

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

MEDIUM-TERM PLAN (FY24~FY27) WAS REVISED GIVEN CHANGE IN BUSINESS STRATEGY

**EXECUTIVE SUMMARY****➤ FY25 1H results**

Hirano Tecseed (hereinafter HT) reported FY25 1H OP of ¥1,209mil (+18.0% YoY) on sales of ¥18,157mil (-25.5% YoY), generating an OPM of 6.7% – a significant improvement from FY24 1H's OPM of 4.2%. Given the successful passing through of cost increases to customers in the C&LM segment, FY25 1H earnings overshoot company guidance which had been revised up with the release of its Q1 results from an OP of ¥750mil (-26.8% YoY) on sales of ¥16,750mil (-31.3% YoY) to an OP of ¥1,000mil (-2.4 YoY) on unchanged sales.

**➤ FY25 Guidance**

Full-year FY25 guidance remains unchanged [OP of ¥1,500mil (-10.8% YoY) on sales of ¥33,500mil (-30.7% YoY)] as HT anticipates FY25 revenues and OP will decline in the C&LM segment due to ongoing uncertainty surrounding US tariffs and shifts in global EV markets. Management is keenly aware of issues concerning profitability which arose in FY24 and as such, while OP is expected to drop in absolute terms, the firm is aiming to improve the OPM from 3.5% to 4.5%.

**➤ 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, HT 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)		23,700	Market Cap (\$mil)			153
22-day Average Trading Volume (¥mil)		44	22-day Average Trading Volume (\$mil)			0.3
Share performance (%)	6245	TOPIX	Earnings Summary (¥mil, %)	FY23	FY24	FY25 CE
Share price (¥, 04 Dec 2025)	1,541	3,398.21	Sales	46,946	48,355	33,500
3mo (from 04 Sept)	-5.6	10.3	OP	3,236	1,681	1,500
6mo (from 04 June)	5.0	22.0	OPM (%)	6.9	3.5	4.5
YTD (from 6 Jan 2025)	-19.1	42.0	EBITDA	4,020	2,531	2,500*
1yr	-14.4	24.0	EPS (¥)	161.7	59.9	72.75
5yrs	-22.2	91.3	Financial Leverage (X)	1.6	1.6	1.6*
Per-share and Valuations	6245	TOPIX	Net D/E Ratio (X)	-0.2	-0.2	-0.2
EPS (¥, FY25 CE)	72.75	189.76	FCF	5,615	-871	*1,350
DPS (¥, FY25 CE)	115.5	N/A	Shareholder Return Summary	FY23	FY24	FY25 CE
BPS (¥, FY25 EST*)	2,516.75	N/A	Dividend (¥)	88	90	84
FCFPS (¥, FY25 EST*)	81.2	N/A	Dividend Payout (%)	54.4	150.2	115.5
Forward PER (X)	21.2	17.01	Dividend Yield (%)	N/A	N/A	7.2
PBR (x)	0.6	1.6	DOE (%)	3.5	3.6	3.6*
PCFR (x)	19.0	N/A	Treasury Shares (%)	N/A	N/A	N/A
EV/EBITDA (X)*	8.9	N/A	ROE (%)	6.2	2.4	2.9

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

## FY25 1H RESULTS

Hirano Tecseed (hereinafter HT) reported FY25 1H OP of ¥1,209mil (+18.0% YoY) on sales of ¥18,157mil (-25.5% YoY), generating an OPM of 6.7% – a significant improvement from FY24 1H's OPM of 4.2%. Given the successful passing through of cost increases to customers in the C&LM segment, FY25 1H earnings overshot guidance which had been revised up with the release of its Q1 results from an OP of ¥750mil (-26.8% YoY) on sales of ¥16,750mil (-31.3% YoY) to an OP of ¥1,000mil (-2.4 YoY) on unchanged sales.

The 1H OP and OPM performance improved YoY despite the decline in sales thanks to:

1. Steady progress in production of equipment for the EV market,
2. Successful negotiations with customers and progress on previously suspended projects led to a reduction in additional costs associated with destination changes, and
3. Efforts to reduce cost losses through production processing of domestic projects and productivity improvements.

In Q2 alone, the firm earned OP of ¥387mil (-47.1% YoY / -52.8% QoQ) on sales of ¥7,438mil (-39.5% YoY / -30.6% QoQ). Both 1H sales and OP overshot HT's guidance by +8.4% and +20.9%, respectively. The firm worked through order backlogs, especially in C&LM for secondary LiBs, in addition to several projects that had been postponed finally got underway, contributing to 1H sales.

As HT made good progress working through its order backlog [FY25 1H from ¥56,987mil in (-35.4% YoY / -8.4% QoQ) vs ¥36,799mil in FY24 1H]. The order backlog for energy-related work, which includes EV LiB coating and laminating machinery [C&LM], declined from ¥51,256mil in FY24 Q2, ¥42,671mil in FY24 Q3, ¥40,335mil in FY24 Q4, ¥33,698mil in FY25 Q1 and to ¥30,713mil (-40.1% YoY / -8.9% QoQ) in FY25 Q2.

Total orders received during Q1 and Q2 were a mere ¥3,343mil (-53.6% YoY / -57.1% QoQ) and ¥4,054mil (-64.3% YoY / +21.3% QoQ), respectively, of which orders for energy-related was a mere ¥2,754mil (-50.4% YoY / -52.1% QoQ) in Q1 and ¥2,674mil (-74.7% YoY / -2.9% QoQ) in Q2, due to (1) a lack of large-scale machinery orders and (2) orders for installation works have peaked.

A number of factors had a detrimental effect on profitability especially in the C&LM segment. HT saw steep rises in various input costs such as raw materials, personnel, and subcontractors. In addition, there was a general slowdown in the EV market along with uncertainty surrounding US trade policy which in turn led key customers to review and/or postpone their CAPEX plans.

There were also further drags on profitability, such as extra storage costs, following customer requests for deferred delivery and additional customisation requests post-ordering. When HT incurs such additional costs, it aims to negotiate passing some of them on to customers, but the extent to which this is possible varies case by case. In 1H, the firm managed to reach agreements with some customers to pass on costs as well as continued its efforts to reduce production costs. As a result, gross profit margin [GPM] improved by +3.8ppt YoY to 17.9%, and OPM improved +2.5ppt YoY to 6.7% in 1H.

In Q2 alone, though, earnings slowdown was more apparent with quarterly OP of ¥387mil (-47.1% YoY / -52.8% QoQ) on sales of ¥7,438mil (-39.5% YoY / -30.6% QoQ).

Hirano Tecseed (6245 JP): Earnings Summary								
¥mil / March year-end	FY24			FY25				
	1H	2H	FY	1H	YoY (%)	HoH (%)	1H CE	1H vs 1HCE (%)
Sales	24,388	23,967	48,355	18,157	-25.5	-24.2	16,750	8.4
GP	3,433	3,088	6,522	3,243	-5.6	5.0	N/A	N/A
GPM (%)	14.1	12.9	13.5	17.9	+3.8ppt	+5.0ppt	N/A	N/A
SG&A	2,409	2,431	4,840	2,033	-15.6	-16.4	N/A	N/A
SG&A/Sales (%)	9.9	10.1	10.0	11.2	+1.3ppt	+1.1ppt	N/A	N/A
OP	1,024	656	1,681	1,209	18.0	84.1	1,000	20.9
OPM (%)	4.2	2.7	3.5	6.7	+2.5ppt	+4.0ppt	6.0	+0.7ppt
RP	1,201	692	1,894	1,275	6.1	84.0	1,050	21.4
RPM (%)	4.9	2.9	3.9	7.0	+2.1ppt	+4.1ppt	6.3	+0.8ppt
NP*	867	38	905	901	3.9	2,232.5	720	25.2
EPS (¥)	57.37	N/A	59.91	59.59	3.9	N/A	47.62	25.2

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 95.6% of total consolidated sales and almost all of consolidated OP. In FY25 1H, approx. 58.7% of consolidated sales came from North America (-35.2% YoY), 25.5% from Japan (+50.4% YoY), and 11.8% (-49.6% 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. Orders in North America also fell -35.2% YoY, representing 52.8% of the total orders.

### C&LM Segment:

This segment is HT's most important business and accounted for 82.9% of 1H revenues. The largest component of this segment is electrode coating equipment for secondary LiBs. C&LM OP surged +22.4% YoY in FY25 1H to ¥1,670mil on sales of ¥15,051mil (-27.0% YoY). Segment OPM improved +4.5ppt YoY to 11.1%, on the back of a +¥305mil YoY surge in segment OP, thanks to a ¥468mil reduction in SG&A which includes cut in sales commissions. However, segment GP was affected by the surge in industrial material prices and costs incurred due shipping location changes (-¥162mil).

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 -66.3% YoY decline in 1H segment orders to ¥5,428mil, which is below monthly average order of ¥2,500mil needed to achieve the MTP sales target of ¥30,000mil in FY27. HT continued to work through its C&LM order backlog, which fell by -40.1% YoY / -8.9% QoQ to ¥30,713mil at FY25 Q2 end. The firm has expanded its services here from just shipping the machines to now include installation work for the entire coating line. However, during 1H, sales were recognised mainly from the early-stage production and installation work is expected eventually peak out as orders are completed.

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 1H segment OP.

In light of the current EV market conditions, HT has changed its view of the market's growth trajectory.

### Industrial Machinery Segment:

The IM segment earned 12.7 % of FY25 1H total revenues and generated 1H OP of ¥397mil (+62.8% YoY) on sales of ¥2,309mil (-21.5% YoY). The primary reason for YoY fall in revenues was sluggish sales in film making systems for electronic materials applications, such as MLCCs and polyimide film. Given customers are evaluating the potential effects of the US tariff policy, CAPEX plans remain limited, which has had an impact on HT's sales.

Segment OP increased +¥153mil YoY thanks to (1) an improved COGS ratio (+¥76mil YoY) and (2) a decline in SG&A (+¥77mil YoY). Despite the YoY decline in sales, HT remains committed to attracting further orders, viewing MLCCs as its target market for its deposition equipment and is looking to further expand its market share. During the time of secondary LiB CAPEX boom, HT allocated its production resources on the C&LM segment and gave the minimal allocation to the IM segment. The firm continued to receive enquiries from potential customers; however, order levels continue to remain low [1H orders fell -19.2% YoY to ¥1,389mil].

Hirano Tecseed (6245): Segment Financial Summary									
(¥mil)		FY23		FY24			FY25		
		1H	FY	1H	2H	FY	1H	YoY (%)	HoH (%)
Coating and Laminating Machinery	Sales	18,227	37,374	20,629	21,390	42,020	15,051	-27.0	-29.6
	OP	918	3,168	1,364	1,178	2,543	1,670	22.4	41.7
	OPM (%)	5.0	8.5	6.6	5.5	6.1	11.1	+4.5ppt	+5.6ppt
Industrial Machinery	Sales	3,261	7,850	2,941	1,704	4,645	2,309	-21.5	35.5
	OP	504	1,257	244	49	293	397	62.8	704.2
	OPM (%)	15.5	16.0	8.3	2.9	6.3	17.2	+8.9ppt	+14.3ppt
Others	Sales	857	1,720	817	871	1,688	796	-2.5	-8.6
	OP	47	269	149	122	271	5	-96.4	-95.6
	OPM (%)	5.5	15.7	18.2	14.1	16.1	0.7	-17.6ppt	-13.4ppt
Total	Sales	22,346	46,946	24,388	23,967	48,355	18,157	-25.5	-24.2
	OP*	769	3,236	1,024	656	1,681	1,209	18.0	84.2
	OPM (%)	3.4	6.9	4.2	2.7	3.5	6.7	+2.5ppt	+3.9ppt

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

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

Hirano Tecseed (6245): Segment Financial Summary (Quarterly)									
(¥mil)		FY24				FY25			
		Q1	Q2	Q3	Q4	Q1	Q2	YoY (%)	QoQ (%)
Coating and Laminating Machinery	Sales	10,332	10,297	13,305	8,085	9,392	5,659	-45.0	-39.7
	OP	584	780	1,090	87	1,112	557	-28.5	-49.9
	OPM (%)	5.7	7.6	8.2	1.1	11.9	9.9	+2.3ppt	-2.0ppt
Industrial Machinery	Sales	1,260	1,681	849	855	1,020	1,288	-23.3	26.3
	OP	-10	254	-62	112	106	291	14.3	173.8
	OPM (%)	-0.8	15.1	-7.4	13.1	10.4	22.6	+7.4ppt	+12.2ppt
Others	Sales	506	310	429	442	307	489	57.6	59.5
	OP	67	81	101	21	27	-21	-126.8	-180.4
	OPM (%)	13.3	26.3	23.6	4.9	8.9	-4.5	-30.8ppt	-13.3ppt
Total	Sales	12,099	12,289	14,584	9,382	10,719	7,438	-39.5	-30.6
	OP*	292	732	805	-149	821	387	-47.1	-52.8
	OPM (%)	2.4	6.0	5.5	-1.6	7.7	5.2	-0.7ppt	-2.5ppt

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	2H	FY	1H	YoY (%)	HoH (%)
Coating and Laminating Machinery	Sales	18,227	37,374	20,629	21,390	42,020	15,051	-27.0	-29.6
	Production	15,989	31,915	17,855	18,726	36,581	12,438	-30.3	-33.6
	Order Received	3,580	24,222	16,126	10,470	26,596	5,428	-66.3	-48.1
	Order Backlog	54,265	55,760	51,256	40,335	40,335	30,713	-40.1	-23.9
Industrial Machinery	Sales	3,261	7,850	2,941	1,704	4,645	2,309	-21.5	35.5
	Production	2,612	6,232	2,514	1,503	4,018	1,806	-28.2	20.2
	Order Received	2,247	4,149	1,719	3,407	5,127	1,389	-19.2	-59.2
	Order Backlog	8,737	6,049	4,828	6,531	6,531	5,611	16.2	-14.1
Others	Sales	857	1,720	817	871	1,688	796	-2.5	-8.6
	Production	714	1,287	584	648	1,233	668	14.4	3.1
	Order Received	868	1,476	721	661	1,382	579	-19.7	-12.4
	Order Backlog	1,253	998	902	692	692	474	-47.4	-31.4
Total	Sales	22,346	46,946	24,388	23,967	48,355	18,157	-25.5	-24.2
	Production	19,316	39,434	20,954	20,878	41,833	14,914	-28.8	-28.6
	Order Received	6,696	29,848	18,567	14,539	33,106	7,397	-60.2	-49.1
	Order Backlog	64,256	62,808	56,987	47,559	47,559	36,799	-35.4	-22.6

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

Hirano Tecseed (6245 JP): Sales, Production, Order and Order Backlog Breakdown											
(¥mil)		FY24				FY25					
		Q1	Q2	1H	FY	Q1	Q2	YoY (%)	QoQ (%)	1H	YoY (%)
Coating and Laminating Machinery	Sales	10,332	10,297	20,629	42,020	9,392	5,659	-45.0	-39.7	15,051	-27.0
	Production	9,049	8,806	17,855	36,581	7,691	4,747	-46.1	-38.3	12,438	-30.3
	Order Received	5,555	10,570	16,126	26,596	2,754	2,674	-74.7	-2.9	5,428	-66.3
	Order Backlog	50,983	51,256	51,256	40,335	33,698	30,713	-40.1	-8.9	30,713	-40.1
Industrial Machinery	Sales	1,260	1,681	2,941	4,645	1,020	1,288	-23.3	26.3	2,309	-21.5
	Production	1,182	1,332	2,514	4,018	860	946	-29.0	10.0	1,806	-28.2
	Order Received	1,299	420	1,719	5,127	309	1,079	156.7	248.9	1,389	-19.2
	Order Backlog	6,088	4,828	4,828	6,531	5,820	5,611	16.2	-3.6	5,611	16.2
Others	Sales	506	310	817	1,688	307	489	57.6	59.5	796	-2.5
	Production	391	193	584	1,233	224	444	129.7	97.5	668	14.4
	Order Received	355	365	721	1,382	279	300	-18.0	7.5	579	-19.7
	Order Backlog	847	902	902	692	664	474	-47.5	-28.7	474	-47.4
Total	Sales	12,099	12,289	24,388	48,355	10,719	7,438	-39.5	-30.6	18,157	-25.5
	Production	10,622	10,331	20,954	41,833	8,776	6,137	-40.6	-30.1	14,914	-28.8
	Order Received	7,210	11,356	18,567	33,106	3,343	4,054	-64.3	21.3	7,397	-60.2
	Order Backlog	57,919	56,987	56,987	47,559	40,183	36,799	-35.4	-8.4	36,799	-35.4

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

## FY25 OUTLOOK

The full-year FY25 guidance remains unchanged, eyeing OP of ¥1,500mil (-10.8% YoY) on sales of ¥33,500mil (-30.7% YoY)]. HT anticipates FY25 revenues and OP will decline in the C&LM segment due to ongoing uncertainty surrounding US tariffs and shifts in the global EV markets. Momentum in EV manufacturing has slowed in favour of hybrid vehicle production. The significant differences in battery sizes between the two impacts production volumes as well as the kind of machinery required to make the respective batteries. The company has factored in revenues from installation work into its FY25 forecasts, however if sales of coating and laminating machinery used in the LiB manufacturing process decline, there will be a commensurate decline in installation works.

HT is keenly aware of issues concerning profitability which arose in FY24 and as such, while the company anticipates OP to drop in absolute terms, it is aiming to improve OPM from 3.5% to 4.5%.

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.

HT has taken a conservative view with its FY25 forecasts and will continue to monitor closely any developments regarding US trade policies and the EV market. 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.

Hirano Tecseed (6245 JP): Earnings Summary and Guidance								
(¥mil)	FY23		FY24		FY25			
	1H	FY	1H	FY	1H	YoY (%)	FY CE	YoY (%)
Sales	22,346	46,946	24,388	48,355	18,157	-25.5	33,500	-30.7
GP	3,030	7,511	3,433	6,522	3,243	-5.6	N/A	N/A
GPM (%)	13.6	16.0	14.1	13.5	17.9	+3.8ppt	N/A	N/A
SG&A	2,260	4,275	2,409	4,840	2,033	-15.6	N/A	N/A
SG&A/Sales (%)	10.1	9.1	9.9	10.0	11.2	+1.3ppt	N/A	N/A
OP	769	3,236	1,024	1,681	1,209	18.0	1,500	-10.8
OPM (%)	3.4	6.9	4.2	3.5	6.7	+2.5ppt	4.5	+1.0ppt
RP	814	3,394	1,201	1,894	1,275	6.1	1,600	-15.6
RPM (%)	3.6	7.2	4.9	3.9	7.0	+2.1ppt	4.8	+0.9ppt
NP*	564	2,438	867	905	901	3.9	1,100	21.4
EPS (¥)	37.42	161.69	57.37	59.91	59.59	3.9	72.75	21.4

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)

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, HT 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. 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 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.

### 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 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, the firm aims to optimise the balance sheet, shareholder equity, to boost the ROE (aiming to achieve 8% after FY28 from xx% 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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