

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

February 8, 2022
Hakudo Co., Ltd.

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Q3 FY03/23 Results

Result Highlights

Net sales

47,379 million yen
(up 17.1% YoY)

Gross profit

7,874 million yen
(up 4.0% YoY)

Ordinary profit

3,369 million yen
(up 4.8% YoY)

Q3 FY03/23 Summary

Net sales

- Q3 FY03/23 sales reached an all-time high
- Sales of aluminum, stainless steel and all product categories grew YoY
- Inventory adjustments continued in the mainstay semiconductor production equipment (SPE) industry

Gross profit

- Increased 4.0% YoY on higher sales, reaching an all-time high in Q3 FY03/23

Ordinary profit

- Reached an all-time high in Q3 FY/03/23
- Ordinary profit increased JPY153 million YoY due to factors including dividend income of JPY101 million yen
- SG&A to sales ratio decreased 1.1% YoY, contributing to higher ordinary profit

Summary of Consolidated Statements of Income (PL)

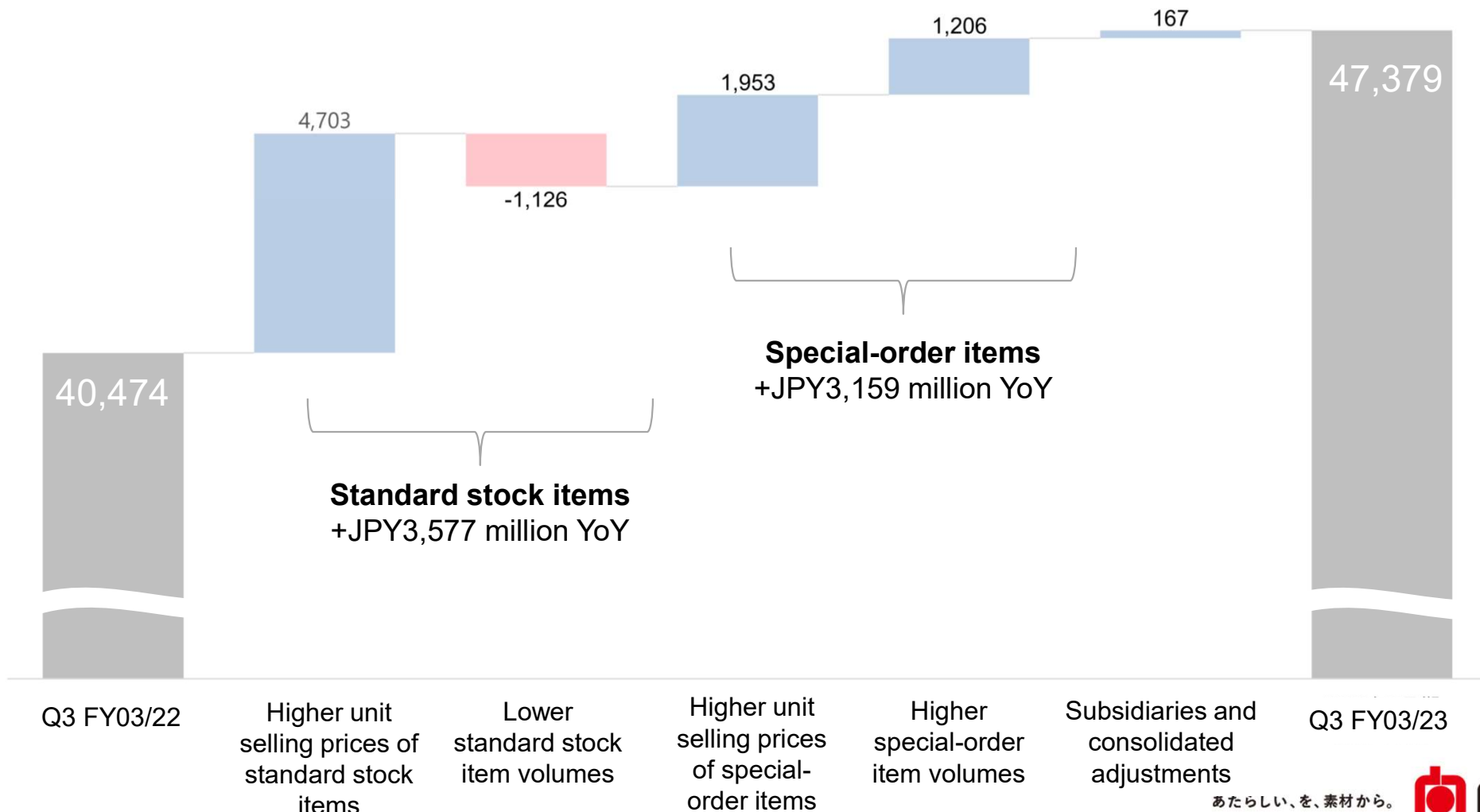
Unit: Million yen

	Q3 FY03/22	Sales ratio	Q3 FY03/23	Sales ratio	YoY Change (Difference)
Net sales	40,474	-	47,379	-	+17.1%
Standard stock items	26,066	64.4%	29,306	61.9%	+12.4%
Special-order items	14,407	35.6%	18,072	38.1%	+25.4%
Gross profit	7,570	18.7%	7,874	16.6%	+4.0%
Operating profit	3,130	7.7%	3,166	6.7%	+1.1%
Ordinary profit	3,216	7.9%	3,369	7.1%	+4.8%
Inventory revaluation impact	422	-	451	-	+6.9%
Foreign exchange losses/gains	7	-	32	-	+341.3%
Ordinary profit (Excluding inventories and foreign exchange impact)	2,787	6.9%	2,886	6.1%	+3.6%
Profit attributable to owners of parent	2,187	5.4%	2,289	4.8%	+4.6%

Factors Affecting Year-on-Year Change in Sales Trends

Higher sales driven by factors including unit selling price increases and higher special-order item volumes.

Unit: Million yen

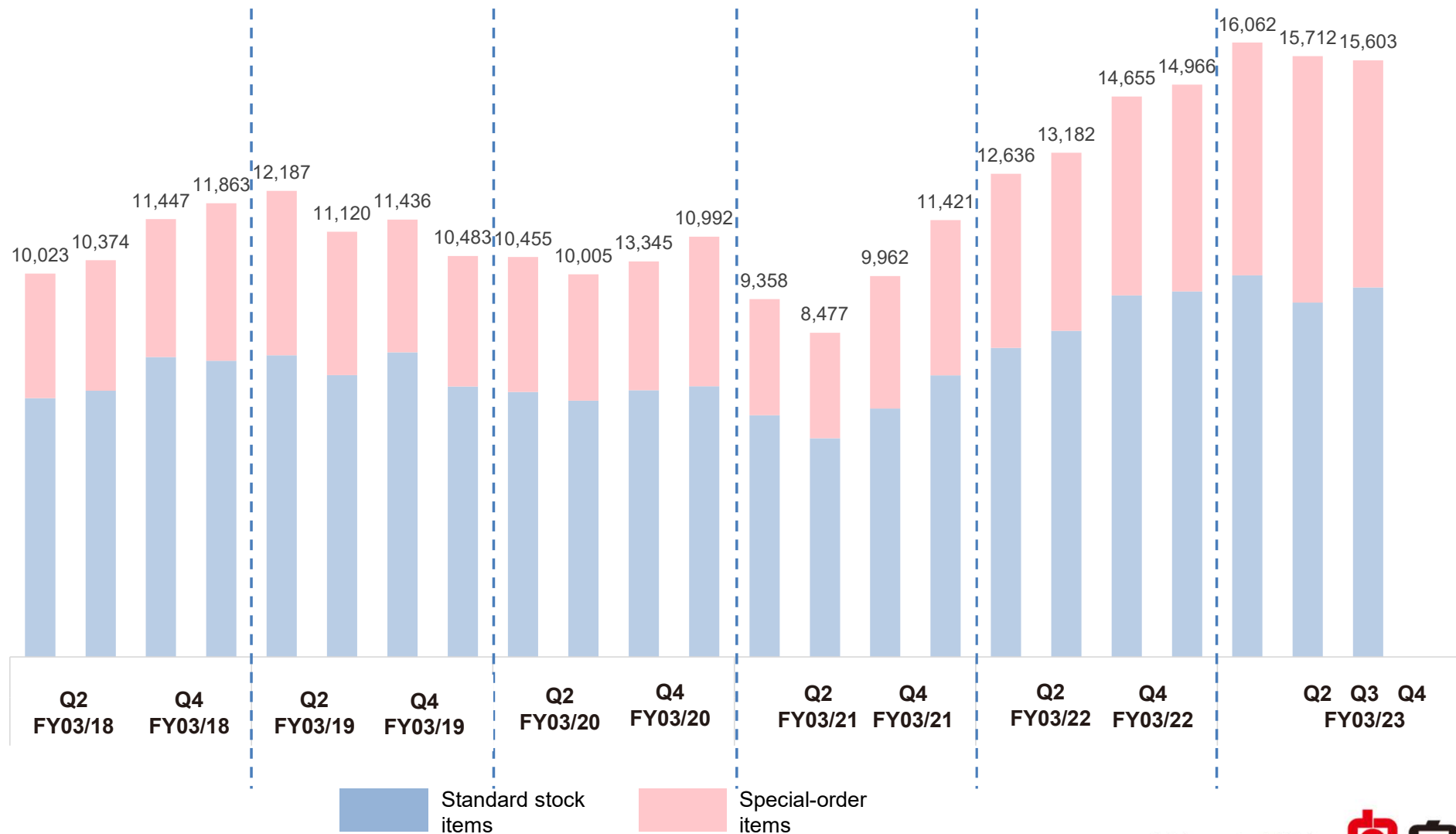


Quarterly Sales Trends

Q3 FY03/23 net sales declined JPY108 million QoQ.

Higher unit selling prices affected Q3 sales, making the QoQ decline slightly lower compared to the JPY350 million from Q1 to Q2.

Unit: Million yen



Net Sales by Product Category

Increased compared to Q3 FY03/22 driven mainly by aluminum and stainless steel.

Unit: Million yen

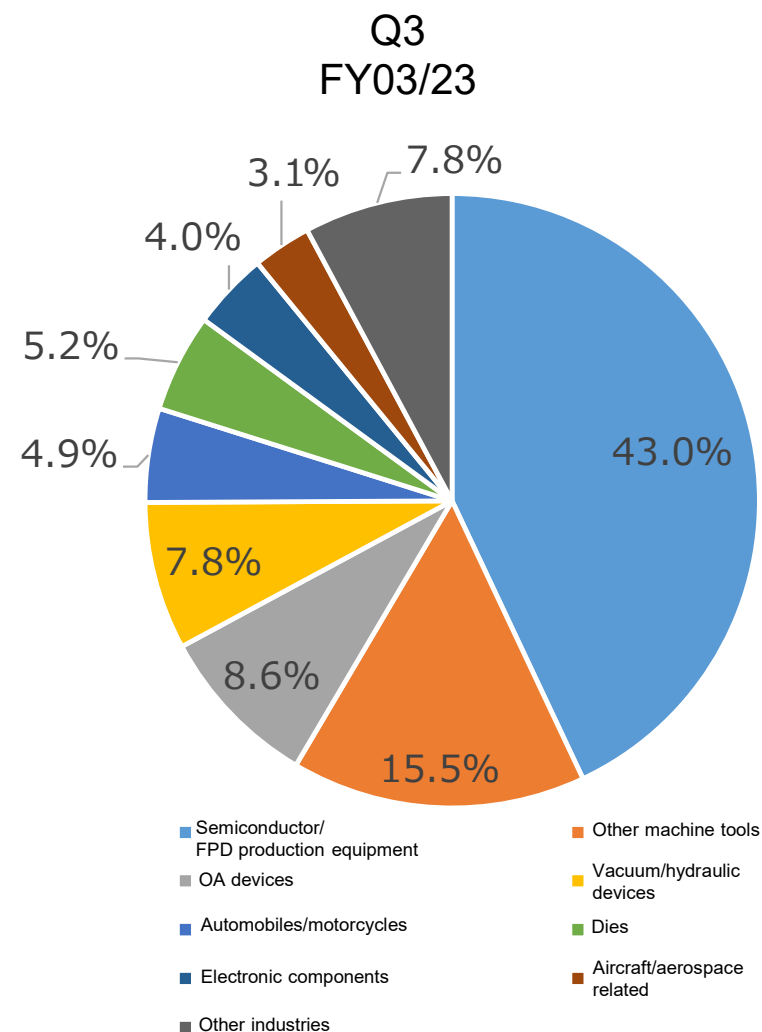
	Q1 FY03/22	Q2 FY03/22	Q3 FY03/22	Q4 FY03/22	Q1 FY03/23	Q2 FY03/23	Q3 FY03/23	QoQ change
Consolidated net sales	12,636	13,182	14,655	14,966	16,062	15,712	15,603	+6.5%
Aluminum	8,242	8,654	9,563	9,905	10,694	10,249	10,076	+5.4%
Copper	1,780	1,766	2,033	1,919	2,106	2,010	2,134	+4.9%
Stainless steel	1,991	2,116	2,301	2,385	2,565	2,607	2,632	+14.4%
Others	621	645	756	756	696	844	761	+0.5%

Composition of Net Sales by Industry (Japan)

Ratio of net sales of products for semiconductor and FPD production equipment decreased compared to Q1 FY03/23.

Ratio of net sales of products for other machine tool, vacuum/hydraulic device, automobile/motorcycle, and die sales increased.

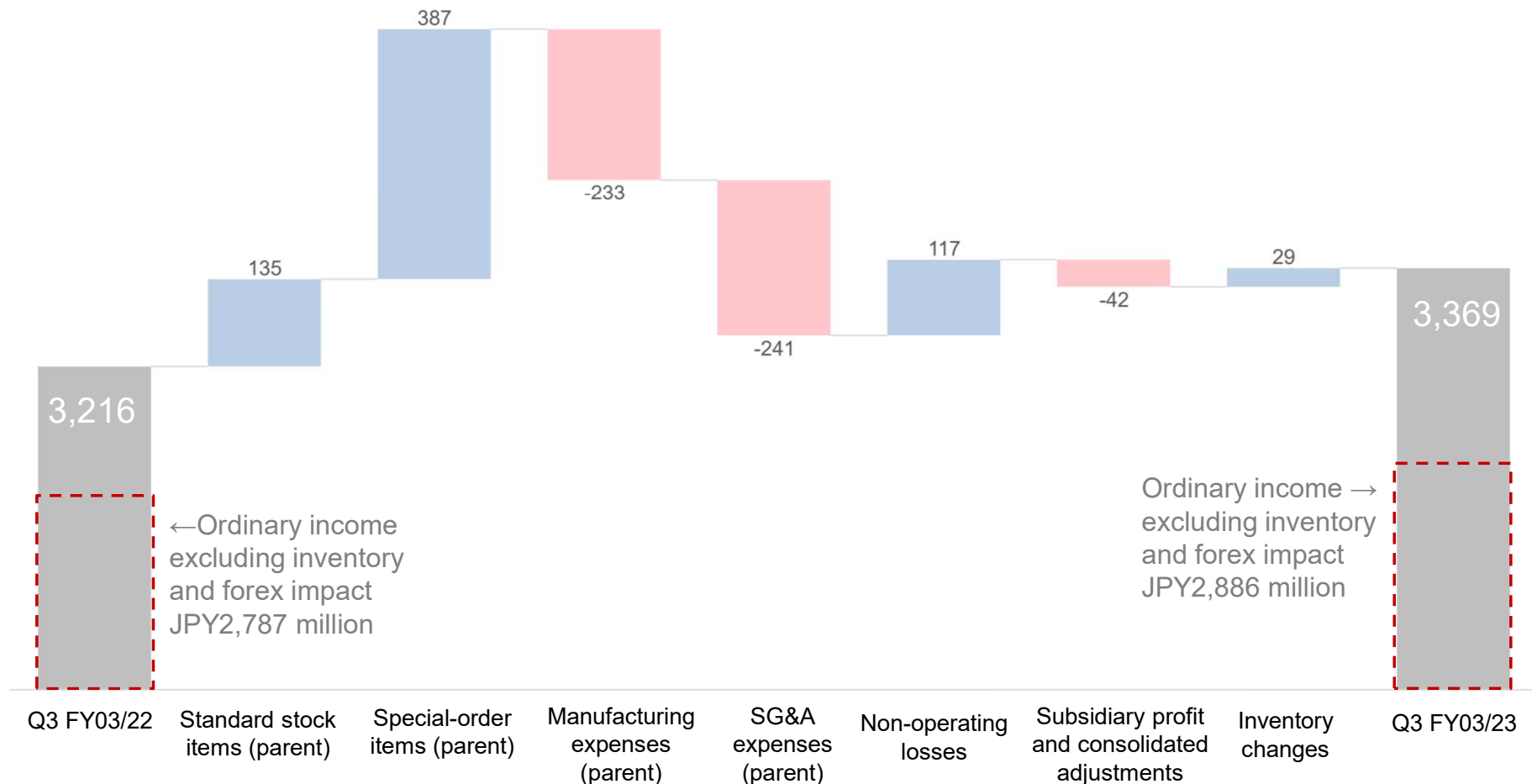
	Q1 FY03/23	Q2 FY03/23	Q3 FY03/23
Semiconductor/ FPD production equipment	47.2%	45.0%	43.0%
Other machine tools	15.0%	15.4%	15.5%
OA devices	8.6%	7.8%	8.6%
Vacuum/hydraulic devices	6.5%	6.9%	7.8%
Automobiles/ motorcycles	4.3%	4.9%	4.9%
Dies	4.1%	4.7%	5.2%
Electronic components	3.7%	4.1%	4.0%
Aircraft/aerospace related	3.1%	2.9%	3.1%
Other industries	7.5%	8.3%	7.8%



Factors Affecting Year-on-Year Change in Ordinary Profit

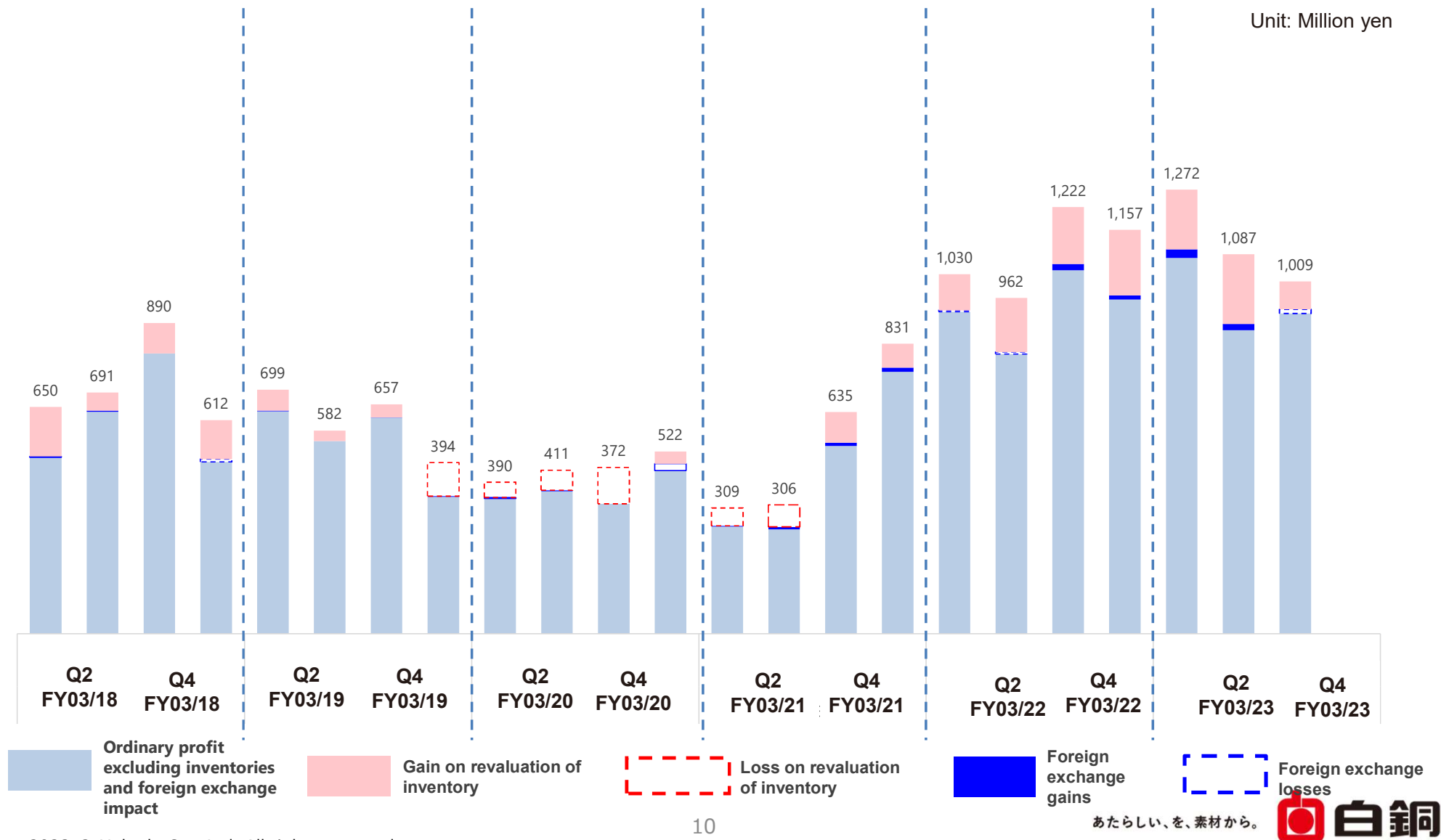
Ordinary profit increased YoY mainly on higher sales.

Unit: Million yen



Quarterly Ordinary Profit Trends

Quarterly growth in ordinary profit since Q3 FY03/21, which remains at a high level, but declining since Q2 FY03/23 in line with inventory adjustments in the semiconductor production equipment (SPE) industry.



Balance Sheet (BS)

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

Unit: Million yen

<YoY change>

Assets	As of March 31, 2022	Composition ratio	As of December 31, 2022	Composition ratio	Change
Current assets	33,615	80.5%	36,466	81.6%	2,850
Cash and deposits	8,674	20.8%	7,743	17.3%	-931
Notes and accounts receivable-trade (Including electronically recorded monetary claims - operating)	17,010	40.7%	18,176	40.7%	1,165
Inventories	7,802	18.7%	10,151	22.7%	2,349
Other current assets	127	0.3%	394	0.9%	266
Non-current assets	8,164	19.5%	8,212	18.4%	47
Property, plant and equipment	6,097	14.6%	5,989	13.4%	-108
Intangible assets	509	1.2%	595	1.3%	86
Investments and other assets	1,557	3.7%	1,626	3.6%	69
Total assets	41,780	100.0%	44,678	100.0%	2,898
Liabilities and net assets	As of March 31, 2022	Composition ratio	As of December 31, 2022	Composition ratio	Change
Current liabilities	21,903	52.4%	23,890	53.5%	1,987
Notes and accounts payable-trade (Including electronically recorded obligations - operating)	18,652	44.6%	21,749	48.7%	3,096
Accrued expenses	1,023	2.4%	1,047	2.3%	23
Income taxes payable	1,145	2.7%	401	0.9%	-744
Other current liabilities	1,081	2.6%	692	1.5%	-388
Non-current liabilities	48	0.1%	56	0.1%	8
Total liabilities	21,951	52.5%	23,947	53.6%	1,995
Net assets	19,829	47.5%	20,731	46.4%	902
Total liabilities and net assets	41,780	100.0%	44,678	100.0%	2,898

Current assets: up 2,850 million yen

- Cash and deposits declined on income tax and dividend payments
- Increase in notes and accounts receivable-trade
- Inventories increased

Non-current assets: up 47 million yen

- Decline in property, plant, and equipment
- Increase in intangible assets
- Increase in investments and other assets

Current liabilities: up 1,987 million yen

- Increase in notes and accounts payable-trade
- Income tax payments (decrease in income tax payable)

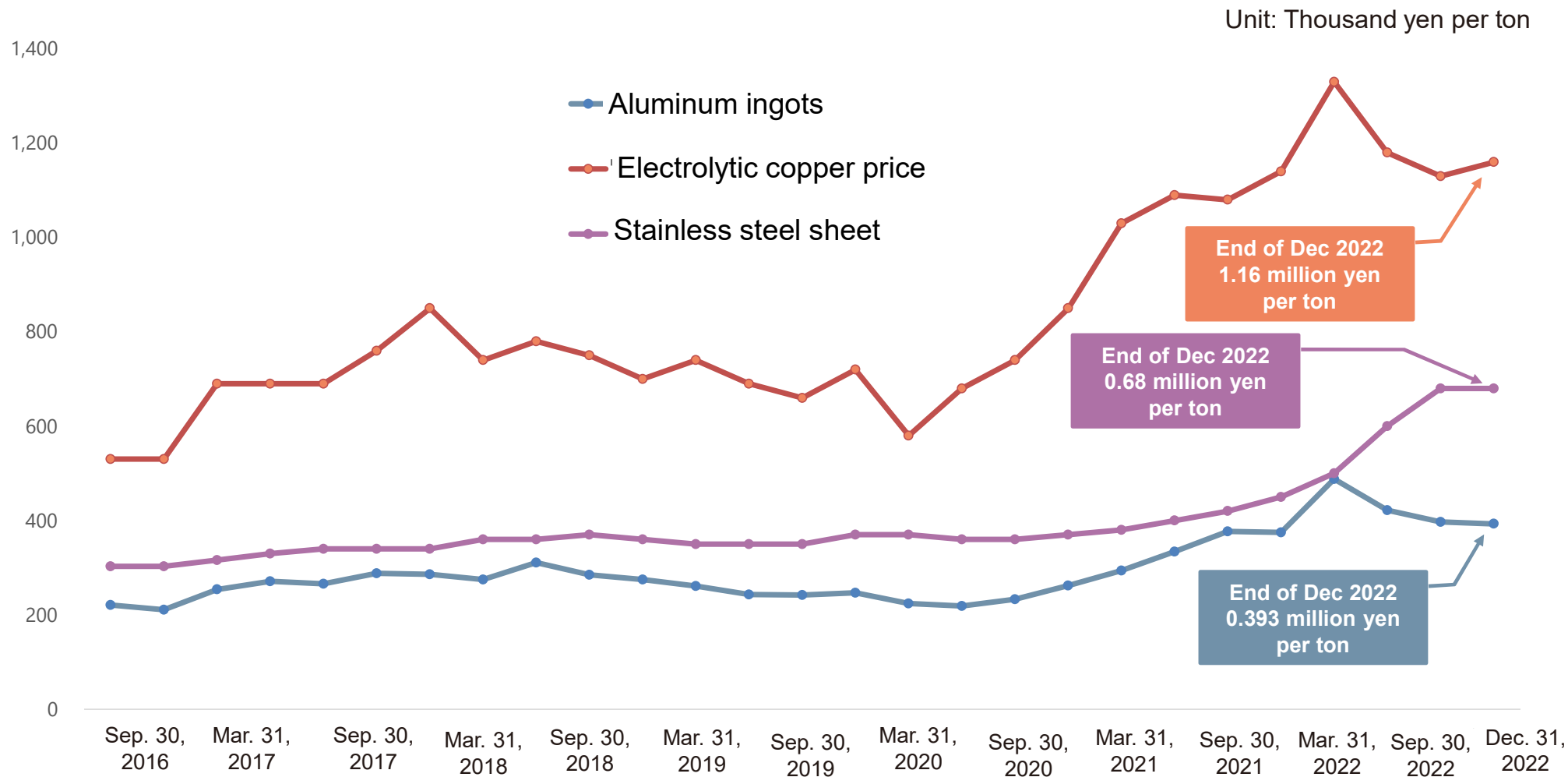
Non-current liabilities: up 8 million yen

Net assets: up 902 million yen

Business Environment (1)

Raw Material Market Conditions for Aluminum, Copper and Stainless Steel

Continuously rising aluminum raw material prices began falling in March 2022.

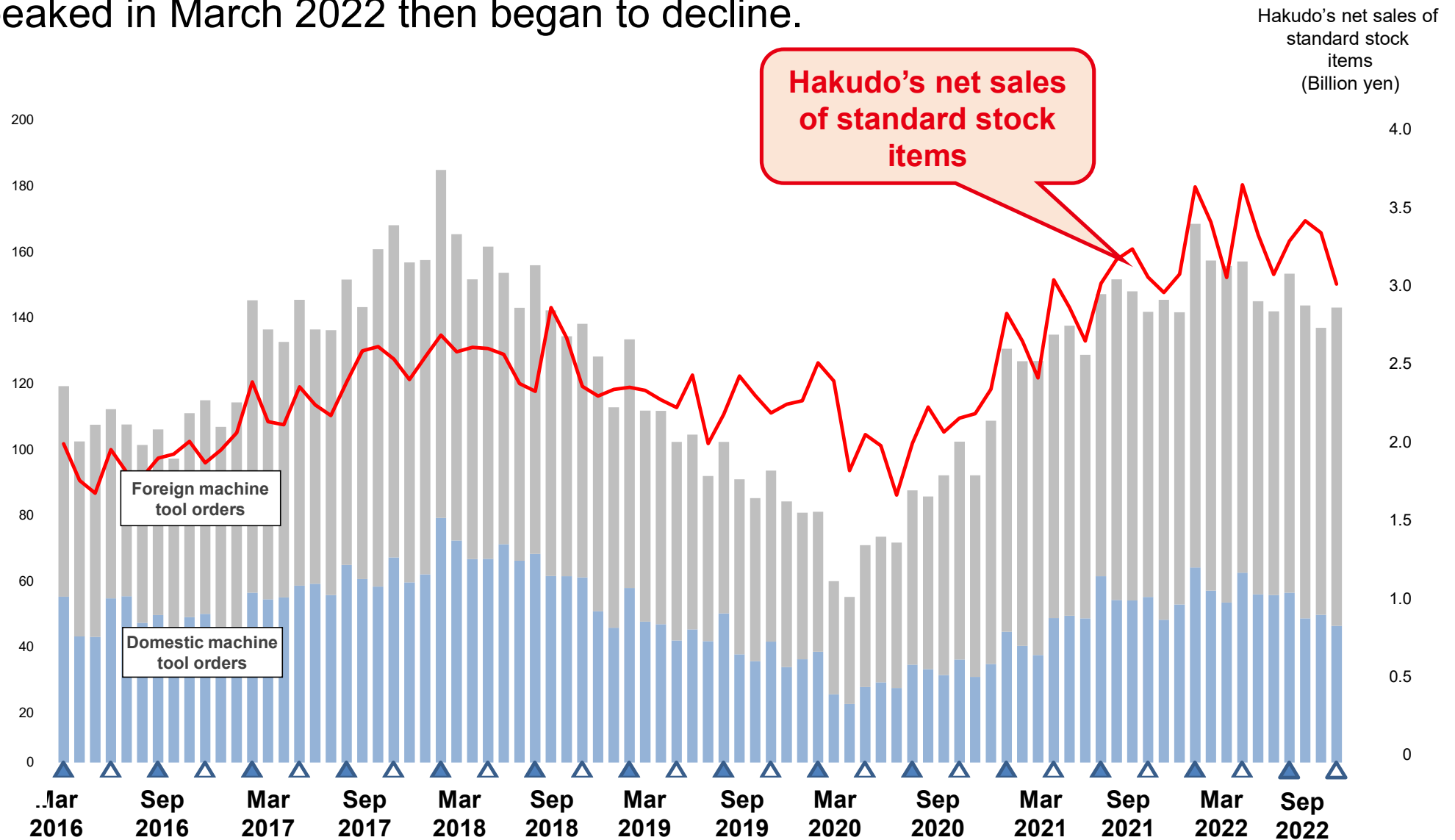


Electrolytic copper price: JX Nippon Mining & Metals Stainless steel sheet: Japan Metal Daily median
Aluminum ingots: Nikkei monthly average

Business Environment (2)

Comparison of Machine Tool Orders and Standard Stock Net Sales

Machine tool orders, which had been strong mainly due to external demand, peaked in March 2022 then began to decline.

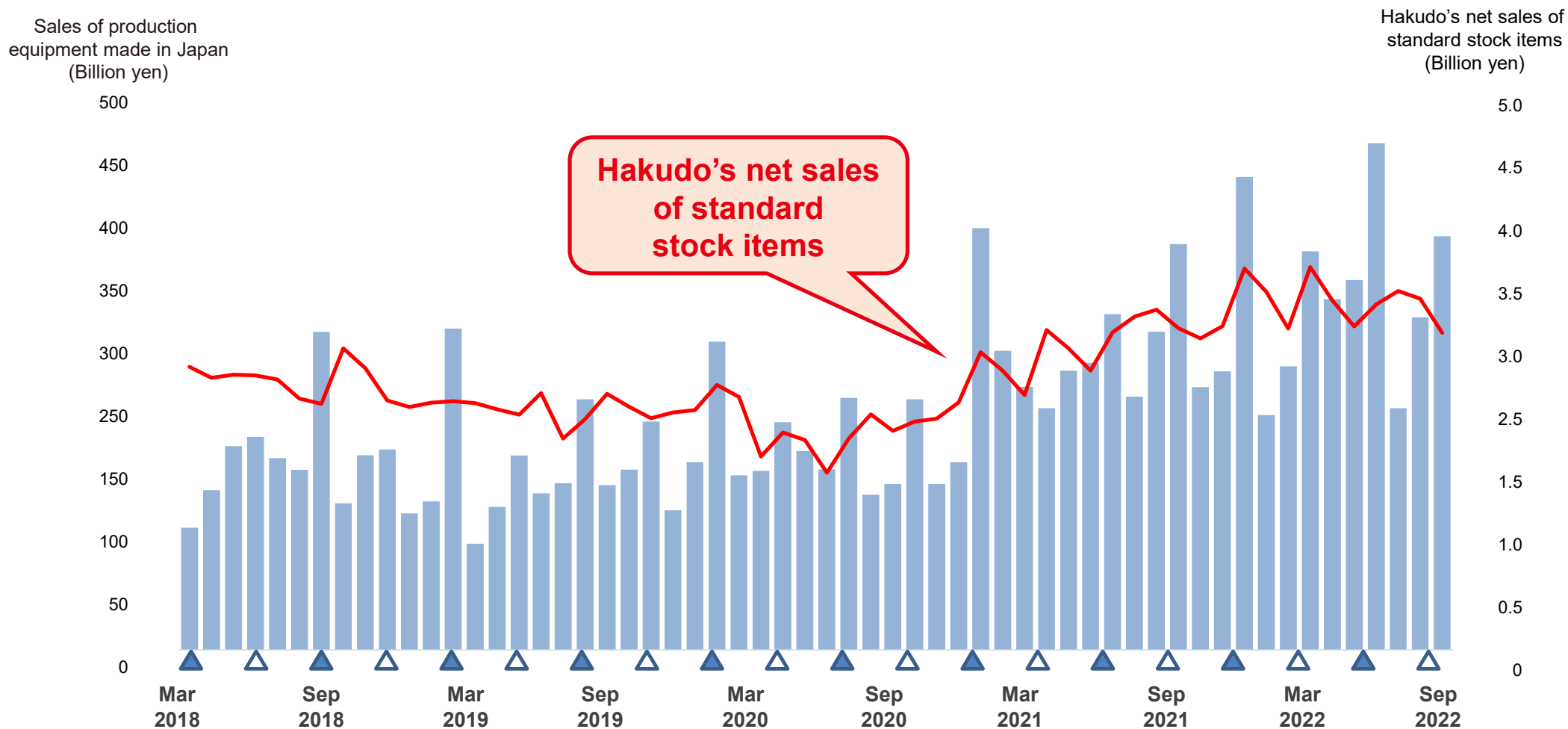


Source: Japan Machine Tool Builders' Association - machine tool orders statistics

Business Environment (3)

Comparison of Semiconductor Production Equipment Sales and Standard Stock Net Sales

Demand for 5G-related products and data centers is expected to expand in the long term, but inventory adjustment phase is ongoing and trends are being closely monitored.

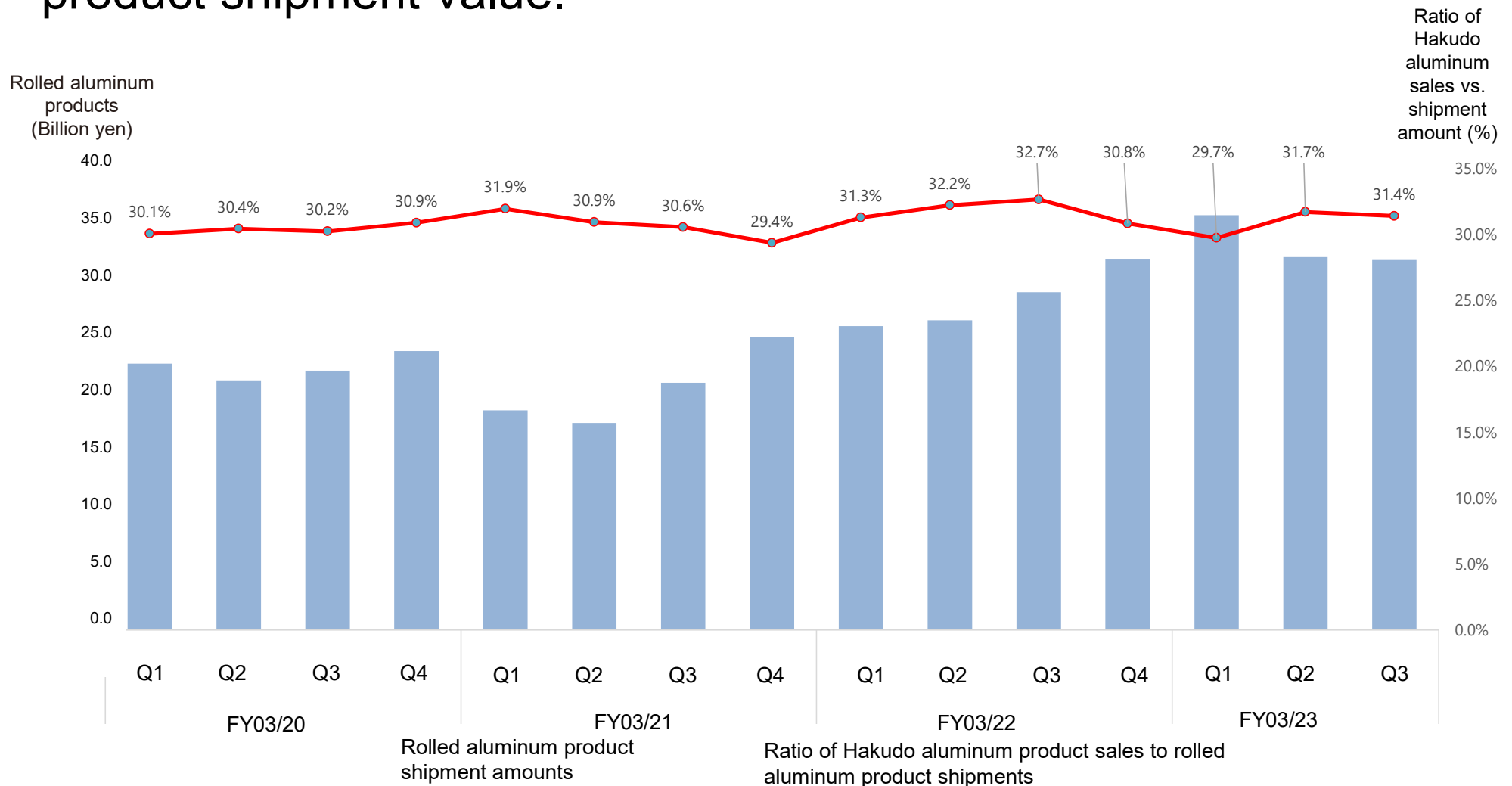


Source: Semiconductor Equipment Association of Japan - statistical data

Business Environment (4)

Ratio of Hakudo aluminum product sales to rolled aluminum product shipment value

Hakudo aluminum product sales are $\pm 30\%$ of rolled aluminum product shipment value.



Note: Aluminum rolled products shipment value is the total of sheets (6.0 mm+), disks, tubes, and bars.

Source: Rolled Aluminum Statistics Monthly Report, Japan Aluminum Association

FY03/23

Full-year Financial Forecasts

Consolidated Full-year Financial Forecasts

In Q3 FY03/23, progress toward forecast targets was on track.

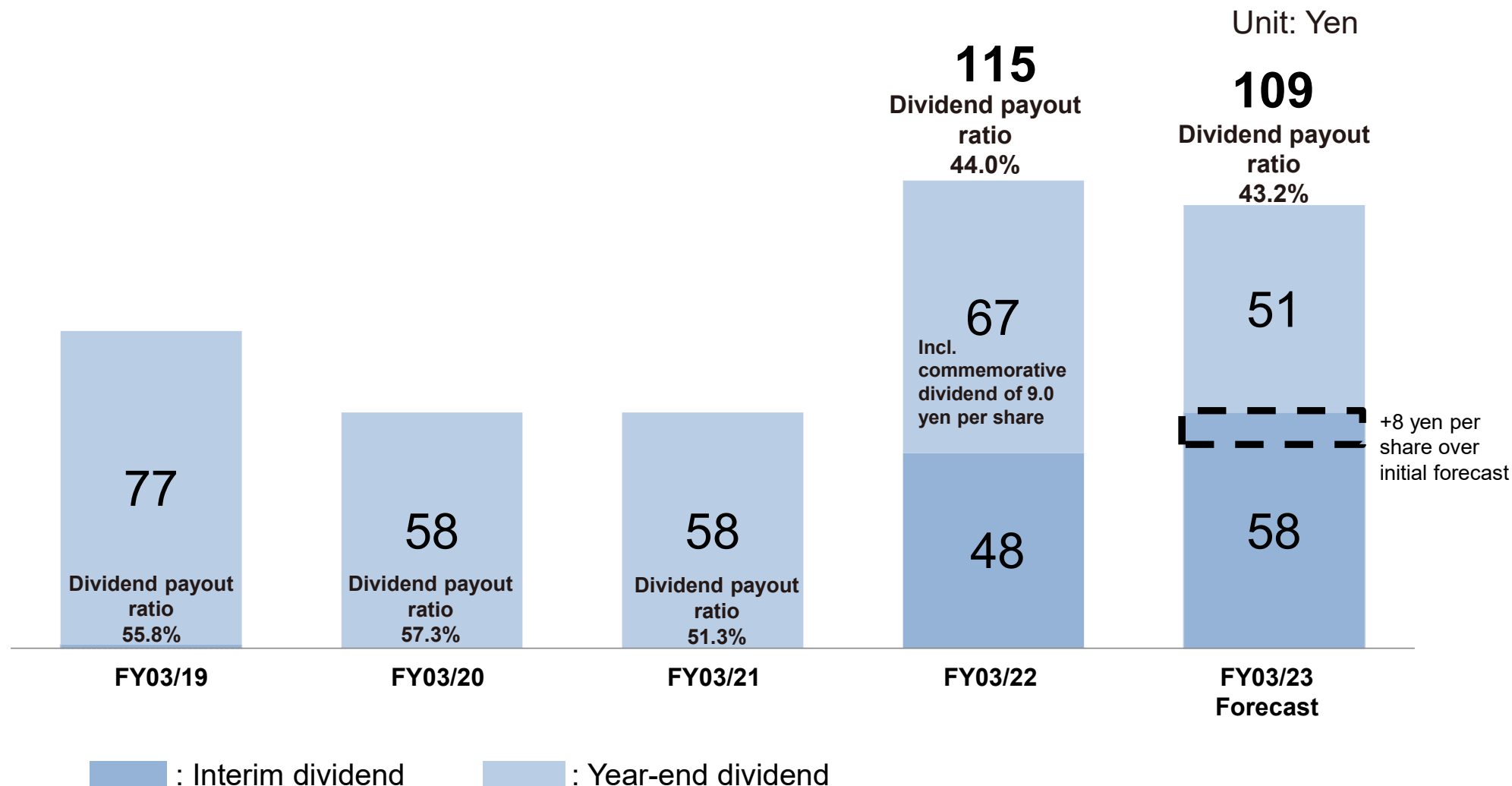
Considering the current economic environment and other factors, the full-year consolidated earnings forecast remains unchanged from initial forecasts.

(Million yen)	FY03/22	Sales ratio	FY03/23 full-year forecast	Sales ratio	Rate of change (difference) vs. previous year's result	Q3 progress vs. full-year forecast
Net sales	55,441	-	62,100	-	12.0%	76.3%
Operating profit	4,256	7.7%	3,970	6.4%	-6.7%	79.8%
Ordinary profit	4,373	7.9%	4,080	6.6%	-6.7%	82.6%
Inventory revaluation impact	610	1.1%	449	0.7%	-26.4%	-
Foreign exchange losses/gains	20	0.0%	32	0.1%	59.4%	-
Ordinary profit (Excluding inventories and foreign exchange impact)	3,743	6.8%	3,599	5.8%	-3.8%	80.2%
Profit attributable to owners of parent	2,964	5.3%	2,860	4.6%	-3.5%	80.0%

Dividend Forecast - Dividend per Share

The dividend was increased by JPY8 per share from initial forecasts due to strong performance in 1H.

The 2H dividend forecast remains unchanged at JPY109 per share.



Initiatives for Achieving the Medium-term Management Plan

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

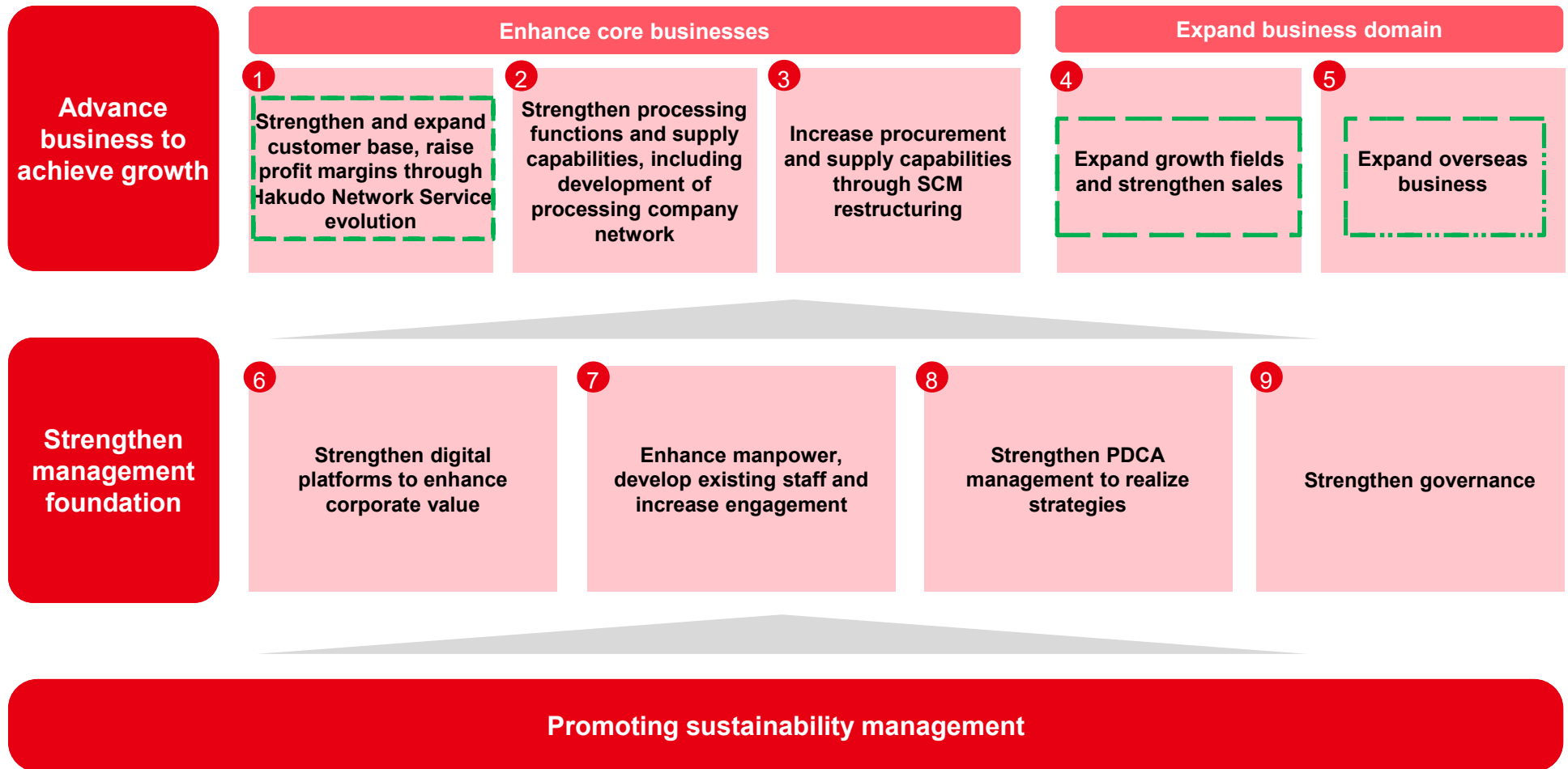
Hakudo aims to achieve management targets for net sales and ordinary profit growth, as well as ROIC and operating cash flow targets, which are key financial planning indicators, and return profits to shareholders.

	FY03/22 results		FY03/25 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 %

Medium-term Management Plan Key Strategic Policies

Targeting business evolution, a stronger management foundation and the promotion of sustainability management by FY03/25 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 Strategy Highlights

Advance the Hakudo Network Service
(Product lineup enhancement)

Expand growth fields and strengthen sales
(Aircraft/aerospace domain expansion)

Expand overseas business
(Hakudo USA Inc. establishment)

Q3 FY03/23 Summary

Increased number of items handled by the Hakudo Network Service

- Increased number of items that can be ordered online. Inventories from other companies increased by about 13,300 items, from approximately 27,300 (end-March) to approximately 40,600 (end-December)

Expand aircraft/aerospace domain

- A new base (Iga warehouse) will be established in Iga, Mie Prefecture
- Two water-jet cutting machines will be transferred from the Shiga Factory and commence operations in April 2023

Launch Hakudo USA Inc.

- Hakudo USA Inc. was established as a wholly-owned subsidiary on December 14, 2022
- Strengthen developments in new US market

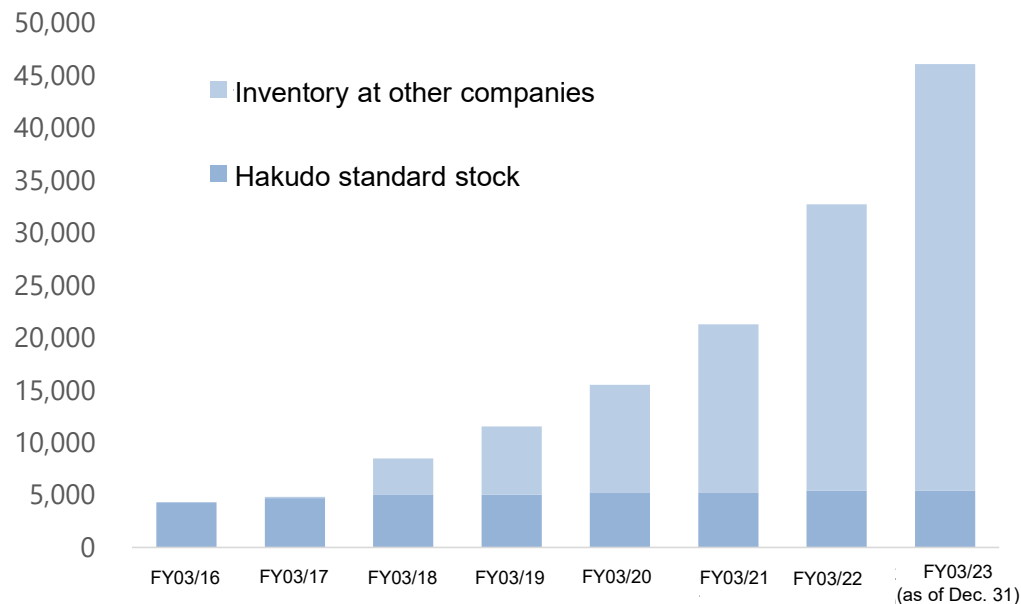
Key Strategic Policies (1)

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

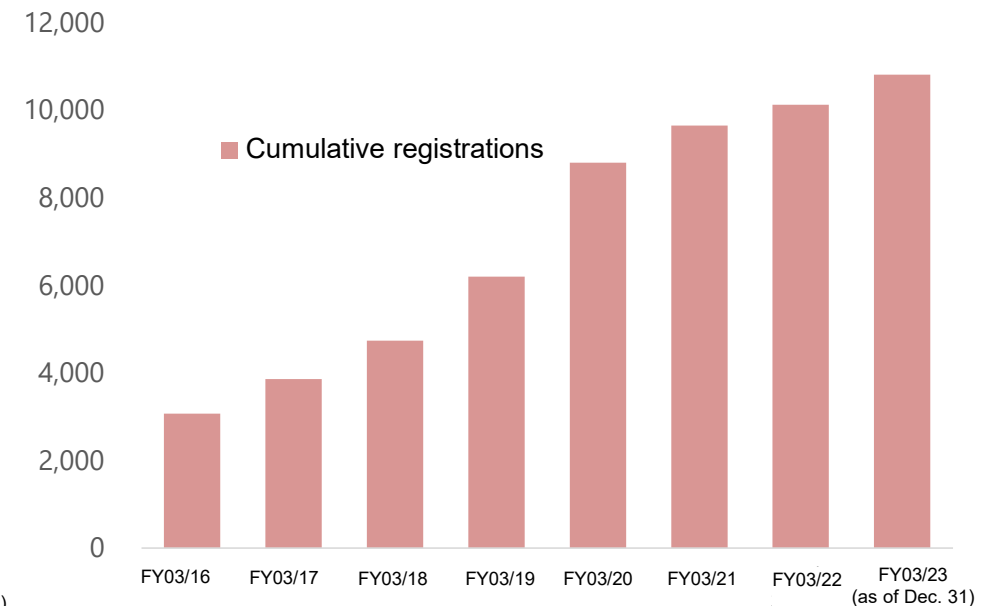
- Expanding number of items (mainly from other companies' inventory) handled. Hakudo standard stock item combined with other company item inventories enables use of approximately 46,000 items as of end-December
- Companies registered with Hakudo Network Service increased to about 10,800 companies as of end-December
- Developing CS Network Service that can be used by distributors and their customers



Number of Items Available at Hakudo Net Service



Number of Companies Registered at Hakudo Net Service (Cumulative)



Note: Includes CS Network Service registrations

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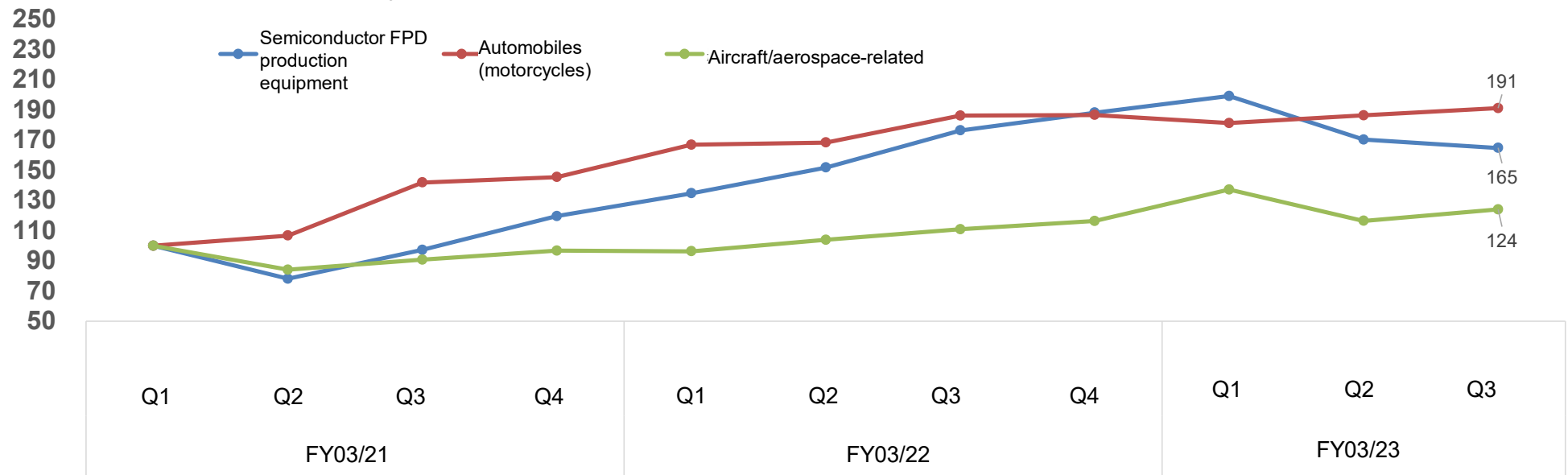


Key Strategic Policies (2)

(2) Expand growth domains, strengthen sales

- ◆ Aircraft/aerospace domain
 - Establish new base (Iga warehouse) in Iga, Mie Prefecture. Plan to transfer two water jet cutting machines from the Shiga Factory (planned to commence operations in April 2023)
- ◆ Semiconductor domain
 - Establish mechanism for consolidating semiconductor-related sales partners and accumulating industry knowledge
- ◆ Automotive domain
 - Use 3D printers to acquire new customers in automotive-related fields
 - Expand sales of other products to newly acquired customers

Growth domain quarterly sales indicators



Note: Sales index based on sales in Q1 FY03/21

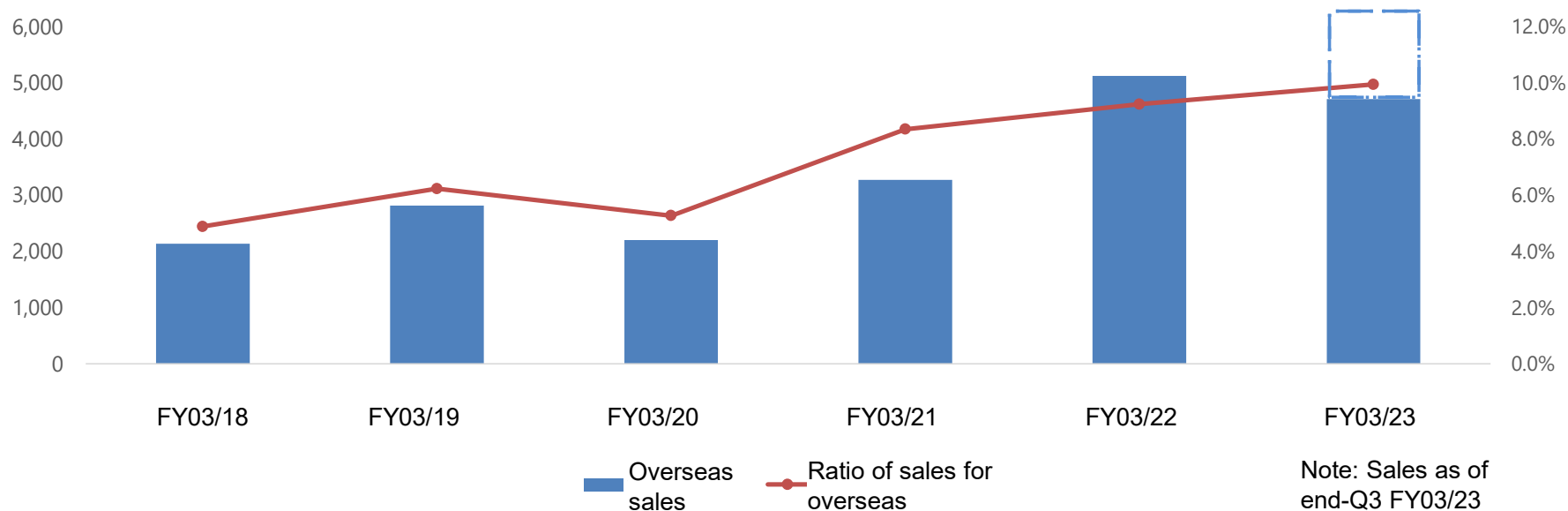
Key Strategic Policies (3)

(3) Overseas business expansion

- ◆ Establishment of Hakudo USA Inc.
 - Wholly-owned subsidiary Hakudo USA Inc. established in Los Angeles on December 14, 2022
 - Plan to conduct investment business in US and promote sales of non-ferrous metal import wholesale business
- ◆ Hakudo e-commerce package management
 - Hakudo Thailand to commence management of Hakudo e-commerce package

Overseas Net Sales and Sales Ratio

(Unit: Million yen)



Note: Overseas sales calculated as the sum of overseas subsidiary sales and head office export sales to non-overseas subsidiaries.

Promoting Sustainability Management (1/2)

The status of efforts to date for action items and targets pursued by subcommittees established under the ESG/SDGs Management Committee are as follows. This information is reported to the Board of Directors, which in return provides proposals and advice for the actions.

Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	Q3 FY03/23 Efforts
1. Reducing environmental impact and responding to climate change	Reduce CO2 emissions	Commence concrete reduction measures by March 2025 to achieve (1) 42% reduction by FY03/30 compared to FY2020 (2) carbon neutrality by FY03/50.	<ul style="list-style-type: none"> CO2 emissions 	<ul style="list-style-type: none"> Reviewed specific measures to reduce CO2 emissions through solar power generation, carbon credit purchases, etc.
	Improve manufacturing efficiency	Contribute to society by conserving and reducing the depletion of natural resources and curbing environmental pollution through more efficient deliveries, less industrial waste, and lower scrap rates.	<ul style="list-style-type: none"> Energy consumed Freight cost reduction rates Waste disposal costs <small>Note: All figures are per shipping weight.</small>	<ul style="list-style-type: none"> Conducted survey of transportation company sustainability initiative status Reviewed measures to reduce CO2 emissions using EV vehicles
	Promote paperless offices	Reduce costs by eliminating resource waste and promoting recycling, preserve forests and contribute to the protection of the natural environment.	<ul style="list-style-type: none"> Office printing costs 	<ul style="list-style-type: none"> Conducted second campaign encouraging business partners to transition to online invoicing
2. Building responsible supply chains	Strengthen environment-friendly products	Contribute to society through the stable supply of products with low environmental impact (ECO products, etc.), and management that considers environmental impacts.	<ul style="list-style-type: none"> Environment-friendly product sales volumes 	<ul style="list-style-type: none"> Engaged in proactive sales efforts aimed at expanding sales
	Promote green procurement	Contribute to society by ensuring that suppliers comply with the Hakudo Green Procurement Guidelines, and management that considers environmental impacts.	<ul style="list-style-type: none"> Number of MOUs exchanged with suppliers complying with the Green Procurement Guidelines Green procurement rates 	<ul style="list-style-type: none"> Exchanged MOUs with business partners
	Strengthen relationships with suppliers	Contribute to society by cooperating with suppliers and implementing CO ₂ reduction measures, and promoting CO ₂ reductions throughout the supply chain.	<ul style="list-style-type: none"> Green aluminum suppliers discovered Recycled aluminum suppliers discovered 	<ul style="list-style-type: none"> Selected green aluminum suppliers and began negotiations
	Respect human rights	Contribute to society by working with supply chain partners to promote human rights awareness in management.	<ul style="list-style-type: none"> Formulation of internal human rights policies 	<ul style="list-style-type: none"> Requested outside estimates to conduct human rights due diligence

1. In-house KPIs for the three-year period from FY03/23 to FY03/25 (no specific figures disclosed at present).

Promoting Sustainability Management (2/2)

Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	Q3 FY03/23 Efforts
3. Activities targeting society	Contribute to future generations	Contribute to the development of next-generation technologies and the strengthening of human resources by supporting advancement of manufacturing culture and human resource developments in Japan.	<ul style="list-style-type: none"> ● Number of industry-academia collaboration projects 	<ul style="list-style-type: none"> ✓ Collaborated with a university engaged in R&D related to renewable energy, considered installation of a prototype machine at a factory in Japan
	Contribute to society	Contribute to a sustainable society, instilling a sense of pride in employees and earning the trust of society.	<ul style="list-style-type: none"> ● Amount of donations to local communities and organizations 	<ul style="list-style-type: none"> ✓ Installed vending machines that facilitate donations ✓ Considered sponsoring manufacturing-related contests
4. Investing in human resources	Increase employee satisfaction	Increase employee satisfaction to enhance employee motivation to be productive and responsive to customers, enhance our impact on society (social contributions) and positively impact company performance.	<ul style="list-style-type: none"> ● Attrition rates ● Paid leave acquisition rates 	<ul style="list-style-type: none"> ✓ Reviewed expansion of benefits for employees engaged in childcare
	Promote diversity	Increase organizational productivity and competitiveness by hiring and utilizing diverse human resources.	<ul style="list-style-type: none"> ● Female employee ratios (Managers and employees) 	<ul style="list-style-type: none"> ✓ Discussed measures to promote employment of persons with disabilities ✓ Discussed human capital indicators to be monitored
	Enhance employee education	Provide knowledge and skills necessary for business operations, and opportunities to acquire knowledge and skills.	<ul style="list-style-type: none"> ● Education costs per employee ● Training participation rates 	<ul style="list-style-type: none"> ✓ Held annual training plan briefing for full-time employees
5. Corporate governance	Zero violations	Conduct education aiming for zero tolerance.	<ul style="list-style-type: none"> ● Zero compliance violations 	<ul style="list-style-type: none"> ✓ Engaging in activities aimed at zero compliance infractions
	Enhance responses to business risks and disasters	Conduct thorough assessment of business risks and review BCP. Also, create a system ensuring employee safety and the smooth resumption of operations when disaster occurs, through implementation of drills and response measures.	<ul style="list-style-type: none"> ● Risk assessment points 	<ul style="list-style-type: none"> ✓ Disseminated details of evacuation drills to head office employees

1. In-house KPIs for the three-year period from FY03/23 to FY03/25 (no specific figures disclosed at present).

Sustainability Management Initiatives

In addition to contributing to society through manufacturing, Hakudo is involved in a wide range of activities that include promoting sports and creating employment at its farm.

Speed Skating



The Hakudo Skating Club was established in April 2022, comprising two members: Takahiro Ito (right) and Riku Tsuchiya (left), both national speed skating athletes.

Hakudo supports both athletes in their quest to win medals at the 2026 Milan Cortina Olympics, while also aiming to contribute to the promotion of sports.

Hakudo Farm



We operate Hakudo Farm as part of our effort to promote employment for people with disabilities. As of September 2022, the farm had four employees and grows about 40 varieties of mainly leafy vegetables.

Indoor cultivation using LEDs keeps the indoor temperature constant and maintains the health and safety of our employees.

Harvested vegetables are donated to a children's cafeteria as well as distributed to our employees.

Super Minimum Challenge



The Super Minimum Challenge is a project aimed at attaining record speeds using a 50cc engine. It is held annually in Bonneville, Utah.

The world speed record was set at the 2019 competition, where aluminum material provided by Hakudo was also used for the bikes.

More recently, parts fabricated using a 3D printer have also been used.

Koma Battle



The Japanese top ("koma") battle is a tournament-style competition in which manufacturers from all over Japan bring professionally made *koma* to compete against one another. High school student *koma* competitions are also held in each prefecture.

Hakudo supports the high school student *Koma* Battle in Kanagawa Prefecture by supplying materials and engaging in other activities to promote the development of Japanese manufacturing.

Shita-machi Bobsleigh



The Shita-machi Bobsleigh is a project in which small factories located in Ota Ward play a central role in creating world-class sleds, while also conveying to the world the manufacturing capability of Ota Ward, a city of industry located in Tokyo's shita-machi area.

Hakudo participates as a sponsor of the Shita-machi Bobsleigh Network Project.

Note: Created based on information available at end-December 2022.

■ Hakudo Official Social Media Accounts

We have created official accounts on LINE and Facebook to regularly disseminate product introductions, exhibition announcements and other useful information.

Please use the following QR codes to follow Hakudo online!



■ Disclaimer

This document contains projections based on assumptions, outlooks, and plans regarding the future as of February 2023. 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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