HIRANO TECSEED CO., LTD. (6245 JP)

Q1 OP WAS WEAKER THAN EXPECT3ED BUT NO CHANGE IN FY26 GUIDANCE. NON-EV RELATED ORDER SHOWS A SIGN OF RECOVERY

EXECUTIVE SUMMARY

➢ **FY25 results**

Hirano Tecseed (hereinafter HT) reported FY26 Q1 OP of ¥147mil (-82.0% YoY) on sales of ¥6,083mil (-43.3% YoY), generating an OPM of 2.4% (-5.2ppt YoY / +4.6ppt QoQ). The weak sales performance was mostly triggered by the dip in sales in the Coating and Laminating Machinery [C&LM] segment reflecting (1) the cautious investment sentiment among the firm's customers and (2) a deterioration in the sales mix on the back of a decline in EV secondary LiB-related production equipment sales as well as associated installation works. At the same time, given low level of production volumes, the gross profit margin [GPM] declined -2.4ppt YoY to 15.7%.

➢ **FY26 Guidance**

HT started FY26 with the appointment of a new CEO. Although Q1 OP only achieved 18.4% of the 1H guidance, HT has kept its 1H guidance for 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 anticipates a slowdown in EV secondary LiB-related production equipment orders. 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 the changes in the business landscape from when HT announced its Long-term Vision 2030 back in May 2023 and its MTP FY24~FY27 in May 2024, the firm has reviewed its growth strategy from one that focused on capturing the booming demand for secondary LiB coating and laminating equipment to one that utilises the firm's advanced technologies for ultra-thin membrane materials that can then 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)		**28,400**	**Market Cap ($mil)**			**177.5**
22-day Average Trading Volume (¥mil)		**145**	**22-day Average Trading Volume ($mil)**			**0.9**
Share performance (%)	**6245**	**TOPIX**	**Earnings Summary (¥mil, %)**	**FY24**	**FY25**	**FY26 CE**
Share price (¥, 28 Aug 2026)	1,845	4,146.71	**Sales**	48,355	32,285	25,000
3mo (from 28 May)	-0.5	6.3	**OP**	1,681	1,599	1,500
6mo (from 2 March)	-2.1	6.4	**OPM (%)**	3.5	5.0	6.0
YTD (from 5 Jan 2026)	-3.1	50.4	**EBITDA**	2,531	2,448	2,350*
1yr	13.5	34.3	**EPS (¥)**	59.90	86.79	72.69
5yrs	-31.4	112.7	**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	234.51	**FCF**	-871	3,864	1,500*
DPS (¥, FY26 CE)	84.00	0.94	**Shareholder Return Summary**	**FY24**	**FY25**	**FY26 CE**
BPS (¥, FY26 EST*)	2,591.33	N/A	**Dividend (¥)**	90.00	84.00	84.00
FCFPS (¥, FY26 EST*)	97.44	N/A	**Dividend Payout (%)**	150.20	96.80	115.60
Forward PER (x)*	25.38	17.66	**Dividend Yield (%)**	N/A	N/A	6.3
Forward PBR (x)*	0.71	1.85	**DOE (%)**	3.6	3.3	3.2*
Forward PCFR (x)*	18.93	N/A	**Treasury Shares (%)**	N/A	1.6	N/A
EV/EBITDA (x)	9.09	N/A	**ROE (%)**	2.4	3.4	2.8

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

FY26 Q1 RESULTS

Hirano Tecseed (hereinafter HT) reported FY26 Q1 OP of ¥147mil (-82.0% YoY) on sales of ¥6,083mil (-43.3% YoY), generating an OPM of 2.4% (-5.2ppt YoY / +4.6ppt QoQ). The weak sales performance was mostly triggered by the dip in sales in the Coating and Laminating Machinery [C&LM] segment, reflecting (1) the cautious investment sentiment among the firm’s customers and (2) a deterioration in the sales mix on the back of a decline in EV secondary LiB-related production equipment sales as well as associated installation works. At the same time, given low level of production volumes, the gross profit margin [GPM] declined -2.4ppt YoY to 15.7%.

Hirano Tecseed (6245 JP): Earnings Summary

(¥mil)	FY24			FY25			FY26		
	Q1	1H	FY	Q1	1H	FY	Q1	YoY (%)	QoQ (%)
Sales	12,099	24,388	48,355	10,719	18,157	32,285	6,083	-43.3	-8.0
GP	1,476	3,433	6,522	1,942	3,243	5,639	953	-50.9	4.2
GPM (%)	12.2	14.1	13.5	18.1	17.9	17.5	15.7	-2.4ppt	+1.8ppt
SG&A	1,184	2,409	4,840	1,121	2,033	4,040	805	-28.1	-24.1
SG&A/Sales (%)	9.8	9.9	10.0	10.5	11.2	12.5	13.2	+2.8ppt	-2.8ppt
OP	292	1,024	1,681	821	1,209	1,599	147	-82.0	-201.1
OPM (%)	2.4	4.2	3.5	7.7	6.7	5.0	2.4	-5.2ppt	+4.6ppt
RP	427	1,201	1,894	900	1,275	1,706	220	-75.5	-263.8
RPM (%)	3.5	4.9	3.9	8.4	7.0	5.3	3.6	-4.8ppt	+5.7ppt
NP*	328	867	905	641	901	1,313	163	-74.5	-413.3
EPS (¥)	21.75	57.37	59.91	42.40	59.59	86.79	10.78	-74.6	-411.6

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

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 FY25 Q3, HT reported ¥7,229mil worth of cancelled orders which reduced the order backlog. Whilst HT managed to work through its order backlog, there were only a limited number of new orders from other markets. However, the firm has been receiving enquiries in the Industrial Machinery [IM] segment, thanks to an increasing need for electronics material and component (e.g. MLCC, glass cloths) production equipment amid strong AI and digital transformation- [DX] related demand.

As HT made good progress working through its order backlog [¥32,672mil as of FY26 Q1-end vs ¥47,559mil in FY24 Q4, ¥40,183mil in FY25 Q1, ¥36,799mil in FY25 Q2, ¥30,358mil in FY25 Q3, ¥31,649mil in FY25 Q4]. Within the Q1 order backlog, Energy-related work, which includes EV LiB coating and laminating machines, declined from ¥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, ¥12,326mil (40.6% of total) in FY25 Q3, ¥11,394mil (36.0% of total) and to ¥8,201mil (25.1% of total, -65.4% YoY / -28.0% QoQ) in FY25 Q4.

Total orders received during FY26 Q1 were a mere ¥7,105mil (+2.1x YoY / -10.1% QoQ), which was slightly below the ¥2,500mil in monthly orders needed to achieve the MTP sales target of ¥30,000mil in FY27. However, orders for HT’s electronics materials and other applications, which includes production equipment for components and materials such as MLCC and glass cloths, saw a rapid surge in demand, with Electronic Materials-related orders increasing +20.6x YoY / +39.0% QoQ to ¥2,743mil and Other Applications-related orders up +6.5x YoY / +0.1% QoQ to ¥3,410mil.

Hirano Tecseed (6245): Sales, Production, Order and Order Backlog Breakdown (Quarterly)

(¥mil)		FY24				FY25				FY26		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY (%)	QoQ (%)
C&LM	Sales	10,332	10,297	13,305	8,085	9,392	5,659	5,408	4,888	4,673	-50.2	-4.4
	Production	9,049	8,806	11,400	7,326	7,691	4,747	4,373	4,182	4,032	-47.6	-3.6
	Order Received	5,555	10,570	4,721	5,749	2,754	2,674	3,964	3,757	1,013	-63.2	-73.0
	Order Backlog	50,983	51,256	42,671	40,335	33,698	30,713	22,038	20,907	17,247	N/A	-17.5
IM	Sales	1,260	1,681	849	855	1,020	1,288	1,757	1,410	1,130	10.8	-19.8
	Production	1,182	1,332	832	670	860	946	1,360	1,076	875	1.8	-18.7
	Order Received	1,299	420	1,721	1,686	309	1,079	4,063	3,743	5,602	1,710.1	49.7
	Order Backlog	6,088	4,828	5,700	6,531	5,820	5,611	7,917	10,250	14,721	N/A	43.6
Others	Sales	506	310	429	442	307	489	349	312	278	-9.4	-10.9
	Production	391	193	280	367	224	444	301	436	221	-1.6	-49.4
	Order Received	355	365	295	366	279	300	277	401	489	75.3	21.8
	Order Backlog	847	902	768	692	664	474	402	491	703	N/A	43.0
Total	Sales	12,099	12,289	14,584	9,382	10,719	7,438	7,516	6,611	6,083	-43.3	-8.0
	Production	10,622	10,331	12,513	8,364	8,776	6,137	6,035	5,696	5,129	-41.6	-10.0
	Order Received	7,210	11,356	6,738	7,801	3,343	4,054	8,305	7,902	7,105	112.5	-10.1
	Order Backlog	57,919	56,987	49,141	47,559	40,183	36,799	30,358	31,649	32,672	N/A	3.2

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

Hirano Tecseed (6245): Sales, Production, Order and Order Backlog Breakdown (Cumulative)

(¥mil)		FY24				FY25				FY26	
		Q1	1H	Q3	FY	Q1	1H	Q3	FY	Q1	YoY (%)
C&LM	Sales	10,332	20,629	33,935	42,020	9,392	15,051	20,460	25,348	4,673	-50.2
	Production	9,049	17,855	29,255	36,581	7,691	12,438	16,812	20,995	4,032	-47.6
	Order Received	5,555	16,126	20,847	26,596	2,754	5,428	9,393	13,150	1,013	-63.2
	Order Backlog	50,983	51,256	42,671	40,335	33,698	30,713	22,038	20,907	17,247	-17.5*
IM	Sales	1,260	2,941	3,790	4,645	1,020	2,309	4,067	5,478	1,130	10.8
	Production	1,182	2,514	3,347	4,018	860	1,806	3,167	4,244	875	1.8
	Order Received	1,299	1,719	3,441	5,127	309	1,389	5,453	9,196	5,602	1,710.1
	Order Backlog	6,088	4,828	5,700	6,531	5,820	5,611	7,917	10,250	14,721	43.6*
Others	Sales	506	817	1,246	1,688	307	796	1,146	1,458	278	-9.4
	Production	391	584	865	1,233	224	668	969	1,406	221	-1.6
	Order Received	355	721	1,016	1,382	279	579	856	1,258	489	75.3
	Order Backlog	847	902	768	692	664	474	402	491	703	43.0*
Total	Sales	12,099	24,388	38,972	48,355	10,719	18,157	25,673	32,285	6,083	-43.3
	Production	10,622	20,954	33,468	41,833	8,776	14,914	20,950	26,646	5,129	-41.6
	Order Received	7,210	18,567	25,305	33,106	3,343	7,397	15,702	23,605	7,105	112.5
	Order Backlog	57,919	56,987	49,141	47,559	40,183	36,799	30,358	31,649	32,672	3.2*

Source: Nippon-IBR based on Hirano Tecseed's Earnings results materials
**changes from the end of the previous fiscal year*

SEGMENT PERFORMANCE BY PRODUCT

Hirano Tecseed (6245): Segment Financial Summary (Quarterly)

(¥mil)		FY24				FY25				FY26		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY (%)	QoQ (%)
Coating and Laminating Machinery	Sales	10,332	10,297	13,305	8,085	9,392	5,659	5,408	4,888	4,673	-50.2	-4.4
	OP	584	780	1,090	87	1,112	557	683	201	355	-68.0	77.0
	OPM (%)	5.7	7.6	8.2	1.1	11.9	9.9	12.6	4.1	7.6	-4.2ppt	+3.5ppt
Industrial Machinery	Sales	1,260	1,681	849	855	1,020	1,288	1,757	1,410	1,130	10.8	-19.8
	OP	-10	254	-62	112	106	291	313	251	182	71.7	-27.4
	OPM (%)	-0.8	15.1	-7.4	13.1	10.4	22.6	17.8	17.8	16.1	+5.7ppt	-1.7ppt
Others	Sales	506	310	429	442	307	489	349	312	278	-9.4	-10.9
	OP	67	81	101	21	27	-21	-4	-183	-1	N/A	N/A
	OPM (%)	13.3	26.3	23.6	4.9	8.9	-4.5	-1.3	-58.9	-0.7	-9.6ppt	+58.2ppt
Total	Sales	12,099	12,289	14,584	9,382	10,719	7,438	7,516	6,611	6,083	-43.3	-8.0
	OP	292	732	805	-149	821	387	536	-146	147	-82.0	N/A
	OPM (%)	2.4	6.0	5.5	-1.6	7.7	5.2	7.1	-2.2	2.4	-5.2ppt	+4.5ppt

*Source: Nippon-IBR based on Hirano Tecseed's Earnings results materials / *Total OP = Total segment OP deducted by HQ costs*

Coating and Laminating Machinery [C&LM] Segment:

Given the rapid shrink in secondary LiB-related CAPEX in North America, FY26 Q1 C&LM segment OP slumped -68% YoY to ¥355mil on sales of ¥4,673mil (-50.2% YoY) – the largest component of which is electrode coating equipment for secondary LiBs. Moreover, export sales declined -54.7% YoY to ¥3,680mil. Domestic sales also contracted -21.5% YoY to ¥992mil as demand for display-related coating and laminating machinery orders were also weak.

Segment OP slumped -¥756mil YoY / -68.0% YoY mainly due to a -¥1,059mil YoY decline in segment GP, though it was partially offset by lower SG&A expenses (-¥302mil YoY), such as sales commissions. As a result, segment OPM declined -4.2ppt YoY to 7.6% (+3.5ppt QoQ).

Although HT, so far, has managed to process its order backlog and recognise earnings, going forward, management's priority is to boost orders, especially for display-related products, as this is an area where HT had lost market share to a competitor as the firm's focus was on the secondary LiB market. While FY26 Q1 segment orders declined -63.2% YoY to ¥1,013mil, HT has continued to work through the segment backlog of ¥17,247mil (-17.5% vs the March-2026-end backlog).

In light of the current EV market conditions, HT shifted its focus from selling equipment, to service and maintenance including the sale of parts and servicing existing machinery. Service and Maintenance generates a GPM of 30~40% and will improve the utilisation rate of engineers. In addition, HT also aims to regain its lost market share in the display-related business.

Industrial Machinery [IM] Segment:

IM segment FY26 Q1 OP increased +71.7% YoY to ¥182mil on sales of ¥1,130mil (+10.8% YoY), comprising domestic sales of ¥312mil (-47.2% YoY) and overseas sales of ¥818mil (+91.1% YoY), generating an OPM of 16.1% (+5.7ppt YoY). In Q2 alone, segment OP declined -27.4% QoQ, given continued low level of production. As a result, OPM fell -1.7ppt QoQ. The primary reason for the YoY improvement in Q1 sales was a rise in sales in production equipment for MLCCs, ceramics, glass cloths for AI servers, and industrial materials, such as film making systems for electronic materials applications. For example, sales to the electronics components sector rose +17.9% YoY to ¥1,302mil.

The boost in OP was thanks to (1) an improved segment GP (+¥95mil YoY) given the sales increase and (2) a decline in SG&A (-19mil YoY). HT remains committed to attracting further orders, viewing MLCCs and polyimide films as a target market for its deposition equipment and is also looking to further expand its market share.

Hirano Tecseed (6245): Segment Financial Summary (Cumulative)

(¥mil)		FY24				FY25				FY26	
		Q1	1H	Q3	FY	Q1	1H	Q3	FY	Q1	YoY (%)
Coating and Laminating Machinery	Sales	10,332	20,629	33,935	42,020	9,392	15,051	20,460	25,348	4,673	-50.2
	OP	584	1,364	2,455	2,543	1,112	1,670	2,353	2,554	355	-68.0
	OPM (%)	5.7	6.6	7.2	6.1	11.9	11.1	11.5	10.1	7.6	-4.2ppt
Industrial Machinery	Sales	1,260	2,941	3,790	4,645	1,020	2,309	4,067	5,478	1,130	10.8
	OP	-10	244	181	293	106	397	710	962	182	71.7
	OPM (%)	-0.8	8.3	4.8	6.3	10.4	17.2	17.5	17.6	16.1	+5.7ppt
Others	Sales	506	817	1,246	1,688	307	796	1,146	1,458	278	-9.4
	OP	67	149	250	271	27	5	0	-183	-1	N/A
	OPM (%)	13.3	18.2	20.1	16.1	8.9	0.7	0.1	-12.6	-0.7	-9.6ppt
Total	Sales	12,099	24,388	38,972	48,355	10,719	18,157	25,673	32,285	6,083	-43.3
	OP	292	1,024	1,830	1,681	821	1,209	1,745	1,599	147	-82.0
	OPM (%)	2.4	4.2	4.7	3.5	7.7	6.7	6.8	5.0	2.4	-5.2ppt

*Source: Nippon-IBR based on Hirano Tecseed's Earnings results materials / *Total OP = Total segment OP deducted by HQ costs*

FY26 OUTLOOK

Although Q1 earnings only achieved 18.4% of the firm's 1H OP guidance while Q1 sales achieved 46.8% of 1H guidance, HT has maintained its 1H OP guidance 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).

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]*

Given the uncertainty surrounding global EV markets, which may last longer than initially anticipated, management anticipate a slowdown in EV secondary LiB-related production equipment orders. Consequently, C&LM segment earnings will likely remain weak due to low customer sentiment towards CAPEX, particularly given the rapid price decline of EV secondary LiBs. With EV battery-related CAPEX likely to remain lacklustre, it is crucial for HT to secure new orders in non-EV-related sectors and in geographical areas other than the US, such as China.

In the energy market, which includes secondary LiB, coating and laminating applications have been expanding to storage batteries, though the scale of production is much smaller than that of EV batteries.

In the C&LM segment, HT is targeting (1) the coating and laminating processing equipment market for optical films used in displays and (2) the coating and laminating market for Perovskite, high-efficiency photovoltaic devices featuring a light-absorbing active layer with a specific crystal structure. Meanwhile, in the IM segment, HT expects AI- and DX-related CAPEX will remain solid, leading the firm's order growth.

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

SEVEN COMMITMENTS BY THE NEW MANAGEMENT – RECAP

HT started FY26 by appointing a new CEO, Mr. Munenori Yasui, whose career in the firm 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. HT's roll-to-roll technology is a continuous manufacturing process that unwinds flexible substrates—such as plastic films, metal foils, or paper—passes them through precision wet coating, drying, and heat treatment stations, and then rewinds them into finished rolls. It is a core engineering platform heavily applied in energy and electronic components.
2. Reinforcing a stock-based business model: There is an increasing demand for service and maintenance from HT's customers whose in-house 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 in growth areas: HT believes its Perovskite solar battery production equipment to be a key pillar of future growth. 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 DX, such as smart factories and digital twins in the manufacturing process, which improves cost efficiency.
4. Cost restructuring: The external environment has been affecting the cost of raw materials. To offset such costs, HT's strategy is to fix product specifications, add greater cost controls at the design stage, and pass 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 customers can test the firm's machinery using their data and decide if the machinery suits their needs without having to invest in hardware samples.
7. Restructuring the 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 a dividend pay-out ratio of 60%. HT will retain enough capital resources for growth investment; however, it will consider buying back shares for better capital efficiency and shareholder benefit.

CAPITAL ALLOCATION POLICY TO OPTIMISE SHAREHOLDER EQUITY - RECAP.

HT made no change in its capital allocation policy and commits to shareholder 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 and digital twin technology, through which customers test HT's production equipment on the virtual basis prior to investing on a physical machinery, 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 the rapidly changing market landscape, HT now prioritises investments that can deliver higher growth.

3. **Dividend Payments**
   No change in shareholder returns policy. As noted above, 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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For further enquiry, please contact:
Nippon Investment Bespoke Research UK Ltd
118 Pall Mall
London SW1Y 5EA
TEL: +44 (0)20 7993 2583
Email : enquiries@nippon-ibr.com

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Japanese Equity Specialist