

# Financial Results for the Fiscal Year Ended March 31, 2023

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## Hakudo Co., Ltd. (7637)

May 23, 2023

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# FY03/23 Results

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# Result Highlights

## Net sales

61,602 million yen  
(up 11.1% YoY)

## Gross profit

10,152 million yen  
(down 1.5% YoY)

## Ordinary profit

3,988 million yen  
(down 8.8% YoY)

## FY03/23 Summary

### Net sales

- FY03/23 net sales reached a record high, primarily due to higher selling prices influenced by the market prices of raw materials.
- Compared to FY03/22, sales expanded across all product categories.

### Gross profit

- Alongside the rise in net sales, gross profit set a new record as of Q3 FY03/23. However, due to factors such as increased electricity and labor costs related to manufacturing, and a slowdown in the mainstay semiconductor production equipment (SPE) industry, sales dropped significantly in Q4, resulting in a YoY decrease of JPY157 million in gross profit.

### Ordinary profit

- An increase in freight and other costs, along with one-off expenses related to an acquisition made in the US during Q4, led to a YoY increase of JPY321 million in SG&A expenses. Consequently, ordinary profit saw a decrease of JPY384 million YoY.

# Summary of Consolidated Statements of Income (PL)

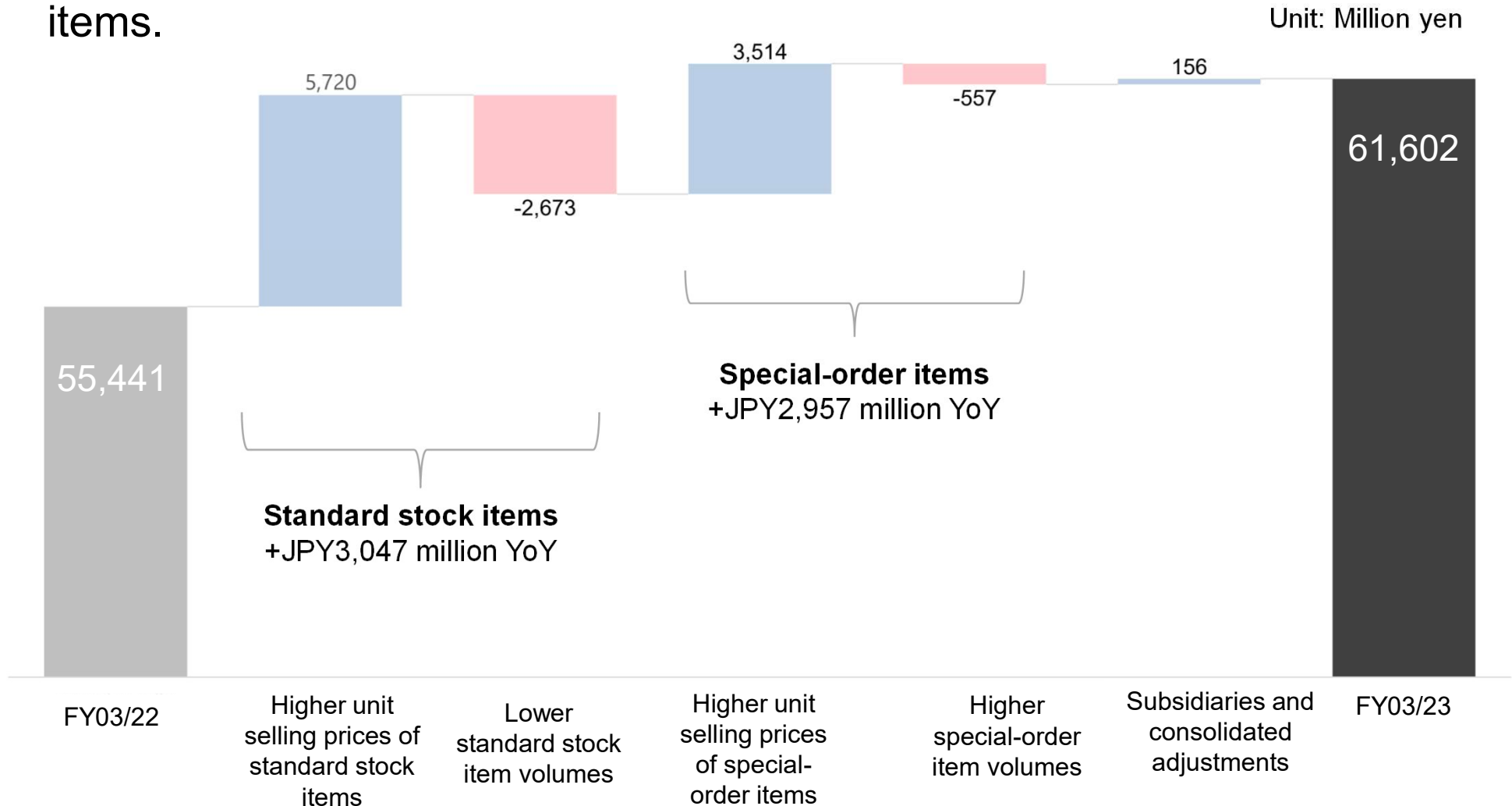
- Net sales exceeded the previous year's record high by 11.1%, setting a new record.
- Ordinary profit decreased by 8.8% YoY due to one-off expenses, an increase in various costs, and a reduction in profit from inventory revaluation impact.

Unit: Million yen

	FY03/22	Sales ratio	FY03/23	Sales ratio	YoY Change (Difference)
Net sales	55,441	-	61,602	-	+11.1%
Standard stock items	35,625	64.3%	38,322	62.2%	+7.6%
Special-order items	19,815	35.7%	23,279	37.8%	+17.5%
Gross profit	10,309	18.6%	10,152	16.5%	-1.5%
Operating profit	4,256	7.7%	3,777	6.1%	-11.2%
Ordinary profit	4,373	7.9%	3,988	6.5%	-8.8%
Inventory revaluation impact	610	-	505	-	-17.2%
Foreign exchange losses/gains	20	-	20	-	+1.1%
Ordinary profit (Excluding inventories and foreign exchange impact)	3,743	6.8%	3,463	5.6%	-7.5%
Profit attributable to owners of parent	2,964	5.3%	2,737	4.4%	-7.6%

# Factors Affecting Year-on-Year Change in Net Sales

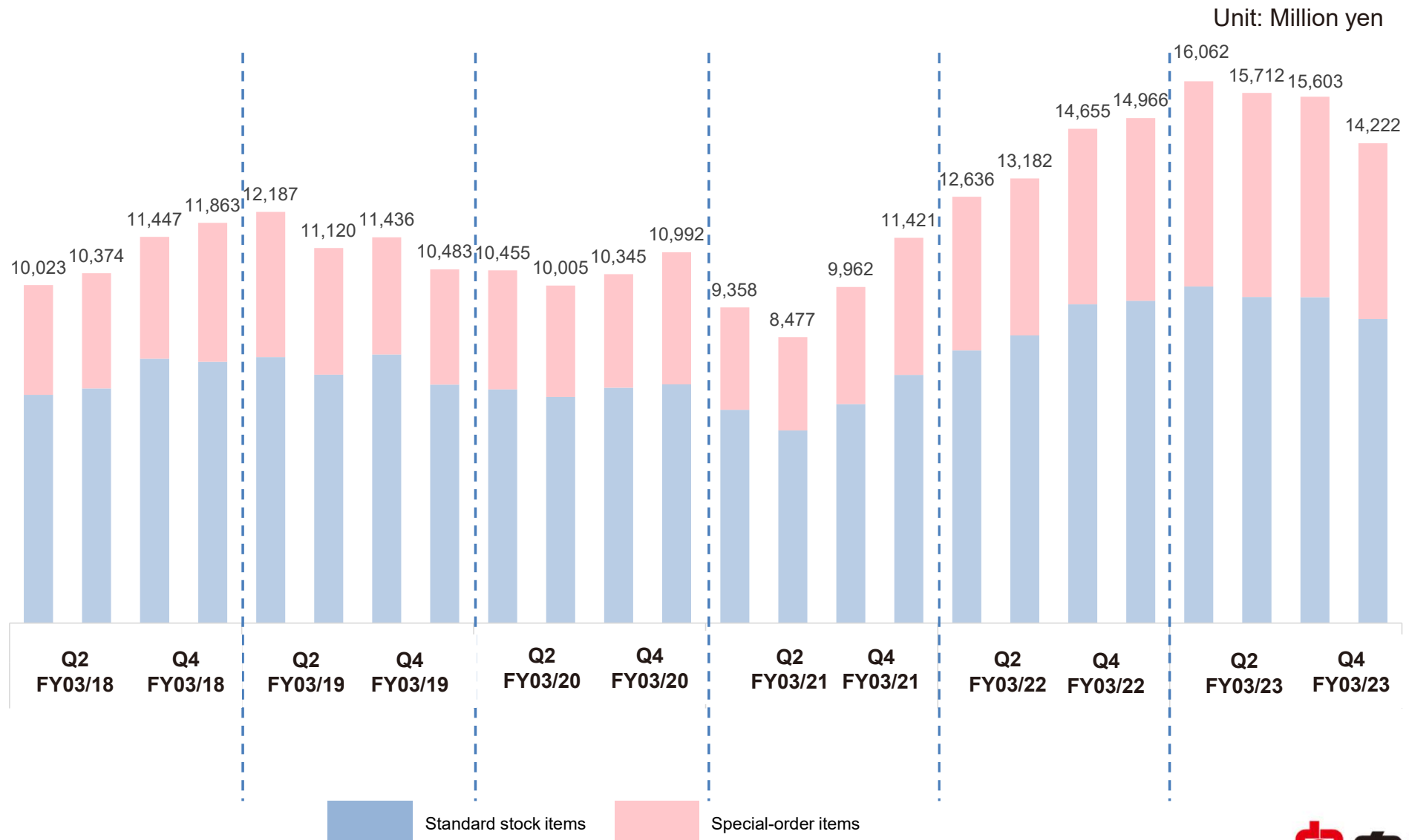
- Net sales increased JPY6,161 million YoY due to higher unit selling prices, despite a decrease in volume of both standard stock and special-order items.



For Hakudo's individual standard stock items: sales volume -8% YoY, selling price +17% YoY

# Quarterly Sales Trends

- Despite achieving record annual sales, we saw a YoY decrease of JPY743 million in Q4, primarily due to reduced sales in the semiconductor production equipment (SPE) industry.



# Net Sales by Product Category

- Although we saw an increase in net sales across all product categories for the full year, a decrease in sales towards the semiconductor production equipment (SPE) industry primarily led to a YoY decrease in net sales for aluminum products in Q4.
- Sales for categories other than aluminum saw an increase when compared to Q4 FY03/22.

Unit: Million yen

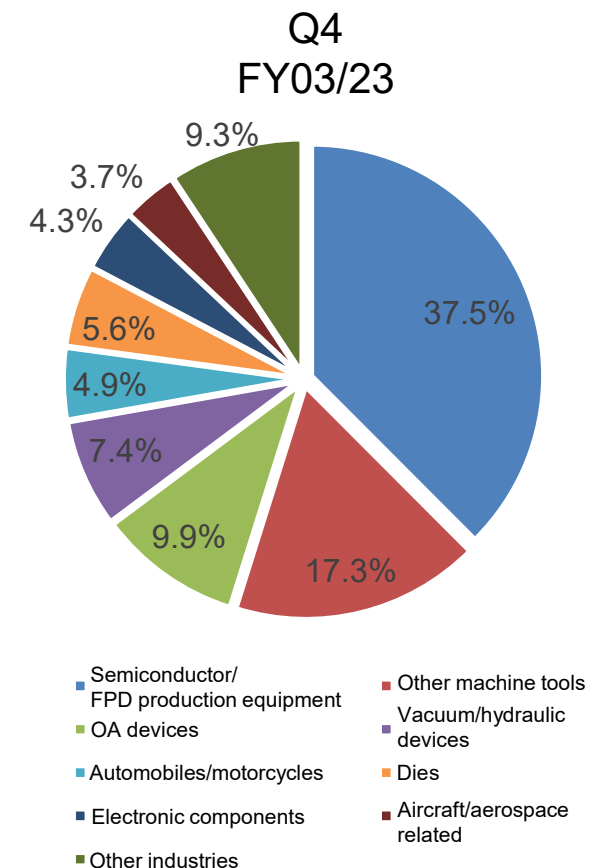
	FY03/22				Total	FY03/23				Total	Vs. Q4 FY03/22	YoY Change
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4			
Consolidated net sales	12,636	13,182	14,655	14,966	55,441	16,062	15,712	15,603	14,222	61,602	-5.0%	+11.1%
Aluminum	8,242	8,654	9,563	9,905	36,365	10,694	10,249	10,076	8,800	39,821	-11.2%	+9.5%
Copper	1,780	1,766	2,033	1,919	7,499	2,106	2,010	2,134	2,248	8,500	+17.2%	+13.3%
Stainless steel	1,991	2,116	2,301	2,385	8,795	2,565	2,607	2,632	2,414	10,218	+1.2%	+16.2%
Others	621	645	756	756	2,781	696	844	761	759	3,061	+0.4%	+11.4%



# 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.
- Meanwhile, the sales ratio for other machine tools, dies, and aircraft/aerospace-related industries increased.

	Q1 FY03/23	Q2 FY03/23	Q3 FY03/23	Q4 FY03/23
Semiconductor/ FPD production equipment	47.2%	45.0%	43.0%	37.5%
Other machine tools	15.0%	15.4%	15.5%	17.3%
OA devices	8.6%	7.8%	8.6%	9.9%
Vacuum/hydraulic devices	6.5%	6.9%	7.8%	7.4%
Automobiles/ motorcycles	4.3%	4.9%	4.9%	4.9%
Dies	4.1%	4.7%	5.2%	5.6%
Electronic components	3.7%	4.1%	4.0%	4.3%
Aircraft/aerospace related	3.1%	2.9%	3.1%	3.7%
Other industries	7.6%	8.3%	7.8%	9.3%



# Performance by Segment

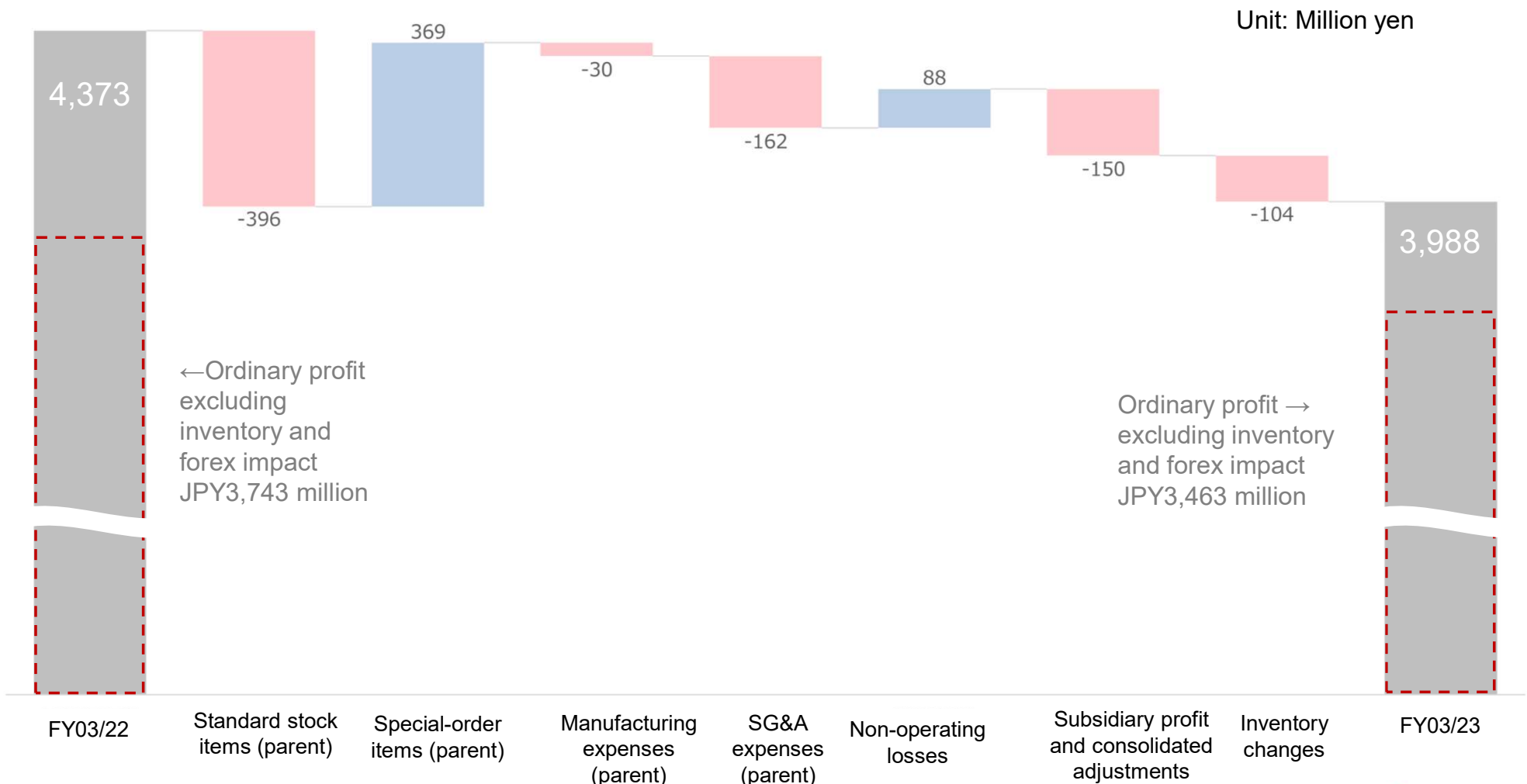
- In North America, we recorded one-off expenses due to the acquisition of a stake in West Coast Aluminum & Stainless, LLC (hereafter referred to as WCAS). The financial results of WCAS will be recorded from FY03/24.
- In China, we saw a decrease in both sales and profit due to the impact of COVID-19 restrictions within the country. Non-operating profit came from real estate income (factory rent).

Unit: Million yen

	FY03/22				FY03/23			
	Net sales	Operating profit/losses	Ordinary profit/losses	Profit attributable to owners of parent	Net sales	Operating profit/losses	Ordinary profit/losses	Profit (loss) attributable to owners of parent
Japan	52,839	4,104	4,201	2,829	58,803	3,810	3,995	2,776
North America	-	-	-	-	-	-126	-126	-126
China	1,719	70	93	73	1,581	-0	25	14
Other	882	81	78	61	1,216	93	94	72

# Factors Affecting Year-on-Year Change in Ordinary Profit

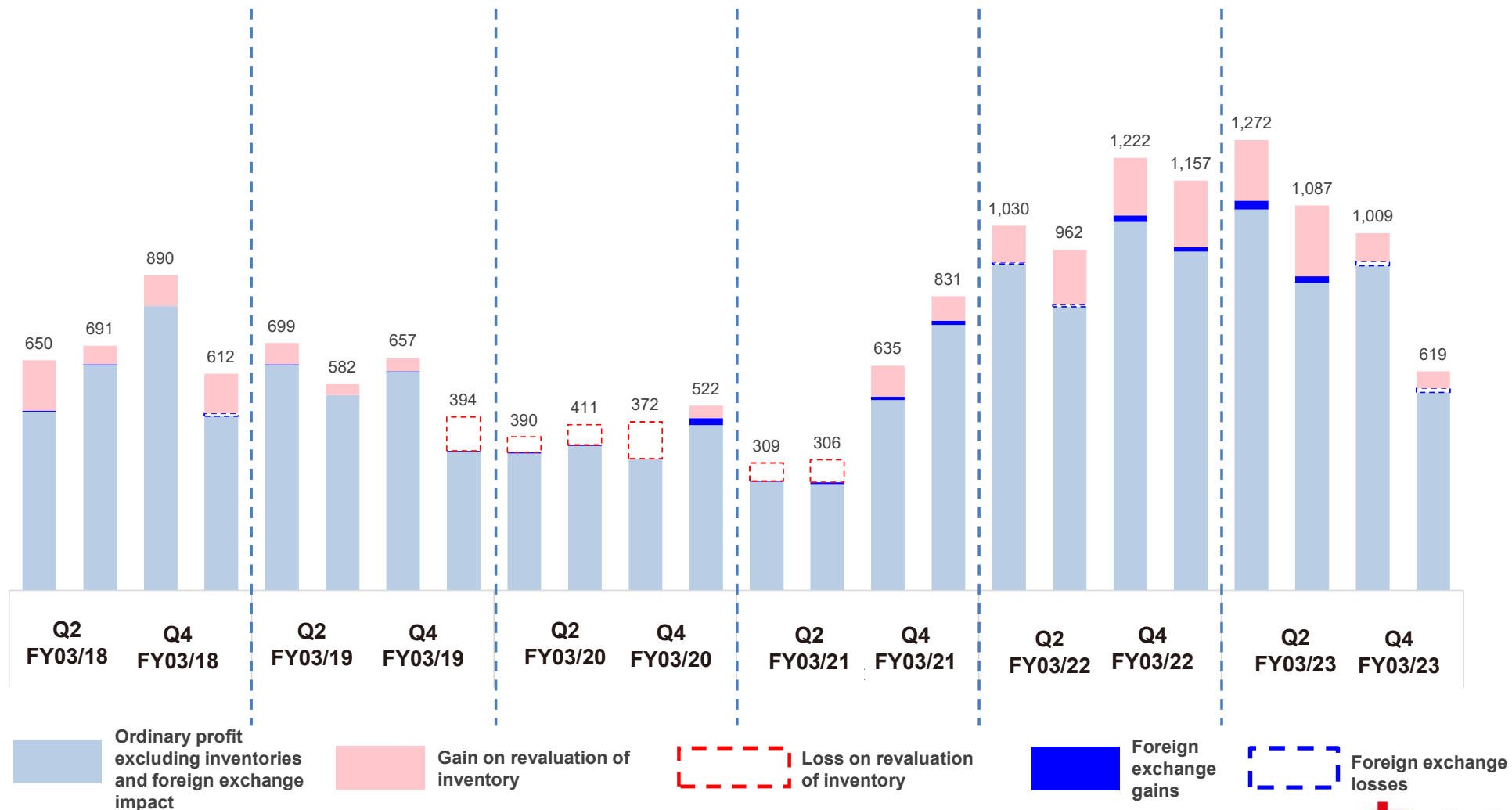
- Despite net sales reaching a record high, we faced a decrease of JPY384 million in ordinary profit due to the rise in various costs, including freight and electricity charges, and one-off expenses related to our acquisition of a stake in WCAS.



# Quarterly Ordinary Profit Trends

- Q4 FY03/23 saw a decrease of JPY390 million QoQ, due to factors including a reduction in sales volume leading to a drop in net sales, a decline in gain on revaluation of inventory, and the recording of one-off expenses related to the acquisition of a stake in WCAS.

Unit: Million yen



# Balance Sheet (BS)

- Anticipating a recovery in semiconductor demand from 2H FY03/24, we increased our stock levels. This resulted in an increase in our inventories.
- Following our acquisition of a stake in WCAS, we recorded goodwill of approximately JPY800 million.

Unit: Million yen

Assets	As of March 31, 2022	Composition ratio	As of March 31, 2023	Composition ratio	Change
Current assets	33,615	80.5%	33,829	78.4%	+213
Cash and deposits	8,674	20.8%	6,038	14.0%	-2,636
Notes and accounts receivable – trade (Including electronically recorded monetary claims - operating) Inventories	17,010	40.7%	16,835	39.0%	-175
Inventories	7,802	18.7%	10,631	24.6%	+2,829
Other current assets	127	0.3%	324	0.8%	+196
Non-current assets	8,164	19.5%	9,319	21.6%	+1,155
Property, plant and equipment	6,097	14.6%	6,250	14.5%	+152
Intangible assets	509	1.2%	1,413	3.3%	+904
Investments and other assets	1,557	3.7%	1,655	3.8%	+98
Total assets	41,780	100.0%	43,149	100.0%	+1,369
Liabilities and net assets	As of March 31, 2022	Composition ratio	As of March 31, 2023	Composition ratio	Change
Current liabilities	21,903	52.4%	21,768	50.4%	-134
Notes and accounts payable – trade (Including electronically recorded obligations – operating)	18,652	44.6%	19,020	44.1%	+367
Accrued expenses	1,023	2.4%	1,050	2.4%	+26
Income taxes payable	1,145	2.7%	579	1.3%	-566
Other current liabilities	1,081	2.6%	1,117	2.6%	+36
Non-current liabilities	48	0.1%	151	0.4%	+103
Total liabilities	21,951	52.5%	21,920	50.8%	-31
Net assets	19,829	47.5%	21,229	49.2%	+1,400
Total liabilities and net assets	41,780	100.0%	43,149	100.0%	+1,369

Current assets: up JPY213 million

- Decrease in cash and deposits due to acquisition of a stake in WCAS and increase in dividends
- Increase in inventories

Non-current assets: Up JPY1,155 million

- Increase in property, plant and equipment
- Increase in intangible assets  
Goodwill: Up JPY809 million (amortization period of 20 years)
- Increase in investments and other assets

Current liabilities: down JPY134 million

Increase in long-term borrowings due within a year: +JPY 350 million

\*Now fully repaid

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

Non-current liabilities: up JPY103 million

Net assets: up JPY1,400 million

# Cash Flows

- Due to an increase in inventories and a decrease in notes and accounts payable–trade (JPY1.6 billion), as well as an increase in income tax payments (JPY1 billion), cash flow from operating activities decreased YoY.
- We recorded a cash outflow of JPY795 million due to our acquisition of a stake in WCAS.

Unit: Million yen

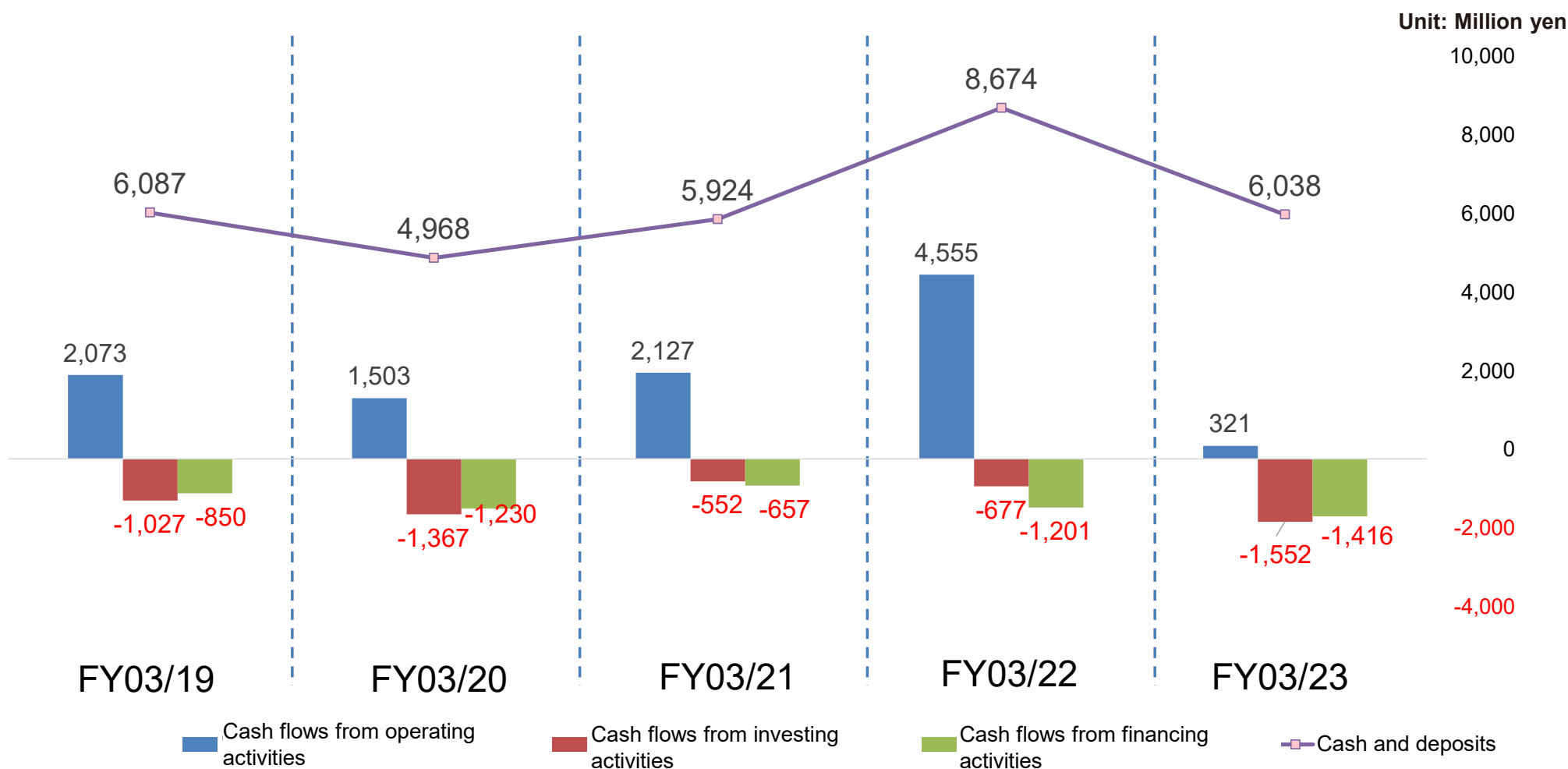
	FY03/22	FY03/23	Difference
Cash flows from operating activities	4,555	321	(4,234)
Cash flows from investing activities	(677)	(1,552)	(876)
Cash flows from financing activities	(1,201)	(1,416)	(215)
Effect of exchange rate change on cash and cash equivalents	73	11	(62)
Cash and cash equivalents at end of period	8,674	6,038	(2,636)

## <Main Breakdown>

① Cash flows from operating activities	
+JPY321 million	
• Profit before tax adjustments	: +JPY3,988 million
• Depreciation	: +JPY845 million
• Decrease (increase) in notes and accounts receivable-trade	: +JPY584 million
• Decrease (increase) in inventories	: -JPY2,404 million
• Increase (decrease) in notes and accounts payable-trade	: -JPY163 million
• Income tax payments	: -JPY1,810 million
② Cash flows from investing activities	
-JPY1,552 million	
• Payments for purchase of property, plant and equipment	: -JPY434 million
• Payments for purchase of intangible assets	: -JPY261 million
• Payments for acquisition of shares of subsidiaries resulting in change in scope of consolidation	: -JPY795 million
③ Cash flows from financing activities	
-JPY1,416 million	
• Decrease due to dividend payment	: -JPY1,416 million

# Cash Flows (Yearly Trends)

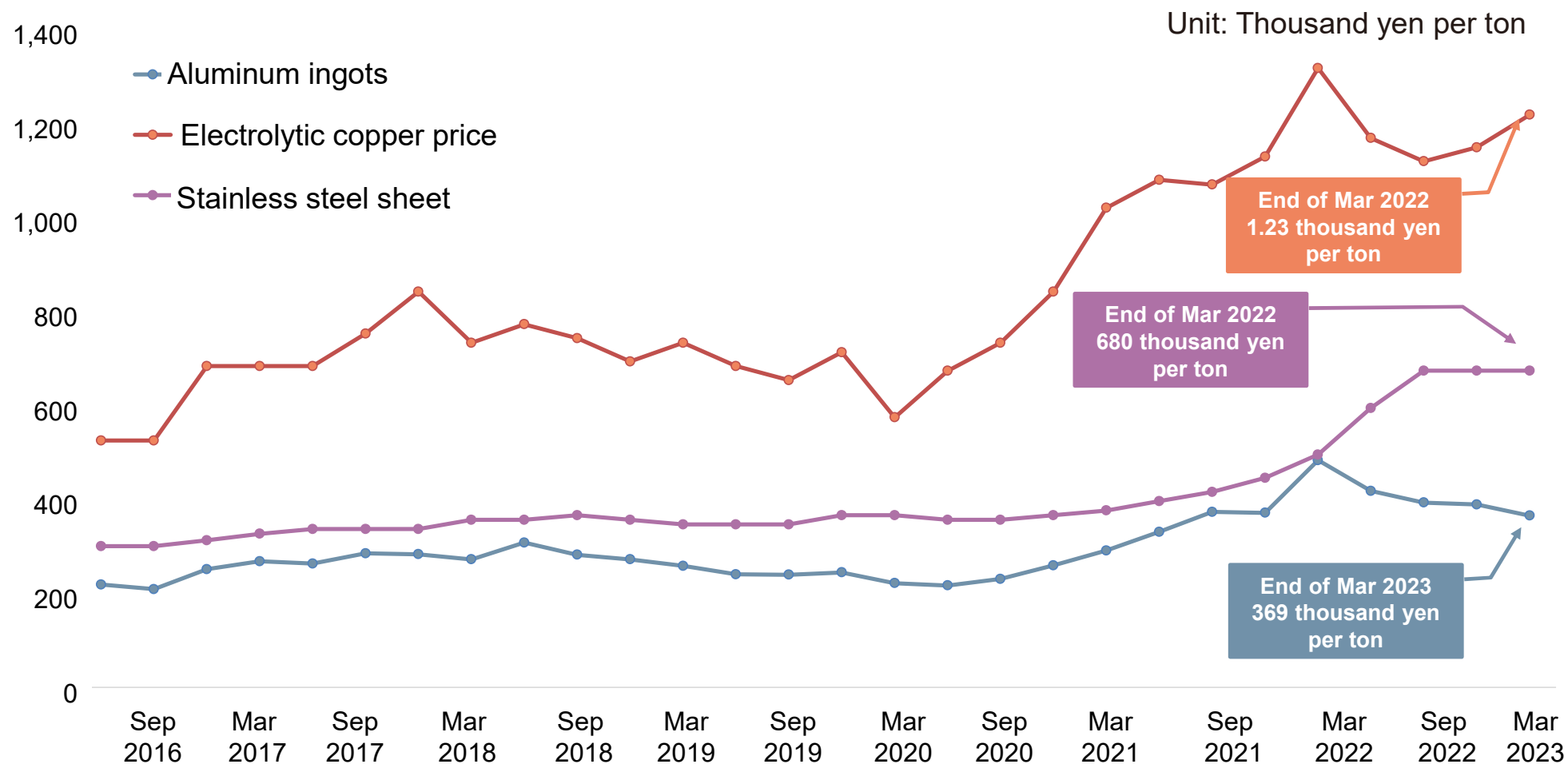
- Operating cash flow decreased in FY03/23, mainly due to an increase in inventories and income tax payments.
- Besides the decrease in operating cash flow, our cash and deposits experienced a significant YoY reduction, mainly due to factors such as dividend payouts and acquiring a stake in WCAS. Despite these circumstances, we managed to maintain a stable level of cash and deposits.



# Business Environment (1)

## Raw Material Market Conditions for Aluminum, Copper and Stainless Steel

- The price of aluminum raw material, which had been consistently rising, has fallen by 24% since March 2022.
- Demand within Japan, primarily driven by the automobile industry, is decreasing, and prices are currently trending downward.



Electrolytic copper price: JX Nippon Mining & Metals  
Aluminum ingots: Nikkei monthly average

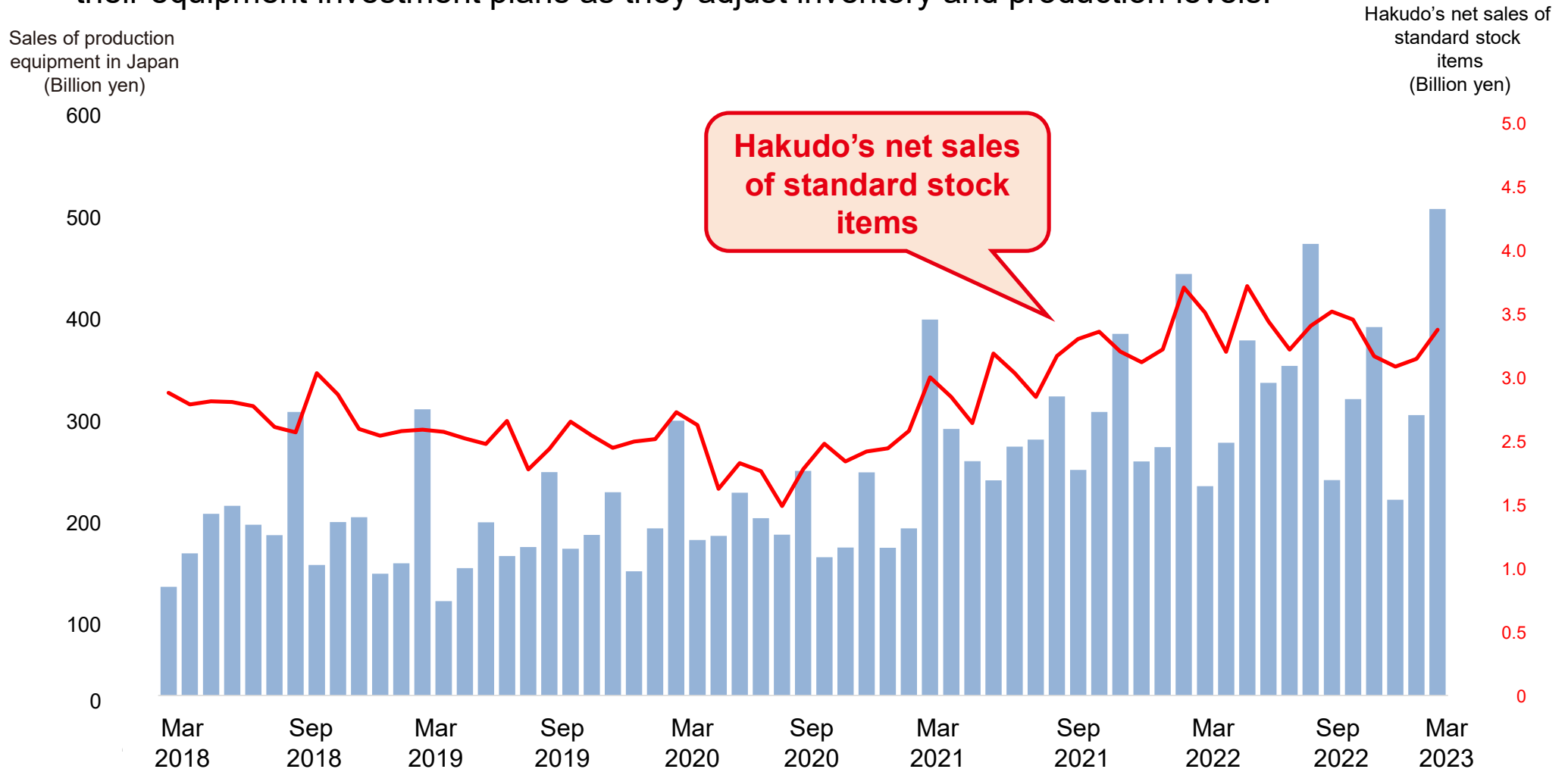
Stainless steel sheet: Japan Metal Daily median



# Business Environment (2)

## Comparison of Semiconductor Production Equipment Sales and Standard Stock Net Sales

- Despite the long-term expectation of demand growth due to advancements in IoT, digital transformation (DX), and AI, semiconductor production equipment orders are anticipated to see a slowdown in 2023. This is due to an increasing trend of semiconductor manufacturers revising their equipment investment plans as they adjust inventory and production levels.

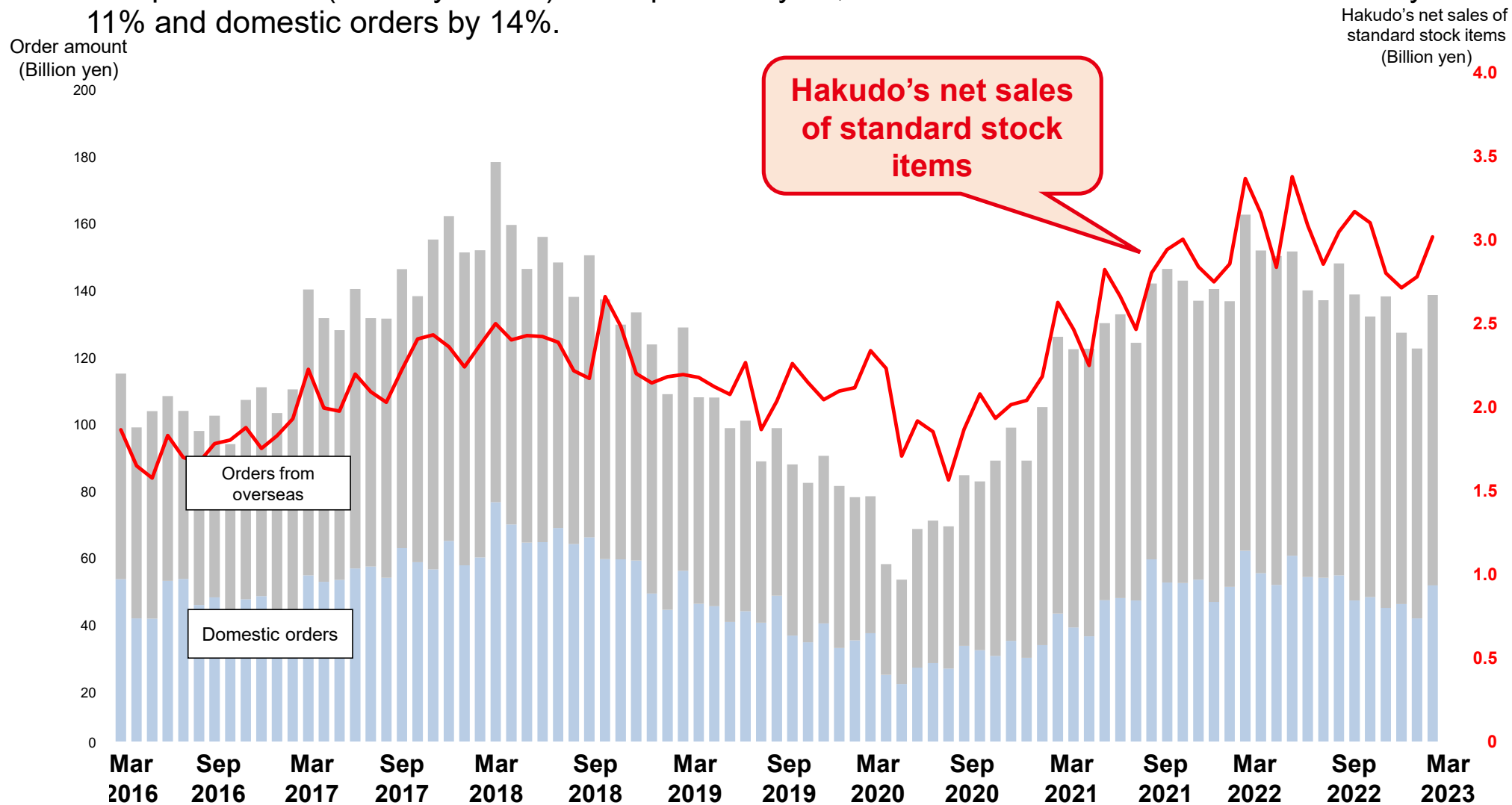


Source: Semiconductor Equipment Association of Japan - statistical data

# Business Environment (3)

## Comparison of Machine Tool Orders and Standard Stock Net Sales

- The value of machine tool orders has been in decline since peaking in March 2022.
- Compared to Q4 (January-March) in the previous year, orders from overseas have decreased by 11% and domestic orders by 14%.

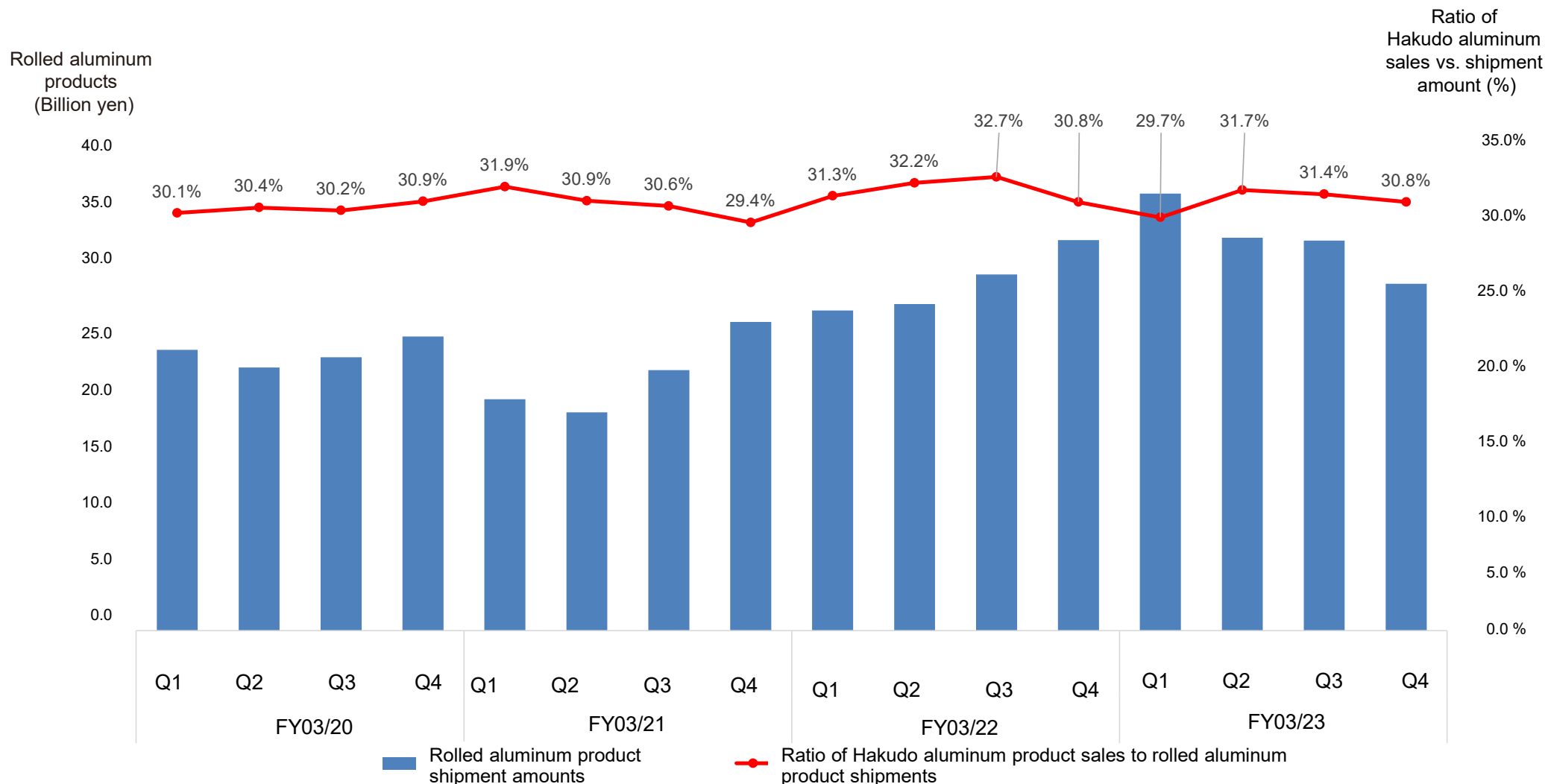


Source: Japan Machine Tool Builders' Association - machine tool orders statistics

# Business Environment (4)

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

- Hakuho aluminum product sales are  $\pm 30\%$  of rolled aluminum product shipment value.
- According to the FY2023 forecast from the Japan Aluminum Association regarding the demand for rolled aluminum products, demand is expected to remain steady, with little change from FY2022.



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

# FY03/24

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## Full-year Financial Forecasts

# Consolidated Full-year Financial Forecasts

- The semiconductor production equipment (SPE) industry, which significantly impacts our group's performance, is anticipated to continue its adjustment phase. Therefore, we forecast a YoY decrease in profits for FY03/24.
- However, we expect a rebound in semiconductor demand from 2H FY03/24 onwards, driven by advancements in EVs, IoT, digital transformation (DX), and AI. As a result, we expect to achieve the third-year targets of our medium-term management plan as planned.

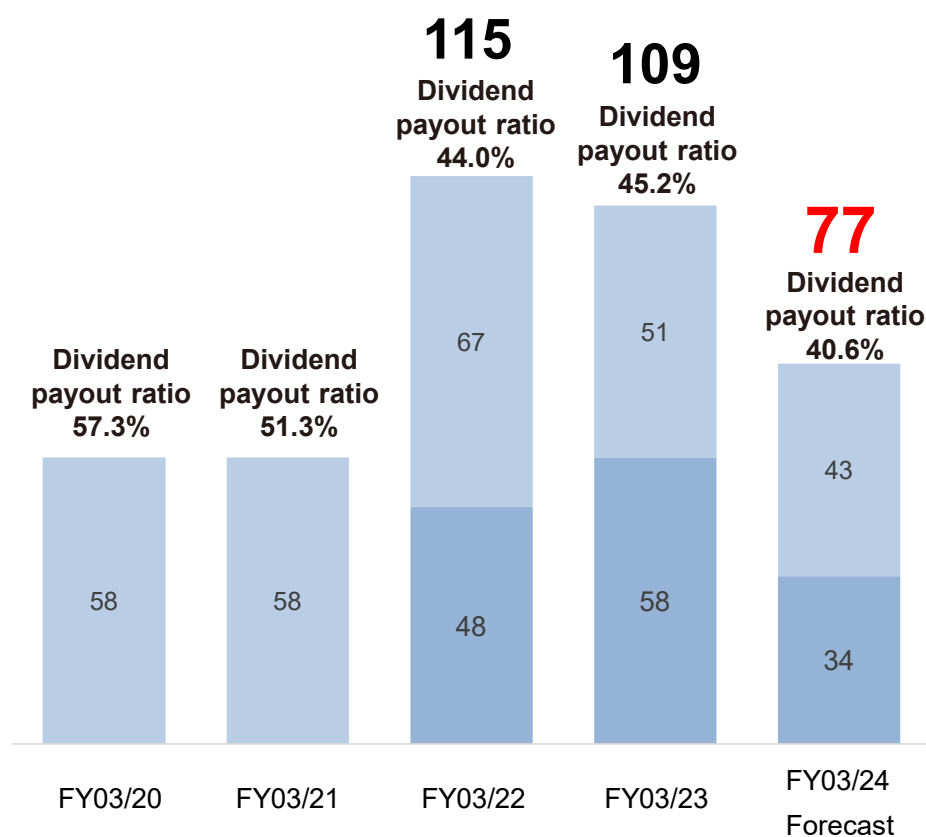
(Million yen)	FY03/23	Sales ratio	FY03/24 full-year forecast	Sales ratio	Rate of change vs. previous year's result	FY03/24 target of MTMP	FY03/25 target of MTMP
Net sales	61,602	-	63,200	-	2.6%	66,800	71,800
Operating profit	3,777	6.1%	2,970	4.7%	-21.4%	-	-
Ordinary profit	3,988	6.5%	3,180	5.0%	-20.3%	4,500	5,400
Inventory revaluation impact	505	-	0	-	-	-	-
Ordinary profit (Excluding inventories and foreign exchange impact)	3,463	5.6%	3,180	5.0%	-8.2%	-	-
Profit attributable to owners of parent	2,737	4.4%	2,150	3.4%	-21.5%	-	-

Note: Our full-year forecast for FY03/24 takes into account an inventory revaluation impact up to the end of Q1.

# Shareholder Returns (Dividends/Shareholder Benefits)

- For FY03/24, we forecast an annual dividend of JPY77 per share (a decrease of JPY32 YoY).

## Dividend Forecast for FY03/24



The lower section indicates the interim dividend, while the upper section represents the year-end dividend.

\*The dividend for FY03/22 includes a commemorative dividend of JPY9 per share.

## Shareholder Benefits Program

Since FY03/22, we have initiated a shareholder benefits program. This program targets shareholders listed on our records as of every September-end who own at least three units (300 shares). Depending on the number of shares held, we will grant corresponding points, which can be redeemed at our exclusive Hakudo Premium Benefit Club website, allowing shareholders to choose from a range of over 4,000 carefully selected items. Alternatively, these points can be converted into WILLs Coin, a common shareholder benefit currency that allows shareholders to consolidate their points from other companies participating in the premium benefit clubs, thereby offering a broader range of reward options.

Shareholder Benefit Points Chart (1 point is approximately equal to 1 yen)

Number of shares held	Awarded points	Distribution timing
Less than 300 shares	0	—
300-399 shares	3,000	Every November
400-499 shares	5,000	
500-599 shares	10,000	
600-999 shares	20,000	
1,000-1,999 shares	30,000	
2,000-2,999 shares	40,000	
3,000 shares or more	50,000	

Example of selected items



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# Progress of the First Year and Initiatives for Achieving the Medium-Term Management Plan

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# Review of the First Year of the Medium-term Management Plan (FY03/23)

- The first year of our medium-term management plan fell short across all items due to the slowdown of semiconductor production equipment (SPE) industry, our primary business driver, and a one-time expense of JPY126 million related to our acquisition of a stake in WCAS in Q4.
- However, despite these challenges, we achieved record-breaking sales driven by an increase in selling prices.

	FY03/23				Difference	Achievement rate
	Actual	Sales ratio	MTMP target	Sales ratio		
(Million yen)						
Net sales	61,602	-	62,100	-	-497	99.2%
Operating profit	3,777	6.1%	3,970	6.4%	-192	95.1%
Ordinary profit	3,988	6.5%	4,080	6.6%	-91	97.8%
Inventory revaluation impact	505	-	118	-	387	-
Ordinary profit (excluding inventories and foreign exchange impact)	3,463	5.6%	3,962	6.4%	-498	87.4%
Profit attributable to owners of parent	2,737	4.4%	2,860	4.6%	-122	95.7%



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

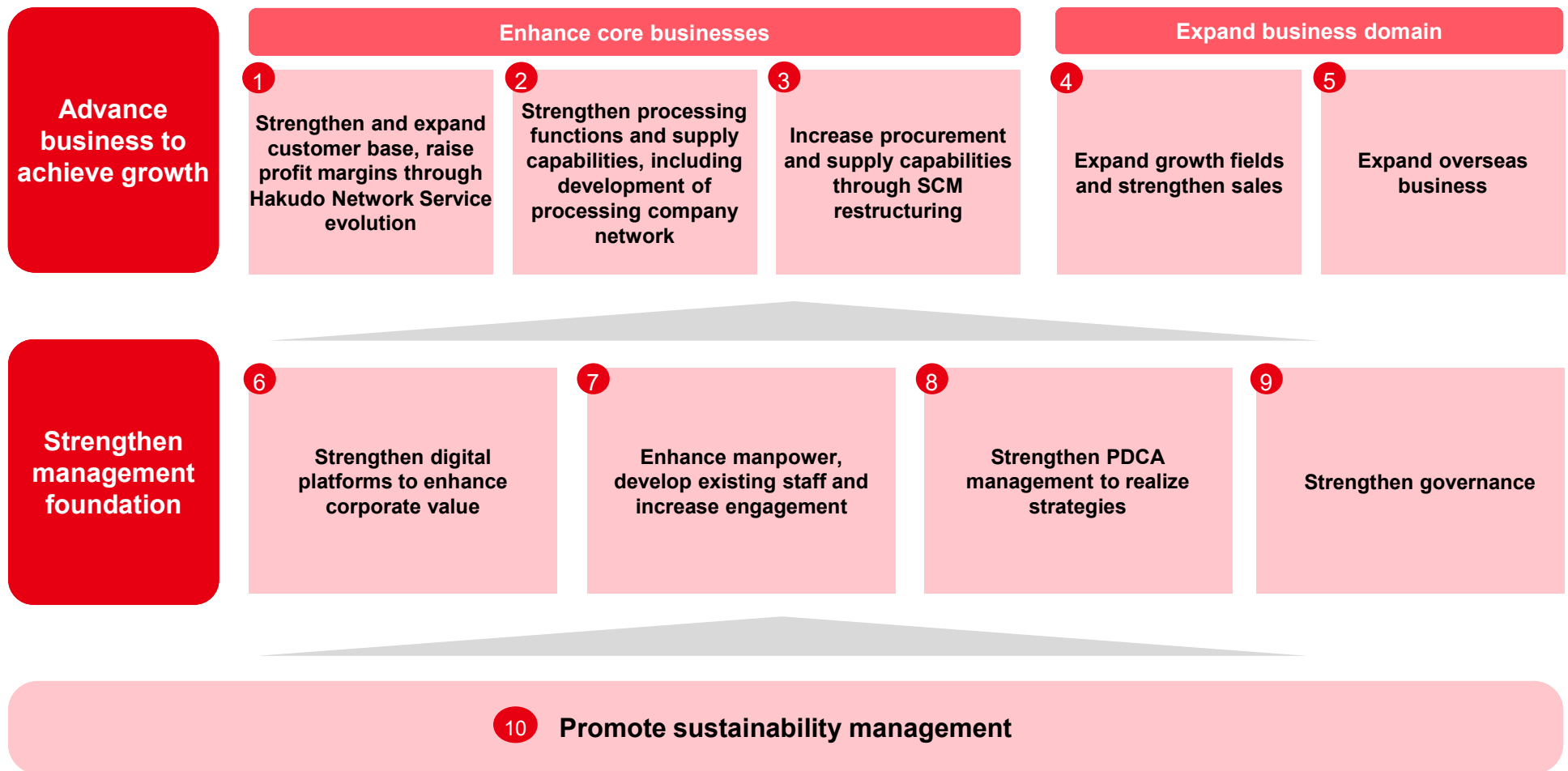
Hakudo aims to achieve management targets for net sales and ordinary profit growth, as well as ROIC and operating cash flow targets, which are key financial planning indicators, and return profits to shareholders.

	FY03/22 results	FY03/23 results	FY03/24 forecast	FY03/25 target
<b>Management targets</b>	Net sales	55.4 billion yen	61.6 billion yen	63.2 billion yen → <b>71.8 billion yen</b>
	Ordinary profit	4.3 billion yen	3.9 billion yen	3.1 billion yen → <b>5.4 billion yen</b>
<b>Key financial indicators</b>	ROIC	15 %	12 %	9% → <b>15 %</b>
	Operating cash flow	4.5 billion yen	0.3 billion yen	4.7 billion yen → <b>4.7 billion yen</b>
<b>Shareholder returns</b>	Dividend payout ratio	44.0 % (includes 3.4% from commemorative dividend)	45.2 %	40.6 % → <b>40.0 %</b>

# 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

# Review of Initiatives from the First Year of the Medium-Term Management Plan (FY03/23)

- We executed various key strategies aimed at amplifying the effectiveness of Hakudo's network services and bolstering our supply capacity. This involved initiatives such as commencing e-commerce operations at our overseas subsidiaries and introducing an automatic inspection and packing system at our Shiga factory.
- In our pursuit to broaden our global footprint, we established Hakudo USA Inc. in December 2022 and successfully acquired a stake in WCAS by March of the following year. These steps illustrate our proactive strategy for overseas expansion.

Date	Implementation status of initiatives	Related key strategic policies
April 2022	<ul style="list-style-type: none"> <li>✓ Established a new Overseas Sales Department within the Special Order Products Sales Division.</li> <li>✓ Reorganized the Sales Division, consolidating customers from growth fields (semiconductor, automotive, aerospace) into specific departments.</li> </ul>	<ul style="list-style-type: none"> <li>④ Expand growth fields and strengthen sales</li> <li>⑤ Expand overseas business</li> </ul>
May	<ul style="list-style-type: none"> <li>✓ Publicly announced Hakudo's Medium-Term Management Plan (FY2022-FY2024) for the first time.</li> </ul>	<ul style="list-style-type: none"> <li>⑧ Strengthen PDCA management to realize strategies</li> </ul>
June	<ul style="list-style-type: none"> <li>✓ Introduced an automatic inspection and packing system at our Shiga Factory.</li> </ul>	<ul style="list-style-type: none"> <li>② Strengthen processing functions and supply capabilities, including development of processing company network</li> </ul>
July	<ul style="list-style-type: none"> <li>✓ Obtained a company-wide certification for JIS Q9100, an internationally recognized quality management standard for the aerospace industry.</li> </ul>	<ul style="list-style-type: none"> <li>④ Expand growth fields and strengthen sales</li> </ul>
October	<ul style="list-style-type: none"> <li>✓ Implemented standardization of domestic aluminum products and revised the roll margin.</li> <li>✓ Launched a cashback campaign for using Hakudo's Network Service</li> </ul>	<ul style="list-style-type: none"> <li>① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution</li> </ul>
December	<ul style="list-style-type: none"> <li>✓ Created individual annual training plans and held explanatory meetings for all employees.</li> </ul>	<ul style="list-style-type: none"> <li>⑦ Enhance manpower, develop existing staff and increase engagement</li> <li>⑩ Promote sustainability management</li> </ul>
December	<ul style="list-style-type: none"> <li>✓ Established Hakudo USA Inc., a wholly-owned subsidiary of Hakudo, in California, USA.</li> </ul>	<ul style="list-style-type: none"> <li>⑤ Expand overseas business</li> </ul>
December	<ul style="list-style-type: none"> <li>✓ The Risk Management Committee and the IT System Department of the Corporate Administration Division received certification for JIS Q27001, a standard for information security management systems.</li> </ul>	<ul style="list-style-type: none"> <li>⑨ Strengthen governance</li> </ul>
January 2023	<ul style="list-style-type: none"> <li>✓ Started using the e-commerce sales system at Hakudo's subsidiary in Thailand, Hakudo (Thailand) CO., LTD.</li> </ul>	<ul style="list-style-type: none"> <li>① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution</li> <li>⑥ Strengthen digital platforms to enhance corporate value</li> </ul>
March	<ul style="list-style-type: none"> <li>✓ Hakudo USA acquired a stake in West Coast Aluminum &amp; Stainless, LLC.</li> </ul>	<ul style="list-style-type: none"> <li>⑤ Expand overseas business</li> </ul>
April	<ul style="list-style-type: none"> <li>✓ Integrated and restructured the Administration Division and the Corporate Planning Division to establish a new Corporate Administration Division.</li> <li>✓ Established a new ESG &amp; SDGs Promotion Office dedicated to advancing ESG and SDGs.</li> </ul>	<ul style="list-style-type: none"> <li>⑨ Strengthen governance</li> <li>⑩ Promote sustainability management</li> </ul>

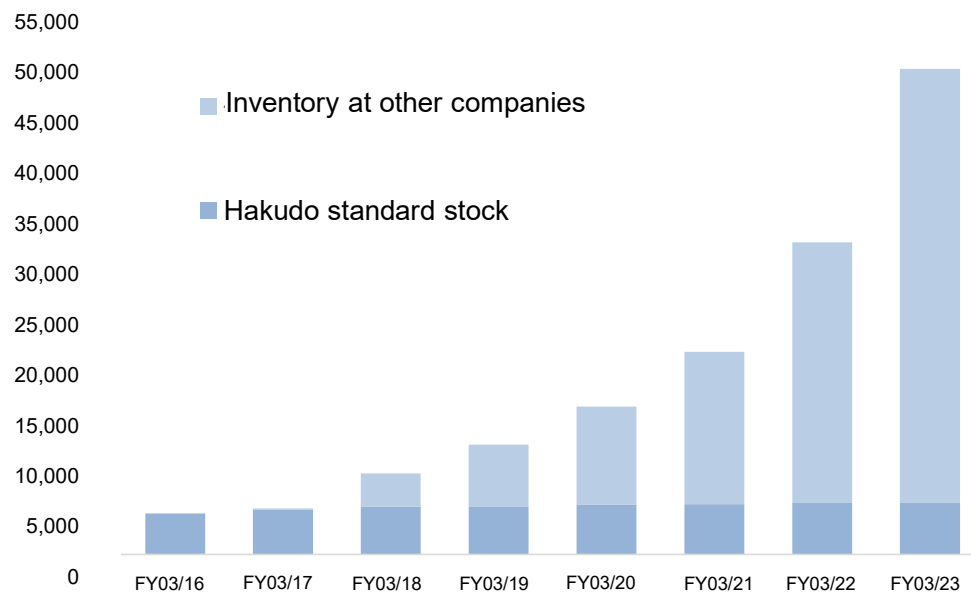
# Implementation Status of Key Strategic Policies (1)

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

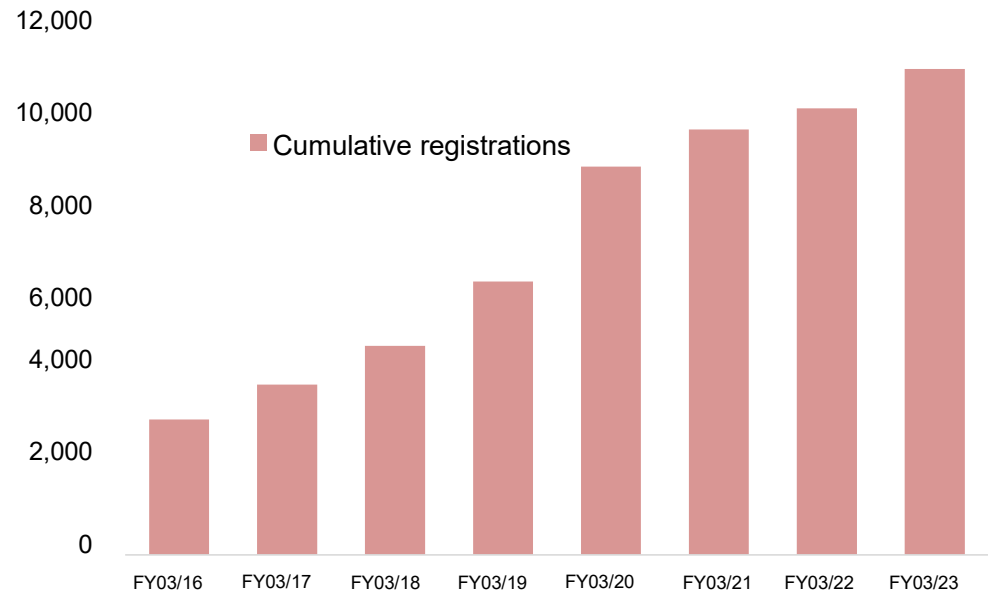
- Expanding number of handled items (mainly from other companies' inventory). Hakudo standard stock items combined with other company item inventories enable the use of approximately 50,900 items as of end-March
- Companies registered with Hakudo Network Service increased to about 11,000 companies as of end-March
- 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

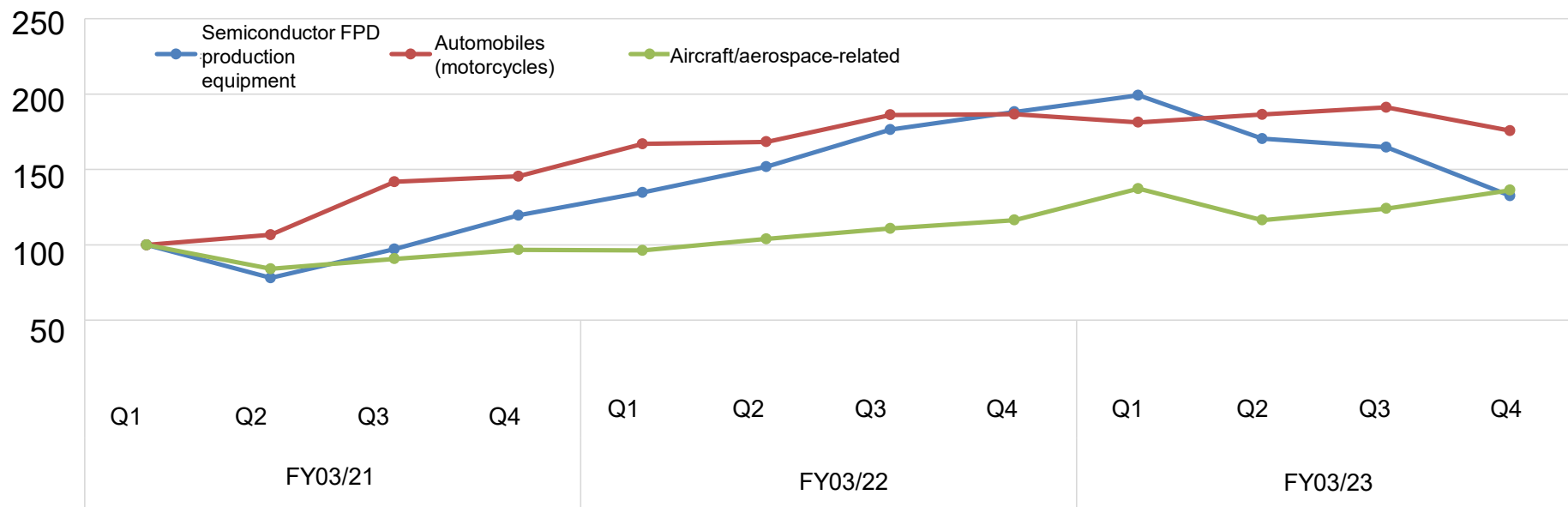


# Implementation Status of Key Strategic Policies (2)

## (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 (commenced operations in April 2023)
- ◆ Semiconductor domain
  - Establish a method for accumulating industry knowledge through consolidation of semiconductor-related sales partners
- ◆ 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

# Implementation Status of Key Strategic Policies (3)

## (3) Overseas business expansion

- In March 2023, our wholly-owned subsidiary, Hakudo USA Inc., acquired a stake in WCAS, making it a subsidiary.
- We forecast that by FY03/24, we will achieve ahead of time our target of overseas sales constituting 12% of the Hakudo Group's total sales, a goal originally set for FY03/25.

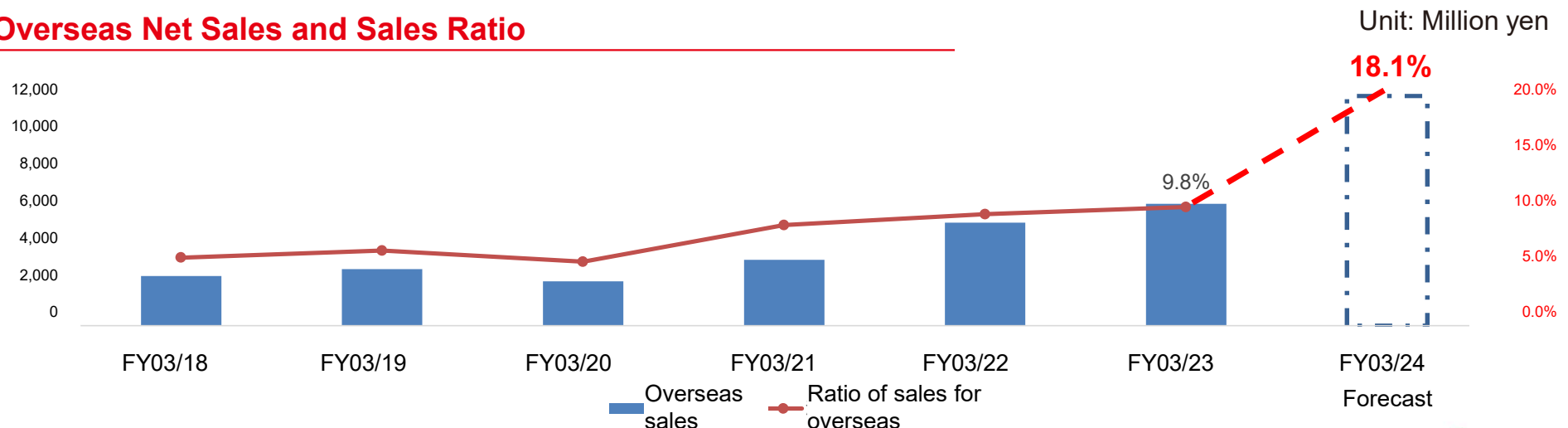
### Overview of WCAS

Location	16431 Carmenita Road Cerritos, CA 90703
CEO	Robert Lampi
Number of employees (as of April 2023)	13
Business description	Distribution of aluminum and stainless steel sheets
Sales composition by product	Approx. 50% stainless steel, approx. 30% aluminum
Future direction	Given their focus on sheet sales, WCAS aims to expand by incorporating Hakudo's product offerings, particularly in plate processing and sales. The adoption of Hakudo's e-commerce system is also anticipated to drive synergies, including sales channel expansion and cost reduction.

### Capital Structure Diagram



### Overseas Net Sales and Sales Ratio



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

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# Planned Initiatives for FY03/24

- The main initiatives in line with our key strategic policies for FY03/24 are as shown below.
- We aim to achieve our medium-term management plan by increasing sales through overseas business expansion and improving profit margins with the evolution of Hakudo Network Service.

Key Strategic Policies		Planned Initiatives for FY03/24 (Excerpt)
Advance business to achieve growth	① Strengthen and expand customer base, raise profit margins through Hakudo Network Service evolution	<ul style="list-style-type: none"> <li>✓ Increase the variety of items offered, with a goal of growing gross profit</li> <li>✓ Boost the number of Hakudo Network Service (including CS Network Service) users</li> <li>✓ Launch e-commerce services in our overseas subsidiaries</li> </ul>
	② Strengthen processing functions and supply capabilities, including development of processing company network	<ul style="list-style-type: none"> <li>✓ Enhance our blueprint processing services and implement automatic quotation features</li> <li>✓ Improve our processing services, utilizing tools like water jet cutters and wire cutting machines</li> </ul>
	③ Increase procurement and supply capabilities through SCM restructuring	<ul style="list-style-type: none"> <li>✓ Introduce additional automated machinery to save manpower and standardize factory operations</li> </ul>
	④ Expand growth fields and strengthen sales	<ul style="list-style-type: none"> <li>✓ Conduct customer feedback sessions and relay their needs to manufacturers</li> <li>✓ Pursue industry-wide sales expansion by leveraging new processing equipment</li> </ul>
	⑤ Expand overseas business	<ul style="list-style-type: none"> <li>✓ Expand our US subsidiary's operations and carry out post-merger integration (PMI) with WCAS</li> <li>✓ Explore potential investment opportunities in South Korea and Taiwan</li> </ul>
Strengthen management foundation	⑥ Strengthen digital platforms to enhance corporate value	<ul style="list-style-type: none"> <li>✓ Optimize operational efficiency using Robotic Process Automation (RPA) and the Internet of Things (IoT)</li> </ul>
	⑦ Enhance manpower, develop existing staff and increase engagement	<ul style="list-style-type: none"> <li>✓ Reevaluate our human resources systems</li> <li>✓ Enrich our employee benefits program to enhance employee satisfaction</li> </ul>
	⑧ Strengthen PDCA management to realize strategies	<ul style="list-style-type: none"> <li>✓ Compile and disclose an integrated report</li> </ul>
	⑨ Strengthen governance	<ul style="list-style-type: none"> <li>✓ Extend the range of our JIS Q27001 certification coverage</li> </ul>



# Progress in 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.
- We plan to include our efforts towards climate change mitigation and human capital management in our securities report scheduled to be released in June 2023.

Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	FY03/23 Efforts
<b>1. Reducing environmental impact and responding to climate change</b>	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"> <li>CO2 emissions</li> </ul>	<ul style="list-style-type: none"> <li>Planned solar power installation at the Shiga Factory</li> <li>Planned purchase of FIT non-fossil certificates</li> </ul>
	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"> <li>Energy consumed</li> <li>Freight cost reduction rates</li> <li>Waste disposal costs</li> <li>Manufacturing department consumable costs</li> </ul>	<ul style="list-style-type: none"> <li>Implemented activities to improve delivery efficiency by restructuring the distribution network</li> <li>Reduced standby power consumption of facilities</li> </ul>
	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"> <li>Office printing costs</li> </ul>	<ul style="list-style-type: none"> <li>Decreased printing expenses for meeting materials through digitization</li> </ul>
<b>2. Building responsible supply chains</b>	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"> <li>Environment-friendly product sales volumes</li> </ul>	<ul style="list-style-type: none"> <li>Created and distributed environment-friendly product flyers at exhibitions</li> </ul>
	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"> <li>Number of MOUs exchanged with suppliers complying with the Green Procurement Guidelines</li> <li>Green procurement rates</li> </ul>	<ul style="list-style-type: none"> <li>Conducted MOU exchanges with multiple business partners</li> </ul>
	Strengthen relationships with suppliers	Contribute to society by cooperating with suppliers and implementing CO2 reduction measures, and promoting CO2 reductions throughout the supply chain.	<ul style="list-style-type: none"> <li>Green aluminum suppliers discovered</li> <li>Recycled aluminum suppliers discovered</li> </ul>	<ul style="list-style-type: none"> <li>Identified potential green aluminum suppliers and commenced negotiations</li> </ul>
	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"> <li>Formulation of internal human rights policies</li> </ul>	<ul style="list-style-type: none"> <li>Planned to establish a human rights policy as a part of human rights due diligence</li> </ul>
<b>3. Activities targeting society</b>	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 development in Japan.	<ul style="list-style-type: none"> <li>Number of industry-academia collaboration projects</li> </ul>	<ul style="list-style-type: none"> <li>Visited university research exhibitions and explored opportunities for new collaborative initiatives</li> </ul>
	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"> <li>Amount of donations to local communities and organizations</li> </ul>	<ul style="list-style-type: none"> <li>Installed donation-based vending machines within the company</li> <li>Implemented donations to municipalities and organizations</li> </ul>

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



# Progress in Sustainability Management (2/2)



Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	FY03/23 Efforts
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"> <li>● Attrition rates</li> <li>● Paid leave acquisition rates</li> <li>● Number of significant near-miss incidents</li> </ul>	<ul style="list-style-type: none"> <li>✓ Explored strategies to prevent employee resignations due to child-rearing or caregiving responsibilities</li> <li>✓ Developed preliminary plans for enhancing employee welfare benefits</li> <li>✓ Preemptively prevented near-miss incidents through workplace inspections</li> </ul>
	Promote diversity	Increase organizational productivity and competitiveness by hiring and utilizing diverse human resources.	<ul style="list-style-type: none"> <li>● Female employee ratios</li> <li>● Female manager ratios</li> </ul>	<ul style="list-style-type: none"> <li>✓ Considered implementing training and development programs for female managers and potential female managers</li> </ul>
	Enhance employee education	Provide knowledge and skills necessary for business operations, and opportunities to acquire knowledge and skills.	<ul style="list-style-type: none"> <li>● Education costs per employees</li> <li>● Training participation rates</li> </ul>	<ul style="list-style-type: none"> <li>✓ Identified areas of improvement in skills map and completed a revision of our training system</li> </ul>
5. Corporate governance	Zero violations	Conduct education aiming for zero tolerance.	<ul style="list-style-type: none"> <li>● Zero compliance violations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Executed compliance training sessions</li> </ul>
	Confirm policy compliance status	Ensure compliance with each policy *Current policies and basic principles are as follows: <ul style="list-style-type: none"> <li>• Privacy Policy</li> <li>• Basic Policy on Corporate Governance</li> <li>• Basic Policy on Sustainability</li> <li>• Basic Policy on Disclosure</li> </ul>	<ul style="list-style-type: none"> <li>● Confirmation of compliance with the aforementioned policies</li> </ul>	<ul style="list-style-type: none"> <li>✓ Conducted information security study meetings</li> </ul>
	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"> <li>● Risk assessment points</li> <li>● Number of disaster preparedness drills conducted</li> </ul>	<ul style="list-style-type: none"> <li>✓ Carried out company-wide safety confirmation drills</li> <li>✓ Conducted disaster preparedness training at all business locations</li> </ul>
6. Internal dissemination activities of the ESG/SDGs Management Committee	Promote internal dissemination activities	Enhance the company-wide consciousness towards ESG/SDGs by conducting educational activities and events related to ESG/SDGs.	<ul style="list-style-type: none"> <li>● Employee engagement rate with ESG/SDGs (assess via regular surveys)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Distributed and delivered ESG/SDGs-related posters, books, and videos</li> <li>✓ Distributed SDGs badges to employees</li> <li>✓ Held in-house contests at Hakudo for sustainability-themed personal stories and poster designs.</li> <li>✓ Introduced thank-you cards (from April 2023 onwards)</li> </ul>

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 April 2023, the farm had four employees and grows about 40 varieties of mainly leafy vegetables.

Furthermore, in May 2023, we plan to establish a second Hakudo Farm in Misato City, Saitama Prefecture, and hire eight additional 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.

The materials for the Shita-machi Bobsleigh are supplied by Hakudo at no cost. The bobsleigh that was made with these materials secured the 19th spot in the World Championships held in January 2023.

(Photo credit: International Bobsleigh & Skeleton Federation)

\*Prepared based on information as of April 30, 2023.

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# Thank you very much for your attention.

## ■ 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 QR codes to follow Hakudo online!



## ■ Disclaimer

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

Hakudo Co., Ltd. Management Planning Section

E-mail address: [hkdkeiki@hakudo.co.jp](mailto:hkdkeiki@hakudo.co.jp)

Website: [www.hakudo.co.jp](http://www.hakudo.co.jp)