

HIRANO TECSEED CO., LTD. (6245 JP)

FY25 GUIDANCE WAS REVISED GIVEN CANCELLATION. THE KEY FOR GROWTH IS TO OBTAIN NEW ORDERS.

EXECUTIVE SUMMARY**➤ FY25 Q3 results**

Hirano Tecseed (hereinafter HT) reported FY25 Q1~Q3 OP of ¥1,745mil (-4.6% YoY) on sales of ¥25,673mil (-34.1% YoY), generating an OPM of 6.8% – a significant improvement from OPM of 4.7% as in the same period last year. The weak sales performance was mostly triggered by the Coating and Laminating Machinery [C&LM] segment, reflecting the cautious investment sentiment among the firm's customers. However, HT has worked through its order backlog, especially in C&LM for secondary LiBs, and several projects that had been postponed finally got underway.

➤ FY25 Guidance

HT revised its FY25 guidance from OP of ¥1,500mil (-10.8% YoY) on sales of ¥33,500mil (-30.7% YoY) to OP of ¥2,100mil (+24.9% YoY) on sales of ¥31,000mil (-35.9% YoY). HT revised the full-year guidance on the back of likely shortfall in sales given likely impact of cancelled order backlogs [¥7,229mil] in the C&LM segment. On the other hand, OP was revised up thanks to (1) stricter control on production costs, (2) more efficient operation processes, and (3) recovered costs associated with cancelled order backlog under the percentage of completion method.

➤ Increased operating environment uncertainty

Given changes in the business landscape from when HT announced the Long-term Vision 2030 in May 2023 and its MTP FY24~FY27 in May 2024, the firm has reviewed its growth strategy from the one that focuses on capturing the secondary LiB coating and laminating equipment demand in the booming market to prioritizing the development of the firm's advanced technologies for ultra-thin membrane materials which can be applied to a diverse range of production equipment. 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)		29,400	Market Cap (\$mil)		189.7	
22-day Average Trading Volume (¥mil)		74	22-day Average Trading Volume (\$mil)		0.5	
Share performance (%)	6245	TOPIX	Earnings Summary (¥mil, %)			
Share price (¥, 27 Feb 2026)	1,915	3,938.68	Sales	46,946	48,355	31,000
3mo (from 27 Nov 2025)	22.8	16.9	OP	3,236	1,681	2,100
6mo (from 27 Aug 2025)	18.8	28.3	OPM (%)	6.9	3.5	6.8
YTD (from 5 Jan 2026)	14.3	13.3	EBITDA	4,020	2,531	3,030*
1yr	12.1	43.9	EPS (¥)	161.7	59.9	105.82
5yrs	-27.7	111.2	Financial Leverage (X)	1.6	1.6	1.6*
Per-share and Valuations	6245	TOPIX	Net D/E Ratio (X)			
EPS (¥, FY25 CE)	105.82	192.91	FCF	5,615	-871	*1,780
DPS (¥, FY25 CE)	84.00	0.90	Shareholder Return Summary			
BPS (¥, FY25EST*)	2550.25	N/A	Dividend (¥)	88	90	84
FCFPS (¥, FY25EST*)	115.63	N/A	Dividend Payout (%)	54.4	150.2	79.4
Forward PER (X)	18.10	19.20	Dividend Yield (%)	N/A	N/A	7.2
PBR (x)	0.75	1.74	DOE (%)	3.5	3.6	3.3*
PCFR (x)	16.56	N/A	Treasury Shares (%)	N/A	N/A	N/A
EV/EBITDA (X)	7.52	N/A	ROE (%)	6.2	2.4	4.2

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

FY25 Q3 RESULTS

Hirano Tecseed (hereinafter HT) reported FY25 Q1~Q3 OP of ¥1,745mil (-4.6% YoY) on sales of ¥25,673mil (-34.1% YoY), generating an OPM of 6.8% – a significant improvement from OPM of 4.7% as in the same period last year. The weak sales performance was mostly triggered by the Coating and Laminating Machinery [C&LM] segment, reflecting the cautious investment sentiment among the firm's customers.

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. However, HT has worked through its order backlog, especially in C&LM for secondary LiBs, and several projects that had been postponed finally got underway.

Installation work in the US, which contributed to sales so far this year, has started peaking-out, along with declines in machinery sales. The Q1~Q3 OP declined -4.6% YoY along with sales decline while OPM performance improved +2.1ppt YoY to 6.8%. In Q3 alone, the firm generated OP of ¥536mil (-33.4% YoY / +38.5% QoQ) on sales of ¥7,516mil (-48.5% YoY / +1.1% QoQ).

In the C&LM segment, OPM improved from 7.2% in FY24 Q3 to 11.5% in FY25 Q3, thanks to:

1. A decline in sales commission paid to distributors along with weaker overall sales (+¥931mil YoY),
2. Steady progress in production of C&LM equipment and successful negotiations with customers to pass on costs associated with destination changes and cancellations, and
3. Efforts to reduce cost losses through production processing of domestic projects and productivity improvements.

The Industrial Machinery Segment OPM also saw a marked improvement, up from 4.8% in FY24 Q3 to 17.5% in FY25 Q3, thanks to a rise in the gross profit margin [GPM] on the back of a +7.3% YoY increase in sales.

As HT made good progress working through its order backlog [¥49,141mil in FY24 Q3, ¥47,559mil in FY24 Q4, ¥40,183mil in FY25 Q1, ¥35,799mil in FY25 Q2 and ¥30,358mil in FY25 Q3. Within the Q3 order backlog, energy-related work, which includes EV LiB coating and laminating machines, declined from ¥34,104mil (69.4% of total) in FY24 Q3, ¥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, and to ¥12,326mil (40.6% of total, -63.9% YoY / -39.1% QoQ) in FY25 Q3 as the firm worked through order backlog.

Total orders received during Q1~Q3 were a mere ¥15,702mil (-37.9% YoY. However, in Q3 alone, orders picked up, rising +23.3% YoY / +104.8% QoQ to ¥8,305mil thanks to a boost in demand for electronics components, as HT received a large-scale polyimide film-related order in the Industrial Machinery [IM] segment.

Hirano Tecseed (6245 JP): Earnings Summary						
(¥mil)	FY24			FY25		
	1H	Q3	FY	1H	Q3	YoY (%)
Sales	24,388	38,972	48,355	18,157	25,673	-34.1
GP	3,433	5,504	6,522	3,243	4,723	-14.2
GPM (%)	14.1	14.1	13.5	17.9	18.4	+4.3ppt
SG&A	2,409	3,674	4,840	2,033	2,978	-18.9
SG&A/Sales (%)	9.9	9.4	10.0	11.2	11.6	+2.2ppt
OP	1,024	1,830	1,681	1,209	1,745	-4.6
OPM (%)	4.2	4.7	3.5	6.7	6.8	+2.1ppt
RP	1,201	2,067	1,894	1,275	1,841	-11.0
RPM (%)	4.9	5.3	3.9	7.0	7.2	+1.9ppt
NP*	867	1,504	905	901	1,365	-9.2
EPS (¥)	57.37	99.50	59.91	59.59	90.25	-9.2

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

PERFORMANCE BY PRODUCT SEGMENT

HT has three business segments, of which C&LM and IM combined generate 95.5% of total consolidated sales and almost all of consolidated OP. In FY25 Q3, approx. 51.4% of consolidated sales came from North America (-51.4% YoY), 27.2% from Japan (+68.0% YoY), and 16.7% (-37.5% YoY) from East Asia (incl. China, Korea, and Taiwan). Sales from North America are mostly energy-related and include the sale and installation of C&L machinery used in the LiB manufacturing process. The YoY decline in sales in North America indicates that demand for secondary LiB-related CAPEX has been rapidly shrinking.

C&LM Segment:

This segment is HT's most important business and accounted for 79.7% of Q1~Q3 revenues. The largest component of this segment is electrode coating equipment for secondary LiBs. The firm reported FY25 Q1~Q3 segment OP of ¥2,353mil (-4.1% YoY) on sales of ¥20,460mil (-39.7% YoY), which reflected the slowdown in the global EV market. While export sales declined -50.8% YoY to ¥16,222mil, domestic sales improved +354.1% YoY to ¥4,237mil, thanks to sales of display-related optical film coating and laminating equipment to optical film and polarising film manufacturers. Segment OPM improved +4.3ppt YoY to 11.5%, on the back of a decline in SG&A expenses, such as sales commission, which boosted the segment OP by +¥931mil YoY and partially offset the -¥1,032mil decline in segment GP.

Although HT, so far, has managed to process its order backlog and recognise earnings, going forward, management's priority is to boost the order book to ensure future earnings growth. HT recorded a -54.9% YoY decline in Q1~Q3 segment orders to ¥9,393mil, which is below the ¥2,500mil in monthly orders needed to achieve the MTP segment sales target of ¥30,000mil in FY27. HT continued to work through its C&LM order backlog of ¥22,038mil at FY25 Q3 end, a decline of -45.4% vs FY24-end. The firm has expanded its services here from just shipping the machines to now include installation work for the entire coating line. However, sales of installation work are expected to eventually peak out as orders shrink.

C&LM sales are recognised based on the percentage of completion method. Delays in revenue recognition due to alterations in specifications, as customers changed where and when they received their coating machines, continued throughout the year, which led to higher costs – it was an issue for the segment that costs of raw materials, logistics, and subcontractors surged compared to when the order was booked. However, HT managed to pass on some of those cost increases, leading to a significant improvement in Q3 segment OP.

In light of the current EV market conditions, HT has changed its view of the market's growth trajectory. Consequently, rather than selling equipment, the firm will focus on obtaining service and maintenance work – selling parts and servicing existing machinery is expected to generate a GPM of 30~40% and will improve the utilisation rate of engineers.

Industrial Machinery Segment:

The IM segment earned 15.8 % of FY25 Q1~Q3 total revenues and generated OP of ¥710mil (+292.0% YoY) on sales of ¥4,067mil (+7.3% YoY). The primary reason for YoY improvement in revenues for the 9-month period is a rise in sales in production equipment for MLCCs, ceramics and industrial materials such as film making systems for electronic materials applications, also for MLCCs in addition to polyimide film production.

Q1~Q3 segment OP increased +¥529mil YoY (+292.0% YoY), thanks to (1) an improved segment GP (+¥456mil YoY) and (2) a decline in SG&A (+¥72mil YoY). HT remains committed to attracting further orders, viewing MLCCs and polyimide films as its target market for its deposition equipment and is also looking to further expand its market share. During the time of secondary LiB CAPEX boom, HT allocated the bulk of its production resources to the C&LM segment, giving a minimal allocation to the IM segment. The firm continues to receive enquiries from potential customers and order levels have recovered to ¥5,453mil (+58.4% YoY). In Q3 alone, segment orders improved to ¥4,063 mil (+136.0% YoY / +276.3% QoQ), thanks to demand from industrial materials and ceramics.

Hirano Tecseed (6245): Segment Financial Summary									
(¥mil)		FY23		FY24			FY25		
		1H	FY	1H	3Q	FY	1H	3Q	YoY (%)
Coating and Laminating Machinery	Sales	18,227	37,374	20,629	33,935	42,020	15,051	20,460	-39.7
	OP	918	3,168	1,364	2,455	2,543	1,670	2,353	-4.1
	OPM (%)	5.0	8.5	6.6	7.2	6.1	11.1	11.5	+4.3ppt
Industrial Machinery	Sales	3,261	7,850	2,941	3,790	4,645	2,309	4,067	7.3
	OP	504	1,257	244	181	293	397	710	292.0
	OPM (%)	15.5	16.0	8.3	4.8	6.3	17.2	17.5	+12.7ppt
Others	Sales	857	1,720	817	1,246	1,688	796	1,146	-8.0
	OP	47	269	149	250	271	5	0.04	-99.8
	OPM (%)	5.5	15.7	18.2	20.1	16.1	0.7	0.1	-20.0ppt
Total	Sales	22,346	46,946	24,388	38,972	48,355	18,157	25,673	-34.1
	OP*	769	3,236	1,024	1,830	1,681	1,209	1,745	-4.6
	OPM (%)	3.4	6.9	4.2	4.7	3.5	6.7	6.8	+2.1ppt

Source: Nippon-IBR based on Hirano Tecseed's earnings results materials / *1: Total OP = Total segment OP deducted by HQ costs

Hirano Tecseed (6245): Segment Financial Summary (Quarterly)											
(¥mil)		FY24				FY25				YoY (%)	QoQ (%)
		Q1	Q2	Q3	Q4	Q1	Q2	Q3			
Coating and Laminating Machinery	Sales	10,332	10,297	13,305	8,085	9,392	5,659	5,408	-59.3	-4.4	
	OP	584	780	1,090	87	1,112	557	683	-37.4	22.7	
	OPM (%)	5.7	7.6	8.2	1.1	11.9	9.9	12.6	+4.4ppt	+2.8ppt	
Industrial Machinery	Sales	1,260	1,681	849	855	1,020	1,288	1,757	106.9	36.5	
	OP	-10	254	-62	112	106	291	313	N/A	7.6	
	OPM (%)	-0.8	15.1	-7.4	13.1	10.4	22.6	17.8	+25.2ppt	-4.8ppt	
Others	Sales	506	310	429	442	307	489	349	-18.5	-28.5	
	OP	67	81	101	21	27	-21	-4	N/A	N/A	
	OPM (%)	13.3	26.3	23.6	4.9	8.9	-4.5	-1.3	-24.9ppt	+3.2ppt	
Total	Sales	12,099	12,289	14,584	9,382	10,719	7,438	7,516	-48.5	1.1	
	OP*	292	732	805	-149	821	387	536	-33.4	38.5	
	OPM (%)	2.4	6.0	5.5	-1.6	7.7	5.2	7.1	+1.6ppt	+1.9ppt	

Source: Nippon-IBR based on Hirano Tecseed's earnings results materials / *1: Total OP = Total segment OP deducted by HQ costs

Hirano Tecseed (6245 JP): Sales, Production, Order and Order Backlog Breakdown (Cumulative)									
(¥mil)		FY23		FY24			FY25		
		1H	FY	1H	Q3	FY	1H	Q3	YoY (%)
Coating and Laminating Machinery	Sales	18,227	37,374	20,629	33,935	42,020	15,051	20,460	-39.7
	Production	15,989	31,915	17,855	29,255	36,581	12,438	16,812	-42.5
	Order Received	3,580	24,222	16,126	20,847	26,596	5,428	9,393	-54.9
	Order Backlog	54,265	55,760	51,256	42,671	40,335	30,713	22,038	N/A
Industrial Machinery	Sales	3,261	7,850	2,941	3,790	4,645	2,309	4,067	7.3
	Production	2,612	6,232	2,514	3,347	4,018	1,806	3,167	-5.4
	Order Received	2,247	4,149	1,719	3,441	5,127	1,389	5,453	58.4
	Order Backlog	8,737	6,049	4,828	5,700	6,531	5,611	7,917	N/A
Others	Sales	857	1,720	817	1,246	1,688	796	1,146	-8.0
	Production	714	1,287	584	865	1,233	668	969	12.1
	Order Received	868	1,476	721	1,016	1,382	579	856	-15.8
	Order Backlog	1,253	998	902	768	692	474	402	N/A
Total	Sales	22,346	46,946	24,388	38,972	48,355	18,157	25,673	-34.1
	Production	19,316	39,434	20,954	33,468	41,833	14,914	20,950	-37.4
	Order Received	6,696	29,848	18,567	25,305	33,106	7,397	15,702	-37.9
	Order Backlog	64,256	62,808	56,987	49,141	47,559	36,799	30,358	N/A

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

Hirano Tecseed (6245 JP): Sales, Production, Order and Order Backlog Breakdown (Quarterly)										
(¥mil)		FY24				FY25				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	YoY (%)	QoQ (%)
Coating and Laminating Machinery	Sales	10,332	10,297	13,305	8,085	9,392	5,659	5,408	-59.3	-4.4
	Production	9,049	8,806	11,400	7,326	7,691	4,747	4,373	-61.6	-7.9
	Order Received	5,555	10,570	4,721	5,749	2,754	2,674	3,964	-16.0	48.2
	Order Backlog	50,983	51,256	42,671	40,335	33,698	30,713	22,038	N/A	N/A
Industrial Machinery	Sales	1,260	1,681	849	855	1,020	1,288	1,757	106.9	36.4
	Production	1,182	1,332	832	670	860	946	1,360	63.4	43.8
	Order Received	1,299	420	1,721	1,686	309	1,079	4,063	136.0	276.3
	Order Backlog	6,088	4,828	5,700	6,531	5,820	5,611	7,917	N/A	N/A
Others	Sales	506	310	429	442	307	489	349	-18.5	-28.6
	Production	391	193	280	367	224	444	301	7.2	-32.2
	Order Received	355	365	295	366	279	300	277	-6.1	-7.7
	Order Backlog	847	902	768	692	664	474	402	N/A	N/A
Total	Sales	12,099	12,289	14,584	9,382	10,719	7,438	7,516	-48.5	1.1
	Production	10,622	10,331	12,513	8,364	8,776	6,137	6,035	-51.8	-1.7
	Order Received	7,210	11,356	6,738	7,801	3,343	4,054	8,305	23.3	104.8
	Order Backlog	57,919	56,987	49,141	47,559	40,183	36,799	30,358	N/A	N/A

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

FY25 OUTLOOK

HT revised its FY25 guidance from OP of ¥1,500mil (-10.8% YoY) on sales of ¥33,500mil (-30.7% YoY) to OP of ¥2,100mil (+24.9% YoY) on sales of ¥31,000mil (-35.9% YoY)-on the back of a likely shortfall in sales given as a result of cancelled order backlogs totalling ¥7,229mil in the C&LM segment. On the other hand, OP was revised up thanks to (1) stricter control on production costs, (2) more efficient operation processes, and (3) recovered costs associated with cancelled order backlogs under the percentage of completion method. The firm assumes that the cancellation will only cause limited damage to its earnings because preparation and operational costs and raw materials costs to date will be recovered from cancelling customers based on the contracts. The impact of order backlog cancellations on FY26 earnings is still unknown.

Given the uncertainty surrounding global EV markets, which may last longer than initially anticipated, management expects the pace of working through the order backlog might slow down. 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.

There is no change in FY25 annual dividend from ¥84.00/share which generates a dividend pay-out ratio of 79%. 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): Earnings Summary and Guidance								
(¥mil)	FY23		FY24		FY25 CE			
	1H	FY	1H	FY	1H	Q3	New FY CE	YoY (%)
Sales	22,346	46,946	24,388	48,355	18,157	25,673	31,000	-35.9
GP	3,030	7,511	3,433	6,522	3,243	4,723	N/A	N/A
GPM (%)	13.6	16.0	14.1	13.5	17.9	18.4	N/A	N/A
SG&A	2,260	4,275	2,409	4,840	2,033	2,978	N/A	N/A
SG&A/Sales (%)	10.1	9.1	9.9	10.0	11.2	11.6	N/A	N/A
OP	769	3,236	1,024	1,681	1,209	1,745	2,100	24.9
OPM (%)	3.4	6.9	4.2	3.5	6.7	6.8	6.8	+3.3ppt
RP	814	3,394	1,201	1,894	1,275	1,841	2,000	5.6
RPM (%)	3.6	7.2	4.9	3.9	7.0	7.2	6.5	+2.5ppt
NP*	564	2,438	867	905	901	1,365	1,600	76.6
EPS (¥)	37.42	161.69	57.37	59.91	59.59	90.25	105.82	76.6

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

REVISION OF ONGOING MEDIUM-TERM PLAN (FY24~FY27) - RECAP

Given changes in the business landscape from when HT announced the Long-term Vision 2030 in May 2023 and the MTP FY24~FY27 in May 2024, management have reviewed their growth strategy from one that focuses on capturing the secondary LiB coating and laminating equipment demand in the booming market to prioritizing the development of the firm's advanced technologies for ultra-thin membrane materials which can be applied to a diverse range of production equipment. In the revised MTP, profitability is a key priority while HT makes efforts to recover from the trough of the business cycle and establish stable earnings capabilities by cultivating new revenue sources and reviewing costs.

HT estimates that OP will stay in the range of ¥1,500mil~¥2,000mil until FY26, as the firm reviews and improves its earnings structure. In FY27, management is guiding for OP of ¥3,000mil (4-year CAGR of -1.6%) on sales of ¥30,000mil (4-year CAGR of -10.6%). Although the pace of growth is slowing, HT aims to improve OPM from 6.9% in FY23 to over 10.0% in FY27, through the following efforts:

1. Diversification of earnings sources

HT plans to diversify the target markets to win high margin orders, by (1) using its R&D facility, Technicum, to respond to customers' needs, (2) introducing a standard service and maintenance menu and organising a specialist team and alliances with partner companies, and (3) marketing Perovskite solar cell coating machines.

2. Reform the cost structure

HT commits to reviewing its high-cost operations and tries to reduce lead time throughout the production process.

3. Enhancing organisation capabilities, such as (1) improve the organisational structure and (2) build a solid management foundation to achieve sustainable growth.

Under the MTP ending FY27, Energy-related sales are guided to decline (4-year CAGR of -5.9%), mainly due to weak sales of coating equipment for secondary LiB electrodes. The key is to gain new orders in the markets other than EV secondary LiBs. As explained in its medium-term capital allocation policy, HT plans to allocate about ¥3,000mil on growth strategy, which includes R&D and production method. For example, HT developed some innovative production method such as digital twin, through which a customer can digitally test coating and laminating results without physically testing the process and wasting materials. Also, it has been already using 3D and Bill-of-Materials [BOM] system to optimise production process and reduce the lead time. HT aims to see returns on such upfront investments during the current MTP.

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, HT made no change in its capital allocation policy and commits to shareholders 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, to 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, 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 rapidly changing markets, HT now prioritises investments that can deliver higher growth.

3. Dividend Payments

No change in shareholder returns policy. 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. 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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