

Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023

August 10, 2022
Hakudo Co.,Ltd.

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Q1 FY03/23 Results

Result Highlights

Net sales

16,062 million yen
(up 27.1% YoY)

Gross profit

2,801 million yen
(up 18.1 % YoY)

Ordinary profit

1,272 million yen
(up 23.5% YoY)

Q1 FY03/23 Summary

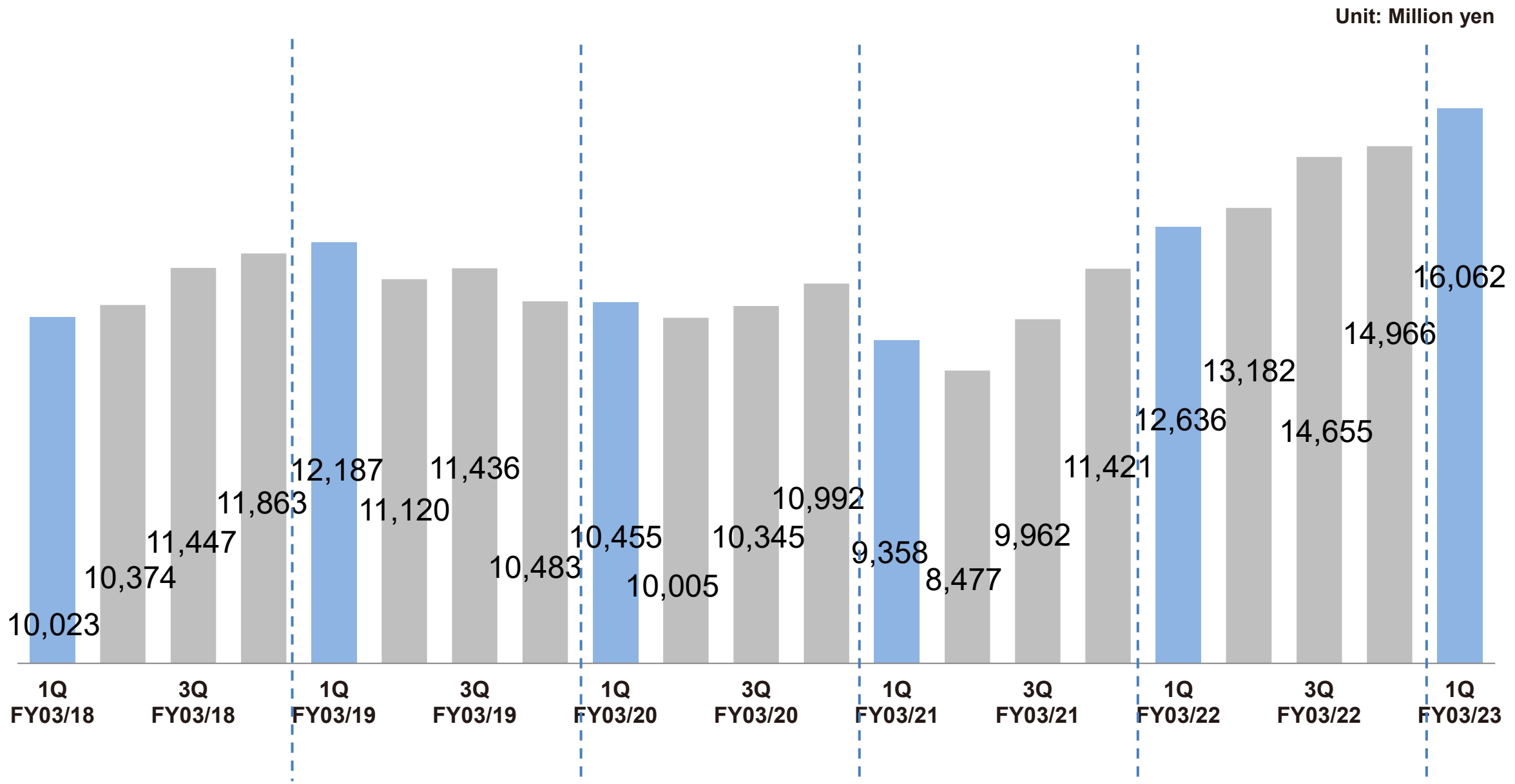
- **The semiconductor production equipment (SPE) industry continued to expand on semiconductor demand in line with the promotion of IoT, DX and AI**
- **Significant YoY growth, continuing to hit new record highs on a quarterly basis again this fiscal year**
- **Sales of mainstay aluminum and all other products increased YoY**
- **Although sales and profit declined YoY at Shanghai Hakudo Precision Materials Co., Ltd., due to the impact of lockdowns in Shanghai, China, which lasted about two months, overall sales in China were driven mainly by strong demand for semiconductors**

Summary of Consolidated Statements of Income (PL)

(Million yen)	Q1 FY03/22	Ratio to sales	Q1 FY03/23	Ratio to sales	YoY Change (Difference)
Net sales	12,636	-	16,062	-	+27.1%
Standard stock items	8,084	64.0%	9,980	62.1%	+23.5%
Special-order items	4,551	36.0%	6,082	37.9%	+33.6%
Gross profit	2,372	18.8%	2,801	17.4%	+18.1%
Operating profit	989	7.8%	1,212	7.5%	+22.5%
Ordinary profit	1,030	8.2%	1,272	7.9%	+23.5%
Inventory revaluation impact	104	0.8%	171	1.1%	(+66)
Ordinary profit (before inventory revaluation impact)	926	7.3%	1,101	6.9%	+18.9%
Profit attributable to owners of parent	717	5.7%	888	5.5%	+23.8%

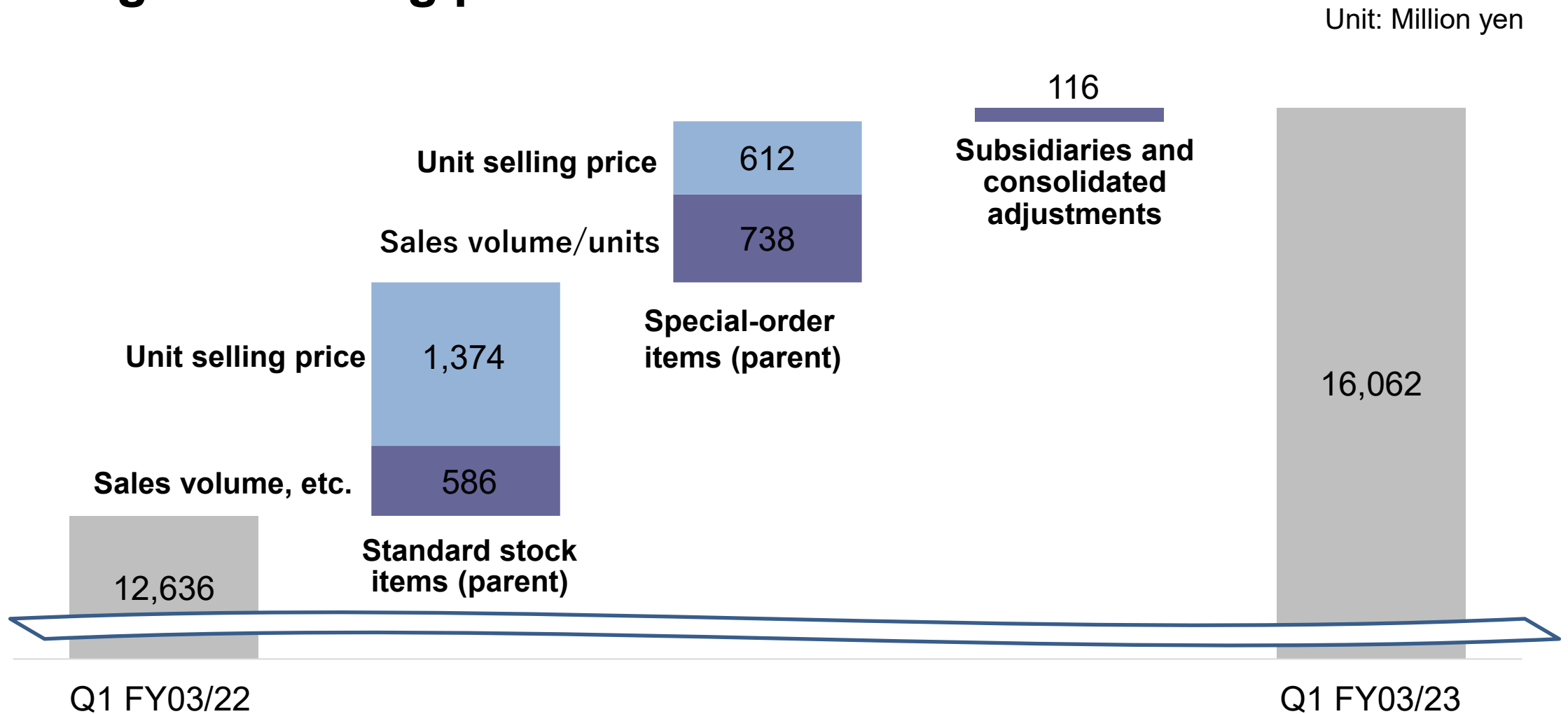
Quarterly Sales Trends

After bottoming out in Q2 FY03/21, sales have continued to recover from the impact of the pandemic, reaching all-time highs driven by robust demand and other factors



Factors Affecting Year-on-Year Change in Sales Trends

Higher net sales mainly due to higher sales volumes and rising unit selling prices



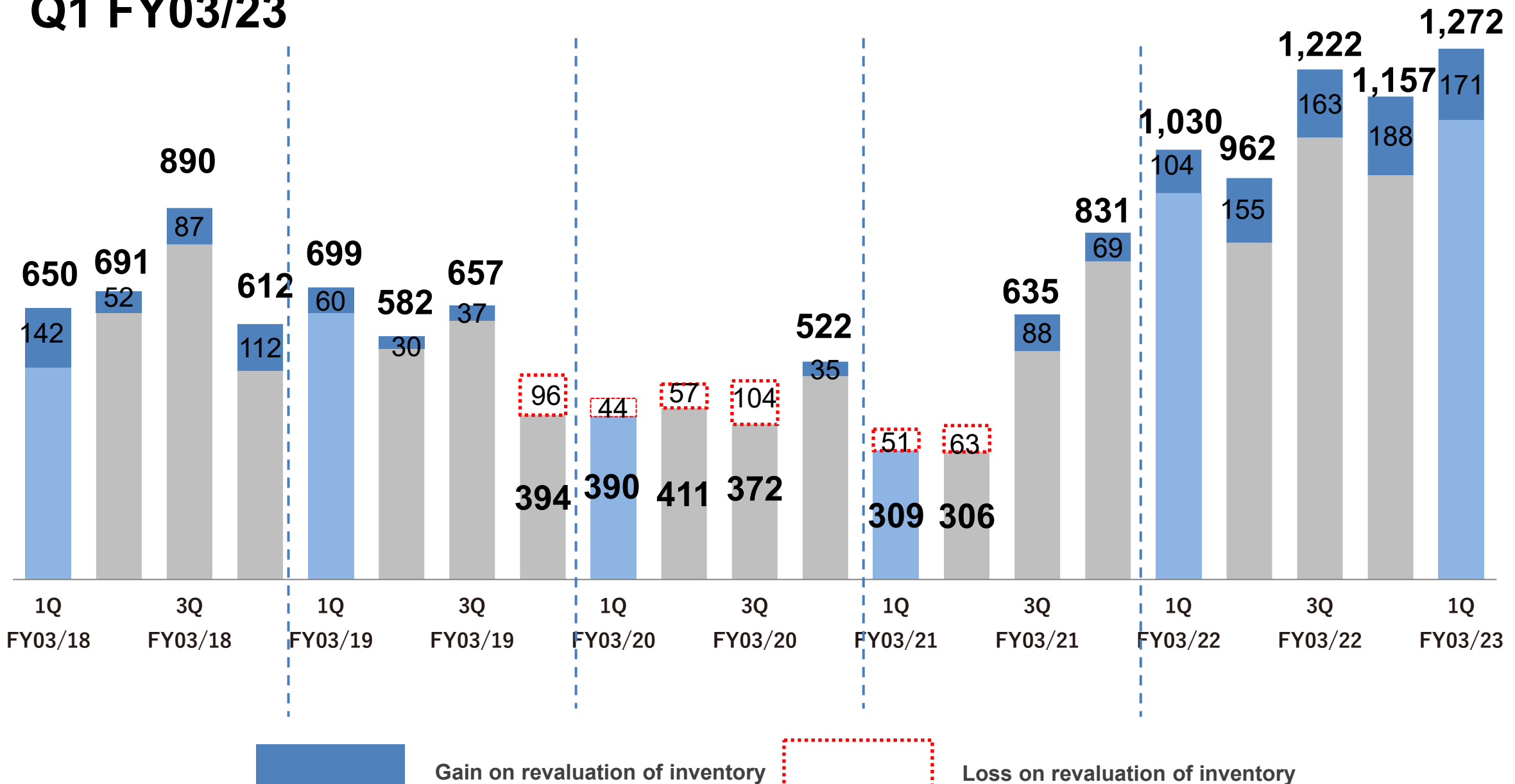
Hakudo (parent) standard stock item sales volume up 6.1%, unit selling prices up 17.4% YoY

Quarterly Ordinary Profit Trends

Ordinary profit on upward trend since Q3 FY03/21

Higher sales and other factors sustain favorable performance in Q1 FY03/23

Unit: Million yen



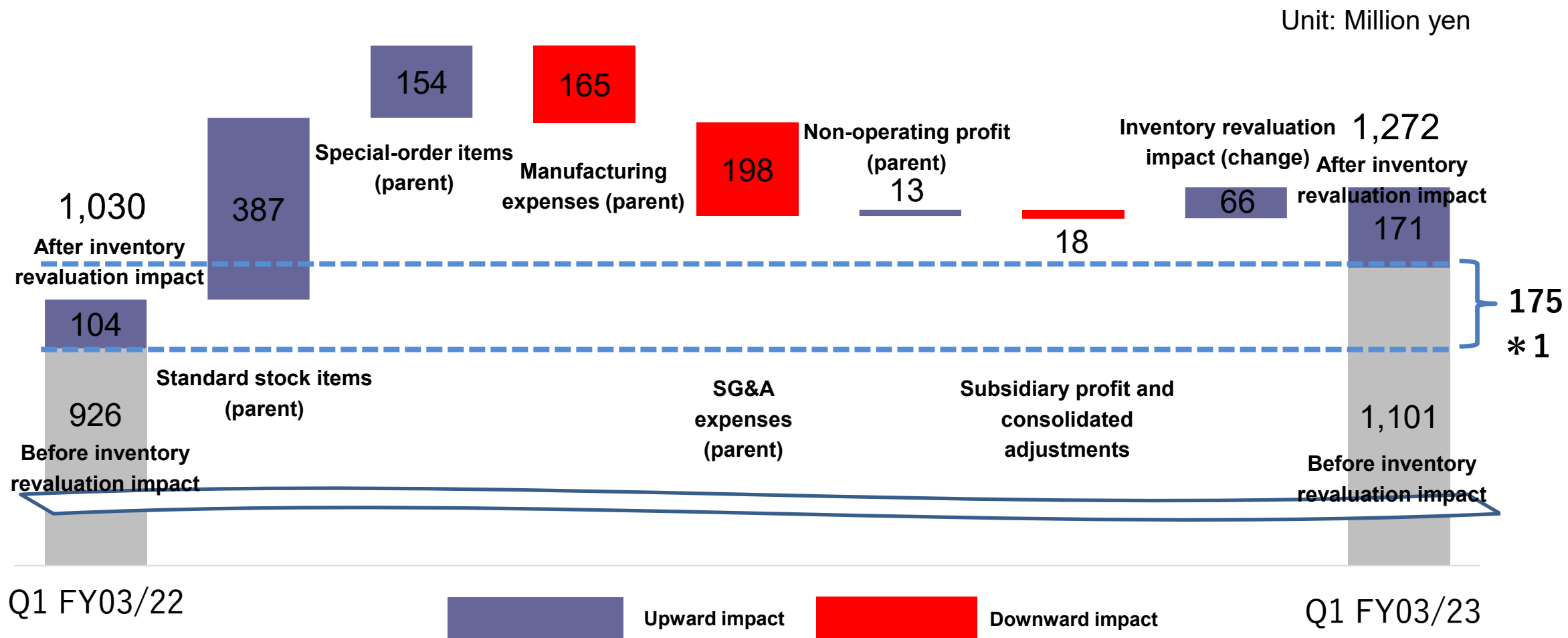
Gain on revaluation of inventory



Loss on revaluation of inventory

Factors Affecting Year-on-Year Change in Ordinary Profit

Higher net sales and the impact of raw material market conditions led to inventory revaluations that drove profit higher

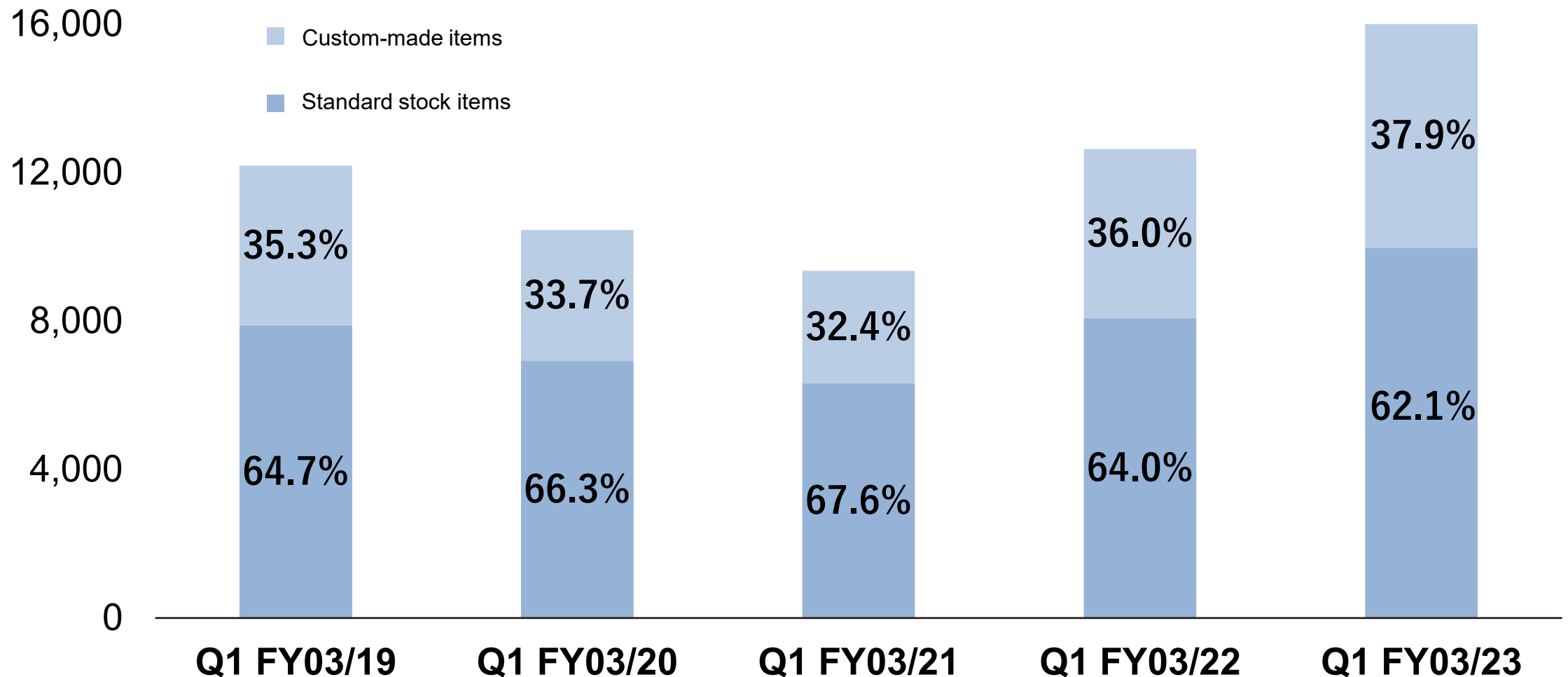


***1. Indicates change in ordinary profit before the impact of inventory revaluation.**

Composition of Net Sales for Standard Stock Items and Special-order Items

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



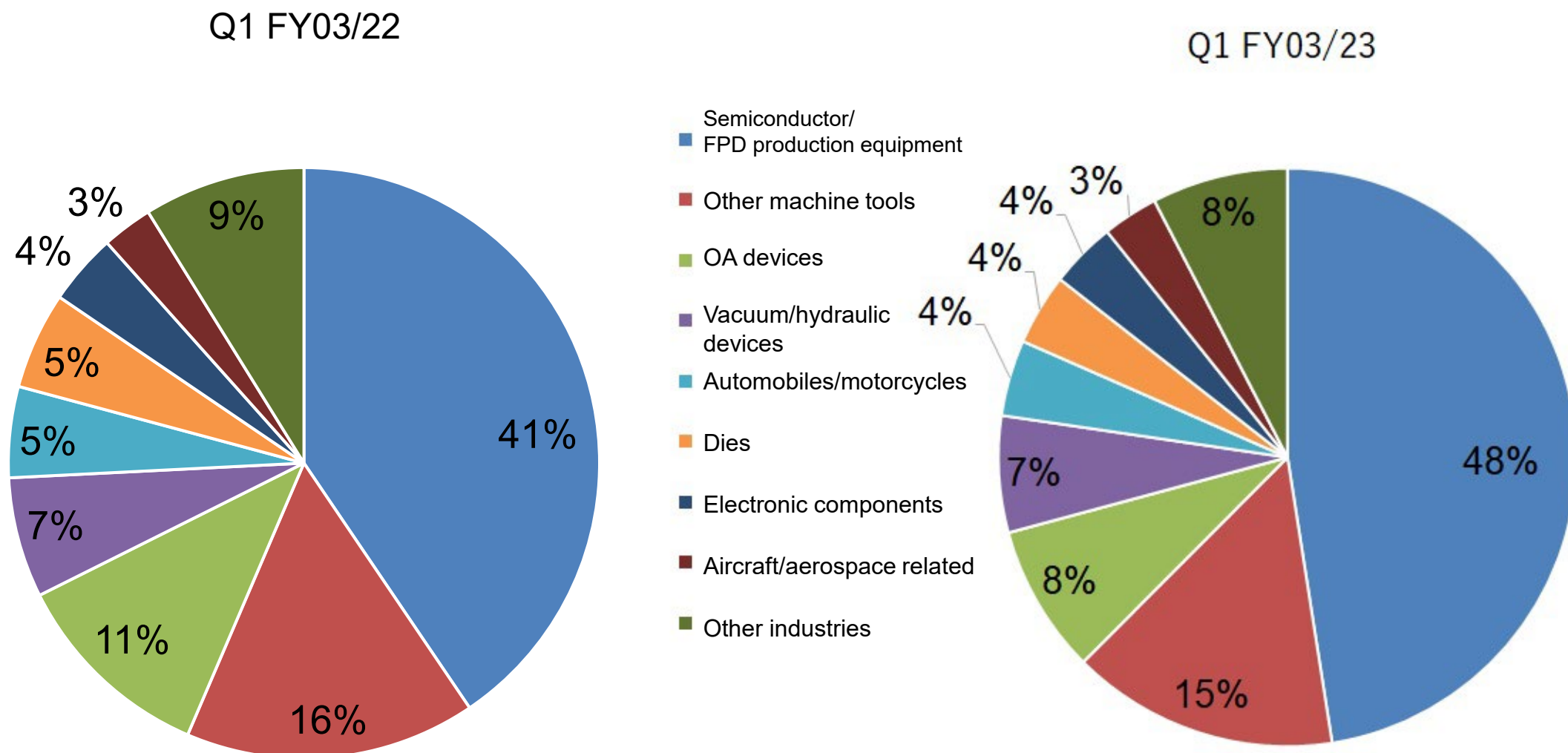
Net Sales by Product Category

Net sales of mainstay aluminum and all other products increased YoY

(Million yen)	Q1 FY03/22	Q2 FY03/22	Q3 FY03/22	Q4 FY03/22	Q1 FY03/23	YoY change
Consolidated net sales	12,636	13,182	14,655	14,967	16,062	+27.1%
Aluminum	8,242	8,654	9,563	9,905	10,694	+29.8%
Copper	1,780	1,766	2,033	1,919	2,106	+18.3%
Stainless steel	1,991	2,116	2,301	2,385	2,565	+28.8%
Others	621	645	756	756	696	+12.0%

Composition of Net Sales by Industry (Japan)

YoY increases in semiconductor and FPD production equipment net sales ratio contributed to sales expansion



Balance Sheet (BS)

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

Unit: Million yen

Assets	As of March 31, 2022	As of June 30, 2022	Change
Current assets	33,615	35,344	1,729
Cash and deposits	8,674	7,802	(872)
Notes and accounts receivable–trade (Including electronically recorded monetary claims - operating)	17,010	18,603	1,592
Inventories	7,802	8,806	1,004
Other current assets	127	132	4
Non-current assets	8,164	8,196	31
Property, plant and equipment	6,097	6,083	(14)
Intangible assets	509	514	5
Investments and other assets	1,557	1,597	39
Total assets	41,780	43,540	1,760
Liabilities and net assets	As of March 31, 2022	As of June 30, 2022	Change
Current liabilities	21,903	23,390	1,486
Notes and accounts payable–trade (Including electronically recorded obligations - operating)	18,652	20,383	1,730
Accrued expenses	1,023	1,910	886
Income taxes payable	1,145	416	(728)
Other current liabilities	1,081	680	(400)
Non-current liabilities	48	59	11
Total liabilities	21,951	23,449	1,498
Net assets	19,829	20,091	261
Total liabilities and net assets	41,780	43,540	1,760

YoY change:

Current assets: up 1,729 million yen

- Increase in notes and accounts receivable–trade due to higher sales
- Increased sales volume led to larger inventories

Non-current assets: up 31 million yen

- Decline in property, plant, and equipment (due to depreciation)
- Increase in intangible assets
- Increase in investments and other assets

Current liabilities: up 1,486 million yen

- Increase in notes and accounts payable–trade due to increased purchasing
- Decrease in income tax payable in line with income tax payments

Non-current liabilities: up 11 million yen

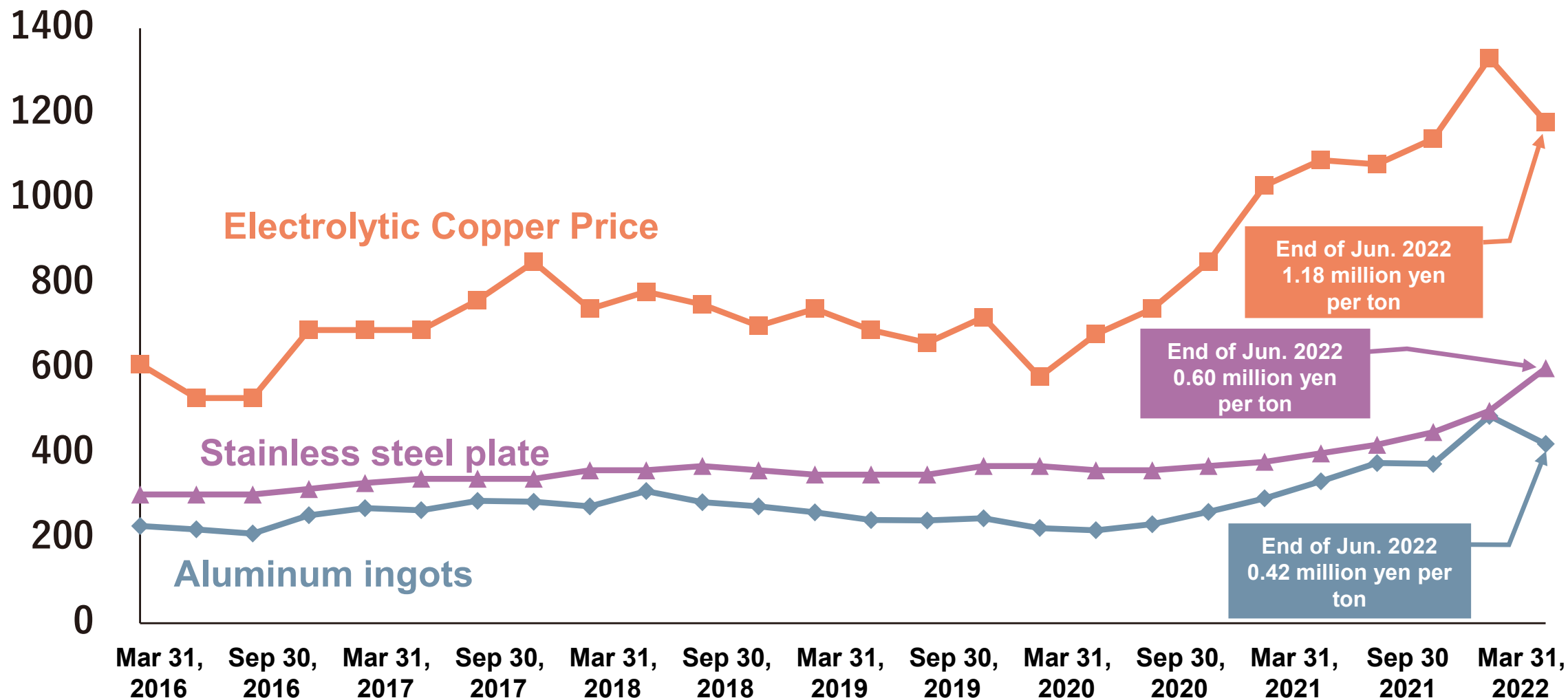
Net assets: up 261 million yen

Business Environment (1)

Raw Material Market Conditions for Aluminum, Copper and Stainless Steel

The price of aluminum and copper raw materials that had been rising appears to be on a downward trend since June 2022

Unit: Thousand yen per ton

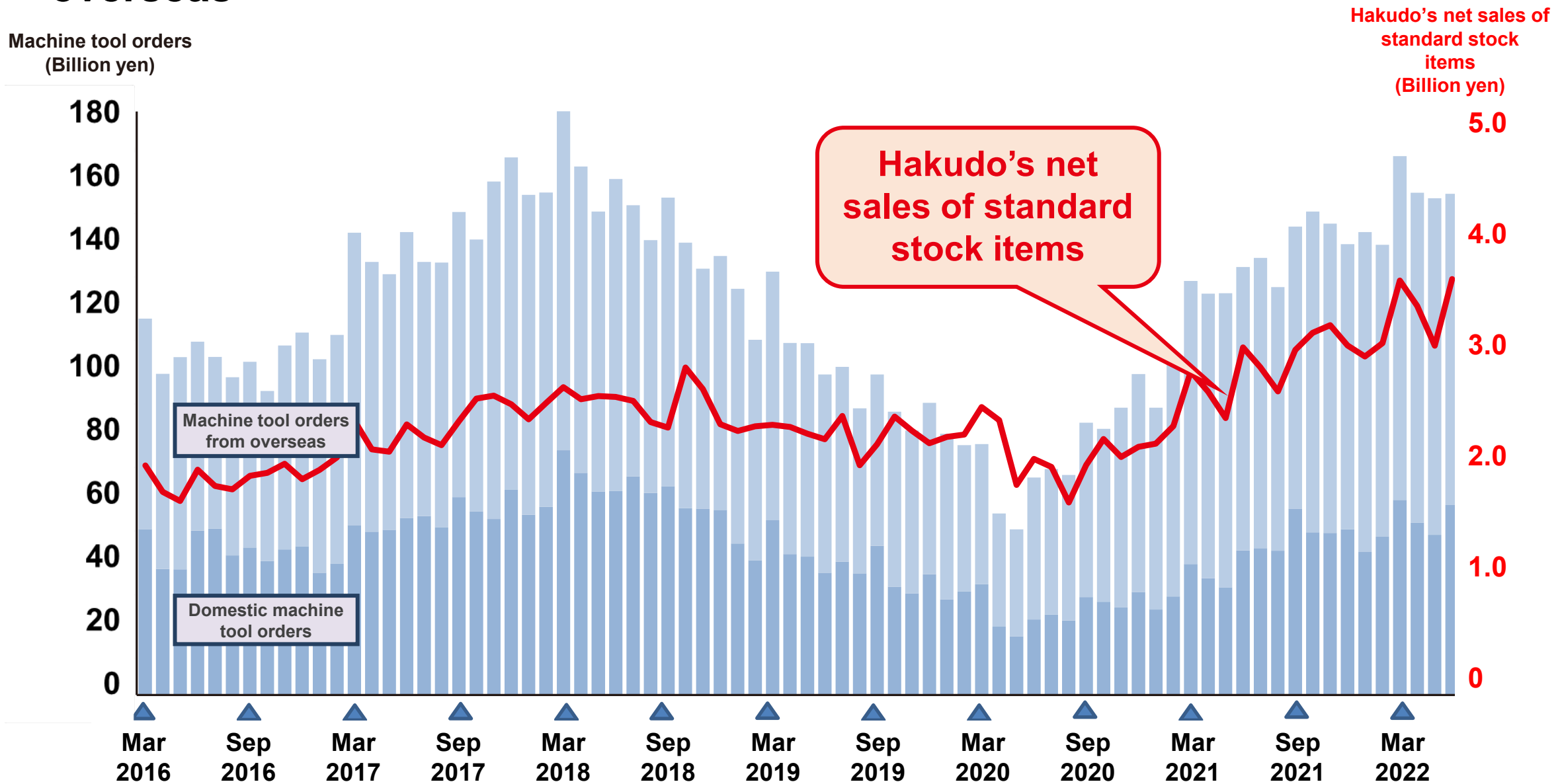


Stainless steel sheet: Japan Metal Daily median
Aluminum ingots: Nikkei monthly average

Business Environment (2)

Comparison of Machine Tool Orders and Standard Stock Net Sales

Machine tool orders continued to recover, driven mainly by demand from overseas

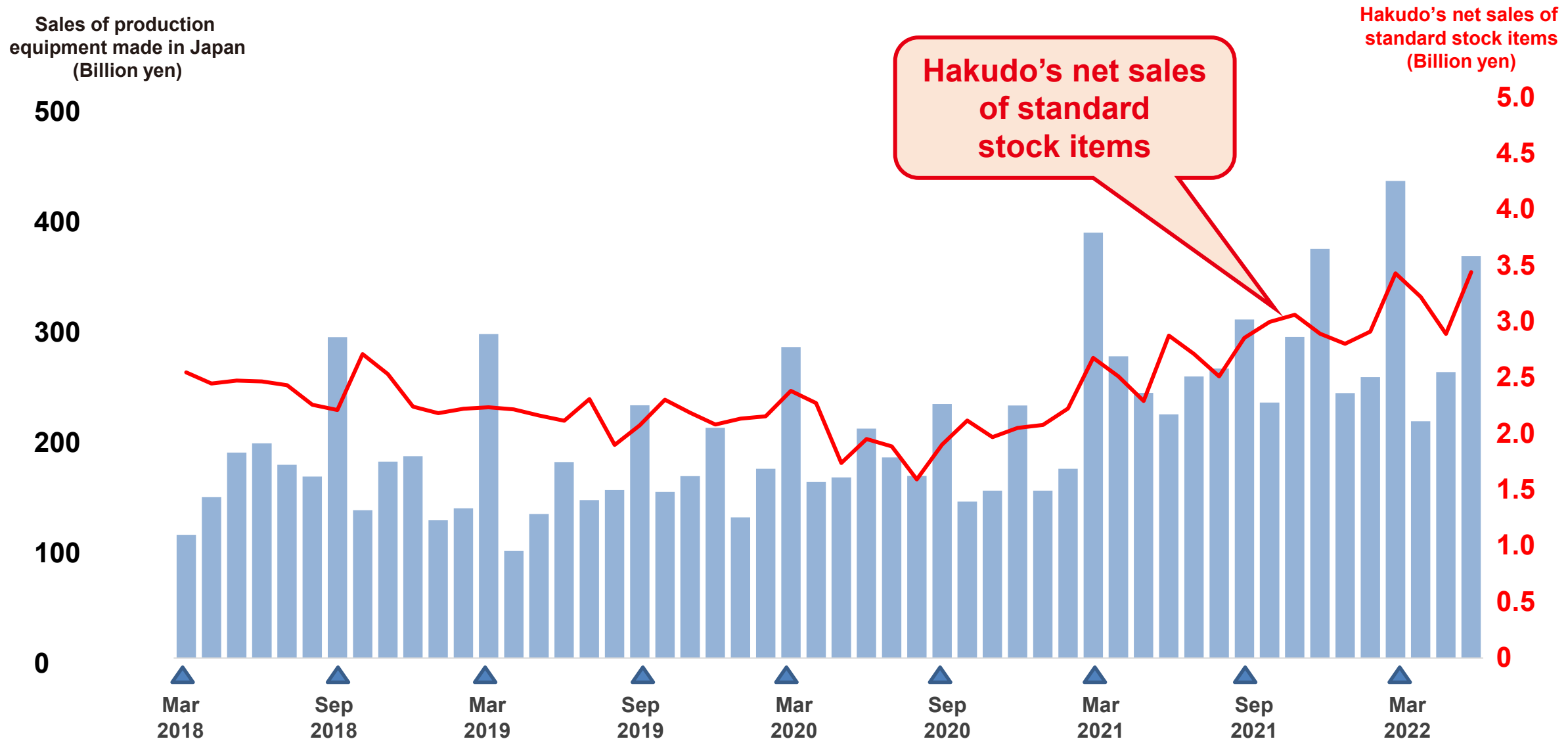


Source: Japan Machine Tool Builders' Association - machine tool orders statistics

Business Environment (3)

Comparison of Semiconductor Manufacturing Equipment Sales and Standard Stock Net Sales

Anticipating ongoing growth in demand for 5G and data center-related applications



Source: Semiconductor Equipment Association of Japan - statistical data

FY03/23 Full-year Financial Forecasts

Cumulative Q2 (1H) FY03/23 Consolidated Earnings Forecast

As of Q1, solid progress had been made toward target achievement, but at present, geopolitical uncertainties preclude forecast revisions

(Million yen)	Q2 FY03/22	Ratio to sales	1H FY03/23 forecast	Ratio to sales	YoY Change (Difference)	Q1 progress vs. 1H forecast
Net sales	25,818	-	30,700	-	18.9%	52.3%
Operating profit	1,940	7.5%	1,970	6.4%	1.5%	61.5%
Ordinary profit	1,993	7.7%	2,040	6.6%	2.3%	62.4%
Inventory revaluation impact	259	1.0%	171	0.6%	(-88)	—
Ordinary profit (before inventory revaluation impact)	1,734	6.8%	1,869	6.1%	7.8%	58.9%
Profit attributable to owners of parent	1,355	5.2%	1,430	4.6%	5.5%	62.1%

FY03/23 Consolidated Full-year Financial Forecasts

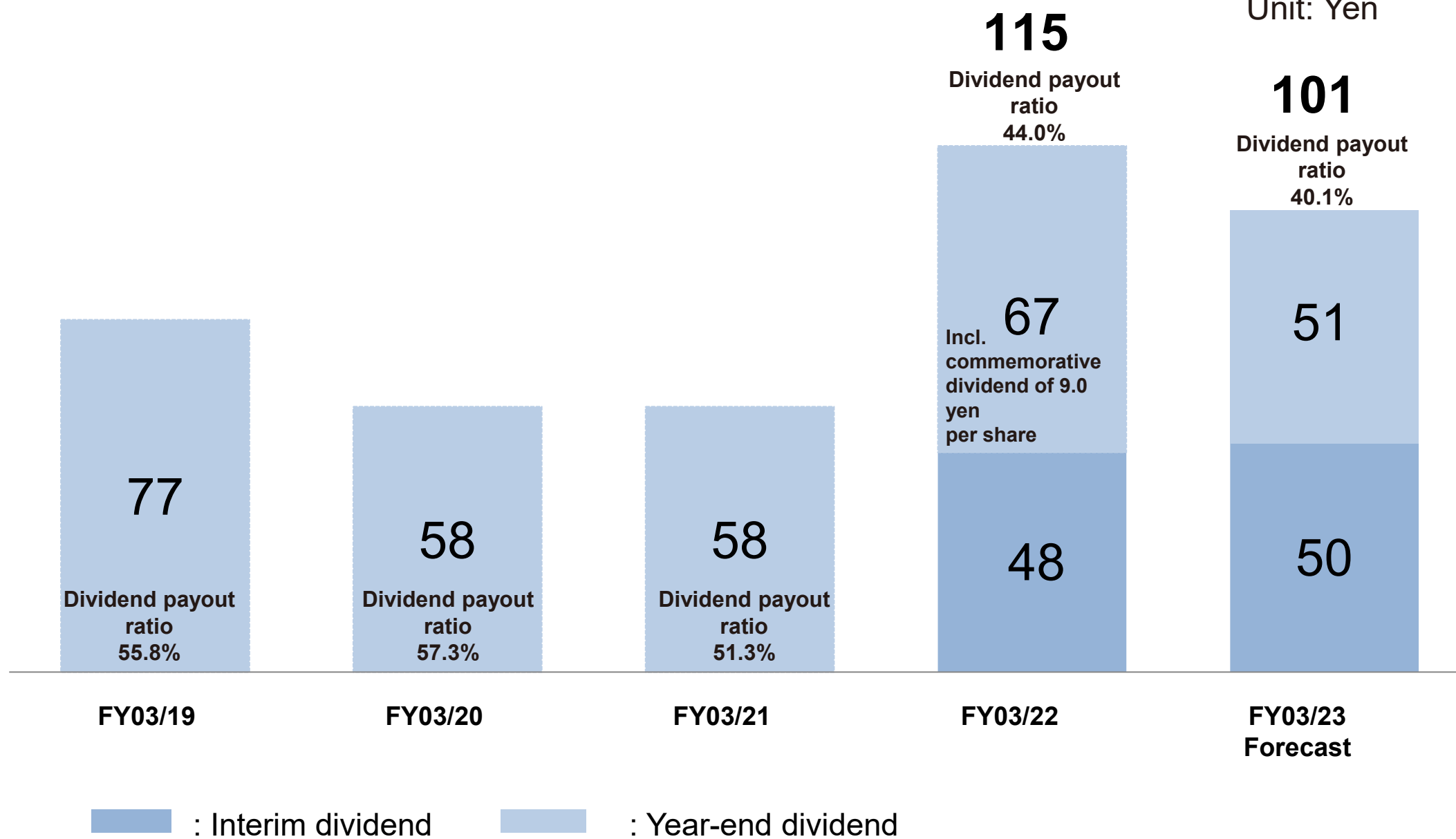
Despite solid progress toward target achievement, at present, there are no revisions to the full-year forecast due to the same reason as for cumulative Q2 (1H)

(Million yen)	FY03/22	Ratio to sales	FY03/23 full-year forecast	Ratio to sales	Rate of change (difference) vs. previous year's result	Q1 progress rate	1H vs. full-year forecast
Net sales	55,441	-	62,100	-	+12.0%	25.9%	49.4%
Operating profit	4,256	7.7%	3,970	6.4%	-6.7%	30.5%	49.6%
Ordinary profit	4,373	7.9%	4,080	6.6%	-6.7%	31.2%	50.0%
Inventory revaluation impact	610	1.1%	171	0.3%	(-439)	—	—
Ordinary profit (before inventory revaluation impact)	3,763	6.8%	3,909	6.3%	+3.9%	28.2%	47.8%
Profit attributable to owners of parent	2,964	5.3%	2,860	4.6%	-3.5%	31.0%	50.0%

Dividend Forecast - Dividend per Share

No revisions from initial forecast announcement

Unit: Yen



Initiatives for Achieving the Medium-term Management Plan

Management Targets, Key Financial Indicators and Targeted Level of Shareholder Returns

(excerpt from Medium-Term Management Plan disclosed on May 26, 2022)

Plan aims to achieve management targets of growth in net sales and ordinary profit, realize the key financial indicators of ROIC and operating cash flow targets, and provide shareholder returns.

	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 indicators	ROIC	15 %	➔ 15 %
	Operating cash flow	4.5 billion yen	➔ 4.7 billion yen
Shareholder returns	Dividend payout ratio	44.0 % (includes 3.4% from commemorative dividend)	➔ 40.0 %

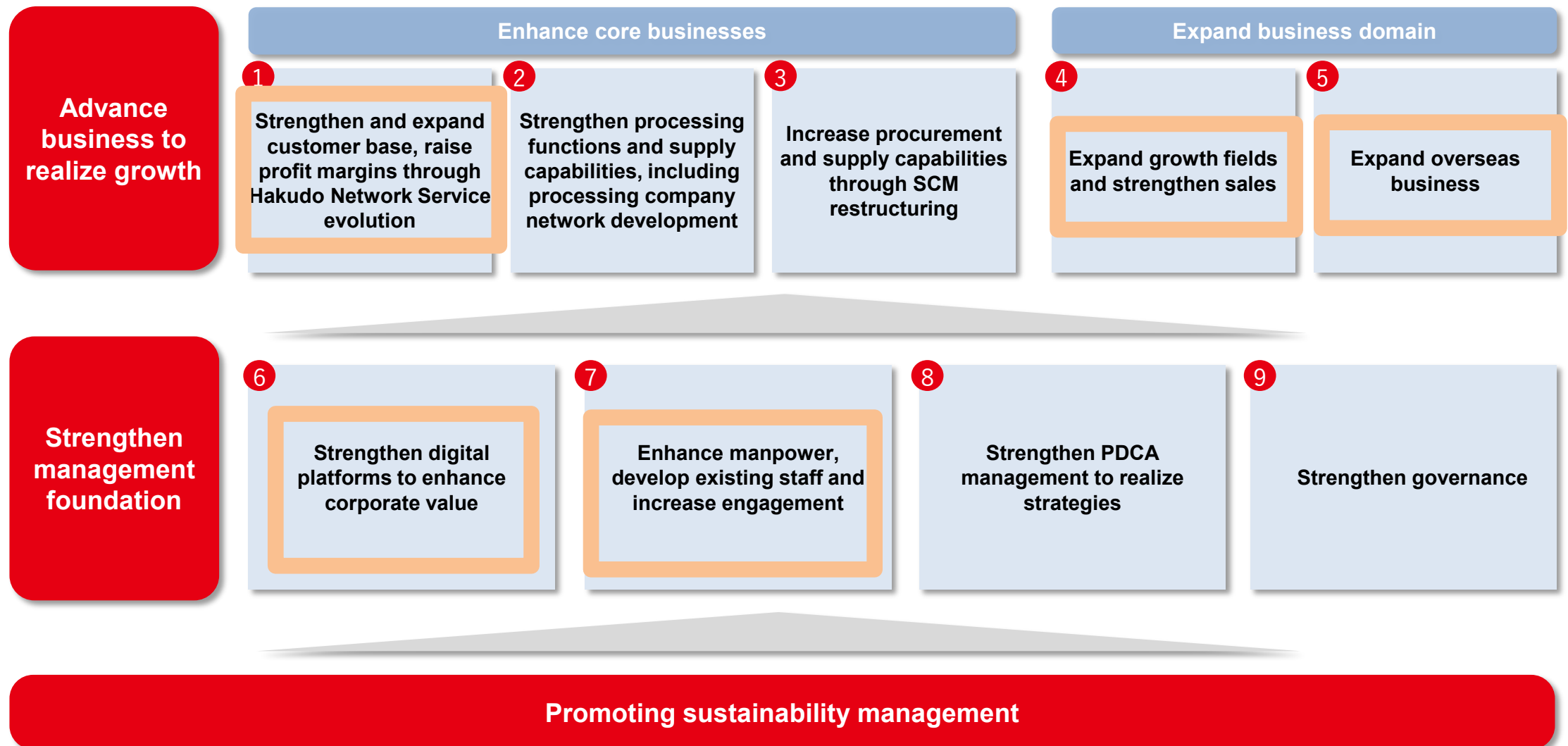
*For details, please refer to the Medium-term Management Plan presentation announced on May 26, 2022

Medium-term Management Plan Key Strategic Policies

(excerpt from Medium-Term Management Plan disclosed on May 26, 2022)

Targeting business evolution and a stronger management foundation by FY2024 based on exceptional strategies

Management Issues and Key Strategic Policies



*For details, please refer to the Medium-term Management Plan presentation announced on May 26, 2022

Key Strategic Policies (1)

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

- The number of item sizes has been greatly expanded, with approximately 33,700 item sizes available as of end-June 2022.
- We are dramatically increasing the handling of items other than materials (e.g., tools and screws).
- We are currently deploying Network Service to distributors.



About 5,400 items in our standard stock product inventory + about 28,300 items held in inventory by partner suppliers = total of about 33,700 items available for quotations and orders 24/7.



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

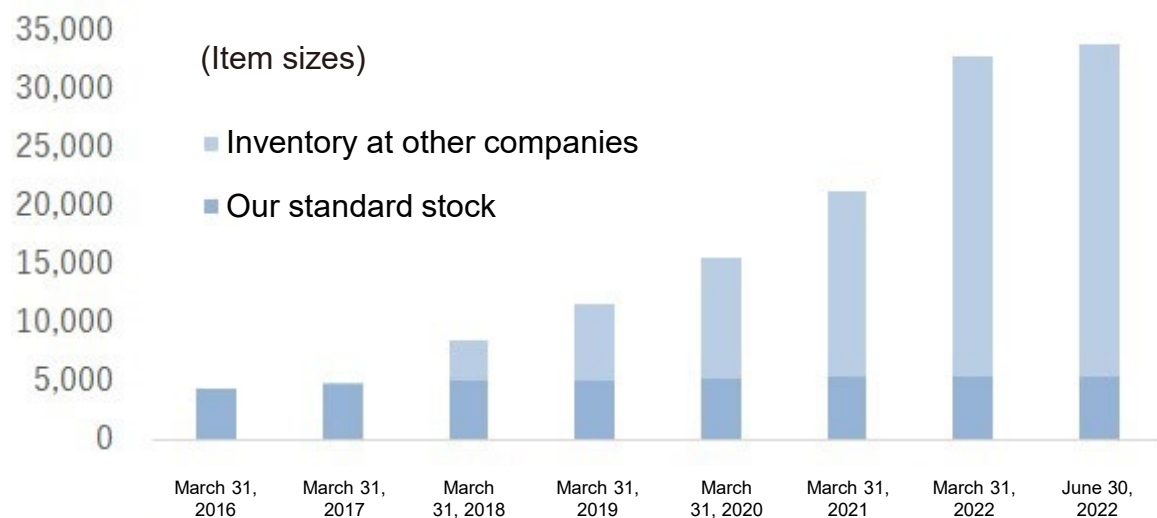


We can issue invoices, statements of delivery, and even Mill Test Certificates (inspection reports).

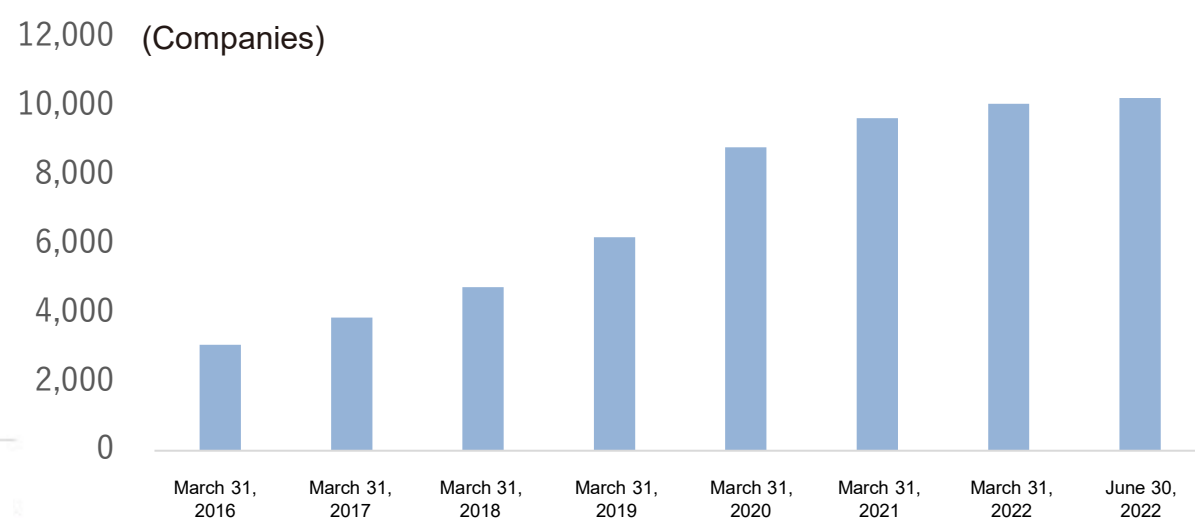


We have increased our handling of tools, subsidiary materials, and other items not categorized as materials, and about 13,000 items are now available.

Number of Items Available for Hakudo Net Service



Number of Companies Registered for Hakudo Net Service (Cumulative)



Key Strategic Policies (2)

(2) Expand growth fields and strengthen sales

(2)-1 Expand aerospace fields

～ Aiming to become a convenient source of materials compliant with aerospace standards ～

- Planning to install a second waterjet cutting machine
- Currently expanding product lineups

The industry's largest and most extensive inventory lineup

A wide range of materials used for aircraft structures, various equipment, and satellite parts are available in variety of sizes

Ensure quality in accordance with standards

JIS Q 9100 (aerospace) certification acquired at the Kanagawa and Shiga factories to be expanded company-wide (official certification scheduled end-August)

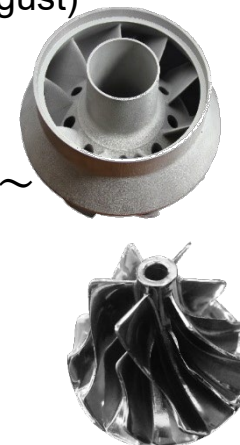
Support for imports from overseas

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

(2)-2 Expand the automotive field

～ 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 through effective use of 3D printers



Images: 3D Systems Corporation

Key Strategic Policies (3)

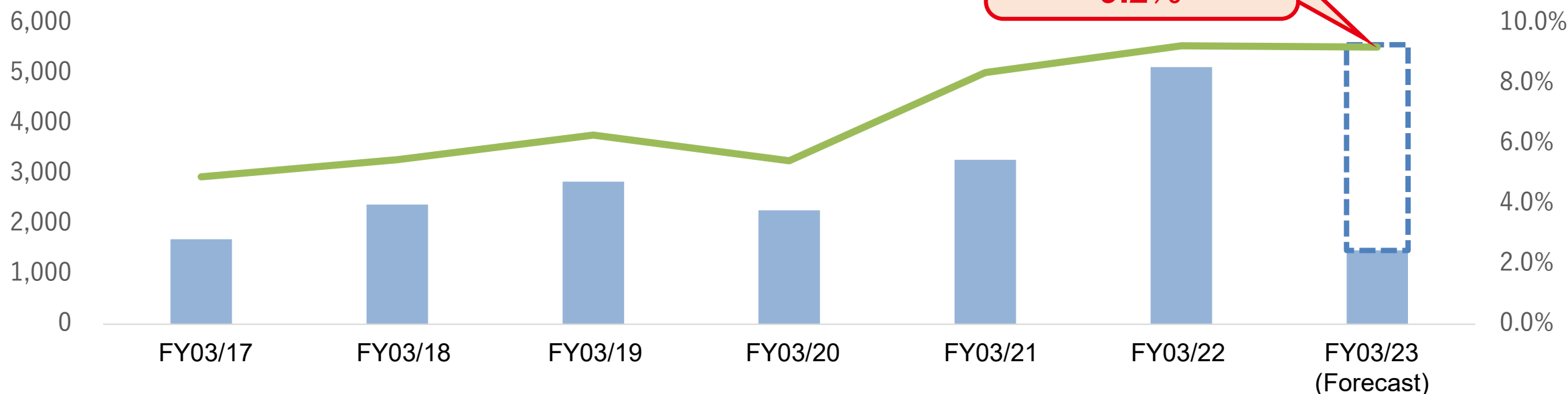
(3) Expand overseas business

- ◆ Although sales declined YoY at Shanghai Hakudo Precision Materials due to the impact of lockdowns, sales were favorable in Vietnam
- ◆ Currently building a collaborative structure 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 online sales networks (slated for completion in September 2022)

Targeting an overseas business to group-wide sales ratio of 12% by FY03/25

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

Key Strategic Policies (4)(5)

Specific efforts underway to strengthen the management foundation

Key strategic policies	Plans for platform construction measures	Specific initiatives in Q1 FY03/23
<p>(4) Strengthen digital platforms to enhance corporate value</p>	<p>Transform business processes with introduction of new digital technologies</p>	<p>Launched the Digital Transformation (DX) Promotion Project, engaged in the digitalization of operations throughout the Company</p>
	<p>Introduce AI to enhance customer service and other operations</p>	<p>Launched use of systems and other mechanisms to improve the efficiency of customer service operations</p>
	<p>Improve business efficiency with paperless initiatives</p>	<p>Began use of digital storage and other media</p>
	<p>Increase efficiency with utilization of RPA and IoT for in-house back office and manufacturing site operations</p>	<p>Engaged in ongoing production site reforms through the promotion of IoT</p>
<p>(5) Enhance manpower, develop existing staff and increase engagement</p>	<p>Expand and develop manpower required to execute strategies</p>	<p>Recruited mid-career hires with overseas business experience, established the Overseas Sales Department</p>
	<p>Clarify manpower requirements with introduction of a manpower skill map</p>	<p>Created an HR skill map in each division to clarify the required human resources</p>
	<p>Improve manpower by enhancing collaborative training systems</p>	<p>Expanded training systems targeting all employees</p>
	<p>Strengthen manpower training by establishing an HR division</p>	<p>Began to improve the function of the Administration Department's General Affairs Section Personnel Group as the Human Resource Section</p>
	<p>Increase employee satisfaction</p>	<p>Increasing employee satisfaction through workstyle reforms</p>

Stronger management foundation

Promoting Sustainability Management

Established ESG/SDGs Management Committees, each with subcommittees currently working on material issues

Material issues	Specific activities	KPI example	Related SDGs
1. Reducing environmental impact and responding to climate change	Reduce environmental impact from business activities, and contribute to society through environment-friendly products	<ul style="list-style-type: none"> ● Reduce CO2 emissions ● Conserve resources and minimize depletion 	✓ Reduction in CO2 emissions per shipment volume
2. Building responsible supply chains	Take responsibility for building sustainable supply chains	<ul style="list-style-type: none"> ● Strengthen environment-friendly products ● Promote green procurement ● Strengthen relationships with suppliers ● Respect human rights 	✓ ECO product sales volume targets ✓ Green procurement ratio
3. Activities targeting society	Promote partnerships and strive to create new value and contribute to local society	<ul style="list-style-type: none"> ● Contribute to local society ● Promote industry/academia collaborations 	✓ Donations to local communities and organizations ✓ Number of industry-academia collaboration projects
4. Investing in human resources	Strive to be an organization where diverse individuals can work comfortably, and increase employee satisfaction	<ul style="list-style-type: none"> ● Increase employee satisfaction ● Promote diversity ● Build healthy, comfortable work environment ● Enhance employee education 	✓ Turnover rate ✓ Ratio of female managers ✓ Education costs per employee
5. Corporate governance	Ensure thorough compliance and risk management, and contribute to smooth business operations	<ul style="list-style-type: none"> ● Strengthen compliance ● Strengthen information security ● Ensure thorough risk/crisis management 	✓ Risk assessment points

■Disclaimer

This document contains projections based on assumptions, outlooks, and plans regarding the future as of August 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.

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