

HIRANO TECSEED CO., LTD. (6245 JP)

FY26 STARTED WITH AN APPOINTMENT OF A NEW CEO, WHO AIMS TO TRANSFORM THE FIRM'S GROWTH STRATEGY.

EXECUTIVE SUMMARY**➤ FY25 results**

Hirano Tecseed (hereinafter HT) reported FY25 OP of ¥1,599mil (-4.9% YoY) on sales of ¥32,285mil (-33.2% YoY), generating an OPM of 5.0% – an improvement from FY24's OPM of 3.5%. The weak sales performance was mostly triggered by the Coating and Laminating Machinery [C&LM] segment. Machinery orders declined, reflecting its customers' cautious sentiment on capex. Given the decline in machinery sales, installation works also peaked out. The EV market continued to stagnate, impacting sales in the C&LM segment. Customers were cautious about further investments on lithium-ion battery- [LiB] related capacity, leading to a slowdown in equipment orders. In Q3, HT reported ¥7,229mil worth of cancelled orders which reduced the order backlog.

➤ FY26 Guidance

HT started FY26 with the appointment of a new CEO. HT guides for FY26 1H OP of ¥800mil (-33.8% YoY) on sales of ¥13,000mil (-28.4% YoY) and full-year OP of ¥1,500mil (-6.2% YoY) on sales of ¥25,000mil (-22.6% YoY). Given the uncertainty surrounding global electrical vehicle [EV] markets, which may last longer than initially anticipated, management anticipate a possible slowdown in the pace of working through the order backlog. Consequently, C&LM segment earnings will likely remain weak due to low customer sentiment towards CAPEX. While the impact from cancellations is still unknown, given the likely weakness in EV battery-related CAPEX, it is crucial for HT to secure new orders in non-EV sectors and in geographical areas other than the US, such as China.

➤ Increased operating environment uncertainty

Given changes in the business landscape from when HT announced its Long-term Vision 2030 in May 2023 and its MTP FY24~FY27 in May 2024, the firm has reviewed its growth strategy from the one that focused on capturing booming demand on secondary LiB coating and laminating equipment to the firm's advanced technologies for ultra-thin membrane materials which can be applied to a diverse range of production equipment.

➤ Shareholder returns

The company stands by its current shareholders return policy of the higher of 3.5% DOE or a dividend payout ratio of 60%.

Hirano Tecseed (6245 JP): Share Information

Market Cap (¥mil)		33,500	Market Cap (\$mil)		209	
22-day Average Trading Volume (¥mil)		430	22-day Average Trading Volume (\$mil)		2.7	
Share performance (%)	6245	TOPIX	Earnings Summary (¥mil, %)	FY24	FY25	FY26 CE
Share price (08 June 2026)	2,040	3,852.38	Sales	48,355	32,285	25,000
3mo (from 09 March)	18.3	7.73	OP	1,681	1,599	1,500
6mo (from 08 Dec 2025)	30.4	13.83	OPM (%)	3.5	5.0	6.0
YTD (from 5 Jan 2026)	21.7	10.78	EBITDA	2,531	2,448	2,350*
1yr	39.9	38.31	EPS (¥)	59.9	86.79	72.69
5yrs	-23.6	97.15	Financial Leverage (X)	1.6	1.4	1.4*
Per-share and Valuations	6245	TOPIX	Net D/E Ratio (X)	-0.2	-0.2	-0.2*
EPS (¥, FY26 CE)	72.69	220.00	FCF	-871	3,864	1,500*
DPS (¥, FY26 CE)	84.00	N/A	Shareholder Return Summary	FY24	FY25	FY26 CE
BPS (¥, FY26 EST*)	2,591.43	N/A	Dividend (¥)	90.00	84.00	84.00
FCFPS (¥, FY26 EST*)	97.44	N/A	Dividend Payout (%)	150.2	96.8	115.6
Forward PER (x)	28.06	17.5	Dividend Yield (%)	N/A	N/A	4.1
Forward PBR (x)	0.79	1.3	DOE (%)	3.6	3.3	3.2*
Forward PCFR (x)	20.94	N/A	Treasury Shares (%)	N/A	1.6	N/A
EV/EBITDA (x)	11.20	N/A	ROE (%)	2.4	3.4	2.8

Source: Nippon-IBR based on data on Bloomberg and Toyo Keizai / *Nippon-IBR estimates

FY25 RESULTS

Hirano Tecseed (hereinafter HT) reported FY25 OP of ¥1,599mil (-4.9% YoY) on sales of ¥32,285mil (-33.2% YoY), generating an OPM of 5.0% – up from FY24's OPM of 3.5%. The weak sales performance was mostly triggered by the Coating and Laminating Machinery [C&LM] segment. Machinery orders declined, reflecting the cautious investment sentiment among the firm's customers. Given the decline in machinery sales, installation works also peaked out.

The EV market continued to stagnate, impacting sales in the C&LM segment. Customers were cautious about further investments on lithium-ion battery- [LiB] related capacity, leading to a slowdown in equipment orders. In Q3, HT reported ¥7,229mil worth of cancelled orders which reduced the order backlog.

The FY25 OP declined -4.9% YoY along with sales decline while OPM performance improved +1.5ppt YoY to 5.0%, on the back of revision of existing order conditions. Whilst HT managed to work through order backlog, there were only a limited number of new orders from other markets.

In the C&LM segment, OPM improved from 6.1% in FY24 to 10.1% in FY25, thanks to:

1. A decline in sales commission paid to distributors (+¥1,097mil YoY) offset the -¥1,085mil decline in sales.
2. Steady progress in production of C&LM equipment and successful negotiations with customers to pass on costs associated with destination changes and cancellations, and
3. Cost reduction efforts and productivity improvements.

The Industrial Machinery Segment OPM also saw a marked improvement, up from 6.3% in FY24 to 17.6% in FY25, thanks to a rise in the gross profit margin [GPM] (+¥606mil) on the back of a +17.9% YoY increase in sales.

As HT made good progress working through its order backlog [¥49,141mil in FY24 Q3, ¥47,560mil in FY24 Q4, ¥40,183mil in FY25 Q1, ¥36,800mil in FY25 Q2, ¥30,359mil in FY25 Q3 and ¥31,650mil in FY25 Q4]. Within the Q4 order backlog, energy-related work, which includes EV LiB coating and laminating machines, declined from ¥34,104mil (69.4% of total) in FY24 Q3, ¥30,771mil (64.7% of total) in FY24 Q4, ¥23,668mil (58.9% of total) in FY25 Q1, ¥20,240mil (55.0% of total) in FY25 Q2, and to ¥12,326mil (40.6% of total) in FY25 Q3, and ¥11,394mil (36.0% of total, -63.0% YoY / -7.6% QoQ) as the firm worked through order backlog.

Total orders received during FY25 were a mere ¥23,605mil (-28.7% YoY). However, in Q4 alone, orders received were ¥7,903mil (+1.3% YoY / -4.8% QoQ).

Hirano Tecseed (6245 JP): Earnings Summary							
(¥mil)	FY24		FY25				
	1H	FY	1H	FY	YoY (%)	FY CE	FY vs FYCE (%)
Sales	24,388	48,355	18,157	32,285	-33.2	31,000	4.1
GP	3,433	6,522	3,243	5,639	-13.5	N/A	N/A
GPM (%)	14.1	13.5	17.9	17.5	+4.0ppt	N/A	N/A
SG&A	2,409	4,840	2,033	4,040	-16.5	N/A	N/A
SG&A/Sales (%)	9.9	10.0	11.2	12.5	+2.5ppt	N/A	N/A
OP	1,024	1,681	1,209	1,599	-4.9	2,100	-23.9
OPM (%)	4.2	3.5	6.7	5.0	+1.5ppt	6.8	-1.8ppt
RP	1,201	1,894	1,275	1,706	-9.9	2,000	-14.7
RPM (%)	4.9	3.9	7.0	5.3	+1.4ppt	6.5	-1.2ppt
NP*	867	905	901	1,313	45.0	1,600	-17.9
EPS (¥)	57.37	59.91	59.59	86.79	44.9	105.82	-18.0

Source: Nippon-IBR based on Hirano Tecseed's earnings results materials

* NP attributed to the parent's shareholders

PERFORMANCE BY PRODUCT SEGMENT

HT has three business segments, of which C&LM and IM combined generate 95.5% of total consolidated sales and almost all of consolidated OP. In FY25, approx. 49.2% of consolidated sales came from North America (-58.0% YoY), 27.4% from Japan (+65.0% YoY), and 18.6% (+47.4% YoY) from East Asia (incl. China, Korea, and Taiwan). Sales from North America are mostly energy-related and include the sale and installation of C&L machinery used in the LiB manufacturing process. The YoY decline in sales in North America indicates that demand for secondary LiB-related CAPEX has been rapidly shrinking. Total of ¥7,229mil order backlog was cancelled, given change in CAPEX plan on EV batteries.

Coating and Laminating Machinery [C&LM] Segment:

FY25 segment OP came in at ¥2,554mil (+0.5% YoY) on sales of ¥25,348mil (-39.7% YoY). The largest component of this segment is electrode coating equipment for secondary LiBs. Due to weak CAPEX sentiment related to the secondary EV lithium-ion battery [LiB] in the US, export sales declined -51.0% YoY to ¥19,912mil. Domestic sales surged +294.2% YoY to ¥5,436mil thanks to solid demand for coating and laminating equipment for display-related optical and polarising films. Segment OPM improved +4.0ppt YoY to 10.1%, on the back of (1) a review of order conditions of existing orders and (2) a decline in SG&A expenses, such as sales commission, which boosted the segment OP by +¥1,097mil YoY and partially offset the -¥1,085mil decline in segment GP.

Although HT, so far, has managed to process its order backlog and recognise earnings, going forward, management's priority is to boost the order book to ensure future earnings growth. HT recorded a -50.6% YoY decline in FY25 segment orders to ¥13,150mil, which is below the ¥2,500mil in monthly orders needed to achieve the MTP segment sales target of ¥30,000mil in FY27. HT continued to work through its C&LM order backlog of ¥20,907mil (-48.2% YoY) at FY25 end, a decline of -48.2% vs FY24-end. The firm has expanded its services here from just shipping the machines to now include installation work for the entire coating line. However, sales of installation work have also peaked as delivery of orders shrunk.

C&LM sales are recognised based on the percentage of completion method. Delays in revenue recognition due to alterations in specifications, as customers changed where and when they received their coating machines, led to higher costs – it was an issue for the segment that costs of raw materials, logistics, and subcontractors surged compared to when the order was booked. However, HT managed to pass on some of those cost increases, leading to a significant improvement in the OPM.

In light of the current EV market conditions, HT has changed its view of the market's growth trajectory. Consequently, rather than selling equipment, the firm will focus on obtaining service and maintenance work – selling parts and servicing existing machinery is expected to generate a GPM of 30~40% and will improve the utilisation rate of engineers.

Industrial Machinery [IM] Segment:

The IM segment earned FY25 OP of ¥962mil (+227.8% YoY) on sales of ¥5,478mil (+17.9% YoY). The primary reason for YoY improvement in FY25 revenues was due to the rise in sales in production equipment for MLCCs, ceramics and industrial materials, such as film making systems for electronic materials applications. FY25 segment OP increased +¥668mil YoY (+227.8% YoY), thanks to (1) an improved segment GP (+¥606mil YoY) given the sales increase and (2) a decline in SG&A (+¥62mil YoY). HT remains committed to attracting further orders, viewing MLCCs and polyimide films as its target market for its deposition equipment and is also looking to further expand its market share.

During the time of secondary LiB CAPEX boom, HT allocated the bulk of its production resources to the C&LM segment, giving a minimal allocation to the IM segment. For example, electronics materials-related orders (3.6% of total order in Q1), ¥685mil (16.9% of Q2 orders), ¥4,758mil (57.3% of Q3 order) and ¥1,778mil (22.5% of Q4 orders), generated annual orders of ¥7,342mil (+20.8% YoY), thanks to demand from industrial materials and ceramics.

Hirano Tecseed (6245): Sales, Production, Order and Order Backlog Breakdown (Quarterly)												
(¥mil)		FY24					FY25					
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	YoY (%)
Coating and Laminating Machinery	Sales	10,332	10,297	13,305	8,085	42,020	9,392	5,659	5,408	4,888	25,348	-39.7
	Production	9,049	8,806	11,400	7,326	36,581	7,691	4,747	4,373	4,182	20,995	-42.6
	Order Received	5,555	10,570	4,721	5,749	26,596	2,754	2,674	3,964	3,757	13,150	-50.6
	Order Backlog	50,983	51,256	42,671	40,335	40,335	33,698	30,713	22,038	20,907	20,907	-48.2
Industrial Machinery	Sales	1,260	1,681	849	855	4,645	1,020	1,288	1,757	1,410	5,478	17.9
	Production	1,182	1,332	832	670	4,018	860	946	1,360	1,076	4,244	5.6
	Order Received	1,299	420	1,721	1,686	5,127	309	1,079	4,063	3,743	9,196	79.4
	Order Backlog	6,088	4,828	5,700	6,531	6,531	5,820	5,611	7,917	10,250	10,250	56.9
Others	Sales	506	310	429	442	1,688	307	489	349	402	1,458	-13.6
	Production	391	193	280	367	1,233	224	444	301	312	1,406	14.1
	Order Received	355	365	295	366	1,382	279	300	277	401	1,258	-9.0
	Order Backlog	847	902	768	692	692	664	474	402	491	491	-29.0
Total	Sales	12,099	12,289	14,584	9,382	48,355	10,719	7,438	7,516	6,611	32,285	-33.2
	Production	10,622	10,331	12,513	8,364	41,833	8,776	6,137	6,035	5,696	26,646	-36.3
	Order Received	7,210	11,356	6,738	7,801	33,106	3,343	4,054	8,305	7,902	23,605	-28.7
	Order Backlog	57,919	56,987	49,141	47,559	47,559	40,183	36,799	30,358	31,649	31,649	-33.5

Source: Nippon-IBR based on Hirano Tecseed's earnings results materials

Hirano Tecseed (6245): Segment Financial Summary									
(¥mil)		FY23		FY24		FY25			
		1H	FY	1H	FY	1H	FY	YoY (%)	
Coating and Laminating Machinery	Sales	18,227	37,374	20,629	42,020	15,051	25,348	-39.7	
	Operating Profit	918	3,168	1,364	2,543	1,670	2,554	0.5	
	OPM (%)	5.0	8.5	6.6	6.1	11.1	10.1	+4.0ppt	
Industrial Machinery	Sales	3,261	7,850	2,941	4,645	2,309	5,478	17.9	
	Operating Profit	504	1,257	244	293	397	962	227.8	
	OPM (%)	15.5	16.0	8.3	6.3	17.2	17.6	+11.3ppt	
Others	Sales	857	1,720	817	1,688	796	1,458	-13.6	
	Operating Profit	47	269	149	271	5	-183	N/A	
	OPM (%)	5.5	15.7	18.2	16.1	0.7	-12.6	-28.7ppt	

Source: Nippon-IBR based on Hirano Tecseed's Earnings results materials

Hirano Tecseed (6245): Segment Financial Summary (Quarterly)												
(¥mil)		FY24					FY25					
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	YoY (%)
Coating and Laminating Machinery	Sales	10,332	10,297	13,305	8,085	42,020	9,392	5,659	5,408	4,888	25,348	-39.7
	Operating Profit	584	780	1,090	87	2,543	1,112	557	683	201	2,554	0.5
	OPM (%)	5.7	7.6	8.2	1.1	6.1	11.9	9.9	12.6	4.1	10.1	+4.0ppt
Industrial Machinery	Sales	1,260	1,681	849	855	4,645	1,020	1,288	1,757	1,410	5,478	17.9
	Operating Profit	-10	254	-62	112	293	106	291	313	251	962	227.8
	OPM (%)	-0.8	15.1	-7.4	13.1	6.3	10.4	22.6	17.8	17.8	17.6	+11.3ppt
Others	Sales	506	310	429	442	1,688	307	489	349	312	1,458	-13.6
	Operating Profit	67	81	101	21	271	27	-21	-4	-183	-183	N/A
	OPM (%)	13.3	26.3	23.6	4.9	16.1	8.9	-4.5	-1.3	-58.9	-12.6	-28.7ppt
Total	Sales	12,099	12,289	14,584	9,382	48,355	10,719	7,438	7,516	6,611	32,285	-33.2
	Operating Profit ¹	292	732	805	-149	1,681	821	387	536	-146	1,599	-4.9
	OPM (%)	2.4	6.0	5.5	-1.6	3.5	7.7	5.2	7.1	-2.2	5.0	+1.5ppt

Source: Nippon-IBR based on Hirano Tecseed's Earnings results materials

*1: Total OP = Total segment OP deducted by HQ costs.

Hirano Tecseed (6245 JP): Sales by Application										
(¥mil)	FY24					FY25				
	Q1	Q2	Q3	Q4	FY Total	Q1	Q2	Q3	Q4	FY Total
Display - related	249	625	452	336	1,668	809	1,509	1,945	1,433	5,707
Electronic materials-related	996	986	982	838	3,803	1,101	1,172	1,672	1,533	5,479
Household product-related	38	80	146	98	364	157	160	157	117	589
Energy- related	10,154	9,789	12,477	7,512	39,933	8,040	3,566	2,642	2,845	17,054
Other	659	807	520	597	2,585	610	1,032	1,097	671	3,414
Total	12,099	12,289	14,584	9,382	48,355	10,719	7,438	7,516	6,611	32,285

Source: Hirano Tecseed Co., Ltd.

FY26 OUTLOOK

HT started FY26 by appointing a new CEO, Mr. Munenori Yasui, whose background in HT began in the manufacturing department. The focus of the new management team lies in the structural reform of the business by implementing the following initiatives:

1. Optimising the business portfolio by identifying opportunities for HT's core competence in roll-to-roll coating and laminating technology and its applications.
2. Reinforcing a stock-based business: HT sees there is an increasing demand in service and maintenance from its customers whose skilled engineers are old, and their interest in environmental issues. HT aims to offer service and maintenance regularly, which is currently managed by customers' engineers.
3. Investment on growing areas: HT's main focus on future growth is Perovskite solar battery production equipment. The firm established its proprietary technology in alliance with Kanazawa University and aims to make its technology the de-facto standard in mass manufacturing. In addition, HT started incorporating innovative digital transformations, such as smart factories and digital twins in the manufacturing process, which will become cost efficient for its customers.
4. Cost restructuring: The external environment has been affecting costs of raw materials. HT reckons that it can mitigate the impact by fixing product specifications, adding greater cost controls at the design stage, and passing through cost increases at an early stage.
5. Creating a specialist team spanning across design, manufacturing and production technology. HT will also focus on innovation by utilising its intellectual property, such as 3D design and bill-of-materials [BOM].
6. Renewal of testing facilities: Testing facilities is a key factor for HT's customers who create new materials. HT applies digital twin technology to its equipment so that customers can test HT's machinery using their data and decide if the machinery suits their needs without investing hardware samples.
7. Restructuring existing production facilities at the Nara HQ factory and the Kizugawa factory.
8. Shareholder returns policy: HT commits to previously announced shareholder returns policy that says higher of DOE of 3.5% or dividend pay-out ratio of 60%. HT will retain enough capital resources for growth investment, however, will consider buying back shares for better capital efficiency and shareholder benefit.

HT guides for FY26 1H OP of ¥800mil (-33.8% YoY) on sales of ¥13,000mil (-28.4% YoY) and full-year OP of ¥1,500mil (-6.2% YoY) on sales of ¥25,000mil (-22.6% YoY). Given the uncertainty surrounding global EV markets, which may last longer than initially anticipated, management anticipates a possible slowdown in the pace of working through the order backlog. Consequently, C&LM segment earnings will likely remain weak due to low customer sentiment towards CAPEX. While the impact from cancellations is still unknown, given the likely weakness in EV battery-related CAPEX, it is crucial for HT to secure new orders in non-EV sectors and in geographical areas other than the US, such as China.

Management's FY26 guidance is based on the following assumptions:

- Given slowdown in demand for secondly LiB for EVs, especially in North America, C&LM segment sales will likely lead the sales decline.
- While IM Segment sales will likely continue to grow, it will not be enough to offset the decline in C&LM sales.
- The implementation of strict cost controls and improving operational process efficiency will lead to a +1.0ppt YoY rise in FY26 OPM to 6.0%.

HT plans to pay FY26 annual dividend of ¥84.00/share (flat YoY) which will make dividend pay-out ratio of 115.6% (+18.8ppt YoY).

Hirano Tecseed (6245 JP): Earnings Summary & Guidance						
¥mil	FY25		FY26			
	1H	FY	1H CE	YoY (%)	FY CE	YoY (%)
Sales	18,157	32,285	13,000	-28.4	25,000	-22.6
GP	3,243	5,639	N/A	N/A	N/A	N/A
GPM (%)	17.9	17.5	N/A	N/A	N/A	N/A
SG&A	2,033	4,040	N/A	N/A	N/A	N/A
SG&A/Sales (%)	11.2	12.5	N/A	N/A	N/A	N/A
OP	1,209	1,599	800	-33.8	1,500	-6.2
OPM (%)	6.7	5.0	6.2	-0.5ppt	6.0	+1.0ppt
RP	1,275	1,706	900	-29.4	1,600	-6.3
RPM (%)	7.0	5.3	6.9	-0.1ppt	6.4	+1.1ppt
NP*	901	1,313	600	-33.4	1,100	-16.3
EPS (¥)	59.59	86.79	39.65	-33.5	72.69	-16.2

Source: Nippon-IBR based on Hirano Tecseed's Earnings results materials
* NP attributed to the parent's shareholders

REVISION OF ONGOING MEDIUM-TERM PLAN (FY24~FY27) - RECAP

Given changes in the business landscape from when HT announced the Long-term Vision 2030 in May 2023 and the MTP FY24~FY27 in May 2024, the firm has reviewed its growth strategy from the one that focused on capturing booming demand on secondary LiB coating and laminating equipment to the firm's advanced technologies for ultra-thin membrane materials which can be applied to a diverse range of production equipment. In the revised MTP, profitability is a key priority, with HT continuing to work toward recovering from the trough of the business cycle and building a stable earnings base by cultivating new revenue sources and reviewing costs.

HT estimates that OP will stay in the range of ¥1,500mil~¥2,000mil until FY26, as the firm reviews and improves its earnings structure. In FY27, management is guiding for OP of ¥3,000mil (4-year CAGR of -1.6%) on sales of ¥30,000mil (4-year CAGR of -10.6%). A detailed sales breakdown by applications will be disclosed after FY26 1H results. Although the pace of growth is slowing, HT aims to improve OPM from 6.9% in FY23 to over 10.0% in FY27, through the following efforts:

1. Diversification of earnings sources
HT plans to diversify the target markets to win high margin orders, by (1) using its R&D facility, Technicum, to respond to customers' needs, (2) introducing a standard service and maintenance menu and organising a specialist team and alliances with partner companies, and (3) marketing Perovskite solar cell coating machines.
2. Reform the cost structure
HT commits to reviewing its high-cost operations and tries to reduce lead time throughout the production process.
3. Enhancing organisation capabilities, such as (1) improve the organisational structure and (2) build a solid management foundation to achieve sustainable growth.

The key is to gain new orders in the markets other than EV secondary LiBs. As explained in its medium-term capital allocation policy, HT plans to allocate about ¥3,000mil for growth, which includes R&D and production methods. For example, HT has developed several innovative production methods, such as digital twin, through which a customer can digitally test coating and laminating results without physically testing the process and wasting materials. Also, it has been already using 3D and a BOM system to optimise production processes and reduce lead times. HT aims to see returns on such upfront investments during the current MTP.

Medium-term Target and Revenue Breakdown by Customers' Industries			
¥mil / March year-end	FY23	Revised FY27	4-year CAGR
Energy-related (incl. secondary LiB electrode coating equipment)	35,100	N/A	N/A
Electronic materials	6,600	N/A	N/A
Optical Film etc.	3,600	N/A	N/A
After Service & Maintenance	1,600	N/A	N/A
Others	0	N/A	N/A
Total Sales	46,946	30,000	-10.6
OP	3,236	3,000	-1.6
OPM (%)	6.9	10.0	N/A
ROE (%)	6.5	8.0	N/A

Source: Hirano Tecseed Medium-term FY24-27 presentation material

Capital Allocation Policy to optimise shareholder equity.

Although uncertainty surrounding the EV market continues, which led to delays in customers' CAPEX and subsequent slower cash inflow, HT made no change in its capital allocation policy and commits to shareholders returns of either the higher of DOE of 3.5% or a dividend pay-out of 60% during the medium-term plan [FY24~FY27]. Capital will be allocated to capture growth. At the same time, HT aims to optimise the balance sheet, shareholder equity, and boost the ROE (aiming to achieve over 8% after FY28 from 2.4% in FY24). To achieve a PBR of 1x, the firm is looking to both improve profit and optimise the BS.

HT plans to allocate capital into the following four areas:

1. Growth investment approx. ¥3,000mil

HT's previous growth investment strategy focuses on production capacity expansion, however, under the revised plan, the firm is prioritising investment in a new Technicum testing machine, investment on service and maintenance capabilities as well as cultivating new applications of its technology.

2. Strategic Alliance approx. ¥3,000mil / allocated to shareholder returns if not spent.

HT previously planned to allocate funds to build strategic alliances to solidify its procurement capability of core components. Given rapidly changing markets, HT now prioritises investments that can deliver higher growth.

3. Dividend Payments

No change in shareholder returns policy. As for shareholder returns, management commits to paying the higher of either a dividend on equity [DOE] of 3.5% or a dividend pay-out of 60%. Dividends and share buybacks will be regularly reviewed to optimise shareholder equity which will subsequently improve PBR and ROE.

4. Maintenance CAPEX ¥2,000mil

HT plans to allocate ¥2,000mil on updating existing factories. Investment will be made as it deems necessary.

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