

Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024

Hakudo Co., Ltd. (7637)

November 9, 2023

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Q2 FY03/24 Results

Result Highlights

Net sales

28,709 million yen
(down 9.6% YoY)

Gross profit

4,561 million yen
(down 15.6% YoY)

Ordinary profit

1,419 million yen
(down 39.8% YoY)

Q2 FY03/24 Summary

Net sales

- Sales decreased due to continued stagnation in the semiconductor production equipment (SPE) industry. Sales decreased by 9.6% YoY to JPY28,709 million.
- Sales (JPY2,321million) in North America were added from the current consolidated fiscal year, and sales in the overseas segment increased by JPY2,123 million YoY.

Gross profit

- Gross profit decreased by 15.6% YoY to JPY4,561 million due to lower sales and due to the impact of a decrease (JPY355 million) in inventory valuation gain.

Ordinary profit

- Ordinary profit decreased by 39.8% YoY to JPY1,419 million despite the recognition of Non-operating profit such as dividend income and foreign exchange gains, due to increased freight, labor, and other costs.

Summary of Consolidated Statements of Income (PL)

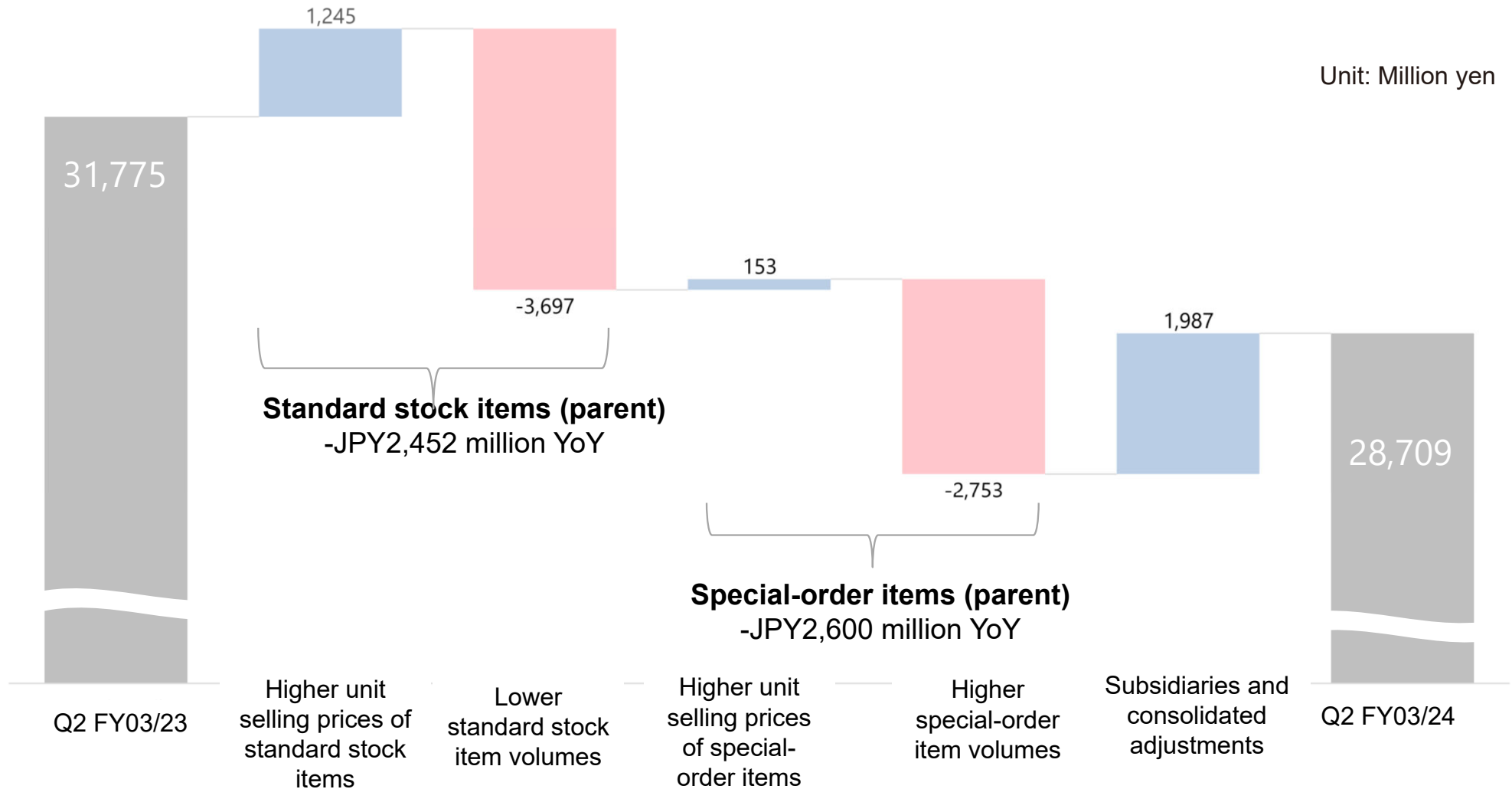
- Net sales decreased by JPY3,066 million YoY due to the impact of a decrease in sales volume caused by the continued stagnation in the semiconductor production equipment (SPE)
- Ordinary profit decreased by JPY940 million YoY due to an increase in various costs and a decrease in the impact of inventory valuation.

Unit: Million yen

	Q2 FY03/23	Sales ratio	Q2 FY03/24	Sales ratio	YoY Change (rate)	YoY Change (amount)
Net sales	31,775	-	28,709	-	-9.6%	-3,066
Standard stock items	19,245	60.6%	17,121	59.6%	-11.0%	-2,124
Special-order items	12,529	39.4%	11,587	40.4%	-7.5%	-942
Gross profit	5,402	17.0%	4,561	15.9%	-15.6%	-841
Operating profit	2,221	7.0%	1,220	4.3%	-45.1%	-1,001
Ordinary profit	2,359	7.4%	1,419	4.9%	-39.8%	-940
Inventory revaluation impact	371	1.2%	16	0.1%	-95.6%	-355
Foreign exchange losses/gains	44	0.1%	49	0.2%	11.1%	4
Ordinary profit (Excluding inventories and foreign exchange impact)	1,944	6.1%	1,354	4.7%	-30.3%	-590
Profit attributable to owners of parent	1,643	5.2%	985	3.4%	-40.1%	-658

Factors Affecting Year-on-Year Change in Net Sales

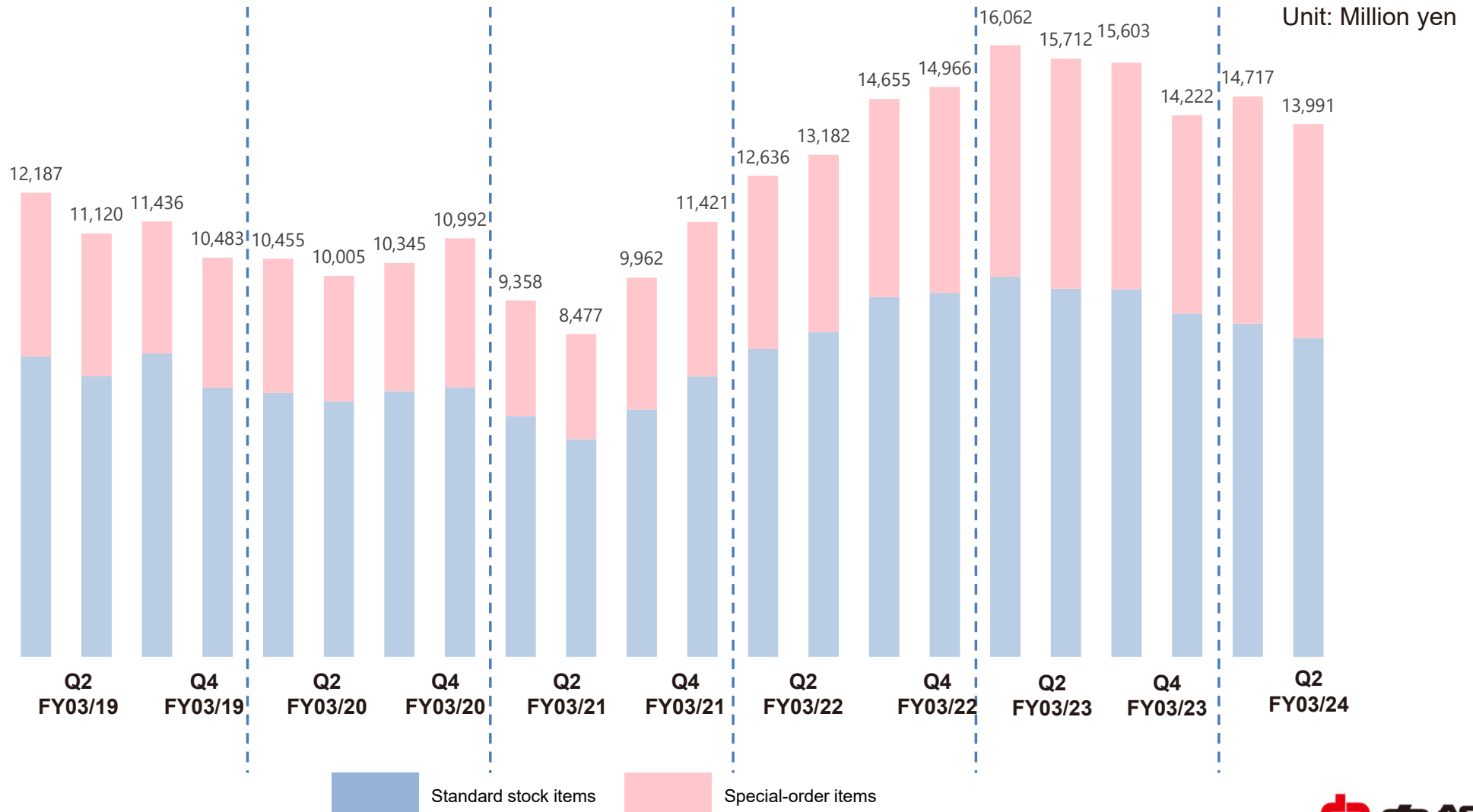
- Unit sales prices of both Standard stock items and Special-order items increased, but the impact of a drop in sales volume was significant, decreasing JPY3,066 million YoY.



For Hakudo's individual standard stock items: sales volume -19% YoY, selling price +8% YoY

Quarterly Sales Trends

- Despite the addition of sales in North America starting from the current consolidated fiscal year, recent sales have been on a downward trend, mainly due to declining sales to the semiconductor production equipment(SPE) industry.



Net Sales by Product Category

- Sales of Copper and Stainless steel increased on a QoQ basis
- Mainstay aluminum products declined by 18.6% YoY due to lower sales to the semiconductor manufacturing equipment industry. Overall sales declined by 11.0% on a QoQ basis.

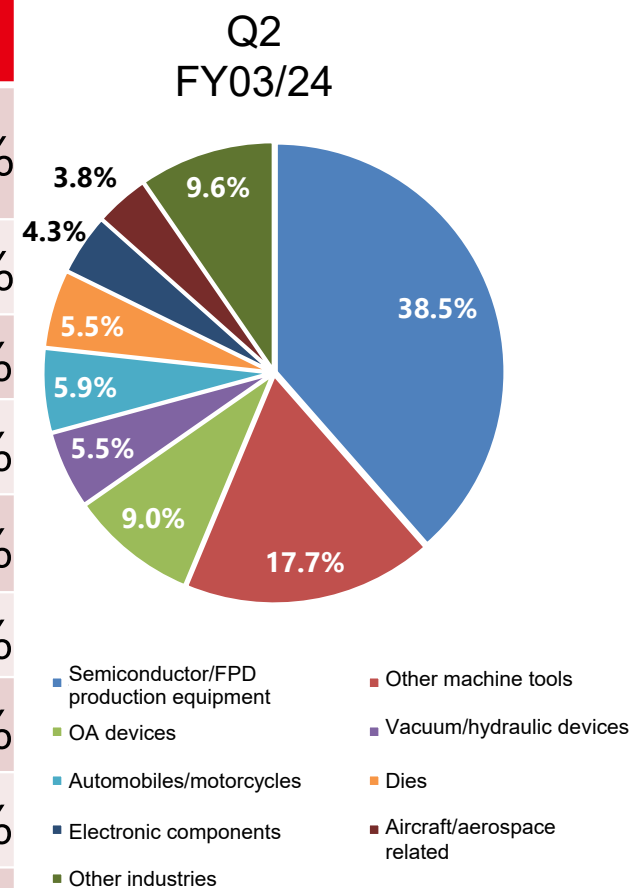
Unit: Million yen

	FY03/23				FY03/24		Vs. Q2 FY03/23
	Q1	Q2	Q3	Q4	Q1	Q2	
Consolidated net sales	16,062	15,712	15,603	14,222	14,717	13,991	-11.0%
Aluminum	10,694	10,249	10,076	8,800	9,060	8,339	-18.6%
Copper	2,106	2,010	2,134	2,248	2,138	2,024	0.7%
Stainless steel	2,565	2,607	2,632	2,414	2,830	2,971	14.0%
Others	696	844	761	759	687	655	-22.4%

Composition Ratio of Net Sales by Industry (Japan)

- Sales ratio for Semiconductor/FPD production equipment industry declined significantly QoQ.
- Automobiles/motorcycles industry and Aircraft/aerospace industry saw increases in both sales composition ratio and sales amount compared to the 2Q period of the previous fiscal year.

	Q1 FY03/23	Q2 FY03/23	Q3 FY03/23	Q4 FY03/23	Q1 FY03/24	Q2 FY03/24
Semiconductor/ FPD production equipment	47.2%	45.0%	43.0%	37.5%	39.3%	38.5%
Other machine tools	15.0%	15.4%	15.5%	17.3%	17.7%	17.7%
OA devices	8.6%	7.8%	8.6%	9.9%	8.9%	9.0%
Vacuum/hydraulic devices	6.5%	6.9%	7.8%	7.4%	7.1%	5.5%
Automobiles/ motorcycles	4.3%	4.9%	4.9%	4.9%	4.7%	5.9%
Dies	4.1%	4.7%	5.2%	5.6%	4.8%	5.5%
Electronic components	3.7%	4.1%	4.0%	4.3%	4.1%	4.3%
Aircraft/aerospace related	3.1%	2.9%	3.1%	3.7%	4.4%	3.8%
Other industries	7.6%	8.3%	7.8%	9.3%	9.0%	9.6%



Financial Performance by Segment

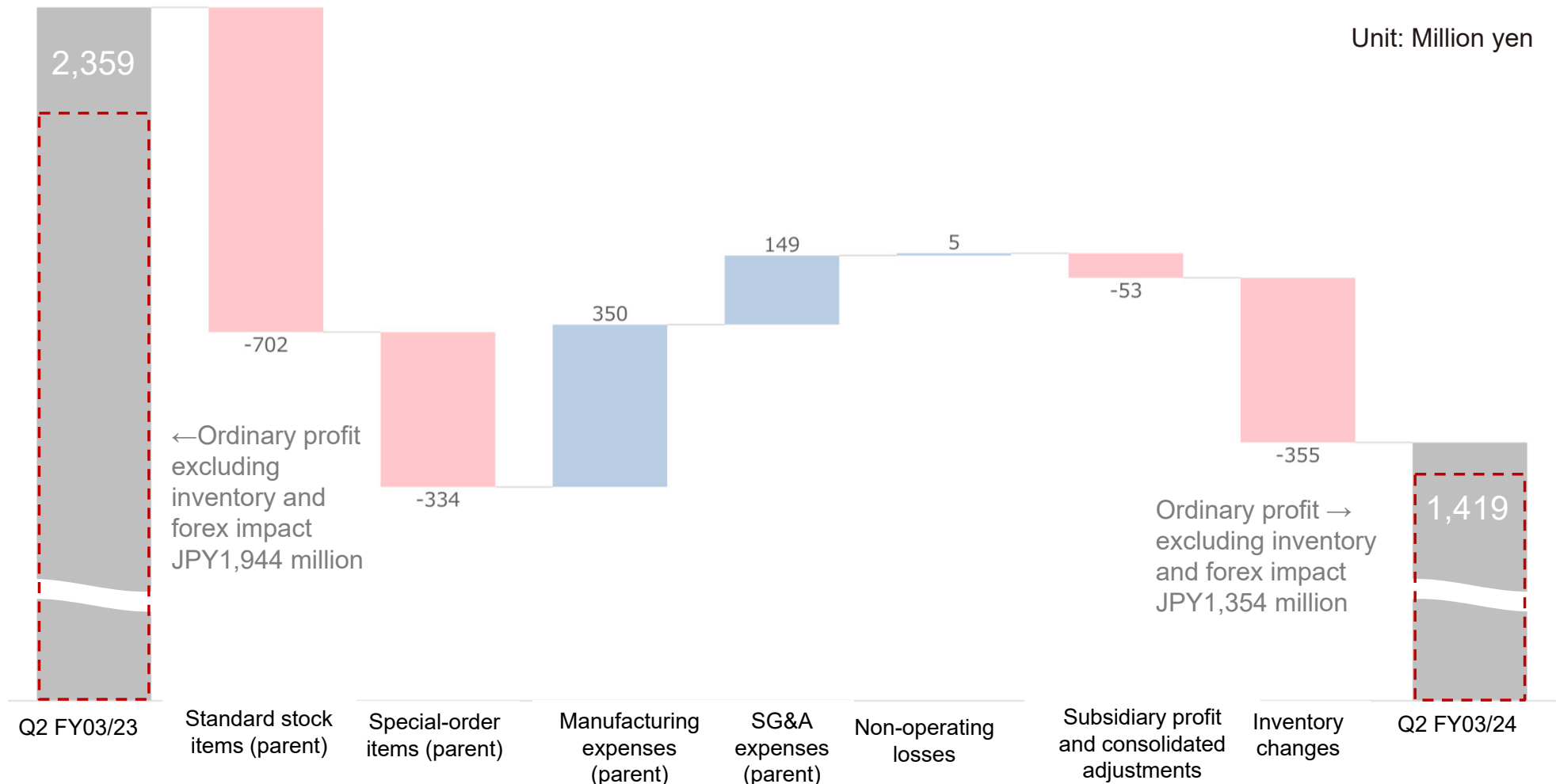
- Sales of West Coast Aluminum & Stainless, LLC acquired in March 2023 are recorded in North America segment, contributing to an increase in overseas sales. Currently, there has been an operating loss incurred due to acquisition costs, etc., but this is expected to recover in the near future. Net profit attributable to owners of parent company was JPY14 million, mainly due to a foreign exchange gain of JPY62 million resulting from inter-company loan between the parent and subsidiaries denominated in JPY.
- In China, both domestic and foreign demand was weak, resulting in a recurring loss of JPY2 million.

Unit: Million yen

	Q2 FY03/23				Q2 FY03/24			
	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	30,305	2,145	2,267	1,570	25,115	1,211	1,343	908
North America	-	-	-	-	2,321	-54	-1	14
China	876	10	26	19	614	-17	-2	-1
Other	593	65	65	52	658	80	80	64

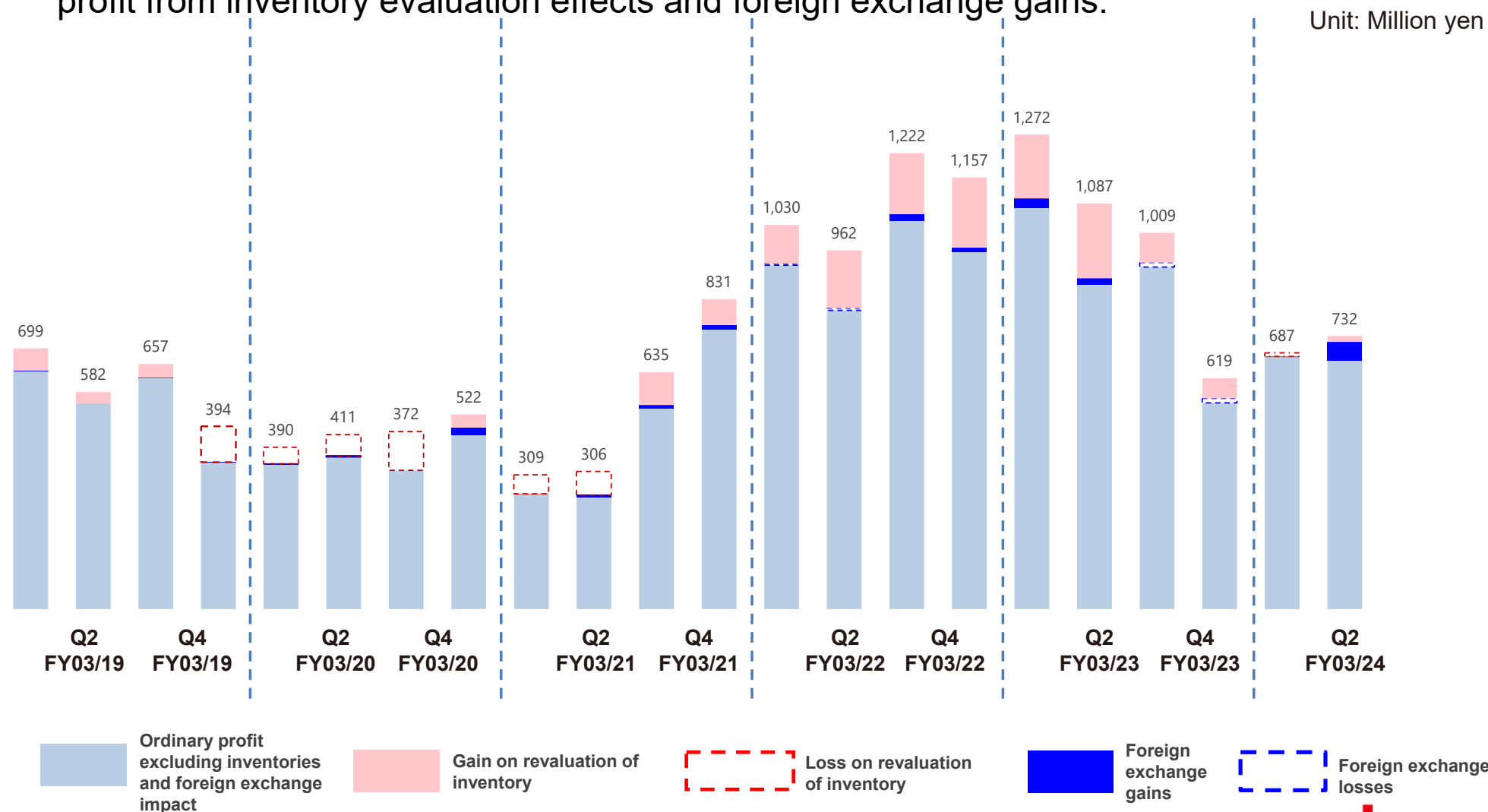
Factors Affecting Year-on-Year Change in Ordinary Profit

- Profits decreased due to the impact of a drop in sales volumes of both Standard stock items and Special-order items.
- Ordinary profit declined by JPY940 million YoY due to higher costs per sales volume(KG), such as freight and energy costs, and lower inventory evaluation impact.



Quarterly Ordinary Profit Trends

- Ordinary profit in Q2 FY03/24 declined by JPY355 million QoQ due to lower sales volume caused by stagnation in the semiconductor production equipment (SPE) industry .
- Compared to the Q1 and Q2 of FY03/24, the profit increased by JPY45 million due to the profit from inventory evaluation effects and foreign exchange gains.



Balance Sheet (BS)

- Inventories decreased by JPY706 million from the end of March 2023 due to a progress in inventory reduction.
- Cash and deposits decreased by JPY1,314 million due to capital expenditures, income tax payments, and dividend payments.

Unit: Million yen

Assets	As of March 31, 2023	Composition ratio	As of Sep 30, 2023	Composition ratio	Change
Current assets	33,829	78.4%	31,220	76.4%	-2,609
Cash and deposits	6,038	14.0%	4,724	11.6%	-1,314
Notes and accounts receivable – trade (Including electronically recorded monetary claims - operating) Inventories	16,835	39.0%	16,362	40.1%	-473
Inventories	10,631	24.6%	9,925	24.3%	-706
Other current assets	324	0.8%	208	0.5%	-115
Non-current assets	9,319	21.6%	9,622	23.6%	+302
Property, plant and equipment	6,250	14.5%	6,362	15.6%	+112
Intangible assets	1,413	3.3%	1,476	3.6%	+62
Investments and other assets	1,655	3.8%	1,783	4.4%	+127
Total assets	43,149	100.0%	40,842	100.0%	-2,307
Liabilities and net assets	As of March 31, 2023	Composition ratio	As of Sep 30, 2023	Composition ratio	Change
Current liabilities	21,768	50.4%	18,809	46.1%	-2,958
Notes and accounts payable – trade (Including electronically recorded obligations – operating)	19,020	44.1%	16,375	40.1%	-2,645
Accrued expenses	860	2.0%	753	1.8%	-106
Income taxes payable	579	1.3%	498	1.2%	-80
Other current liabilities	1,308	3.0%	1,181	2.9%	-126
Non-current liabilities	151	0.4%	150	0.4%	-1
Total liabilities	21,920	50.8%	18,959	46.4%	-2,960
Net assets	21,229	49.2%	21,882	53.6%	+653
Total liabilities and net assets	43,149	100.0%	40,842	100.0%	-2,307

Current assets: Down JPY2,609 million

- Decrease in cash due to acquisition of equity interest in WCAS and dividend increase
- Decrease in inventories due to inventory procurement, which has been strategically increased.

Non-current assets: Up JPY302 million

- Increase in property, plant and equipment due to purchase of machinery and equipment.
- Increase in investments and other assets due to an increase of shares of Oristar Corporation, Vietnam related company, by share dividends.

Current liabilities: Down JPY2,958 million

- Decrease in notes and accounts payable-trade due to lower sales

Non-current liabilities: Down JPY1 million

Net assets: Up JPY653 million

Cash Flows

- Cash flow from operating activities was +JPY119 million , mainly due to a decrease in notes and accounts payable-trade resulting from lower sales, despite a decrease in inventories.
- Cash flows from investing activities was -JPY623 million , mainly due to capital and IT investments in Japan.
- Cash flows from financing activities was -JPY873 million , mainly due to dividend payments and repayment of long-term loans of JPY369 million by a US subsidiary.

Unit: Million yen

	Q2 FY03/23	Q2 FY03/24
Cash flows from operating activities	211	119
Cash flows from investing activities	-290	-623
Cash flows from financing activities	-759	-873
Effect of exchange rate change on cash and cash equivalents	46	63
Cash and cash equivalents at end of period	7,883	4,724

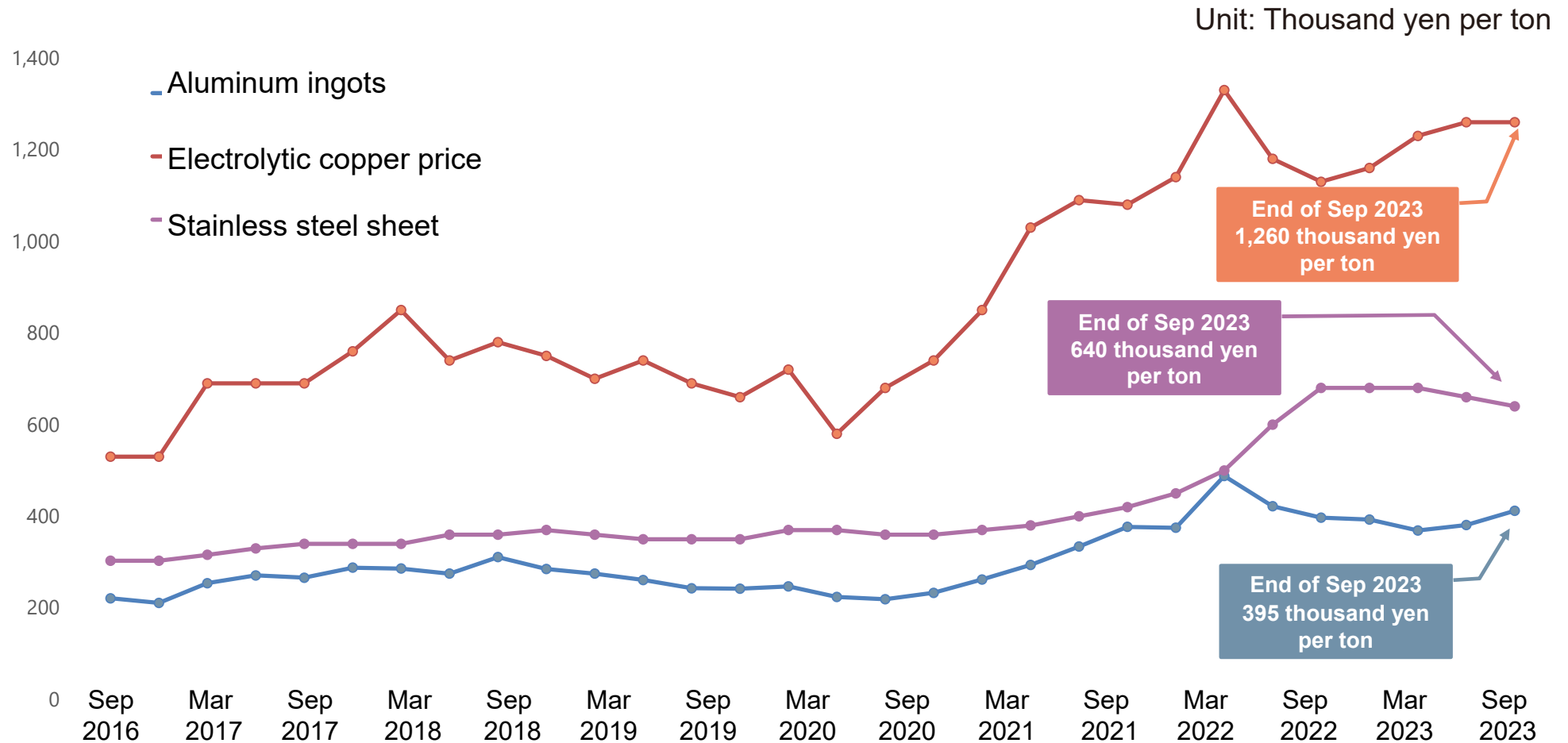
<Main Breakdown>

- ① **Cash flows from operating activities +JPY119 million**
- Profit before tax adjustments : +JPY1,419 million
 - Depreciation : +JPY485 million
 - Amortization of goodwill : +JPY20 million
 - Decrease (increase) in notes and accounts receivable-trade : +JPY549 million
 - Decrease (increase) in inventories : +JPY796 million
 - Increase (decrease) in notes and accounts payable-trade : -JPY2,720 million
 - Income tax payments : -JPY525 million
- ② **Cash flows from investing activities -JPY623 million**
- Payments for purchase of property, plant and equipment : -JPY486 million
 - Payments for purchase of intangible assets : -JPY89 million
 - Payments for purchase of investment securities : -JPY52 million
- ※JPY45 million of this amount was due to dividends from Oristar Corporation, which increased the Company's shareholding.
- ③ **Cash flows from financing activities -JPY873 million**
- Repayment of long-term debt : -JPY369 million
 - Decrease due to dividend payment : -JPY576 million

Business Environment (1)

Raw Material Market Trends for Aluminum, Copper and Stainless Steel

- Aluminum ingot prices, which had continued to rise, have been on a downward trend since March 2022, but have recently been recovering.

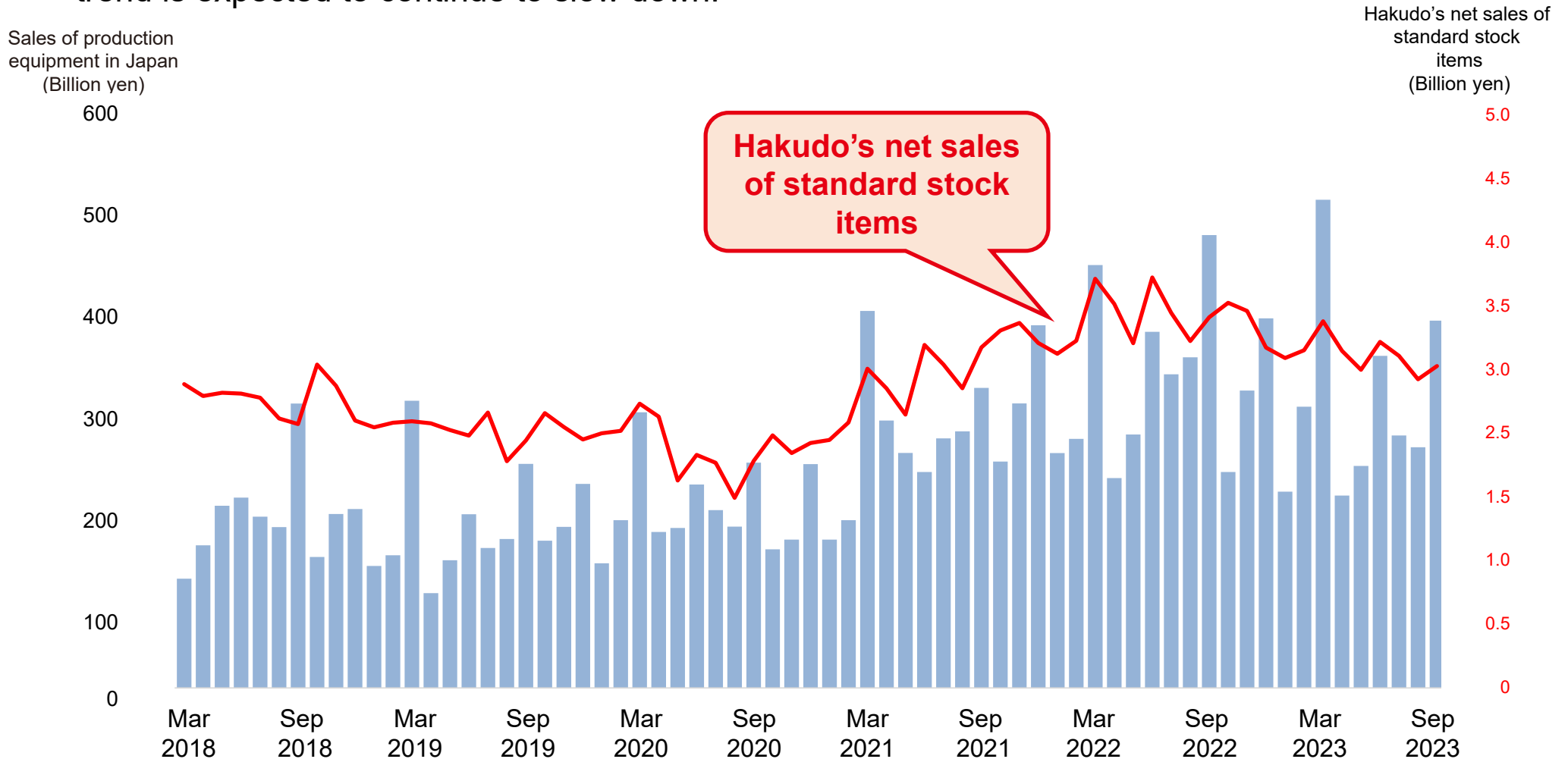


Electrolytic copper price: JX Nippon Mining & Metals Stainless steel sheet: Japan Metal Daily median
 Aluminum ingots: Nikkei monthly average

Business Environment (2)

Comparison of Semiconductor Production Equipment Sales and Standard Stock Items Sales

- Despite the long-term expectation of demand growth due to advancements in IoT, digital transformation (DX), AI, and EV there are widespread moves by semiconductor manufacturers to revise their capital investment plans due to inventory and production adjustments, and the trend is expected to continue to slow down.

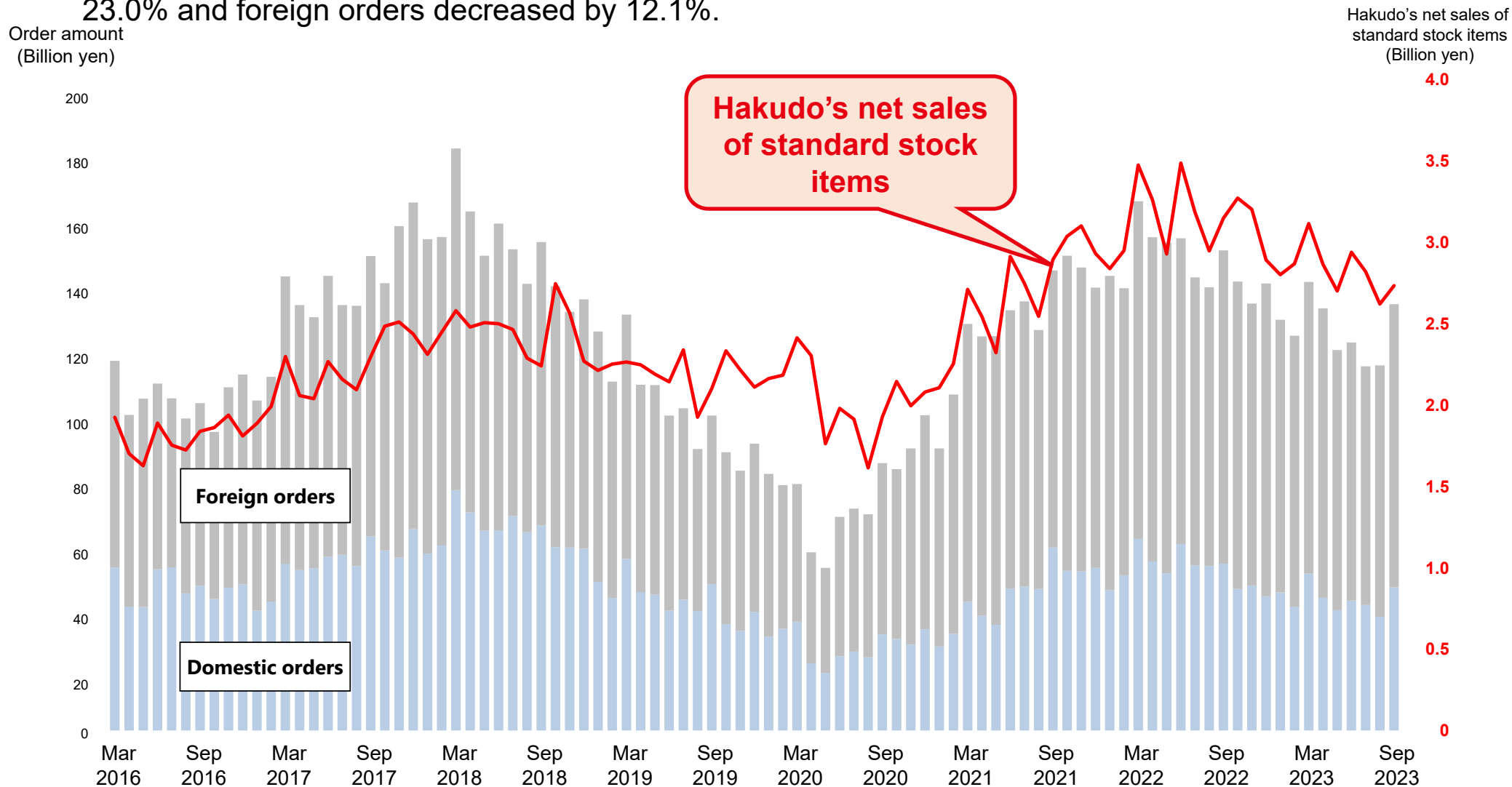


Source: Semiconductor Equipment Association of Japan - statistical data

Business Environment (3)

Comparison of Machine Tool Orders and Standard Stock Items Sales

- The volume of machine tool orders has been in decline since peaking in March 2022.
- Compared to the Q2 (July-September) in the previous fiscal year, domestic orders decreased by 23.0% and foreign orders decreased by 12.1%.

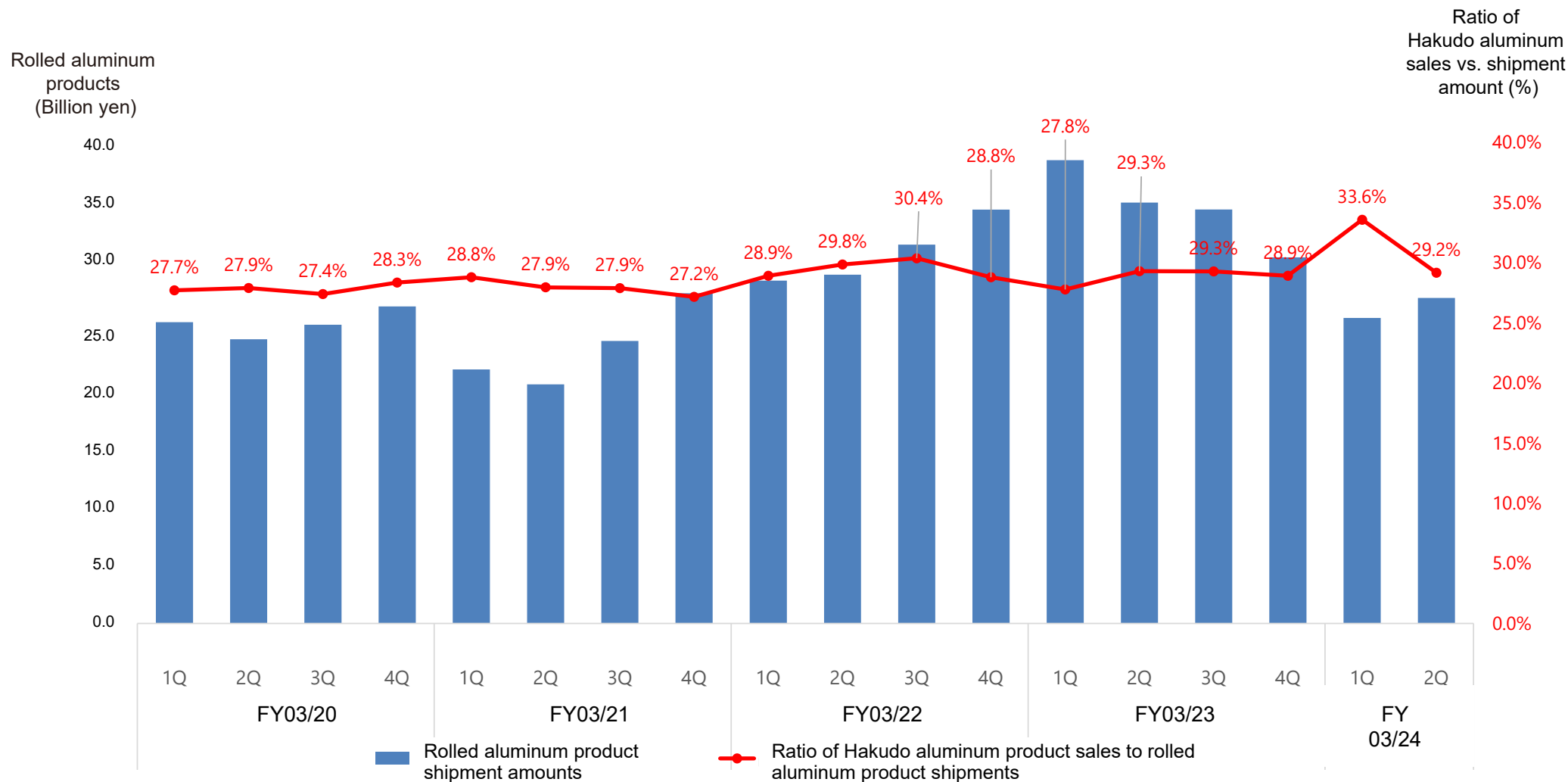


Source: Japan Machine Tool Builders' Association - machine tool orders statistics

Business Environment (4)

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

- Hakudo's aluminum product sales are around 30% of rolled aluminum product shipment value, and our industry market share has remained stable.



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

Full-year Financial Forecasts

Comparison of forecast and actual results for Q2 FY03/24

- Although the semiconductor production equipment industry(SPE), which has a large impact on our group's financial performance, continues to be on an adjustment phase, non-operating profit such as foreign exchange gains or share & monetary dividends resulted in an increase in ordinary profit of JPY29 million from FY03/24 Q2 Forecast.

(Million yen)	FY03/23 Q2 forecast	Sales ratio	FY03/24 Q2 result	Sales ratio	Achievement rate	FY03/24 full-year forecast	Progress rate
Net sales	30,900	-	28,709	-	92.9%	63,200	45.4%
Operating profit	1,240	4.7%	1,220	4.3%	98.4%	2,970	41.1%
Ordinary profit	1,390	5.0%	1,419	4.9%	102.1%	3,180	44.6%
Inventory revaluation impact	-	-	16	0.1%	-	-	-
Foreign exchange losses/gains	-	-	49	0.2%	-	-	-
Ordinary profit (Excluding inventories and foreign exchange impact)	1,390	5.0%	1,354	4.7%	97.5%	3,180	42.6%
Profit attributable to owners of parent	940	3.4%	985	3.4%	104.8%	2,150	45.8%

Note: Our full-year forecast for FY03/24 takes into account an inventory revaluation impact up to the end of Q1.
1USD=JPY135, 1CNY=JPY19.69, 1THB=JPY3.67 (As of May 2023)

Consolidated Full-year Financial Forecasts

- Full-year FY03/2024 forecasts remain unchanged, as we expect increasing sales and cost reductions through various strategic measures and operational improvements in 2H FY03/2024 and beyond, as well as a gradual recovery in semiconductor demand driven by IoT, DX, AI, EV, and other factors.
- Furthermore, we expect to achieve the mid-term management plan targets for FY03/25

(Million yen)	FY03/24 Q2 forecast	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	28,709	-	63,200	-	2.6%	66,800	71,800
Operating profit	1,220	4.3%	2,970	4.7%	△21.4%	-	-
Ordinary profit	1,419	4.9%	3,180	5.0%	△20.3%	4,500	5,400
Inventory revaluation impact	16	0.1%	-	-	-	-	-
Foreign exchange losses/gains	49	0.2%	-	-	-	-	-
Ordinary profit (Excluding inventories and foreign exchange impact)	1,354	4.7%	3,180	5.0%	△8.2%	-	-
Profit attributable to owners of parent	985	3.4%	2,150	3.4%	△21.5%	-	-

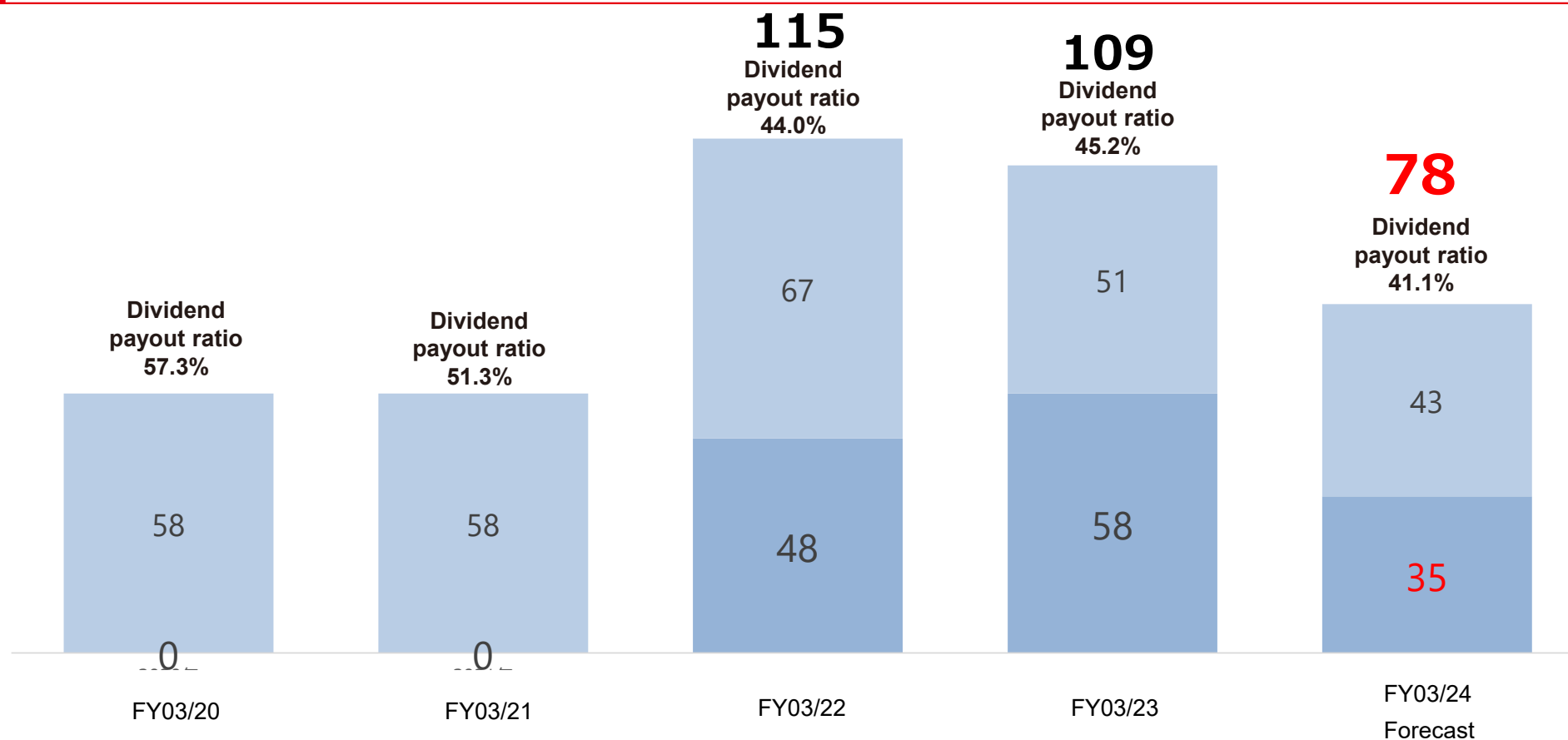
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1USD=JPY135, 1CNY=JPY19.69, 1THB=JPY3.67 (As of May 2023)

Shareholder Returns (Dividends)

- The interim dividend was 35 yen per share, 1 yen higher than the initial forecast, because the net profit for Q2 FY24/03 exceeded the forecast at the beginning of the current fiscal year.
- The year-end dividend is expected to be 78 yen per share, 1 yen higher than the initial forecast.

Dividend Forecast for FY03/24

Unit: yen



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

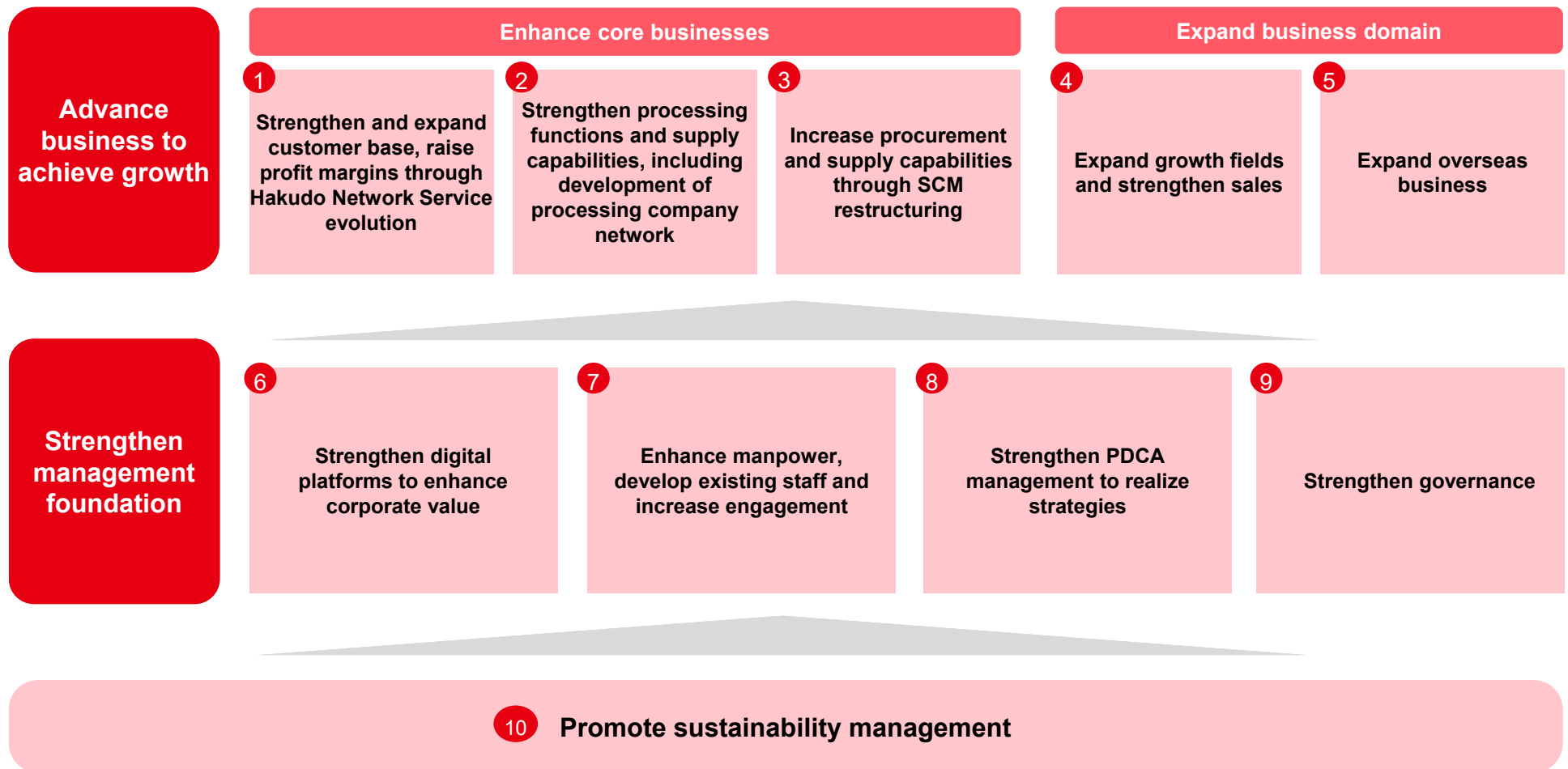
*The dividend for FY03/22 includes a commemorative dividend of JPY9 per share.

Progress Report for Achieving the Medium-Term Management Plan (FY03/23~ FY03/25)

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

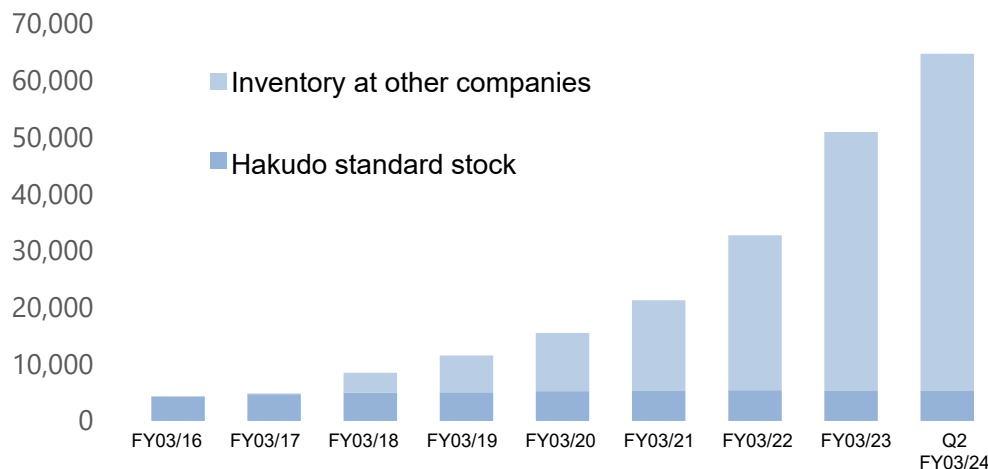
Implementation Status of Key Strategic Policies (1)

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

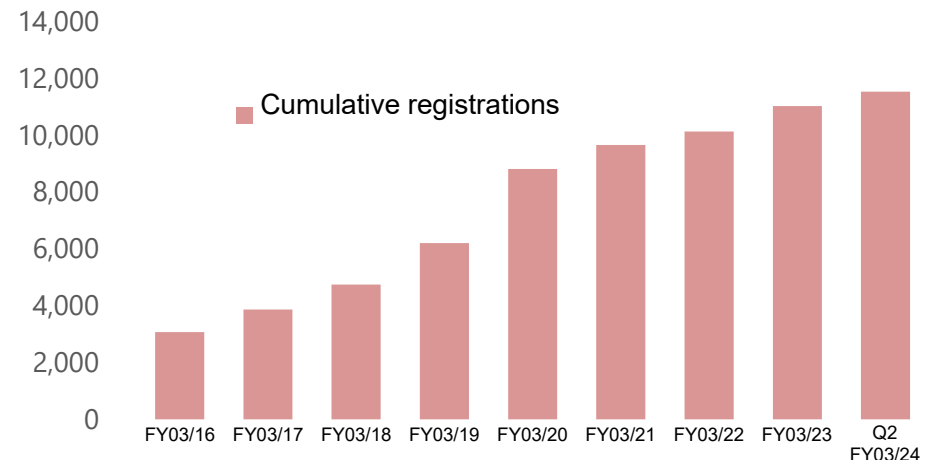
- By expanding number of product items (mainly other companies' inventory), Hakudo standard stock items combined with other company item inventories enable the use of approximately 64,700 items as of end-September. Plans to increase to 73,000 items by the end of March 2024.
- Companies registered with Hakudo Net Service increased to about 11,500 companies as of end-September by developing CS Network Service that can be used by distributors and their customers.
- Hakudo Net Service in July started to be open E-commerce website to general consumers. Price quotation can be made without log in with a password.
- In addition, various functions will be added starting from October 2023.
 - Automatic price estimation and ordering function for “metal 3D printer modeling”.
 - Automatic price estimation and ordering function for drawing processing such as hole drilling on the web (plan to be added).
 - Automatic material price estimation and ordering function by uploading CAD data of drawings (plan to be added).



【Number of Items Available at Hakudo Net Service】



【Number of Companies Registered at Hakudo Net Service (Total)】



Note: Includes CS Network Service registrations

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Implementation Status of Key Strategic Policies (2)

(2) Expand growth fields, strengthen sales

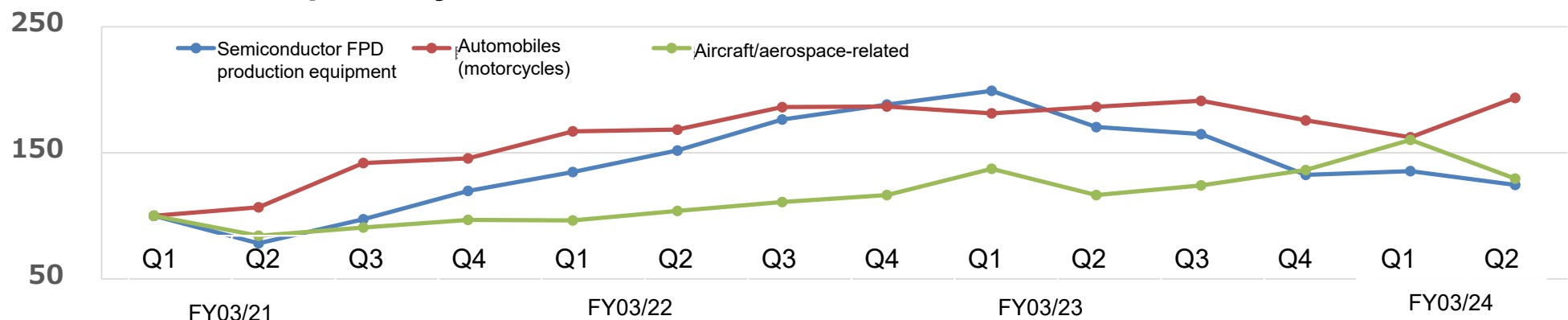
① Expand growth fields

- ◆ Aircraft/aerospace industry
 - Established a new base (Iga Warehouse) in Iga City, Mie Prefecture, to consolidate processing equipment such as waterjet cutting machines, machining centers, and wire cutting machines.
- ◆ Semiconductor industry
 - Establish a method for accumulating industry knowledge through consolidation of semiconductor-related sales partners
- ◆ Automotive industry
 - Use 3D printers to acquire new customers in automotive-related fields

② Strengthen sales in growth areas

- ◆ Establishment of Sales Promotion Section
 - Sales Promotion Section will be newly established in October 2023, aiming to improve the total order rate by enhancing outbound sales activities.
 - By transferring outbound tele-marketing sales activities, improving sales representatives' work, and enhancing visits to new sales partners could be expected.

【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 51% stake in WCAS, making it a subsidiary, and the 100-day PMI (business integration) phase was completed.
- As of the end of Q2 FY03/24, Hakudo Group's overseas sales ratio is expected to achieve the 12% target for the third year of the MTMP(FY03/25) ahead of schedule.

Status of Activities

◆ Expansion of Sales Items

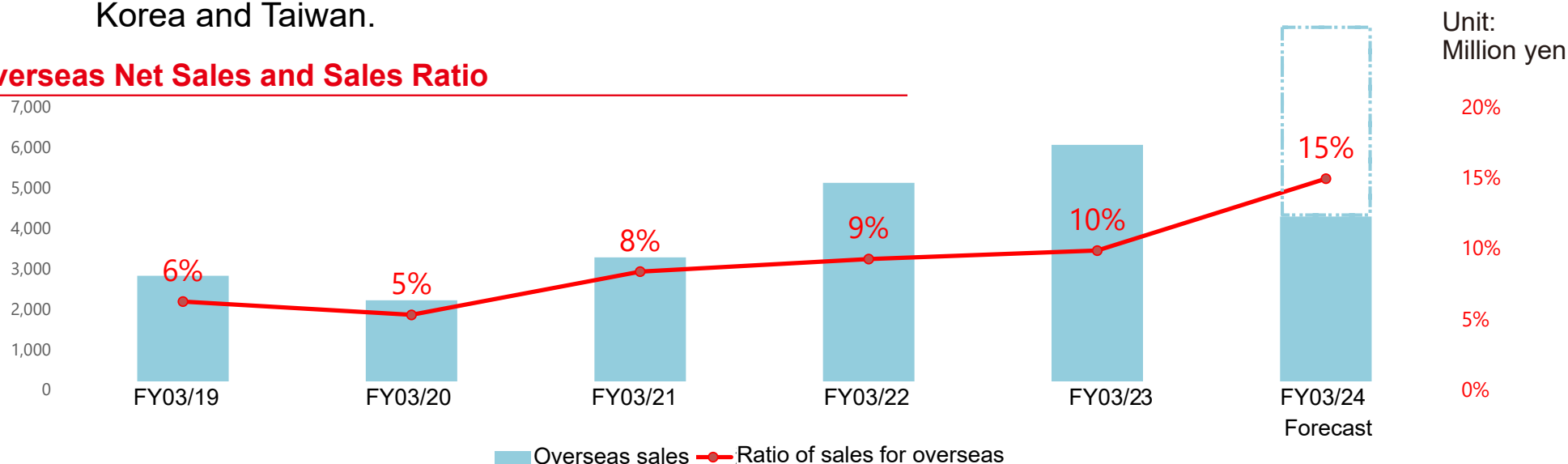
Expanding e-commerce business at overseas subsidiaries, mainly in Thailand.

Planning to expand import wholesale and processing business of nonferrous metals at a U.S. subsidiary. Also started preparation for e-commerce business.

◆ Consideration of investment and partnerships

Conducted visits and discussions with investment destinations mainly in the U.S., South Korea and Taiwan.

Overseas Net Sales and Sales Ratio



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

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Progress in Sustainability Management (1/3)



- 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.
- Increasing sales due to expanding sales and lineup ECO products, which are environmentally friendly. A portion of the proceeds from the sale of ECO products is donated to society, improving employees' awareness of social contribution.
- In July, the seventh subcommittee, the "New Products and Services Subcommittee," was launched. Promoting the development of new businesses and products related to ESG/SDGs

Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	Q2 FY03/24 Efforts
1. Reducing environmental impact and responding to climate change	Reduce CO ₂ emissions	Commence concrete reduction measures 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"> ✓ Preparation for Installation of Solar Panels at Shiga Factory ✓ Purchase FIT Non-Fossil Certificates ✓ Support for disclosure of CDP (Carbon Disclosure Project)Introduction of electric vehicles in company fleet
	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 • Manufacturing department consumable costs 	<ul style="list-style-type: none"> ✓ Implemented activities to improve delivery efficiency by restructuring the distribution network ✓ Reduced standby power consumption of facilities ✓ Continued cutting oil recycling measures
	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"> ✓ Decreased printing expenses for meeting materials through digitization
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"> ✓ Expand sales of ECO products and consider lineup expansion
	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"> ✓ Conducted MOU exchanges with multiple 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"> ✓ Consider introducing products manufactured from materials with reduced CO₂ emissions
	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"> ✓ Initiated human rights due diligence efforts ✓ Preparation of issue of Group human rights policy

1. In-house KPIs for the three-year period from FY03/23 to FY03/25.

Progress in Sustainability Management (2/3)



Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	Q2 FY03/24 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 development in Japan.	<ul style="list-style-type: none"> Number of industry-academia collaboration projects 	<ul style="list-style-type: none"> Visited university research exhibitions and explored opportunities for new collaborative initiatives
	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"> Expand installation of donated vending machines within the company Implemented donation activities with a view to children's future
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 Percentage of male employees taking parental leave Number of significant near-miss incidents 	<ul style="list-style-type: none"> Explored strategies to prevent employee resignations due to child-rearing or caregiving responsibilities Enhancement of benefits and activities to promote employee awareness Provide support to promote use of sports clubs Preemptively prevented near-miss incidents through workplace inspections
	Promote diversity	Increase organizational productivity and competitiveness by hiring and utilizing diverse human resources.	<ul style="list-style-type: none"> Female employee ratios Female manager ratios Foreign nationality Manager ratio 	<ul style="list-style-type: none"> Considered implementing training and development programs for female managers and potential female managers Ensure fairness and transparency in compensation Consideration of an appropriate and fair system that encourages employees who have achieved results to challenge themselves further
	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 employees Training participation rates 	<ul style="list-style-type: none"> Consideration of proposed revisions to personnel evaluations

1. In-house KPIs for the three-year period from FY03/23 to FY03/25.

Progress in Sustainability Management (3/3)



Material issues	Initiatives	FY03/25 Targets	FY03/25 KPIs *1	Q2 FY03/24 Efforts
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"> ✓ Executed compliance training sessions ✓ Conducted comprehension checks in compliance.
	Confirm policy compliance status	Ensure compliance with each policy *Current policies and basic principles are as follows: <ul style="list-style-type: none"> • Privacy Policy • Basic Policy on Corporate Governance • Basic Policy on Sustainability • Basic Policy on Disclosure 	<ul style="list-style-type: none"> ● Confirmation of compliance with the aforementioned policies 	<ul style="list-style-type: none"> ✓ Conducted information security study meetings ✓ Implementation of information security education
	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 ● Number of disaster preparedness drills conducted 	<ul style="list-style-type: none"> ✓ Review of risk assessment points ✓ Carried out company-wide safety confirmation drills
6. Internal dissemination activities of the ESG/SDGs Management Committee	Promote internal dissemination activities	Enhance the company-wide consciousness towards ESG/SDGs management by conducting educational activities and events related to ESG/SDGs.	<ul style="list-style-type: none"> ● Employee penetration of ESG/SDGs management (questionnaire survey) ● Cumulative number of episode contests 	<ul style="list-style-type: none"> ✓ Promoting communication among employees by introducing thank you cards ✓ Distributed and delivered ESG/SDGs-related posters, books, and videos ✓ Consideration of business plans involving the SDGs
7. Develop new products and services related to ESG/SDGs	Make products and services concrete	Develop new products and services	<ul style="list-style-type: none"> ● Number of new products and services introduced 	<ul style="list-style-type: none"> ✓ Considering to develop new CO₂ offset related products and services

1. In-house KPIs for the three-year period from FY03/23 to FY03/25.

Sustainability Management Initiatives



Hakudo is conducting a wide range of activities, including the creation of employment through its own farms, in addition to contributing to society through manufacturing.

Hakudo Farm



We operate Hakudo Farm as part of our effort to promote employment for people with disabilities.

As of October 2023, we have 12 employees at locations in Yokohama City, Kanagawa Prefecture and Misato City, Saitama Prefecture. We grow about 30 kinds of vegetables, mainly leafy greens.

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 October 31, 2023.

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 November 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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