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On **July 31, 2019**, Hakuto Co., Ltd. announced earnings results for Q1 FY03/20.

| Cumulative (JPYmn) | FY03/18 | | | | FY03/19 | | | | FY03/20 | FY03/20 | |
|-----------------------|---------|--------|---------|---------|---------|--------|---------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | % of 1H | 1H Est. |
| Revenue | 37,007 | 71,825 | 105,651 | 138,744 | 33,768 | 68,743 | 104,947 | 140,123 | 35,657 | 48.2% | 74,000 |
| YoY | 40.0% | 31.8% | 14.1% | 8.7% | -8.8% | -4.3% | -0.7% | 1.0% | 5.6% | | 7.6% |
| Gross profit | 4,582 | 9,323 | 13,891 | 18,301 | 4,756 | 9,337 | 14,005 | 18,667 | 4,416 | | |
| YoY | 24.8% | 22.7% | 11.8% | 10.9% | 3.8% | 0.2% | 0.8% | 2.0% | -7.1% | | |
| GPM | 12.4% | 13.0% | 13.1% | 13.2% | 14.1% | 13.6% | 13.3% | 13.3% | 12.4% | | |
| SG&A expenses | 3,694 | 7,410 | 11,023 | 14,561 | 3,644 | 7,379 | 11,158 | 15,024 | 3,665 | | |
| YoY | 8.1% | 6.9% | 1.3% | 0.9% | -1.4% | -0.4% | 1.2% | 3.2% | 0.6% | | |
| SG&A ratio | 10.0% | 10.3% | 10.4% | 10.5% | 10.8% | 10.7% | 10.6% | 10.7% | 10.3% | | |
| Operating profit | 887 | 1,912 | 2,868 | 3,740 | 1,112 | 1,957 | 2,847 | 3,642 | 750 | 50.0% | 1,500 |
| YoY | 249.2% | 186.7% | 85.2% | 80.8% | 25.4% | 2.4% | -0.7% | -2.6% | -32.6% | | -23.4% |
| OPM | 2.4% | 2.7% | 2.7% | 2.7% | 3.3% | 2.8% | 2.7% | 2.6% | 2.1% | | 2.0% |
| Recurring profit | 1,071 | 2,085 | 3,013 | 3,772 | 1,190 | 2,000 | 2,881 | 3,580 | 713 | 47.5% | 1,500 |
| YoY | 163.1% | 172.9% | 92.3% | 89.6% | 11.1% | -4.1% | -4.4% | -5.1% | -40.1% | | -25.0% |
| RPM | 2.9% | 2.9% | 2.9% | 2.7% | 3.5% | 2.9% | 2.7% | 2.6% | 2.0% | | 2.0% |
| Net income | 853 | 1,582 | 2,837 | 3,287 | 836 | 1,346 | 1,883 | 2,473 | 492 | 44.7% | 1,100 |
| YoY | 193.1% | 209.0% | 189.5% | 72.7% | -2.0% | -14.9% | -33.6% | -24.8% | -41.1% | | -18.3% |
| Net margin | 2.3% | 2.2% | 2.7% | 2.4% | 2.5% | 2.0% | 1.8% | 1.8% | 1.4% | | 1.5% |
| Quarterly (JPYmn) | FY03/18 | | | | FY03/19 | | | | FY03/20 | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | | |
| Revenue | 37,007 | 34,818 | 33,826 | 33,093 | 33,768 | 34,975 | 36,204 | 35,176 | 35,657 | | |
| YoY | 40.0% | 24.1% | -11.2% | -5.5% | -8.8% | 0.5% | 7.0% | 6.3% | 5.6% | | |
| Gross profit | 4,582 | 4,741 | 4,568 | 4,410 | 4,756 | 4,581 | 4,668 | 4,662 | 4,416 | | |
| YoY | 24.8% | 20.7% | -5.4% | 8.5% | 3.8% | -3.4% | 2.2% | 5.7% | -7.1% | | |
| GPM | 12.4% | 13.6% | 13.5% | 13.3% | 14.1% | 13.1% | 12.9% | 13.3% | 12.4% | | |
| SG&A expenses | 3,694 | 3,716 | 3,613 | 3,538 | 3,644 | 3,735 | 3,779 | 3,866 | 3,665 | | |
| YoY | 8.1% | 5.7% | -8.5% | -0.2% | -1.4% | 0.5% | 4.6% | 9.3% | 0.6% | | |
| SG&A ratio | 10.0% | 10.7% | 10.7% | 10.7% | 10.8% | 10.7% | 10.4% | 11.0% | 10.3% | | |
| Operating profit | 887 | 1,025 | 956 | 872 | 1,112 | 845 | 890 | 795 | 750 | | |
| YoY | 249.2% | 148.2% | 8.4% | 67.7% | 25.4% | -17.6% | -6.9% | -8.8% | -32.6% | | |
| OPM | 2.4% | 2.9% | 2.8% | 2.6% | 3.3% | 2.4% | 2.5% | 2.3% | 2.1% | | |
| Recurring profit | 1,071 | 1,014 | 928 | 759 | 1,190 | 810 | 881 | 699 | 713 | | |
| YoY | 163.1% | 184.0% | 15.6% | 79.9% | 11.1% | -20.1% | -5.1% | -7.9% | -40.1% | | |
| RPM | 2.9% | 2.9% | 2.7% | 2.3% | 3.5% | 2.3% | 2.4% | 2.0% | 2.0% | | |
| Net income | 853 | 729 | 1,255 | 450 | 836 | 510 | 537 | 590 | 492 | | |
| YoY | 193.1% | 229.9% | 168.2% | -51.2% | -2.0% | -30.0% | -57.2% | 31.1% | -41.1% | | |
| Net margin | 2.3% | 2.1% | 3.7% | 1.4% | 2.5% | 1.5% | 1.5% | 1.7% | 1.4% | | |

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods

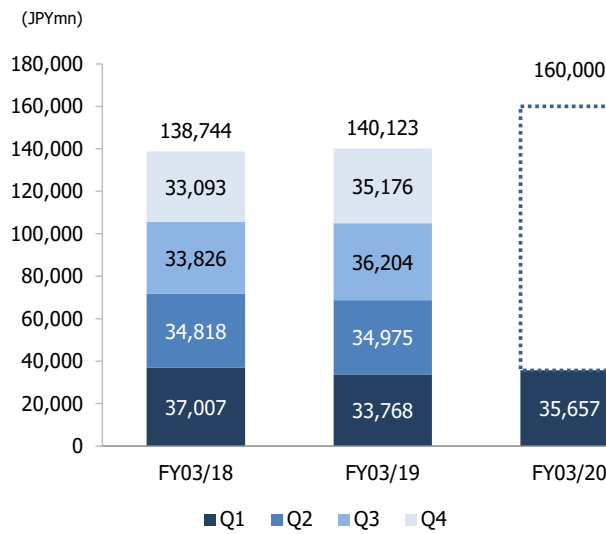
Change in accounting methodology: Starting in Q1 FY03/19, the company changed the currency conversion method it used for converting the revenues and expenses at its overseas subsidiaries from the market exchange rate on the last day of the accounting period to the average exchange rate over the entire accounting period. This change reduced 1H FY03/18 sales by JP557mn, operating profit by JPY17mn, both recurring profit and pre-tax profit by JPY18mn, and net income by JPY14mn. The figures for FY03/18 results used in this report, including YoY comparisons, are based on the reported figures prior to this adjustment.

| Cumulative (JPYmn) | FY03/18 | | | | FY03/19 | | | | FY03/20 |
|-----------------------------------|---------------|---------------|----------------|----------------|---------------|---------------|----------------|----------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Sales | 37,007 | 71,825 | 105,651 | 138,744 | 33,768 | 68,743 | 104,947 | 140,123 | 35,657 |
| YoY | 40.0% | 31.8% | 14.1% | 8.7% | -8.8% | -4.3% | -0.7% | 1.0% | 5.6% |
| Electronic Devices and Components | 29,538 | 56,043 | 83,194 | 106,223 | 25,585 | 52,523 | 81,477 | 107,668 | 28,043 |
| YoY | 55.0% | 38.3% | 18.1% | 7.8% | -13.4% | -6.3% | -2.1% | 1.4% | 9.6% |
| % of total | 79.5% | 77.7% | 78.4% | 76.2% | 75.4% | 76.0% | 77.3% | 76.5% | 78.3% |
| Electronic and Electric Equipment | 5,034 | 10,806 | 15,681 | 21,085 | 5,498 | 10,899 | 15,217 | 21,544 | 4,692 |
| YoY | 2.3% | 19.8% | 7.0% | 9.9% | 9.2% | 0.9% | -3.0% | 2.2% | -14.7% |
| % of total | 13.5% | 15.0% | 14.8% | 15.1% | 16.2% | 15.8% | 14.4% | 15.3% | 13.1% |
| Industrial Chemicals | 2,431 | 4,968 | 7,646 | 10,247 | 2,680 | 5,312 | 8,231 | 10,886 | 2,915 |
| YoY | -1.2% | 0.7% | 2.5% | 4.3% | 10.2% | 6.9% | 7.7% | 6.2% | 8.8% |
| % of total | 6.5% | 6.9% | 7.2% | 7.4% | 7.9% | 7.7% | 7.8% | 7.7% | 8.1% |
| Other | 171 | 341 | 515 | 680 | 174 | 345 | 521 | 688 | 176 |
| YoY | -1.7% | -1.7% | -0.2% | 0.6% | 1.8% | 1.2% | 1.2% | 1.2% | 1.1% |
| % of total | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| Adjustments | -168 | -334 | -496 | -657 | -169 | -336 | -500 | -664 | -170 |
| Operating profit | 887 | 1,912 | 2,908 | 3,740 | 1,112 | 1,957 | 2,847 | 3,642 | 750 |
| YoY | 249.2% | 186.7% | 87.7% | 80.8% | 25.4% | 2.4% | -2.1% | -2.6% | -32.6% |
| Electronic Devices and Components | 432 | 767 | 1,262 | 1,426 | 465 | 852 | 1,321 | 1,331 | 269 |
| YoY | - | - | 578.5% | 219.0% | 7.6% | 11.1% | 4.7% | -6.7% | -42.2% |
| % of total | 48.7% | 40.1% | 43.4% | 38.1% | 41.8% | 43.5% | 46.4% | 36.5% | 35.9% |
| Electronic and Electric Equipment | 206 | 617 | 840 | 1,254 | 392 | 639 | 765 | 1,418 | 214 |
| YoY | 11.4% | 68.6% | 16.8% | 56.0% | 90.3% | 3.6% | -8.9% | 13.1% | -45.4% |
| % of total | 23.2% | 32.3% | 28.9% | 33.5% | 35.3% | 32.7% | 26.9% | 38.9% | 28.5% |
| Industrial Chemicals | 216 | 431 | 706 | 904 | 267 | 481 | 755 | 932 | 229 |
| YoY | -10.4% | -3.8% | 11.4% | 4.3% | 23.6% | 11.6% | 6.9% | 3.1% | -14.2% |
| % of total | 24.4% | 22.5% | 24.3% | 24.2% | 24.0% | 24.6% | 26.5% | 25.6% | 30.5% |
| Other | 6 | 12 | 23 | 27 | 9 | 17 | 26 | 16 | 7 |
| YoY | 50.0% | -7.7% | 4.5% | - | 50.0% | 41.7% | 13.0% | -40.7% | -22.2% |
| % of total | 0.7% | 0.6% | 0.8% | 0.7% | 0.8% | 0.9% | 0.9% | 0.4% | 0.9% |
| Quarterly (JPYmn) | FY03/18 | | | | FY03/19 | | | | FY03/20 |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Sales | 37,007 | 34,818 | 33,826 | 33,093 | 33,768 | 34,975 | 36,204 | 35,176 | 35,657 |
| YoY | 40.0% | 24.1% | -11.2% | - | -8.8% | 0.5% | 7.0% | 6.3% | 5.6% |
| Electronic Devices and Components | 29,538 | 26,505 | 27,151 | 23,029 | 25,585 | 26,938 | 28,954 | 26,191 | 28,043 |
| YoY | 55.0% | 23.4% | -9.3% | -18.0% | -13.4% | 1.6% | 6.6% | 13.7% | 9.6% |
| % of total | 79.5% | 75.8% | 79.9% | 69.3% | 75.4% | 76.7% | 79.6% | 74.1% | 78.3% |
| Electronic and Electric Equipment | 5,034 | 5,772 | 4,875 | 5,404 | 5,498 | 5,401 | 4,318 | 6,327 | 4,692 |
| YoY | 2.3% | 40.8% | -13.5% | 19.1% | 9.2% | -6.4% | -11.4% | 17.1% | -14.7% |
| % of total | 13.5% | 16.5% | 14.3% | 16.3% | 16.2% | 15.4% | 11.9% | 17.9% | 13.1% |
| Industrial Chemicals | 2,431 | 2,537 | 2,678 | 2,601 | 2,680 | 2,632 | 2,919 | 2,655 | 2,915 |
| YoY | -1.2% | 2.6% | 6.1% | 9.7% | 10.2% | 3.7% | 9.0% | 2.1% | 8.8% |
| % of total | 6.5% | 7.3% | 7.9% | 7.8% | 7.9% | 7.5% | 8.0% | 7.5% | 8.1% |
| Other | 171 | 170 | 174 | 165 | 174 | 171 | 176 | 167 | 176 |
| YoY | -1.7% | -1.7% | 3.0% | 3.1% | 1.8% | 0.6% | 1.1% | 1.2% | 1.1% |
| % of total | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| Adjustments | -168 | -166 | -162 | -161 | -169 | -167 | -164 | -164 | -170 |
| Operating profit | 887 | 1,025 | 996 | 832 | 1,112 | 845 | 890 | 795 | 750 |
| YoY | 249.2% | 148.2% | 12.9% | 60.0% | 25.4% | -17.6% | -10.6% | -4.4% | -32.6% |
| Electronic Devices and Components | 432 | 335 | 495 | 164 | 465 | 387 | 469 | 10 | 269 |
| YoY | - | - | 19.0% | -37.2% | 7.6% | 15.5% | -5.3% | -93.9% | -42.2% |
| % of total | 48.7% | 32.7% | 49.7% | 19.7% | 41.8% | 45.8% | 52.7% | 1.3% | 35.9% |
| Electronic and Electric Equipment | 206 | 411 | 223 | 414 | 392 | 247 | 126 | 653 | 214 |
| YoY | 11.4% | 127.1% | -36.8% | 387.1% | 90.3% | -39.9% | -43.5% | 57.7% | -45.4% |
| % of total | 23.2% | 40.1% | 22.4% | 49.8% | 35.3% | 29.2% | 14.2% | 82.1% | 28.5% |
| Industrial Chemicals | 216 | 215 | 275 | 198 | 267 | 214 | 274 | 177 | 229 |
| YoY | -10.4% | 3.9% | 47.8% | -15.0% | 23.6% | -0.5% | -0.4% | -10.6% | -14.2% |
| % of total | 24.4% | 21.0% | 27.6% | 23.8% | 24.0% | 25.3% | 30.8% | 22.3% | 30.5% |
| Other | 6 | 6 | 11 | 4 | 9 | 8 | 9 | -10 | 7 |
| YoY | 50.0% | -33.3% | 22.2% | - | 50.0% | 33.3% | -18.2% | -350.0% | -22.2% |
| % of total | 0.7% | 0.6% | 1.1% | 0.5% | 0.8% | 0.9% | 1.0% | -1.3% | 0.9% |

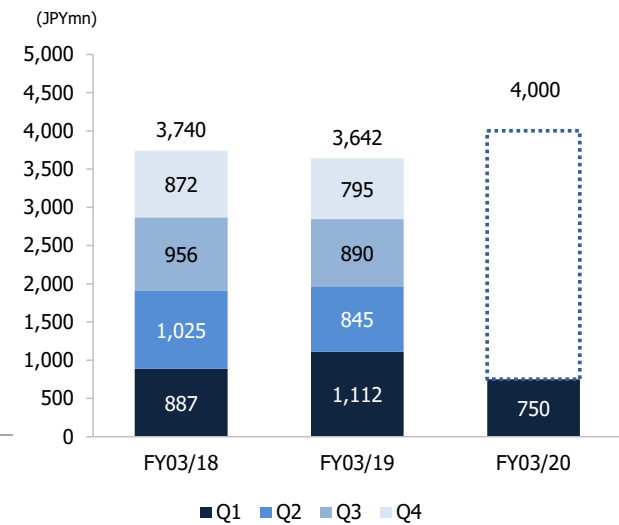
Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods

Quarterly sales



Quarterly operating profit



Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods

Q1 FY03/20 results (out July 31, 2019)

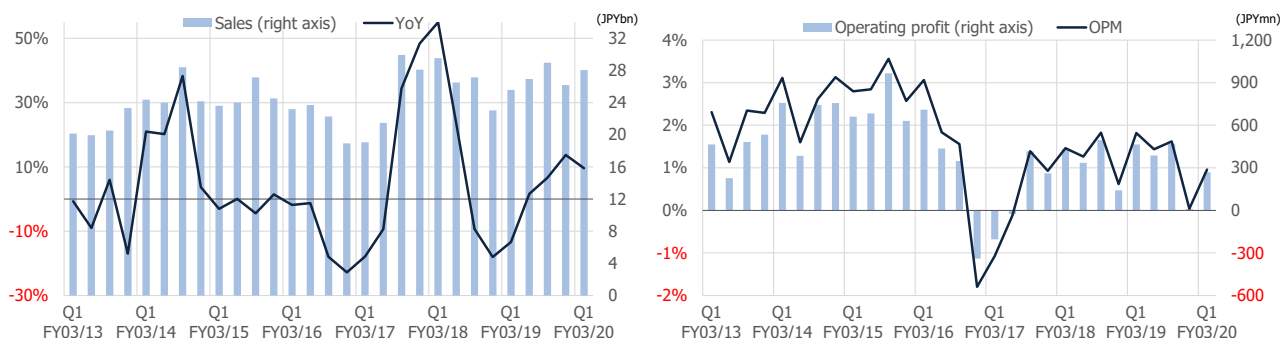
Earnings results for Q1 FY03/20 (April–June 2019)

- ▷ Consolidated sales: JPY35.7bn (+5.6% YoY)
- ▷ Consolidated gross profit: JPY4.4bn (-7.1% YoY)
- ▷ Consolidated SG&A expenses: JPY3.7bn (+0.6% YoY)
- ▷ Consolidated operating profit: JPY750mn (-32.6% YoY)
- ▷ Consolidated recurring profit: JPY713mn (-40.1% YoY)
- ▷ Net income*: JPY492mn (-41.1% YoY)
- ▷ *Net income refers to profit attributable to owners of the parent.

- ▷ Electronics industry trend: Impact from US-China trade friction has been limited thus far, but areas being affected are broadening, making for an increasingly serious situation.
- ▷ Company performance: Overall sales fell in the Electronic Devices and Components segment, owing to lower sales of lithographic exposure equipment used in PCB manufacturing for smartphones, which had been robust in Q1 FY03/19. The lower sales reflect the decline in companies' appetite for investment in new equipment or postponed investment plans. Industrial Chemicals segment sales increased, supported by steady demand for polymerization inhibitors and activated carbon from the oil and petrochemicals industry, and increased demand for cosmetic base materials. According to the company, results are broadly in line the management's start-of-year forecast.

Electronic Devices and Components

Performance



Source: Shared Research based on company data

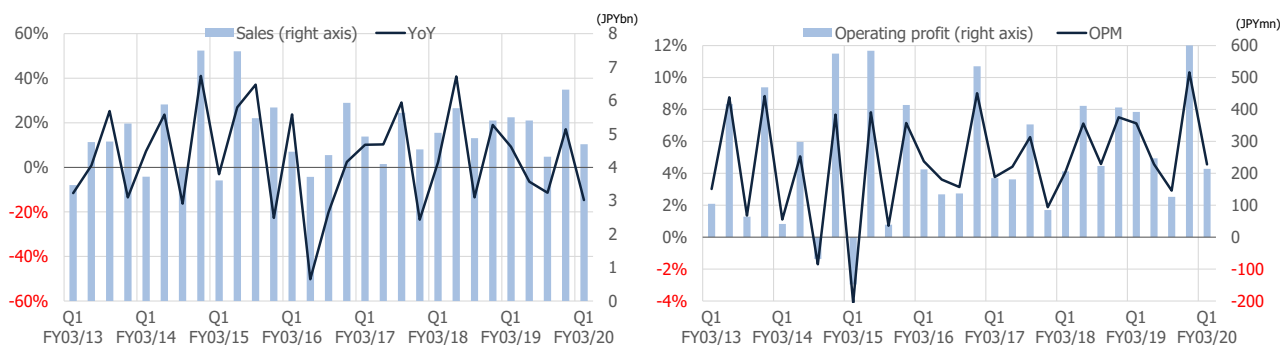
Earnings results for Q1 FY03/20 (April–June 2019)

- ▷ Segment sales: JPY28.0bn (+9.6% YoY)
- ▷ Segment profit: JPY269mn (-42.2% YoY)
- ▷ Segment trend: Sales growth was supported by a rebound in sales of semiconductor devices used in information communication devices such as tablets, and an increase in sales of telecom-related electronic components amid rising 5G-related investments. Strong sales in those areas offset weak sales to the Chinese market of motor-related semiconductor devices used in home electric appliances (air conditioners, etc.). The decline in profit was mainly due to a change in sales composition and a decline in the proportion of products with relatively high profitability.

Memory card business: The Singapore subsidiary booked approximately JPY8.0bn in FY03/17 and JPY4.0bn in FY03/18 in large-scale orders for memory cards between Q2 FY03/17 and Q1 FY3/18. Sales had initially been projected to be JPY6.0bn over FY03/18, but owing to the low margin, transient and special nature of the business, the company discontinued memory cards in Q2 FY03/18. Eliminating the impact of this, sales in the Electronic Devices and Components segment maintained an upward trend of 5–10% in FY03/18 and 10–15% against initial FY03/19 forecasts.

Electronic and Electric Equipment

Performance



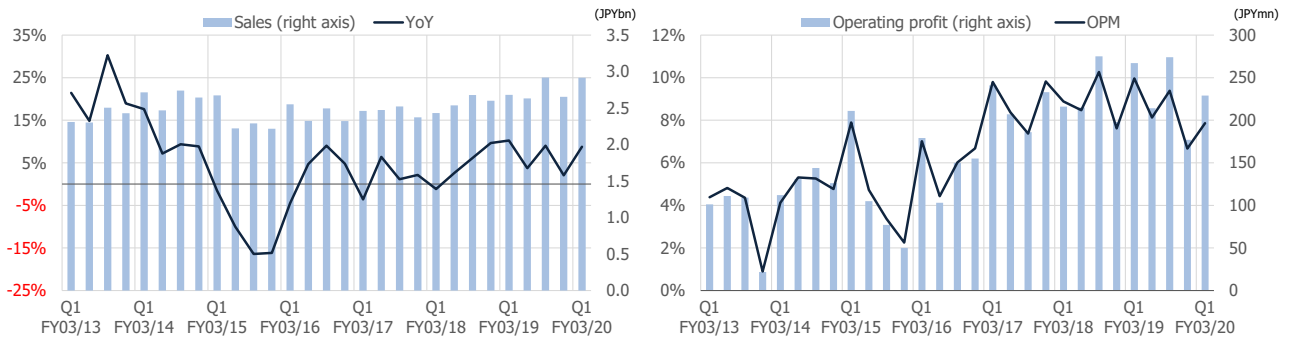
Source: Shared Research based on company data

Earnings results for Q1 FY03/20 (April–June 2019)

- ▷ Segment sales: JPY4.7bn (-14.7% YoY)
- ▷ Segment profit: JPY214mn (-45.4% YoY)
- ▷ Segment trend: The declines in sales and profit reflect customers' postponed investment plans, which weakened demand for lithographic exposure equipment used in manufacturing PCBs used for smartphones and for steppers used to manufacture IC packages.

Industrial Chemicals

Performance



Source: Shared Research based on company data

Earnings results for Q1 FY03/20 (April–June 2019)

- ▷ Segment sales: JPY2.9bn (+8.8% YoY)
- ▷ Segment profit: JPY229mn (-14.2% YoY)
- ▷ Segment trend: Sales growth was supported by strong consumption of petrochemicals, which boosted sales of the company’s polymerization inhibitors and catalysts, and solid sales of the cosmetics business’ bio-polymers. Strong sales in these two areas outweighed sluggish sales of papermaking chemicals in the paper and pulp business, which continues to struggle amid a global decline in papermaking caused by the spread of digital media. Profit, however, declined owing to increased competition faced by the company’s polymerization-inhibitors and other products from rival or substitute products.

Other

Earnings results for Q1 FY03/20 (April–June 2019)

- ▷ Segment sales: JPY176mn (+1.1% YoY)
- ▷ Segment profit: JPY7mn (-22.2% YoY)
- ▷ The segment is mainly engaged in management of the company’s operations and logistics, and acting as an agency for insurance companies.

This note is the most recent addition to the [full report](#).

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