NIPPO LTD. (9913 JP)

NO CHANGE IN FY25 GUIDANCE ALTHOUGH SEGMENT EARNINGS BREAKDOWN WAS REVISED.

EXECUTIVE SUMMARY

FY25 1H earnings

Nippo produced record earnings in FY25 1H, with OP of ¥946mil (+12.8% YoY) on sales of ¥22,186mil (+0.3% YoY). While 1H sales remained flat YoY due to a decline in sales of the Electronics segment (-3.3% YoY), OP hit a semi-annual record, thanks to (1) solid growth of in-house products such as semiconductor wafer grinding carriers and (2) cost reductions in overseas factories.

FY25 Guidance

FY25 is the final year of Nippo's medium-term plan [MTP]. 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). However, the earnings contribution mix was now reflects (1) a revision down to the FY25 OP guidance for the Mobility segment [down from ¥1,400mil (+20.7% YoY) to ¥1,250mil (+7.8% YoY) on sales of ¥17,000mil (unchanged)] given the poor sales performance of the Japanese OEMs, especially in China, but (2) higher expectations for the Medical and Precision Device segment OP from ¥400mil to ¥550mil on sales of ¥7,500mil, thanks to the impact from larger than expected cost reductions. The forecast for the Electronics segment was left unchanged. Steady orders for PCB materials for generative AI-related semiconductor modules and wafer polishing jigs will likely continue to support sales growth in the Electronics segment.

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

The renewal of Anti-takeover Measures was voted for at the AGM in June and will be revisited again in June 2026.

Next MTP

Although the details of the next MTP is yet to be disclosed, Nippo will focus on further enhancing the firm's scale and profitability by expanding its business coverage. From next year, management aims to achieve a PBR of 1.0x through efficient BS management and improved profitability.

Nippo Ltd. (9913 JP): Share Information

Market Cap (¥mil)		24,400	Market Cap ($mil)			157
22-day Average Trading Volume (¥mil)		3.0	22-day Average Trading Volume ($mil)			0.02
Share performance (%)	**9913**	**TOPIX**	**Earnings Summary (¥mil, %)**	**FY23**	**FY24**	**FY25 CE**
Share price (¥, 26 Nov 2025)	2,680	3,355.50	Sales	41,922	44,890	45,500
3mo (from 26 Aug)	2.9	9.2	OP	1,918	1,970	2,000
6mo (from 26 May)	16.5	21.9	OPM (%)	4.6	4.4	4.4
YTD (from 6 Jan 2025)	27.3	21.6	EBITDA	3,362	3,510	3,500*
1yr	27.1	24.8	EPS (¥)	162.8	155.15	155.16
5yrs	444.7	87.8	Financial Leverage (X)	2	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	189.76	FCF	2,124	1,093	1,100*
DPS (¥, FY25 CE)	78.0	N/A	**Shareholder Return Summary**	**FY23**	**FY24**	**FY25 CE**
BPS (¥, FY25 EST*)	897.7	N/A	Dividend (¥)	74	76	78
FCFPS (¥, FY25 EST*)	1,100	N/A	Dividend Payout (%)	45.5	49	50.3
Forward PER (X)	17.3	17.0	Dividend Yield (%)	N/A	N/A	2.1
PBR (x)	3.0	1.6	DOE (%)	4.8	4.4	5.4*
PCFR (x)	2.4	N/A	Treasury Shares (%)	0.2	0.2	0.2*
EV/EBITDA (X)	N/A	N/A	ROE (%)	9.8	8.4	10.8*

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

FY25 1H RESULTS

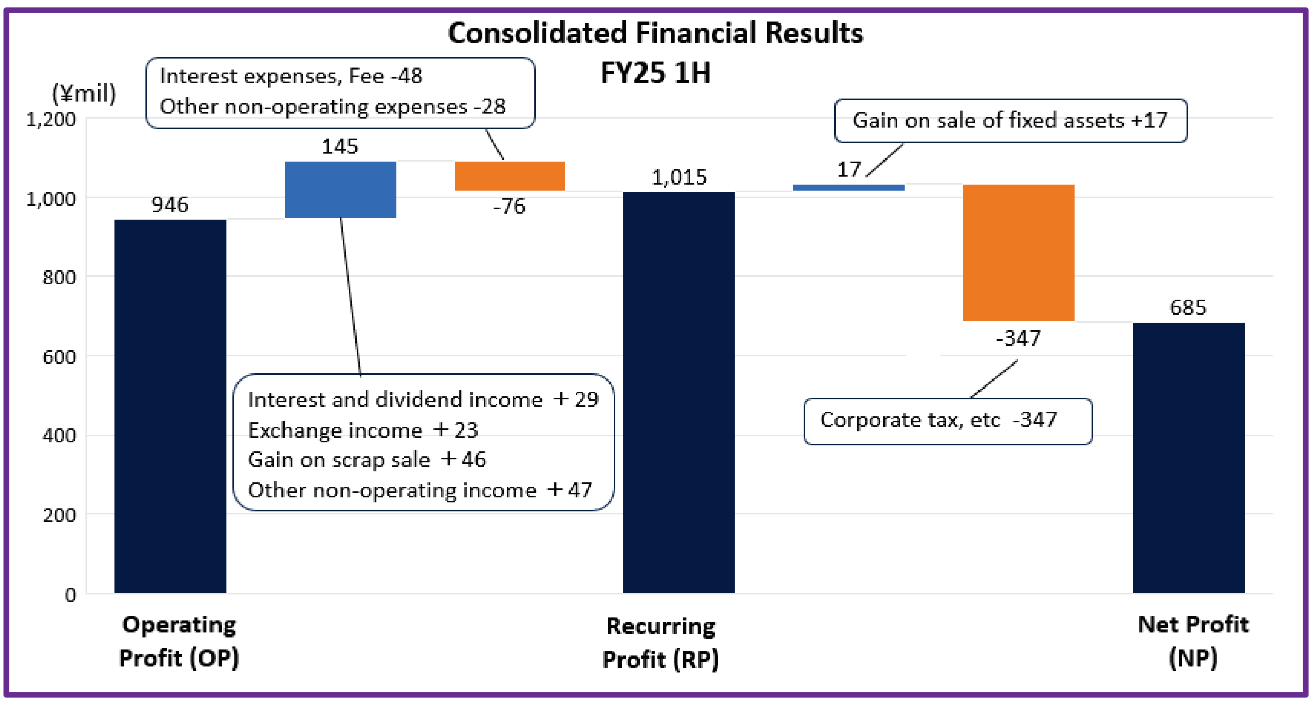
Nippo produced record earnings in FY25 1H, with OP of ¥946mil (+12.8% YoY) on sales of ¥22,186mil (+0.3% YoY). While 1H sales growth remained relatively flat due to a decline in sales of in the Electronics segment (-3.3% YoY), OP hit a semi-annual record, thanks to (1) solid growth of in-house products such as semiconductor wafer grinding carriers and (2) cost reductions in overseas factories. However, 1H OP only achieve 47.3% of the full-year FY25 OP forecast of ¥2,000mil, given the shortfall in the Mobility segment. 1H RP improved +3.7% YoY to ¥1,015mil, reflecting non-operating gains from (1) interest and dividends received (+¥29mil), (2) FOREX gains (+¥23mil) and (3) gains from selling scrap (+¥46mil).

Nippo Ltd. (9913 JP): Earnings Summary

(¥mil)	FY24				FY25					
	Q1	Q2	1H	FY	Q1	YoY (%)	Q2	YoY (%)	1H	YoY (%)
Sales	10,839	11,277	22,116	44,890	11,109	2.5	11,077	-1.8	22,186	0.3
COGS	9,102	9,384	18,486	37,327	9,190	1.0	9,157	-2.4	18,347	-0.8
Gross Profit	1,737	1,892	3,629	7,563	1,919	10.5	1,919	1.4	3,838	5.8
GPM (%)	16.0	16.8	16.4	16.8	17.3	+1.2ppt	17.3	+0.5ppt	17.3	+0.9ppt
SG&A	1,392	1,397	2,789	5,592	1,464	5.2	1,428	2.2	2,892	3.7
SG&A / Sales (%)	12.8	12.4	12.6	12.5	13.2	+0.3ppt	12.9	+0.5ppt	13.0	+0.4ppt
OP	344	495	839	1,970	454	31.8	492	-0.6	946	12.8
OPM (%)	3.2	4.4	3.8	4.4	4.1	+0.9ppt	4.4	+0.1ppt	4.3	+0.5ppt
RP	446	533	979	2,105	497	11.4	518	-2.8	1,015	3.7
NP*	284	388	672	1,396	343	20.5	342	-11.9	685	2.1

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

Electronics Segment 1H OP ¥827mil (-0.1% YoY) on sales of ¥10,081mil (-3.3% YoY): The 1H performance contributed 45.3% of FY25 1H total sales. Nippo enjoyed strong orders for print circuit board [PCB] materials used in package substrates for generative AI-related semiconductor modules and wafer polishing jigs. However, the weak 1H performance is partly due to tough YoY comps and continued weak demand for smartphone parts. Furthermore, order volumes for dry films manufactured in Nippo's Korat factory in Thailand did not achieve its breakeven order level.

Mobility Segment 1H OP ¥475mil (+1.5% YoY) on sales of ¥8,520mil (+3.4% YoY): The weak performance of Japanese OEM makers, especially in China, weighed on segment sales; OP was also affected by low production yields at its new mass production lines in Vietnam and Inazawa factories. Nevertheless, the Mobility segment achieved positive growth in the 1H from solid orders for exhaust-related components manufactured mainly in Indonesia.

Medical and Precision Device Segment 1H OP ¥348mil (+91.2% YoY) on sales of ¥3,633mil (+2.5% YoY): Solid orders for medical equipment parts manufactured in Korat factory, which improved sales mix, an improving trend in orders for printer parts manufactured in Vietnam and the Philippines as customer's production increase and cost reductions in factories in ASEAN countries, led to a strong recovery in segment profitability.

Nippo Sangyo (9913 JP): Sales and OP by Segment (Quarterly)

(¥mil)		FY24				FY25					
		Q1	Q2	Q3	Q4	Q1	YoY (%)	Q2	YoY (%)	1H	YoY (%)
Electronics	Sales	5,081	5,345	5,301	5,111	4,866	-4.2	5,215	-2.4	10,081	-3.3
	OP	404	424	411	293	400	-1.0	427	0.7	827	-0.1
	OPM (%)	8.0	7.9	7.8	5.7	8.2	+0.2ppt	8.2	+0.3ppt	8.2	+0.3ppt
Mobility	Sales	4,067	4,172	4,383	4,222	4,423	8.8	4,097	-1.8	8,520	3.4
	OP	179	289	403	289	211	17.9	264	-8.7	475	1.5
	OPM (%)	4.4	6.9	9.2	6.8	4.8	+0.4ppt	6.4	-0.5ppt	5.6	-0.1ppt
Medical and Precision Equipment	Sales	1,734	1,810	1,988	1,887	1,845	6.4	1,788	-1.2	3,633	2.5
	OP	79	103	134	80	178	125.3	170	65.0	348	91.2
	OPM (%)	4.6	5.7	6.7	4.2	9.6	+5.0ppt	9.5	+3.8ppt	9.6	+4.5ppt

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

Nippo Sangyo (9913 JP): Sales and OP by Segment (Cumulative)

(¥mil)		FY24				FY25			
		Q1	Q2	Q3	Q4	Q1	Q2	YoY (%)	HoH (%)
Electronics	Sales	5,081	10,426	15,727	20,838	4,866	10,081	-3.3	-3.2
	OP	404	828	1,239	1,532	400	827	-0.1	17.5
	OPM (%)	8.0	7.9	7.9	7.4	8.2	8.2	+0.3ppt	+1.4ppt
Mobility	Sales	4,067	8,239	12,622	16,844	4,423	8,520	3.4	-1.0
	OP	179	468	871	1,160	211	475	1.5	-31.4
	OPM (%)	4.4	5.7	6.9	6.9	4.8	5.6	-0.1ppt	-2.4ppt
Medical and Precision Equipment	Sales	1,734	3,544	5,532	7,419	1,845	3,633	2.5	-6.2
	OP	79	182	316	396	178	348	91.2	62.6
	OPM (%)	4.6	5.1	5.7	5.3	9.6	9.6	+4.5ppt	+4.1ppt

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]. Despite (1) little confidence that demand for smartphone parts will recover, (2) the unclear environment surrounding Japanese OEMs, especially in China, and (3) a lack of visibility in demand for printer parts, the firm left its full-year earnings forecast unchanged. However, the earnings contribution mix was now reflects (1) a revision down to the FY25 OP guidance for the Mobility segment [down from ¥1,400mil (+20.7% YoY) to ¥1,250mil (+7.8% YoY) on sales of ¥17,000mil (unchanged)] given the poor sales performance of the Japanese OEMs, especially in China, but (2) higher expectations for the Medical and Precision Device segment OP from ¥400mil to ¥550mil on sales of ¥7,500mil, thanks to the impact from larger than expected cost reductions, and (3)the forecast for the Electronics segment was left unchanged. Steady orders for PCB materials for generative AI-related semiconductor modules and wafer polishing jigs will likely continue to support sales growth in the Electronics segment. 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 it is seeing solid orders for PCB materials used in semiconductor package substrates for generative AI servers. In addition, demand for semiconductor wafer polishing jigs manufactured in Okinawa will lead segment sales growth higher.
- **Mobility Segment:** impact from weak performance of Japanese OEMs will likely continue.
- **Medical and Precision Device Segment:** Visibility for demand for printer-related parts remains low, while orders for medical equipment parts continues to be solid.

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		
	1H	FY	1H	FY	1H	FY CE	YoY (%)
Sales	20,215	41,922	22,116	44,890	22,186	45,500	1.4
COGS	16,696	34,751	18,486	37,327	18,347	N/A	N/A
Gross Profit	3,518	7,170	3,629	7,563	3,838	N/A	N/A
GPM (%)	17.4	17.1	16.4	16.8	17.3	N/A	N/A
SG&A	2,578	5,252	2,789	5,592	2,892	N/A	N/A
SG&A / Sales (%)	12.8	12.5	12.6	12.5	13.0	N/A	N/A
OP	939	1,918	839	1,970	946	2,000	1.5
OPM (%)	4.6	4.6	3.8	4.4	4.3	4.4	+0.0ppt
RP	1,097	2,150	979	2,105	1,015	1,950	-7.4
NP*	755	1,457	672	1,396	685	1,400	0.2

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

** Net profit attributed to the parent's shareholders*

FY25 OUTLOOK BY SEGMENT

Electronics Segment

Nippo guides for steady growth in segment earnings, looking for total full-year 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 circuit board materials used in semiconductor packages for generative AI, 2) solid orders for semiconductor wafer polishing jigs, and that 3) the recovery in demand for smartphone parts will likely remain uncertain in the 2H.

Mobility Segment

Nippo lowered its segment guidance, now looking for full-year FY25 OP of ¥1,250mil (+7.8% YoY) from ¥1,400mil (+20.7% YoY) on sales of ¥17,000mil (+0.9% YoY) which remain unchanged. In addition to the lack of clarity on the impact from the US tariff issues, poor performance of Japanese OEMs, as seen in weak sales, especially in China, will likely weigh on the segment earnings. Moreover, while production yields in Vietnam and Inazawa are expected to recover from Q3, it will likely not be enough to offset the weak 1H performance.

Medical and Precision Devices Segment

FY25 segment OP forecast was revised up from ¥400mil (+1.0% YoY) to ¥550mil (+38.9% YoY) on sales of ¥7,500mil (+1.1% YoY) amid more than expected contributions from the firm's cost reduction efforts. Management 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 eying to transform the business portfolio and continue to reduce costs.

Nippo Sangyo (9913 JP): Sales and OP by Segment & Guidance

(¥mil)		FY24		FY25					
		1H	FY	1H	YoY (%)	FY CE	YoY (%)	Revised FY CE	YoY (%)
Electronics	Sales	10,426	20,838	10,081	-3.3	21,200	1.7	21,200	1.7
	OP	828	1,532	827	-0.1	1,600	4.4	1,600	4.4
	OPM (%)	7.9	7.4	8.2	+0.3ppt	7.5	+0.1ppt	7.5	+0.1ppt
Mobility	Sales	8,239	16,844	8,520	3.4	17,000	0.9	17,000	0.9
	OP	468	1,160	475	1.5	1,400	20.7	1,250	7.8
	OPM (%)	5.7	6.9	5.6	-0.1ppt	8.2	+1.3ppt	7.4	+0.5ppt
Medical and Precision Equipment	Sales	3,544	7,419	3,633	2.5	7,500	1.1	7,500	1.1
	OP	182	396	348	91.2	400	1.0	550	38.9
	OPM (%)	5.1	5.3	9.6	+4.5ppt	5.3	-0.0ppt	7.3	+2.0ppt

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

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 reviewed when deemed necessary.
- 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.

TAKEOVER DEFENCE PLAN

Nippo proposed to continue countermeasures against large-scale purchases of the company's shares (i.e., takeover defence plan "the Plan", which was initially introduced in April 2019) for shareholder approval at the 74th Ordinary General Meeting scheduled held on 24 June 2025. The renewal of the Plan was voted for at the June 2025 AGM, which will remain 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.

STRATEGY TO IMPROVE CORPORATE VALUE OVER THE MEDIUM TO LONG TERM

Nippo released medium to long term strategy to FY31. Principle policy is to shift sales split more to manufacturing from the current 50% to 67% of total sales by (1) establish Eco Products business as a new segment and (2) proactively allocating capital to investments on growth and human resources within net D/E ratio of 0.6x.

Although the details of the next MTP is yet to be disclosed, under the long-term strategy, Nippo identify the next medium-term to further enhance the scale and profitability by expanding business coverage. During the next year, Nippo aims to continuously achieve PBR of 1.0x through efficient BS management and improve profitability.

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