



February 14, 2024

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Notice Regarding Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

HIRANO TECSEED Co., Ltd. (hereafter “the Company”) hereby announces that its Board of Directors decided at a meeting today on action to implement management that is conscious of cost of capital and stock price in order to create sustainable growth and medium- to long-term increase in corporate value.

1. Analysis of Current Status

Based on its Long-Term Vision 2030, the Company is working on key objectives with the aim of becoming a “global leader in coating machines.” It currently has a large order backlog in the energy-related area, one of its main markets, but conditions are tough for the operating income margin owing to sharply higher input prices (particularly for industrial materials and personnel), and ROE remains below 10%.

In addition, BPR was below 1x in four of the past five fiscal years, and the Company is aware that its stock is undervalued in relation to asset value. In order to achieve PBR that is consistently above 1x, the Company is conscious that it needs to take action to raise corporate value as well as expand earnings.

Five-year financial indicators

	Unit	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023
Net sales	Million yen	32,659	31,682	25,800	37,866	42,423
Operating income	Million yen	4,839	3,684	2,560	3,986	3,093
Net profit attributable to owners of parent	Million yen	3,245	2,351	1,785	3,103	2,243
ROE	%	13.02	8.25	5.92	9.48	6.37
PBR	x	0.94	0.55	1.41	0.91	0.86

(Note) The figures contained in this document are based on information available at the time of publication, and

there are a number of known and unknown risks and uncertainties that can cause dividend payments to differ materially from the forecasts contained herein.

2. Policies to Achieve Improvement

To reflect current market conditions, the Company intends to revise its shareholder returns policy by adjusting the capital allocation strategy announced in November 2023, and this new policy will be implemented in its next medium-term business plan beginning in April 2024 (scheduled to be announced in May 2024).

Moreover, the Company aims to raise PBR by improving capital efficiency and strengthening IR activities.

3. Detailed Action Plan

(1) Expand shareholder returns

- Stably and sustainably expand shareholder dividends (aim for DOE of 3.5% or dividend payout ratio of 60%, whichever is higher)
- Flexibly implement stock buybacks in order to raise capital efficiency and shareholder profits while maintaining sufficient funds for growth investment and taking a holistic view of the financial position and stock price level.

(2) Boost confidence in earnings power

- An explanation of earnings power will be included in the next medium-term business plan.

(3) Bolster engagement activities

- Strengthen disclosure and ongoing dialogue with stakeholders.

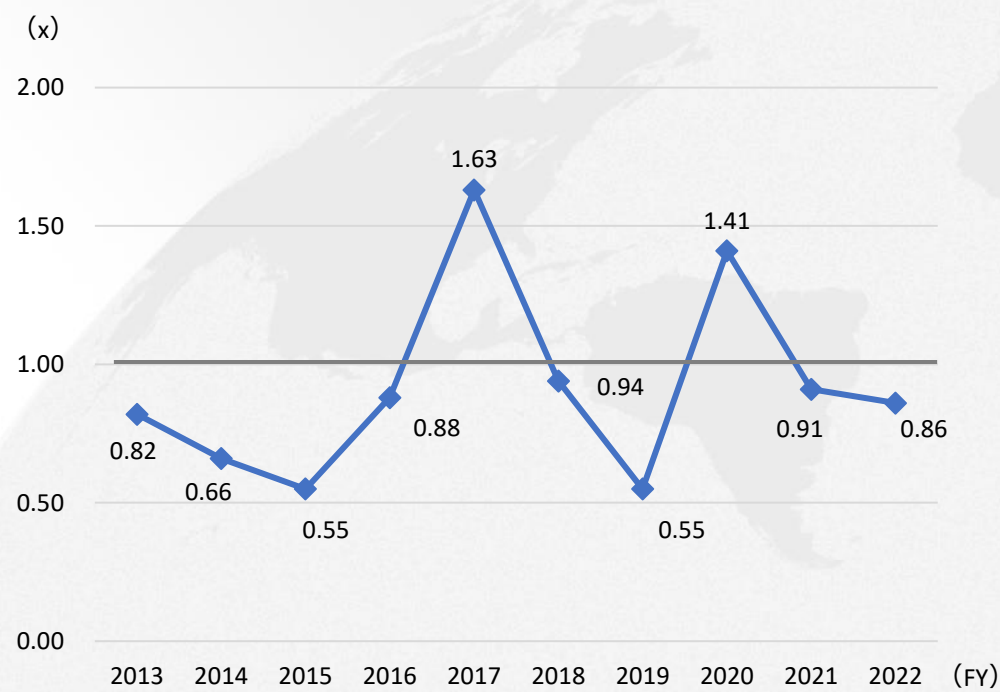


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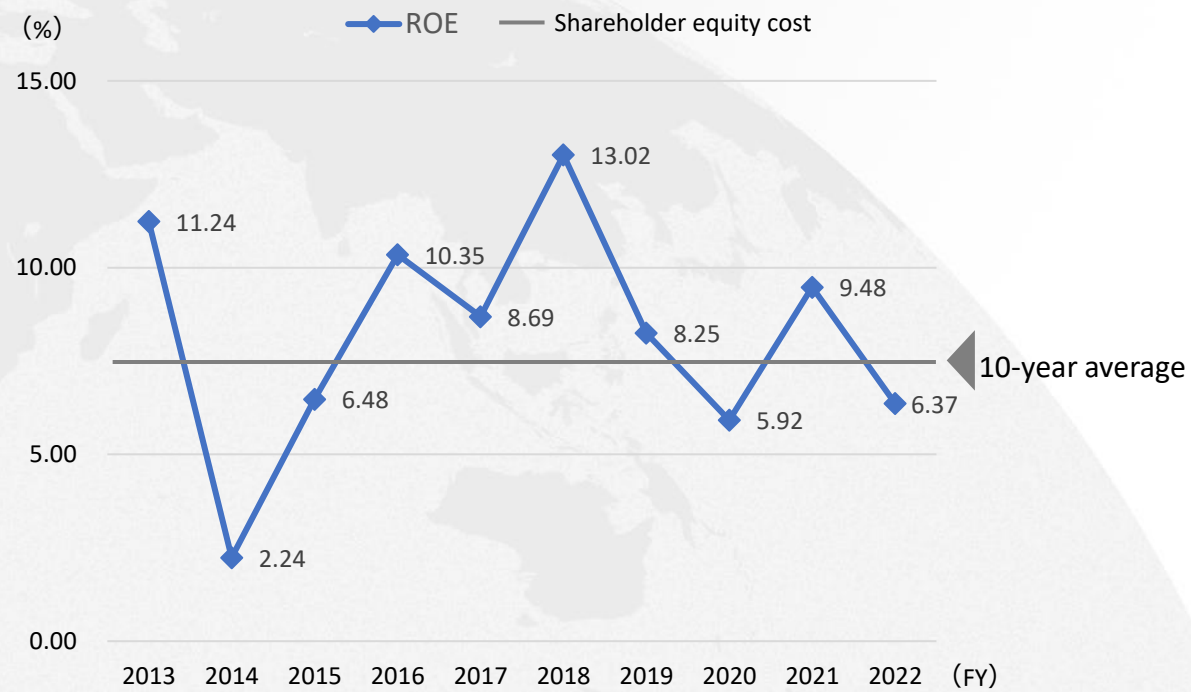
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Awareness that PBR yet to regain 1x level and ROE is below shareholder equity cost

PBR



ROE



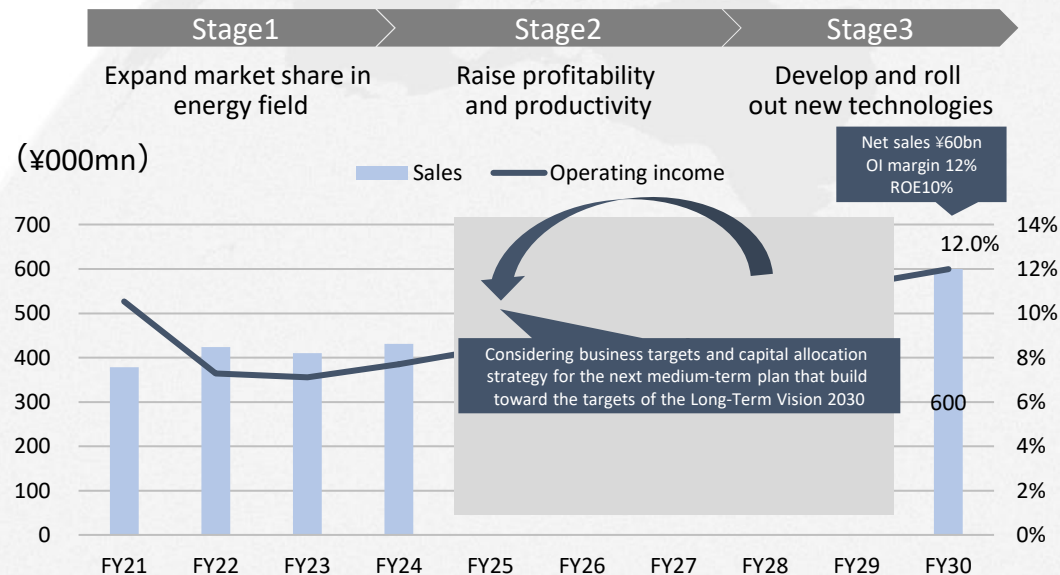
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The shareholder returns policy has been disclosed in the Long-Term Vision 2030 and in the capital allocation strategy, but we intend to revise the policy to reflect current market conditions

Basic policies of Long-Term Visions 2030 (announced May 2023)

Basic policies of Long-Term Vision 2030

- 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

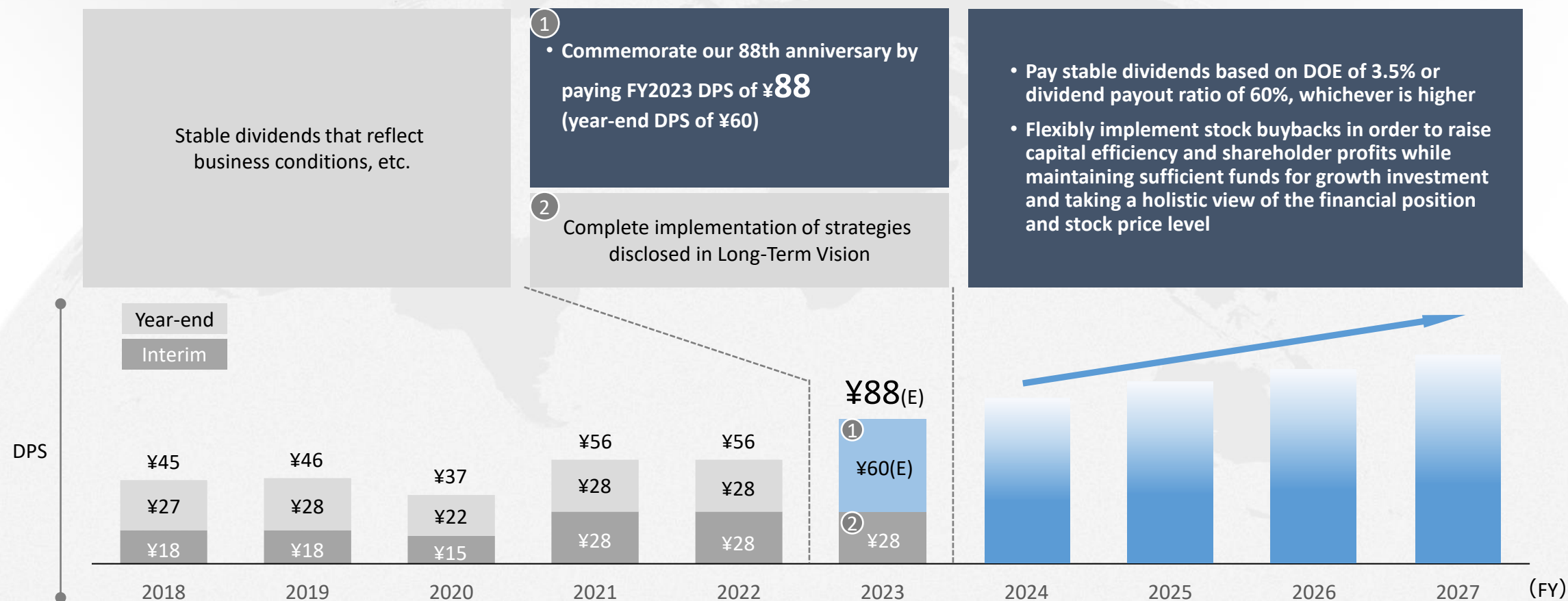


Capital allocation strategy (announced November 2023) and current status

Expansion of returns	Raise value added by utilizing digital twining and improve profit margin by cutting costs via pursuit of standardization and increase in rate of in-house production	In progress
	Grow profit by increasing net sales and developing after-sales maintenance and incidental services via startup of North American base	
	Expand production volume that enables shorter lead times using strategic alliances that take advantage of financial leverage	
Control of equity	Implement a dividend policy with current DPS (¥56) as the baseline	Under revision (this explanation)
	Implement a flexible dividend policy that is balanced with growth investment	
Bolster engagement activities	Formulate, implement, and disclose next medium-term plan and growth investment strategy	Scheduled to be announced alongside FY23 results
	Further bolster IR activities	In progress

Revision of Shareholder Returns Policy

Plan to commemorate our 88th anniversary in FY2023 by paying DPS of ¥88
Implement a dividend policy in the next medium-term plan that aims for DOE of 3.5% or dividend payout ratio of 60%, whichever is higher



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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.

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