

NIPPO LTD. (9913 JP)**NEW MTP IS DESIGNED TO AIM FOR GROWTH BY GEARING TOWARDS MANUFACTURING FUNCTIONS****EXECUTIVE SUMMARY****➤ New MTP (FY26~FY28)**

Upon completion of Nippo's previous Mid-Term Plan [MTP] in FY25, the firm a new Mid-Term Plan [MTP] which covers the three-year period, between FY26~FY28. The new MTP has four basic strategies: (1) To continue to use consolidated OP and ROE as it's two key KPIs – as per the previous MTP, (2) Further promote business portfolio management, (3) Proactively expand investment on each segment's growth drivers, (4) Strengthen human capital management.

➤ Numerical KPIs over the 3-year period are as follows:

1. Nippo targets total OP of ¥6,500mil – FY26 ¥2,050mil / FY27 ¥2,150mil / FY28 ¥2,300mil – to generate a 3-year CAGR of +3.4%.
2. An average ROE [return on shareholder equity] of 12% (vs. capital cost of 7%) or more: This compares to the previous plan's average of 11.9% (capital cost of 9%). The primary reason for lower capital cost, despite likely rise in risk the free rate, reflects optimised capital structure and improved capital efficiency.
3. A dividend pay-out ratio of around 50%, along with sustainable profit growth. During the MTP, Nippo plans to pay an annual dividend of ¥79.00/share in FY26, ¥82.00/share in FY27 and ¥85.00/share in FY28.

➤ MTP per Segment:

Nippo has four business segment – Electronics, Mobility, Medical and Precision Devices and Eco Products – each of which has its own growth drivers.

Of the four, the Electronics segment is expected to see the highest growth, thanks to its exposure to key components related to generative AI, while management expects flattish growth in the Mobility segment on revised production volumes by OEM makers given the geopolitical risks in the Middle East. However, Nippo expects that mass production of brake parts at its domestic factories will likely commence during the MTP.

Nippo Ltd. (9913 JP): Share Information

Market Cap (¥mil)		34,000	Market Cap (\$mil)			215
22-day Average Trading Volume (¥mil)		10.0	22-day Average Trading Volume (\$mil)			0.06
Share performance (%)	9913	TOPIX	Earnings Summary (¥mil, %)	FY24	FY25	FY26CE
Share price (¥, 23 Oct 2026)	3,735	3,965.81	Sales	44,890	46,403	47,300
3mo (from 23 July 2026)	22.1	-2.2	OP	1,970	2,079	2,050
6mo (from 23 April 2026)	-3.2	6.7	OPM (%)	4.4	4.5	4.3
YTD (from 5 Jan 2026)	32.0	14.0	EBITDA	3,510	3,787	3,745
1yr	36.6	21.9	EPS (¥)	155.15	159.32	155.51
5yrs	456.6	98.1	Financial Leverage (X)	1.9	2.0	2.0*
Per-share and Valuations	9913	TOPIX	Net D/E Ratio (X)	N/A	N/A	N/A
EPS (¥, FY26CE)	155.51	235.53	FCF	1,093	-750	812*
DPS (¥, FY26CE)	79.00	34.69	Shareholder Return Summary	FY24	FY25	FY26CE
BPS (¥, FY26EST*)	2,060.51	N/A	Dividend (¥)	76.00	154.00	79.00
FCFPS (¥, FY26EST*)	88.97	N/A	Dividend Payout (%)	49.0	96.7	50.8
Forward PER (X)	24.02	16.96	Dividend Yield (%)	N/A	N/A	2.1
Forward PBR (X)	1.81	1.28	DOE (%)	4.4	8.1	3.8*
Forward PCFR (X)	41.98	N/A	Treasury Shares (%)	0.2	0.2	0.2*
EV/EBITDA (X)	8.58	N/A	ROE [return on shareholder equity] (%)	11.5	11.1	11.0*

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

STRATEGY TO IMPROVE CORPORATE VALUE OVER THE MEDIUM TO LONG TERM

Nippo initially released its long-term strategy, going out to FY31, on 5 November 2024, with the main aim of boosting its topline exposure 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 for growth and human resources within net D/E ratio of 0.6x.

Review of the Previous Medium-Term Plan (FY2023-FY2025)

Completed in FY25, the firm identified the last 3-year MTP as a transition period ahead of its shift to a new business model. KPIs under the FY23~FY25 MTP were as follows:

1. Generate consolidated total OP of ¥5,730mil vs the last plan's (FY20~FY22) total OP of ¥3,880mil. In the final year (FY25), Nippo targeted consolidated OP of ¥2,000mil (3-yr CAGR +1.5%).
2. ROE of 10.0%+ on average over three years vs previous plan's average of 7.3%.
3. Achieve a PBR of 1x by improving efficiency of the balance sheet and enhancing profitability. The firm also aimed to pay out approx. 50% of NP each year.

Nippo produced record OP over three consecutive years, achieving total OP of ¥5,960mil OP vs a target of ¥5,730mil, thanks primarily to:

1. Solid growth in AI-related PCB materials and growth in manufacturing businesses such as wafer polishing carriers in Electronics segment, and
2. A recovery in demand for auto parts in South-East Asia, including the mass production of anti-lock brake system [ABS] parts in Vietnam and cost reduction in the Korat (Thailand) factory.

As a result, in FY25, the firm achieved OP of ¥2,079mil (+5.5% YoY), which is above the milestone OP level of ¥2,000mil. However, Nippo failed to achieve an average ROE target of 10.0%, due to faster growth in equity capital than that of NP. In FY23, ROE was above 10% target at 10.7%, however, in FY24 and FY25, it was 8.9% and 8.3%, respectively.

Nippo Ltd. (9913 JP): NP and Equity Capital growth trend during the previous MTP period					
(¥mil, %)	FY22	MTP (FY23~FY25)			
		FY23	FY24	FY25	3-yr CAGR
OP	1,912	1,918	1,970	2,079	2.8
NP	1,269	1,457	1,396	1,441	4.3
Shareholder Equity	10,603	11,799	12,554	13,334	7.9
incl. Retained Earnings	6,995	8,152	8,875	9,624	N/A
Comprehensive Income	2,495	2,523	2,379	2,124	N/A
Equity Capital	12,531	14,793	16,530	18,003	12.8
ROE (%)	11.1	10.7	8.9	8.3	N/A
Source: Nippon-IBR based on Nippo's earnings results materials					

The dividend pay-out target was 50%, with Nippo paying ¥74.00/share (45.5% pay-out) in FY23, ¥76.00/share (49.0%) in FY24 and ¥154.00/share (96.7%) including ¥76.00/share special dividend in FY25.

NEW MEDIUM-TERM PLAN [MTP] FY26~FY28

Nippo released its new MTP that covers the three-year period between FY26~FY28 and encompasses four basic strategies:

1. **Achieve the plan's numerical targets:** As per the previous plan, OP and ROE will remain the two KPIs, though for ROE, the firm uses shareholder equity as denominator instead of equity capital which was the denominator during the previous MTP.
2. **Further promote business portfolio management:** Nippo aims to proactively allocate its resources to businesses which demonstrate high growth opportunities and profitability so as to realise sustainable growth.
3. **Growth investment:** Nippo continues to expand its manufacturing capabilities by proactively investing in growing businesses in each segment as well as the new Eco Products segment. The firm aims to realise higher than capital cost in those businesses.
4. **Strengthen human capital management:** Nippo aims to enhance enterprise value through strengthening human resources that creates unique value and investing on those that improve productivity.

Numerical KPIs

- Over the MTP, Nippo is targeting total OP of ¥6,500mil – FY26 ¥2,050mil / FY27 ¥2,150mil / FY28 ¥2,300mil – to generate a 3-year CAGR of +3.4%.
- Return on shareholder equity of 12% (vs. capital cost of 7%) or more on average vs the previous plan's average of 11.9% (capital cost of 9%). The lower capital cost under the current MTP, despite a likely rise in the risk-free rate, primarily reflects an optimised capital structure and improved capital efficiency.
- A dividend pay-out ratio of 50%, along with sustainable profit growth. During the MTP, Nippo plans to pay an annual dividend of ¥79.00/share in FY26, ¥82.00/share in FY27 and ¥85.00/share in FY28.

CAPITAL ALLOCATION UNDER THE CURRENT MTP

Under the new MTP, capital allocation policy will be as follows:

Cash Inflows:

- Operating cash flow [OCF] will be enhanced by proactively allocating management resources and to control the level of working capital within around ¥5,000mil.
- Utilise interest-bearing debt.

Cash Outflows:

The cash generated will be allocated to:

- Growth investment of approx. ¥4,000mil (please refer to the diagram on the following page)
- Maintenance CAPEX within the level of depreciation.
- Shareholder returns with basic principle of annual dividend pay-out ratio of around 50%.

Main Uses of Growth Investments			Planned Framework
Investment aimed at expanding manufacturing business	Electronics	- Increasing production capacity for wafer polishing carriers - Development of in-house planned products (process jigs)	Planned framework for growth investments: 4bJPY + α
	Mobility	- Increasing production capacity for fuel injection components - Adding production lines for new brake components	
	Medical and precision devices	- Development of medical equipment modules - Automation equipment	
	Eco products	- Development of hydrogen energy-related products - Preparation for launching metal-air battery-related businesses	
Investments in the growth foundation		- Additional R&D facilities and equipment - DX investment (Use of IoT/AI at factories, etc.), and others	
M&A, alliances, etc.		When making investments necessary to strengthen functions in each segment other than those above, we will invest flexibly based on the financial discipline established in Long-term Management Goal 2031.	

Source: Nippo Ltd "Medium-Term Management Plan 2028", 24 August 2026

Optimal business portfolio

Management have identified growth drivers in each segment, to which the firm will proactively allocate investable capital, as per below. Nippo plans to shrink or withdraw from businesses which do not contribute or will likely gradually contribute less to OP growth.

■ Allocate management resources to the core and growth businesses of each segment			
	Growth Drivers	Initiatives in Core and Growth Businesses	
Electronics	Generative AI-related demand × Semiconductor and wiring board materials	- Ensuring a stable supply of semiconductor materials and wiring board materials - Strengthening the manufacturing business - Increasing production capacity for the wafer polishing carrier business - Expanding the lineup of the film processing business, etc.	
Mobility	Responding to the multi-pathway approach (continued use of internal combustion engines) + brake-related components	- Meeting demand for fuel injection components by adjusting the production layout - Expanding mass production of new components for regenerative cooperative braking and ABS - Developing key modules in the CASE field (sensor-related and electromagnetic control-related)	
Medical and Precision Devices	New customer development × Development of key modules for medical equipment	- Expanding new orders for disposable medical products - Expanding orders for units for medical robots - Developing biocompatible materials	
Eco Products	LIMEX pellets, an environmentally friendly material + Business development related to metal-air batteries	- Mass production of LIMEX pellets at the Vietnam Factory - Expanding sales of hydrogen energy-related merchandise and developing electrodes for metal-air batteries and next-generation metal-air batteries	

Source: Nippo Ltd "Medium-Term Management Plan 2028", 24 August 2026

MTP PER SEGMENT

As noted above, Nippo has four business segment each of which has growth drivers.

Electronics Segment [FY28 OP of ¥2,050mil (3-yr CAGR of +4.9%) on sales of ¥24,300mil (3-yr CAGR of +4.1%)]

Nippo aims to become a process components maker essential to the development of electronics components by expanding its own manufacturing capabilities as well as through alliances. The firm has two initiatives for growth in existing businesses:

1. Continue to provide technical proposals for semiconductor and circuit board materials given further growth in the generative AI market.
2. Expanding manufacturing business by (a) enhancing its production capacity of wafer polishing carriers at the Okinawa Factory and raising utilisation of the Hiroshima Factory, and (b) expanding the dry film slitting business by increasing the line-up from high-end films to mass-market products.

Currently, sales associated with AI, mainly circuit board materials, reached over 30% of the segment sales, which might become a risk if there were supply shortage.

Mobility [FY28 OP of ¥1,200mil (3-yr CAGR of +1.1%) on sales of ¥18,200mil (3-yr CAGR of +1.0%)]

In order to become a key module maker essential for the development of electrification and autonomous drive technology, Nippo has three growth initiatives:

1. Given continued demand for internal combustion engine [ICE] vehicles, Nippo plans to adjust the production layout of its facilities and further improve production yields.
2. Mass production of new products such as brake parts and heat pumps. These products are less affected by power sources (engine or motor); therefore, will likely secure growth even in the environment in which the sector follows multi-pathway strategy.
3. Expand automation through planned in-house equipment and promote data-driven operations. Nippo started mass production of two core mobility products – brake parts in Vietnam and heat pumps in Thailand. In brake parts, the firm manufactures ABS parts for motorcycles. Competitors include in-house production of motorcycle makers and mega suppliers. Nippo's strength lies in its ability to offer tailor-made parts to meet requirements by customers. The slower-than-expected shift to EVs is positive for Nippo because 70~80% of sales of some parts are associated with ICEs. However, the firm remains conservative on the outlook, reflecting production volume revisions by OEM makers given the geopolitical risks in the Middle East. However, Nippo expects that mass production of brake parts at its domestic factories will likely commence during the new MTP.

Medical and Precision Devices [FY28 OP of ¥750mil (3-yr CAGR of +2.0%) on sales of ¥7,700mil (3-yr CAGR of +1.8%)]

In this segment, Nippo aims to transform from being an OEM maker (manufacturing only) to ODM maker (from design to manufacturing) in medical equipment business. The firm has the following initiatives for growth:

1. Stable quality of medical equipment mass production at the Korat and Inazawa factories and stable sourcing of components.
2. Begin mass production of new products in medical devices parts and medical robot parts.
3. Continue to reduce production costs and improve profitability by optimal allocation of production resources including labour.

Nippo aims to scale up the Medical Equipment business by becoming an ODM maker for the market for ODMs is larger. However, it takes time to secure sufficient manpower on its own. Therefore, Nippo considers M&A for enhancing its design and development capabilities in the medical devices business.

Eco Products – a New Business

In this segment, Nippo aims to become a leading maker of niche components that contribute to improvement in ecology. There are three initiatives, however, the firm is yet to release FY28 segment earnings forecast.

1. Get the contract manufacturing of LIMEX pellets (TBM) at the Vietnam Factory on track.
2. Acquire new customers and expand orders for hydrogen energy-related materials.
3. The co-development of products and contract manufacturing with AZUL Energy, a Tohoku University venture [unlisted]. For example, (1) co-develop of electrode for water electrolysis, fuel cells and air battery, (2) co-develop of next generation air battery with high performance and high safety, (3) prepare for contract production of those products.

Nippo Ltd. (9913 JP): Target by segment (values for 3-year plan)						
(¥mil)		Results	Plan			
		FY25	FY26	FY27	FY28	3-yr CAGR
Electronics	Sales	21,556	23,000	23,500	24,300	4.1%
	OP	1,775	1,880	1,930	2,050	4.9%
	OPM (%)	8.2	8.2	8.2	8.4	N/A
Mobility	Sales	17,676	17,000	17,500	18,200	1.0%
	OP	1,162	1,110	1,150	1,200	1.1%
	OPM (%)	6.6	6.5	6.6	6.6	N/A
Medical and Precision Devices	Sales	7,305	7,500	7,600	7,700	1.8%
	OP	706	700	720	750	2.0%
	OPM (%)	9.7	9.3	9.5	9.7	N/A
Company-wide expenses and other adjustment	Sales	-120	-200	-200	-200	N/A
	OP	-1,560	-1,640	-1,650	-1,700	N/A
Consolidated Total	Sales	46,403	47,300	48,400	50,000	2.5%
	OP	2,079	2,050	2,150	2,300	3.4%
	OPM (%)	4.5	4.3	4.4	4.6	N/A
3-year cumulative operating profit					6,500	N/A
*The planned figures for Eco Products through FY28 have only a minor impact, so they are included in the planned figures for the other segments						
Source: Nippon-IBR based on Nippo Ltd.'s "Medium-Term Management Plan 2028", 24 August 2026						

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