



Consolidated Financial Results 2Q FY2023

November 10, 2023

- **Results Highlights**
- **2Q FY2023 Results**
- **2Q FY2023 Results by Segment**
- **FY2023 Outlook**
- **Capital Allocation to Raise Corporate Value**

Company Name	HIRANO TECSEED Co., Ltd.
Representative	Kaoru Okada, President
Paid-in Capital	¥1,847,821,000 (as of end-September 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. • HIRANO AMERICA, INC.
Number of Employees	322 (Consolidated: 420, as of end-September 2023)
Securities Code	6245 (Industry: Machinery)

2Q FY2023 results

	2Q FY2023	YoY
Net Sales	¥22,346mn	+¥4,075mn + 22.3%
Operating Income	¥769mn	-¥727mn -48.6%
Operating Income Margin	3.4%	-4.7pts

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

2Q FY2023 results

- ✓ Net sales rise in the Coating and Laminating Machinery Segment on clearing of order backlog for lithium-ion battery-use anode coating equipment
- ✓ Net sales fall in the Industrial Machinery Segment despite demand for film making systems for electronic materials applications such as multi-layer ceramic capacitors (MLCC) and polyimide films
- ✓ Operating income margin falls as ongoing efforts on price negotiations and cost cutting are insufficient to offset a sharp rise in costs, mainly for industrial materials and personnel

FY2023 earnings forecasts

- ✓ No change in initial sales forecast
- ✓ Operating income hit by higher costs from sharp rise in industrial materials prices, personnel costs, and outsourcing costs, but full-year forecast left unchanged to reflect income improvement initiatives to share and standardize components and equipment, boost productivity, and raise the value added of equipment.



2Q FY2023 Results

Overview of 2Q FY2023 Results

Cumulative 1Q-2Q FY2023 results

(Unit: ¥million)	FY22 1Q-2Q a	FY23 1Q-2Q b	Change b-a	YoY % (b-a)/a
Orders	42,917	6,696	-36,221	-84.4%
Net Sales	18,270	22,346	+4,075	+22.3%
Operating Income	1,496	769	-727	-48.6%
Operating Income Margin	8.2%	3.4%	-4.7%	-
Ordinary Income	1,557	814	-742	-47.7%
Ordinary Income Margin	8.5%	3.6%	-4.9%	-
Net Income	1,078	564	-514	-47.7%
Net Income Margin	5.9%	2.5%	-3.4%	-

2Q FY2023 results overview

- ✓ Orders fall in 2Q owing to the concurrence of strong advance orders in FY2022 and earlier, particularly for coating equipment for EV-use lithium-ion batteries, weak orders as client closely monitor prices, and specification adjustments for changes in clients' delivery locations.
- ✓ Net sales rise in the Coating and Laminating Machinery Segment on clearing of order backlog for lithium-ion battery-use equipment, but fall YoY in the Industrial Machinery Segment despite demand for film making systems for electronic materials applications becoming the main focus
- ✓ Operating income falls on sharp rise in costs (mainly for industrial materials and personnel)
- ✓ Ordinary income falls on decline in operating income and rise in interest payable for repayment of borrowings
- ✓ Net income also falls on decline in ordinary income

2Q FY2023 Results by Segment



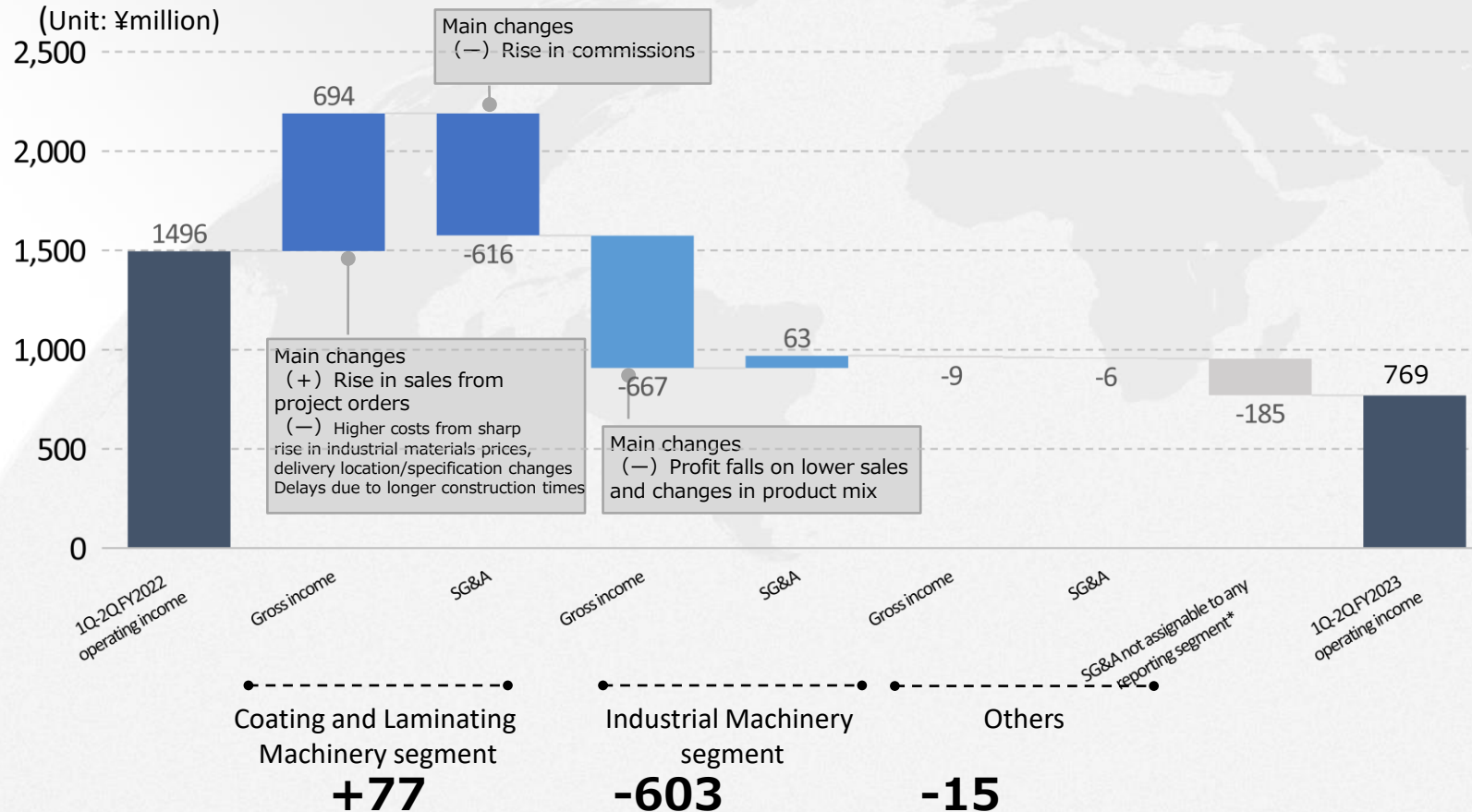
(Unit: ¥million)		FY22	FY23	Change	YoY %
		Cumulative 1Q-2Q	Cumulative 1Q-2Q		
		a	b	b-a	(b-a)/a
Consolidated total	Orders	42,917	6,696	-36,221	-84.4%
	Net Sales	18,270	22,346	+4,075	+22.3%
	Operating Income * ¹	1,496	769	-727	-48.6%
	Operating Income Margin	8.2%	3.4%	-4.7%	-
Coating and Laminating Machinery Segment	Orders	39,758	3,580	-36,177	-91.0%
	Net Sales	12,821	18,227	+5,405	+42.2%
	Operating Income * ²	841	918	+77	+9.2%
	Operating Income Margin	6.6%	5.0%	-1.5%	-
Industrial Machinery Segment	Orders	2,178	2,247	+68	+3.2%
	Net Sales	4,796	3,261	-1,534	-32.0%
	Operating Income * ²	1,107	504	-603	-54.4%
	Operating Income Margin	23.1%	15.5%	-7.6%	-
Others, Adjustments	Orders	980	868	-112	-11.5%
	Net Sales	653	857	+204	+31.2%
	Operating Income * ²	63	47	-15	-25.2%
	Operating Income Margin	9.7%	5.5%	-4.2%	-

*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 2Q FY2023 Operating Income

Factors for change in operating income



Countermeasures

Gross income

- ✓ Rise in net sales
 - Revision of transaction conditions to reflect changes in clients' delivery locations
 - Price negotiations on increased added value created by improved functionality of machinery
 - Improvement in production structure via early decision on specifications due to frontloading
 - Fall in lost orders as increased production capacity shrinks lead times

Fall in CoGS

- ✓ Fall in CoGS
 - Fall in costs from sharing and standardization
 - Profit improvement by raising rate of in-house production for key components
 - Visualization of CoGS to maximize profitability such as by improving monitoring system

SG&A costs

- ✓ Fall in commissions from revision of contract conditions
- ✓ Improvement in productivity from DX advances

(Unit: ¥million)	End-FY2022	End-2Q FY2023	
	Value	Value	Change
Current Assets	48,158	43,964	-4,194
Fixed Assets	12,363	12,943	+579
Tangible Fixed Assets	7,408	7,391	-17
Intangible Fixed Assets	672	595	-76
Investments and Other Assets	4,283	4,956	+673
Total Assets	60,522	56,908	-3,614
Current Liabilities	23,428	19,223	-4,205
Fixed Liabilities	1,096	1,054	-42
Net Assets	35,997	36,630	+633
Equity Ratio	59.5%	64.4%	+4.9pts

Assets

- Current Assets Down ¥4,194mn
- ✓ Cash and deposits Down ¥1,260mn
- ✓ Marketable securities Down ¥2,299mn
- ✓ Advance payments Down ¥1,359mn

Fixed Assets Up ¥579mn

- ✓ Investments and other assets Up ¥673mn
- ✓ Intangible fixed assets Down ¥76mn

Liabilities

Current Liabilities Down ¥4,205mn

- ✓ Short-term borrowings Down ¥3,982mn

Fixed Liabilities Down ¥42mn

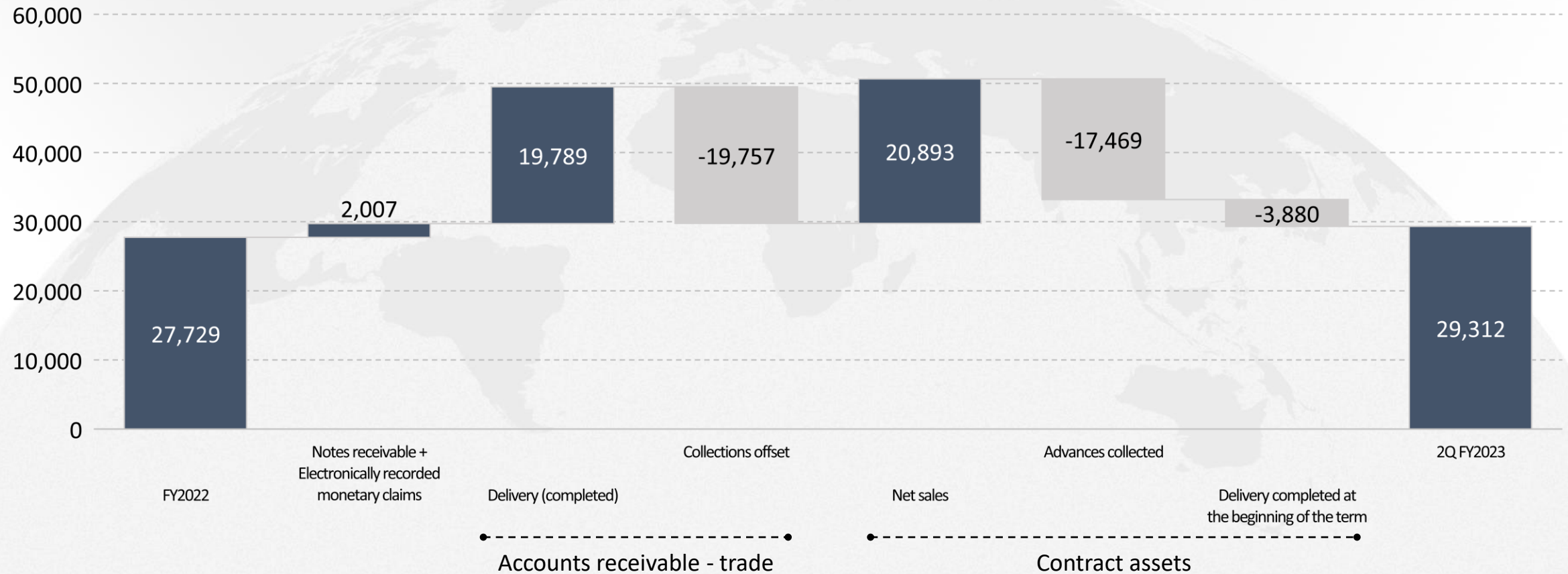
- ✓ Deferred tax liabilities Up ¥123mn
- ✓ Long-term borrowings Down ¥176mn

Net Assets

Net Assets Up ¥633mn

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

(Unit: ¥million)

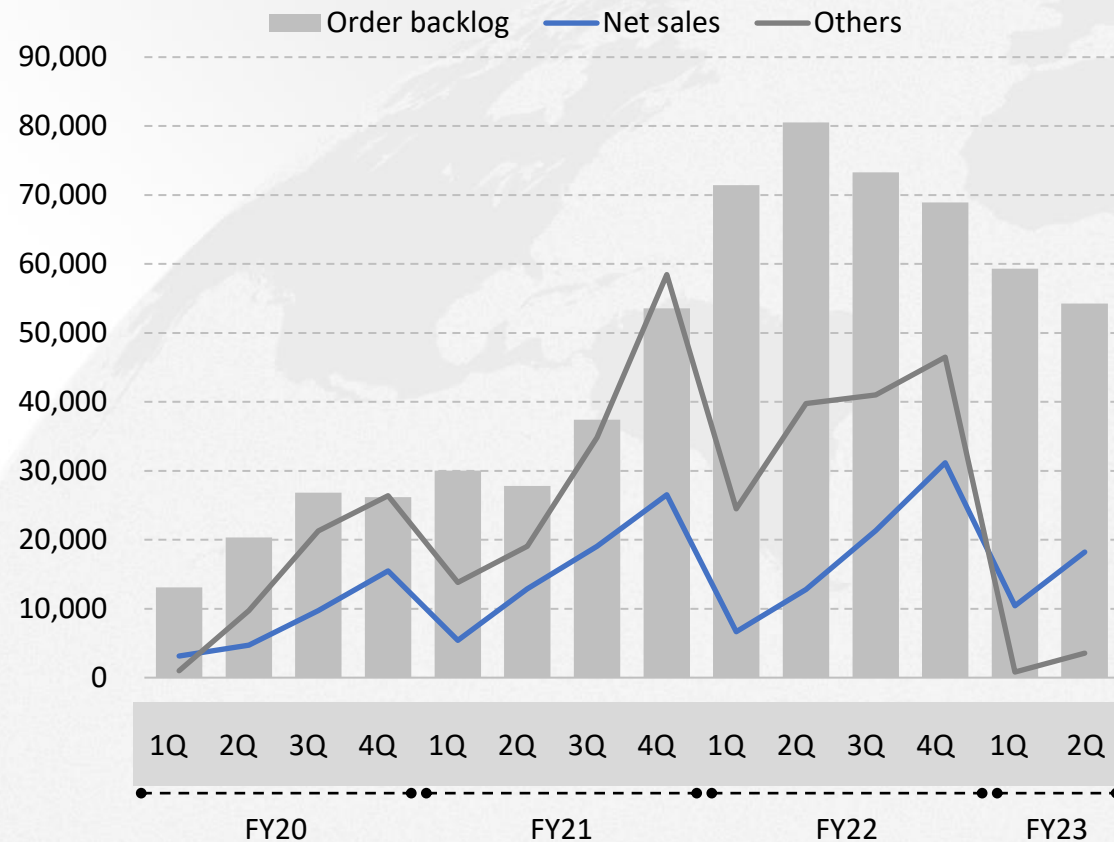




2Q FY2023 Results by Segment

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 (esp. the EV market), expect expansion in North America/Southeast Asia

Orders

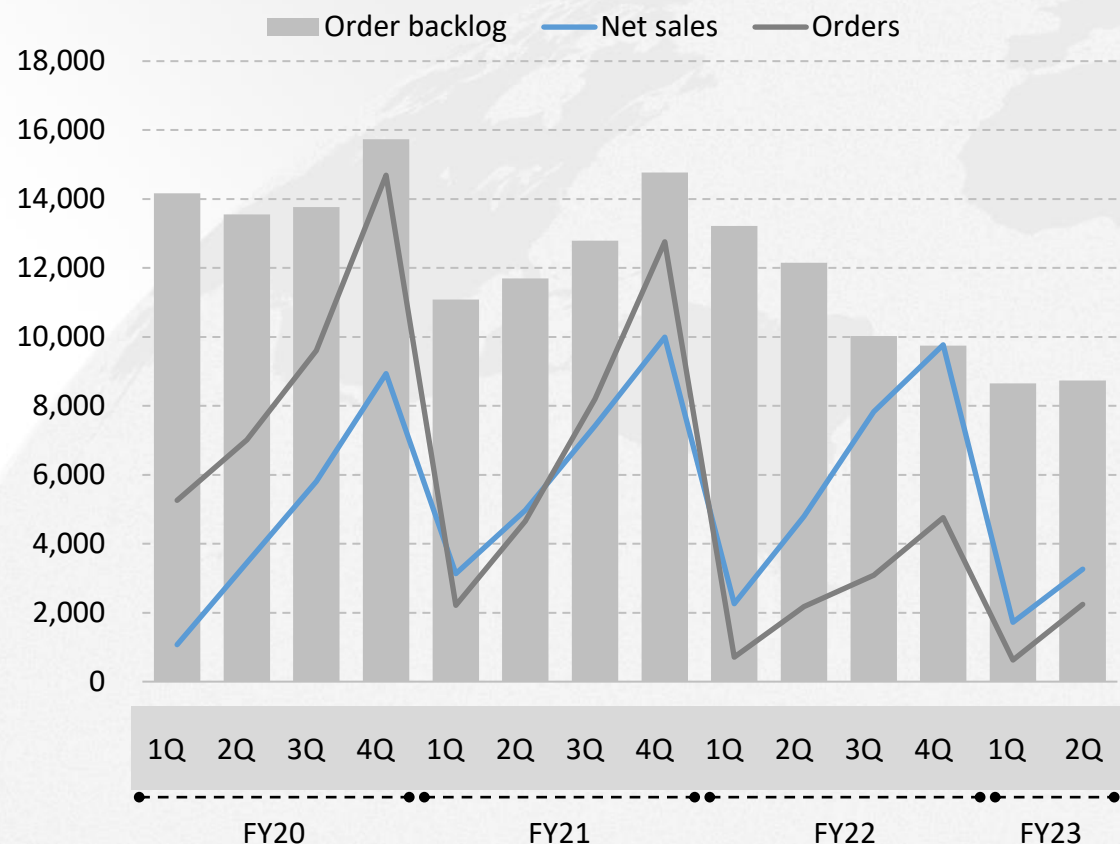
- ✓ As well as large-lot orders from North American clients, orders were up last year on advance orders in anticipation of continued EV market growth, orders continue to fall this year due to clients' decreased order appetite as they monitor prices and to adjustments for change in delivery locations
- ✓ In anticipation of further market growth, aim to develop and strengthen business partnerships, bolster production capacity, implement component sharing and standardization, and clear the order backlog

Net sales

- ✓ YoY rise in net sales, especially in energy-related areas, from efforts to clear the order backlog by increasing output

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 rose slightly YoY, in part on orders from clients in regions such as Japan and China

- Net sales**

 - ✓ Down YoY despite film making systems for electronic materials applications becoming the main focus



FY2023 Outlook

FY2023 Earnings Forecasts

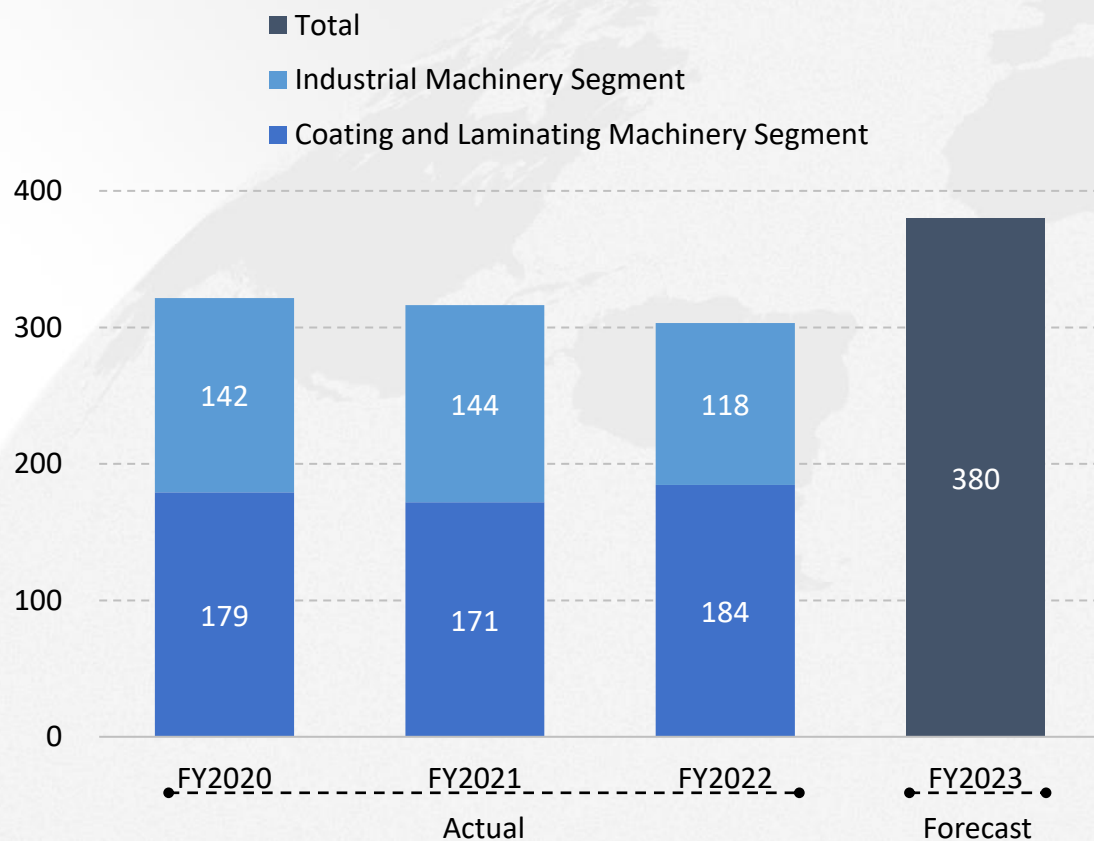


(Unit: ¥million)	FY2022	FY2023 forecast	YoY	
	a	b	Change b-a	YoY% (b-a)/a
Net Sales	42,423	41,000	-1,423	-3.4%
Operating Income	3,093	2,920	-173	-5.6%
Operating Income Margin	7.3%	7.1%	-0.2pts	-
Ordinary Income	3,219	3,000	-219	-6.8%
Ordinary Income Margin	7.6%	7.3%	-0.3pts	-
Net Income	2,243	2,100	-143	-6.4%
Net Income Margin	5.3%	5.1%	-0.2pts	-
ROE	6.4%	5.8%	-0.6pts	
Dividends Per Share	¥56	¥56	¥0	
Interim dividend	¥28	¥28	¥0	
Year-end dividend	¥28	¥28	¥0	

FY2023 R&D Expenditure, Capex, and Depreciation Expenses

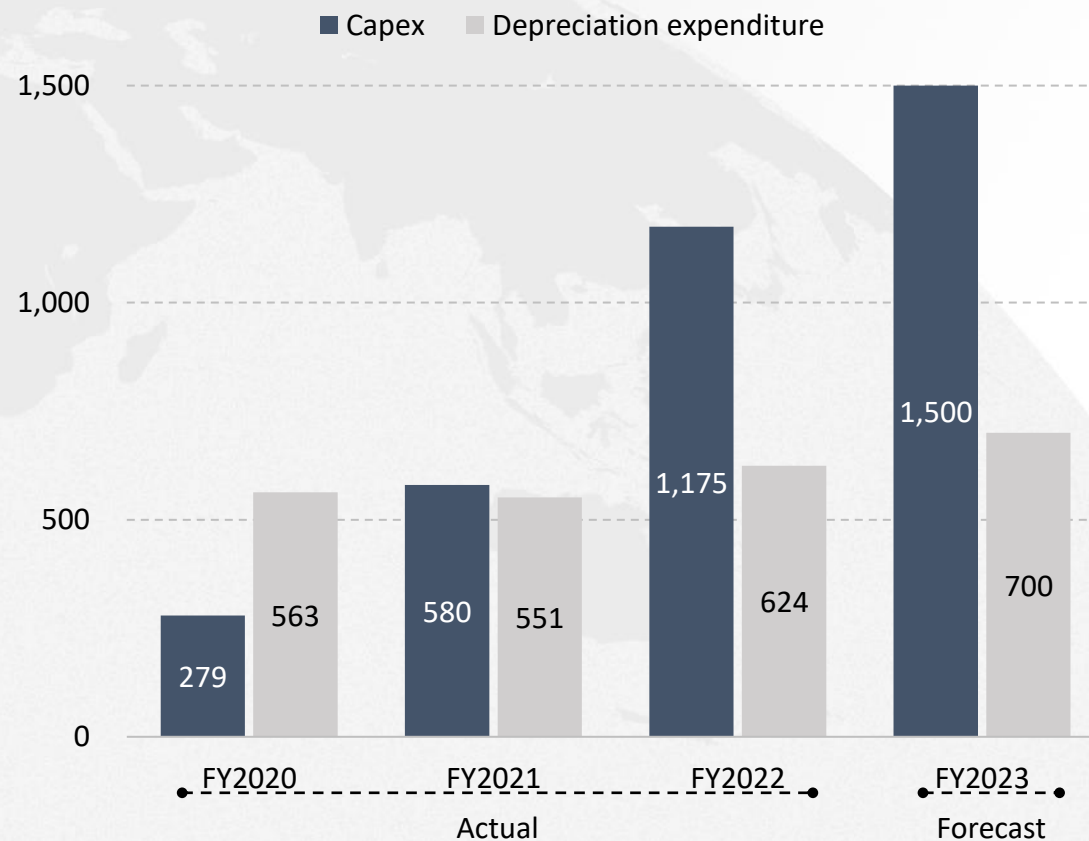
R&D expenditure

(Unit: ¥million)



Capex and depreciation expenditure (consolidated)

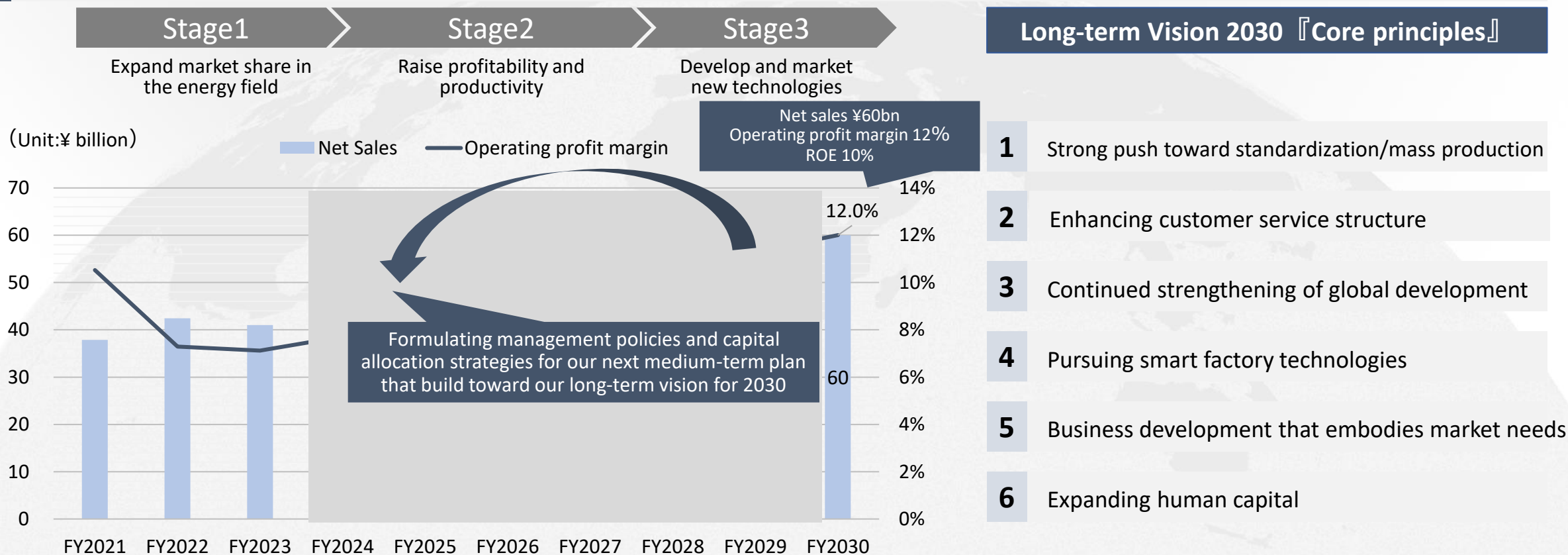
(Unit: ¥million)





Capital Allocation to Raise Corporate Value

We are formulating our next medium-term plan based around policies and capital allocation strategies aimed at achieving our 2030 objective of becoming a “Global leader in coating machines”



Larger and more stable shareholder returns while retaining sufficient funds for investment in continuous growth

Growth investment

■ Strategic investment

- Enhance Technicum (R&D testing facility)
- Strengthen smart factory technologies
- Boost remote, labor-saving, and automated operation technologies
- Expand global procurement and production structures (including with domestic and overseas partners)
- Invest in factory infrastructure
- Expand after-sales service structure
- Technological development and business development for next-generation growth areas

■ Foundation strengthening

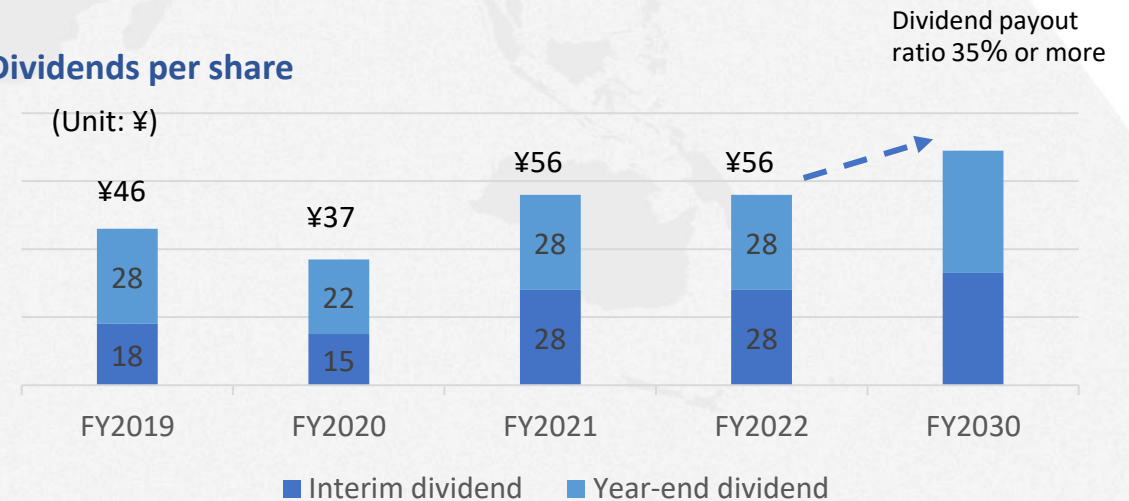
- Expand investment in human capital (train engineers, working-style reforms, etc.)
- Invest in systems to improve operating efficiency
- R&D and equipment investment to reduce environmental load

Shareholder returns

■ Shareholder returns

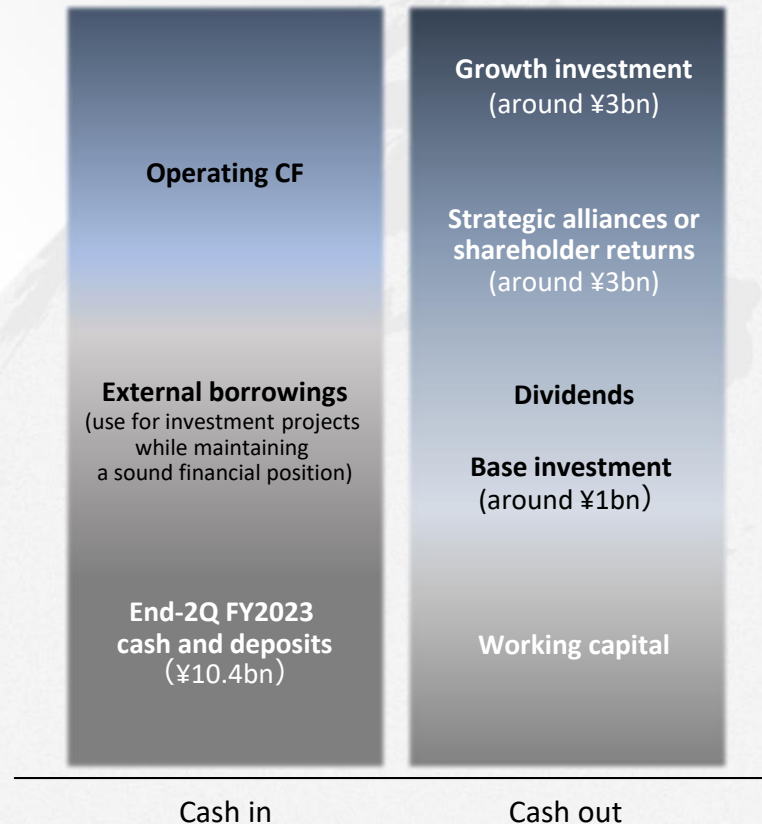
- Maintain current DPS as the minimum level and the dividend payout ratio at 35% or more
- Focus on capital efficiency to improve and stabilize ROE
- Consider share buybacks based on share price trends
- Policy of larger and more stable shareholder returns while retaining sufficient funds for investment in growth

Dividends per share



Capital Allocation Policy (FY2024~FY2027)

Prioritize capital allocation to investments necessary for growth, while maintaining a sound financial position and flexibly procuring funds
 Take a flexible approach to shareholder returns, including share buybacks, in cases where there is no strategic alliance for planned growth investment



1 Growth investment: Investment in raising medium- and long-term corporate value to achieve 2030 Long-term Vision

- ✓ Expand production structure and bolster capacity on a global basis: around ¥2bn
- ✓ Strengthen digital twinning, smart factory technologies, and DX: around ¥1bn
- ✓ Capital allocation to after-sales services in US, other growth and human capital initiatives to raise corporate value

2 Strategic alliances or shareholder returns: M&A to grow Hirano group or shareholder returns

- ✓ Strategic alliances for growth to bolster production capacity, secure key components, acquire HR, etc.
- ✓ Where there is no strategic alliance, flexibly conduct high-priority growth investments or shareholder returns (including share buybacks depending on share price trends) to reach an appropriate ROE level for PBR improvement

3 Dividends

- ✓ With current DPS (¥56) as the minimum level, set a dividend payout target in line with earnings progress and the level of ROE needed for PBR improvement and conduct regular reviews (target a dividend payout ratio of at least 35% based on securing DPS as the minimum level)

4 Base investment: Investment to strengthen the business base to support continuous growth

- ✓ Investment in upgrading existing factory infrastructure (buildings, equipment, etc.): around ¥1bn

5 Working capital

- ✓ Policy of maintaining cash and deposits equivalent to three months of sales

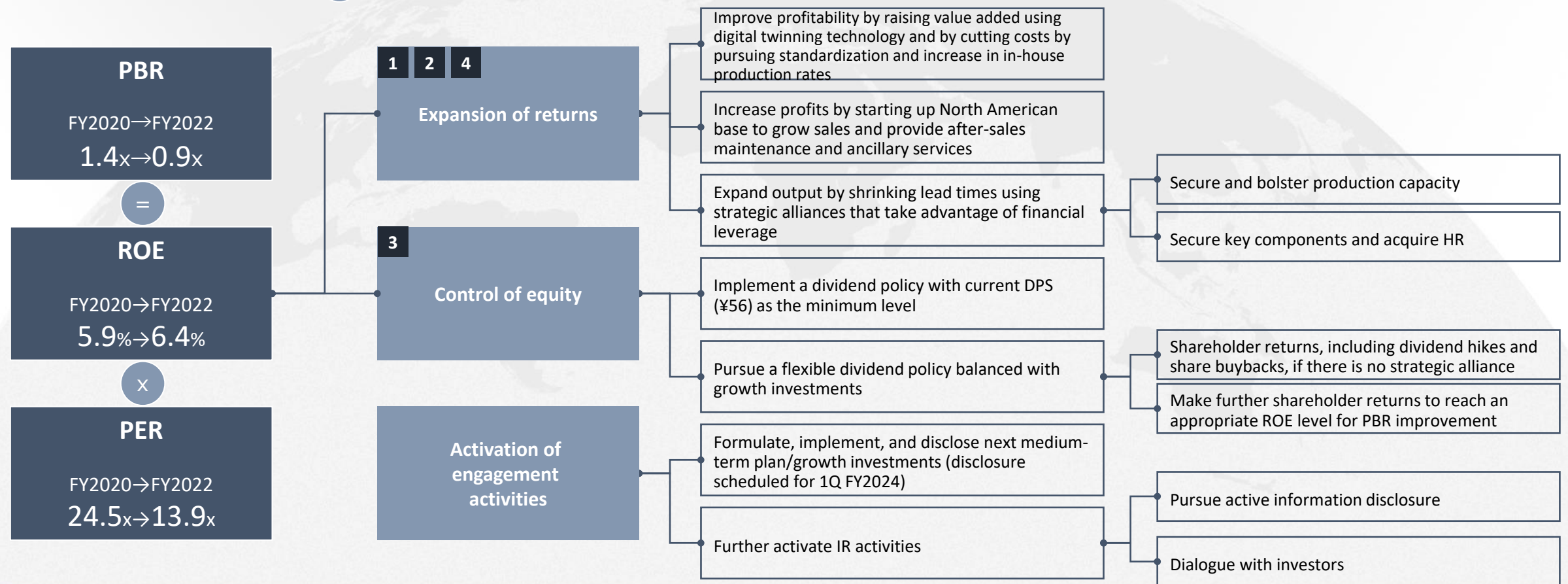
Initiatives to Improve PBR and ROE

Pursue PBR/ROE improvement by expanding earnings power via growth investments in line with capital allocation, controlling equity via a flexible dividend policy, and strengthening IR activities based on market dialogue

Current situation



Solutions

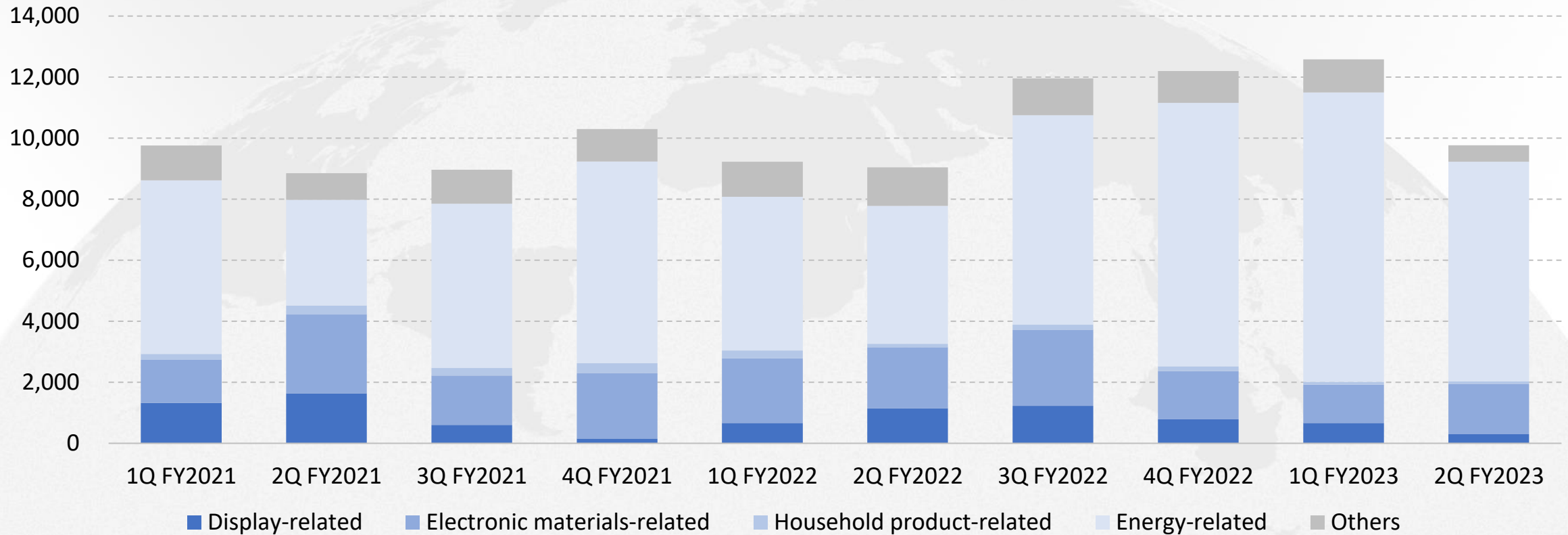




Appendix

By Application ① Net Sales (quarterly)

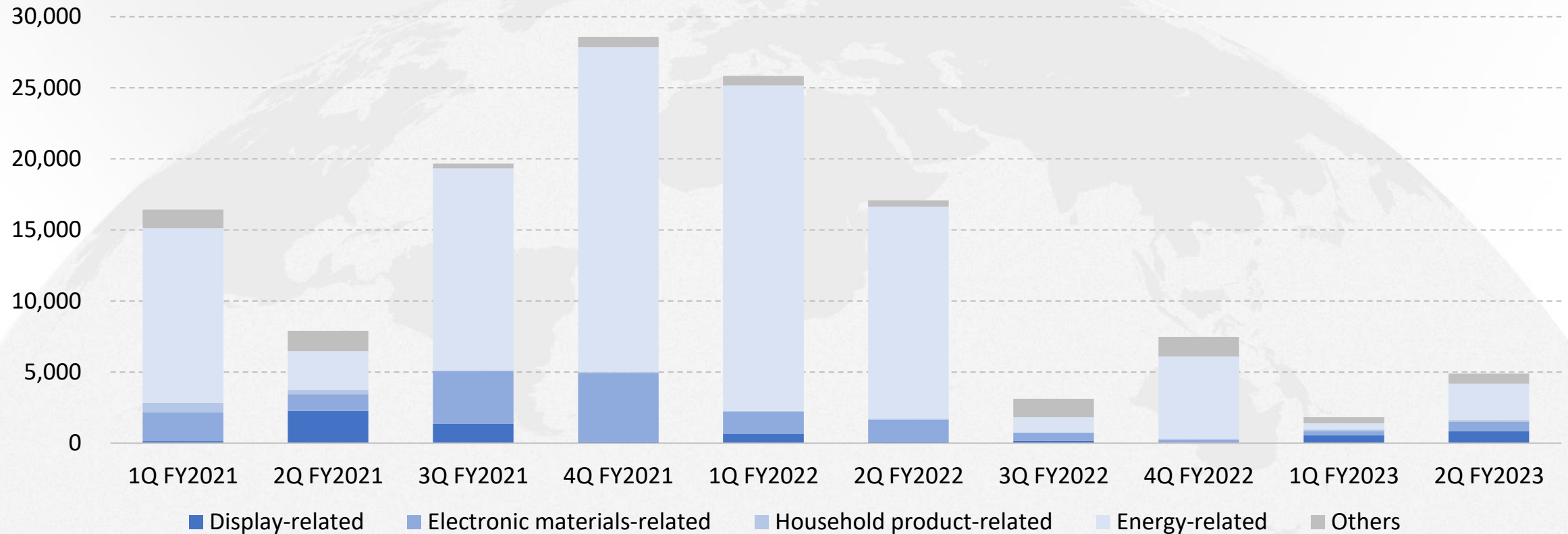
(Unit: ¥million)



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)

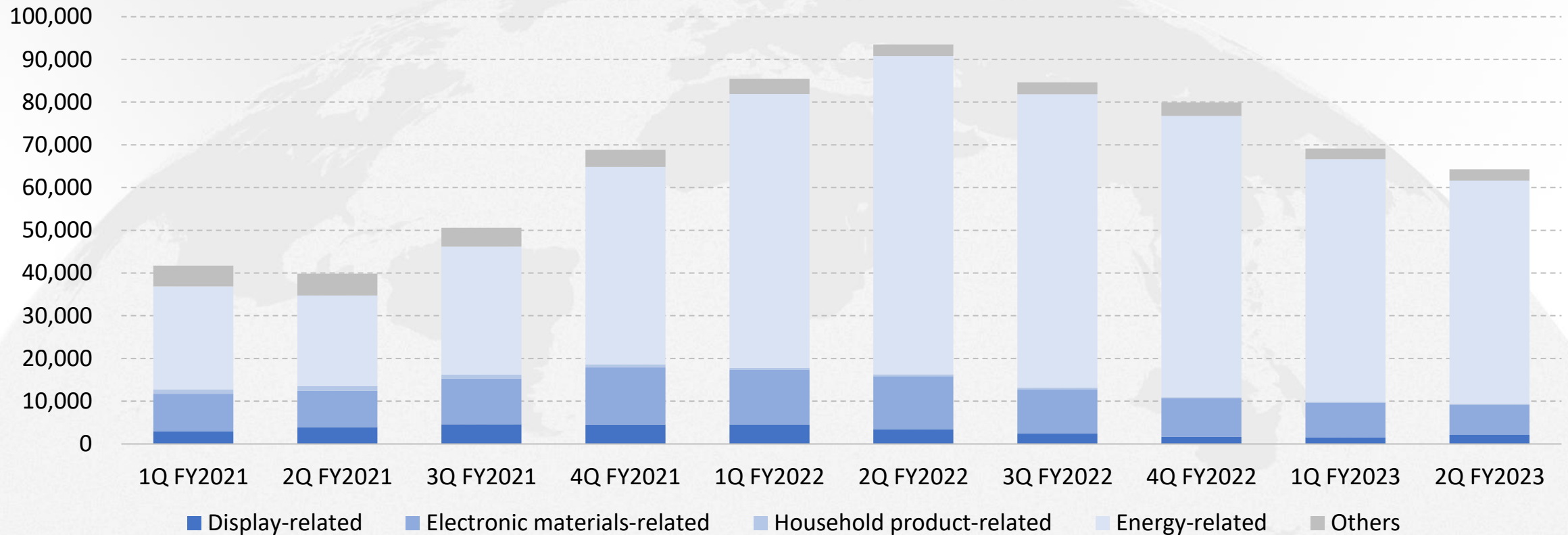
(Unit: ¥million)



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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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November 10, 2023

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