



Consolidated Financial Results 1Q FY2023

August 10, 2023

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- **Results Highlights**
 - **1Q FY2023 Results**
 - **1Q FY2023 Results by Segment**
 - **FY2023 Outlook**
 - **Future Initiatives**

Company Name	HIRANO TECSEED Co., Ltd.
Representative	Kaoru Okada, President
Paid-in Capital	¥1,847,821,000 (as of end-June 2023)
Headquarters	101-1, Kawai, Kawai-cho, Kitakatsuragi-gun, Nara Pref. 636-0051, Japan
Group Companies (wholly-owned)	• HIRANO GIKENKOGYO Co., Ltd. • HIRANO K&E Co., Ltd.
Number of Employees	320 (Consolidated: 416, as of end-June 2023)
Securities Code	6245 (Industry: Machinery)

1Q FY2023 results

	1Q FY2023	YoY
Net Sales	¥12,584mn	+ ¥3,358mn + 36.4%
Operating Income	¥629mn	-¥45mn -6.7%
Operating Income Margin	5.0%	-2.3pts

FY2023 earnings forecasts

	FY2023 forecasts	YoY
Net Sales	¥41,000mn	-¥1,423mn -3.4%
Operating Income	¥2,920mn	-¥173mn -5.6%
Operating Income Margin	7.1%	-0.2pts

Topics

- | | |
|---------------------------|---|
| 1Q FY2023 results | <ul style="list-style-type: none"> ✓ Net sales rise on capture of demand for lithium-ion battery-use anode coating equipment in the Coating and Laminating Machinery Segment and for semiconductor materials-use coating machinery such as for multi-layer ceramic capacitors (MLCC) and polyimide films in the Industrial Machinery Segment ✓ Operating income margin falls on sharp rise in costs (mainly for industrial materials and personnel) |
| FY2023 earnings forecasts | <ul style="list-style-type: none"> ✓ Expect slight YoY decline in net sales as a consequence of sales booking postponement resulting from change in clients' delivery locations ✓ Expect a similar slight YoY decline in operating income despite efforts to pass through higher costs via price negotiations where necessary ✓ No change to either the net sales or operating income forecasts |



1Q FY2023 Results

Overview of 1Q FY2023 Results

1Q FY2023 results

(Unit: ¥million)	1Q FY22 a	1Q FY23 b	Change b-a	YoY % (b-a)/a
Orders	25,838	1,812	-24,025	-93.0%
Net Sales	9,226	12,584	+3,358	+36.4%
Operating Income	674	629	-45	-6.7%
Operating Income Margin	7.3%	5.0%	-2.3pts	-
Ordinary Income	734	675	-58	-8.0%
Ordinary Income Margin	8.0%	5.4%	-2.6pts	-
Net Income	505	467	-37	-7.5%
Net Income Margin	5.5%	3.7%	-1.8pts	-

1Q FY2023 results overview

- ✓ Large 1Q order decline owed to the concurrence of strong advance orders in FY2022 and earlier, particularly for lithium-ion battery-use anode coating equipment, weak orders as client closely monitored prices, and specification adjustments for changes in clients' delivery locations
- ✓ Net sales rise on capture of demand for lithium-ion battery-use anode coating equipment in the Coating and Laminating Machinery Segment and for semiconductor materials-use coating machinery such as for MLCC and polyimide films in the Industrial Machinery Segment
- ✓ Operating income margin falls on sharp rise in costs (mainly for industrial materials and personnel)

Initiatives to boost orders from 2Q FY2023

- ✓ We will step up the following initiatives to respond to further increase in demand, particularly for EV-use lithium-ion batteries:
 - Shrink design times via the sharing and standardization of components
 - Search for business partners
 - Boost production capacity

1Q FY2023 Results by Segment



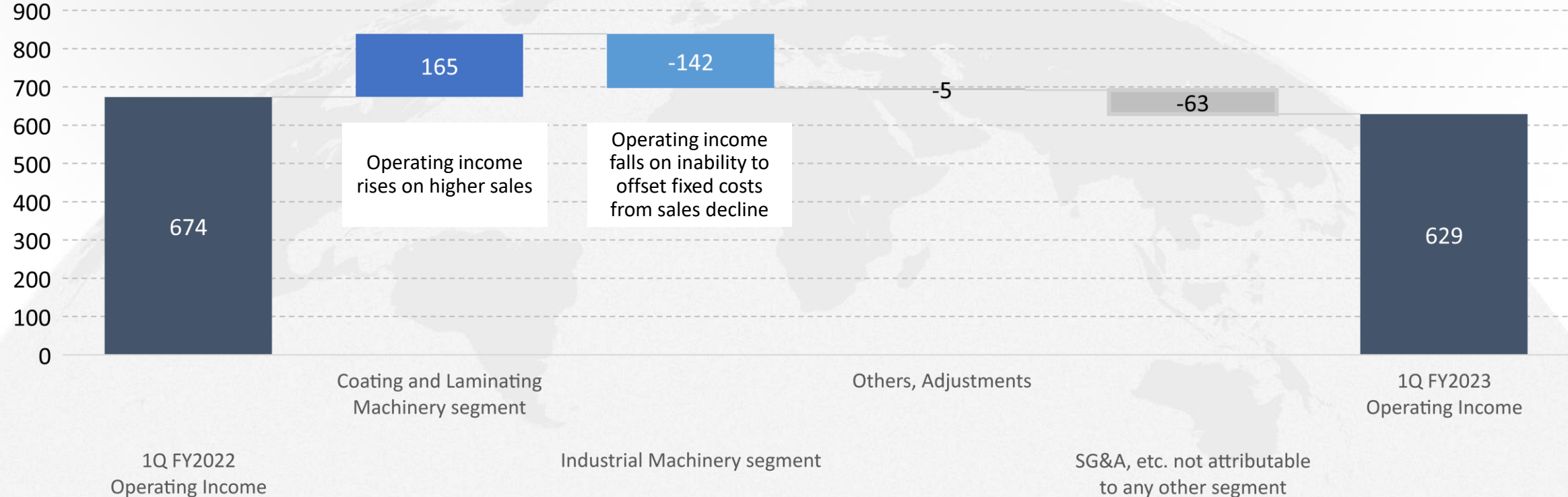
(Unit: ¥million)		1Q FY22	1Q FY23	Change	YoY %
		a	b	b-a	(b-a)/a
Consolidated total	Orders	25,838	1,812	-24,025	-93.0%
	Net Sales	9,226	12,584	+ 3,358	+36.4%
	Operating Income	674* ¹	629* ¹	-45	-6.7%
	Operating Income Margin	7.3%	5.0%	-2.3pts	-
Coating and Laminating Machinery Segment	Orders	24,499	849	-23,650	-96.5%
	Net Sales	6,657	10,441	+ 3,784	+56.8%
	Operating Income* ²	485	650	165	+34.1%
	Operating Income Margin	7.3%	6.2%	-1.1pts	-
Industrial Machinery Segment	Orders	715	626	-89	-12.5%
	Net Sales	2,262	1,720	-542	-24.0%
	Operating Income* ²	429	287	-142	-33.1%
	Operating Income Margin	19.0%	16.7%	-2.3pts	-
Others, Adjustments	Orders	623	337	-286	-45.9%
	Net Sales	306	422	+ 116	+38.0%
	Operating Income* ²	25	20	-5	-21.1%
	Operating Income Margin	8.3%	4.8%	-3.5pts	-

*1 After adjustment for SG&A not assignable to any reporting segment

*2 Operating income equivalent to segment profit in the quarterly results report.

Factors for Change in 1Q FY2023 Operating Income

(Unit: ¥million)



(Unit: ¥million)	End-FY2022	End-1Q FY2023	
	Value	Value	Change
Current Assets	48,158	46,309	-1,848
Fixed Assets	12,363	12,925	+562
Tangible Fixed Assets	7,408	7,476	+67
Intangible Fixed Assets	672	632	-39
Investments and Other Assets	4,283	4,816	+533
Total Assets	60,522	59,235	+562
Current Liabilities	23,428	21,781	-1,647
Fixed Liabilities	1,096	1,026	-70
Net Assets	35,997	36,428	+431
Equity Ratio (%)	59.5	61.5	+2.0pts

Assets

Current Assets Down ¥1,848mn

- ✓ Sales receivables and contract assets up ¥3,628mn due to rise in net sales
- ✓ Cash and deposits related to production activity down ¥1,076mn, advance payments down ¥1,030mn
- ✓ In Other Assets, consumption tax receivable down ¥1,359mn on consumption tax return, ¥2,099mn in marketable securities reaching maturity

Fixed Assets Up ¥562mn

- ✓ Investment securities up ¥546mn on higher valuation of securities holdings

Liabilities

Current Liabilities Down ¥1,647mn

- ✓ Procurement liabilities up ¥1,543mn on rise in production activity
- ✓ Short-term borrowings down ¥3,490mn

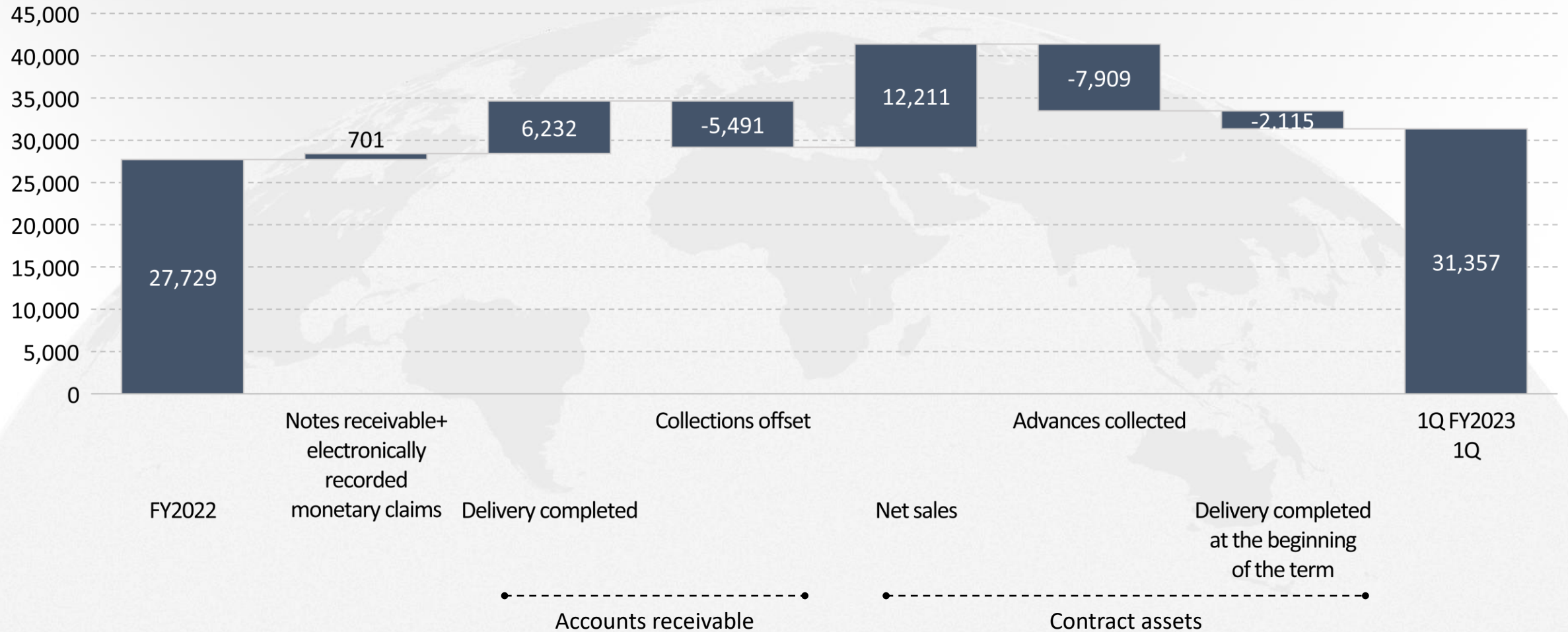
Fixed Liabilities Down ¥70mn

Net Assets

Net Assets Up ¥431mn

Change in Notes and Accounts Receivable - Trade, and Contract Assets, and Electronically Recorded Monetary Claims - Operating

(Unit: ¥million)

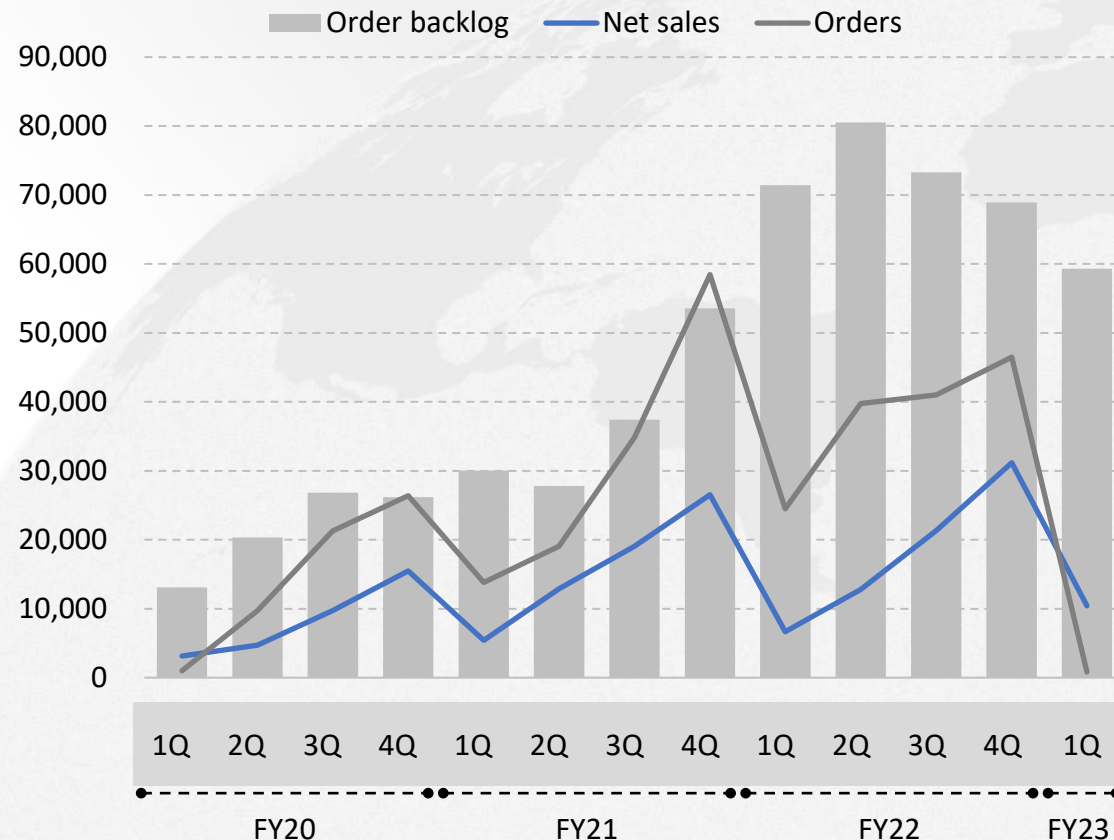




1Q FY2023 Results by Segment

Order backlog, net sales, and orders in the Coating and Laminating Machinery Segment

(Unit: ¥million)



Highlights in the Coating and Laminating Machinery Segment

Market conditions

- ✓ Solid growth in the lithium-ion battery market (particularly in the EV market), growth expectations for North America and Southeast Asia

Orders

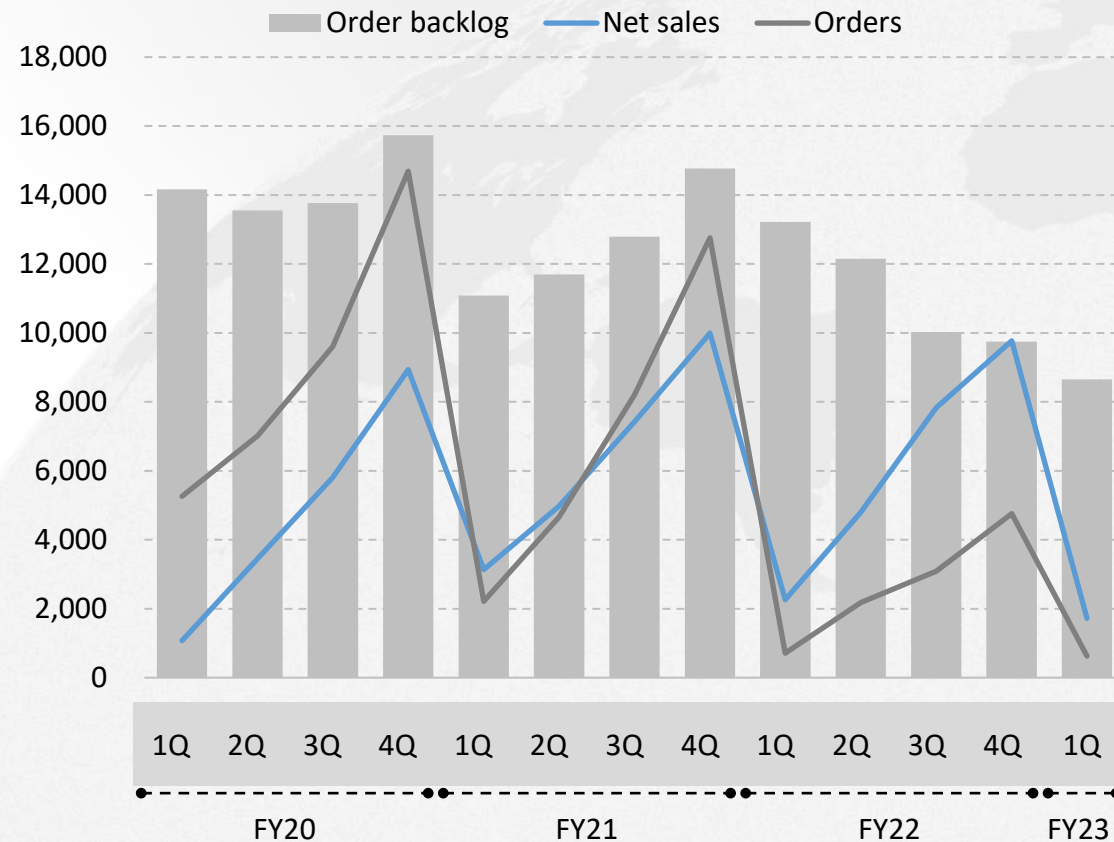
- ✓ Orders increased in FY2022 on advance orders in anticipation of continued growth in the EV market, with a resulting fallback this year, as well as weak orders as client closely monitored prices, and specification adjustments for changes in clients' delivery locations
- ✓ Aim to work through the order backlog, develop and strengthen business partnerships, boost production capacity, and pursue sharing and standardization of components to tap into expected further market growth

Net sales

- ✓ Net sales up YoY, mainly in energy-related areas, on progress in working through orders generated by increase in production volume

Order backlog, net sales, and orders in the Industrial Machinery Segment

(Unit: ¥million)



Highlights in the Industrial Machinery Segment

Market conditions

- ✓ Market being driven by film making systems for semiconductor materials applications, such as MLCC and polyimide films
- ✓ Demand rising particularly in China

Orders

- ✓ Orders declined YoY despite receipt of orders from clients in regions such as Japan and China

Net sales

- ✓ Net sales down YoY despite film making systems for electronic materials applications becoming the main focus



FY2023 Outlook

All-company

- ✓ Monitor client-side capex trends and continue to improve lead time management and productivity in order to achieve medium- to long-term growth by tapping into new market demand
- ✓ Expect full-year net sales to fall YoY owing to delivery delays necessitated by adjustment in product specifications in line with change in clients' delivery locations
- ✓ Expect a similar YoY decline in operating income despite efforts to pass through higher costs after price negotiations where necessary

Coating and Laminating Machinery Segment

- ✓ Lithium-ion battery demand solid and expect further growth. Notable expansion especially in North American market and plant already established in the region to respond to this. Expect start up of turnkey projects and strong maintenance demand going forward.
- ✓ While Hirano Tecseed is renowned as a global leading company particularly for lithium-ion battery-use anode coating equipment owing to its high technical proficiency, lead times are lengthening due to a shortage of production capacity
- ✓ To address this, we will step up efforts to shrink design times via sharing and standardization of components, search for business partners, and boost production capacity

Industrial Machinery Segment

- ✓ Earnings growth being driven by demand for film making systems for semiconductor materials applications such as MLCC and polyimide films
- ✓ Policy focused on maintaining and expanding MLCC share, where sustained market growth is expected

FY2023 Earnings Forecasts

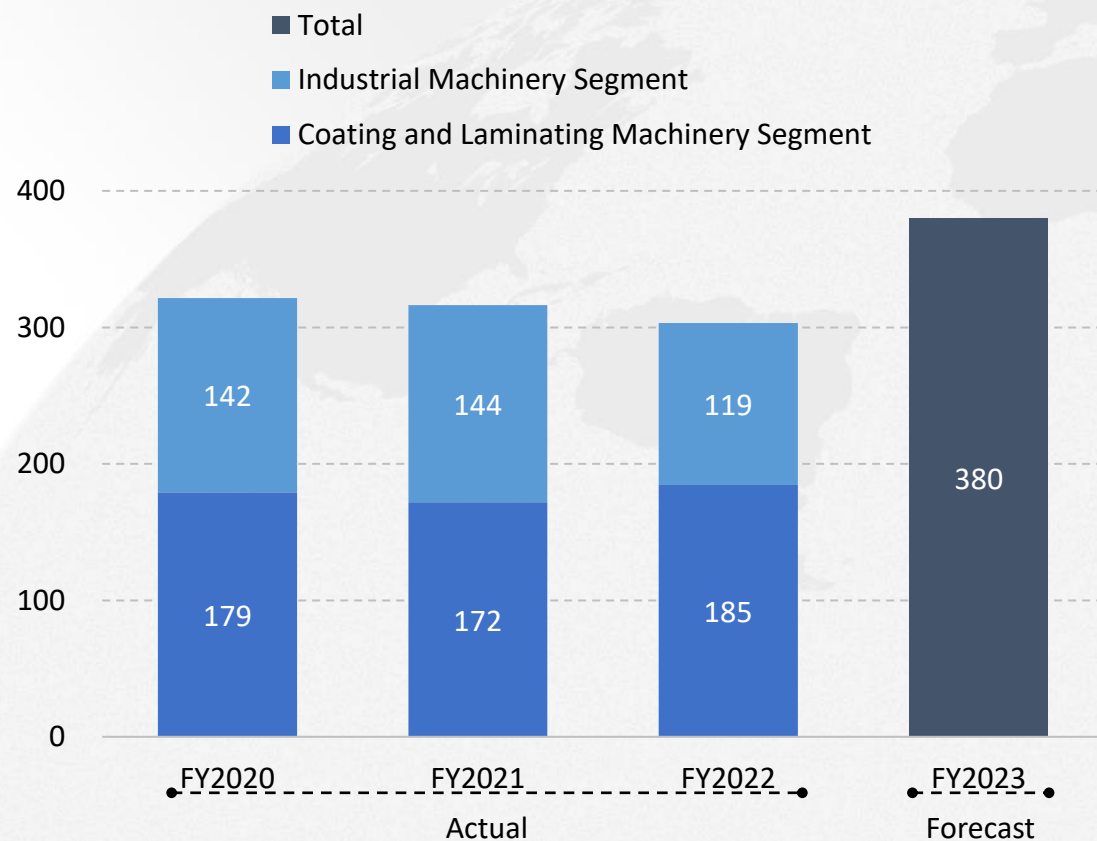


(Unit: ¥million)	FY2022	FY2023	YoY	
	a	b	Change b-a	YoY % (b-a)/a
Net Sales	42,423	41,000	-1,423	-3.4%
Operating Income	3,093	2,920	-173	-5.6%
Operating Income Margin	7.3%	7.1%	-0.2pts	-
Ordinary Income	3,219	3,000	-219	-6.8%
Ordinary Income Margin	7.6%	7.3%	-0.3pts	-
Net Income	2,243	2,100	-1.4	-6.2%
Net Income Margin	5.3%	5.1%	-0.2pts	-
ROE	6.4%	5.8%	-0.6pts	
Dividends Per Share	¥56	¥56	¥0	

FY2023 R&D Expenditure, Capex, and Depreciation Expenses

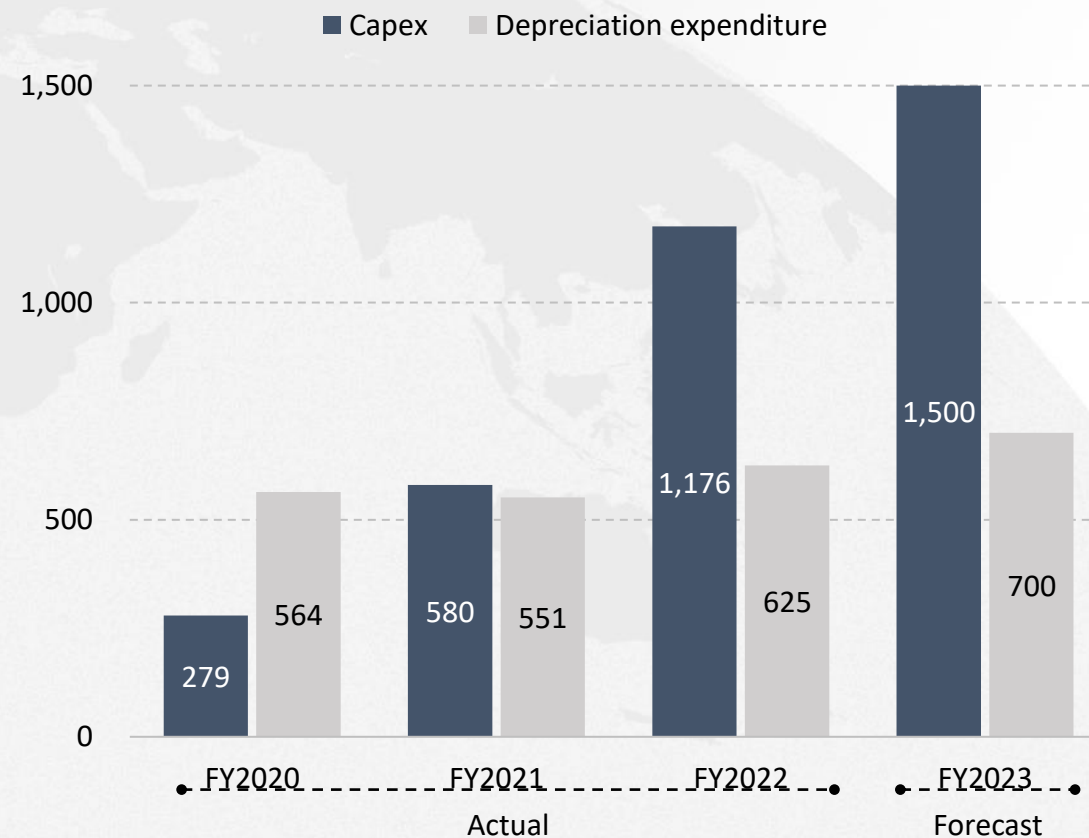
R&D expenditure

(Unit: ¥million)



Capex and depreciation expenditure (consolidated)

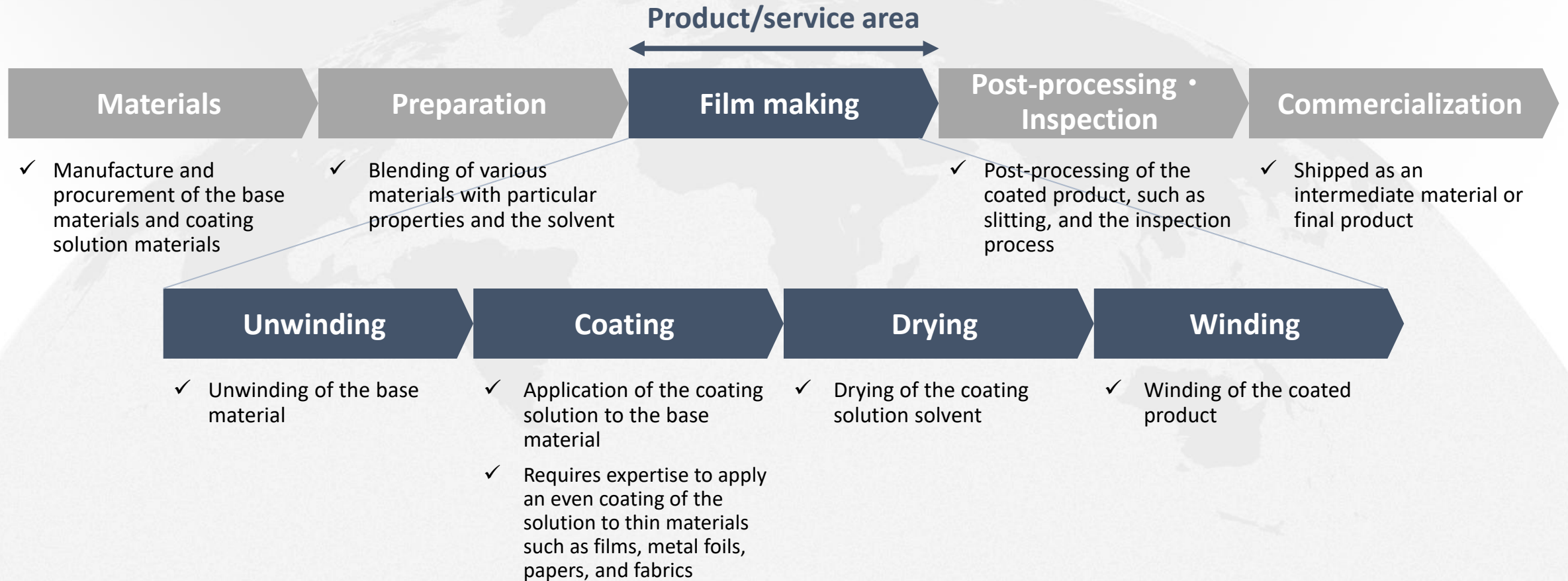
(Unit: ¥million)



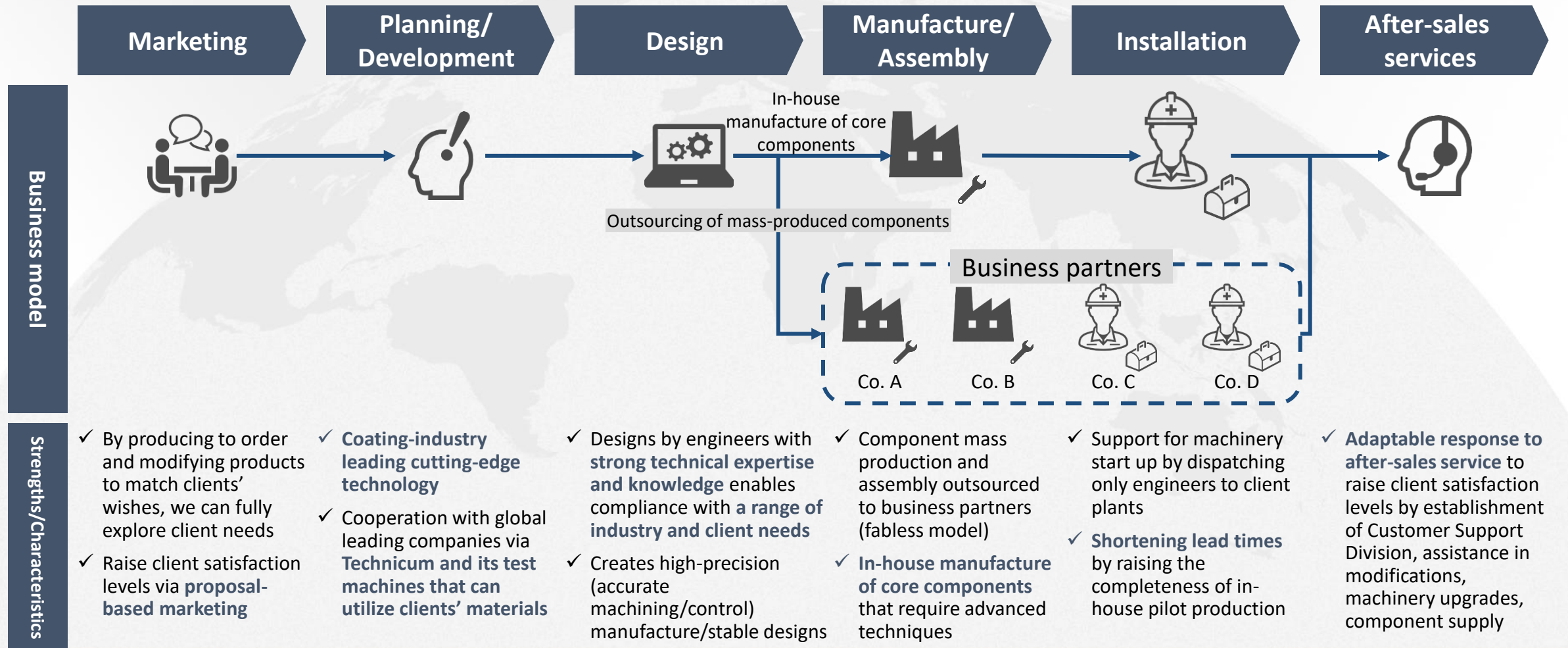


Future Initiatives

- ✓ A global leader in the manufacture of coating machinery (coaters) that handle everything from unwinding, coating, drying, and winding on a single dedicated line



- ✓ Strength in planning/design that matches the needs of leading global companies, provision of everything from marketing to after-sales services



Main customer industries and final products

✓ We develop a variety of hi-tech coating machinery for a broad range of markets



Our objectives for FY2030

Global leader in coating machines

~ Enhance corporate value by establishing a stable revenue base ~

- Cutting-edge fields: No. 1 market share in energy and electronic materials
- Globalization through expansion of overseas network from sales/manufacturing/maintenance
- Contribute to industrial development and the global environment through coating technology

Key strategic themes to create a stable revenue base

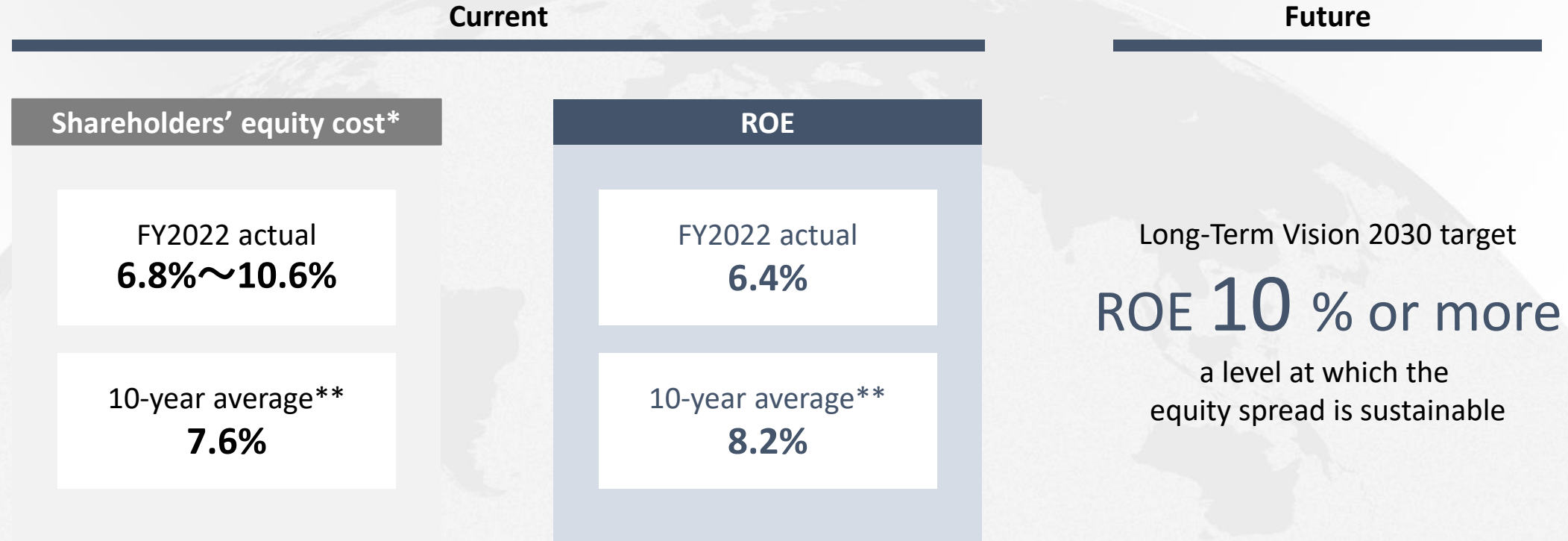
1	Strong push toward standardization/mass production	Raising overall profitability through the pursuit of shifts to standardized formats and mass production models and the reduction in manufacturing costs by cutting raw material costs and the number of in-house processes
2	Enhancing customer service structure	Establishing a system of services to benefit customers as a one-stop shop for everything from development, manufacturing, installation and ancillary work, pilot operations, and manufacturing startup through to maintenance
3	Continued strengthening of global development	Continuing to expand our overseas network structure including marketing, manufacturing and maintenance work through alliances with local partners, especially in North America, Europe, and Asia
4	Pursuing smart factory technologies	Strengthening technologies that contribute to labor saving, automated operations, and higher productivity at customers' factories via predictive maintenance and troubleshooting, with a focus on remote technologies
5	Business development that embodies market needs	Pioneering business development rooted in our core technologies that contributes to greater functionality and advancement in production technologies in next-generation growth areas
6	Expanding human capital	Developing and expanding our workforce, particularly in our core strength of engineers, and creating work environments and a corporate culture in which diverse human resources can get job satisfaction

State of Key Strategic Themes as of 1Q FY2023

✓ Gradually prepare measures that will take time to show results, while implementing fast-acting measures

1	Strong push toward standardization/mass production	<ul style="list-style-type: none">✓ Machinery component standardization/sharing Reduce design and production processes steps via component standardization/sharing using DX methods✓ Production of mass-produced components at overseas plants Pursue manufacturing optimization by producing/assembling mass-produced components at overseas plants
2	Enhancing customer service structure	<ul style="list-style-type: none">✓ Create customer service structure to raise client satisfaction levels Raise client satisfaction levels and diversify revenue streams by establishing Customer Support Division to respond to modification, upgrade, component supply demand
3	Continued strengthening of global development	<ul style="list-style-type: none">✓ Strengthen North American operations with an eye on further growth in the lithium-ion battery market Start up North American base to capture untapped North American market and enable swift response to turnkey projects and after-sales maintenance. Pursue development of business partnerships.
4	Pursuing smart factory technologies	<ul style="list-style-type: none">✓ Pursue digital twinning via cooperation with Siemens (OTCM: SIEGY) Pursue shorter lead times by embarking on digital twinning for the entire transportation/coating/drying process✓ Remote diagnosis using edge computing technology Pursue construction of a remote maintenance structure to respond to diverse needs
5	Business development that embodies market needs	<ul style="list-style-type: none">✓ Joint development of high-value-added components with partner companies Improve technological edge in the lithium-ion battery market through joint development of high-precision bearings✓ Focus on EV peripheral machinery Focus on growing market share in coating machinery for ceramics used in EV peripheral equipment
6	Expanding human capital	<ul style="list-style-type: none">✓ Train engineers in order to raise production capacity Expedite training of engineers using video learning✓ Implement executive officer system, recruit external HR, reform director compensation structure Implement executive officer system, recruit external HR in growth areas. Commitment to results via introduction of earnings-linked compensation structure.

✓ Shareholders' equity cost running above historical average, but ROE has recently fallen behind. Target ROE of 10% or more in 2030.



*Company estimate of shareholders' equity cost based on CAPM

**FY2013-FY2022

✓ Implementing a variety of initiatives recently to raise corporate value. Aim to further expand disclosure going forward.

State of current initiatives

Future initiatives

Long-term vision/ Growth strategies

- ✓ Long-Term Vision 2030 announced in May, fast-acting measures implemented
- ✓ Details of roadmap and schedule not yet announced

- ✓ Formulating medium-term business plan including roadmap, schedule, KPI for achievement of long-term vision
- ✓ Aim for announcement in 1Q FY2024

Capital/Financial strategies

- ✓ Direction of core growth investments in Long-Term Vision 2030 and shareholders returns targets announced
- ✓ Quantitative information such as investment figures not yet announced

- ✓ Formulating capital allocation that balances growth investment with shareholder returns after consideration of optimal capital structure
- ✓ Aim for announcement in 2Q FY2023

Organization/Governance

- ✓ Executive officer system implemented
- ✓ Director/executive officer compensation structure reformed

- ✓ Policy to promote improvement of governance based on evaluation of the effectiveness of the board of directors

Sustainability

- ✓ Human capital initiatives announced in May
- ✓ Supply of coating machinery for lithium-ion battery and other applications to assist in achievement of carbon neutrality

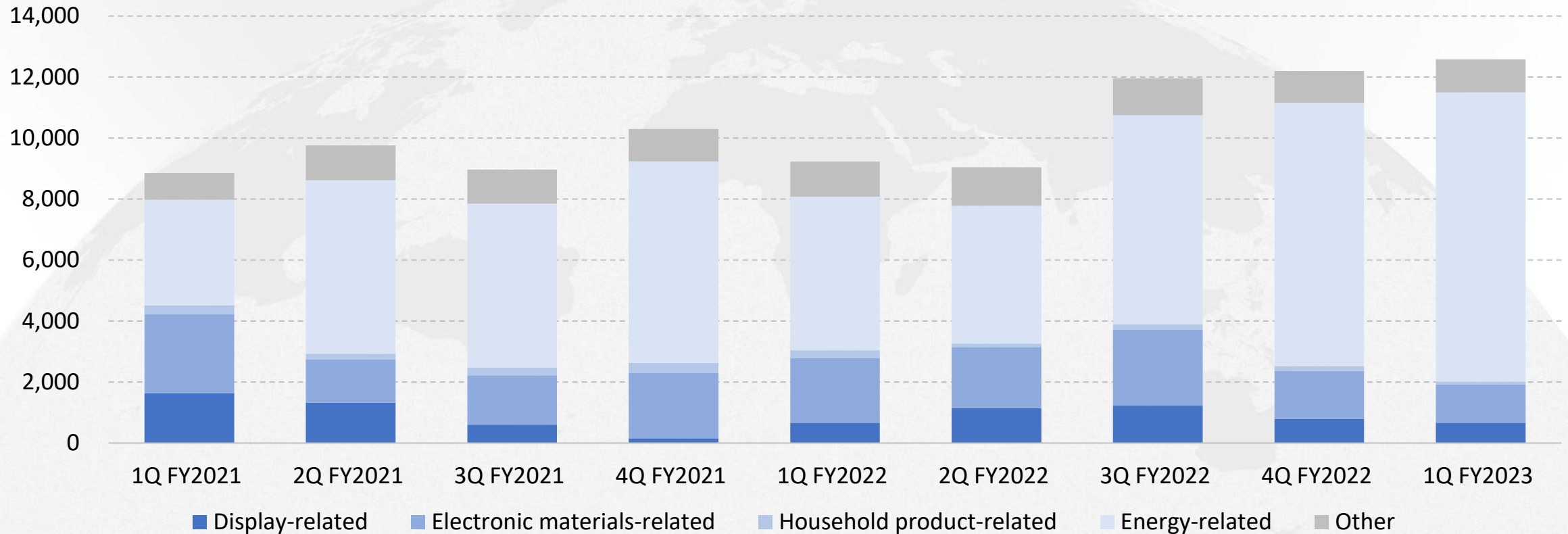
- ✓ Policy to further expand/disclose human capital
- ✓ Focus on technological exploration in industry/application areas likely to expand, such as solid-state batteries



Appendix

By Application ① Net Sales (quarterly)

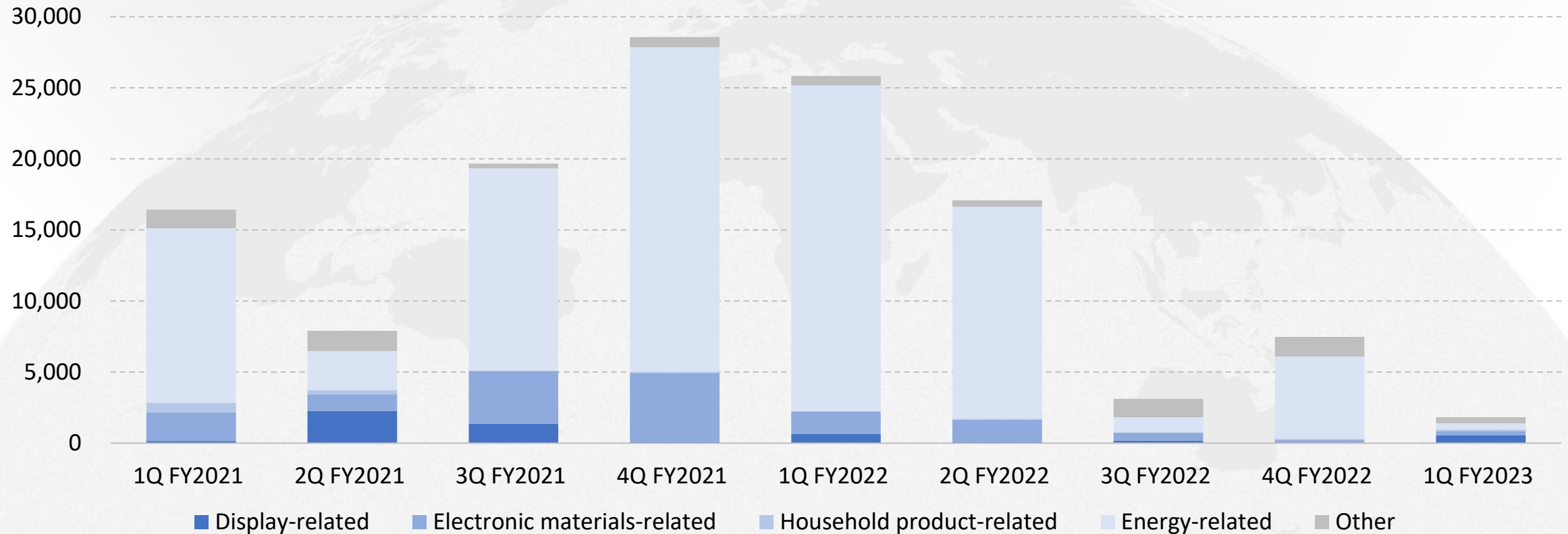
(Unit: ¥million)



We applied Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the FY2021 consolidated accounting period. Figures for FY2021 are adjusted to reflect these standards.

By Application ② Orders (quarterly)

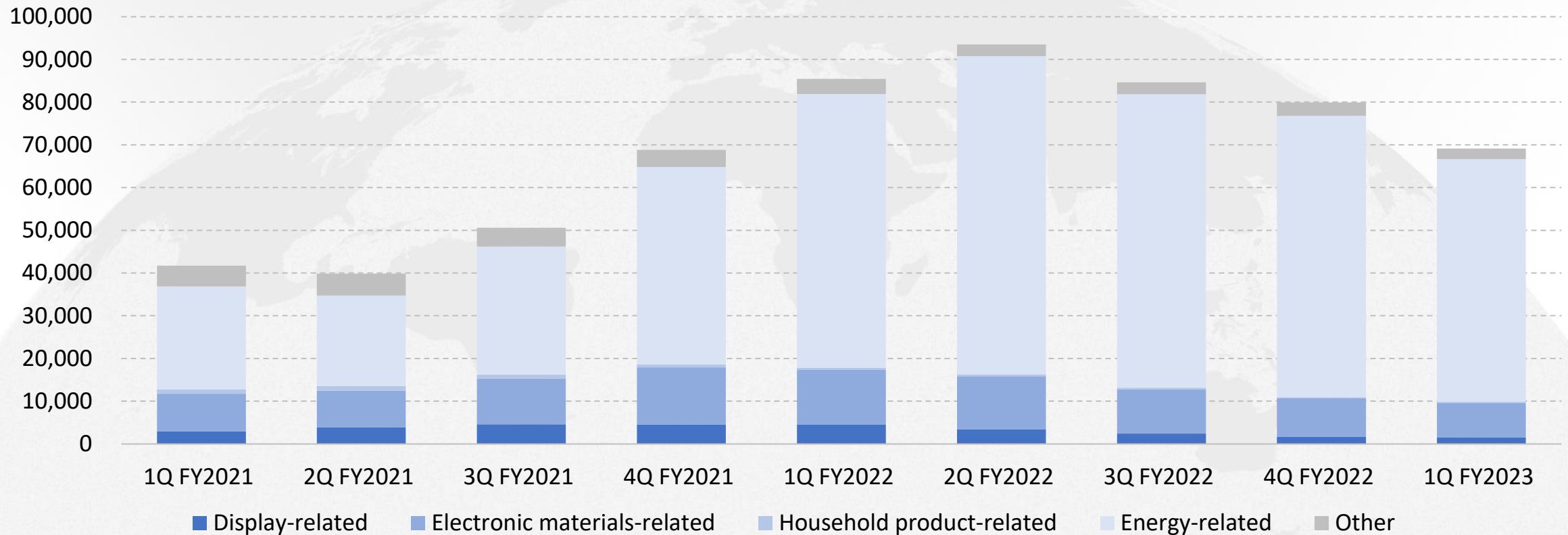
(Unit: ¥million)



We applied Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the FY2021 consolidated accounting period. Figures for FY2021 are adjusted to reflect these standards.

By Application ③ Order Backlog (quarterly)

(Unit: ¥million)



We applied Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the FY2021 consolidated accounting period. Figures for FY2021 are adjusted to reflect these standards.

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