

HAGIHARA INDUSTRIES (7856 JP)

AMBITIOUS NEW MTP SUGGESTS MANAGEMENT'S CONFIDENCE ESPECIALLY IN RECOVERY OF ITS STRATEGIC PRODUCTS, BARCHIP.

EXECUTIVE SUMMARY

- Hagihara Industries [HI] (7856 JP) reported FY25 (Oct year-end) earnings results on 8 December 2025, coming in with operating profit [OP] of ¥1,467mil (-30.0% YoY) on sales of ¥31,936mil (-3.6% YoY), which overshot the company's revised guidance of OP of ¥1,420mil (-32.3% YoY) on sales of ¥31,100mil (-6.1% YoY). The full-year guidance was revised from OP of ¥2,400mil (+14.4% YoY) on sales of ¥34,000mil (+2.7% YoY) on 6 October.
- FY25 OP declined -30.0% YoY due to (1) weaker than expected sales of BarChip, (2) a deterioration in sales mix which led to GPM declining from 26.8% in FY24 to 26.2% in FY25, (3) higher depreciation costs [¥2,112 mil (+23.5% YoY)] and (4) a drop in the utilisation rate. Consequently, the FY25 OPM fell -1.7pppts YoY to 4.6%.
- Management guides for full-FY26 1H OP of ¥1,000mil (+11.2% YoY) on sales of ¥17,100mil (+4.3% YoY), and FY26 OP of ¥2,100mil (+43.1% YoY) on sales of ¥35,000mil (+9.6% YoY) based on (1) Naphtha and FOREX assumptions of ¥64,000/kl and ¥150/US\$, respectively and that (2) the PLS and the ENG segments see sales growth of approx. +10% YoY.
- HI announced a new three-year MTP, "LINK THE LEAP," which targets OP of ¥3,000mil (3-yr CAGR +26.9%, Nippon-IBR estimate) on sales of ¥40,000mil (CAGR +7.8%) comprising PLS segment OP of ¥2,300mil (CAGR of +25.5%) on sales of ¥33,000mil (CAGR of +7.9%) and the ENG segment OP of ¥700mil (CAGR of +32.1%) on sales of ¥7,000mil (CAGR of +7.5%).
- DOE was introduced as a measure for shareholder returns in H1. The firm aims to pay DOE of 3.5% during the MTP. In FY26 alone, HI is guiding for an annual dividend of ¥75.00/share (dividend payout ratio of 69.8%) vs. ¥65.00/share (payout ratio of 50.6% / DOE of 3.0%) in FY25.

Hagiwara Industries (7856 JP): Share Information

Market Cap (¥mil)	25,300	Market Cap (\$mil)	163
22-day Average Trading Volume (¥mil)	74	22-day Average Trading Volume (\$mil)	0.5
Share performance (%)	7856	TOPIX	Earnings Summary (¥mil, %)
Share price (¥, 30 Jan 2026)	1,701	3,566.32	Sales
3mo (from 30 Oct 2025)	6.6	8.0	OP
6mo (from 30 July 2025)	7.8	22.1	OPM (%)
YTD (from 5 Jan 2026)	0.3	2.6	EBITDA
1yr	13.8	28.2	EPS (¥)
5yrs	17.8	97.2	Financial Leverage (X)
Per-share and Valuations	7856	TOPIX	Net D/E Ratio (X)
EPS (¥, FY26 CE)	107.40	190.68	FCF
DPS (¥, FY26 CE)	75.00	N/A	Shareholder Return Summary
BPS (¥, FY26 EST*)	2,303.81	N/A	FY24
FCFPS (¥, FY26 EST*)	147.68	N/A	FY25
Forward PER (X)*	15.84	18.7	FY26 CE
Forward PBR (X)*	0.74	1.79	Dividend (¥)
Forward PCFR (X)*	11.52	N/A	Dividend Payout (%)
EV/EBITDA (X)*	5.75	N/A	Dividend Yield (%)
			60.00
			54.2
			N/A
			50.6
			N/A
			69.8
			4.1
			N/A
			3.0
			3.5
			N/A
			4.9
			N/A
			5.0*

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

FY25 RESULTS

Hagihara Industries [HI] (7856 JP) reported FY25 (Oct year-end) earnings results on 8 December 2025, coming in with operating profit [OP] of ¥1,467mil (-30.0% YoY) on sales of ¥31,936mil (-3.6% YoY), which overshot the company's revised guidance of OP of ¥1,420mil (-32.3% YoY) on sales of ¥31,100mil (-6.1% YoY). The full-year guidance was revised from OP of ¥2,400mil (+14.4% YoY) on sales of ¥34,000mil (+2.7% YoY) on 6 October on the back of weak demand for HI's core products due to: (1) weak sales of BarChip, especially in mines, (2) delays in works at construction sites due to surge in raw material costs, a shortage of labour and excessive heat during the summer months led to lower sheet sales, and (3) lacklustre CAPEX sentiment both domestically and overseas on US tariff concerns.

Hagihara Industries (7856 JP): Earnings Summary										
(\$mil / Oct year-end)	FY24			FY25						
	1H	2H	FY	1H	2H	FY	YoY (%)	FY CE	FY vs FY CE (%)	
Sales	16,374	16,744	33,118	16,400	15,535	31,936	-3.6	31,100	2.7	
OP	1,299	798	2,097	899	568	1,467	-30.0	1,420	3.4	
OPM (%)	7.9	4.8	6.3	5.5	3.7	4.6	-1.7ppt	4.6	+0.0ppt	
RP	1,432	757	2,190	973	842	1,816	-17.1	1,620	12.1	
RPM (%)	8.8	4.5	6.6	5.9	5.4	5.7	-0.9ppt	5.2	+0.5ppt	
NP*	980	537	1,518	1,211	582	1,794	18.2	1,680	6.8	
NPM (%)	6.0	3.2	4.6	7.4	3.8	5.6	+1.0ppt	5.4	+0.2ppt	

Source: Hagihara Industries' earnings results materials

* NP attributed to the parent's shareholders

FY25 sales declined by-3.6% YoY. Weak sales (-¥473mil) of products such as BarChip, sheets, laminated cloths and Meltac resulted in a -1.7% YoY dip in Plastic Product [PLS] sales while Engineering [ENG] segment sales fell -11.5% YoY on tough comps [FY24 sales +30% YoY].

The -30.0% YoY decline in OP was due to the following reasons:

- Weaker-than-expected sales of BarChip (we discuss further below).
- A deterioration in the sales mix led to decline in GPM from 26.7% in FY24 to 26.2% in FY25
- Higher depreciation costs [¥2,112 (+23.5% YoY)].

Consequently, the FY25 OPM declined -1.7ppt YoY to 4.6%, due mainly to lower utilisation rate on the back of decline in sales volume and worsened sales mix given weaker-than-expected sales of BarChip. HI pays an annual dividend of ¥65.00/share vs. ¥50.00/share planned under the medium-term plan.

FY25 SEGMENT EARNINGS

Hagihara Industries (7856 JP): Segment Sales and OP (Cumulative)										
(\$mil / Oct year-end)	FY23		FY24		FY25					
	1H	FY	1H	FY	1H	FY	YoY (%)	FY CE	FY vs FYCE (%)	
PLS Segment Sales	13,550	26,353	13,473	26,744	13,123	26,293	-1.7	26,200	0.4	
Segment OP	912	1,655	1,068	1,665	630	1,163	-30.1	1,068	9.0	
Segment OPM (%)	6.7	6.3	7.9	6.2	4.8	4.4	-1.8ppt	4.1	+0.3ppt	
ENG Segment Sales	2,379	4,891	2,900	6,373	3,277	5,642	-11.5	4,900	15.2	
Segment OP	98	324	230	432	268	304	-29.6	352	-13.6	
Segment OPM (%)	4.1	6.6	7.9	6.8	8.2	5.4	-1.4ppt	7.2	-1.8ppt	
Total Sales	15,930	31,245	16,374	33,118	16,400	31,936	-3.6	31,100	2.7	
Total OP	1,010	1,979	1,299	2,097	899	1,467	-30.0	1,420	3.4	
OPM (%)	6.3	6.3	7.9	6.3	5.5	4.6	-1.7ppt	4.6	+0.0ppt	

Source: Hagihara Industries' earnings results materials

Plastic Products [PLS] Segment

FY25 segment OP declined -30.1% YoY to ¥1,163mil on sales of ¥26,293mil (-1.7% YoY) as the firm saw larger-than-expected decline in BarChip sales, which fell -8.5% YoY to ¥4,874mil, due to:

- Increasing competition from cheaper products which are used at mining sites. Synthetic resin reinforcement fibre for concrete structures used in mines are not required to be as high quality as those used in infrastructure and floors thus is subject to fiercer pricing competition. However, capturing the volume zone, such as demand in mines, is important to maintain the firm's factory utilisation rate.
- Due to lower utilisation rates, FY25 GPM of BarChip worsened by some -6ppt YoY. HI changed its sales strategy for the mining market in H1 by introducing more flexible pricing so as to improve sales volumes as well as profitability of the BarChip business.
- Demand for use in construction has been solid but influenced by delay in construction projects on the back of shortage of labour and raw material cost hikes.
- Due to an accident at the PT Freeport Indonesia mine, operations were suspended, demand for BarChip that was used in the concrete lining of the mining tunnel walls was lower.

FY25 sales of Industrial Materials, such as sheets and flexible container bag, were also weak, declining -4.7% YoY to ¥5,829mil, and -5.5% YoY to ¥5,443mil, respectively. Ahead of the new environmental performance regulations for detached houses effective from April 2025, sheet products sales volumes saw a rush-in demand up to March but have since fallen back.

As for blue sheets, public demand remained weaker than FY24 due fewer natural disasters. Meanwhile, sales of flexible container bags are correlated with the cargo movement of dry products such as grains. FY25 sales remained sluggish given the weak macroeconomic conditions.

Hagihara Industries (7856 JP): PLS Segment - Sales Breakdown by Products						
(¥mil / Oct year-end)		FY22	FY23	FY24	FY25	
Product type	Main product / application	FY	FY	FY	FY	YoY (%)
Industrial materials: Sheets, construction materials	Sheets, laminated cloths, sandbags	5,804	5,935	6,114	5,829	-4.7
Industrial materials: Others	Flexible intermediate bulk container etc	6,109	5,521	5,768	5,443	-5.5
Synthetic fibre for concrete reinforcement (BarChip)	Infrastructure, construction, mining	4,825	5,289	5,325	4,874	-8.5
Lifestyle materials	Fabric for adhesive tape, artificial turf, Meltac, etc.	7,862	8,678	8,729	9,287	6.4
Others	Procured products, etc.	967	927	806	859	6.6
PLS Total		25,570	26,353	26,744	26,293	-1.7

Source: Hagihara Industries' earnings results materials

Engineering Products [ENG] Segment

The ENG segment reported FY25 OP of ¥304mil (-29.6% YoY) on sales of ¥5,642mil (-11.5% YoY). Factors contributing to the weak performance are as follows:

- Paper slitters sales slumped -44.2% YoY to ¥641mil due to tough comps – there was a large-scale order from a new paper factory in FY24.
- Similarly, tough comps saw screen changer sales – mainly used to recycle PET bottles – fell -41.3% YoY to ¥897mil compared to strong sales in FY24. HI is developing innovative recycling equipment which can also be used to separate plastic-aluminium hybrid materials into plastic and metal packages – a compulsory process to recycle such hybrid materials. The separated aluminium can then be sold to aluminium processing companies as a recycled material. These hybrid packaging materials are used in pharmaceutical and food packaging.

Hagihara Industries (7856 JP): ENG Segment - Sales Breakdown by Products						
(¥mil / Oct year-end)		FY22	FY23	FY24	FY25	
Product type	Main product / application	FY	FY	FY	FY	YoY (%)
Paper Slitters	Electronics materials (insulation), Electronic component wrapping	392	519	1,148	641	-44.2
Film Slitters	Soft packaging materials, optical materials, battery materials	2,862	3,109	3,484	3,688	5.9
Screen Changer, Recycling Equipment	PET bottle recycling, etc.	1,055	1,021	1,529	897	-41.3
Others	Metal Foil Slitter Winders, etc	71	241	211	414	95.9
ENG Total		4,382	4,891	6,373	5,642	-11.5

Source: Hagihara Industries' earnings results materials

FY26 OUTLOOK

Management guides for full-FY26 1H OP of ¥1,000mil (+11.2% YoY) on sales of ¥17,100mil (+4.3% YoY), and full-year FY26 OP of ¥2,100mil (+43.1% YoY) on sales of ¥35,000mil (+9.6% YoY) based on Naphtha and FOREX assumptions of ¥64,000/kl and ¥150/US\$, respectively.

The recovery in FY26 earnings assumes:

- PLS segment sales growth of +9~+10% YoY on the back of:
 - A recovery in (1) sales volumes of BarChip from overseas infrastructure projects orders such as road construction, (2) progress in the existing construction projects and (3) mine-related demand is expected to support BarChip sales growth of approx. +9% YoY in FY26.
 - Approx +11% YoY growth in the sale of Industrial materials, which is further split to sheets (approx. +17% YoY) and flexible container bag etc (approx. +5% YoY).
 - Lifestyle materials to rise approx.+6% YoY.
- ENG segment sales to rise +10% YoY, driven by products such as metal slitters.

Hagihara Industries (7856 JP): Earnings Summary and Guidance									
(¥mil / Oct year-end)	FY25			FY26 CE					
	1H	2H	FY	1H CE	YoY (%)	2H CE	YoY (%)	FY CE	YoY (%)
Sales	16,400	15,535	31,936	17,100	4.3	17,900	15.2	35,000	9.6
OP	899	568	1,467	1,000	11.2	1,100	93.5	2,100	43.1
OPM (%)	5.5	3.7	4.6	5.8	+0.3ppt	6.1	+2.5ppt	6.0	+1.4ppt
RP	973	842	1,816	1,050	7.8	1,150	36.5	2,200	21.1
RPM (%)	5.9	5.4	5.7	6.1	+0.2ppt	6.4	+1.0ppt	6.3	+0.6ppt
NP*	1,211	582	1,794	750	-38.1	750	28.7	1,500	-16.4
NPM (%)	7.4	3.8	5.6	4.4	-3.0ppt	4.2	+0.4ppt	4.3	-1.3ppt

Source: Hagihara Industries' earnings results materials

* NP attributed to the parent's shareholders

MEDIUM-TERM PLAN “V FOR J” – REVIEW AND NEW MTP, “LINK THE LEAP”

FY25 was the last year of the ongoing “v for J” – V-shape recovery medium-term plan [MTP] which began in FY23. Given the shortfall in achieving the previous MTP, the new MTP started with a revisit of the previous plan's forecasts. However, FY25 earnings fell short of the Plan's target [RP of ¥3,300mil (CAGR of +25.2% over the 3 years) on sales of ¥33,000mil (CAGR of +3.3%)] primarily because of weaker-than-expected BarChip sales. As a result, HI failed to achieve its ROE target of 8.0%, producing 4.2%.

The new MTP, “LINK THE LEAP,” has three qualitative basic principles:

- Tie up with business partners to enhance the products offerings such as:
 - BarChip for concrete floors. HI is aiming for +20% growth in BarChip sales during the MTP by promoting expanded applications of BarChip,

- Locally manufacturing Meltac used as agricultural products container bags in the US,
- Adhesive tape cloths that can be offered to tape makers,
- High-performance sheet product, such as heat shield sheet,
- Artificial grass yarns that do not require resin fillers so are more ecologically friendly
- In the ENG segment, the firm will focus on promoting metal slitter sales – used to slit metal laminated cathode materials used in secondary batteries.
- Enhance manufacturing capabilities with the introduction of a new laminator to improve performance of its products and, at the same time, reduce raw material costs.

2. Expanding environmental business to contribute to society, such as horizontal recycling – i.e. recycling something back to its original function – of blue sheets and developing new machinery such as the firm's near-infrared dryer which removes odours during the plastic recycling process. Sales target of recycled and revalued sheets is ¥1,000mil, significant leap from the current ¥40mil.

3. Greater engagement with employees by (1) support their learning process, (2) offering flexible working and (3) extending the retirement age to 70 if they choose to.

HI aims to achieve OP of ¥3,000mil (3-yr CAGR +26.9%, Nippon-IBR estimate) on sales of ¥40,000mil (CAGR +7.8%), with PLS segment OP of ¥2,300mil (CAGR +25.5%) on sales of ¥33,000mil (CAGR +7.9%) and ENG segment OP of ¥700mil (CAGR +32.1%) on sales of ¥7,000mil (CAGR +7.5%).

Management acknowledges potential risks to the above targets such as (1) potentially intensifying competition in the BarChip market, and (2) depending on the progress of demand expansion and market share growth for Meltac following the commencement of operations at the US plant, this will influence the decision on whether to increase the company's US production capacity and the timing of such investment.

CAPITAL ALLOCATION DURING THE MEDIUM-TERM PLAN

HI's cash allocation policy in the new medium-term plan calls for total capital allocation of ¥12,000mil from operating cash flow. In addition, management might use debt to make strategic investments, however, such investments peaked during the previous MTP.

The split of the ¥12,000mil is as follows:

- 1) ¥4,000mil on strategic investments such as overseas production bases and new machinery such as laminators,
- 2) ¥3,000mil on maintenance CAPEX,
- 3) ¥3,500mil on shareholder returns. HI introduced DOE as a measure for shareholder returns. The firm aims to pay a DOE of 3.5% during the MTP. In FY26 alone, HI guides for an annual dividend of ¥75.00/share (dividend payout ratio of 69.8%) vs. ¥65.00/share (payout ratio of 50.6% / DOE of 3.0%) in FY25.
- 4) ¥1,500mil on debt repayment.

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