

Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022

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Q3 FY03/22 Results

Result Highlights

Net sales

40,474 million yen
(up 45.6% YoY)

Gross profit

7,570 million yen
(up 65.4% YoY)

Operating profit

3,130 million yen
(up 163.6% YoY)

Q3 Summary

- We generated increases in both net sales and operating profit amid favorable market conditions, and ordinary profit reached an all-time high in Q3.
- In the semiconductor manufacturing equipment industry, demand continues to grow for 5G-related products and for data centers, and capital investment remains strong.
- Sales of all products were strong, especially in the case of mainstay aluminum products.
- We observed 422 million yen in gains from inventory revaluation by the end of Q3, which was higher than losses on inventory revaluation that we reported in Q3 FY03/21 by a margin of 448 million yen.
- Our full-year financial and dividend forecasts were revised upward on December 8, 2021.

Summary of Consolidated Statements of Income (PL)

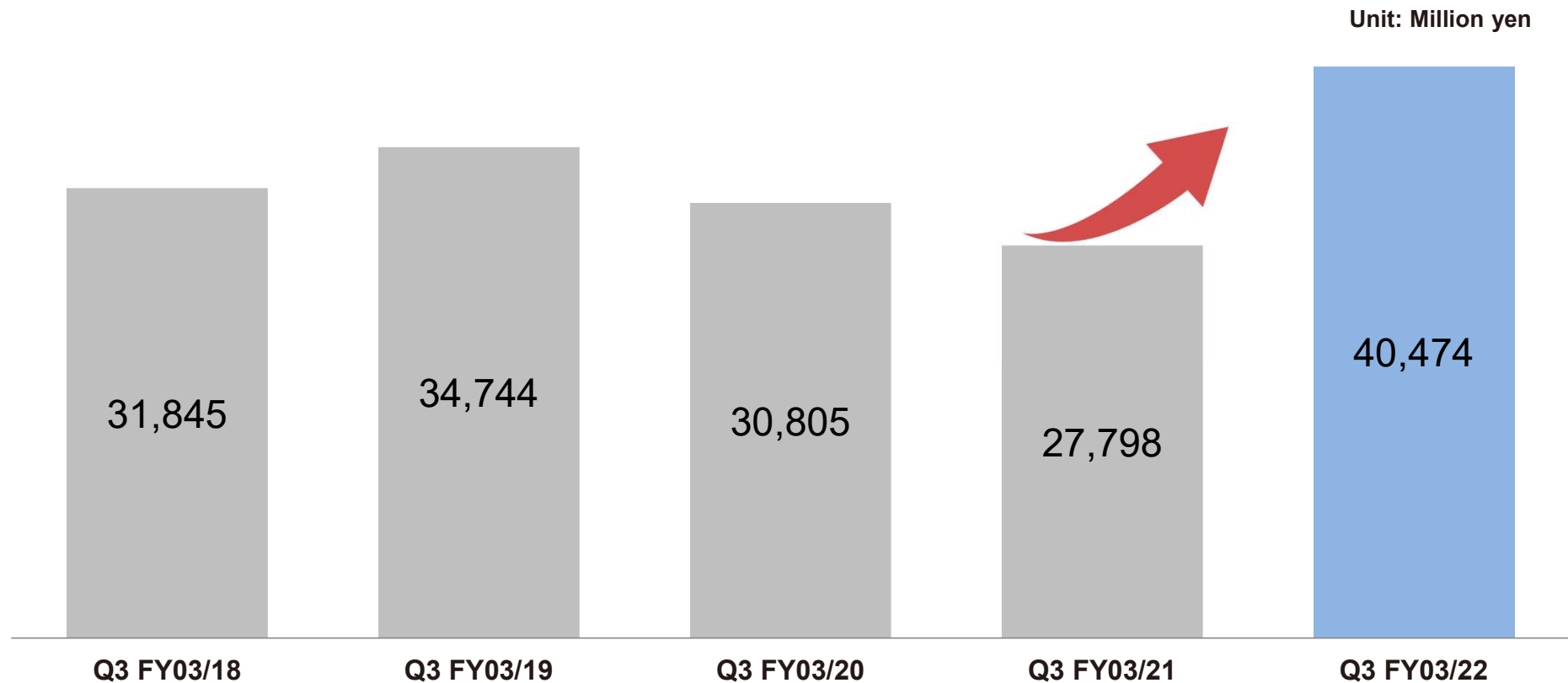
We generated ongoing strong performance, especially in the semiconductor manufacturing equipment industry, and achieved a significant increase in both sales and profits year on year.

(Million yen)	Q3 FY03/21	Ratio to sales	Q3 FY03/22	Ratio to sales	Rate of change
Net sales	27,798	-	40,474	-	+45.6%
Gross profit	4,577	16.5%	7,570	18.7%	+65.4%
Operating profit (before inventory revaluation impact)	1,213	4.4%	2,708	6.7%	+123.2%
Inventory revaluation impact	(26)	-	422	-	-
Operating profit (after inventory revaluation impact)	1,187	4.3%	3,130	7.7%	+163.6%
Ordinary profit	1,251	4.5%	3,216	7.9%	+156.9%
Profit attributable to owners of parent	869	3.1%	2,187	5.4%	+151.7%

Recent Business Performance: Sales Trends

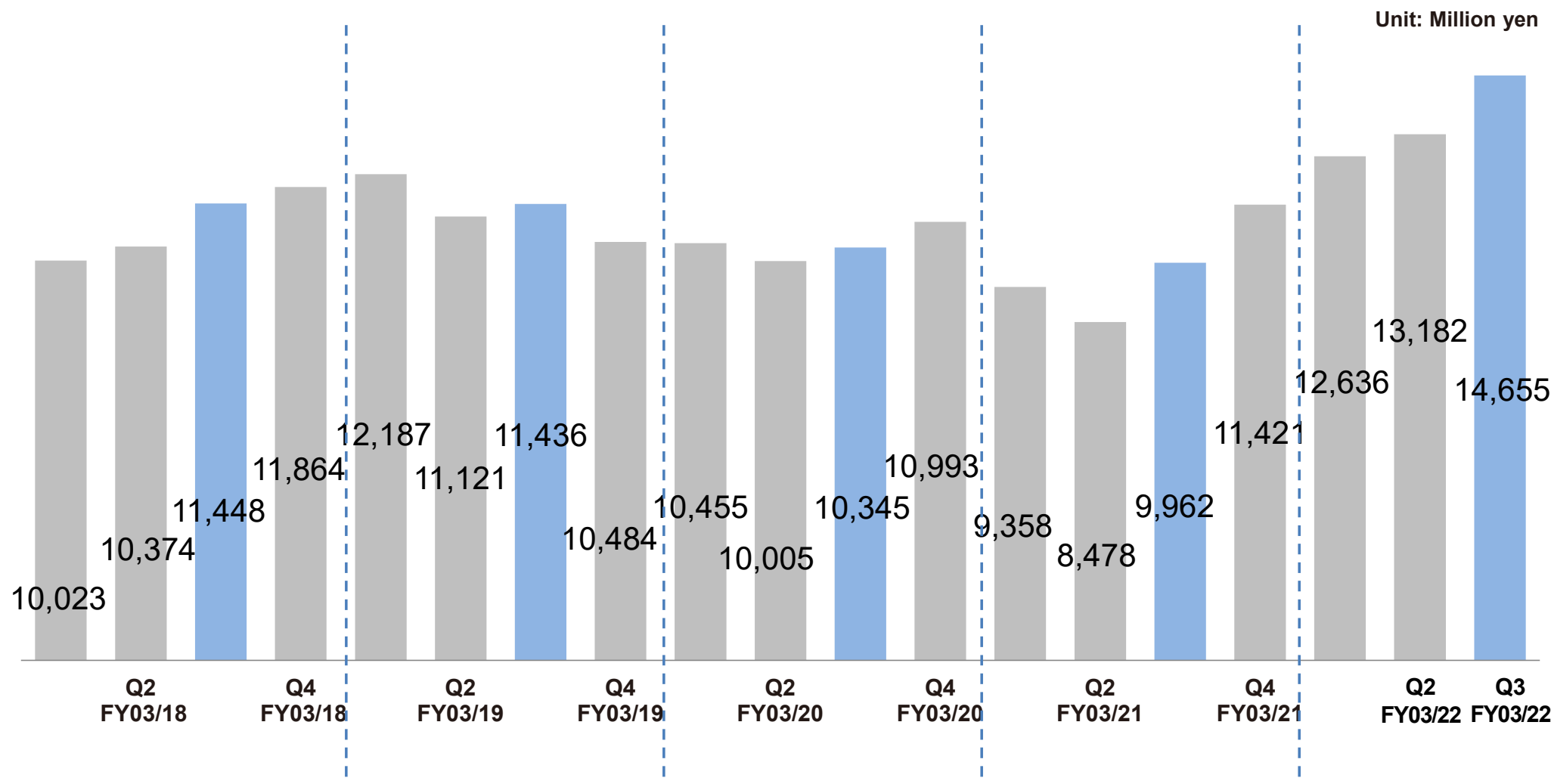
Up by 45.6% YoY

- ◆ During Q3 FY03/21, we encountered an unavoidable slump due to the COVID-19 pandemic. However, in Q3 FY03/22, we maintained strong performance thanks to favorable conditions in the semiconductor manufacturing equipment and machine tool industries.



Quarterly Sales Trends

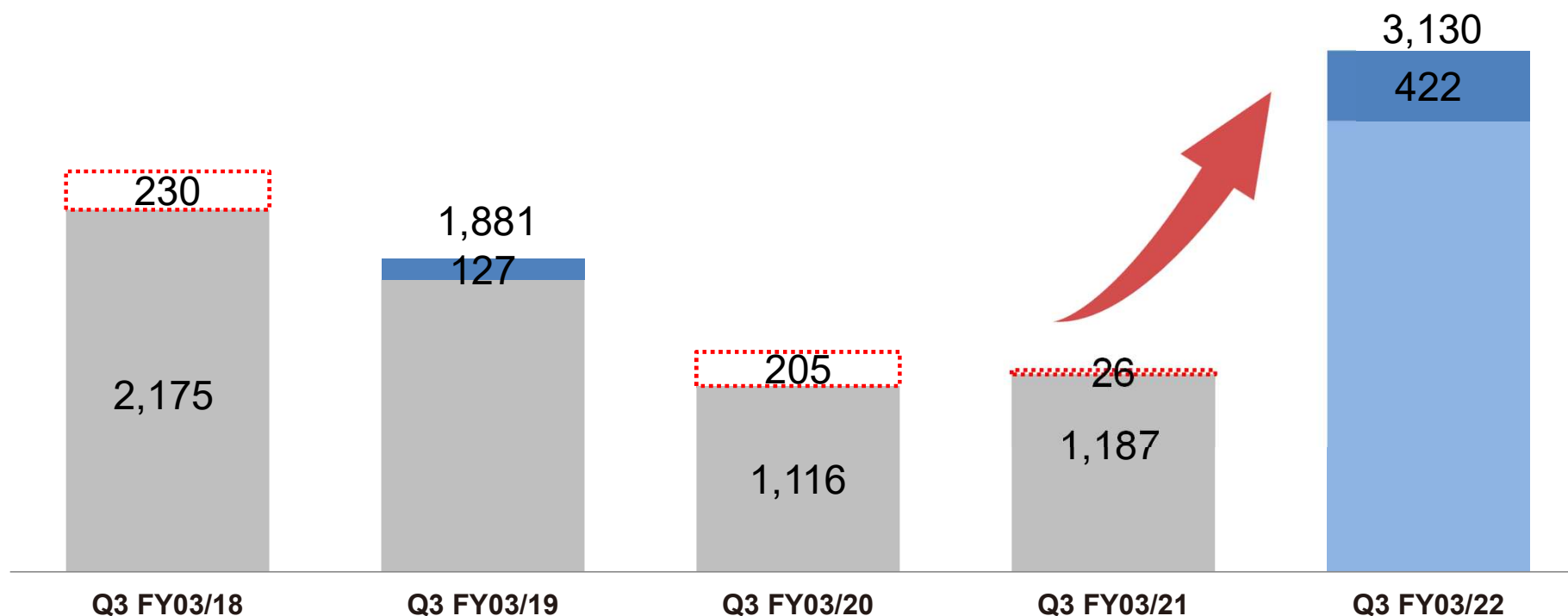
Our performance has been recovering from COVID-19-related impact since hitting a nadir in Q2 FY03/21, and in FY03/22, we are generating strong, record-high results.



Recent Business Performance: Operating Profit

Up by 163.6% YoY

- ◆ The main factors contributing to growth in operating profit were an increase in net sales and a reduction in our cost of sales ratio.
- ◆ Also contributing was a 422 million-yen gain on revaluation of inventory.
- ◆ Our consolidated financial forecast projects record-high operating profit. Meanwhile, ordinary profit reached an all-time high in Q3.



Unit: Million yen



Gain on revaluation of inventory

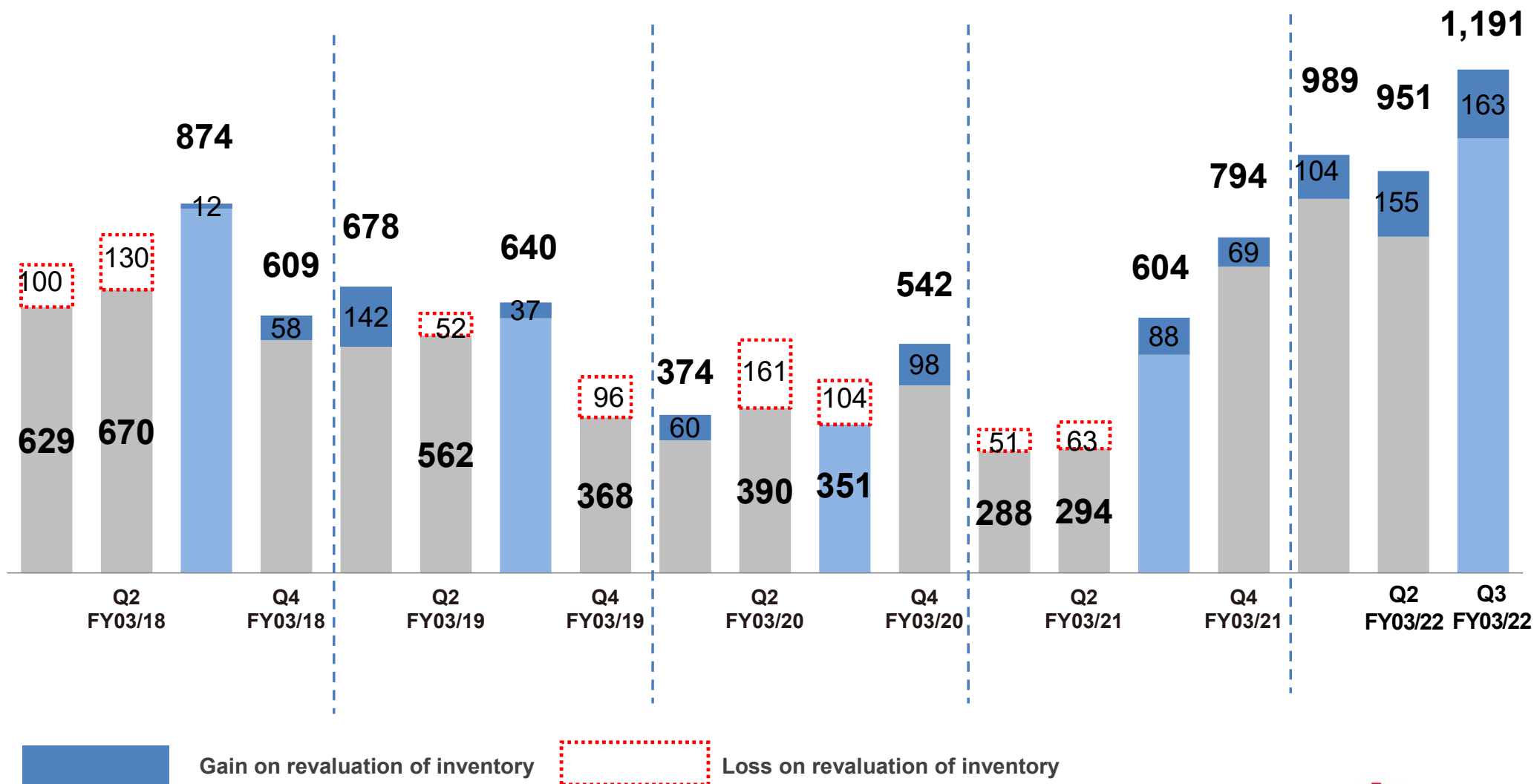


Loss on revaluation of inventory

Quarterly Operating Profit Trends

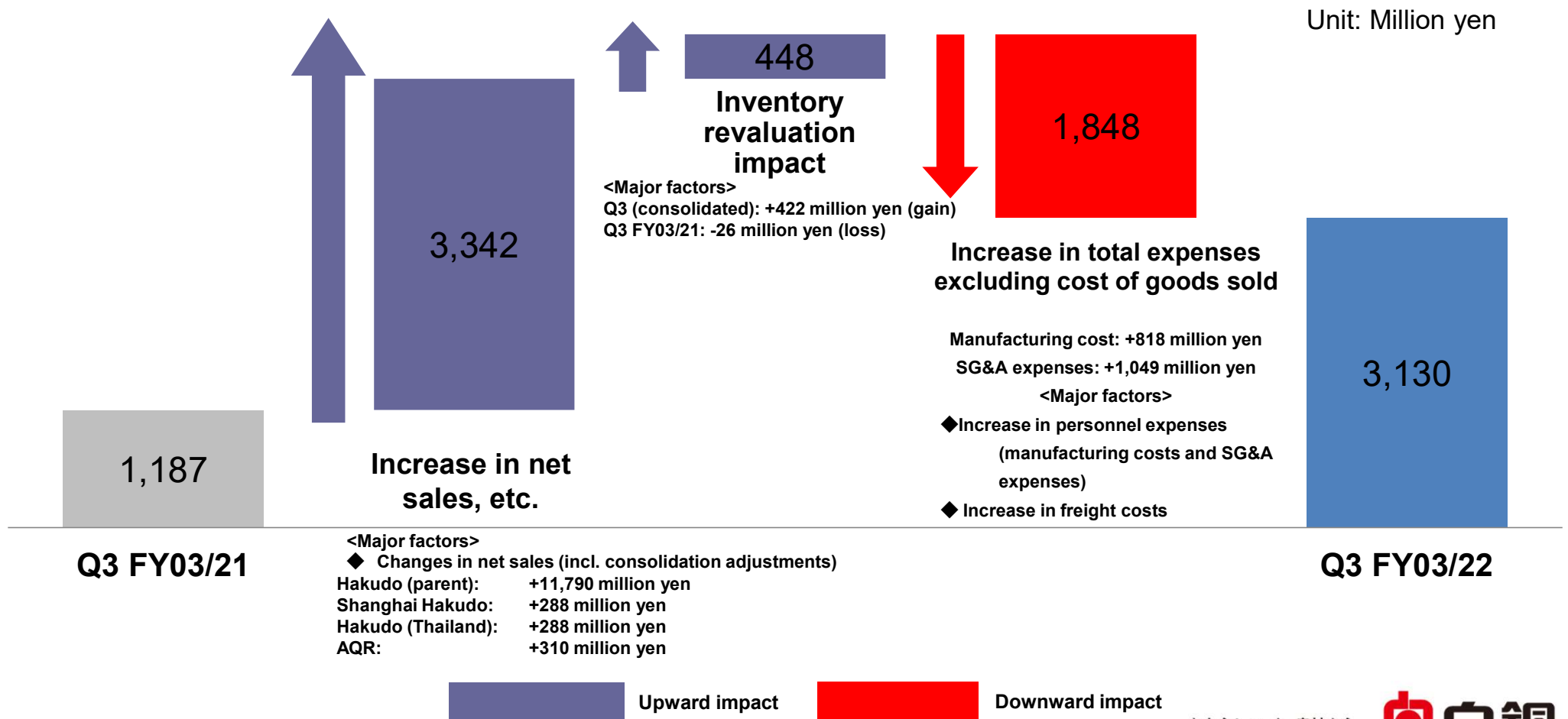
Operating profit has risen substantially since Q3 of FY03/21.

Unit: Million yen



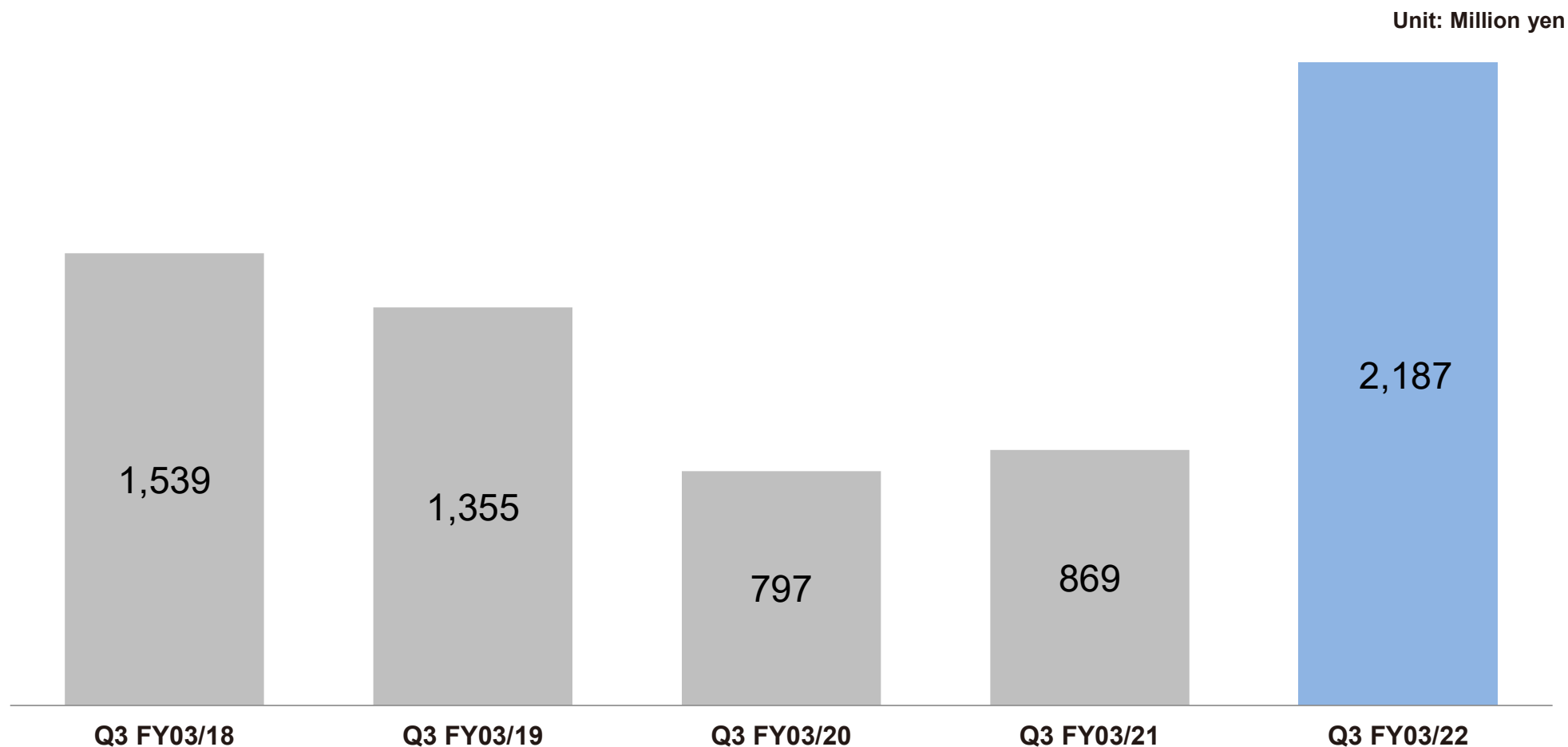
Factors Affecting Year-on-Year Change in Operating Profit

Operating profit increased significantly due to higher sales and upward impact from inventories that resulted from raw material market conditions and growth in manufacturer processing fees.



Recent Business Performance: Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased 151.7% YoY.



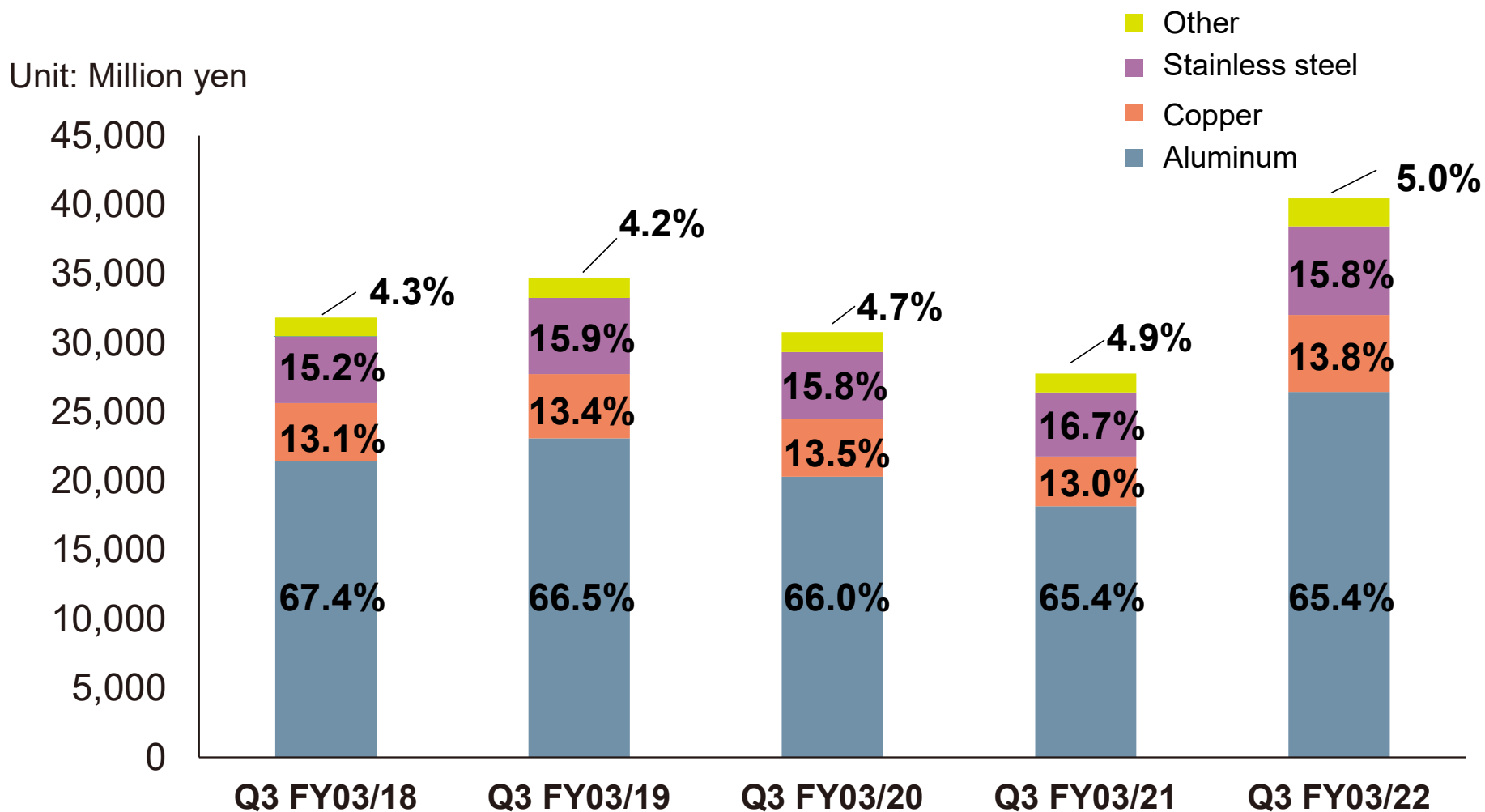
Net Sales by Product Category

Sales of all products, especially our mainstay aluminum products, increased YoY.

(Million yen)	Q3 FY03/21	Q3 FY03/21 (cumulative)	Q4 FY03/21	Q1 FY03/22	Q2 FY03/22	Q3 FY03/22	Q3 FY03/22 (cumulative)	Rate of YoY change
Consolidated net sales	9,962	27,798	11,421	12,636	13,182	14,655	40,474	+45.6%
Aluminum	6,550	18,189	7,458	8,242	8,654	9,563	26,459	+45.5%
Copper	1,328	3,604	1,496	1,780	1,766	2,033	5,580	+54.8%
Stainless steel	1,612	4,640	1,874	1,991	2,116	2,301	6,409	+38.1%
Others	472	1,363	593	621	645	756	2,024	+48.5%

Composition of Net Sales by Product Category

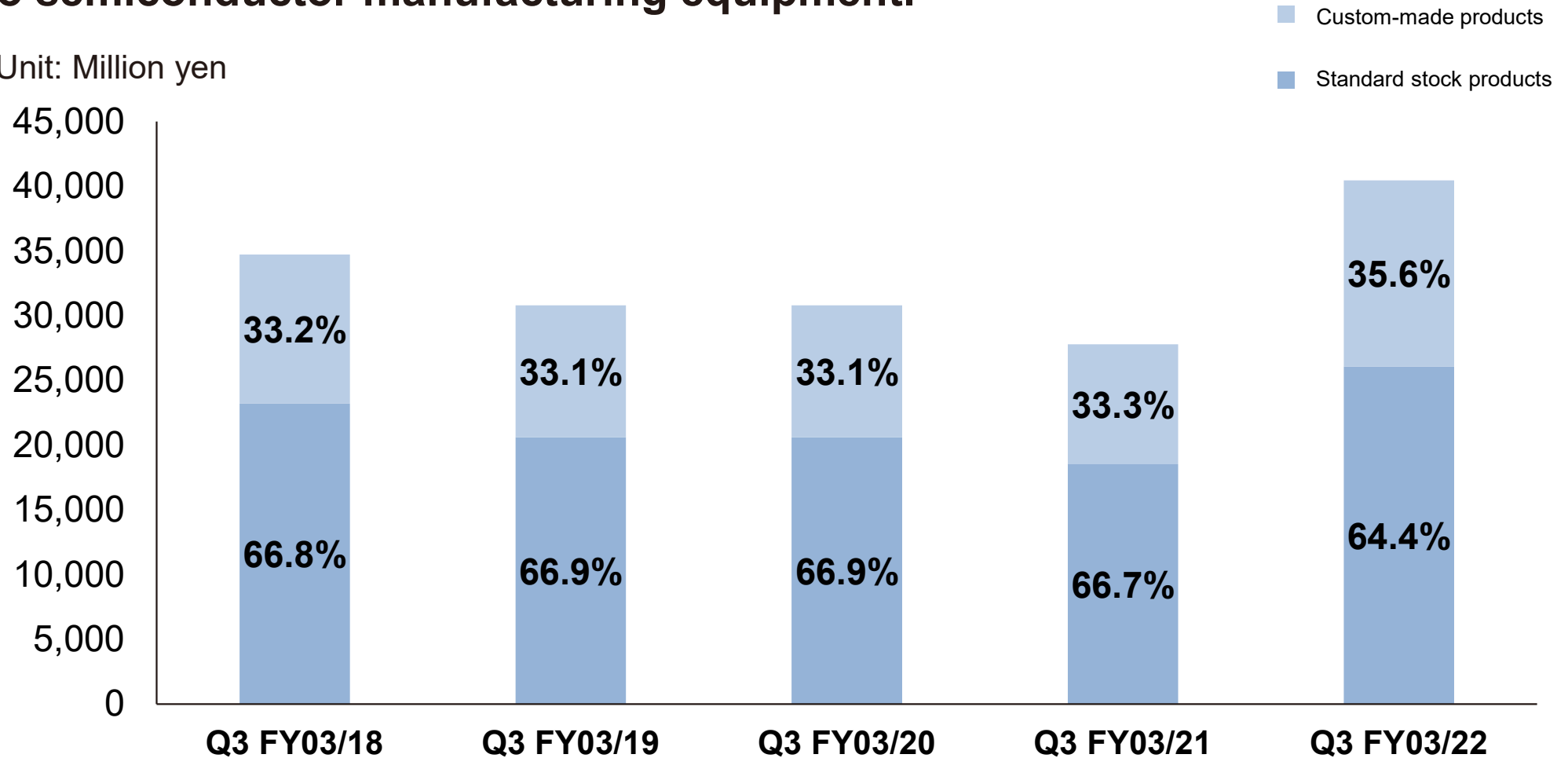
Sales of all products increased year on year, while the ratio of sales generated through copper products rose 0.8 points.



Composition Ratio of Net Sales of Standard Stock Products and Custom-Order Products

The percentage of sales generated through custom-made products rose year on year due primarily to an increase in demand for products related to semiconductor manufacturing equipment.

Unit: Million yen



Balance Sheet (BS)

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

Unit: Million yen

Assets	As of March 31, 2021	As of December 31, 2021	Change	Liabilities and net assets	As of March 31, 2021	December 31, 2021	Change
Current assets	24,851	31,612	6,760	Current liabilities	15,190	20,888	5,698
Cash and deposits	5,924	7,726	1,802	Notes and accounts payable – trade (Including electronically recorded obligations - operating)	13,133	18,394	5,262
Notes and accounts receivable – trade (Including electronically recorded monetary claims - operating)	12,851	16,864	4,013	Accrued expenses	956	862	-94
Inventories	5,961	6,816	855	Income taxes payable	469	717	247
Other current assets	116	206	90	Other current liabilities	631	915	284
Non-current assets	8,264	8,254	-11	Non-current liabilities	56	48	-7
Property, plant and equipment	6,370	6,270	-101	Total liabilities	15,246	20,936	5,691
Intangible assets	402	488	86	Net assets	17,870	18,929	1,059
Investments and other assets	1,492	1,496	5	Total liabilities and Net assets	33,115	39,865	6,750
Total assets	33,115	39,865	6,750				

■ Analysis of factors influencing changes in major items

① Current assets: 31,612 million yen (up 6,760 million yen from the end of FY3/21)

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

② Non-current assets: 8,254 million yen (down by 11 million yen from the end of FY3/21)

- Decline in property, plant, and equipment: 101 million yen
- Increase in intangible assets: 86 million yen
- Investments and other assets: 5 million yen

③ Current liabilities: 20,888 million yen (up 5,698 million yen from the end of FY3/21)

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

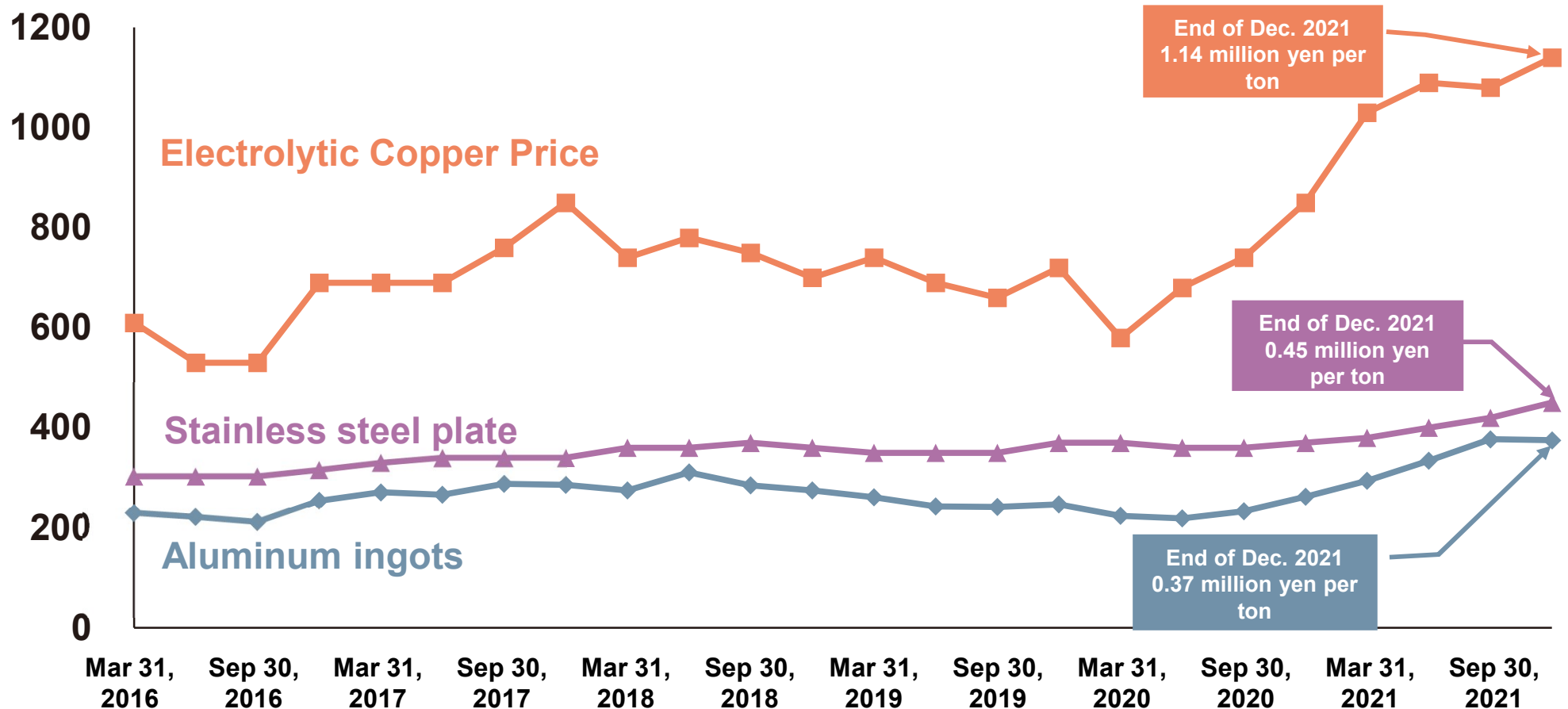
④ Net assets: 18,929 million yen (up 1,059 million yen from the end of FY3/21)

Business Environment (1)

Raw Material Market Conditions for Aluminum, Copper and Stainless Steel

We continued to observe favorable conditions in terms of aluminum, copper, and stainless steel bullion prices

Unit: Thousand yen per ton

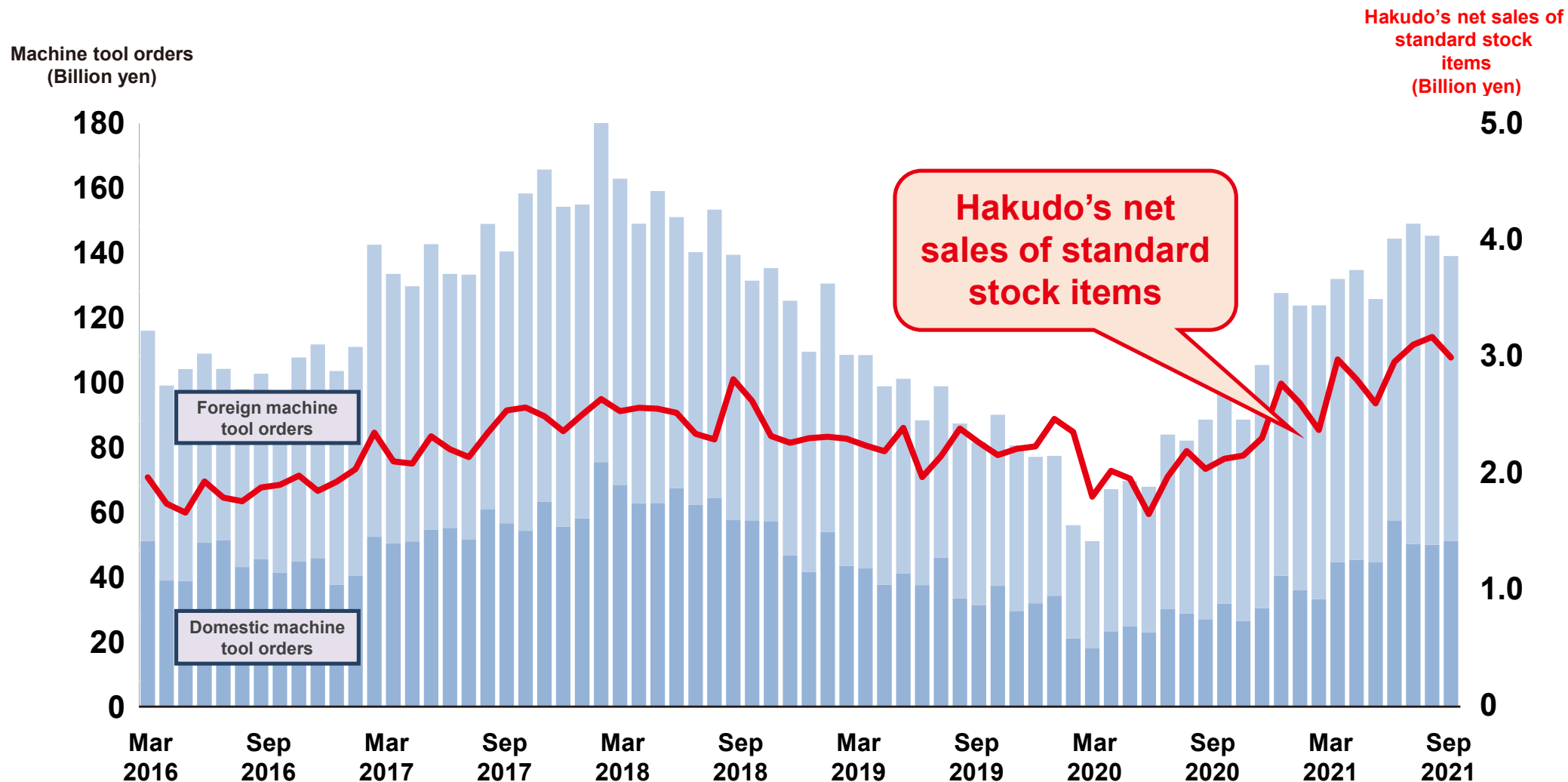


Stainless steel sheet: Japan Metal Daily median
Aluminum ingots: Nikkei monthly average

Business Environment (2)

Comparison of Machine Tool Orders and Standard Stock Net Sales

We observed recovery in both foreign and domestic machine tool orders.



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

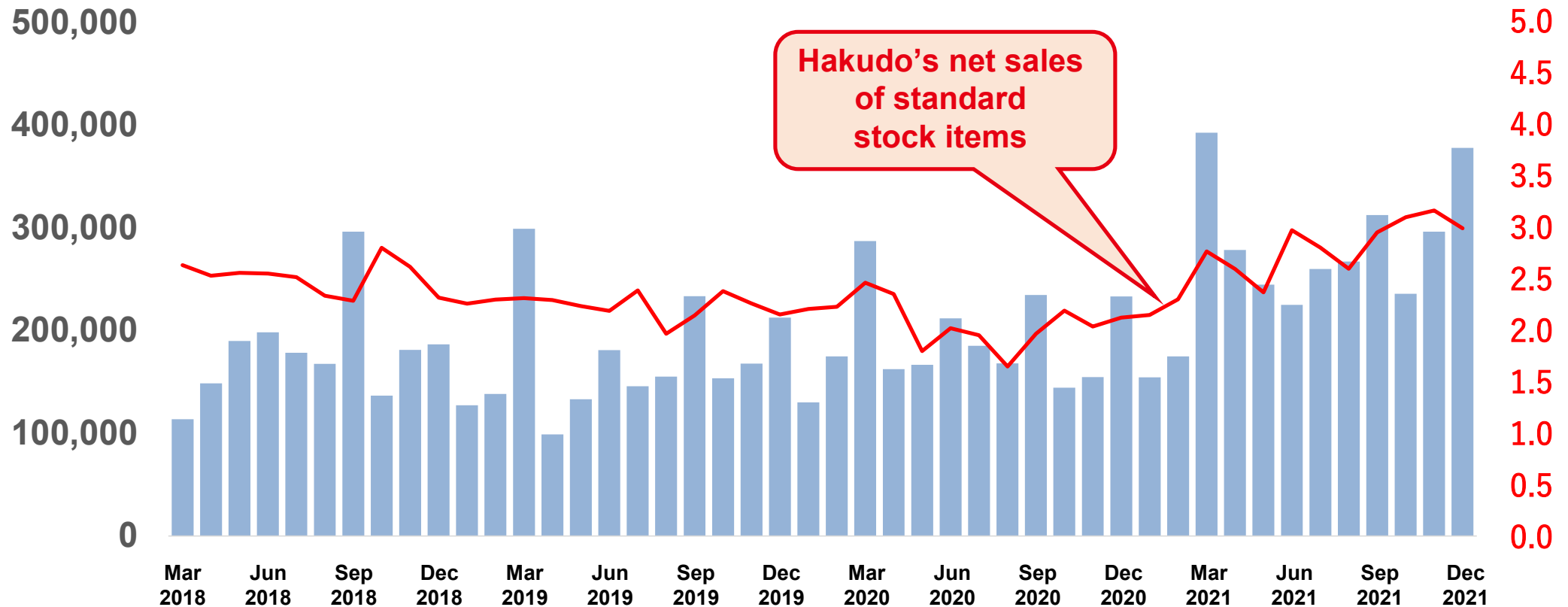
Business Environment (2)

Comparison of Semiconductor Manufacturing Equipment Sales and Standard Stock Net Sales

We project continued growth in demand associated with 5G-related and data center applications

Sales of production equipment made in Japan (Hundred million yen)

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



Source: Semiconductor Equipment Association of Japan - statistical data

FY03/22 Full-year Financial Forecasts

FY03/22 Consolidated Full-year Financial Forecasts

We revised our financial forecasts upward on December 8, 2021.

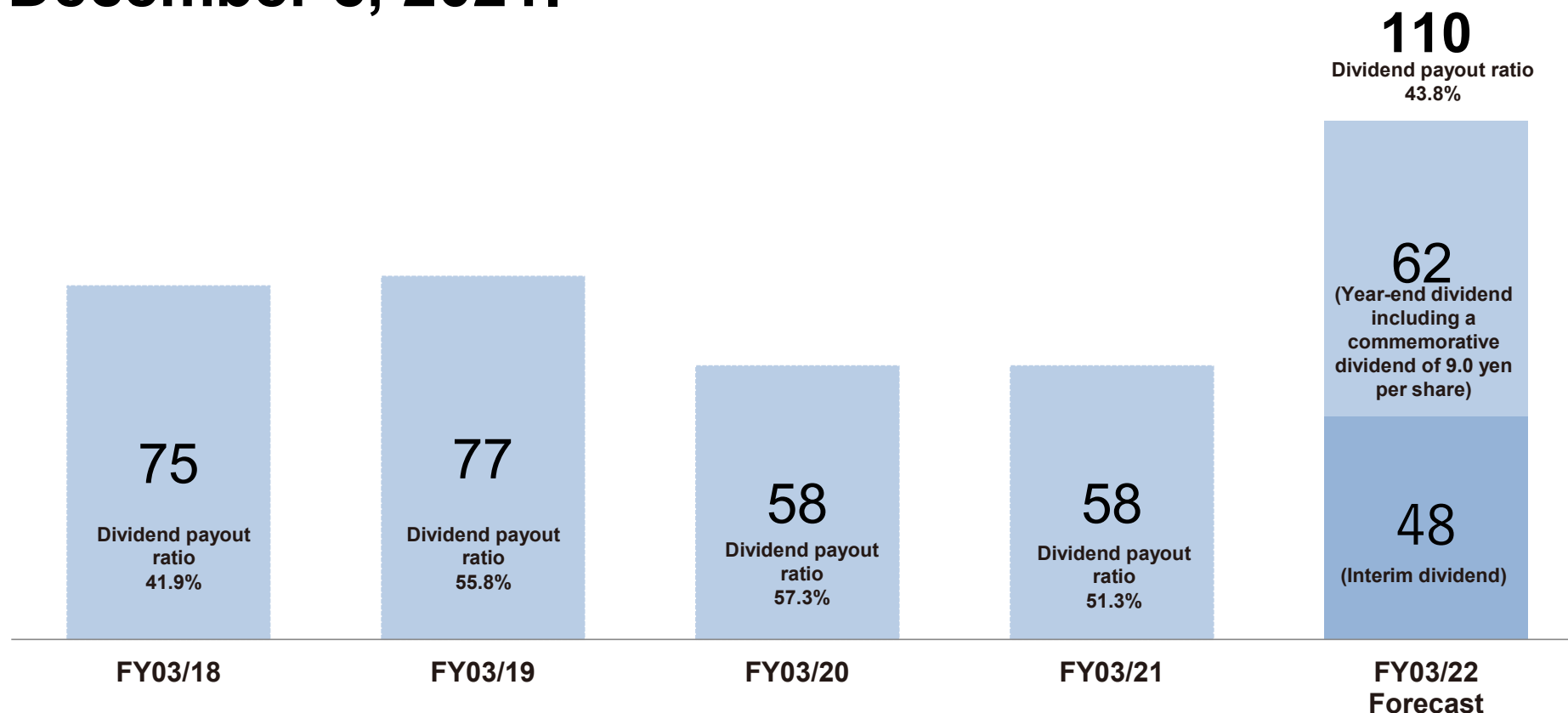
<Reasons for revisions>

- Sales generated through the semiconductor manufacturing equipment industry, where performance is currently strong, are expected to exceed projections.
- Due to favorable conditions in the raw materials market, gains associated with inventories are expected to exceed existing projections.

(Million yen)	Q3 FY03/21	Ratio to sales	Initial forecast for FY03/22	Prior forecast for FY03/22 (announced on August 10, 2021)	FY03/22 full-year forecast	Ratio to sales	Rate of change compared to previous forecast	Rate of change compared to FY03/21
Net sales	39,219	-	48,000	52,000	54,300	-	+4.4%	+38.5%
Operating profit (before inventory revaluation impact)	1,938	4.9%	2,806	3,120	3,398	6.3%	+8.9%	+75.3%
Inventory revaluation impact	+43	-	+114	+300	+672	-	-	-
Operating profit (after inventory revaluation impact)	1,981	5.1%	2,920	3,420	4,070	7.5%	+19.0%	+105.4%
Ordinary profit	2,083	5.3%	3,000	3,500	4,170	7.7%	+19.1%	+100.1%
Profit attributable to owners of parent	1,281	3.3%	2,070	2,400	2,850	5.2%	+18.8%	+122.3%

Dividend Forecast - Dividend per Share

We raised our dividend forecast to reflect the upward revisions made to our financial forecasts on December 8, 2021.



*2022  : Interim dividend  : Year-end dividend

Selection of New Market Segmentation for TSE

Application for the Selection of a New Market Segment on the Tokyo Stock Exchange

- As stated in the "List of Market Segment Selection Results" released by the Tokyo Stock Exchange on January 11, 2022, we will list our shares on the Prime Market from April 4, 2022.

Progress of Focused Strategies

Progress of Focused Strategies (1) -1

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

(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 projections for the current fiscal year)

By the end of Q3, we invested 661 million yen in factory automation equipment and the Hakudo Net Service.

	Acquisition of non-current assets (consolidated)					Unit: Million yen	
	FY03/18	FY03/19	FY03/20	FY03/21	Q3 FY03/22	FY03/22 Forecasts	
Property, plant and equipment	1,227	1,086	593	485	457	531	
Intangible assets	83	213	111	105	204	236	
Total acquisition cost	1,311	1,300	705	591	661	767	

As a result of capital investment, the production capacity of our factories has increased substantially.



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

Decreased by about 1/3 compared to FY03/18

Manufacturing-related return incidence rate

Decreased by about 1/5 compared to FY03/18

Progress of Focused Strategies (1) -2

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

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

- The number of item sizes has been greatly expanded, and approximately 27,600 item sizes are now available.
- We are increasing goods such as handling tools, screws, and other items not categorized as materials.
- We continue to aim for a 90% usage rate of the Hakudo Net Service for quotations.



About 5,400 items in our standard stock product inventory + about 22,200 items held in inventory by partner suppliers = total of about 27,600 items available for quotations and orders 24 hours per day, 365 days per year



Users can check inventory statuses, delivery dates, order statuses, and invoice numbers (if using a courier service).

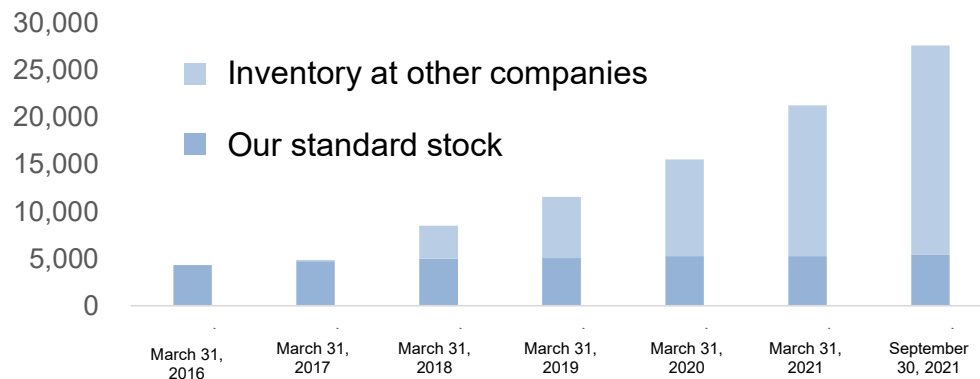


We can issue invoices, statements of delivery, and even Mill Test Certificates (inspection reports).

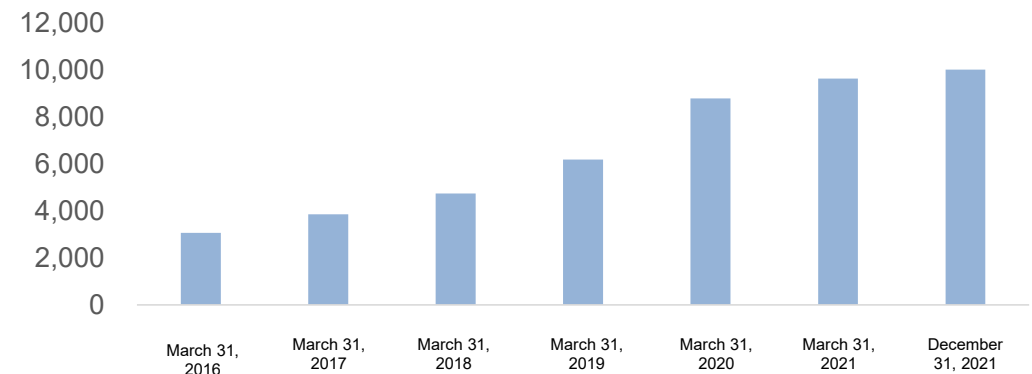


We have increased our handling of tools, subsidiary materials, and other items not categorized as materials, and about 8,000 items are now available.

Number of Items Available for Hakudo Net Service



Number of Companies Registered for Hakudo Net Service (Cumulative)



Progress of Focused Strategies (2)

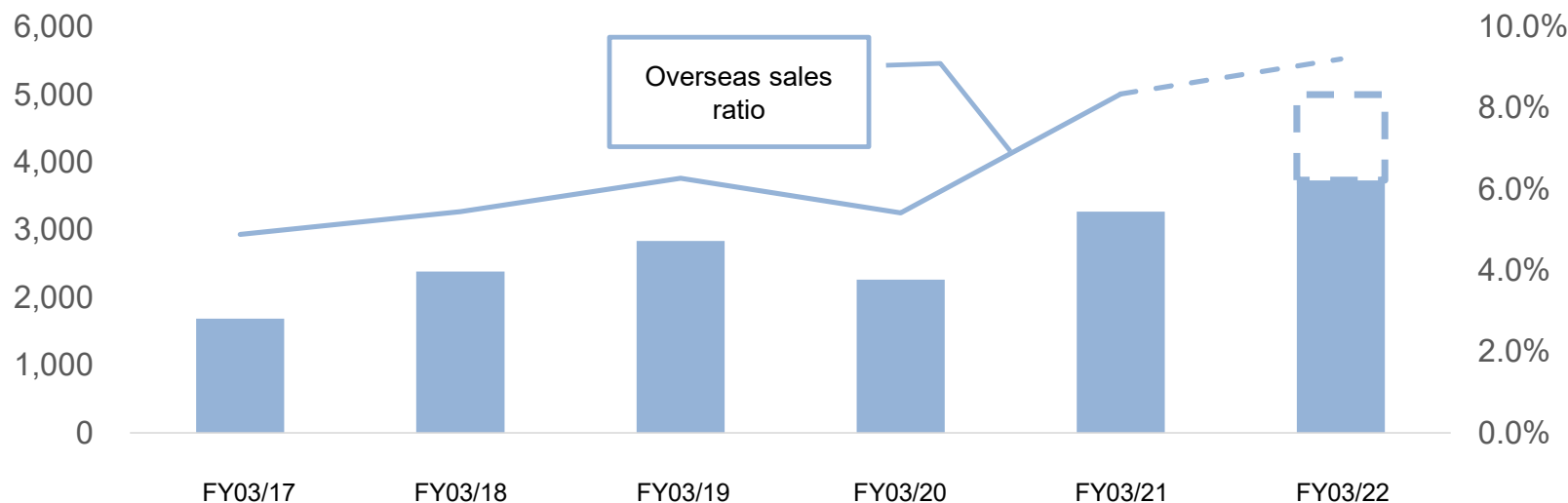
(2) Expansion of overseas business

- ◆ Aim to increase net sales and profits of overseas subsidiaries, while raising the percentage of net sales comprised by overseas sales
- ◆ Currently constructing a system for collaboration with Oristar (a major non-ferrous metals trading company in Vietnam), in which we completed a minority investment in June 2020 (introduction of e-commerce, etc.)
- ◆ Establish a sales network for custom-made plates of nonferrous metals and stainless steel overseas
- ◆ Began strengthening ties with overseas distributors and considering entry into new countries (the US, South Korea, etc.); some negotiations currently underway
- ◆ Developing packaged software for sale through e-commerce as we aim to strengthen our overseas sales networks

Aim to raise the percentage of the Hakudo Group's net sales comprised by overseas business sales to more than 10%

Overseas Net Sales and Sales Ratio

(Unit: Million yen)



*Total amount of export net sales from Japan to companies other than overseas subsidiaries and net sales of overseas subsidiaries

*  indicates projected figures for FY03/22.

Progress of Focused Strategies (3)

(3) Developing new businesses

(3)-1 Contract-based 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 reinforcing inspection facilities
- Expand sales to the metal mold and automobile industries by aiming to generate synergy through 3D printers
- Increase trading accounts opened due to 3D printers



Source: 3D Systems Corporation

(3)-2 Aiming to become a convenience dealer of materials compliant with aerospace standards

- Installation of second waterjet cutting machine planned
- Product lineup expanding

The industry's largest and most 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 through our Kanagawa Factory and Shiga Factory

Support for imports from overseas










By utilizing our extensive overseas network, we can quickly provide import-related support

Progress of Focused Strategies (4)

(4) Approaches to ESG/SDGs

We established ESG/SDGs Management Committee (led by senior management) as we aim to realize "continuous contribution to society through business" and "corporate value enhancement over the medium and long term."

We have also established a basic policy on sustainability (to be disclosed in the future) and are conducting activities in accordance with this policy.

Classification	Examples of material issues	Activities	Related SDGs
E	Efforts aimed at achieving a decarbonized society	Surveys of CO ₂ emissions	    
	Reduction of scrap rate	Initiatives targeting waste material reduction	
	Reduction of industrial waste	Promotion of recycling	
	Improvement of delivery efficiency	Explore optimal organization of flights	
	Reduction of power consumption	Lowering of CO ₂ emissions through reduction of power consumption	
	Green procurement rate	Creation and conclusion of Green Procurement Guidelines	
	Reinforcement of the ECO series	Sales of eco-friendly ECO series products	
S	Improvement of employee satisfaction	Employee satisfaction surveys	  
	Utilization of diverse talent	Support for acquisition of qualifications	
	Academic-industrial cooperation	Support for joint research and manufacturing	
G	Compliance and risk management	Implementation of compliance tests	
	Information management and security	Preparation for acquisition of ISO/IEC 27001 certification	
	Company-wide acquisition of JIS Q 9100 certification	Preparation for acquisition of JIS Q 9100 certification	

Thank you very much for your attention.

■Disclaimer

This document contains projections based on assumptions, outlooks, and plans regarding the future as of February 2022. 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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Website: www.hakudo.co.jp

Appendix 1. Company Profile

Company Name: Hakudo Co., Ltd.

Established: February 1932

Type of Business: Non-ferrous metals wholesale business

Net sales : 39.2 billion yen
(FY03/21, 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 and Supervisory Committee
(with Advisory Committee on Nomination and Compensation)

Composition of directors: Four internal directors, five external directors

Consolidated subsidiaries: AQR Corporation (in Japan)
Shanghai Hakudo Precision Materials Co.
Hakudo (Thailand) Co., Ltd.

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

Website : www.hakudo.co.jp



Appendix 2. History



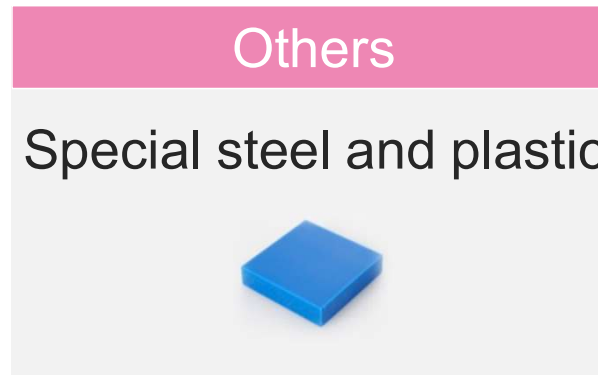
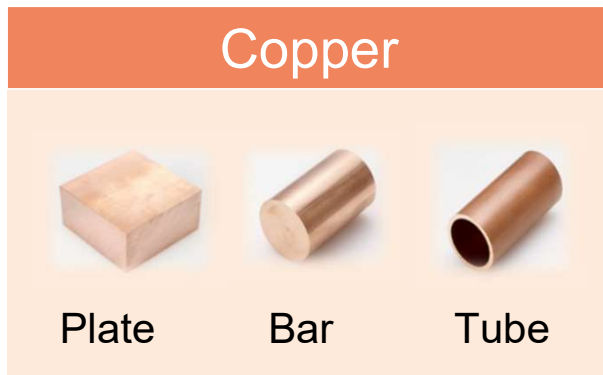
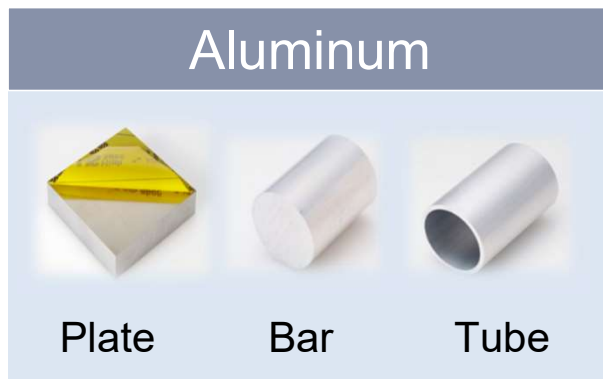
- 2020/6 Made minority investment in Oristar Corporation in Vietnam
- 2020/1 Acquired the JIS Q 9100 Certificate at Shiga Factory
- 2019/2 Bought out AQR Co., Ltd.
- 2017/11 Launched Saitama Factory in Kasu City
- 2016/1 Acquired JIS Q 9100 Certificate at the Kanagawa Factory
- 2015/1 Started a metal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

Headquarters at the time of foundation

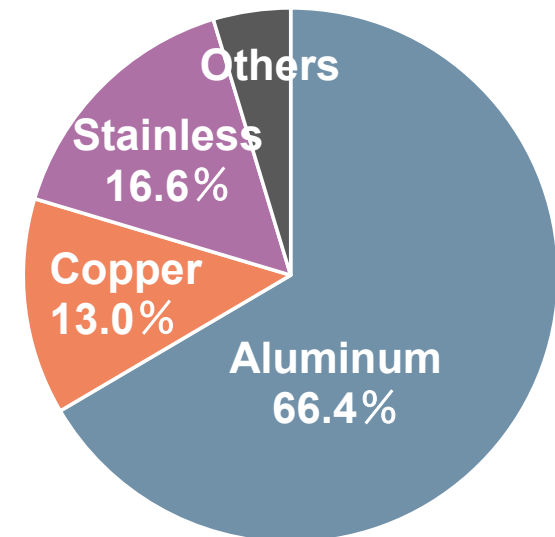


Appendix 3. Business (Products We Handle)

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 a wide range of applications.



Sales Composition by Product Type (FY03/21)



Appendix 4. Business

(Applications of Our Products / Customer Industries)

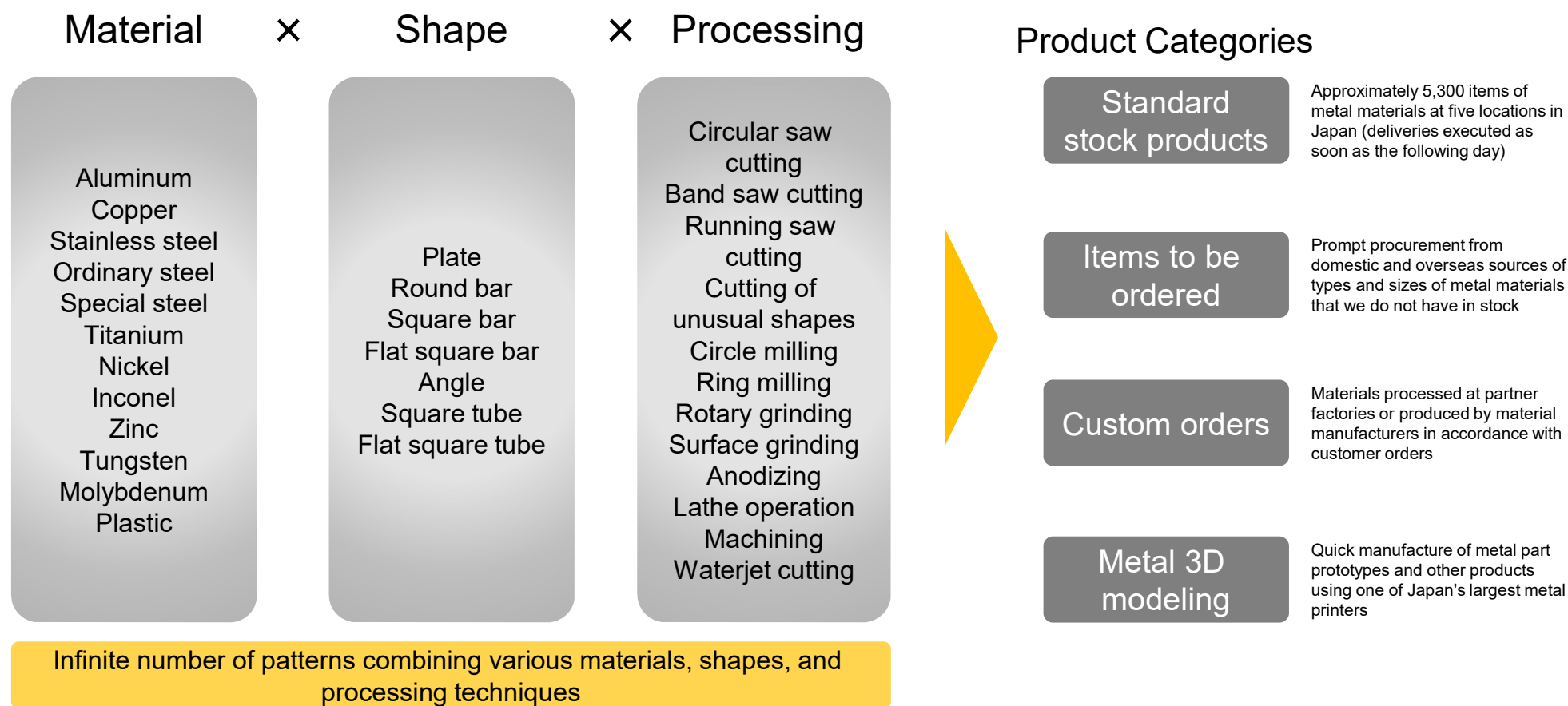
Our products are used in a wide range of fields, from consumer electronics to aircraft, and particularly in the semiconductor and automotive industries.

Type	Industry	Usage examples
Aluminum	Semiconductor manufacturing equipment	Chamber materials for manufacturing equipment
	Flat Panel Display (FPD) manufacturing equipment	Chamber materials for manufacturing equipment
	Air pressure	Air cylinder manifolds
	Home appliances	Dies for the molding of parts, etc.
	Shipbuilding	LNG carriers
	Aircraft	Structural aircraft materials and equipment
Copper	Flat Panel Display (FPD) manufacturing equipment	Target material
	Automobiles	Parts
	Semiconductors	Lead frames
Stainless steel	Semiconductor manufacturing equipment	Chamber materials for manufacturing equipment
	Flat Panel Display (FPD) manufacturing equipment	Chamber materials for manufacturing equipment
	Food products	Parts of manufacturing equipment

Appendix 5. Business

(What Distinguishes Hakudo from Other Companies)

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 specified shapes and sizes and deliver them as quickly as the very next day.



Appendix 6. Hakudo's Strengths (Sales of Standard Stock Products)

Hakudo's standard stock products save customers' time and effort with six strong attributes.

1. Wide range of products



We process and deliver a wide range of industrial materials, primarily aluminum, copper, stainless steel, and specialty steel.

2. Support for small-lot orders



Down to single plates, bars, or grams, we can provide materials of just the right size to fulfill our customers' needs and deliver these materials nationwide.

3. Quick response



Hakudo quickly provides estimates, receives orders, and responds to inquiries via fax, phone, e-mail, and its online order system.

4. Quick delivery



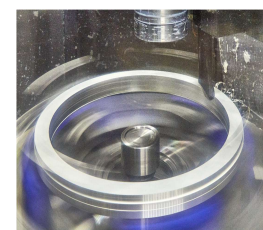
We maintain five inventory and processing centers in Japan, enabling us to deliver products as soon as the next day.

5. Wide variety of processing techniques



All of the products we stock can be cut to specified dimensions, and we can also apply various treatment processes, including milling and grinding.

6. High-precision processing



We guarantee that our milling and grinding processes generate accurate results in terms of plate thickness, width, and length, as well as squareness, parallelism, and flatness.

- Number of customer accounts ⇒ About 13,000
- Number of daily estimates ⇒ About 20,000
- Percentage of responses occurring in 60 minutes or less ⇒ More than 90%
- Orders received daily ⇒ About 10,000

Appendix 7. Strengths of Hakudo (Sales of Custom-Made Products)

We establish partnerships with parts processors and manufacturers who employ rolling and extrusion techniques, thereby delivering tailor-made materials and processed parts that meet the needs of our customers.

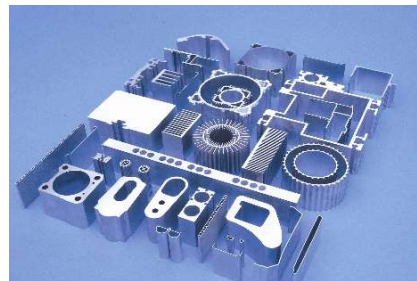
- Rolled products: Sketch and chamber materials for semiconductor and FPD manufacturing equipment
- Extrusion molding: Pneumatic system parts, cylinder body components, and manifold body components
- Machined parts: Metal parts and products, jigs and tools, and other items manufactured according to order diagrams
- Imported molds and mold components: Parts for plastic molds and die-casting dies

Made according to order dimensions



We manufacture plates consisting of a variety of materials to specified dimensions.

Highly accurate dimensions, even in cases of complex shapes



We extrude materials in shapes similar to the products for which they will be used, which reduces the weight of these materials and, along with reductions in man-hours required for processing, greatly contributes to cost reduction.

Utilizing domestic and international networks



Utilizing the processing network it has formed through cooperation with customers in Japan and overseas, Hakudo selects the companies best suited to facilitate its delivery of machined products.

Low cost and high quality



When utilizing Chinese mold base manufacturers to produce our products, we select these manufacturers through careful screening processes and perform thorough quality control checks on associated products.

あたらしい、を、素材から。

