



Medium-Term Management Plan

FY2024-FY2027

May 15, 2024

- Corporate Philosophy
- Long-Term Vision 2030
- Positioning of this Medium-Term Plan
- View on External Business Environment
- Review of Previous Medium-Term Plan (FY2021-FY2023)
- Key Themes of this Medium-Term Plan
- Numerical Targets
- Capital Allocation
- ESG & Sustainability Initiatives

Overall Concept

Focus of our business

The starting point and guiding principles for corporate activities

Creating the future with human and technical resources

Mission

Our mission

Global contribution in various fields through technology

Contribute to the world with roll-to-roll technology

Policy

Our objectives

What we are aiming for in fulfilling our mission

Create the best with the latest technology
Achieve the highest reliability with the best products

Motto

Our action guidelines

Our core values

Management that values job satisfaction and personal motivation

History of Value Delivery

Achievement of high added value through roll-to-roll processing in cutting-edge fields of the times
Accumulating technology and know-how through this process.

Historical changes in segment products and sales

Energy

Lithium-ion batteries Fuel cells

Display

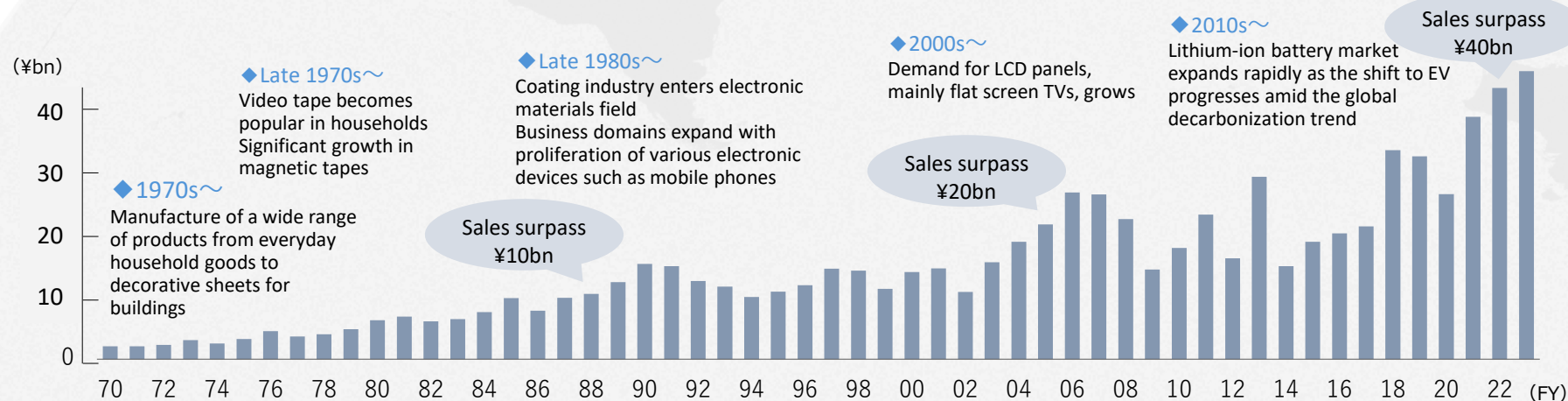
Polarizing adhesive film for FPD
Functional film for FPD
Electronic paper

Electronic materials

Electronic substrate
Materials dry film
Polyimide film
Multilayered ceramic capacitors
Flexible printed circuit boards

Household products

Adhesive tape
Decorative film
Food packaging film
Magnetic tape
Carbon prepreg
Ink ribbon



Our strengths/competitive advantages

Coating technology

- ✓ Thin and uniform high-precision coating
- ✓ Drying specific to material and application

Ability to contribute to customers' productivity

- ✓ High speed operation × larger size
- ✓ Stable operation and high yield

Customer base/delivery track record

- ✓ Technical proposals at Technicum*
- ✓ Joint development with the world's top companies

* Technicum R&D testing facility

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 to manufacturing to maintenance
- Contribute to industrial development and the global environment through coating technology

Net sales

¥**60**bn

Operating Income Margin

12.0%

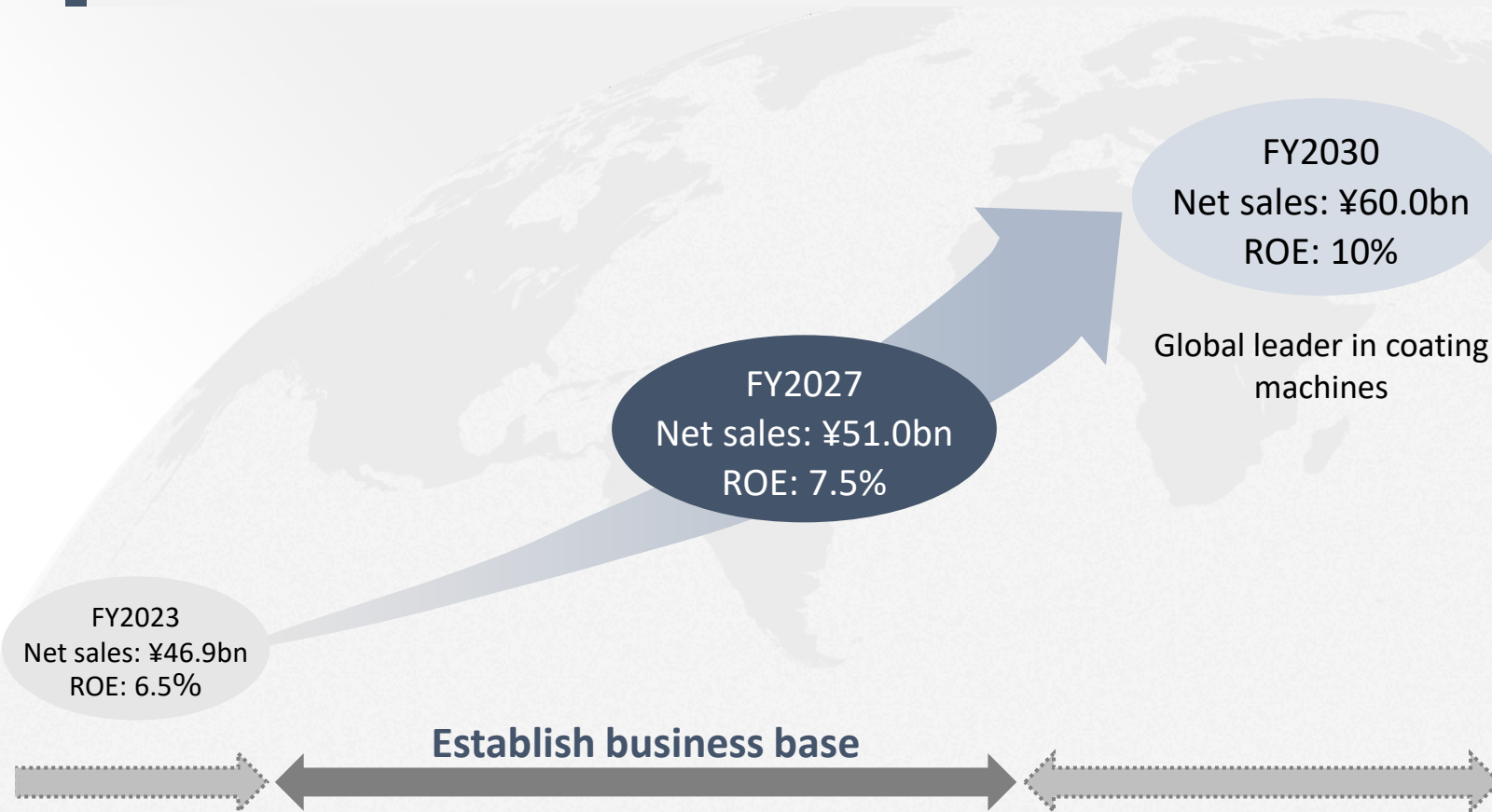
ROE

Stable

10.0%

Positioning of this Medium-Term Plan

The target of this medium-term plan is to establish a business base to enable long-term growth



Long-term Vision 2030 『Core principles』

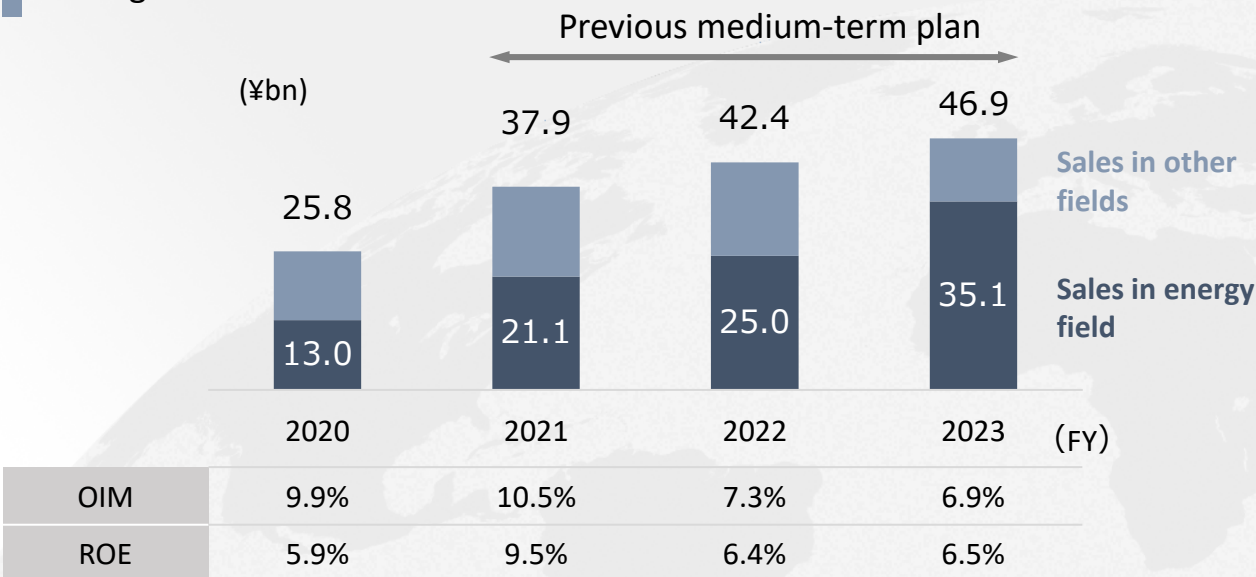
- 1 Strong push toward standardization/mass production
- 2 Enhancing customer service structure
- 3 Continued strengthening of global development
- 4 Pursuing smart factory technologies
- 5 Business development that embodies market needs
- 6 Expanding human capital

Aim to successfully seize business opportunities while remaining mindful of risks

	Industry 4.0	Climate change countermeasures	Resource depletion	Geopolitical risk
Macro environment	<ul style="list-style-type: none"> ✓ Consider policy direction tailored to conditions in each region: Europe, which is leading the shift to EVs, China, which is driving the market, and North America/Japan, which are following behind ✓ Pursue technological reform for DX (including smart technology) and carbon neutrality while cooperating with government and corporations ✓ Global difficulty of procuring energy resources and materials due to geopolitical factors including country risk, wars, and disputes 			
Business opportunities	<ul style="list-style-type: none"> ✓ In the energy field, further acceleration of domestic and international moves to achieve carbon neutrality by 2050 <ul style="list-style-type: none"> – Longer-term expansion prospects in the lithium-ion battery market from the shift to EVs mainly in Europe, China, and North America – Government's policy for the storage battery industry also promotes strengthening of domestic foundations and development of next-generation battery technologies ✓ In the electronic materials field, increase in mobile devices and in electronics usage in industrial equipment along with expansion in the semiconductor and capacitor market <ul style="list-style-type: none"> – Further increase in demand for electronica materials for DX/GX applications – Government also firming up its policies due to recognition of the importance of the semiconductor and digital industries ✓ Optical film used widely in the electronics field, so solid demand likely to continue 			
Business risks	<ul style="list-style-type: none"> ✓ Recent slowing in the growth of the EV market ✓ Drive to achieve carbon neutrality moving more slowly in Japan than the rest of the world ✓ Uncertainty on energy policies in each country (subsidies, infrastructure, etc.) 			

Review of Previous Medium-Term Plan (FY2021-FY2023)

Earnings trends



Main initiatives

- ✓ Improve productivity
 - Strengthen productivity management structures across the company via computer systems upgrades
 - Boost headcount in line with increased business scope
 - End-FY2023 headcount: +37 vs. end-2020
- ✓ Strengthen organizational structures to raise customer satisfaction
 - Establish development division to pursue development projects in new fields such as digital twinning technology
 - Establish customer support division to enhance after-sales services and maintenance
- ✓ Complete phase 2 of Kizugawa factory



Unresolved issues

- Diversify earnings streams to improve profitability
- Further improve production capacity to tackle increased order backlog and longer lead times, strengthen organizational structures

- ✓ Identify and secure demand in non-energy fields such as electronic materials
- ✓ Establish an after-sales service structure centered around the customer support division
- ✓ Pursue measures to shorten lead times, including normalizing use of production management systems
- ✓ Enhance organizational and HR structures and focus on rapid impact from new personnel

Support sustained increase in corporate value

Establish business base

1. Diversify revenue streams

Identify demand in diverse fields including energy and strengthen after-sales service structure

2. Expand supply capabilities

Shorten lead times, esp. for design, to expand group-wide production capabilities

3. Improve organizational capabilities

Futureproof organizational structures and improve HR and organizational capabilities

1-1. Identify demand in numerous fields

Aim to diversify and stabilize revenue base by strengthening new fields and identifying demand to respond to changes in the external environment

Initiative details

- ✓ Reenergize existing fields
: Target project acquisition, including replacement demand, in fields where we have accumulated technologies and customer networks, including electronic materials and optical film
- ✓ Move into new fields
 - Next-generation energy field
: Actively pursue project responsiveness and in-house development
 - Develop businesses to match market needs
: Pursue further joint development with customers at Technicum including application of technologies built up in cutting-edge fields

1-2. Establish after-sales service structure

Respond to customer needs by establishing after-sales service business model and enhancing total support structure

Initiative details

- ✓ Establish business model
 - Create standardized menus
: Create standardized menus based on past performance and customer demand surveys
 - Establish business scheme
: Establish a business scheme to turn previously one-off after-sales services into a stable revenue stream
- ✓ Create team of specialists
: Develop and formulate a team of specialist engineers dedicated to after-sales services, particularly in marketing and design
- ✓ Develop and foster company partnerships
: Aim to create tie-ups with partner companies and enhance service structures

2-1. Shorten lead times

Tackle increased order backlog and longer lead times to create greater efficiency in working capital by eliminating bottlenecks in the entire process, achieving greater overall efficiency, and pursuing enhanced functionality and capability

Initiative details

- ✓ Design
: Increase efficiency in the design process by centralizing past design-related data and utilizing computer systems
Pursue frontloading via reform of organizational structures
- ✓ Design~component procurement~production
: Reduce adjustments and rework between processes via thorough process control
- ✓ Expand functions and capabilities for each process
: Expand functions and capabilities for each process by utilizing computer systems, increasing the number of subcontractors, and increasing headcount

2-2. Expand production capabilities

Shorten lead times and expand group-wide production capacity to cope with increased order backlog

Initiative details

- ✓ Automation and labor saving
: Aim to realize smart factories by promoting DX compatibility across the entire group
- ✓ Strengthen ties with partner companies
: Increase the number of partner companies and improve production efficiency through collaboration and cooperation
- ✓ Consider and plan new plants
: Plan and study possibilities for new plants to increase production capacity in the future in line with increased orders and stronger after-sales service structure
- ✓ Utilize M&A
: Continue to explore M&As in both upstream and downstream directions

3-1. Enhance and strengthen organizational structures

Strengthen HR recruitment and development and shift to more efficient organizational structures in order to realize our long-term growth direction

Initiative details

- ✓ Hire specialist personnel
: Continuously increase headcount, including the number of electrical and mechanical designers, field engineers, etc.
- ✓ HR development and technical succession
: Develop specialist personnel by sharing knowledge, holding study sessions, and implementing technical succession programs run by senior employees, and work to turn young employees into competitive personnel at an early stage
- ✓ Optimize organizational structures and personnel deployment
: Improve company-wide productivity by optimizing the organization and personnel for each process, reviewing project and meeting bodies, promoting inter-departmental collaboration, and utilizing computer systems.

3-2. Build a business base to increase corporate value

Continuous and dynamic focus on strengthening the earnings structure, internal structures and infrastructure, and governance that will serve as the foundation for medium- to long-term corporate growth

Initiative details

- ✓ Improve profitability and reduce costs
: Review the manufacturing system to strengthen the revenue structure by creating high added value for in-house processing, automating and reducing manpower, and improving operational efficiency through the use of data accumulated over many years
- ✓ Strengthen business foundations and initiatives
: Systematization, DX, standardization, management accounting, and review of personnel structure.
- ✓ Strategic investment for longer-term growth
: Aggressive investment for corporate growth in areas such as new facilities, core technology, digital technology, and human capital
- ✓ Corporate governance
: Continue to focus on revitalizing the Board of Directors, accelerating decision-making, and ensuring transparency as key issues

Numerical Targets

Aim to strengthen business competitiveness, including in after-sales services, while remaining conscious of profitability and capital efficiency

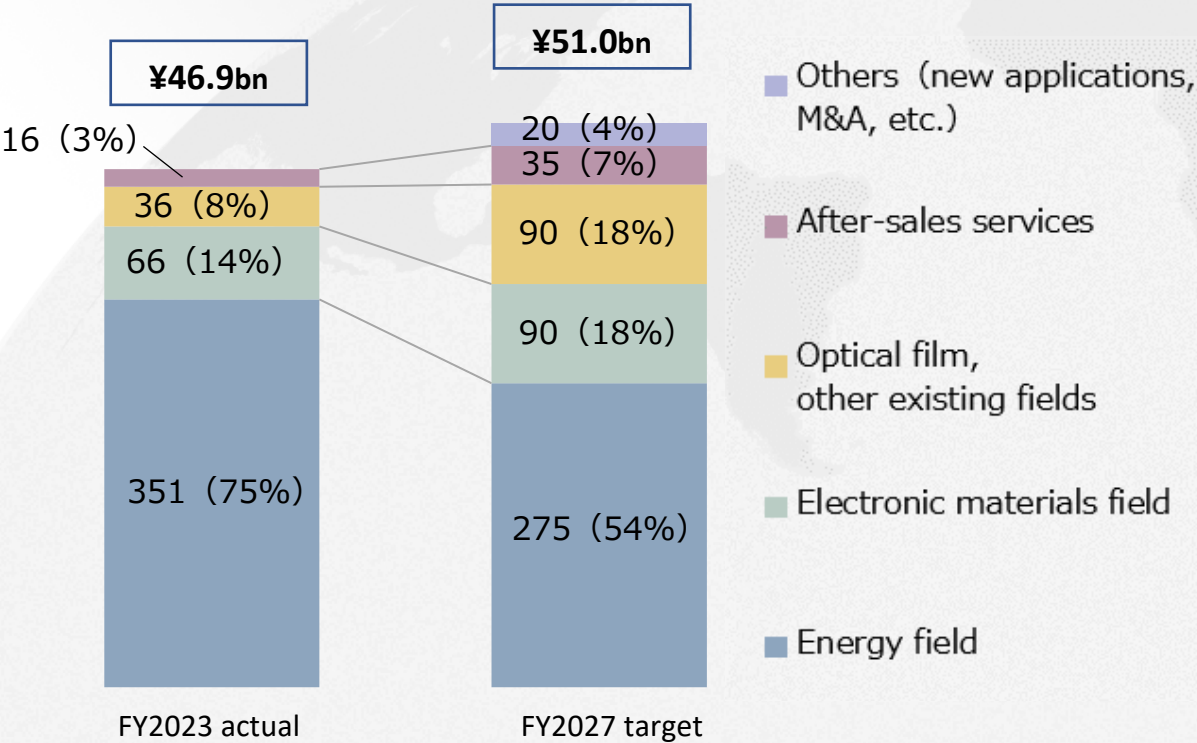
	FY2023 actual	FY2027 medium-term plan targets
Net sales	¥46.9bn	¥51.0bn
After-sales services	¥1.6bn	¥3.5bn
Operating income	¥3.2bn	¥4.1bn
ROE	6.5%	7.5%

Maintain market presence in the energy field while identifying and capturing new demand in other fields

Sales by business field

Volatility in the energy sector has increased due to uncertain market conditions. Based on a conservative outlook for sales in the energy sector, we will aggressively target demand in other sectors.

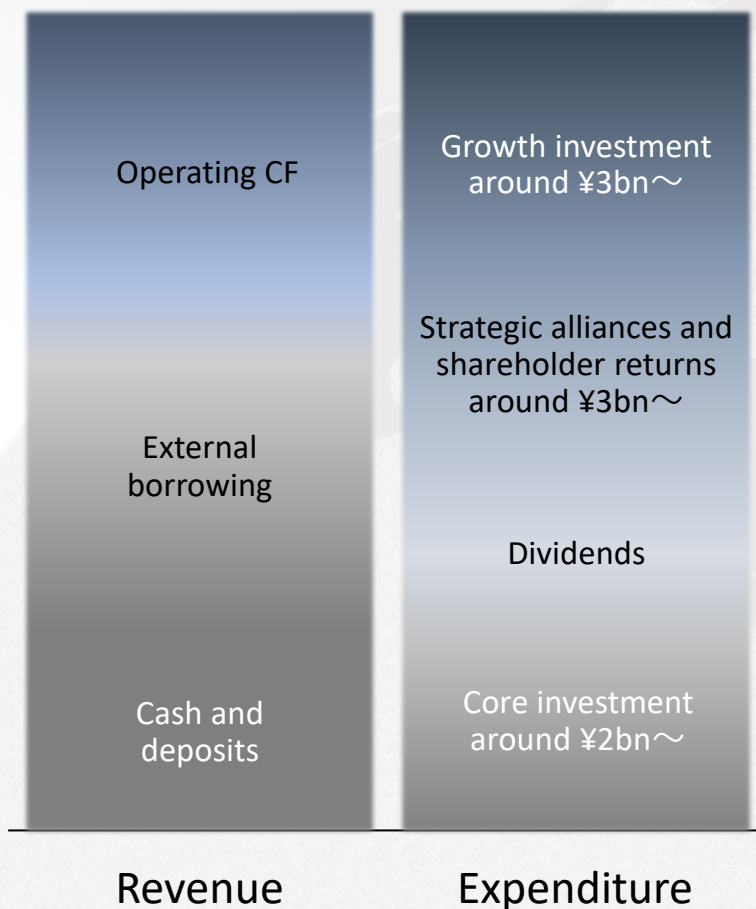
*Weighting within all-company sales in parentheses



Direction for each business field

- Energy field**
 - ✓ Despite temporary fluctuations in demand, the market is expected to grow over the medium to long term, and we will pursue sales activities while closely monitoring the business environment
 - ✓ With an eye to strengthening order-taking capabilities over the medium to long term, we will also undertake some subcontracting for ancillary equipment associated with the main business
 - ✓ We will prepare for commercialization of next-generation batteries after lithium-ion batteries
- Electronic materials, optical film, other existing fields**
 - ✓ Leveraging our accumulated technology and know-how to aggressively capture demand utilizing our domestic and overseas customer network in order to diversify revenue streams
- After-sales services**
 - ✓ Steadily increase after-sales services, which will lead to acquisition of renewal demand, by strengthening organizational structures (including those of overseas subsidiaries), response capabilities, and service content
 - ✓ These services will lead to diversification of the company's revenue streams and acquisition of renewal demand, and will therefore contribute to stabilization of the business in the future
- Others**
 - ✓ Plant seeds for long-term growth through business development in new value-added fields, M&A, etc.

While maintaining a sound financial position, we will raise funds flexibly and prioritize allocation of funds to investments necessary for growth



Growth investment

- ✓ Enhance production structure and boost capacity, including at the global level
- ✓ Strengthen digital twinning/smart factory technologies and DX
- ✓ Allocate funds to US after-sales services and other growth and human capital investments that will contribute to increase in corporate value

Strategic alliances and shareholder returns

- ✓ Strategic alliances for growth, such as for increasing production capacity, securing stable supply of critical components, and acquiring human resources
- ✓ If strategic alliances are not formed, we will make high priority growth investments or flexibly implement shareholder returns to meet appropriate ROE levels in order to improve P/B ratios

Dividends

- ✓ Dividends will be paid at a DOE of 3.5% or a payout ratio of 60%, whichever is higher
- ✓ Take a flexible approach to share buybacks to improve capital efficiency and shareholder returns, while securing the necessary funds for investment in growth and comprehensively taking into account financial conditions, the share price level, and other factors

Core investment

- ✓ Invest in infrastructure upgrades at existing plants (such as buildings and equipment)

Aiming to solve social issues through our business and fulfil our responsibilities as a company

Environment	Contribute to the global environment through our business	<ul style="list-style-type: none"> ✓ Contribute to the lithium-ion battery field and next-generation solar cell development ✓ Extending the service life of facilities by strengthening the maintenance business
	Contribute to the global environment in our business activities	<ul style="list-style-type: none"> ✓ Reduce CO2 emissions through the use of solar power generation
Social	Contribute to people's lives through our business	<ul style="list-style-type: none"> ✓ Contribute to the development and spread of various electronic devices that are indispensable for daily life
	Actively invest in human capital	<ul style="list-style-type: none"> ✓ Enhance HR development and training, such as training by rank and planned on-the-job training for technical acquisition. ✓ Create an environment that allows flexible working styles through diversification of work patterns
	Revitalize local communities	<ul style="list-style-type: none"> ✓ Contribute to local communities through official partnership agreements with B-League's Bambitious Nara and J-League's Nara Club, sponsorship of local welfare activities, etc.
Governance	Increase corporate value for all stakeholders	<ul style="list-style-type: none"> ✓ Diversify revenue streams with an eye to the future, make strategic and concentrated investments, and strengthen non-financial initiatives
	Improve management transparency and efficiency	<ul style="list-style-type: none"> ✓ Energize the Board of Directors, accelerate decision-making, and ensure transparency

This document provides information intended solely to help readers' understanding of HIRANO TECSEED CO., LTD.

Thus, we have no intention to solicit or encourage investment for securities or financial products mentioned in this document. Also, readers are advised that this document is not a disclosure document or statement of financial performance as required by Japan's Financial Instruments and Exchange Act, Act on Investment Trusts and Investment Corporations, related cabinet orders, cabinet office ordinances or rules, the rules governing companies listed on the Tokyo Stock Exchange, or any other applicable rules.

This document contains forward-looking statements, including forecasts of financial position, results of operations, and business-related matters, as well as statements related to the plans and goals of the management of HIRANO TECSEED CO., LTD. There are a number of known and unknown risks and uncertainties that can cause its actual results or performance to differ materially from any explicit or implicit forecasts contained herein. These forward-looking statements also rest on a number of assumptions with regard to our present and future management strategies, as well as the political and economical environments in which we will conduct its future business operations.

Although the information contained in this document is the best available at the time of publication, no assurances can be given regarding the accuracy, certainty, validity or fairness of this information and we are not responsible for any error or inaccuracy in the information or data contained herein.

The content of this document can be modified or withdrawn without prior notice.

15 May , 2024

Contact:

General Affairs Division HIRANO TECSEED Co., Ltd .

<https://www.hirano-tec.co.jp/en/contact/>

Tel: +81-745-57-0681