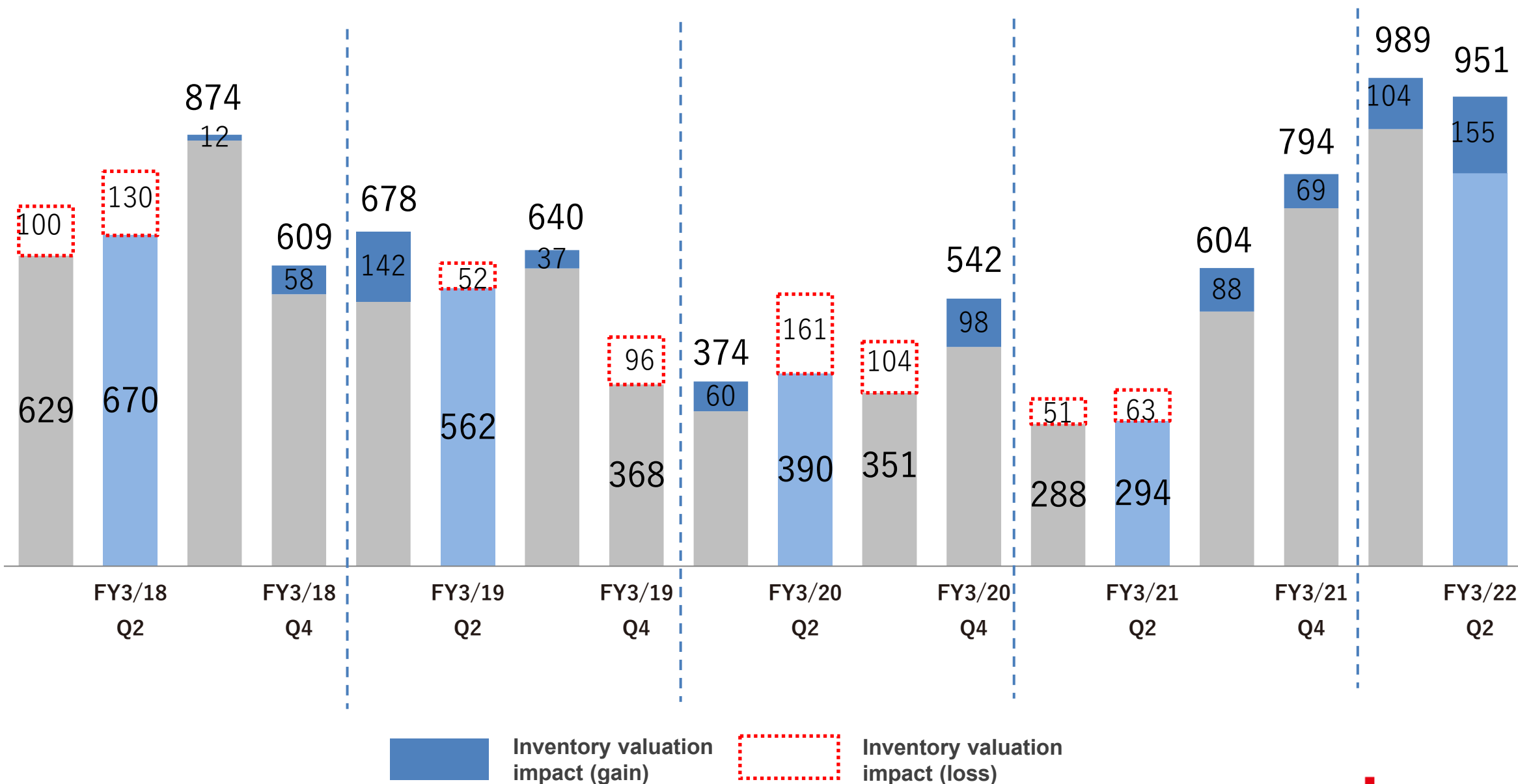


■ Inventory valuation impact (gain) □ Inventory valuation impact (loss)

Quarterly Operating Income Trends

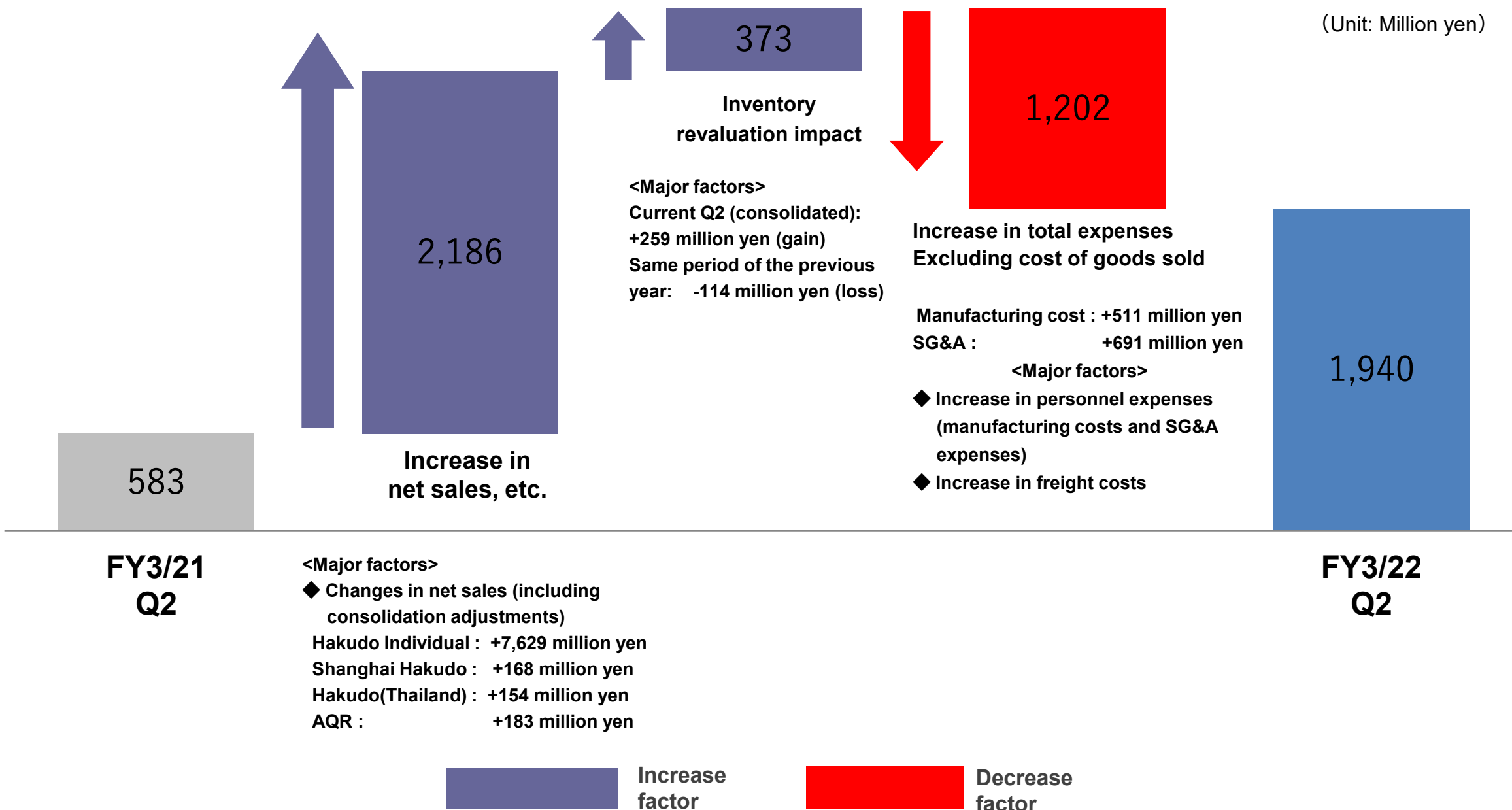
Operating income has been recovering since Q3 of FY3/21

Unit : Million yen



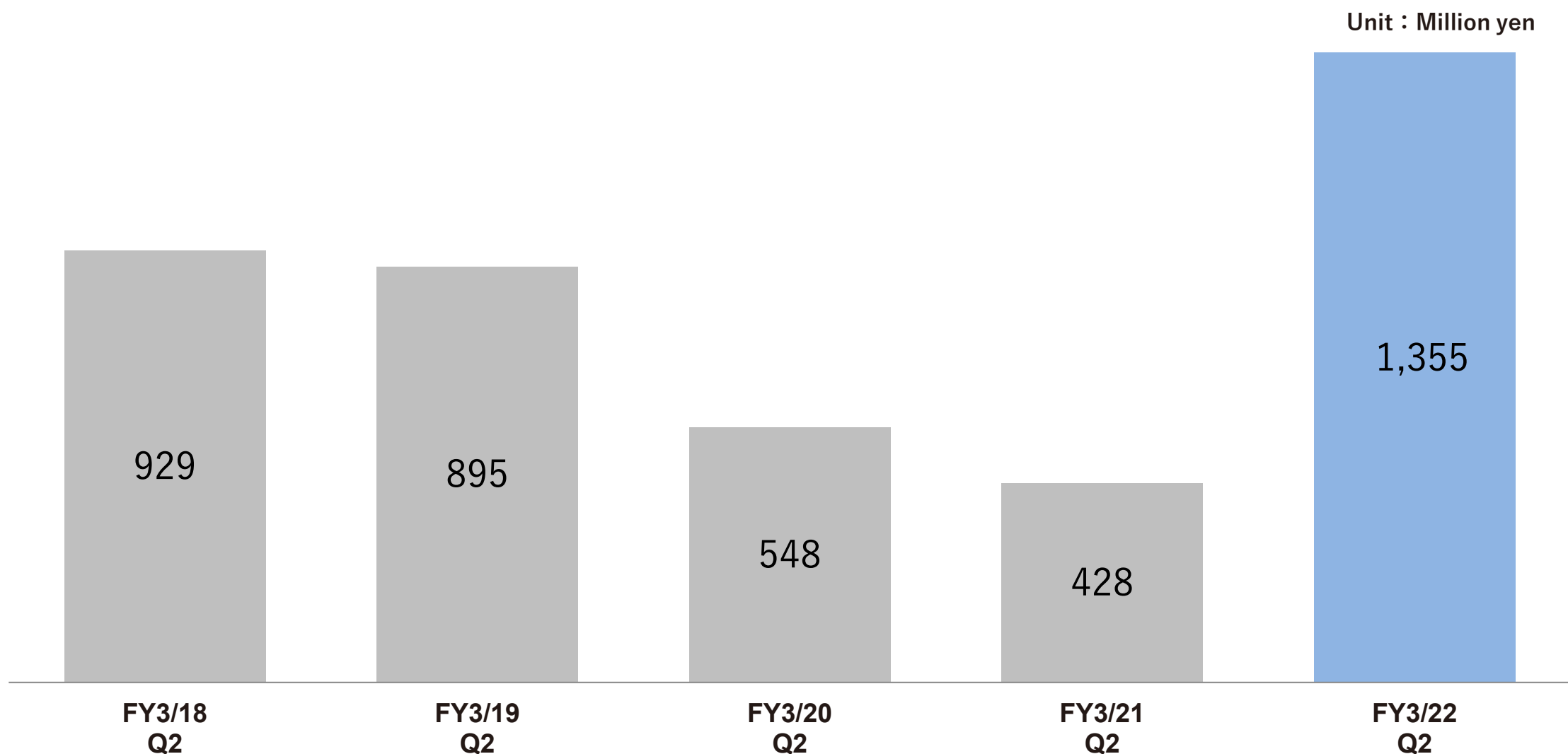
Operating Income Variance Factors

Increased due to higher sales and impact of raw material market conditions



Recent Business Performance: Net Income attributable to Owners of Parent

Net income attributable to owners of parent up by 216.6% YoY



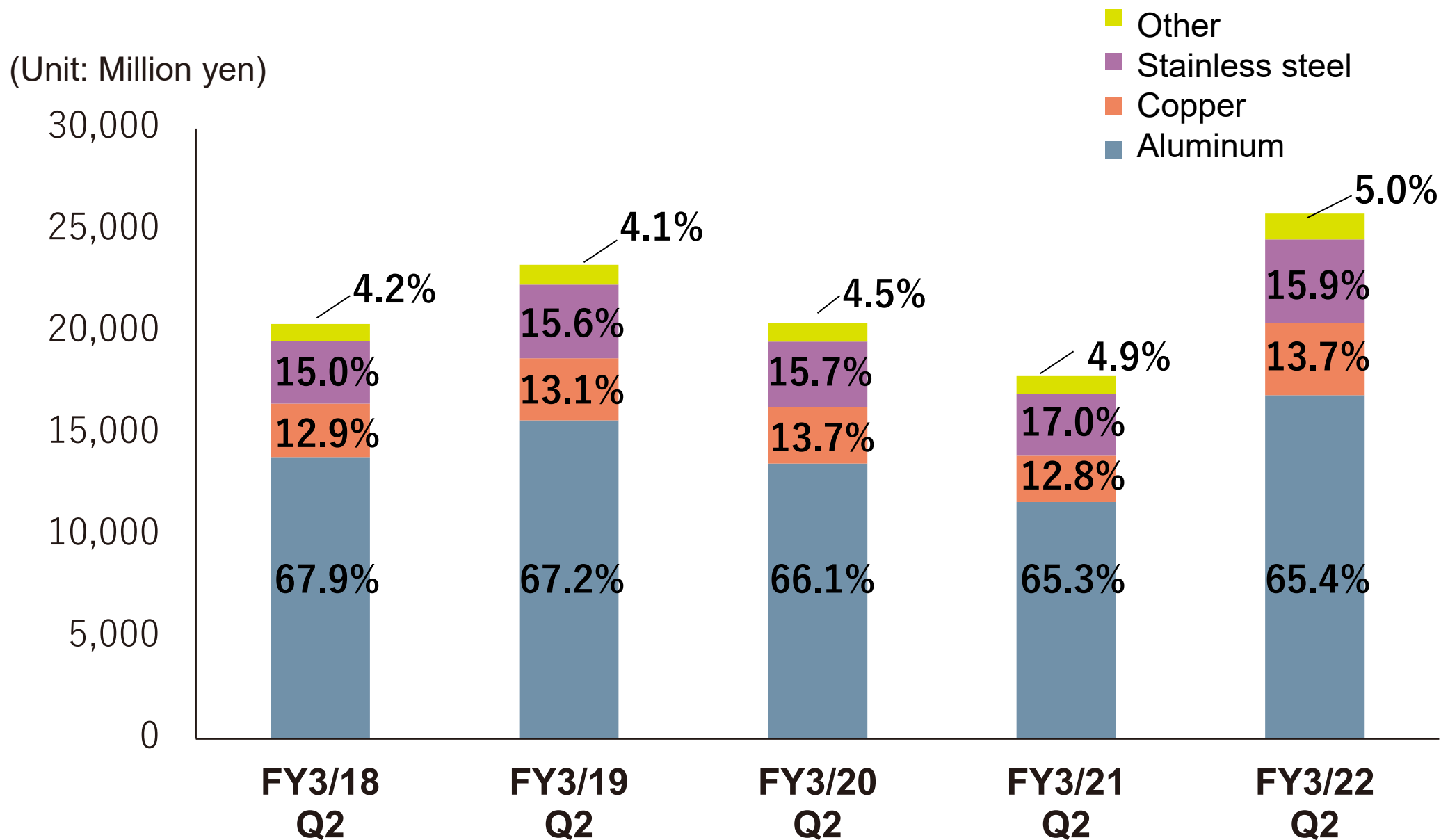
Net Sales by Product Category

Sales of all products, especially mainstay aluminum, increased YoY

(Million yen)	FY3/21 Q1	FY3/21 Q2	FY3/21 1H	FY3/21 Q3	FY3/21 Q4	FY3/22 Q1	FY3/22 Q2	FY3/22 1H	YoY change ratio
Consolidated net sales	9,358	8,477	17,836	9,962	11,421	12,636	13,182	25,818	+44.8%
Aluminum	6,082	5,556	11,638	6,550	7,458	8,242	8,654	16,896	+45.2%
Copper alloy	1,161	1,114	2,276	1,328	1,496	1,780	1,766	3,546	+55.8%
Stainless steel	1,648	1,380	3,028	1,612	1,874	1,991	2,116	4,108	+35.6%
Others	465	427	892	472	593	621	645	1,267	+42.1%

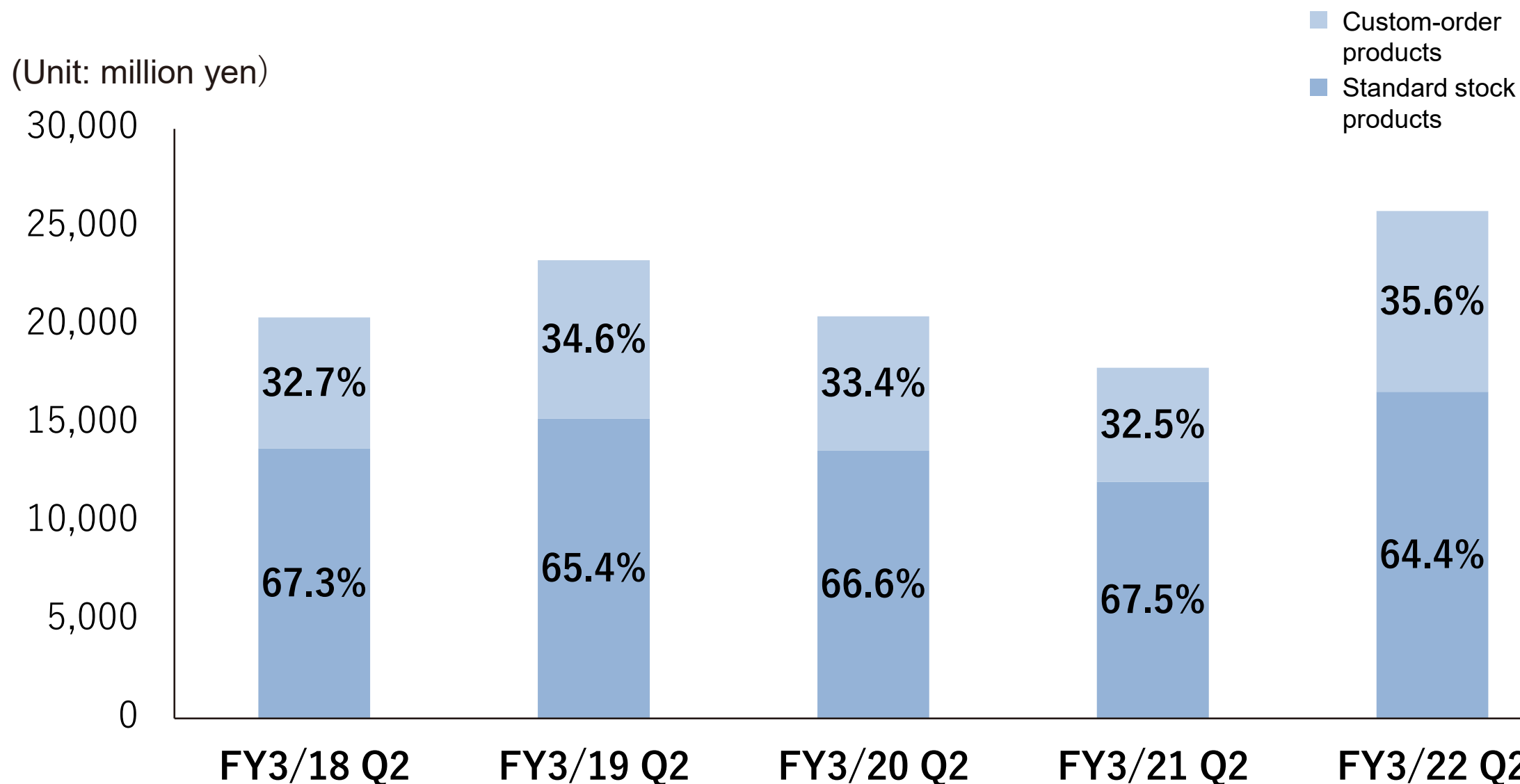
Composition of Sales by Product Type

The ratio of mainstay aluminum products increased by 0.1 points YoY, and the ratio of copper products increased by 0.9 points.



Composition Ratio of Sales of Standard Stock Products and Custom-order Products

Increased ratio of custom-made products compared to the same period of the previous year



Balance Sheet (BS)

< Balance sheet (compared to the end of the previous fiscal year) >

Unit : Million yen

Assets	As of Mar. 31, 2021	As of Sep. 30, 2021	Change	Total liabilities and net assets	As of Mar. 31, 2021	As of Sep. 30, 2021	Change
Current assets	24,851	29,032	4,181	Current liabilities	15,190	18,745	3,555
Cash and deposits	5,924	7,088	1,164	Notes and accounts payable – trade (incl. electronically recorded monetary claims)	13,133	16,443	3,310
Notes and accounts receivable – trade (incl. electronically recorded monetary claims)	12,851	15,084	2,233	Accrued expenses	956	844	- 112
Inventory	5,961	6,711	750	Income taxes payable	469	682	212
Other current assets	116	150	34	Other current liabilities	631	776	145
Non-current assets	8,264	8,367	103	Non-current liabilities	56	51	- 5
Property, plant and equipment	6,370	6,386	15	Total liabilities	15,246	18,796	3,550
Intangible assets	402	481	79	Net assets	17,870	18,603	733
Investments and other assets	1,492	1,501	9				
Total assets	33,115	37,399	4,284	Total liabilities and Net assets	33,115	37,399	4,284

■ Analysis of factors for changes in major items

① **Current assets: 29,032 million yen (up by 4,181 million yen from the end of the previous fiscal year)**

- Increase in cash and cash equivalents
- Increase in notes and accounts receivable-trade due to higher sales

② **Non-current assets: 8,367 million yen (up by 103 million yen from the end of the previous fiscal year)**

- Increase in property, plant and equipment: 15 million yen
- Increase in intangible assets: 79 million yen
- Increase in investments and other assets: 9 million yen

③ **Current liabilities: 18,745 million yen (up by 3,555 million yen from the end of the previous fiscal year)**

- Increase in notes and accounts payable-trade
- Increase in accrued income and other taxes

④ **Net assets: 18,603 million yen (up by 733 million yen from the end of the previous fiscal year)**

Cash Flows

Cash increased reflecting an increase in operating CF from higher profits

(Unit : Million yen)

	FY3/21 Q2	FY3/22 Q2	Change
Cash flows from operating activities	-218	2,275	2,494
Cash flows from investing activities	-201	-467	-265
Cash flows from financing activities	- 655	-657	-1
Effect of exchange rate changes on cash and cash equivalents	3	12	9
Cash and cash equivalents at end of period	3,896	7,087	3,191

Major breakdown

① **Cash flows from operating activities: +2,275 million yen**

- Income before income taxes and minority interests: 1,993 million yen
- Depreciation and amortization: 404 million yen
- Decrease (increase) in notes and accounts receivable-trade: -2,221 million yen
- Decrease (increase) in inventories: -740 million yen
- Increase (decrease) in notes and accounts payable-trade: 3,306 million yen
- Income taxes paid: -440 million yen

② **Cash flows from investing activities: -467 million yen**

- Payments for purchase of property, plant and equipment: -375 million yen
- Payments for purchase of intangible assets: -84 million yen

③ **Cash flows from financing activities: -657 million yen**

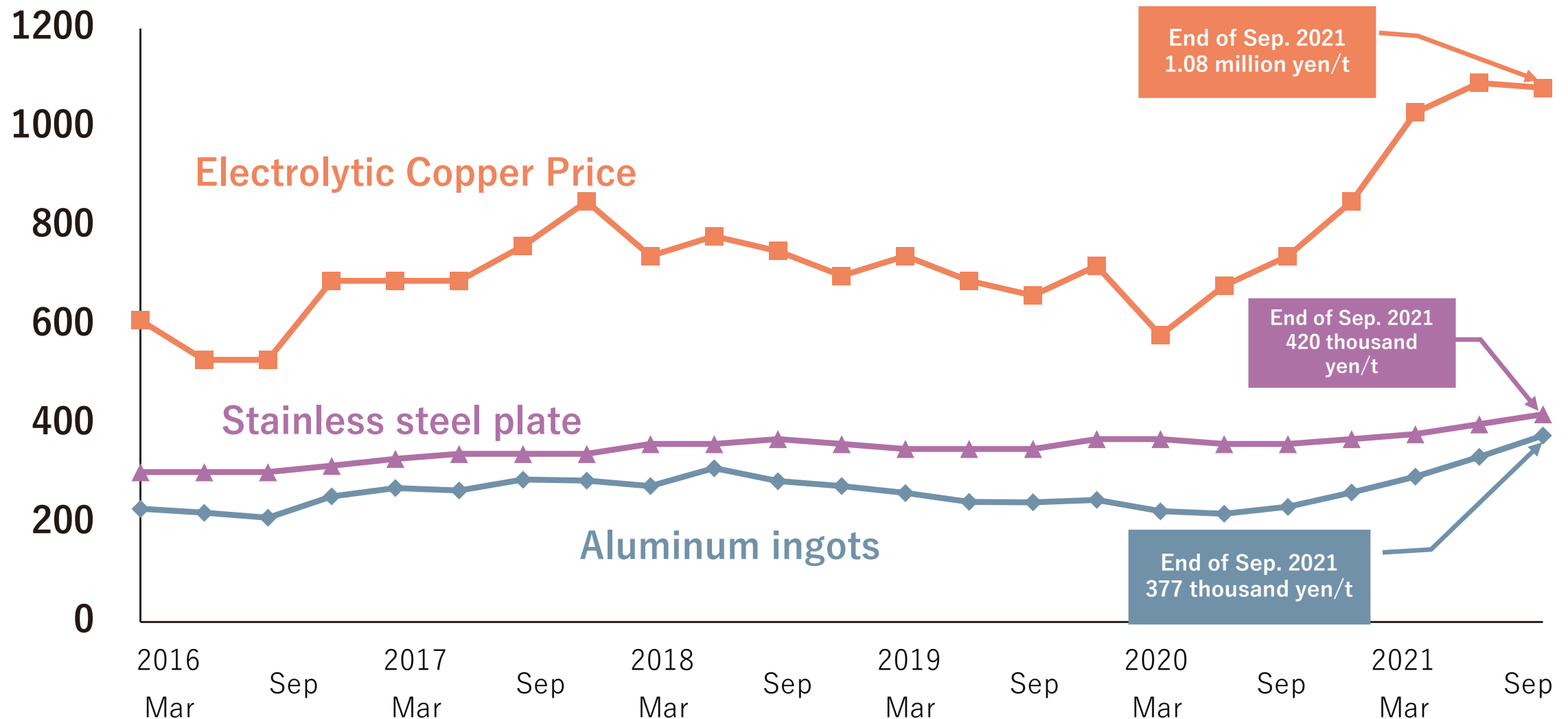
- Decrease due to payment of dividends: -657 million yen

Business Environment (1)

Raw material market conditions for aluminum, copper and stainless steel

Aluminum, copper and stainless steel bullion prices continue to rise

(Unit : thousand yen/t)

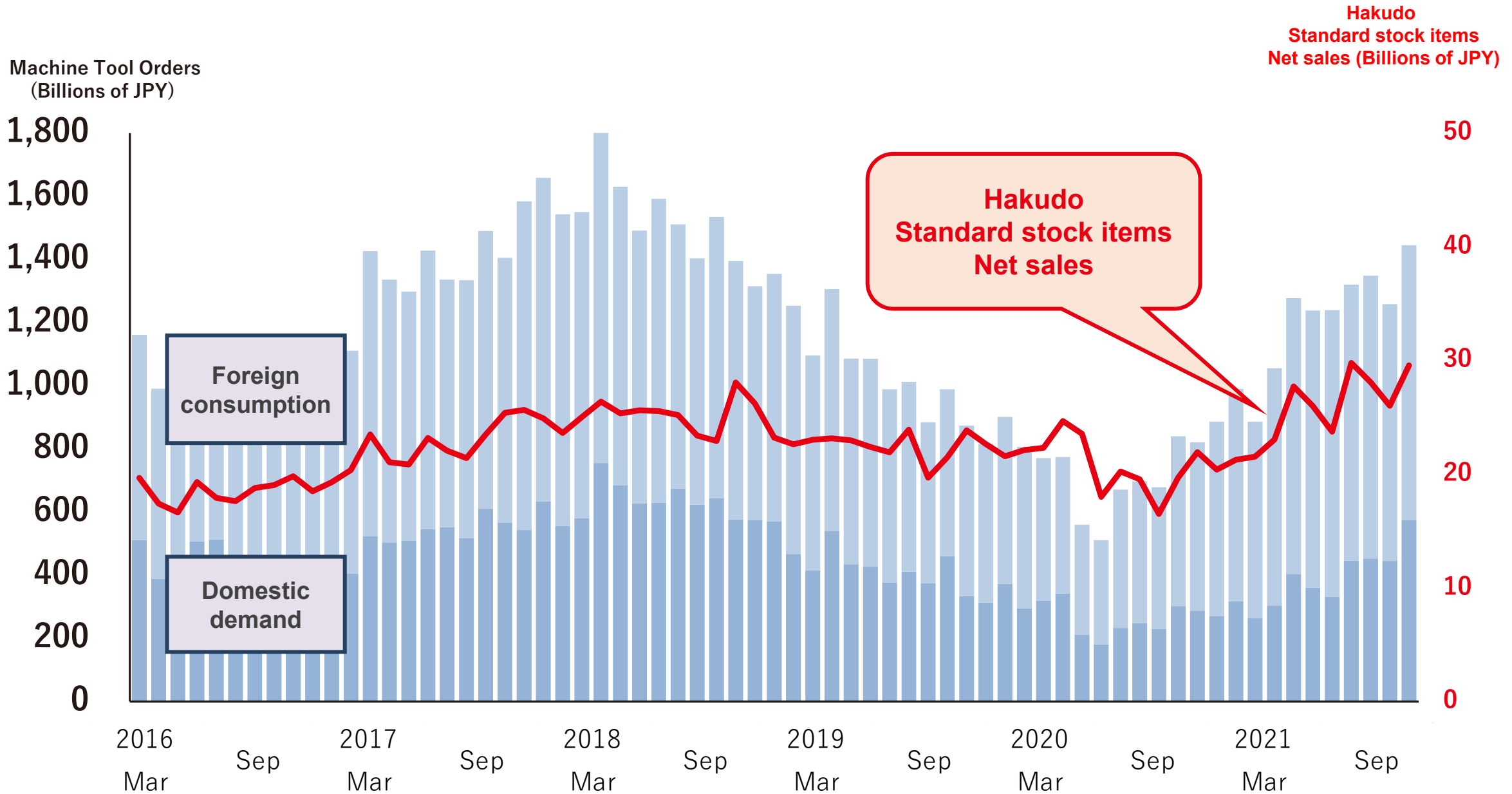


Stainless steel sheet: The Tekko Shimbun monthly central value
Aluminum ingots: Nikkei monthly average

Business Environment (2)

Comparison of Machine Tool Orders and Standard Stock Sales

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

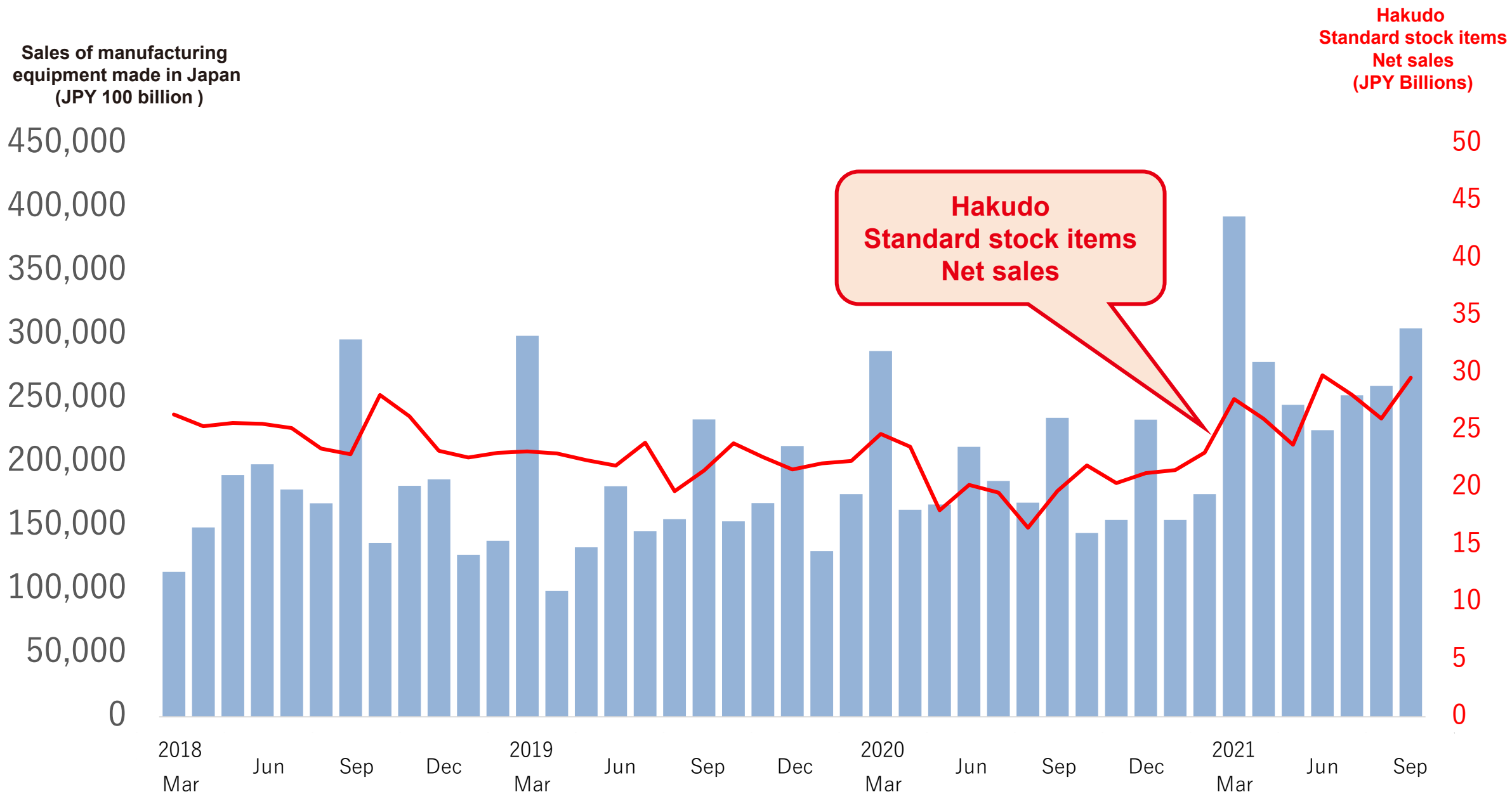


Source: Japan Machine Tool Builders' Association, Machine Tool Orders Statistics

Business Environment (3)

Comparison of Semiconductor Production Equipment Sales and Standard Stock Sales

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



FY3/22 Full-year Financial Forecasts

FY3/22 Consolidated Full-year Financial Forecasts

- Taking into account the strong demand forecast in the semiconductor manufacturing equipment industry, we expect a significant increase in both sales and profits from the previous fiscal year and new record highs.
- Steady progress rate toward the business forecasts as of the second quarter.

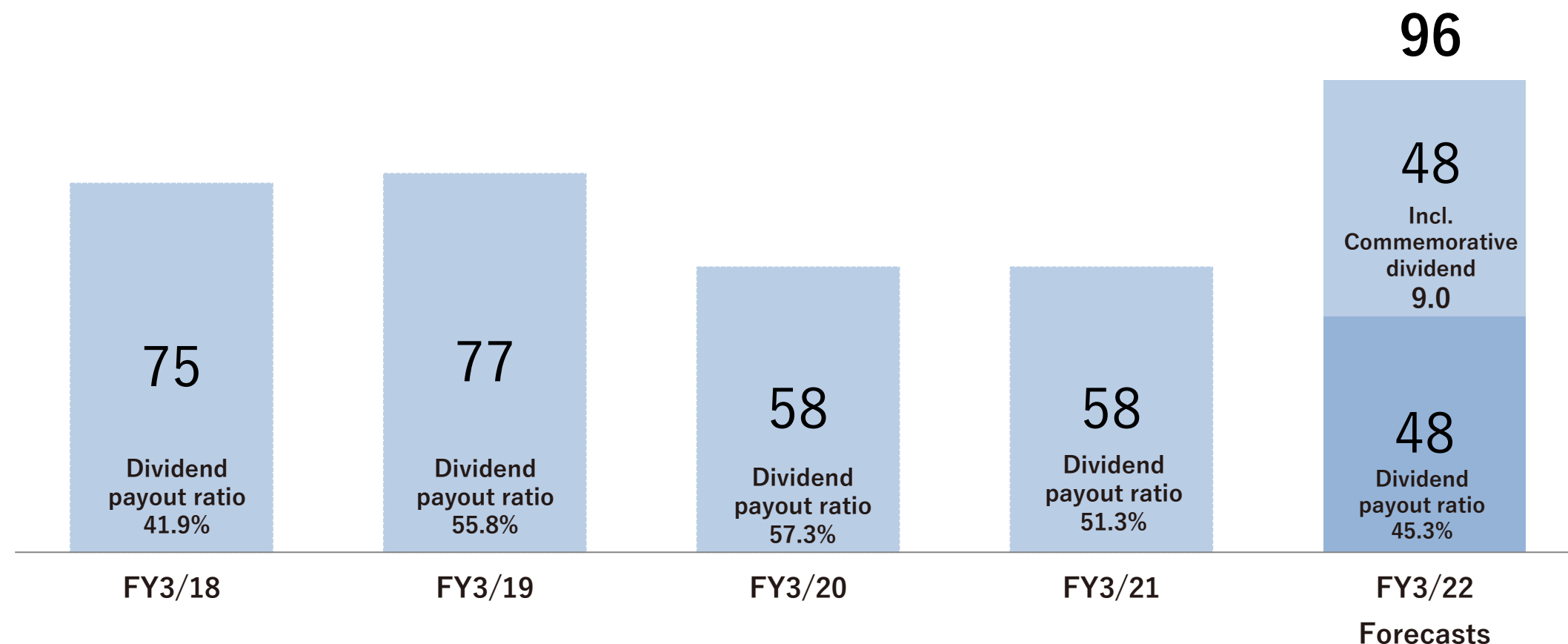
Although demand is expected to remain strong in the second half of the fiscal year, the full-year forecast remains unchanged at this time in consideration of unstable non-ferrous materials prices and other factors.

(Million yen)	FY3/21 Results	Ratio to sales	FY3/22 1H Results	FY3/22 2H Forecasts	FY3/22 Full-year forecasts (Announced on Aug. 10)	Ratio to sales	Change ratio	Progress rate at end-Q2
Net sales	39,219	-	25,818	26,182	52,000	-	+32.6%	49.7%
Operating income (before inventory valuation adjustments)	1,938	4.9%	1,681	1,439	3,120	6.0%	+61.0%	53.9%
Inventory valuation impact	+43	-	+259	+41	+300	-	-	-
Operating income (after inventory valuation adjustments)	1,981	5.1%	1,940	1,480	3,420	6.6%	+72.6%	56.7%
Ordinary income	2,083	5.3%	1,993	1,507	3,500	6.7%	+68.0%	56.9%
Net income attributable to the parent company	1,281	3.3%	1,355	1,045	2,400	4.6%	+87.2%	56.5%

Dividend Forecast - Dividend per Share

From FY3/22, we have started to pay interim dividend and conduct shareholder benefit program.

Due to the strong business performance, we have decided to upwardly revised the dividend forecast announced on August 10, and raise the interim dividend by 2 yen, from 46 yen to 48 yen.



*2022 ■ : Interim dividend ■ : Dividend forecast

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

- ❑ On July 9, 2021, we received the primary judgment notice 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."
- ❑ We will disclose in accordance with the schedule set by the Tokyo Stock Exchange after the final resolution on the selection of market segments in the new market classification at the Board of Directors meeting in December 2021.

Focused Policy

Focused Strategy (1) -1

(1) Realization of exceptional quality, exceptional speed, exceptional 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 FY3/22, the Company plans to invest 875 million yen in factory automation equipment and Hakudo Net Service.

Acquisition of non-current assets (consolidated)

(Unit: million yen)

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22 Q2	FY3/22 Forecasts
Property, plant and equipment	1,227	1,086	593	485	510	559
Intangible assets	83	213	111	105	151	316
Total acquisition cost	1,311	1,300	705	591	662	875

As a result of the capital investment, the production capacity of our plants has increased to 137% compared to FY3/18.



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

Decreased by about 1/13 in FY3/21 compared to FY3/18

【 Manufacturing-related return incidence rate 】

Decreased to about 1/4 in FY3/21 compared to FY3/18

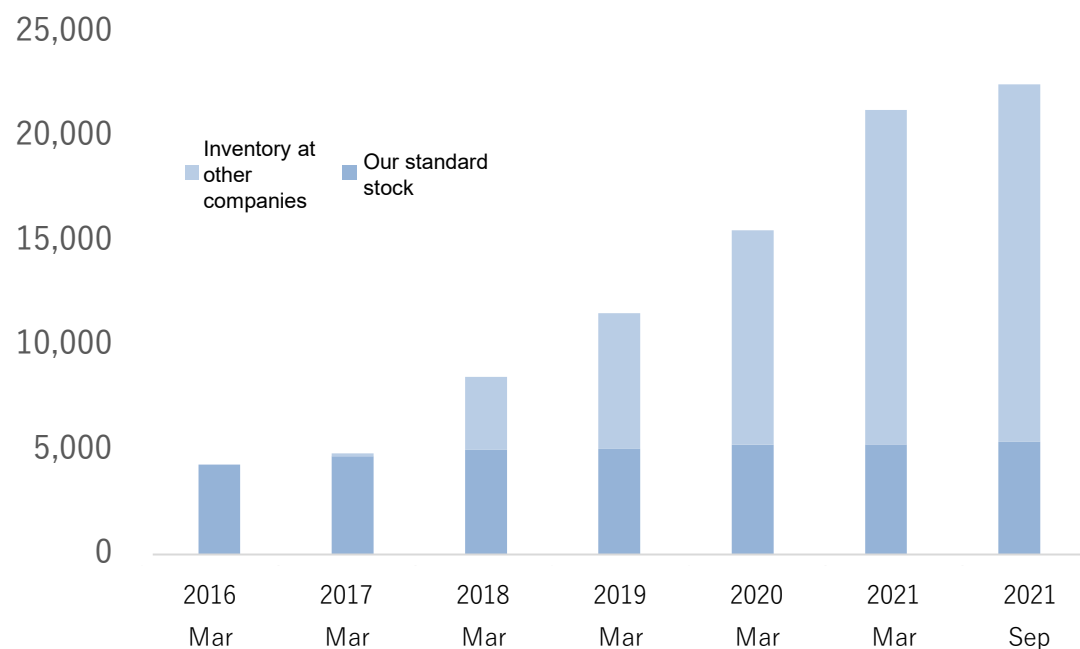
Focused Strategy (1) -2

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

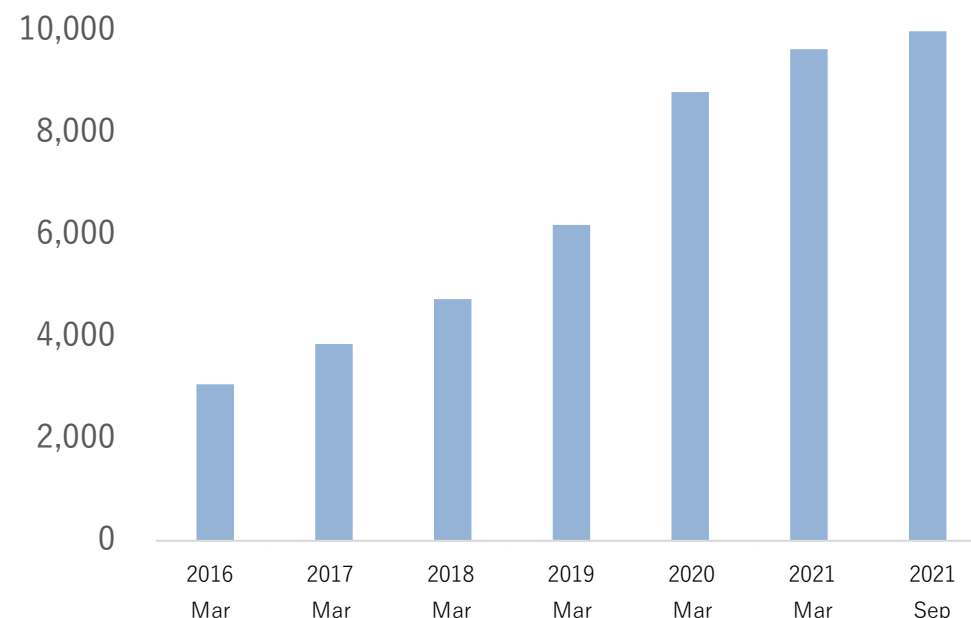
(1)-2 "Further improvement of the convenience of the "Hakudo Net Service"

- The number of item sizes has been greatly expanded, and approximately 22,500 item sizes are now available.
- Increasing the goods such as handling tools, screws, and other non-material items
- Aiming for a 90% usage rate of Hakudo Net service for quotations

【 Number of items available for Hakudo Net Service 】



【 Number of companies registered for Hakudo Net Service (Cumulative) 】



Focused Strategy (2)

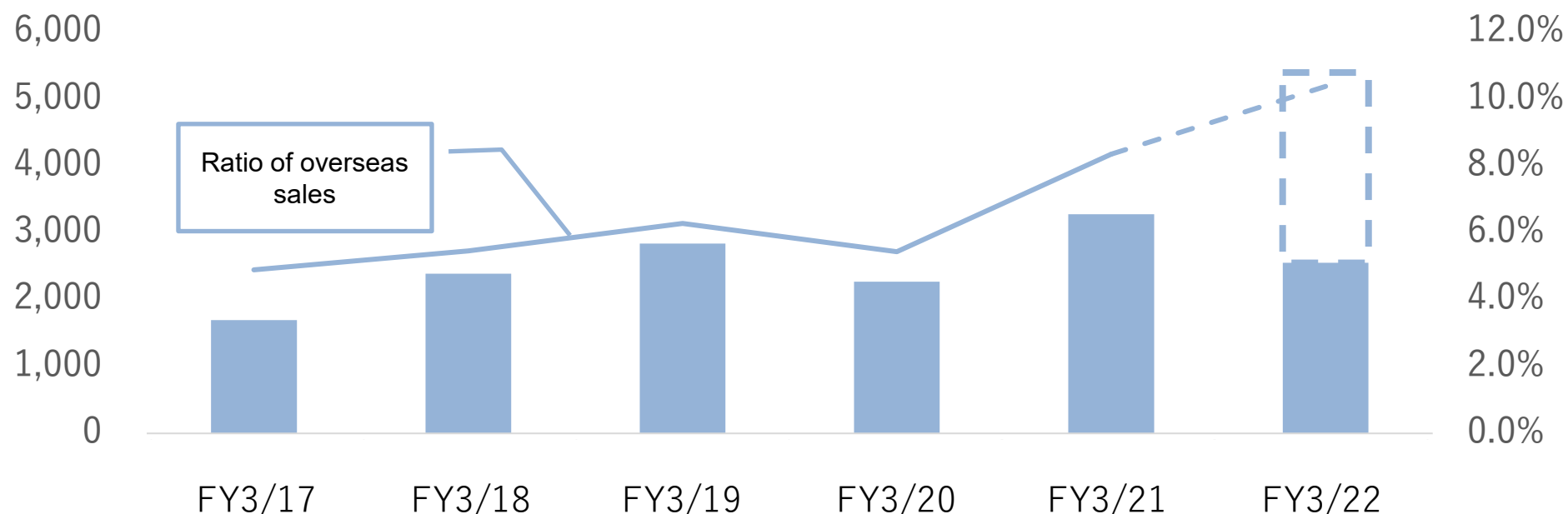
(2) Expansion of overseas business

- Increase in sales and profits of overseas subsidiaries
- Strengthen collaboration with Oristar, a major non-ferrous metals trading company in Vietnam, in which we completed our minority 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 to enter into new countries to enter (U.S., South Korea, etc.)
- Strengthen overseas sales networks


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

【Trends in net sales and ratio to overseas sales】

(Unit: Million yen)



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

*Figures for  (FY3/22) are forecasts.

Focused Strategy (3)

(3) Developing new businesses

(3)-1 To 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

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

**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 official
standards**

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







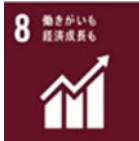


**Support our clients to
import from overseas**

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

Focused Strategy (4)

(4) Approaches to ESG/SDGs

Established ESG/SDGs Management Committee led by senior management ,“aiming to realize "continuous contribution to society through business" and "enhancing corporate value over the medium and long term.

Classification	Examples of materiality	Activities	Goals of SDGs 17
E	Efforts to realize a decarbonized society	Survey of CO2 emissions	    
	Reduction of scrap ratio	Initiatives to reduce waste materials	
	Reduction of industrial waste	Promotion of recycling	
	Improving delivery efficiency	Examination of optimal flight organization	
	Reduction of power consumption	Reduction of CO2 emissions by reducing power consumption	
	Green Procurement Rate	Creation and conclusion of Green Procurement Guidelines	
	Eco-series reinforced	Sales of eco-friendly ECO series products	
S	Improve employee satisfaction	Employee satisfaction survey	  
	Employee health promotion	Support for acquisition of qualifications	
	Strengthen disaster countermeasures	Support for joint research and manufacturing	
G	Compliance, Risk Management	Implementation of compliance testing	
	Information management and security	Preparation for acquisition of ISO27001	
	Company-wide acquisition of JISQ9100	Preparation for acquisition of JISQ9100	

Thank you very much for your attention.

■ Disclaimer

- This document contains projections based on assumptions, outlooks and plans regarding the future as of November 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
Makoto Sekihama, General Manager, Corporate Planning Division, Hakudo Co.
E-mail address: 001002@hakudo.co.jp
Homepage: www.hakudo.co.jp

Appendix 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
(FY3/21, 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



Appendix 2. History



- 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

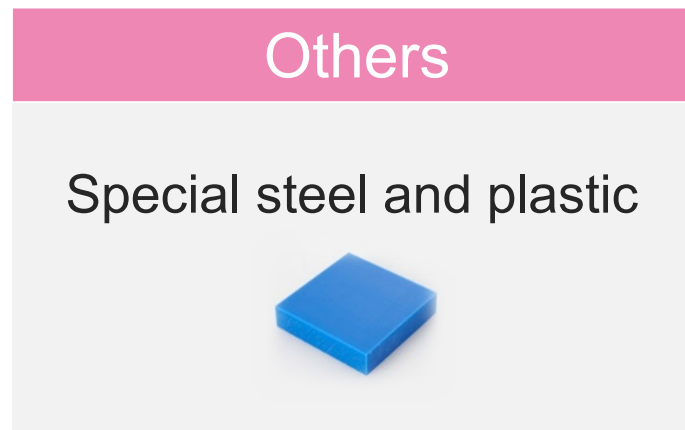
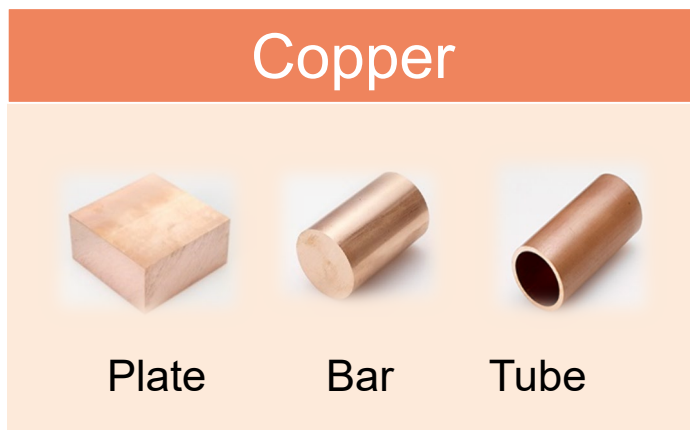
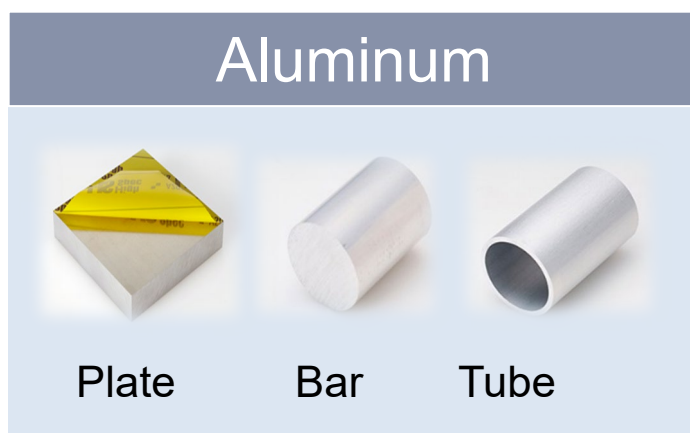


Headquarter at the foundation

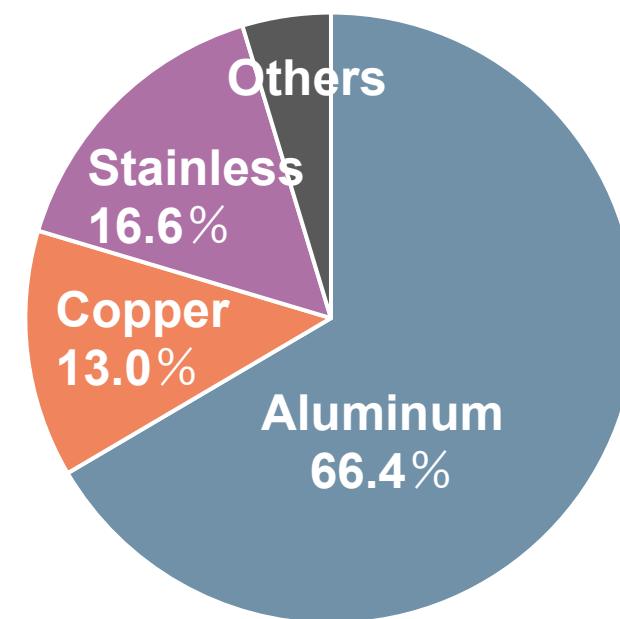
Appendix 3. Business (Products we handle)

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 】
(FY3/21)



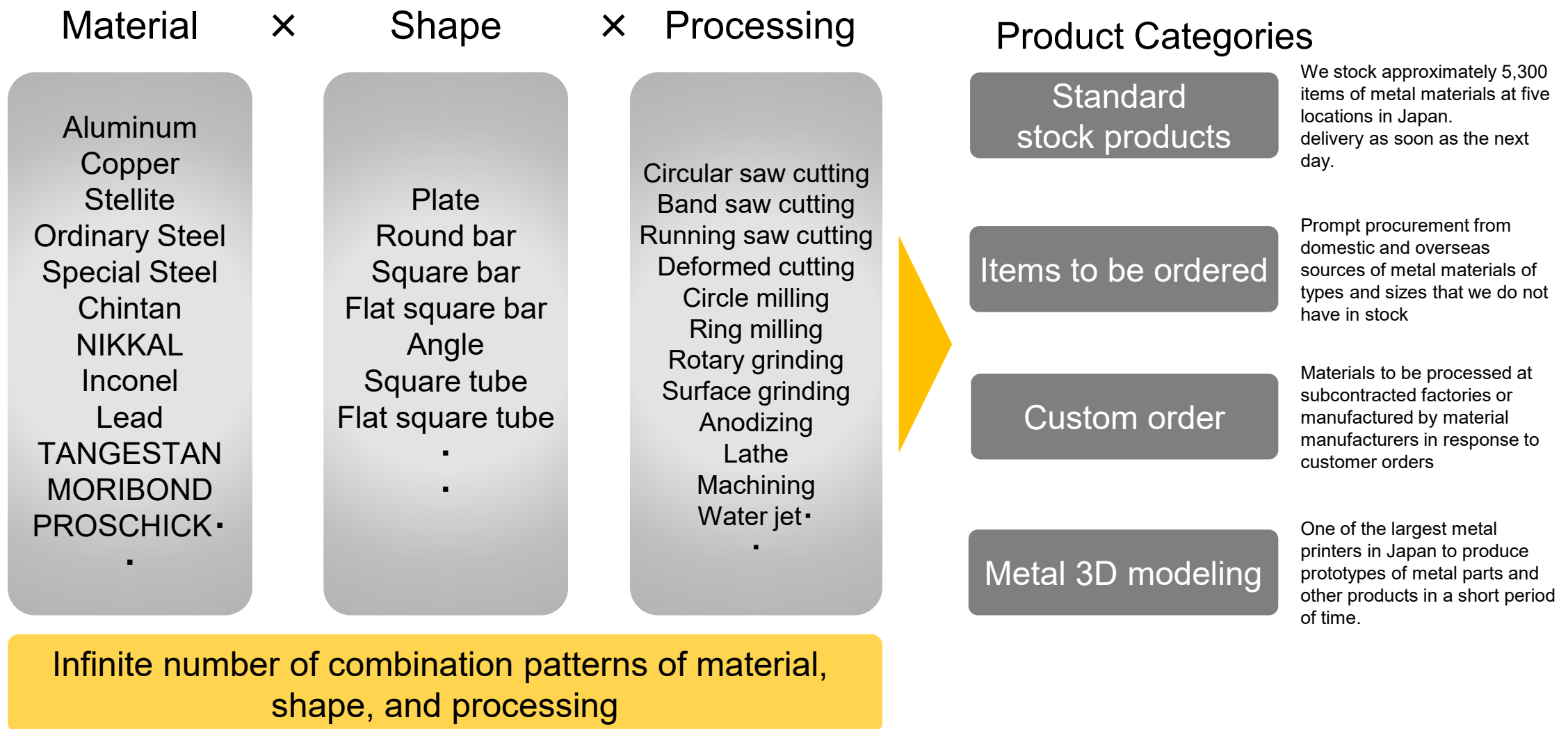
Appendix 4. Business activities (applications of our products/customer industries)

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

Appendix 5. Business (Features of Hakudo)

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



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

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

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



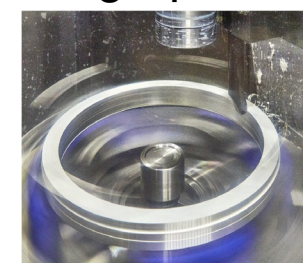
Collaboration among 5 factories in Japan and overseas facilities and partner distributors allows Hakudo to deliver to customers with the shortest possible delivery time

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 20,000
- Response Rate within 60 minutes ⇒ More than 90%
- Number of Daily Orders taken ⇒ About 10,000/day

Appendix 7. 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.**

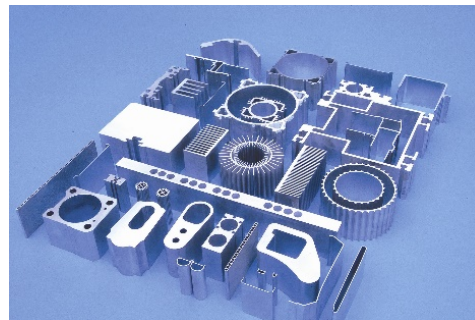
- Rolled products: Sketch materials and chamber materials for semiconductor and FPD manufacturing equipment
- Extruded parts: Pneumatic parts, cylinder body parts, manifold body parts
- Machined parts: Metal parts, products, jigs and tools are manufactured to order according to drawings.
- Imported molds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



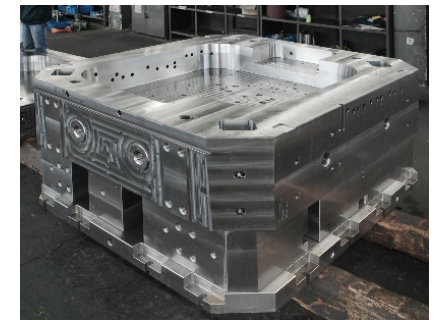
By extruding the material in a
shape similar to the product,
the weight of the material can
be reduced, which, together
with the reduction in
processing man-hours,
greatly contributes to cost
reduction.

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.