

Medium-Term Management Plan (FY2022 to FY2024) Moving forward “beyond expectations”

May 26, 2022
Hakudo Co., Ltd.

Contents

Introduction (creation of the Medium-Term Management Plan)

1. Hakudo's Corporate Philosophy
2. Vision for FY2031
3. Positioning of the Medium-Term Management Plan
4. Main activities over the past three years, and review of financial results

Medium-Term Management Plan: Moving forward “beyond expectations”

1. Confirmation and outlook for the external environment, as assumptions behind the Medium-Term Management Plan
2. Management goals, key financial plan indexes, and targeted levels for returns to shareholders
3. Key strategic policies
4. Policies for business strategies and platform construction
5. Promoting sustainability management

Introduction (creation of the Medium-Term Management Plan)

1. Hakudo's Corporate Philosophy

Based on its management philosophy of contributing to society through production, Hakudo acts and undertakes business operations so as to meet the expectations of customers, employees, business partners, shareholders, and society.

Hakudo's Credo

Management Philosophy

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

Our Five Commitments



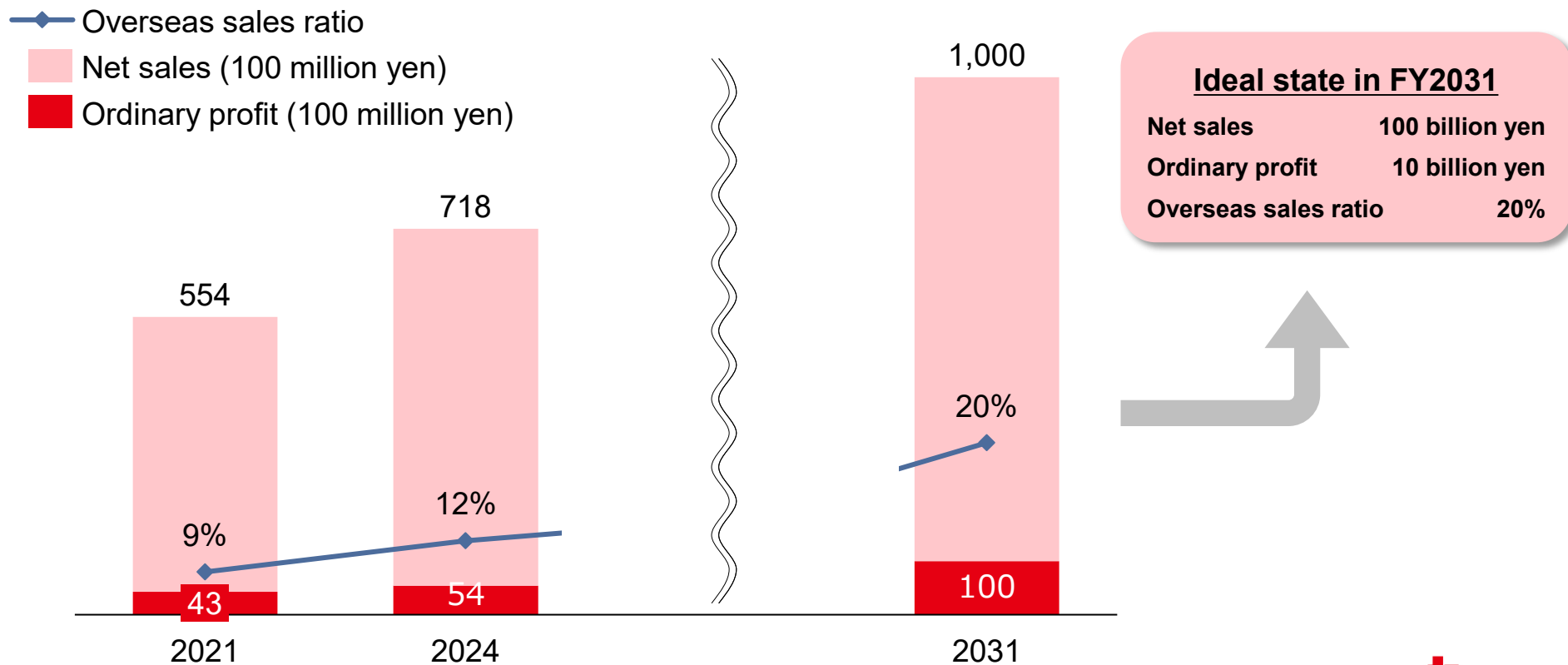
Code of Conduct

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

2. Vision for FY2031

By providing “exceptional quality, speed and service at a satisfying price,” as a manufacturing platform provider, we will aim for net sales of 100 billion yen, ordinary profit of 10 billion yen, and an overseas sales ratio of 20%.

Steps in growth to FY2031



2. Vision for FY2031

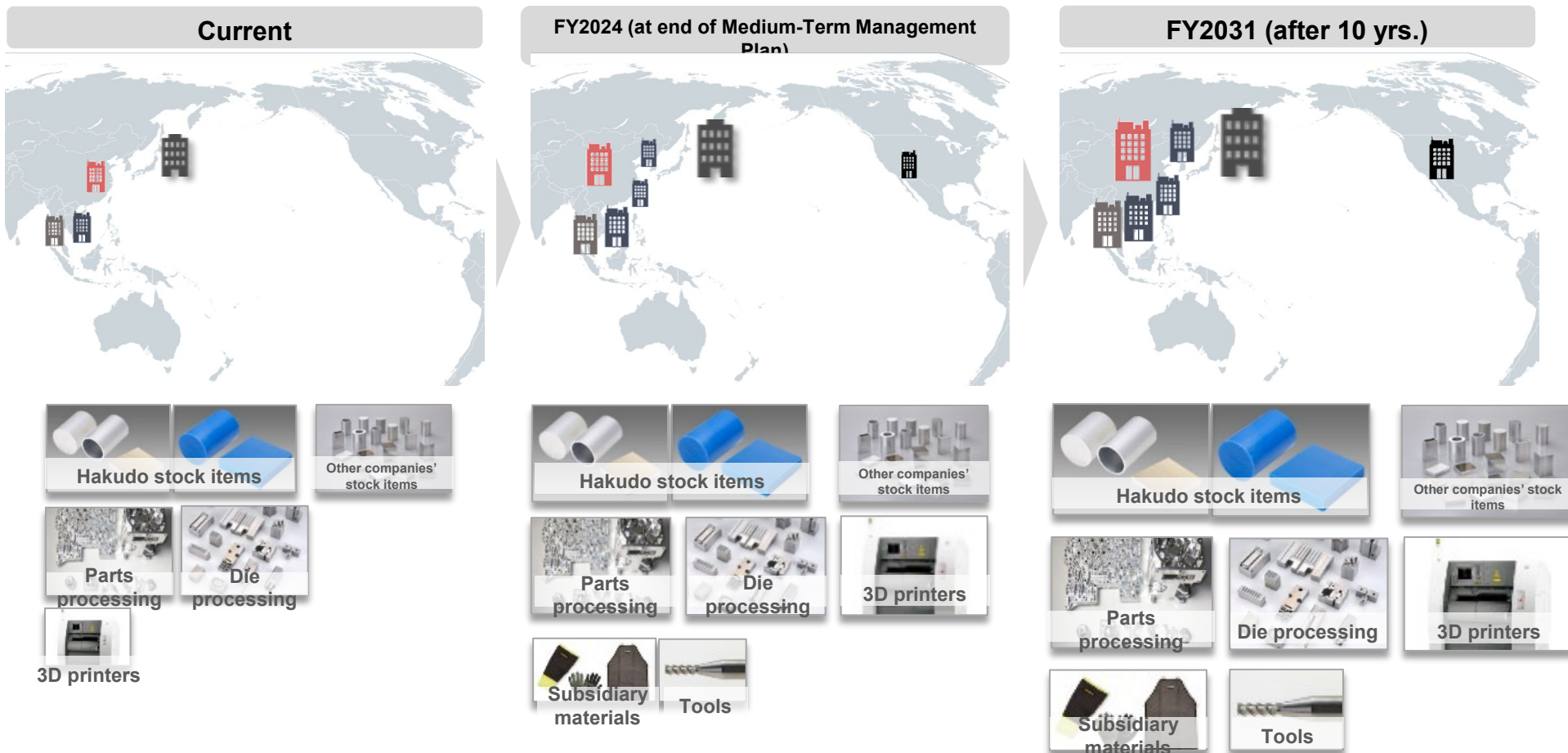
Roll out the business model established in Japan, and aim to be a supporting company for global production.

Image of business rollout: : Hakudo HQ : Base with Hakudo capital
 Color indicates customer industry: Dies/semiconductors Semiconductors Automotive Aircraft/semiconductors

Heading into 2031, accelerate both (1) rollout and expansion of worldwide bases and (2) expansion of the types and scale of products and services

(1) Bases of operation

(2) Main products and services



3. Positioning of the Medium-Term Management Plan

To overcome the rapid changes in the modern era, we created the Medium-Term Management Plan by back-casting from a vision for FY2031.

- The environment surrounding Hakudo is changing rapidly, for example with the COVID-19 pandemic, friction between the US and China, the need for transitioning energy and materials through decarbonization, and unprecedented levels of activity in the semiconductor industry. As such, management policies must adopt a long-term perspective.
- We clarified the vision for FY2031, which is the 100th anniversary of the company's foundation, and created a new Medium-Term Management Plan starting from FY2022 by back-casting from that vision.

Positioning of the Medium-Term Management Plan



4. Main activities over the past three years, and review of financial results

Since FY2019, we have focused on increasing profitability in existing business and developing new and overseas business, and we achieved growth in both net sales and ordinary profit.

Main activities

Increase profitability in existing businesses

- Promote use of Hakudo Network Service
- Enhance lineup of standard stock items and special-order items

Develop new business fields

- Expand into automotive and aerospace fields

Develop overseas business fields

- Expand sales regions, mainly in Asia

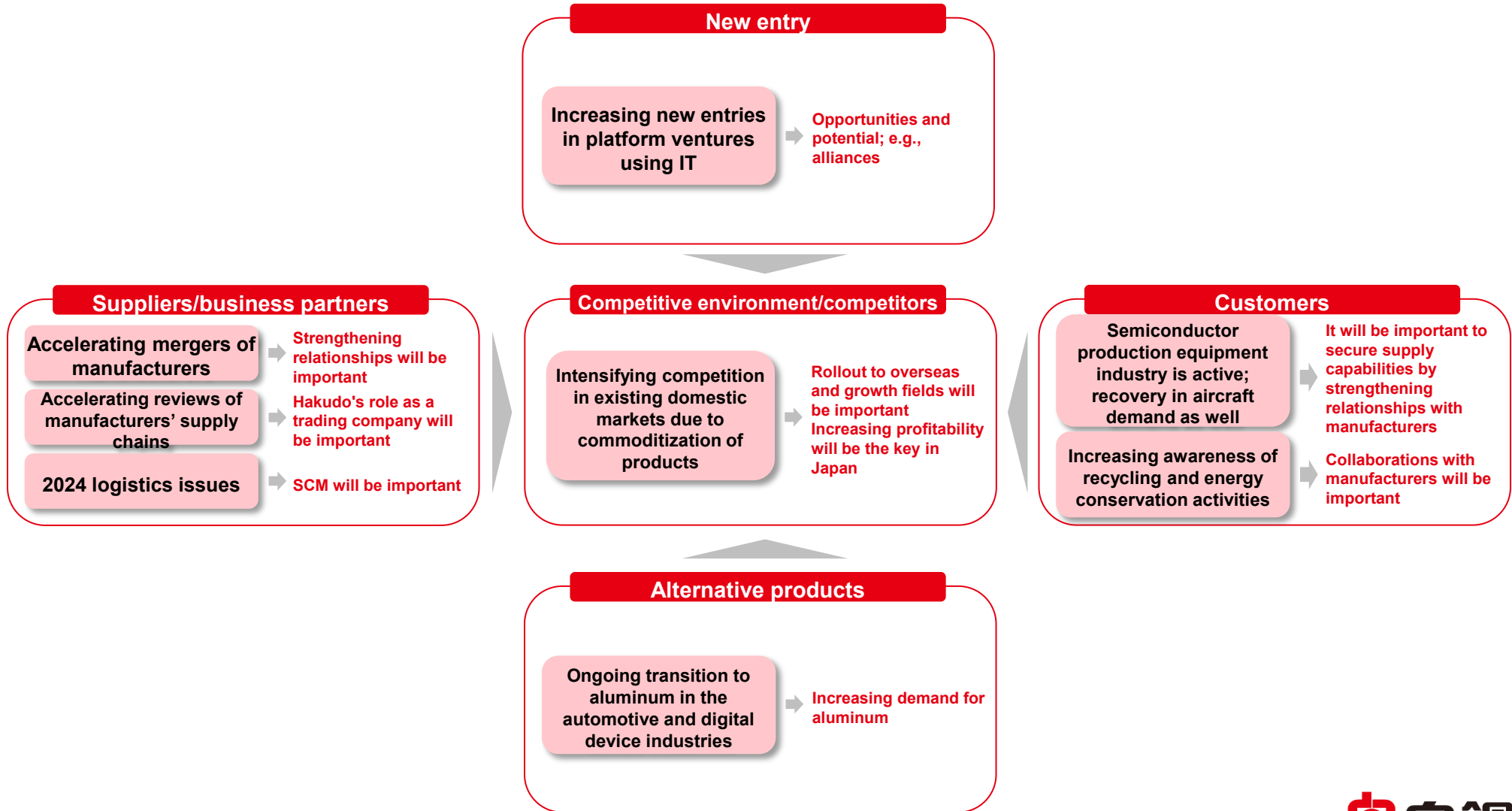
Results summary

	FY2018 results	FY2021 results
Net sales	45.2 billion yen	➔ 55.4 billion yen
Ordinary profit	2.3 billion yen	➔ 4.3 billion yen
ROIC	9 %	➔ 15 %
Operating CF	2.0 billion yen	➔ 4.5 billion yen

Medium-Term Management Plan: Moving forward “beyond expectations”

1. Confirmation and outlook for the external environment, as assumptions behind the Medium-Term Management Plan

Strive for further growth while responding to accelerating changes in the external environment.



2. Management goals, key financial plan indexes, and targeted levels for returns to shareholders

Aim for growth in net sales and ordinary profit as management targets, and also for stable ROIC and operating CF as key financial plan indexes, and sufficient returns for shareholders.

	FY2021 results*	FY2024 targets
Management targets	Net sales	55.4 billion yen → 71.8 billion yen
	Ordinary profit	4.3 billion yen → 5.4 billion yen
Key financial plan indexes	ROIC	15 % → 15 %
	Operating CF	4.5 billion yen → 4.5 billion yen
Returns to shareholders	Dividend payout	44.0 % (incl. 3.4% Commemorative dividend) → 40.0 %

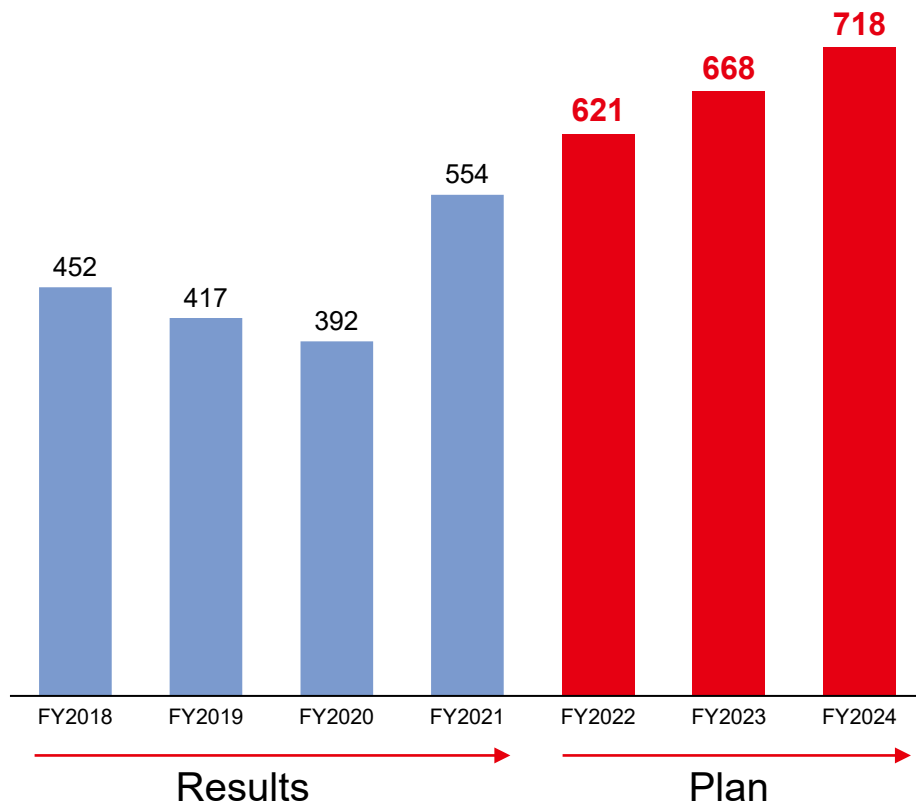
*Dividends decided at the meeting of the Board of Directors on May 13, 2022

2. Management goals, key financial plan indexes, and targeted levels for returns to shareholders

Aside from the temporary slump resulting from the pandemic, both net sales and ordinary profit increased steadily, and we will aim for further growth moving forward.

Net sales results and outlook

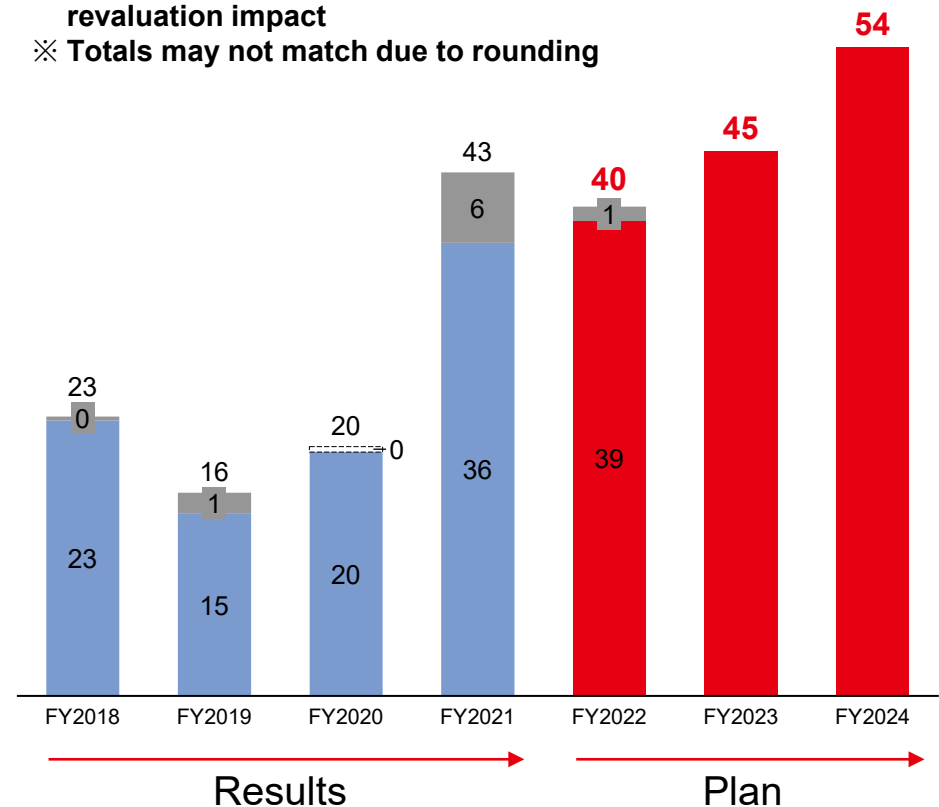
Unit: 100 million yen



Ordinary profit results and outlook

Unit: 100 million yen

- ※ Grey and white indicate inventory revaluation impact
- ※ Totals may not match due to rounding

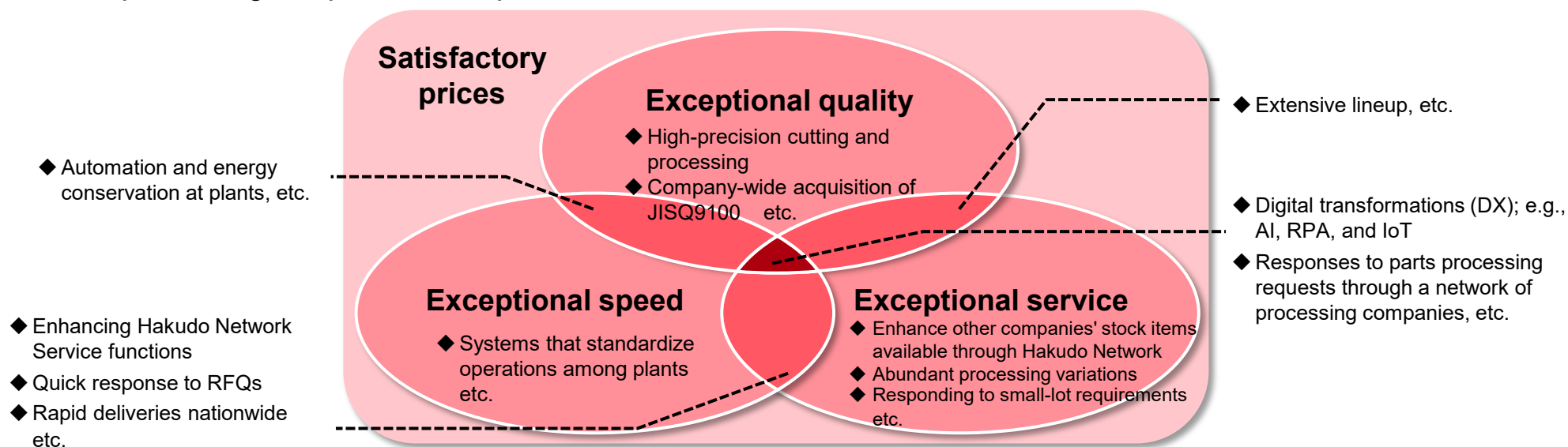


3. Key strategic policies

By providing exceptional value, we will strive to increase customer satisfaction, enhance core businesses, and expand business fields.

What is “exceptional value”?

We will provide exceptional value by applying Hakudo Network Service and our network of in-house plants and processing companies to respond to diverse customer needs



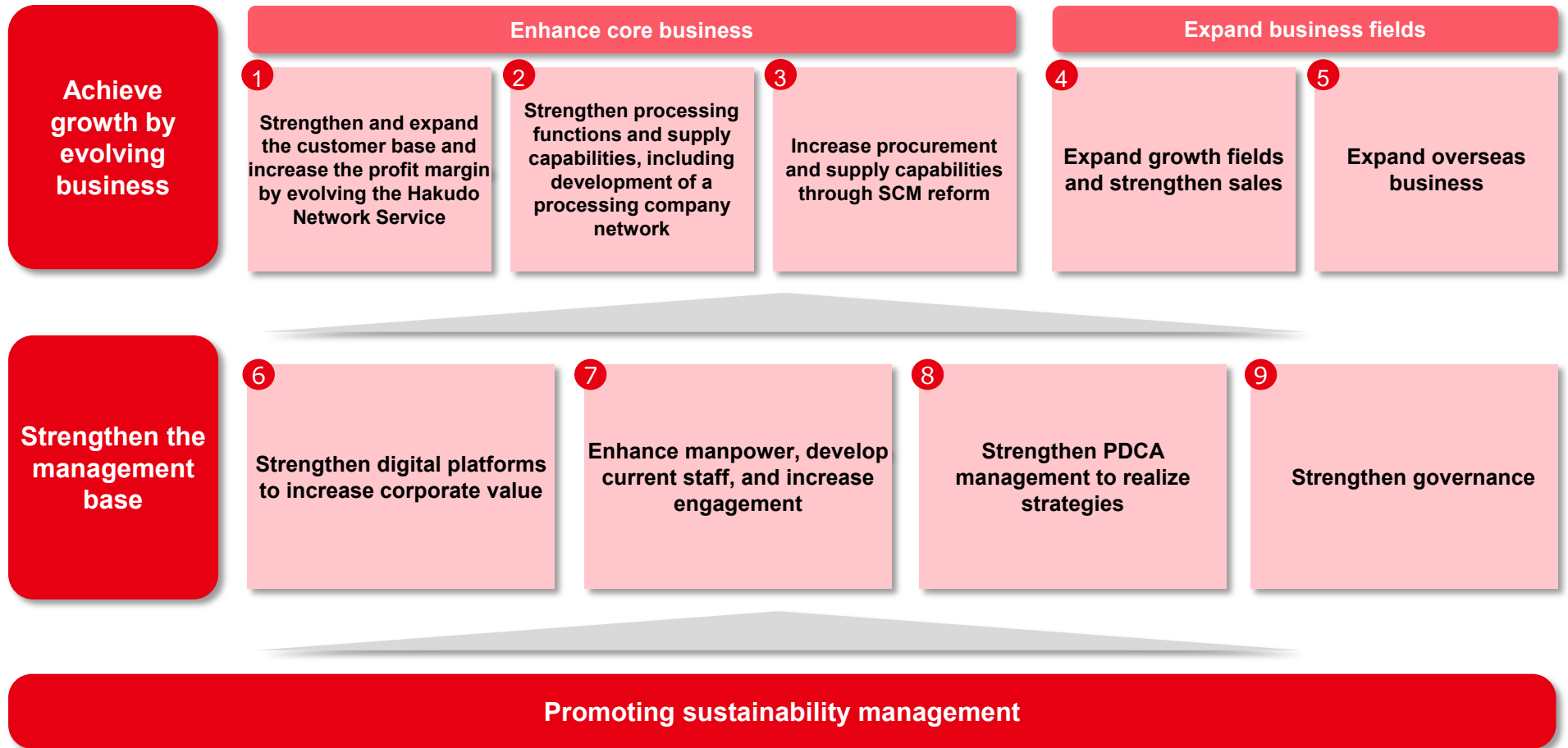
Targeted directions

- ◆ By pursuing greater customer satisfaction, we will generate both shareholder and employee satisfaction, and strive for continuous corporate growth based on this positive cycle
- ◆ We will enhance core businesses, expand the customer base, and pursue customer satisfaction, and at the same time expand business fields to provide new value to customers and society

3. Key strategic policies

Based on exceptional strategies, we will evolve businesses and strengthen the management base by FY2024.

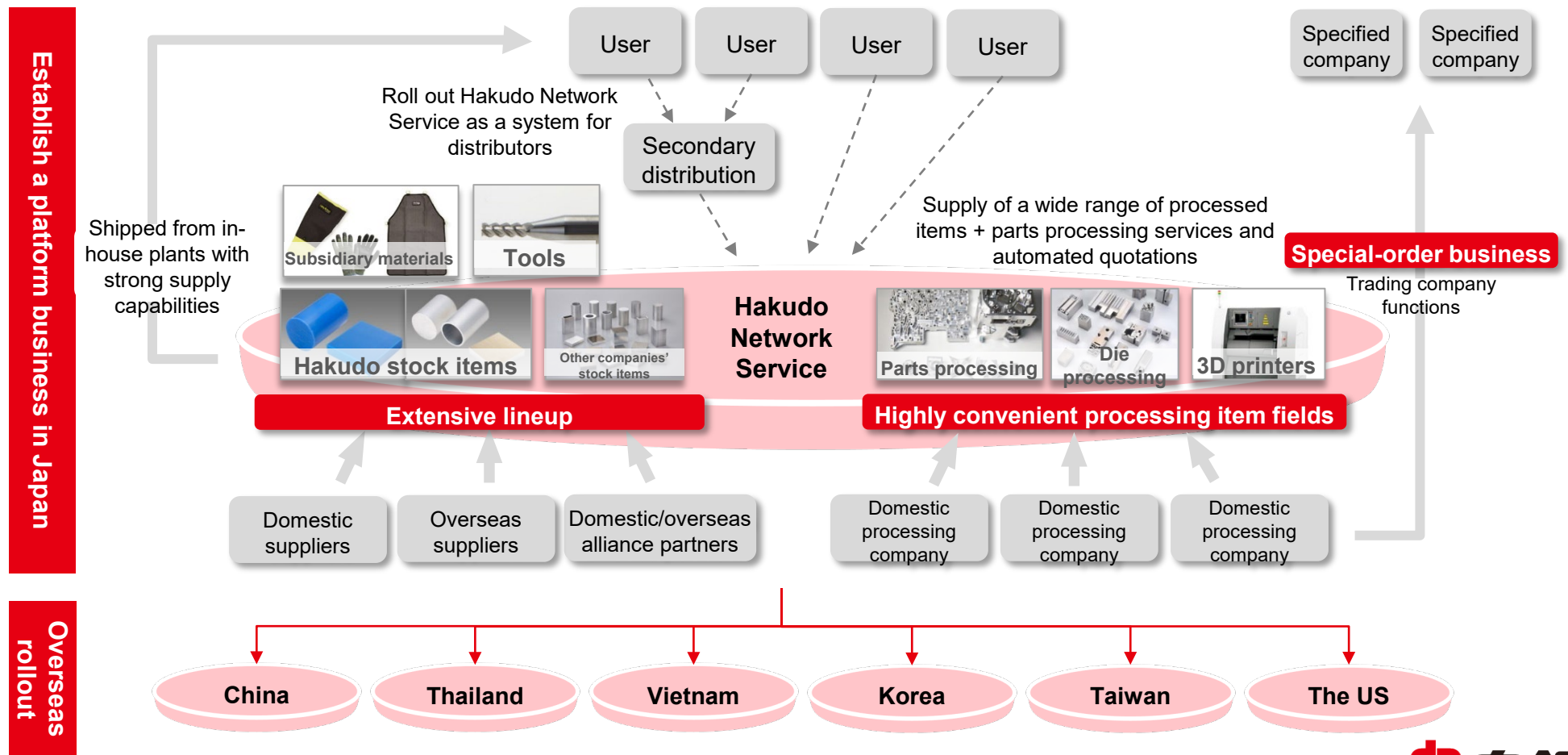
Management issues and key strategic policies



3. Key strategic policies: Future form of key strategic policies

We will establish a platform provider business in the domestic processing industry with a focus on the Hakudo Network Service, and roll out a similar model overseas as well, through local subsidiaries and alliance partners.

Image of business rollout centered around the Hakudo Network Service



4. Policies for business strategies and platform construction: Enhancing core business

We will strengthen the Hakudo Network Service and supply capabilities to enhance core business.

Key strategic policies

Business strategy policies

Achieve growth by evolving business : Enhance core business

1

Strengthen and expand the customer base and increase the profit margin by evolving the Hakudo Network Service

Expand product lineup

- ✓ Expand the top line of standard stock items by enhancing other companies' stock items, and introducing environment-friendly products (ECO Series) and high added value products
- ✓ Promote collaborations with outside companies to expand the lineup and increase sales for subsidiary materials and tools

Roll out Hakudo Network Service for distributors

- ✓ Promote the use of Hakudo Network Service quotation/order placement online system for distributors (emphasize links with ERP, etc.)

Increase Network Service profit margin

- ✓ Increase profit margin by improving the milling ratio, expanding sales of high profit margin products, and improving small/medium lot order rate

2

Strengthen processing functions and supply capabilities, including development of a processing company network

Develop network of processing companies

- ✓ Strengthen virtual supply capabilities by strengthening alliances with processing companies and expanding partner plants
- ✓ Strengthen parts processing services (e.g., automation of processed item quotations based on CAD data), and improve customer convenience

Expand in-house processing regions

- ✓ Strengthen processing functions and enhance services at in-house plants

3

Strengthen procurement and supply capabilities through SCM reform

Increase efficiency of order placement and stock management

- ✓ Introduce purchasing management systems and promote cost reductions

Increase shipping efficiency and standardize supply capabilities within and between plants

- ✓ Introduce systems that standardize operations among plants

- ✓ Standardize operations and reduce labor within each plant, and promote cost reductions

Enhance supply capabilities through M&As with existing companies and new plant expansion

- ✓ Prepare and study new plant expansions and M&As with existing companies

4. Policies for business strategies and platform construction: Expanding business fields (1)

We will expand and join growth fields such as semiconductors, aviation, and automotive.

Key strategic policies

Business strategy policies

Achieve growth by evolving business : Expand business fields

4

Expand growth fields and strengthen sales

Common policies across fields

- ✓ Capture customers through the use of special-order item stock management systems
- ✓ Enhance processing systems to enhance services (including 3D printers and water jets)

Expand aerospace fields

- ✓ Expand lineup of materials for aviation industry
- ✓ Acquire JIS Q9100
- ✓ Establish sales organizations and build structures dedicated to the aviation field

Expand the semiconductor field

- ✓ Develop new environment-friendly materials (Enhance ECO materials series)
- ✓ Establish sales organizations dedicated to the semiconductor field
- ✓ Capture device manufacturers as customers

Expand the automotive field

- ✓ Develop new technologies through industry/academia collaborations
- ✓ Establish sales organizations dedicated to the automotive field
- ✓ Strengthen sales targeting 3D printer-related customers

4. Policies for business strategies and platform construction: Expanding business fields (2)

In overseas business, we will expand business and enter new markets based on the following strategies.

Key strategic policies

Business strategy policies

5

Achieve growth by evolving business : Expand business fields

Expansion of overseas business

Strengthen business management ✓ Strengthen management functions for overseas business overall

Roll out country-specific policies

Existing markets

New markets

● ⇒ Already active and to expand in the future

○ ⇒ Full-scale activities started

	Build sales bases	Introduce Hakudo Network Service	Enhance product lineup			Enhance processed items/ processing capacity	Strengthen distribution network
			Hakudo stock items	Other companies' stock items	Subsidiary materials/ tools		
China	● Shanghai Hakudo is already rolling out business	●	●	●	○	○	●
Thailand	● Hakudo (Thailand) is already rolling out business	○	●	●	○	-	○
Vietnam	● Already rolling out business through investment in Oristar	○	●	○	○	●	●
South Korea	○ Entry through M&As/alliances	○	○	○	○	-	-
Taiwan	○ Entry through M&As/alliances	○	○	○	○	-	-
The US	○ Entry through M&As/alliances	○	○	○	○	○	-

4. Policies for business strategies and platform construction: Strengthening the management base

We will strengthen the following items as the management base that supports the evolution of business.

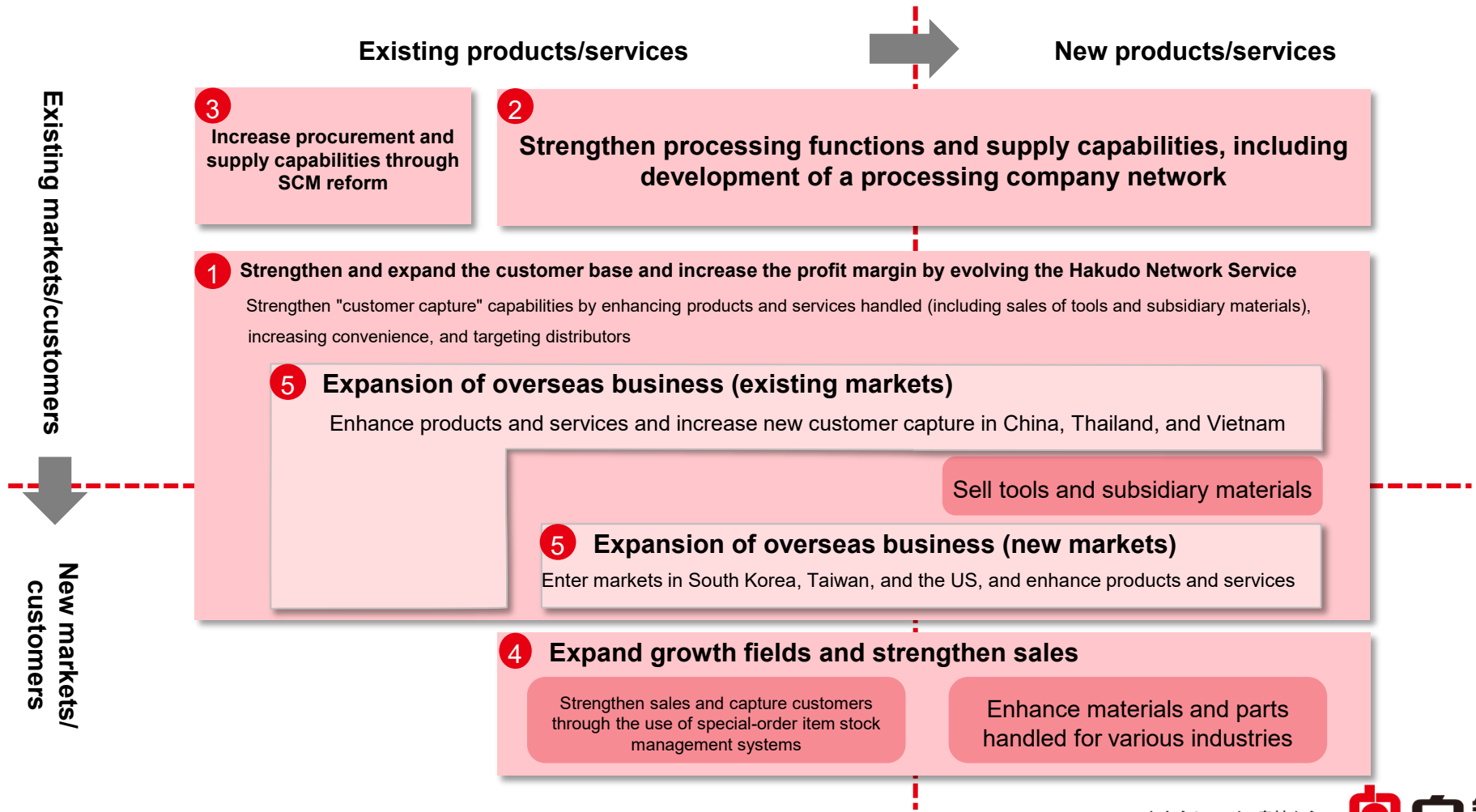
Key strategic policies	Policies for building the base
<p>6</p> <p>Strengthen digital platforms to increase corporate value</p>	<p>Implement operating process reforms by introducing new digital technologies</p> <ul style="list-style-type: none"> ✓ Increase efficiency of customer response by introducing AI ✓ Increase efficiency through paperless operations (DX Promotion Project) <p>✓ Increase efficiency through use of RPA and IoT in in-house back office operations and manufacturing site operations (DX Promotion Project)</p> <p>Strengthen intellectual property strategies</p> <ul style="list-style-type: none"> ✓ Leverage related IP; e.g., provision of the Hakudo Network ✓ Strengthen structures and register rights required to use the Hakudo Network overseas
<p>7</p> <p>Enhance manpower, develop current staff, and increase engagement</p>	<p>Expand and develop manpower required to execute strategies</p> <ul style="list-style-type: none"> ✓ Strategically procure manpower required to execute strategies <p>✓ Clarify manpower requirements by introducing a manpower skill map</p> <p>✓ Improve manpower by enhancing collaborative training systems</p> <p>✓ Strengthen manpower training by establishing an HR division</p> <p>Increase employee satisfaction</p> <ul style="list-style-type: none"> ✓ Increase employee satisfaction through workstyle reforms
<p>8</p> <p>Strengthen PDCA management to realize strategies</p>	<p>Strengthen Medium-Term Management Plan progress management</p> <ul style="list-style-type: none"> ✓ Strengthen management (e.g., using target management tables) to maximize ordinary profit <p>✓ Introduce multifaceted corporate management using not only P/L but other indexes such as ROIC and CF</p>
<p>9</p> <p>Strengthen governance</p>	<p>Strengthen governance to increase corporate value in the medium and long term</p> <ul style="list-style-type: none"> ✓ Further strengthen directors' management and supervision functions ✓ Strengthen executive structure/function (management meeting members) <p>✓ Strengthen sustainability management to increase corporate value in the medium and long term</p> <p>✓ Strengthen information security structures (acquire ISMS certification (ISO27001))</p>

Strengthen the management base

4. Policies for business strategies and platform construction: overview of measures for evolving business

To evolve business, we will expand from existing business fields into new business fields.

Directions for business expansion, and relationships with business strategy policies



4. Policies for business strategies and platform construction: Investment plan

We will execute investments with a view toward medium and long-term business growth.

Investment item	Related key strategy policy	Investment
Strengthening supply capabilities and enhancing processing functions	2 3 4	4.5 billion yen
Strengthening M&As and alliances	3 5	2.5 billion yen
Strengthening DX and the Hakudo Network	1 3 4 6	1.0 billion yen
Total		8.0 billion yen

* Investment amounts include elements other than key strategy policies

5. Promoting sustainability management

We will promote sustainability management in accordance with the newly created Basic Sustainability Policy.

Basic Sustainability Policy

Based on its Management Philosophy under its Corporate Philosophy, the Hakudo Group (hereinafter “the Group”) recognizes the paramount importance of pursuing sustainable management that includes environmental, social, and governance (ESG) initiatives, sustainable development goals (SDG) initiatives, and other initiatives. By engaging in business activities centered on the following matters, the Group concurrently enhances its corporate value and contributes to the realization of a sustainable society.

1. The Group deepens its understanding of sustainable management while taking into account ESG and SDGs, and works to contribute to the environment and society through its businesses.
2. The Group cares for the global environment and nature, and strives to prevent global warming and realize a recycling-oriented society.
3. The Group aims to promote the health of its employees, and supports initiatives such as training and employing diverse human resources, and promoting diverse work styles.
4. The Group strives to improve attributes such as health, efficiency, and transparency, and reduces various risks.
5. The Group endeavors to strengthen its relationships with the stakeholders of its businesses.
6. The Group engages in initiatives that help realize a society in which everyone can live with peace of mind.

5. Promoting sustainability management

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

Material issues		Specific activities	Related SDGs
1.	Reduce environmental impact and respond to climate change	Reduce the environmental impact from business activities, and contribute to society through environment-friendly products	     
2.	Build responsible supply chains	Take responsibility for building sustainable supply chains	  
3.	Activities targeting society	Promote partnerships and strive to create new value and contribute to local society	  
4.	Investing in human resources	Strive to be an organization where diverse individuals can work easily, and increase employee satisfaction	    
5.	Corporate governance	Ensure thorough compliance and risk management, and contribute to smooth business operations	   

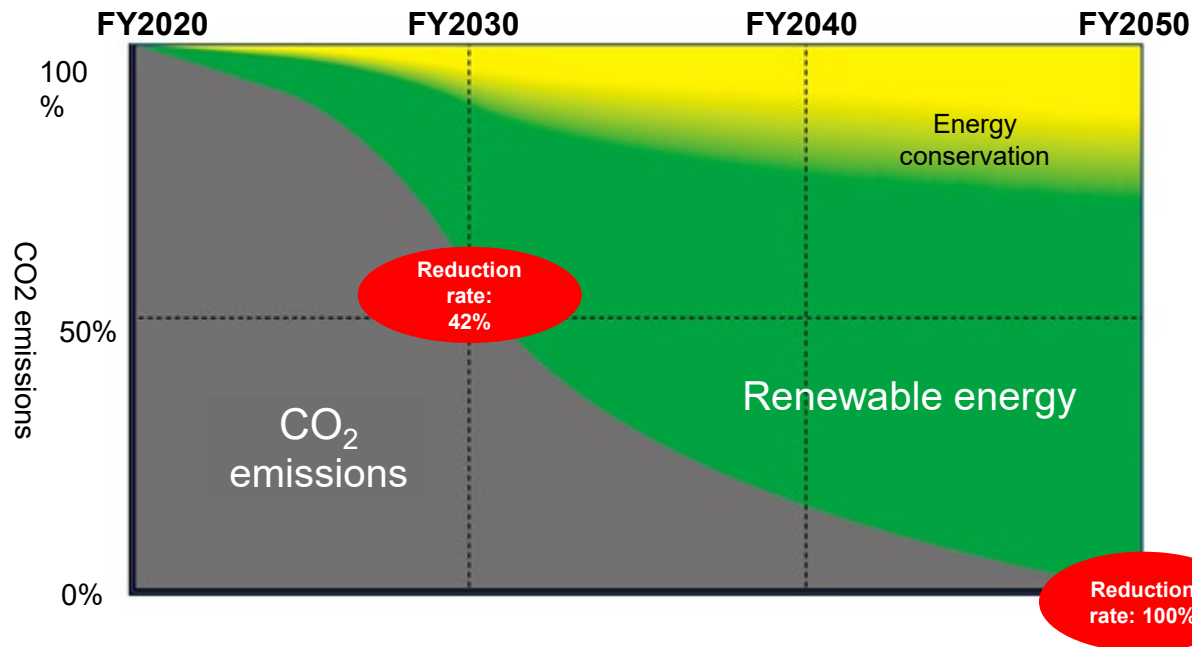
5. Promoting sustainability management

We have positioned "reducing environmental impact" and "response to climate change" as key issues for the medium and long term, and will accelerate activities targeting the following goals.

Roadmap to CO₂ reductions at Hakudo

- By FY2030, reduce CO₂ emissions by 42.0% (vs. FY2020)
- Achieve carbon neutrality by FY2050

Image of CO₂ reductions to achieve carbon neutrality in FY2050



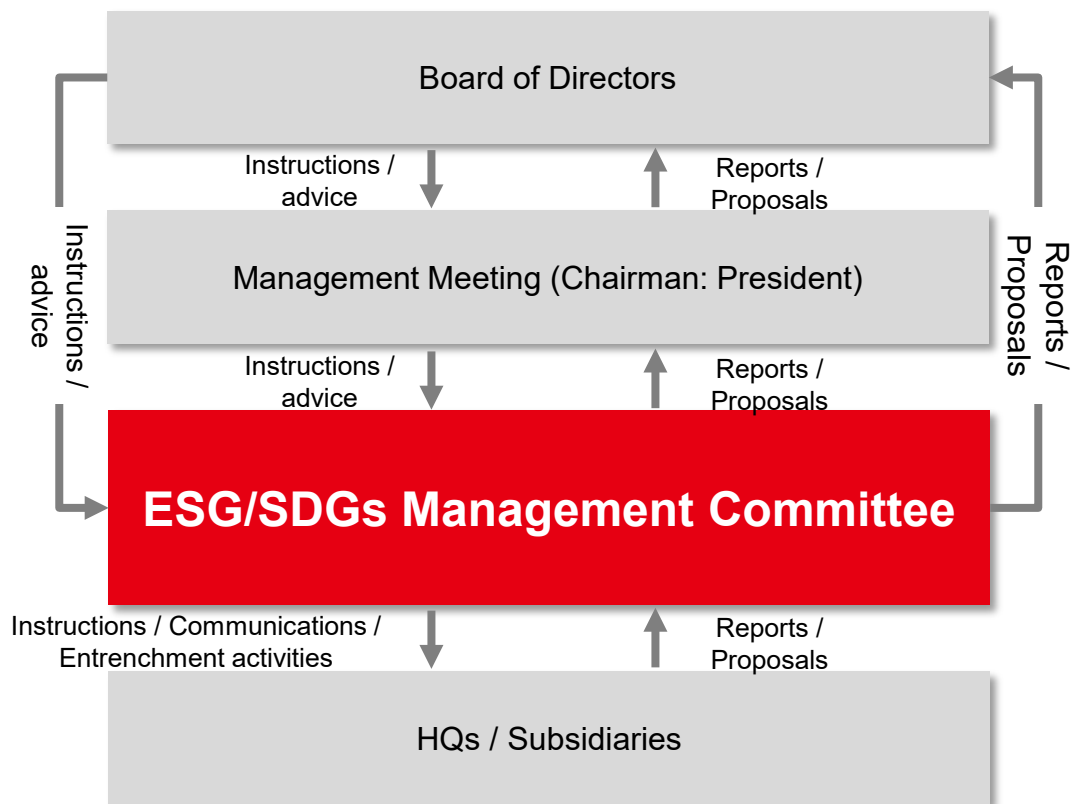
Execution policies

- ✓ Promote energy conservation activities
- ✓ Streamline and increase efficiency of energy usage
- ✓ Switch to renewable energy
- ✓ Implement "carbon offset" policies

5. Promoting sustainability management

Activities will be conducted mainly by the ESG/SDGs Management Committee, which comprises six subcommittees.

Hakudo's Sustainability Management Promotion structure



- An activity report is submitted to the Management Meeting and Board of Directors once each quarter, mainly by the ESG/SDGs Management Committee.
- Six subcommittees established within the Committee will undertake missions targeting material issues, and will conduct day-to-day activities with defined KPIs.
- The Committee established subcommittees and conducts various activities aimed at entrenching the concept of sustainability among employees.