

**MILBON CO., LTD (4919 JP)**

FY26 IS THE LAST YEAR OF MTP – NEXT GROWTH FACTOR WILL LIKELY BE US AND RECOVERY IN DOMESTIC PROFITABILITY

**EXECUTIVE SUMMARY**

- **FY25 results:** Milbon Co., Ltd (4919 JP) reported FY25 (Dec year-end) earnings, coming in with gross profit [GP] of ¥33,176mil (+1.8% YoY) and operating profit [OP] of ¥5,652mil (-17.4% YoY) on sales of ¥52,863mil (+3.0% YoY). Both sales and OP surpassed FY25 guidance for sales of ¥52,300mil and OP of ¥5,300mil which was revised down in August, respectively.
- **FY26 guidance:** Milbon guides for FY26 OP of ¥6,300mil (+11.4% YoY) on sales of ¥54,800mil (+3.7% YoY) based on the following assumptions: (1) Domestic OP of ¥5,090mil (+7.0% YoY) on sales of ¥39,880mil (+1.7% YoY), generating an OPM of 12.8% (+0.7ppt YoY) and (2) solid overseas sales growth, especially in the US and Europe, both of which have achieved higher-than-expected growth in FY25. Although the US operations will remain in the red with an operating loss of -168mil vs FY25's loss of -¥47mil, sales are expected to rise +13.1% YoY to ¥2,850mil [YDB] on successful sales of new products. The firm also expects solid growth in South Korea [OP of ¥1,271mil (+18.6% YoY) on sales of ¥5,802mil (+5.4% YoY)]. In China, Milbon assumes rapid a recovery with OP improving +54.3% YoY to ¥68mil on sales of ¥2,623mil (+7.4% YoY).
- **Capital Allocation and Shareholder Returns Policy:** Milbon has revised its FY26 capital allocation policy – the final year of the ongoing MTP – however, the revised figures are yet to be disclosed. The ROE target of 11.3% was revised to 8.6% (+1.6ppt YoY) and the ROIC target is set at 8.7% (+0.7% YoY) vs a capital cost of 6~8%. Milbon principally pays out 50% of net profit as a dividend on the progressive dividend basis and it is currently committed to paying an annual dividend of ¥88.00/share, with no plans to reduce the dividend from that of the previous years. The firm prioritises investments for growth, however, unspent capital will be allocated to proactive share buybacks.

**Milbon (4919 JP): Share Information**

Market Cap (¥mil)		86,800	Market Cap (\$mil)		560	
22-day Average Trading Volume (¥mil)		353	22-day Average Trading Volume (\$mil)		2.3	
Share performance (%)	4919	TOPIX	Earnings Summary (¥mil, %)	FY24	FY25	FY26CE
Share price (¥, 10 Mar 2026)	2,682	3,664.28	Sales	51,316	52,863	54,800
3mo (from 10 Dec 2025)	7.9	8.1	OP	6,839	5,652	6,300
6mo (from 10 Sept 2025)	8.1	16.7	OPM (%)	13.3	10.7	11.5
YTD (from 5 Jan 2026)	10.4	5.4	EBITDA	9,128	7,969	8,710
1yr	-11.9	35.7	EPS (¥)	154.12	106.26	135.30
5yrs	-55.7	87.8	Financial Leverage (X)	1.2	1.1	1.1*
Per-share and Valuations	4919	TOPIX	Net D/E Ratio (X)	-0.3	-0.3	-0.3*
EPS (¥, FY26 CE)	135.30	192.91	FCF	5,094	2,369	3,916*
DPS (¥, FY26CE)	88.00	0.90	Shareholder Return Summary	FY24	FY25	FY26CE
BPS (¥, FY26EST*)	1,590.97	N/A	Dividend (¥)	88.00	88.00	88.00
FCFPS (¥, FY26EST*)	118.25	N/A	Dividend Payout (%)	57.1	82.3	65.0
Forward PER (x)	19.82	19.27	Dividend Yield (%)	N/A	N/A	3.3
Forward PBR (x)	1.69	1.74	DOE (%)	6.0	5.8	5.5
Forward PCFR (x)	22.68	N/A	Treasury Shares (%)	N/A	1.5	1.5
EV/EBITDA (x)	8.61	N/A	ROE (%)	10.2	7.0	8.7

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

## FY25 EARNINGS RESULTS SUMMARY

Milbon Co., Ltd (4919 JP) reported FY25 (Dec year-end) earnings, coming in with gross profit [GP] of ¥33,176mil (+1.8% YoY) and operating profit [OP] of ¥5,652mil (-17.4% YoY) on sales of ¥52,863mil (+3.0% YoY). Both sales and OP surpassed FY25 guidance for sales of ¥52,300mil and OP of ¥5,300mil, both of which were revised down in August.

There were two major factors that led to squeeze in OP on the YoY basis:

1. The deterioration of the GPM on the back of inventory valuation losses (approx. -¥270mil), mainly associated with cosmetics products and FOREX impact (-¥250mil),
2. Higher SG&A due to increases in costs of sales and marketing (-¥456mil, including -¥245mil associated with sponsorship fee for the Osaka Expo), personnel (-¥436mil), logistics (-¥220mil) and R&D (-¥220mil).

RP declined -21.7% YoY to ¥5,455mil mainly due to an increase in provisions for bad debt (¥223mil) related to one of the firm's distributors declaring bankruptcy.

In addition, Milbon reported a valuation loss (-¥806mil) on investment securities – one of its holdings had declined more than -50% from the purchase price – and logged it as an extraordinary loss. The valuation loss was partially offset by gains from fixed asset sales (+¥292mil). As a result, FY25 net profit [NP] plummeted -31.5% YoY to ¥3,437mil.

The annual dividend of ¥88.00/share is unchanged, generating a dividend pay-out ratio of 82.3% and DOE at 5.8%.

Milbon (4919 JP): Earnings Summary									
(¥mil / Dec year-end)	FY23		FY24		FY25				
	1H	FY	1H	FY	1H	FY	YoY (%)	Revised FY CE	FY v. FYCE (%)
Sales	22,703	47,762	24,526	51,316	24,807	52,863	3.0	52,300	1.1
COGS	7,893	18,237	8,770	18,718	9,305	19,686	5.2	N/A	N/A
GP	14,809	29,525	15,755	32,597	15,502	33,176	1.8	32,926	0.8
GPM (%)	65.2	61.8	64.2	63.5	62.5	62.8	-0.7ppt	63.0	-0.2ppt
SG&A	11,719	24,000	12,577	25,758	13,563	27,523	6.9	27,626	-0.4
SG&A / Sales (%)	51.6	50.2	51.3	50.2	54.7	52.1	+1.9ppt	52.8	-0.7ppt
OP	3,090	5,525	3,178	6,839	1,938	5,652	-17.4	5,300	6.6
OPM (%)	13.6	11.6	13.0	13.3	7.8	10.7	-2.6ppt	10.1	+0.6ppt
RP	3,129	5,586	3,324	6,968	1,853	5,455	-21.7	5,180	5.3
RPM (%)	13.8	11.7	13.6	13.6	7.5	10.3	-3.3ppt	9.9	+0.4ppt
NP*	2,195	4,001	2,280	5,017	419	3,437	-31.5	3,000	14.6

Source: Nippon-IBR based on Milbon's earnings results materials  
\* NP attributed to the parent's shareholders

Milbon (4919 JP): Net Sales Breakdown by Products									
(¥mil)	FY23		FY24		FY25				
	1H	FY	1H	FY	1H	FY	YoY (%)	FY CE	FY vs. FYCE (%)
Haircare products	13,339	28,355	14,682	31,324	15,624	33,466	6.8	33,280	0.6
Hair colouring products	8,238	16,953	8,346	17,200	7,982	16,896	-1.8	16,580	1.9
Permanent wave products	714	1,463	799	1,547	710	1,435	-7.2	1,400	2.5
Cosmetic products	267	571	566	868	327	664	-23.5	700	-5.1
Others	144	418	131	375	163	401	6.7	340	17.9
Total	22,703	47,762	24,526	51,316	24,807	52,863	3.0	52,300	1.1

Source: Nippon-IBR based on Milbon's earnings presentation materials

## Earnings by Country

### Japan

Milbon's operation in Japan produced FY25 OP of ¥4,757mil (-17.9% YoY) on sales of ¥39,206mil (+1.3% YoY), which generated an OPM of 12.1% (-2.9ppt YoY). The performance is above guidance [OP of ¥4,300mil on sales of ¥38,900mil] thanks to a recovery in sales in the Q4 to ¥11,386mil (+3.6% YoY / +22.0% QoQ).

In Q4 alone, the Domestic business reported OP of ¥2,111mil (+13.2% YoY / +110.0% QoQ) on sales of ¥11,386mil (+3.6% YoY / +22.0% QoQ), thanks to solid sales of haircare products, on the back of (1) better-than-expected sales of a new hair care product and (2) the impact of price hikes: Milbon raised prices of several hair care products in May. Although the effect of the price hikes did not boost GP as sales volumes contracted, especially in the May~June period, the impact became evident in Q4 the (Oct~Dec) as the decline in sales eased.

FY25 hair care product sales rose +5.6% YoY, thanks to stronger-than-expected sales of a styling products launched in October. In Q4 alone, haircare product sales rose +6.5% YoY. However, sales of hair colour products continued to see YoY declines, down -3.9% YoY in FY25, due to salons switching to lower priced products as well as a peak-out of the hair colour boom triggered during the COVID-19 pandemic.

Weak sales of hair colour products have become a common feature in the hair salon industry with salons' earnings affected by inflation as consumers spent less on non-staple expenses. Under these circumstances, salons need to maintain profitability either by reducing costs by choosing lower cost products or raising prices by introducing high value-added products. Regarding Milbon's hair colour products, demand for unique products, such as organic hair colour products (Villa Lodola) remains solid, while mid-range products such as Ordeve Addichthy was hit by shift to lower price products.

Beauty salons in Japan advertise their services on their booking site on the largest beauty salon search engine in Japan. For example, Salons advertise hair colour services by listing hair colour products with a service menu and prices on the booking site. Milbon is hoping that customer awareness will be improved from showcasing its hair colour products on the booking site, and lead to higher sales. Rather than getting involved in price competition, management's focus is on new products with better functionality and quality from its existing higher value-added range.

The worst performer, albeit a small proportion of Milbon's domestic sales, was Cosmetics products, which saw sales decline by -24.0% YoY on tough comps vs favourable new products sales in FY24. At the same time, Milbon wrote off inventory valuation losses on cosmetics products which were launched in FY24 but failed to maintain sales momentum. Since the products are not manufactured by Milbon but by Kose, its business partner in the cosmetics business, Milbon stockpiles inventory to avoid sudden shortages. Compared to FY24, when eyebrow-related products were in vogue and became a hit, sales of the new colours of the same product did not take off, which also led to excess inventory.

Milbon's e-commerce platform, *milbon:iD*, has 6,669 registered beauty salons as of the end of FY25, up from 6,566 salons as of FY24-end. The number of registered users reached 1,040,000 members. The firm's FY25 e-commerce [EC] sales increased +14.2% YoY to approx. ¥2,250mil largely in line with the firm's FY25 target of ¥2,300mil. EC sales gained momentum in 2H given seasonality and also thanks to marketing campaign via LINE which started in June.

Of the 1,040,000 members, approx. 20% are active users of *milbon:iD*. Customers of beauty salons can either buy Milbon's haircare products at salons or via *milbon:iD*. While EC sales are growing, the firm admits that there is slower growth in active users of *milbon:iD*. The average spend/customer on *milbon:iD* remains stable at approx. ¥12,000~¥13,000/customer. Mobilising the site's dormant customers will be the next step for *milbon:iD*'s further success.

Another initiative to promote its haircare products is via its Smart Salons – where customers can try out Milbon's haircare products and buy trial sizes with advice from hairdressers. As of FY25, there were 83 salons offering this service, up from 62 as of FY24-end and 73 in FY25 1H.

## Overseas

FY25 Overseas sales were largely in line with expectations; however, OP fell short of guidance mainly due to forex losses as the yen strengthened vs FY24. Overseas OP declined -14.2% YoY (YDB) to ¥895mil on sales of ¥13,657mil (+8.1% YoY YDB). The firm particularly enjoyed better than expected growth in the US.

### Details by country are as follows:

**South Korea:** Milbon Korea – the largest part of the firm’s overseas operations– produced FY25 OP of ¥1,071mil (-13.5% YoY (YDB) on sales of ¥5,503mil (+3.0% YoY YDB / +8.3% YoY LCY), which was below guidance [OP of ¥1,305mil on sales forecast of ¥5,583mil]. Sales of hair colour [LCY] rose +5.7% YoY in FY25. During the political turbulence in Q1, consumption was depressed. Earnings in Korea started recovering in Q2 as a major competitor withdrew from the market and as the political issues were settled, inventory adjustments at distributors were completed in Q2.

In Q3 alone, thanks to the Korean government’s policy to boost consumption (Consumer Recovery Voucher), OP recovered to ¥400mil (+29.9% YoY / +19.0% QoQ) on sales of ¥1,549mil (+16.6% YoY / +11.7% QoQ). However, in Q4, OP fell to ¥84mil (-55.1% YoY / -79.0% QoQ) on sales of ¥1,376mil (+1.8% YoY / -11.2% QoQ), due to a reactionary decline from the Q3 policy boost as well as cost incurred by campaigning events targeting at local hairdressers and FOREX impact. The firm’s FOREX assumption for FY25 was ¥0.108 / KRW1 vs. actual FOREX rate of ¥0.1055 / KRW1. On an annualised basis, a change of ¥0.001 / KRW1 impacts consolidated sales by ¥51mil and ¥38mil in consolidated OP.

Despite some headwinds, each product category saw positive YoY sales in FY25. Haircare product sales improved +10.1% YoY (LCY). The Korean operations generated 69.2% of FY25 sales from hair colour sales, which rose +5.7% YoY on easy QoQ comps. The FY25 OPM fell -3.7ppt YoY to 19.5%, or in short of -3.9ppt compared to the firm’s FY25 guidance of 23.4%, partly due to a change in sales mix but also due to an increase in campaign cost incurred during Q4.

**US:** Milbon USA FY25 earnings [YDB] landed above guidance [operating loss of -¥275mil on sales of ¥2,145mil (+8.3% YoY)]. Sales improved +27.3% YoY to ¥2,520mil, by continuing to cultivate new salons with local distributors. Hair care products, which earns 86.8% of the US sales [LCY], enjoyed sales growth of +30.4% YoY [LCY]. However, although the US operation remained in the red (-¥47mil), vs FY24 operating loss of -¥89mil, it came in ahead of guidance [ -¥275mil] as the firm launched products that met demand from local salons in collaboration with distributors.

Cross selling hair colour products to salons which already use Milbon’s haircare products boosted hair colour product sales by +27.3% YoY. In Q3 alone, the US business earned OP of ¥159mil (vs operating loss of -¥15mil in FY24 Q3) on sales of ¥712mil (+40.2% YoY / +8.7% QoQ) because ¥99mil of SG&A excess already reported in Q2 was adjusted by deducting from Q3 expenses. In Q4 alone, OP was ¥9mil on sales of ¥657mil (+19.5% YoY / -7.7% QoQ).

Milbon estimated a hit from US tariffs of around -¥30mil for FY25, after having had -¥20mil impact in 1H, but the stronger-than-expected sales more than offset it.

**China:** While the recovery in China’s beauty market remains sluggish, Milbon saw better-than-expected FY25 OP of ¥44mil (-11.3% YoY) on sales of ¥2,441mil (+4.9% YoY) [YDB], vs guidance OP of ¥8mil (-83.7% YoY) on sales of ¥2,333mil (+0.2% YoY), thanks to a steady increase in the number of salons introducing Global Milbon. FY25 haircare product sales [LCY] were up +6.9% YoY, and the improvement in sales of hair colour products [LCY], which had been negative YoY until FY24, became positive (+8.2% YoY).

Milbon (4919 JP): Sales and OP Breakdown by Country - Results and Guidance										
(¥mil / Dec year-end)		FY24		FY25					FY26 CE	
		1H	FY	1H	FY	YoY (%) *	FY CE	FY v. FYCE (%)	FY CE	YoY (%) *
Japan	Sales	18,367	38,684	18,483	39,206	1.3	38,900	0.8	39,880	1.7
	OP	2,534	5,796	1,640	4,757	-17.9	4,300	10.6	5,090	7.0
	OPM (%)	13.8	15.0	8.9	12.1	-2.9ppt	11.1	+1.0ppt	12.8	+0.7ppt
US	Sales	922	1,981	1,150	2,520	27.3	2,145	17.5	2,850	13.1
	OP	-71	-89	-216	-47	N/A	-275	N/A	-168	N/A
	OPM (%)	-7.8	-4.5	-18.8	-1.9	+2.6ppt	-12.8	+10.9ppt	-5.9	-4.0ppt
China	Sales	1,211	2,328	1,193	2,441	4.9	2,333	4.6	2,623	7.4
	OP	77	49	76	44	-11.3	8	450.0	68	54.3
	OPM (%)	6.4	2.1	6.4	1.8	-0.3ppt	0.4	+1.4ppt	2.6	+0.8ppt
South Korea	Sales	2,662	5,345	2,577	5,503	3.0	5,583	-1.4	5,802	5.4
	OP	743	1,239	587	1,071	-13.5	1,305	-17.9	1,271	18.6
	OPM (%)	27.9	23.2	22.8	19.5	-3.7ppt	23.4	-3.9ppt	21.9	+2.4ppt
Others	Sales	1,362	2,976	1,402	3,191	7.2	3,339	-4.4	3,645	14.2
	OP	-105	-157	-148	-172	N/A	-38	N/A	39	N/A
	OPM (%)	-7.7	-5.3	-10.6	-5.4	-0.1ppt	-1.1	-4.3ppt	1.1	+6.5ppt
Overseas Total	Sales	6,159	12,631	6,323	13,657	8.1	13,400	1.9	14,920	9.2
	OP	643	1,043	297	895	-14.2	1,000	-10.5	1,210	35.1
	OPM (%)	10.5	8.3	4.7	6.6	-1.7ppt	7.5	-0.9ppt	8.1	+1.5ppt

Source: Nippon-IBR based on Milbon's earnings results materials  
\* YoY figures are based on Japanese yen denominated sales and OP numbers

## FY26 OUTLOOK

Milbon guides for FY26 OP of ¥6,300mil (+11.4% YoY) on sales of ¥54,800mil (+3.7% YoY) based on the following assumptions:

- Beauty salons are required to satisfy diversified consumer demands in the domestic market. To support its customers (beauty salons) to improve business, Milbon aims to prepare products and salon menus. For example, in recent years, the sales of hair colour products, which are higher margin for Milbon and salons, had suffered from YoY declines in Japan. Milbon plans to (1) launch a new hair colour brand PRETOWA – a new type of hair colour product that meet consumers' unmet demands, and (2) to support salons in developing hair colour menus that cater to customers who choose luxury products and those who are more price-sensitive. Milbon guides for FY26 domestic OP of ¥5,090mil (+7.0% YoY) on sales of ¥39,880mil (+1.7% YoY), which generates an OPM of 12.8% (+0.7ppt YoY).
- Milbon assumes solid overseas growth, especially in the US and Europe, as both regions reported higher-than-expected sales growth in FY25. In the Asian markets, the firm expect stable growth. Thanks to stronger than expected growth in the US and Europe in FY25, the firm revised its FY26 Overseas sales estimate from ¥14,300mil [as of Feb 2025] to ¥14,920mil in Feb 2026. The sales ratio of the US was revised up from 16.4% to 19.1%, as was that of the EU, from 3.4% to 4.5%, while the Korea and ASEAN ratios were revised down from 40.4% to 38.9% and 13.1% to 12.2%, respectively. Although the firm expects the US will remain in the red (operating loss of -168mil [YDB], vs. FY25's loss of -¥47mil) on sales of ¥2,850mil (+13.1% YoY), it expects solid growth in Korea, with OP of ¥1,271mil (+18.6% YoY) [YDB] on sales of ¥5,802mil (+5.4% YoY). In China, Milbon assumes a rapid recovery with OP improving +54.3% YoY to ¥68mil on sales of ¥2,623mil (+7.4% YoY).

- The OP growth of +¥647mil YoY (+11.4% YoY) is estimated based on the following key factors:
  - Gross profit to rise by +¥1,215mil on the back of sales increase (+3.7% YoY),
  - The higher GPM boosting OP by +¥328mil, thanks to (a) reduction in inventory revaluation costs [+¥175mil], (b) price hikes that were implemented in May 2025 [+¥100mil] and (c) cost reductions to boost COGS [+¥53mil]
  - Negative impact from higher costs for (a) personnel [-¥527mil], (b) logistics [-¥233mil], and (c) R&D [-¥211mil].

Milbon (4919 JP): Earnings Results and Guidance							
¥mil / Dec year-end)	FY24		FY25			FY26 CE	
	1H	FY	1H	FY	YoY (%)	FY CE	YoY (%)
Sales	24,526	51,316	24,807	52,863	3.0	54,800	3.7
DM	18,367	38,684	18,483	39,206	1.3	39,880	1.7
Overseas	6,159	12,631	6,323	13,657	8.1	14,920	9.2
GP	15,755	32,597	15,502	33,176	1.8	34,720	4.7
GPM (%)	64.2	63.5	62.5	62.8	-0.7ppt	63.4	+0.6ppt
SG&A	12,577	25,758	13,563	27,523	6.9	28,420	3.3
SG&A / Sales (%)	51.3	50.2	54.7	52.1	+1.9ppt	51.9	-0.2ppt
OP	3,178	6,839	1,938	5,652	-17.4	6,300	11.4
OPM (%)	13.0	13.3	7.8	10.7	-2.6ppt	11.5	+0.8ppt
RP	3,324	6,968	1,853	5,455	-21.7	6,180	13.3
RPM (%)	13.6	13.6	7.5	10.3	-3.3ppt	11.3	+1.0ppt
NP for the parent's s/holders	2,280	5,017	419	3,437	-31.5	4,300	25.1

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

## CAPITAL ALLOCATION POLICY

Milbon has revised its FY26 capital allocation policy – the final year of the ongoing medium-term plan [MTP] – however, the revised figures are yet to be disclosed. The ROE target of 11.3% was revised to 8.6% (+1.6ppt YoY) and the ROIC target is set at 8.7% (+0.7% YoY). Milbon's capital allocation policy framework is as follows:

- Applying a Capital Asset Pricing Model [CAPM] and capital cost at 6~8%, though management's internal capital cost rate is around 8%.
- Milbon does not have any interest-bearing debt, but it will consider financing a part of its large-scale CAPEX using debt going forward, which will likely reduce capital costs. It is likely that a larger investment for production capacity might be required should domestic production capacity become insufficient. For the time being, Milbon has sufficient production capacity to achieve the MTP target at its domestic, China and Thai factories. For the time being, capacity expansion at the Yumegaoka Factory has been suspended given the changes in consumption patterns among Japanese consumers, therefore, the firm thinks it is better to focus on growth strategy before expanding production capacity in Japan. Over the longer-term, beyond the current MTP, Milbon plans to accelerate overseas growth and ensure optimal allocation for manufacturing.
- Milbon principally pays out 50% of net profit as a dividend on a progressive dividend basis. Milbon currently commits to paying an annual dividend of ¥88.00/share and does not intend to reduce the dividend from that of the previous years. The firm also brought forward the start of proactive share buybacks from the initial plan of starting from FY27 to FY25 and announced a buyback programme of max. 870,000 shares (2.7% of shares outstanding) at a maximum cost of ¥2,000mil on 8 August 2025, which was completed on 27 October. All of the repurchased 811,700 shares (2.45% of shares outstanding), at a cost of approx. ¥2,000mil, were cancelled on 26 December. Milbon prioritises investments for growth, however, unspent capital will be allocated to proactive share buyback.

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