

**HIRANO TECSEED CO., LTD. (6245 JP)**

CAUTIOUS VIEW ON THE EV MARKET CONTINUES BUT THE FIRM COMMITS TO MID-TERM SHAREHOLDERS RETURN POLICY.

**EXECUTIVE SUMMARY**

- **Hirano Tecseed's [HT] 1H OP fell short of the firm's guidance by -14.7% and only achieved 35.3% of the full-year FY24 target of ¥2,900mil (-10.4% YoY). Is there any risk of a downward revision?**

HT has maintained its FY24 guidance of OP of ¥2,900mil (-10.4% YoY) on sales of ¥44,000mil (-6.3% YoY) as (1) the firm is yet to see the impact from price negotiations, and (2) the Q2 OP of both the Coating and Laminating Machinery and the Industrial Machinery segments improved QoQ thanks to HT's continuous efforts to reduce production costs through standardisation of parts.

- **One of the emerging lithium-ion battery [LiB] makers for EVs, Northvolt, filed for the U.S Chapter 11 in November. Will HT be affected by this, given the high level of order backlogs of coating equipment for electrode used in secondary LiBs for EVs in North America?**

The firm is yet to estimate if there is any impact to its FY24 earnings or any change in its growth strategy. HT's view on the EV market is cautious for the short-term, although management remains confident in the medium- to long-term growth potential in the secondary LiB market. However, in the ongoing medium-term plan to FY27, HT assumes 4-yr CAGR of -5.4% in the Energy-related segment – sales are mostly from the LiB electrode coating equipment – despite the firm having an order backlog 1.3x higher than the annual sales as of FY24 1H.

- **Given the rather gloomy outlook for the EV market, will the current shareholders return policy be adjusted?**

Management commits to pay out the higher of a DOE of 3.5% or a dividend pay-out ratio of 60% during the current medium-term plan (FY24~FY27)

**Hirano Tecseed (6245 JP): Share Information**

Market Cap (¥mil, 16 Dec 24)		27,400	Market Cap (\$mil, 16 Dec 24)		178	
22-day Average Trading Volume (¥mil)		104	22-day Average Trading Volume (\$mil)		0.7	
Share performance (%)	6245	TOPIX	Earnings Summary (¥mil, %)	FY22	FY23	FY24CE
Share price (¥, 16 Dec 2024)	1,780	2,738	Sales	42,423	46,946	44,000
3mo	17.72	7.13	OP	3,093	3,236	2,900
6mo	-2.25	1.41	OPM (%)	7.3	6.9	6.6
YTD	0.85	14.39	EBITDA	3,751	4,020	4,000*
1yr	-0.11	18.18	Financial Leverage (X)	1.6	1.6	1.6*
5yrs	-7.15	57.99	Net D/E Ratio (X)	0.0	-0.1	0.0*
Per-share and Valuations	6245	TOPIX	FCF	-10,159	5,615	2,250*
EPS (¥, FY24 CE)	139.25	179.35				
DPS (¥, FY24 CE)	90	N/A	Shareholder Return Summary	FY22	FY23	FY24CE
BPS (¥, June-24)	2,533	1970.45	Dividend (¥)	56	88	90
FCFPS (¥, FY24EST)	146.2	N/A	Dividend Payout (%)	37.6	54.4	64.4
Forward PER (X)	12.8	15.3	Dividend Yield (%)	N/A	N/A	5.1
PBR (x)	0.7	1.4	DOE (%)	2.3	3.5	3.6
PCFR (x)	12.2	N/A	Treasury Shares (%)	N/A	N/A	1.8
EV/EBITDA (X)	5.2	N/A	ROE (%)	6.2	6.2	5.5

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

## FY24 1H RESULTS

Hirano Tecseed (hereinafter HT) reported FY24 1H OP of ¥1,024mil (+33.1% YoY) on sales of ¥24,388mil (+9.1% YoY), which resulted in the OPM rising +0.8ppt YoY to 4.2%. 1H sales overshoot the firm's 1H guidance of ¥22,600mil by +7.9%, thanks to an increase in extended installation work such as turnkey jobs in the Coating and Laminating Machinery [C&LM] segment.

The +¥254mil (+33.1%) YoY increase in 1H OP is primarily broken down into the following components:

- A +¥445mil YoY rise in the C&LM segment OP, which boosted GP by +¥536mil. This was due to (1) the increase in sales of installation work, the gains of which were partially offset by higher material costs and changes in shipment locations, and (2) an increase in commission payments to distributors (-¥90mil) which is included in the segment SG&A,
- A -¥260mil YoY decline in Industrial Machinery [IM] OP, mainly due to lacklustre sales which led to a -¥222mil decline in segment GP,
- A +¥101mil YoY increase in other factors such as a +¥89mil rise in sales of parts and machinery adjustments.

However, the 1H OP performance was -14.7% short of guidance (¥1,200mil) primarily due to price hikes in materials and components as well as higher subcontractor costs, as the firm had not factored in the rising costs on orders received before FY23.

While the FY24 1H sales performance has achieved 55.4% of the full-year forecast, the OP figure is just 35.3% of full-year guidance. Nevertheless, HT has kept its FY24 targets as (1) the firm is yet to see an impact from its price negotiations, and (2) the Q2 OP in both the C&LM and IM segments improved QoQ thanks to HT's continuous efforts to reduce production cost through the standardisation of parts.

1H recurring profit [RP] increased +47.6% YoY to ¥1,201mil on contributions from (1) dividends (¥71mil +29.1% YoY), (2) insurance payments (¥29mil vs ¥0 in FY23 1H), and (3) the collection of written-off claims on sales receivables (¥60mil vs ¥0 in FY23 1H).

Hirano Tecseed (6245 JP): Earnings Summary								
¥mil / March year-end	FY23			FY24				
	1H	2H	FY	1H	YoY (%)	HoH (%)	1H CE	1H vs 1HCE (%)
Sales	22,346	24,600	46,946	24,388	9.1	-0.9	22,600	7.9
GP	3,030	4,481	7,511	3,433	13.3	-23.4	N/A	N/A
GPM (%)	13.6	18.2	16.0	14.1	+0.5ppt	-4.1ppt	N/A	N/A
SG&A	2,260	2,015	4,275	2,409	6.6	19.5	N/A	N/A
SG&A/Sales (%)	10.1	8.2	9.1	9.9	-0.2ppt	+1.7ppt	N/A	N/A
OP	769	2,466	3,236	1,024	33.1	-58.5	1,200	-14.6
OPM (%)	3.4	10.0	6.9	4.2	+0.8ppt	-5.8ppt	5.3	-1.1ppt
RP	814	2,579	3,394	1,201	47.6	-53.4	1,300	-7.5
RPM (%)	3.6	10.5	7.2	4.9	+1.3ppt	-5.6ppt	5.8	-0.8ppt
NP*	564	1,874	2,438	867	53.8	-53.7	910	-4.7
EPS (¥)	37.42		161.70	57.37	53.3		60.34	-4.9

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

The C&LM segment reported 1H sales of ¥20,629mil (+13.2% YoY / +7.7% HoH) as (1) order backlogs were converted to sales and (2) higher sales from installation work that used to be done by production equipment facility installation subcontractors.

As of 1H, the total order backlog was ¥56,987mil (-11.3% YoY), of which ¥51,256mil (-5.5% YoY) is from the C&LM segment. The current order backlog level remains 1.3x that of the firm's FY24 sales guidance due to long lead times on the back of changes in specifications by HT's LiB electrode coating machine customers to meet the requirements in the US. Furthermore, HT's customers, which includes joint ventures of battery makers, remain reluctant to maintain the pace of investment given the slower than expected shift to EVs by OEM makers.

C&LM FY24 1H orders surged +350.4% YoY to ¥16,126mil thanks to strong demand for installation work. In Q2 alone, segment orders surged +287.0% YoY / +90.3% QoQ to ¥10,570mil. However, orders for LiB electrode coating machines remained low, as customers had:

1. Front-loaded orders since FY21, on expectations of high growth in the EV market.
2. They have since, pended orders due to changes in their production locations and updates in machine specifications, as well as more conservative views on the EV market growth.
3. Consequently, deliveries have been delayed as HT's customers are now more cautious on the outlook for the EV market.

On the other hand, 1H IM segment order fell -23.5% YoY to ¥1,719mil. In Q2 alone, order declined -74.0% YoY / -67.6% QoQ to ¥420mil. Here, in recent years, HT had prioritised orders for secondary LiB electrode coating equipment for energy-related equipment. As a result, the order backlog is relatively lower, hence the -9.8% YoY decline in 1H sales to ¥2,941mil.

Hirano Tecseed (6245 JP): Sales, Production, Order and Order Backlog Breakdown											
¥mil / March year-end		FY23				FY24					
		Q1	Q2	1H	FY	Q1	Q2	YoY (%)	QoQ(%)	1H	YoY (%)
Coating and Laminating Machinery	Sales	10,441	7,785	18,227	37,374	10,332	10,297	32.3	-0.3	20,629	13.2
	Production	9,050	6,938	15,989	31,915	9,049	8,806	26.9	-2.7	17,855	11.7
	Order Received	849	2,731	3,580	24,222	5,555	10,570	287.0	90.3	16,126	350.4
	Order Backlog	59,319	54,265	54,265	55,760	50,983	51,256	N/A	N/A	51,256	-5.5
Industrial Machinery	Sales	1,720	1,540	3,261	7,850	1,260	1,681	9.1	33.4	2,941	-9.8
	Production	1,364	1,247	2,612	6,232	1,182	1,332	6.8	12.7	2,514	-3.7
	Order Received	626	1,620	2,247	4,149	1,299	420	-74.0	-67.6	1,719	-23.5
	Order Backlog	8,657	8,737	8,737	6,049	6,088	4,828	N/A	N/A	4,828	-44.7
Others	Sales	422	435	857	1,720	506	310	-28.6	-38.6	817	-4.7
	Production	354	360	714	1,287	391	193	-46.3	-50.6	584	-18.2
	Order Received	337	531	868	1,476	355	365	-31.2	2.8	721	-16.9
	Order Backlog	1,157	1,253	1,253	998	847	902	N/A	N/A	902	-28.0
Total	Sales	12,584	9,761	22,346	46,946	12,099	12,289	25.9	1.6	24,388	9.1
	Production	10,769	8,547	19,316	39,434	10,622	10,331	20.9	-2.7	20,954	8.5
	Order Received	1,812	4,883	6,696	29,848	7,210	11,356	132.5	57.5	18,567	177.3
	Order Backlog	69,134	64,256	64,256	62,808	57,919	56,987	N/A	N/A	56,987	-11.3

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

## PERFORMANCE BY PRODUCT SEGMENT

HT has three business segments, of which two – C&LM and IM – combined generate 96.6% of total consolidated sales and almost all consolidated OP. In FY24 1H, 67.5% of consolidated sales came from the North America, 17.4% from East Asia (incl. China, Korea and Taiwan), and 12.6% from Japan. Sales from the North America are mostly energy-related that includes coating and laminating machine used in the LiB manufacturing process, and installation of such manufacturing machinery.

Hirano Tecseed (6245 JP): Segment Financial Summary									
¥mil / March year-end		FY22		FY23			FY24		
		1H	FY	1H	2H	FY	1H	YoY (%)	HoH (%)
Coating and Laminating Machinery	Sales	12,821	31,179	18,227	19,147	37,374	20,629	13.2	7.7
	OP	841	1,985	918	2,250	3,168	1,364	48.6	-39.4
	OPM (%)	6.6	6.4	5.0	11.8	8.5	6.6	+1.6ppt	-5.1ppt
Industrial Machinery	Sales	4,796	9,774	3,261	4,589	7,850	2,941	-9.8	-35.9
	OP	1,107	2,069	504	753	1,257	244	-51.6	-67.6
	OPM (%)	23.1	21.2	15.5	16.4	16.0	8.3	-7.2ppt	-8.1ppt
Others	Sales	653	1,470	857	863	1,720	817	-4.7	-5.3
	OP	63	82	47	222	269	149	215.0	-32.9
	OPM (%)	9.7	5.6	5.5	25.7	15.7	18.2	+12.7ppt	-7.5ppt

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

Hirano Tecseed (6245 JP): Segment Financial Summary											
¥mil / March year-end		FY23				FY24					
		Q1	Q2	1H	FY	Q1	Q2	YoY (%)	QoQ (%)	1H	YoY (%)
Coating and Laminating Machinery	Sales	10,441	7,785	18,227	37,374	10,332	10,297	32.3	-0.3	20,629	13.2
	OP	650	267	918	3,168	584	780	191.5	33.5	1,364	48.6
	OPM (%)	6.2	3.4	5.0	8.5	5.7	7.6	+4.1ppt	+1.9ppt	6.6	+1.6ppt
Industrial Machinery	Sales	1,720	1,540	3,261	7,850	1,260	1,681	9.1	33.4	2,941	-9.8
	OP	287	217	504	1,257	-10	254	17.2	N/A	244	-51.6
	OPM (%)	16.7	14.1	15.5	16.0	-0.8	15.1	+1.1ppt	N/A	8.3	-7.2ppt
Others	Sales	422	435	857	1,720	506	310	-28.6	-38.6	817	-4.7
	OP	20	27	47	269	67	81	200.2	21.6	149	215.0
	OPM (%)	4.7	6.3	5.5	15.7	13.3	26.3	+20.1ppt	+13.0ppt	18.2	+12.7ppt
Total	Sales	12,584	9,761	22,346	46,946	12,099	12,289	25.9	1.6	24,388	9.1
	OP	629	140	769	3,236	292	732	420.3	150.5	1,024	33.1
	OPM (%)	5.0	1.4	3.4	6.9	2.4	6.0	+4.5ppt	+3.5ppt	4.2	+0.8ppt

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

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

### C&LM Segment:

The largest component of this segment is electrode coating equipment for secondary LiBs. FY24 1H segment OP improved +48.6% YoY / -39.4% HoH to ¥1,364mil on sales of ¥20,629mil (+13.2% YoY / +7.7% HoH). In Q2 alone, the segment reported Q2 OP of ¥780mil (+191.5% YoY / +33.5% QoQ). Here, HT has expanded its services from just shipping the machines to now include installation work for the entire coating line, which boosted sales.

C&LM sales are recognised based on the percentage of completion method. Delays in revenue recognition due to alterations in specifications as customers changed the location to receive their coating machines continued in 1H, which led to higher costs for HT. While sales of installation work in North America are not disclosed, the contribution to OP was likely negligible.

The firm admits that its view on the recovery in the EV market was optimistic while in reality, its customers' CAPEX was held back. Consequently, any delays to the production process will be reflected in the order backlog and contract assets on the balance sheet [BS], which is still as much as 1.3x of estimated annual sales in FY24.

Although the firm has not changed its view on the medium- to long-term growth of the EV market, a few risks to earnings have become apparent:

1. Budgeted costs for some orders are now outdated given the increase in raw material and subcontractor costs. Although HT does not have any unprofitable orders on a GP basis, the gross profit margin [GPM] of those orders has been squeezed – unless it can get customers to compensate for the extra costs when the project is completed.
2. Further delays in projects might eventually lead to cancellations before completion. HT will still be paid on the percentage of completion basis even if there is a cancellation, although not fully, in addition to 30% advanced payments paid upfront.

Management acknowledges the earnings risk associated with the existing order contracts, therefore they have started negotiating a payment cycle as well as implementing price hikes. Sales are currently recognised when the machinery is loaded on a container ship. HT is willing to modify the payment method to include upfront advanced payments and thereafter royalty-based payments. However, it is still premature to fully reflect such changes on the existing order backlog.

HT has not yet revised its FY24 C&LM forecast because aims to:

1. Promote sales of extended installation work such as turnkey contracts (e.g. not just the sale of coating and laminating equipment, the firm installs the equipment and ensures the whole laminating line is ready to operate) and service and maintenance in the US through its US branch, which has already started contributing to the segment sales in 1H,
2. Shorten the time to design the equipment by standardising parts and components, and
3. Enhance production capacity by finding a business partner.

### Industrial Machinery Segment:

IM segment 1H OP declined -51.6% YoY / -67.6% HoH to ¥244mil on a -9.8% YoY / -35.9% HoH fall in sales to ¥2,941mil. In Q2 alone, the segment produced OP of ¥254 (+17.2% YoY / vs a -¥10mil loss in Q1) on sales of ¥1,681mil (+9.1% YoY / +33.4% QoQ). Although deposition equipment mainly used in electronic materials applications, such as MLCCs and forming polyimide films, saw increased interest from customers both in Japan and in South-East Asia, order volumes trended down.

Deposition equipment for electronics materials is still one of HT's core products, however, sales declined on a YoY basis. HT had prioritised orders for coating equipment for energy-related equipment including LiB electrode coating equipment, therefore the order backlog was relatively low.

As with the C&LM segment, HT recognises segment sales using the percentage of completion method. When production levels are low, sales are not able to cover the fixed costs and lead to operating losses. The firm has not yet revised segment forecasts as it views MLCCs as its target market for its deposition equipment and is looking to further expand its market share.

The table that follows shows the sales breakdown by applications of HT's equipment. Energy-related application sales, which is largely for LiB electrode coating equipment, hit a quarterly record in Q1 of ¥10,154mil (+7.1% YoY / +12.1% QoQ) and remained at a relatively high level in Q2 of ¥9,789mil (+35.9% YoY / -3.6% QoQ) by converting order backlog to sales.

Sales by Application										
¥mil / March year-end	FY22				FY23				FY24	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Display - related	662	1,144	1,223	783	661	291	528	724	249	625
Electronic materials-related	2,123	2,005	2,495	1,579	1,257	1,654	2,002	1,701	996	986
Household product-related	256	108	168	157	94	79	52	84	38	80
Energy- related	5,036	4,517	6,861	8,633	9,480	7,201	9,327	9,057	10,154	9,789
Other	1,147	1,268	1,208	1,041	1,089	535	452	668	659	807
<b>Total</b>	<b>9,226</b>	<b>9,044</b>	<b>11,958</b>	<b>12,194</b>	<b>12,584</b>	<b>9,761</b>	<b>12,363</b>	<b>12,236</b>	<b>12,099</b>	<b>12,289</b>

Source: Hirano Tecseed Co., Ltd.

## FY24 OUTLOOK

Despite the weaker-than-expected 1H OP, HT has not changed its full-year FY24 guidance for OP of ¥2,900mil (-10.4% YoY) on sales of ¥44,000mil (-6.3% YoY).

Given the uncertainty surrounding global EV markets, which might last longer than initially anticipated, management expects the C&LM segment will see declines in both sales and OP due to customers' sentiment on CAPEX waning. Moreover, although production levels have recovered, shipment delays due to changes in machine specifications will likely continue. HT took a conservative view with its FY24 forecasts; though it recognises that sentiment surrounding the EV market is now even more cautious than its own assumption.

One of the potential earnings risks to note is that Northvolt [unlisted], a Swedish battery developer and manufacturer, specialising in lithium-ion technology for EVs, filed for the U.S. Chapter 11 protection after talks to raise additional cash from stakeholders failed in November. HT says that it is still unclear if there is any impact to the firm's business in the U.S. Under medium-term plan ending FY27, Energy-related sales are guided to decline (4-year CAGR -5.4%), mainly due to weak sales of coating equipment for secondary LiB electrodes.

Hirano Tecseed (6245 JP): Earnings Summary and Guidance						
¥mil / March year-end	FY23		FY24			
	1H	FY	1H	YoY (%)	FYCE	YoY (%)
Sales	22,346	46,946	24,388	9.1	44,000	-6.3
GP	3,030	7,511	3,433	13.3	N/A	N/A
GPM (%)	13.6	16.0	14.1	+0.5ppt	N/A	N/A
SG&A	2,260	4,275	2,409	6.6	N/A	N/A
SG&A/Sales (%)	10.1	9.1	9.9	-0.2ppt	N/A	N/A
OP	769	3,236	1,024	33.1	2,900	-10.4
OPM (%)	3.4	6.9	4.2	+0.8ppt	6.6	-0.3ppt
RP	814	3,394	1,201	47.6	3,000	-11.6
RPM (%)	3.6	7.2	4.9	+1.3ppt	6.8	-0.4ppt
NP*	564	2,438	867	53.8	2,100	-13.9
EPS (¥)	37.42	161.70	57.37	53.3	139.25	-13.9

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

While HT assumes that earnings will recovery once its customers resume CAPEX on LiB secondary battery production lines, the more pressing issue is the firm's declining cash inflow. Although 30% of payments are received upfront, with the remainder only paid at the time of shipment, HT's suppliers and subcontractors are paid the full amount within 30~60 days of orders being placed.

## LONG-TERM VISION 2030 AND NEW MEDIUM-TERM PLAN – RECAP

### Vision and Target – Recap

HT announced its Long-Term Vision 2030 plan in May 2023, during which the firm's aim is to become a global leader in coating machines and to enhance corporate value by establishing a stable revenue base supported by the following three goals:

1. Capturing the top market share in coating equipment for energy-related and electronic materials.
2. Expanding its coverage globally from manufacturing to maintenance through enhancing its overseas network.
3. Contributing to industrial development and the global environment through its coating technology.

HT will continue to focus on expanding growth in:

- Energy-related applications, including LiB electrode coating equipment and also extending to next generation batteries, such as solid-state batteries and fuel cells, and
- Electronic materials applications, including coating equipment for capacitors loaded in EVs, and for electronic materials used in 5G high-frequency wave.

By expanding its existing business, as well as developing cutting-edge technologies, HT is targeting an OPM of 12.0% in FY30 vs 7.3% in FY22, on sales of ¥60,000mil (8-yr CAGR +4.4%), and ROE of more than 10.0% (vs 6.4% in FY22).

### 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 to the firm, HT has maintained its capital allocation policy and commits to shareholders return of either the higher of DOE of 3.5% or dividend pay-out of 60% during the medium-term plan [FY24~FY27]. Capital will be allocated to capture growth as well as to improve shareholder equity, the ROE and PBR.

HT plans to allocate capital into the following five areas:

#### 1. Growth investment ¥3,000mil+

Approx. ¥2,000mil will be dedicated to global production capacity expansion, and the remaining ¥1,000mil will be on digital twin / smart factory technology to improve production efficiency. HT may invest additional capital to expand its service and maintenance business in the US and other investment to enhance enterprise value.

#### 2. Strategic Alliance ¥3,000mil+ or allocated to shareholders return if not spent.

HT plans to allocate funds to build strategic alliances to solidify its procurement capability of core components. If strategic alliances are not realised during the medium-term plan, the excess funds will be allocated to either growth investments, or to shareholder return including share buybacks.

#### 3. Dividend Payments

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 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.

#### 5. Working Capital

This will be equivalent to three-month sales.

## Medium-term Plan FY24~FY27

While HT aims to become a global leader in coating and laminating equipment and to realise sales of ¥51,000mil and a ROE of 7.5% by the end of its medium-term plan (FY24~27), management sees this period as a time to establish a foundation for future growth in order to further enhance corporate value.

Given one of the key issues for investors has been how HT can shorten the lead time and solve the order backlog issues, HT will focus on the following three main issues:

1. Diversify revenue streams.
2. Expand supply capabilities.
3. Improve organisational capabilities.

Details of the plan can be found on HT's website below:

([https://www.hirano-tec.co.jp/en/mt\\_asset/Medium-Term%20Management%20Plan%20FY2024-FY2027.pdf](https://www.hirano-tec.co.jp/en/mt_asset/Medium-Term%20Management%20Plan%20FY2024-FY2027.pdf)).

Medium-term Target and Revenue Breakdown by Customers' Industries			
¥mil / March year-end	FY23	FY27	4-year CAGR
Energy-related (incl. secondary LiB electrode coating equipment)	35,100	27,500	-5.9
Electronic materials	6,600	9,000	8.1
Optical Film etc.	3,600	9,000	25.7
After Service & Maintenance	1,600	3,500	21.6
Others	0	2,000	N/A
Total Sales	46,946	51,000	2.1
OP	3,236	4,100	6.1
OPM (%)	6.9	8.0	N/A
ROE (%)	6.5	7.5	N/A

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

## Medium-term Outlook by Segment

**Energy-related:** HT expects FY27 energy-related contributions (including secondary LiB electrode coating equipment) sales of ¥27,500mil (4-yr CAGR -5.9%) based on 1) shipment delays over FY24~FY25 as the outlook for the global EV market and the corresponding unwillingness of its customers to further spend on CAPEX, and 2) the lack of profit growth in FY24 given FY24 sales do not include final shipments of LiB electrode coating machines.

Although the firm is expecting the current weak outlook for the EV market to be a short-term factor, it is still seeing solid demand in LiBs. To capture the medium- to long-term demand, HT plans to undertake orders on a turnkey contract basis and also aims to establish a business for next generation batteries.

**Electronics components and optical film sector:** FY27 revenue, which includes (1) sales from equipment for MLCC and electronics components, is guided to reach ¥9,000mil (4-yr CAGR +8.1%), and (2) optical film coating equipment revenues expected to enjoy 4-yr CAGR of +25.7% to ¥9,000mil. HT aims to realise growth by diversifying the segment's revenue stream by capturing both domestic and overseas demand.

**Service and Maintenance:** HT is keen to establish a service and maintenance business as it leads to capturing replacement demand. The firm is guiding for FY27 segment sales of ¥3,500mil (4-yr +21.6%). Moreover, given this segment is expected to enjoy higher margins, it will help stabilise segment earnings.

**Others (incl. new businesses):** HT plans to make some seed investments on newly developed high value-added businesses and M&A that offer long-term growth opportunities. HT guides for FY27 segment sales of ¥2,000mil from no sales in FY23.



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