

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **May 22, 2020**, Hakuto Co., Ltd. announced earnings results for full-year FY03/20.

Cumulative (JPYmn)	FY03/19				FY03/20				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	33,768	68,743	104,947	140,123	35,657	72,269	113,592	153,182	100.8%	152,000
YoY	-8.8%	-4.3%	-0.7%	1.0%	5.6%	5.1%	8.2%	9.3%		8.5%
Gross profit	4,756	9,337	14,005	18,667	4,416	9,134	13,823	17,465		
YoY	3.8%	0.2%	0.8%	2.0%	-7.1%	-2.2%	-1.3%	-6.4%		
GPM	14.1%	13.6%	13.3%	13.3%	12.4%	12.6%	12.2%	11.4%		
SG&A expenses	3,644	7,379	11,158	15,024	3,665	7,426	11,195	15,050		
YoY	-1.4%	-0.4%	1.2%	3.2%	0.6%	0.6%	0.3%	0.2%		
SG&A ratio	10.8%	10.7%	10.6%	10.7%	10.3%	10.3%	9.9%	9.8%		
Operating profit	1,112	1,957	2,847	3,642	750	1,708	2,627	2,414	96.6%	2,500
YoY	25.4%	2.4%	-0.7%	-2.6%	-32.6%	-12.7%	-7.7%	-33.7%		-31.4%
OPM	3.3%	2.8%	2.7%	2.6%	2.1%	2.4%	2.3%	1.6%		1.6%
Recurring profit	1,190	2,000	2,881	3,580	713	1,574	2,410	2,139	97.2%	2,200
YoY	11.1%	-4.1%	-4.4%	-5.1%	-40.1%	-21.3%	-16.3%	-40.3%		-38.5%
RPM	3.5%	2.9%	2.7%	2.6%	2.0%	2.2%	2.1%	1.4%		1.4%
Net income	836	1,346	1,883	2,473	492	1,105	1,743	1,439	95.9%	1,500
YoY	-2.0%	-14.9%	-33.6%	-24.8%	-41.1%	-17.9%	-7.4%	-41.8%		-39.3%
Net margin	2.5%	2.0%	1.8%	1.8%	1.4%	1.5%	1.5%	0.9%		1.0%
Quarterly (JPYmn)	FY03/19				FY03/20					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	33,768	34,975	36,204	35,176	35,657	36,612	41,323	39,590		
YoY	-8.8%	0.5%	7.0%	6.3%	5.6%	4.7%	14.1%	12.5%		
Gross profit	4,756	4,581	4,668	4,662	4,416	4,718	4,689	3,642		
YoY	3.8%	-3.4%	2.2%	5.7%	-7.1%	3.0%	0.4%	-21.9%		
GPM	14.1%	13.1%	12.9%	13.3%	12.4%	12.9%	11.3%	9.2%		
SG&A expenses	3,644	3,735	3,779	3,866	3,665	3,761	3,769	3,855		
YoY	-1.4%	0.5%	4.6%	9.3%	0.6%	0.7%	-0.3%	-0.3%		
SG&A ratio	10.8%	10.7%	10.4%	11.0%	10.3%	10.3%	9.1%	9.7%		
Operating profit	1,112	845	890	795	750	958	919	-213		
YoY	25.4%	-17.6%	-6.9%	-8.8%	-32.6%	13.4%	3.3%	-		
OPM	3.3%	2.4%	2.5%	2.3%	2.1%	2.6%	2.2%	-		
Recurring profit	1,190	810	881	699	713	861	836	-271		
YoY	11.1%	-20.1%	-5.1%	-7.9%	-40.1%	6.3%	-5.1%	-		
RPM	3.5%	2.3%	2.4%	2.0%	2.0%	2.4%	2.0%	-		
Net income	836	510	537	590	492	613	638	-304		
YoY	-2.0%	-30.0%	-57.2%	31.1%	-41.1%	20.2%	18.8%	-		
Net margin	2.5%	1.5%	1.5%	1.7%	1.4%	1.7%	1.5%	-		

Source: Shared Research based on company data

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

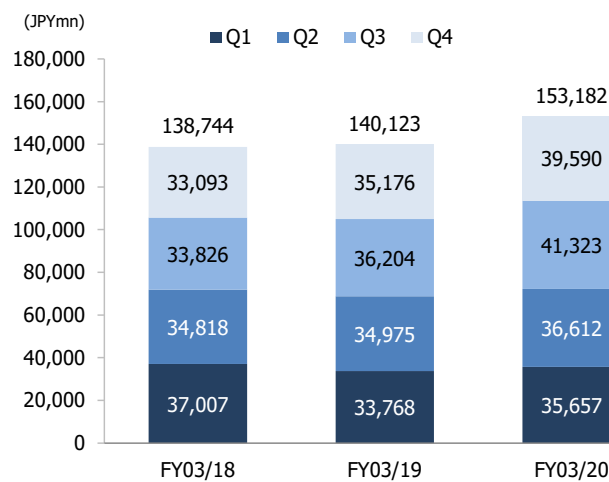
Change in accounting methodology: Starting in Q1 FY03/19, the company changed the currency conversion method it used for converting the revenues and expenses at its overseas subsidiaries from the market exchange rate on the last day of the accounting period to the average exchange rate over the entire accounting period. This change reduced 1H FY03/18 sales by JP557mn, operating profit by JP17mn, both recurring profit and pre-tax profit by JP18mn, and net income by JP14mn. 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)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	33,768	68,743	104,947	140,123	35,657	72,269	113,592	153,182
YoY	-8.8%	-4.3%	-0.7%	1.0%	5.6%	5.1%	8.2%	9.3%
Electronic Devices and Components	25,585	52,523	81,477	107,668	28,043	56,871	90,823	123,708
YoY	-13.4%	-6.3%	-2.1%	1.4%	9.6%	8.3%	11.5%	14.9%
% of total	75.4%	76.0%	77.3%	76.5%	78.3%	78.3%	79.6%	80.4%
Electronic and Electric Equipment	5,498	10,899	15,217	21,544	4,692	9,777	14,253	18,286
YoY	9.2%	0.9%	-3.0%	2.2%	-14.7%	-10.3%	-6.3%	-15.1%
% of total	16.2%	15.8%	14.4%	15.3%	13.1%	13.5%	12.5%	11.9%
Industrial Chemicals	2,680	5,312	8,231	10,886	2,915	5,611	8,493	11,160
YoY	10.2%	6.9%	7.7%	6.2%	8.8%	5.6%	3.2%	2.5%
% of total	7.9%	7.7%	7.8%	7.7%	8.1%	7.7%	7.4%	7.3%
Other	174	345	521	688	176	350	540	720
YoY	1.8%	1.2%	1.2%	1.2%	1.1%	1.4%	3.6%	4.7%
% of total	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Adjustments	-169	-336	-500	-663	-170	-342	-518	-693
Operating profit	1,112	1,957	2,847	3,642	750	1,708	2,627	2,414
YoY	25.4%	2.4%	-2.1%	-2.6%	-32.6%	-12.7%	-7.7%	-33.7%
Electronic Devices and Components	465	852	1,321	1,331	269	642	927	576
YoY	7.6%	11.1%	4.7%	-6.7%	-42.2%	-24.6%	-29.8%	-56.7%
OPM	1.8%	1.6%	1.6%	1.2%	1.0%	1.1%	1.0%	0.5%
Electronic and Electric Equipment	392	639	765	1,418	214	538	898	900
YoY	90.3%	3.6%	-8.9%	13.1%	-45.4%	-15.8%	17.4%	-36.5%
OPM	7.1%	5.9%	5.0%	6.6%	4.6%	5.5%	6.3%	4.9%
Industrial Chemicals	267	481	755	932	229	466	724	838
YoY	23.6%	11.6%	6.9%	3.1%	-14.2%	-3.1%	-4.1%	-10.1%
OPM	10.0%	9.1%	9.2%	8.6%	7.9%	8.3%	8.5%	7.5%
Other	9	17	26	16	7	12	20	21
YoY	50.0%	41.7%	13.0%	-40.7%	-22.2%	-29.4%	-23.1%	31.3%
OPM	5.2%	4.9%	5.0%	2.3%	4.0%	3.4%	3.7%	2.9%
Quarterly (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	33,768	34,975	36,204	35,176	35,657	36,612	41,323	39,590
YoY	-8.8%	0.5%	7.0%	6.3%	5.6%	4.7%	14.1%	12.5%
Electronic Devices and Components	25,585	26,938	28,954	26,191	28,043	28,828	33,952	32,885
YoY	-13.4%	1.6%	6.6%	13.7%	9.6%	7.0%	17.3%	25.6%
% of total	75.4%	76.7%	79.6%	74.1%	78.3%	78.4%	81.8%	82.7%
Electronic and Electric Equipment	5,498	5,401	4,318	6,327	4,692	5,085	4,476	4,033
YoY	9.2%	-6.4%	-11.4%	17.1%	-14.7%	-5.9%	3.7%	-36.3%
% of total	16.2%	15.4%	11.9%	17.9%	13.1%	13.8%	10.8%	10.1%
Industrial Chemicals	2,680	2,632	2,919	2,655	2,915	2,696	2,882	2,667
YoY	10.2%	3.7%	9.0%	2.1%	8.8%	2.4%	-1.3%	0.5%
% of total	7.9%	7.5%	8.0%	7.5%	8.1%	7.3%	6.9%	6.7%
Other	174	171	176	167	176	174	190	180
YoY	1.8%	0.6%	1.1%	1.2%	1.1%	1.8%	8.0%	7.8%
% of total	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Adjustments	-169	-167	-164	-163	-170	-172	-176	-175
Operating profit	1,112	845	890	795	750	958	919	-213
YoY	25.4%	-17.6%	-10.6%	-4.4%	-32.6%	13.4%	3.3%	-126.8%
Electronic Devices and Components	465	387	469	10	269	373	285	-351
YoY	7.6%	15.5%	-5.3%	-93.9%	-42.2%	-3.6%	-39.2%	-
OPM	1.8%	1.4%	1.6%	0.0%	1.0%	1.3%	0.8%	-
Electronic and Electric Equipment	392	247	126	653	214	324	360	2
YoY	90.3%	-39.9%	-43.5%	57.7%	-45.4%	31.2%	185.7%	-99.7%
OPM	7.1%	4.6%	2.9%	10.3%	4.6%	6.4%	8.0%	0.0%
Industrial Chemicals	267	214	274	177	229	237	258	114
YoY	23.6%	-0.5%	-0.4%	-10.6%	-14.2%	10.7%	-5.8%	-35.6%
OPM	10.0%	8.1%	9.4%	6.7%	7.9%	8.8%	9.0%	4.3%
Other	9	8	9	-10	7	5	8	1
YoY	50.0%	33.3%	-18.2%	-	-22.2%	-37.5%	-11.1%	-
OPM	5.2%	4.7%	5.1%	-	4.0%	2.9%	4.2%	0.6%

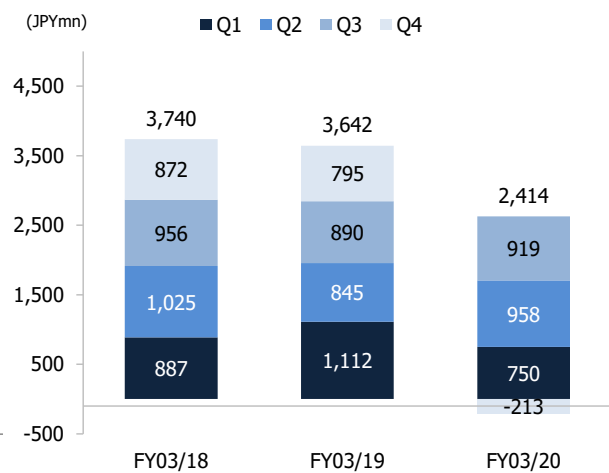
Source: Shared Research based on company data

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

Full-year FY03/20 results (out May 22, 2020)

Consolidated earnings results for FY03/20 (April 2019–March 2020)

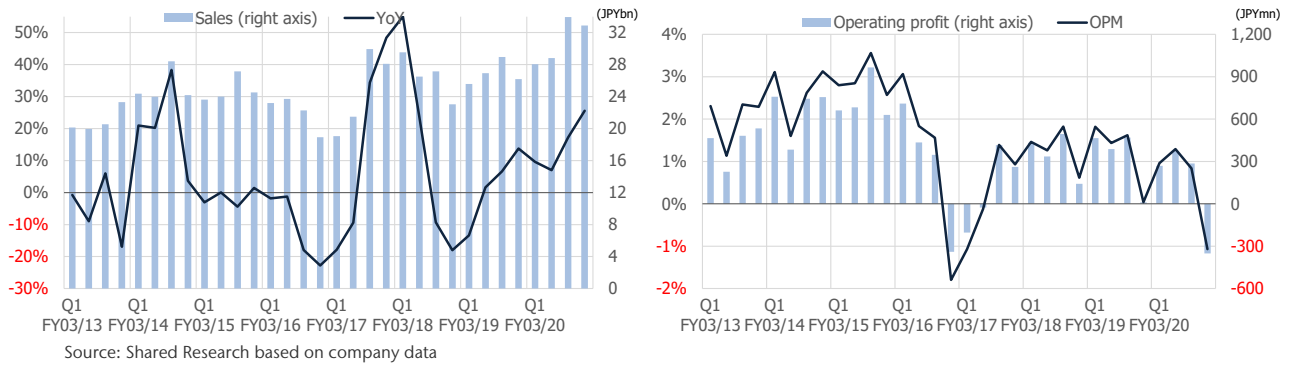
- ▷ Sales: JPY153.2bn (+9.3% YoY)
- ▷ Gross profit: JPY17.5bn (-6.4% YoY)
- ▷ SG&A expenses: JPY15.1bn (+0.2% YoY)
- ▷ Operating profit: JPY2.4bn (-33.7% YoY)
- ▷ Recurring profit: JPY2.1bn (-40.3% YoY)
- ▷ Net income*: JPY1.4bn (-41.8% YoY)

*Net income attributable to owners of the parent

- ▷ Electronics industry trend: Demand was strong in areas related to 5G communications and advanced driver-assistance system (ADAS) in the automotive field, but sluggish overall amid a downturn in automobile sales volume. Industrial equipment-related demand was also weak, largely on a decline in capex in China.
- ▷ Company performance: Sales improved sharply in the Electronic Devices and Components segment thanks to strength in communications-related components and the launch of automotive component sales through a new business channel. In the Electronic and Electric Equipment segment, sales fell on weak demand for vacuum equipment and equipment used in the manufacturing of smartphones. In the Industrial Chemicals segment, sales increased amid steady demand for petroleum refining chemicals and cosmetic base materials.

Electronic Devices and Components

Performance

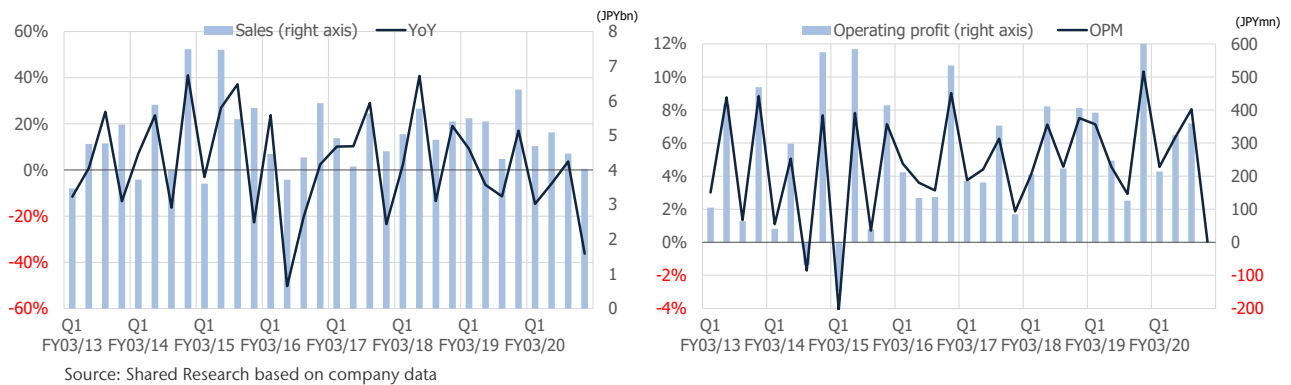


Earnings results for FY03/20 (April 2019–March 2020)

- ▷ Segment sales: JPY123.7bn (+14.9% YoY)
- ▷ Segment profit: JPY576mn (-56.7% YoY)
- ▷ Segment trend: Sales grew on firm demand for optical components used in the domestic telecommunications industry, improved demand for smartphone-related electronic components overseas, and the acquisition of a new business channel in the field of automotive components. On the other hand, profit declined sharply due to a downturn in gross profit margin on changes in the product mix and devaluation of book value as the expected effects from the COVID-19 outbreak on business activity and sales trends contributed to a decrease in inventory profitability.

Electronic and Electric Equipment

Performance

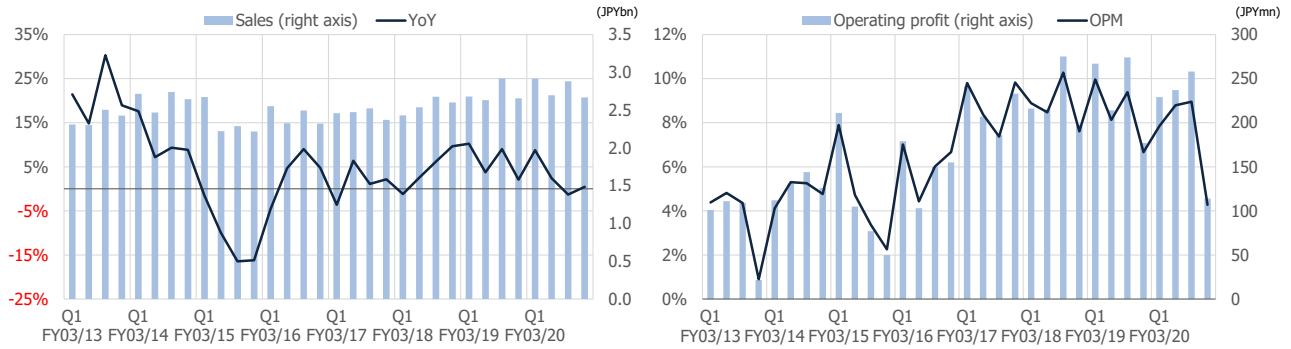


Earnings results for FY03/20 (April 2019–March 2020)

- ▷ Segment sales: JPY18.3bn (-15.1% YoY)
- ▷ Segment profit: JPY900mn (-36.5% YoY)
- ▷ Segment trend: Despite expanded demand for equipment used in domestic communications infrastructure, sales declined on a slump in vacuum equipment, a primary product of the segment, as well as a sustained downturn in lithographic exposure equipment used in PCB manufacturing for smartphones. As with the Electronic Devices and Components segment, the decline in segment profit accelerated on devaluation of book value in line with a decrease in inventory profitability.

Industrial Chemicals

Performance



Earnings results for FY03/20 (April 2019–March 2020)

- ▷ Segment sales: JPY11.2bn (+2.5% YoY)
- ▷ Segment profit: JPY838mn (-10.1% YoY)
- ▷ Segment trend: Sales growth was supported by strong sales of polymerization-inhibitors and catalysts in the petrochemicals areas, and solid sales of the cosmetics business' bio-polymers. Strong sales in these two areas outweighed sluggish sales of 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 manufacturing and transportation costs resulting from higher labor costs.

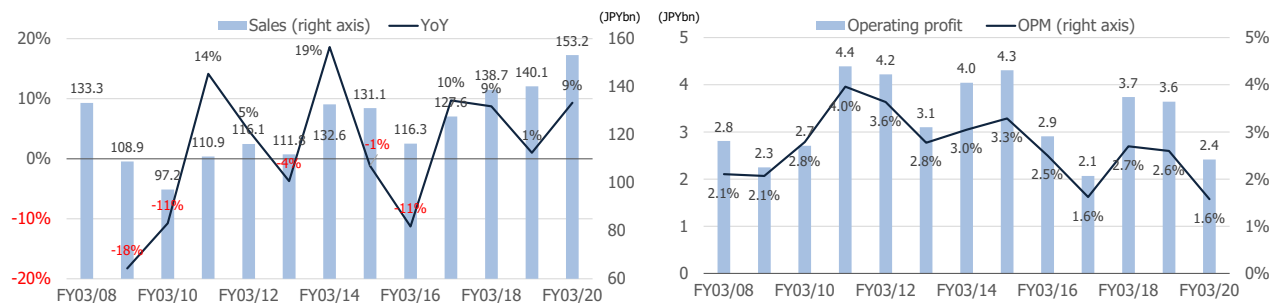
Other

Earnings results for FY03/20 (April 2019–March 2020)

- ▷ Segment sales: JPY720mn (+4.7% YoY)
- ▷ Segment profit: JPY21mn (+31.3% YoY)
- ▷ The segment is mainly engaged in management of the company's operations and logistics, and acting as an agency for insurance companies.

Full-year company forecast

(JPYmn)	FY03/18			FY03/19			FY03/20			FY03/21		
	1H	2H	FY	1H	2H	FY	1H	2H	FY	1H	2H	FY
Total sales	71,825	66,919	138,744	68,743	71,380	140,123	72,269	80,913	153,182			
Electronic Devices and Components	56,043	50,180	106,223	52,523	55,145	107,668	56,871	66,837	123,708			
Devices	36,533	35,463	71,996	38,044	39,882	77,926	40,833	-	-			
Components	19,510	14,716	34,226	14,478	15,263	29,741	16,037	-	-			
Electronic and Electric Equipment	10,806	10,279	21,085	10,899	10,645	21,544	9,777	8,509	18,286			
Industrial Chemicals	4,968	5,279	10,247	5,312	5,574	10,886	5,611	5,549	11,160			
Other	341	339	680	345	343	688	350	370	720			
YoY	31.8%	-8.5%	8.7%	-4.3%	6.7%	1.0%	5.1%	13.4%	9.3%			
Electronic Devices and Components	38.3%	-13.5%	7.8%	-6.3%	9.9%	1.4%	8.3%	21.2%	14.9%			
Devices	36.7%	0.1%	15.9%	4.1%	12.5%	8.2%	7.3%	-	-			
Components	41.3%	-34.9%	-6.0%	-25.8%	3.7%	-13.1%	10.8%	-	-			
Electronic and Electric Equipment	19.8%	1.1%	9.9%	0.9%	3.6%	2.2%	-10.3%	-20.1%	-15.1%			
Industrial Chemicals	0.7%	7.8%	4.3%	6.9%	5.6%	6.2%	5.6%	-0.4%	2.5%			
Other	-1.7%	3.0%	0.6%	1.2%	1.2%	1.2%	1.4%	7.9%	4.7%			
Gross profit	9,323	8,978	18,301	9,337	9,330	18,667	9,134	8,331	17,465			
GPM	13.0%	13.4%	13.2%	13.6%	13.1%	13.3%	12.6%	10.3%	11.4%			
SG&A expenses	7,410	7,151	14,561	7,379	7,645	15,024	7,426	7,624	15,050			
SG&A-to-sales ratio	10.3%	10.7%	10.5%	10.7%	10.7%	10.7%	10.3%	9.4%	9.8%			
Operating profit	1,912	1,828	3,740	1,957	1,685	3,642	1,708	706	2,414			
YoY	186.7%	30.4%	80.8%	2.4%	-7.8%	-2.6%	-12.7%	-58.1%	-33.7%			
OPM	2.7%	2.7%	2.7%	2.8%	2.4%	2.6%	2.4%	0.9%	1.6%			
Recurring profit	2,085	1,687	3,772	2,000	1,580	3,580	1,574	565	2,139			
YoY	172.9%	37.7%	89.6%	-4.1%	-6.3%	-5.1%	-21.3%	-64.2%	-40.3%			
RPM	2.9%	2.5%	2.7%	2.9%	2.2%	2.6%	2.2%	0.7%	1.4%			
Net income	1,582	1,705	3,287	1,346	1,127	2,473	1,105	334	1,439			
YoY	209.0%	22.6%	72.7%	-14.9%	-33.9%	-24.8%	-17.9%	-70.4%	-41.8%			
Net margin	2.2%	2.5%	2.4%	2.0%	1.6%	1.8%	1.5%	0.4%	0.9%			



Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

FY03/20 earnings forecast

FY03/21 forecast have yet to be determined

Hakuto has left its FY03/21 earnings forecast to be determined at a later date, explaining at the results announcement held on May 22, 2020 that it was too difficult at this time to reasonably estimate the effects stemming from the COVID-19 outbreak on FY03/21 earnings. The company noted that it would announce its consolidated forecast as soon as it was able to do so.

The company touched on the impact from the COVID-19 outbreak on each business, noting weak demand in the core Electronic Devices and Components segment amid restrained activity at the overseas factories of the company's leading customers in the automotive sector. Hakuto also expressed concern over the impact on earnings in the Electronic and Electric Equipment segment from delayed or reduced capex due to deteriorating economic sentiment, as well as the effects of production adjustments at oil refining, petrochemical, and paper and pulp companies on the Industrial Chemicals segment.

Historical earnings forecast accuracy

Results vs. Initial Est. (JPYmn)	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales (Initial Est.)	110,000	110,000	120,000	124,000	142,000	136,000	128,000	134,000	148,000	160,000
Sales (Results)	110,910	116,148	111,823	132,619	131,073	116,296	127,599	138,744	140,123	153,182
Results vs. Initial Est.	0.8%	5.6%	-6.8%	7.0%	-7.7%	-14.5%	-0.3%	3.5%	-5.3%	-4.3%
Operating profit (Initial Est.)	3,200	4,100	4,500	3,500	4,200	4,400	3,300	3,200	4,500	4,000
Operating profit (Results)	4,392	4,222	3,101	4,043	4,307	2,906	2,069	3,740	3,642	2,414
Results vs. Initial Est.	37.2%	3.0%	-31.1%	15.5%	2.5%	-34.0%	-37.3%	16.9%	-19.1%	-39.7%
Recurring profit (Initial Est.)	3,100	4,000	4,500	3,600	4,300	4,400	3,400	3,300	4,700	4,000
Recurring profit (Results)	4,023	4,187	3,435	4,218	4,555	2,873	1,989	3,772	3,580	2,139
Results vs. Initial Est.	29.8%	4.7%	-23.7%	17.2%	5.9%	-34.7%	-41.5%	14.3%	-23.8%	-46.5%
Net income (Initial Est.)	2,000	2,500	2,900	2,500	2,800	2,900	2,300	2,400	3,400	2,800
Net income (Results)	2,200	2,244	2,005	2,336	3,394	2,034	1,903	3,287	2,473	1,439
Results vs. Initial Est.	10.0%	-10.3%	-30.9%	-6.6%	21.2%	-29.9%	-17.3%	37.0%	-27.3%	-48.6%

Source: Shared Research based on company data

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

The company focuses on profitability, and eschews unreasonable orders. It also tends to give conservative forecasts. Consequently, judging from past estimates and actual results, its earnings tend to be generally stable, other than in unusual circumstances such as are described below, and regularly surpass the initial targets.

FY03/09: Results were substantially below initial forecast, mainly due to the impact of the 2008–09 global financial crisis (market contraction in Europe and the US, high raw material prices, exchange rate fluctuations).

FY03/13: The recurrence of debt crises in Europe in 1H and economic slowdown in China caused a deceleration in capital expenditures, resulting in the company falling short of initial forecast.

FY03/15: Sales missed the firm's targets, but profit beat initial projections thanks to contributions from profit upturns for both overseas and domestic subsidiaries.

FY03/16: Profits missed the company's initial targets due to the impact of a main client's withdrawal from the LED business and inventory reserves that accrued because of a drop in sales of smartphone and tablet parts to the Chinese market.

FY03/17: The company revised down forecast as steep exchange rate fluctuations in Q1 impaired 1H profits, but with some recovery made in 2H it managed to revise up forecast again for the full year.

FY03/18: Hakuto commented from the start that its forecast was conservative, and it made steady progress from Q1, with robust sales related to PCB/FPC manufacturing equipment covering for delays in the high-margin stepper business, allowing it to finish the year above plan despite rapid yen appreciation in Q4.

FY03/19: For its core Electronic Devices and Components business Hakuto suffered from weak demand from China for connectors for use in consumer and industrial devices, while it also had discontinued the memory card business that had contributed during FY03/18. As a result, although sales were up YoY, both sales and profits came in below the initial plan.

FY03/20: Although earnings were generally in line with targets through Q3, profit fell well short of the company's initial target as the spread of COVID-19 infections from the beginning of Q4 and the expected impact on business activity and sales trends contributed to devaluation of book value in line with a decrease in inventory profitability.

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

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion from us that could influence investment decisions in the company, such an opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp