

**NIPPO LTD. (9913 JP)**

AIMING FOR ANOTHER RECORD EARNINGS IN FY25, THE FINAL YEAR OF THE MEDIUM-TERM PLAN.

**EXECUTIVE SUMMARY****➤ FY24 earnings**

Nippo produced record earnings in FY24, with OP of ¥1,970mil (+2.7% YoY) on sales of ¥44,890mil (+7.1% YoY). Thanks primarily to solid growth in order for print circuit boards [PCBs] used in generative AI servers and wafer polishing jigs manufactured in Nippo's Okinawa factory, sales landed above the firm's guidance of ¥42,000mil.

**➤ FY25 Guidance**

FY25 is the final year of Nippo's medium-term plan [MTP] which calls for an OP target of ¥2,000mil. Nippo is aiming to enjoy another year of record earnings and guides for FY25 OP of ¥2,000mil (+1.5% YoY) on sales of ¥45,500mil (1.4% YoY). Assumptions are based on: (1) Electronics Segment enjoys ongoing solid order for PCBs for generative AI servers and wafer polishing jigs will lead segment sales growth, (2) Mobility Segment likely continues to see weak demand in ASEAN and China, and (3) flattish earnings growth in Medical and Precision Device segment because of continued weakness in printer parts despite steady demand for medical equipment parts.

**➤ Shareholder Returns**

Based on Nippo's shareholder returns policy which states that the firm aims to pay out about 50%, the firm plans to pay ¥78/share (pay-out ratio of 50.3%).

**➤ Anti-takeover Measures and Shareholder Proposals**

Nippo renewed anti-takeover measures at the Board meeting on 21 May. Subsequently, the firm received shareholder proposals to which the firm refused all.

**Nippo Ltd. (9913 JP): Share Information**

Market Cap (¥mil)		21,700	Market Cap (\$mil)			150
22-day Average Trading Volume (¥mil)		14	22-day Average Trading Volume (\$mil)			0.10
Share performance (%)	9913	TOPIX	Earnings Summary (¥mil, %)	FY23	FY24	FY25 CE
Share price (¥, 09 June 2025)	2,380	2,785.41	Sales	41,922	44,890	45,500
3mo (from 10 March 2025)	5.7	3.1	OP	1,918	1,970	2,000
6mo (from 09 Dec 2024)	12.8	1.9	OPM (%)	4.6	4.4	4.4
YTD (from 6 Jan 2025)	13.0	1.1	EBITDA	3,362	3,510	3,500*
1yr	14.0	0.1	EPS (¥)	162.80	155.15	155
5yrs	298.0	77.3	Financial Leverage (X)	2.0	1.9	1.9*
Per-share and Valuations	9913	TOPIX	Net D/E Ratio (X)	-0.2	-1.1	-1.0*
EPS (¥, FY25 CE)	155.16	182.48	FCF	2,124	1,093	1,100*
DPS (¥, FY25 CE)	78.00	N/A	Shareholder Return Summary	FY23	FY24	FY25 CE
BPS (¥, Mar 25)	1,831.84	1875.16	Dividend (¥)	74.00	76.00	78.00
FCFPS (¥, FY25 EST)	122.18	N/A	Dividend Payout (%)	45.5	49.0	50.3
Forward PER (X)	15.3	14.82	Dividend Yield (%)	N/A	N/A	2.1
PBR (x)	1.3	1.49	DOE (%)	4.8	4.4	5.4*
PCFR (x)	19.5	N/A	Treasury Shares (%)	0.2	0.2	0.2*
EV/EBITDA (X)	2.9	N/A	ROE (%)	9.8	8.4	10.8*

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

## FY24 RESULTS

Nippo produced record earnings in FY24, with OP of ¥1,970mil (+2.7% YoY) on sales of ¥44,890mil (+7.1% YoY). Thanks primarily to solid growth in order for print circuit boards [PCBs] used in generative AI servers and wafer polishing jigs manufactured in its Okinawa factory, sales landed above guidance of ¥42,000mil. However, due to increases in SG&A such as for 1) personnel costs, 2) R&D, 3) subcontractors' fees and 4) maintenance and repair costs, OP was largely in line with guidance of ¥1,950mil.

By division, the Electronics segment, which generated 46.2% of FY24 sales, enjoyed strong orders as we explain in more details below. The Medical and Precision Device segment also saw an improved sales mix on the back of solid growth in medical equipment parts orders.

On the other hand, the Mobility segment earnings were negatively affected by Japanese OEM makers' certification issues that led to a suspension in production, and a slowdown in orders in both ASEAN markets and China during 1H. Although those external pressures eased from Q3 onwards, the decline in profits in Nippo's ASEAN factories up to Q2 and upfront investments in Vietnam did weigh on full-year FY24 earnings.

Nippo's FY24 2H OP rose +15.5% YoY / +34.8% HoH to ¥1,131mil, primarily on the improvement in the Mobility segment which saw 2H OP expand to ¥692mil (-10.7% YoY / +47.9% HoH) from ¥468mil in 1H. Despite FY24 sales rising +7.1% YoY, OP growth was only +2.7% YoY due to (1) an increase in base salaries as well as other personnel costs (-¥182mil), (2) higher R&D costs (-¥29mil) and depreciation costs (-¥57mil) and (3) other overheads (-¥72mil).

The Electronics segment contributed +¥1,934mil (+10.2% YoY) to FY24 sales as the firm saw solid growth in print circuit boards [PCBs] used in generative AI servers, dry film (Vietnam factory), and wafer polishing jigs (Okinawa factory). Full-year FY24 OP came in at ¥1,532mil (+20.4% YoY) on sales of ¥20,838mil (+10.2% YoY).

The Mobility Segment contributed only +¥266mil (+1.6% YoY) to FY24 sales as (1) production suspensions at Japanese OEMs on the back of certification problems weighed on demand, and (2) weak auto markets in China and ASEAN countries, led to a weaker-than-expected performance. Consequently, full-year FY24 OP landed at ¥1,160mil (-24.8% YoY) on sales of ¥16,844mil (+1.6% YoY).

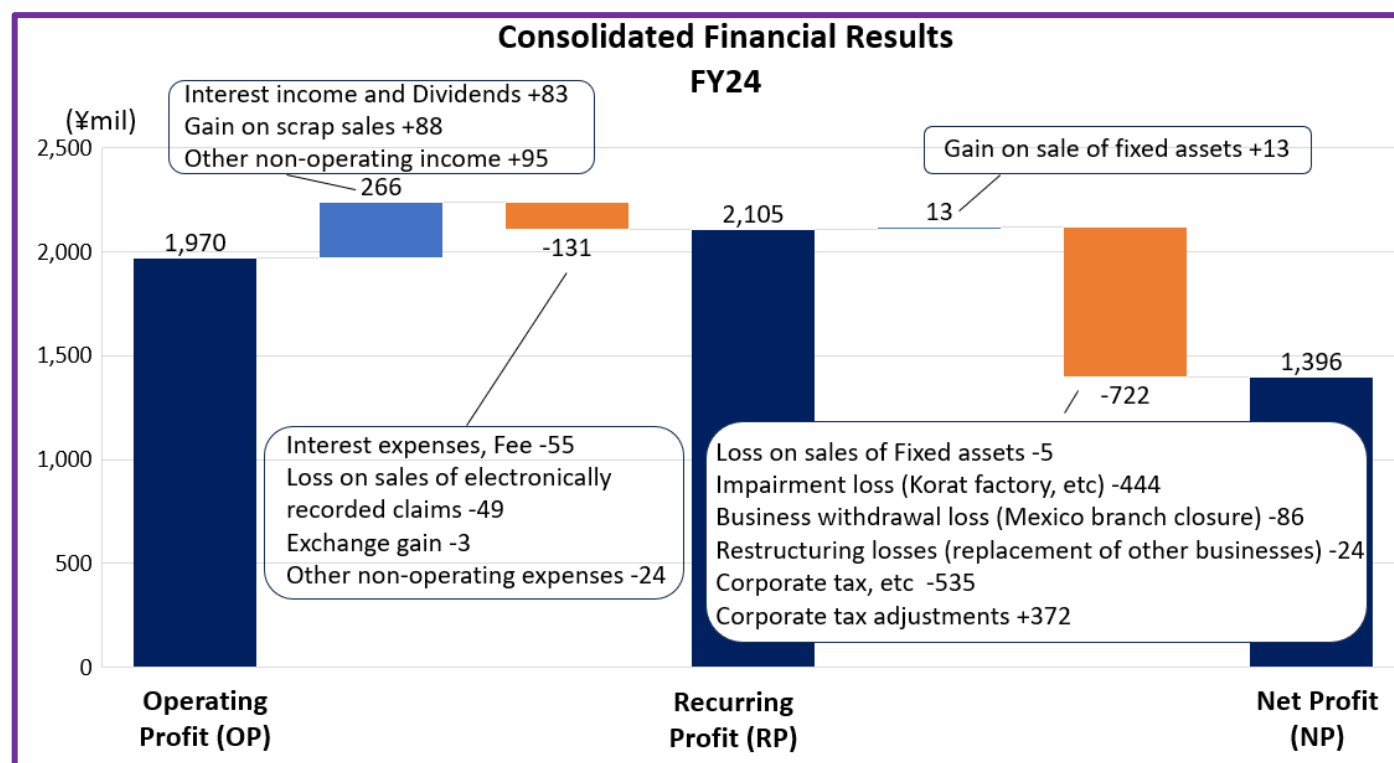
The Medical and Precision Devices segment added +¥802mil (+12.1% YoY) to FY24 sales thanks to solid orders for the firm's medical equipment parts at the Kholat (Thailand) factory. Cost cutting efforts also contributed to profits, resulting in the full-year segment OP of ¥396mil (+138.6% YoY) on sales of ¥7,419mil (+12.1% YoY).

Although Nippo's overall OP rose +2.7% YoY, net profit [NP] fell -4.1% YoY, reflecting impairment costs (-¥444mil) incurred at the Korat factory.

Nippo Ltd. (9913 JP): Earnings Summary							
(¥mil)	FY23		FY24				
	1H	FY	1H	FY	YoY (%)	FY CE	FY vs FYCE (%)
Sales	20,215	41,922	22,116	44,890	7.1	42,000	6.9
COGS	16,696	34,751	18,486	37,327	7.4	N/A	N/A
Gross Profit	3,518	7,170	3,629	7,563	5.5	N/A	N/A
GPM (%)	17.4	17.1	16.4	16.8	-0.3ppt	N/A	N/A
SG&A	2,578	5,252	2,789	5,592	6.5	N/A	N/A
SG&A / Sales (%)	12.8	12.5	12.6	12.5	-0.1ppt	N/A	N/A
OP	939	1,918	839	1,970	2.7	1,950	1.0
OPM (%)	4.6	4.6	3.8	4.4	-0.2ppt	4.6	-0.3ppt
RP	1,097	2,150	979	2,105	-2.1	1,950	7.9
NP*	755	1,457	672	1,396	-4.1	1,380	1.2

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

\* Net profit attributed to the parent's shareholders



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

Nippo Ltd (9913 JP): Sales and OP by Segment								
(¥mil)		FY23		FY24				
		1H	FY	1H	FY	YoY (%)	FY CE	FY vs FYCE (%)
Electronics	Sales	8,814	18,904	10,426	20,838	10.2	19,500	3.2
	OP	605	1,272	828	1,532	20.4	1,500	17.9
	OPM (%)	6.9	6.7	7.9	7.4	+0.7ppt	7.7	+1.0ppt
Mobility	Sales	8,125	16,578	8,239	16,844	1.6	16,100	-2.9
	OP	768	1,543	468	1,160	-24.8	1,250	-19.0
	OPM (%)	9.5	9.3	5.7	6.9	-2.4ppt	7.8	-1.5ppt
Medical and Precision Equipment	Sales	3,358	6,617	3,544	7,419	12.1	6,700	1.3
	OP	79	166	182	396	138.6	350	110.8
	OPM (%)	2.4	2.5	5.1	5.3	+2.8ppt	5.2	+2.7ppt

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

Nippo Ltd (9913 JP): Sales and OP by Segment (Quarterly)											
(¥mil)		FY23				FY24					
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY (%)	QoQ (%)
Electronics	Sales	4,309	4,505	4,832	5,258	5,081	5,345	5,301	5,111	-2.8	-3.6
	OP	282	323	374	293	404	424	411	293	0.0	-28.7
	OPM (%)	6.5	7.2	7.7	5.6	8.0	7.9	7.8	5.7	+0.1ppt	-2.1ppt
Mobility	Sales	4,150	3,975	4,300	4,153	4,067	4,172	4,383	4,222	1.7	-3.7
	OP	418	350	411	364	179	289	403	289	-20.6	-28.3
	OPM (%)	10.1	8.8	9.6	8.8	4.4	6.9	9.2	6.8	-2.0ppt	-2.4ppt
Medical and Precision Equipment	Sales	1,728	1,630	1,640	1,619	1,734	1,810	1,988	1,887	16.6	-5.1
	OP	36	43	25	62	79	103	134	80	29.0	-40.3
	OPM (%)	2.1	2.6	1.5	3.8	4.6	5.7	6.7	4.2	+0.4ppt	-2.5ppt

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

## FY25 OUTLOOK

FY25 is the final year of Nippo's medium-term plan [MTP] whose final year OP target is ¥2,000mil Nippo is aiming to enjoy another year of record earnings and guides for FY25 OP of ¥2,000mil (+1.5% YoY) on sales of ¥45,500mil (1.4% YoY), based on the following assumptions:

- **Uncertainty caused by the US trade tariff issues:** Nippo does not currently have concrete evidence to gauge how big the impact might be but it remains cautious.
- **Electronics Segment:** Recovery in smartphone parts continues to be slow but solid orders for PCBs for generative AI servers and wafer polishing jigs will lead segment sales growth higher.
- **Mobility Segment:** Weak order trend in ASEAN and China likely continues.
- **Medical and Precision Device Segment:** Waning demand for printer-related parts is also expected to continue.

Based on Nippo's shareholder returns policy which states that the firm aims to pay out about 50%, Nippo plans to pay ¥78/share (pay-out ratio of 50.3%).

Nippo Ltd. (9913 JP): Earnings Summary and Guidance						
(¥mil)	FY23		FY24		FY25 CE	
	1H	FY	1H	FY	FY CE	YoY (%)
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OP	939	1,918	839	1,970	2,000	1.5
OPM (%)	4.6	4.6	3.8	4.4	4.4	+0.0ppt
RP	1,097	2,150	979	2,105	1,950	-7.4
NP*	755	1,457	672	1,396	1,400	0.2

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 \* Net profit attributed to the parent's shareholders

## FY25 OUTLOOK BY SEGMENT

### Electronics Segment

Nippo guides for steady growth in segment earnings, looking OP of ¥1,600mil (+4.4% YoY) on sales of ¥21,200mil (+1.7% YoY), thanks to several positive factors: These include 1) the ongoing strong demand for high-margin circuit board materials used in generative AI and base stations, 2) solid orders for semiconductor wafer polishing jigs, and 3) a pick-up in demand for semiconductor materials as operations at a foundry's new factory of a foundry (Kyushu) commenced. However, recovery in demand for smartphone parts will likely be slow.

### Mobility Segment

Nippo is eyeing full-year FY25 OP of ¥1,400mil (+20.7% YoY) on flat sales of ¥17,000mil (+0.9% YoY). The slow pace of growth at the topline is due to weak ASEAN markets, especially Thailand, as they still suffer from hit from the removal of subsidies for auto loans. In addition to the slow shift to EVs in the ASEAN market, macroeconomic weakness in China suggests demand for Nippo's products is to remain sluggish.

However, there are some positive factors from the impact of factories shifting to mass production such as, for example, (1) brake materials manufactured in Vietnam, (2) coil parts made in the domestic factory and parts for BEVs in the Bangkok factory.

## Medical and Precision Devices Segment

FY24 segment sales and OP are estimated to grow only by +1% YoY, respectively, with solid orders for medical equipment parts offsetting the weakness in the printer parts business. The firm remains cautious on the outlook for the printer parts orders given the uncertainty regarding printer makers' decisions to change production plan and volumes. While medical equipment parts manufactured in the Kholat factory will continue to lead the segment growth, the firm is also eyeing to transform the business portfolio and continue to reduce costs.

Nippo Sangyo (9913 JP): Sales and OP by Segment & Guidance							
¥mil		FY23		FY24		FY25 CE	
		1H	FY	1H	FY	FY CE	YoY (%)
Electronics	Sales	8,814	18,904	10,426	20,838	21,200	1.7
	OP	605	1,272	828	1,532	1,600	4.4
	OPM (%)	6.9	6.7	7.9	7.4	7.5	+0.1ppt
Mobility	Sales	8,125	16,578	8,239	16,844	17,000	0.9
	OP	768	1,543	468	1,160	1,400	20.7
	OPM (%)	9.5	9.3	5.7	6.9	8.2	+1.3ppt
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## CAPITAL ALLOCATION UNDER THE CURRENT MTP

Under the ongoing MTP which will complete in FY25, capital allocation will be allocated as follows:

- Optimal levels of working capital and cash on the balance sheet will be regularly reviewed.
- FCF and debt will be utilised to invest approx. ¥6,000mil on 1) human capital, 2) new businesses, and 3) improve operations, etc.
- Working capital of approx. ¥4,000mil.
- Interest-bearing debt can extend to approx. ¥7,400mil.
- Shareholders return of approx. ¥2,000mil and aiming to achieve a 50% pay-out ratio.

## SHAREHOLDER PROPOSALS

At a Board of Directors meeting held on 21 May 2025, the proposal to continue countermeasures against large-scale purchases of the company's shares (i.e., takeover defence plan "the Plan", which was initially introduced in May 2019) was put forward, subject to shareholder approval at the 74th Ordinary General Meeting scheduled to be held on 25 June 2025. If the renewal of the Plan is voted for at the June 2025 AGM, it will be effective until the end of the next AGM in June 2026.

Nippo introduced a countermeasure policy based on the Plan and exercised countermeasures on the back of TOB attempts by its largest shareholder, Freesia Macros Corporation [FMC] (6343 JP) in January 2021. However, the firm suspended the countermeasures when FMC withdrew its bid.

Nippo also received three new proposals from a large shareholder, which are:

1. Disposal of retained earnings: the said shareholder demands Nippo to pay more than 100% pay-out or, if FY25 NP surpasses ¥1,380mil, DOE of 10% is proposed. Nippo disagrees with the proposal based on the firm's growth strategy that requires aforementioned investments.
2. Nominate the chair of the audit and supervisory committee from independent non-executive directors: Nippo disagrees with the proposal because the firm's complicated business model which has functionalities of both

wholesaler distributor and manufacturer, therefore, outsiders unlikely fully understand its business model and contribute to the fair judgement at the committee.

3. Disposal of the take-over defense plan [the Plan]: for the aforementioned reasons, Nippo refused the proposal. The proposal to dispose of the Plan, however, will not be treated as a shareholder proposal but as an opinion against the proposal to renew the Plan. This will be taken to a vote at the next AGM in June.

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