

## Company Report

May 13, 2024

Strategy Advisors, Inc.  
Team Research



## Q1 results exceeded 1H profit initial estimates. Significant upward revision and sales of a subsidiary announced

After the market close on May 10, Noritsu Koki (the company) announced its Q1 results for FY12/24. Q1 results exceeded the company's initial 1H profit estimates. The decline in Teibow's sales and profit offset by significant increases in sales and profits of AlphaTheta and JLab. The company upwardly revised its 1H and full-year estimates on May 10, which are still conservative. On April 30, the company announced that it would transfer all shares of its consolidated subsidiary PreMedica, to MEDIPAL HOLDINGS CORPORATION (7459 TSE Prime) by the end of May 2024 (transfer price: ¥3.8 billion).

Q1 results showed a significant increase in both revenue and profits, with revenue of ¥27,304 million (+56.9% YoY), EBITDA of ¥7,847 million (+207.5% YoY), operating profit of ¥7,640 million (+278.2% YoY), pretax profit of ¥7,657 million (+319.5% YoY), and net profit of ¥5,235 million (+398.1% YoY). Q1 progress rates against the company's full-year new estimates (revised on May 10) for revenue, operating profit, pretax profit, and net profit are 26.4%, 47.8%, 49.7%, and 50.8%, respectively. Q1 progress rates against its 1H new estimates (revised on May 10) are 54.6%, 84.0%, 87.0%, and 90.3%, respectively. The company's new estimates are still conservative for both 1H and full year.

By individual company, Teibow posted lower revenue and profits YoY, while AlphaTheta and JLab posted large increases in revenue and profits YoY. Forex rates (on average) were ¥148.6 to the USD, a depreciation of ¥16.3 YoY, and ¥161.3 to the EUR, a depreciation of ¥19.2 YoY, which positively affected the earnings of AlphaTheta and JLab, which trade mostly in USD and EUR. The weaker yen has a positive impact on operating profit for the group as a whole.

The company aims for operating EBITDA margin of 20% (OP margin of 15 %) or more. The company aims to allocate surplus cash assets to growth investments, and improve ROE by increasing capital efficiency through expansion of existing and development of new areas of business. Once PBR0.5x and ROE improves by the company's shareholder return measures, stock price will likely test its post-IPO high.

### Stock price and trading volume for the past year



Source: Strategy Advisors

### Key Indicators

Stock Price (2024/5/10, closing)	3,160
Yea-to-date High (2024/1/22)	3,450
Yea-to-date Low (2024/2/14)	2,860
52-week high (2024/1/22)	3,450
52-week low (2023/2/17)	2,068
Number of Shares Issued (mn)	35.7
Market capitalization (¥ bn)	112.8
EV (¥ bn)	85.1
Shareholders equity ratio	73.5%
FY12/2024 PER (CoE, Times)	10.9
FY12/2023 PBR (Actual, Times)	0.5
FY12/2024 Dividend Yields (CoE)	3.7%

Source: Strategy Advisors

Note: Stock price in yen

## IFRS - Consolidated

FY end	Revenue (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	Pretax Profit (¥ mn)	前期比 (%)	NP (¥ mn)	YoY (%)	EPS (Yen)	DPS (Yen)	PER (x)
FY12/2022	73,515	34.9%	1,262	-79.2%	3,944	-25.8%	101,548	1885.3%	2,848.5	152.0	1.1
FY12/2023	91,552	24.5%	14,462	1046.0%	13,747	248.6%	10,210	-89.9%	285.9	115.0	11.1
FY12/2024 Q1	27,304	56.9%	7,640	278.2%	7,657	319.5%	5,235	397.7%	146.7	-	-
FY12/2024 Q2 CoE new	22,696	-5.7%	1,460	-72.7%	1,143	-78.8%	565	-83.4%	15.8	-	-
FY12/2024 1H CoE old	45,000	8.5%	5,700	-22.6%	5,400	-25.1%	3,700	-16.9%	103.7	58.0	-
FY12/2024 1H CoE new	50,000	20.6%	9,100	23.6%	8,800	22.0%	5,800	30.2%	162.5	58.0	-
FY12/2024 2H CoE old	52,600	5.0%	7,700	8.5%	7,400	13.3%	4,900	-14.6%	-	-	-
FY12/2024 2H CoE new	53,500	6.8%	6,900	-2.8%	6,600	1.0%	4,500	-21.6%	-	-	-
FY12/2024 CoE old	97,600	6.6%	13,400	-7.3%	12,800	-6.9%	8,600	-15.8%	241.0	116.0	13.1
FY12/2024 CoE new	103,500	13.1%	16,000	10.6%	15,400	12.0%	10,300	0.9%	288.7	116.0	10.9

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## 1. Results for Q1 and FY12/2024 performance trends

### Results for Q1 FY12/2024

After the market close on May 10, the company announced its Q1 results for FY12/24, showing a significant increase in both revenue and profits, with revenue of ¥27,304 million (+56.9% YoY), EBITDA of ¥7,847 million (+207.5% YoY), operating profit of ¥7,640 million (+278.2% YoY), pretax profit of ¥7,657 million (+319.5% YoY), and net profit of ¥5,235 million (+398.1% YoY). Profits exceeded the company's 1H estimates at the beginning of the period. The company revised up its 1H and full-year estimates significantly on May 10. Q1 progress rates against the company's full-year new estimates (revised on May 10) for revenue, operating profit, pretax profit, and net profit are 26.4%, 47.8%, 49.7%, and 50.8%, respectively. Q1 progress rates against its 1H new estimates (revised on May 10) are 54.6%, 84.0%, 87.0%, and 90.3%, respectively. The company's new estimates are still conservative for both 1H and full-year.

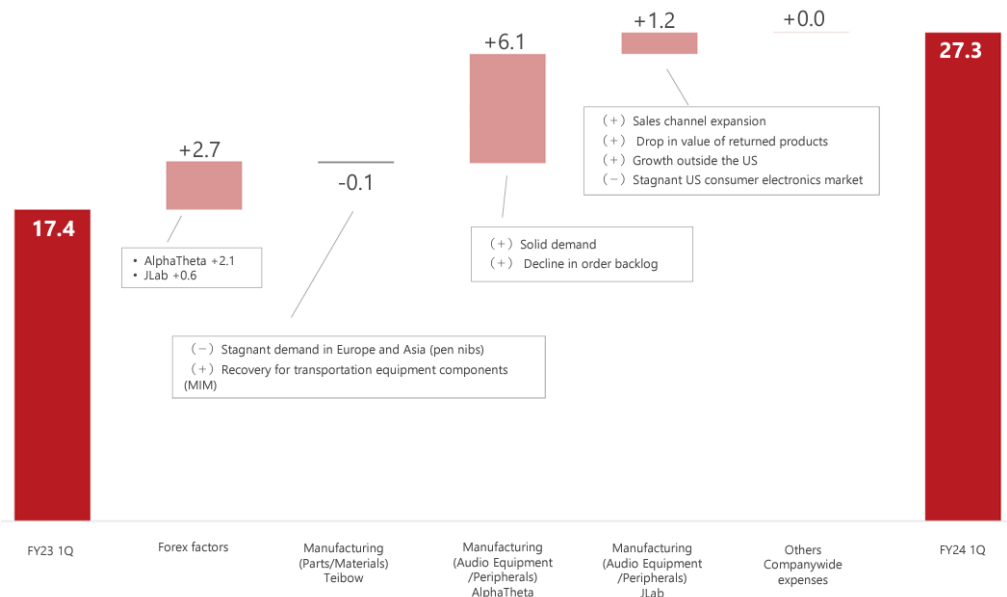
### Revenue increase/decrease YoY analysis

By individual company, Teibow posted lower revenue and profits YoY, while AlphaTheta and JLab posted large increases in revenue and profits YoY (Figure 4). Forex rates (on average) were ¥148.6 to the USD, a depreciation of ¥16.3 YoY, and ¥161.3 to the EUR, a depreciation of ¥19.2 YoY, which positively affected the earnings of AlphaTheta and JLab, which trade mostly in USD and EUR. The weaker yen has a positive impact on operating profit for the group as a whole.

The revenue decline YoY at Teibow was due to the stagnant European, American, and Asian markets (writing instruments and cosmetics) not being offset by a recovery in transportation equipment parts (MIM), resulting in a -¥0.1 billion YoY in revenue. AlphaTheta and JLab posted a +¥2.1 billion and +¥0.6 billion YoY in revenue, respectively, due to the impact of weaker yen. AlphaTheta's revenue increased by ¥6.1 billion YoY due to strong demand and a decrease in order backlog. JLab also posted an increase of revenue by ¥1.2 billion, offsetting the impact of the stagnation in the U.S. consumer electronics retail market, thanks to channel expansion, a decrease in returns, and growth outside the U.S. market. The increase in AlphaTheta's shipments and the decrease in JLab's returns may be partially due to the anticipatory effect.

## Analysis of revenue increase/decrease YoY

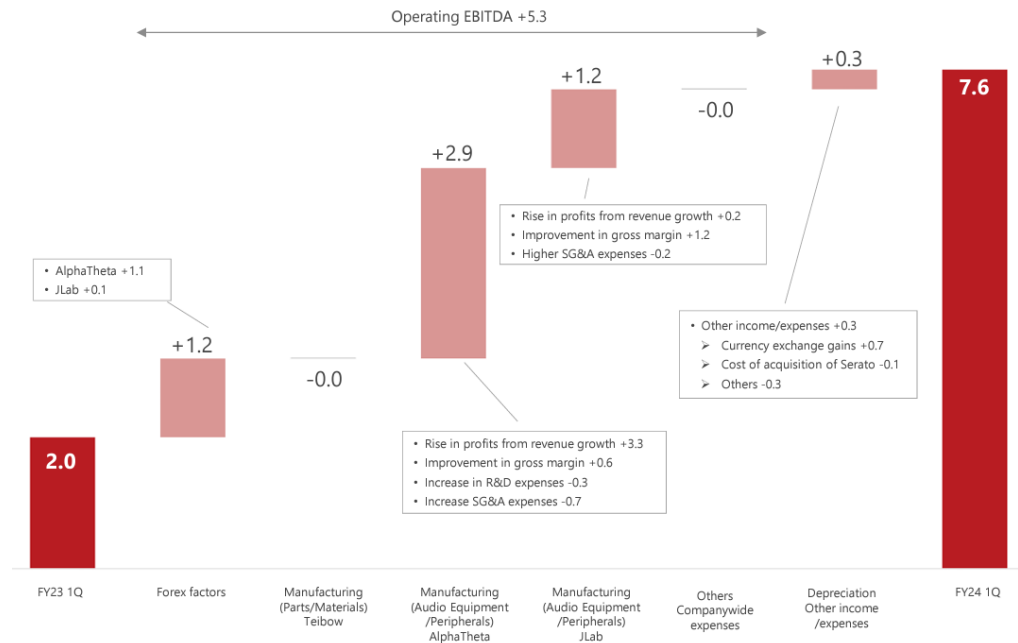
Figure 1. Analysis of revenue increase/decrease YoY



Source: Company data

## Analysis of operating profit increase/decrease YoY

Figure 2. Analysis of operating profit increase/decrease YoY



Source: Company data

## Outlook for FY12/2024 Upward revision

The company upwardly revised its 1H and full-year estimates for FY12/2024 on May 10, reflecting business progress in Q1 and a review of assumed forex rates. EBITDA of ¥21.0 billion (+17.5% YoY), operating profit of ¥16.0 billion

(+10.6% YoY), pretax profit of ¥15.4 billion (+12.0% YoY), and net profit ¥10.3 billion (+1.0% YoY). The assumed average forex rates are ¥145.9 to the USD (+¥5.3 depreciation YoY) and ¥158.8 to the EUR (+¥6.8 depreciation YoY); the acquisition of Serato and the sale of PreMedica are not reflected in the estimates because their deals have not yet been closed. The dividend forecast remains unchanged at this time, although the dividend payout ratio target of 40% or more will remain unchanged. The conservative mid-term management plan targets are subject to revision.

## The breakdown of changes (increase/decrease) in revenue YoY

The breakdown of changes (increase/decrease) YoY in revenue is expected to be forex impact +¥3.1 billion (AlphaTheta +¥2.0 billion, JLab +¥1.1 billion), Teibow +¥0.6 billion, AlphaTheta +¥6.1 billion, JLab +¥2.1 billion, and others +¥0.1 billion.

## Operating profit changes YoY

The breakdown of changes YoY in operating profit is as follows. Forex +¥1.0 billion (AlphaTheta +¥0.9 billion, JLab up ¥0.1 billion), Teibow +¥0.3 billion (revenue increase effect +¥0.2 billion, gross profit margin improvement +¥0.3 billion, SG&A expense increase -¥0.2 billion), AlphaTheta +¥1.1 billion (revenue increase effect +¥3.2 billion, gross profit margin improvement +¥1.5 billion, R&D expenses increase -¥0.9 billion, SG&A expenses increase -¥2.7 billion), JLab +¥0.6 billion (revenue increase effect +¥0.5 billion, gross profit margin improvement +¥1.8 billion, SG&A expenses increase -¥1.7 billion), and amortization expense, other income and expenses increase -¥1.5 billion (depreciation expenses increase -¥0.2 billion, forex loss by -¥1.0 billion, and Serato acquisition-related costs -¥0.3 billion).

## Net profit changes YoY

The breakdown of changes in net profit is as follows. Operating profit -¥1.6 billion, compared to the valuation loss on equity method stocks for FY12/23 +¥0.6 billion, financial balance -¥0.5 billion, corporate income tax expense -¥1.6 billion (estimated differences in tax effects, etc. -¥1.0bn, etc.).

## Conservative company's estimates

The company's new estimates (revised on May 10) is conservative, taking into account uncertainties in Q2 and beyond. However, considering the weaker-than-expected yen, the estimates for lower sales and profits in Q2 and 2H are still considered conservative.

### Figure 3. Quarterly performance trends

Quarterly Financial Results (¥ mn, %) (Cumulative)	FY12/2022				FY12/2023				FY12/2024	Progress rate		FY12/2024	
	Q1	Q1-2	Q1-3	Q1-4	Q1	Q1-2	Q1-3	Q1-4	Q1	vs 1H CoE	vs FY CoE	1H CoE	FY CoE
Revenue	14,224	31,536	49,662	73,515	17,398	41,469	65,789	91,552	27,304	54.6%	26.4%	50,000	103,500
YoY	37.6%	34.0%	34.4%	34.9%	22.3%	31.5%	32.5%	24.5%	56.9%			20.6%	13.1%
Cost of sales	8,047	18,352	29,794	43,986	10,191	23,454	36,277	50,480	13,308				
YoY	75.0%	62.2%	58.3%	48.0%	26.6%	27.8%	21.8%	14.8%	30.6%				
Cost of sales ratio	56.6%	58.2%	60.0%	59.8%	58.6%	56.6%	55.1%	55.1%	48.7%				
Gross profit	6,176	13,184	19,867	29,529	7,207	18,014	29,511	41,072	13,996				
YoY	7.6%	7.9%	9.6%	19.2%	16.7%	36.6%	48.5%	39.1%	94.2%				
Gross profit margin	43.4%	41.8%	40.0%	40.2%	41.4%	43.4%	44.9%	44.9%	51.3%				
SG&A	4,708	10,211	16,041	22,406	5,702	12,085	19,013	27,595	7,217				
YoY	32.2%	30.3%	28.7%	25.6%	21.1%	18.4%	18.5%	23.2%	26.6%				
SG&A ratio to revenue	33.1%	32.4%	32.3%	30.5%	32.8%	29.1%	28.9%	30.1%	26.4%				
Operating profit	1,700	3,267	4,227	1,262	2,020	7,365	12,522	14,462	7,640	84.0%	47.8%	9,100	16,000
YoY	-27.1%	-9.4%	-10.8%	-79.2%	18.8%	125.4%	196.2%	1046.0%	278.2%			23.6%	10.6%
OP margin	12.0%	10.4%	8.5%	1.7%	11.6%	17.8%	19.0%	15.8%	28.0%			18.2%	15.5%
Profit before tax	2,050	4,746	7,970	3,944	1,825	7,214	12,264	13,747	7,657	87.0%	49.7%	8,800	15,400
YoY	41.8%	110.7%	119.1%	-25.8%	-11.0%	52.0%	53.9%	248.6%	319.6%			22.0%	12.0%
Pretax profit margin	14.4%	15.0%	16.0%	5.4%	10.5%	17.4%	18.6%	15.0%	28.0%			17.6%	14.9%
Profit attributable to owners of parent	100,163	101,121	102,928	101,554	1,051	4,454	7,842	10,199	5,235	90.3%	50.8%	5,800	10,300
YoY	-	-	-	-	-99.0%	-95.6%	-92.4%	-90.0%	398.1%			30.2%	1.0%
NP margin	704.2%	320.7%	207.3%	138.1%	6.0%	10.7%	11.9%	11.1%	19.2%			11.6%	10.0%
Operating EBITDA	2,486	5,049	6,980	11,367	2,552	8,046	13,748	17,875	7,847	67.6%	37.4%	11,600	21,000
YoY	-16.1%	-17.4%	-17.0%	5.8%	2.7%	59.4%	97.0%	57.3%	207.5%			44.2%	17.5%
EBITDA margin	17.5%	16.0%	14.1%	15.5%	14.7%	19.4%	20.9%	19.5%	28.7%			23.2%	20.3%
Cumulative quarter average forex rate (¥/USD)	116.2	122.9	128.1	131.4	132.3	134.9	138.1	140.6	148.6			146.8	145.9
Cumulative quarter average forex rate (¥/EUR)	130.4	134.3	136.0	138.0	142.1	145.8	149.6	152.0	161.3			159.7	158.8
Cumulative quarter average forex rate (¥/CNY)	18.3	18.9	19.3	19.5	19.3	19.5	19.6	19.8	20.6				
Quarter-end forex rate (¥/USD)	122.4	136.7	144.8	132.7	133.5	145.0	149.6	141.8	151.4			145.0	145.0
Quarter-end forex rate (¥/EUR)	136.7	142.7	142.3	141.5	145.7	157.6	158.0	157.1	163.2			158.0	158.0
Quarter-end forex rate (¥/CNY)	19.3	20.4	20.4	19.0	19.4	19.9	20.5	19.9	20.8				
Quarterly Financial Results (¥ mn, %) (3 months)	FY12/2022				FY12/2023				FY12/2024				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1				
Revenue	14,224	17,312	18,126	23,853	17,398	24,071	24,320	25,763	27,304				
YoY	37.6%	31.2%	35.1%	36.0%	22.3%	39.0%	34.2%	8.0%	56.9%				
Cost of sales	8,047	10,305	11,442	14,192	10,191	13,263	12,823	14,203	13,308				
YoY	75.0%	53.5%	52.3%	30.3%	26.6%	28.7%	12.1%	0.1%	30.6%				
Cost of sales ratio	56.6%	59.5%	63.1%	59.5%	58.6%	55.1%	52.7%	55.1%	48.7%				
Gross profit	6,176	7,008	6,683	9,662	7,207	10,807	11,497	11,561	13,996				
YoY	7.6%	8.2%	13.2%	45.5%	16.7%	54.2%	72.0%	19.7%	94.2%				
Gross profit margin	43.4%	40.5%	36.9%	40.5%	41.4%	44.9%	47.3%	44.9%	51.3%				
SG&A	4,708	5,503	5,830	6,365	5,702	6,383	6,928	8,582	7,217				
YoY	32.2%	28.7%	26.1%	18.4%	21.1%	16.0%	18.8%	34.8%	26.6%				
SG&A ratio to revenue	33.1%	31.8%	32.2%	26.7%	32.8%	26.5%	28.5%	33.3%	26.4%				
Operating profit	1,700	1,567	960	-2,965	2,020	5,345	5,157	1,940	7,640				
YoY	-27.1%	23.0%	-15.3%	-	18.8%	241.1%	437.2%	-	278.2%				
OP margin	12.0%	9.1%	5.3%	-	11.6%	22.2%	21.2%	7.5%	28.0%				
Profit before tax	2,050	2,696	3,224	-4,026	1,825	5,389	5,050	1,483	7,657				
YoY	41.8%	234.1%	132.9%	-	-11.0%	99.9%	56.6%	-	319.6%				
Pretax profit margin	14.4%	15.6%	17.8%	-	10.5%	22.4%	20.8%	5.8%	28.0%				
Profit attributable to owners of parent	100,163	958	1,807	-1,374	1,051	3,402	3,388	2,357	5,235				
YoY	7830.6%	141.3%	197.2%	-	-99.0%	255.1%	87.5%	-	398.1%				
NP margin	704.2%	5.5%	10.0%	-	6.0%	14.1%	13.9%	9.1%	19.2%				
Operating EBITDA	2,486	2,563	1,931	4,387	2,552	5,494	5,702	4,127	7,847				
YoY	-16.1%	-18.5%	-16.1%	88.5%	2.7%	114.4%	195.3%	-5.9%	207.5%				
EBITDA margin	17.5%	14.8%	10.7%	18.4%	14.7%	22.8%	23.4%	16.0%	28.7%				
Quarter average forex rate (¥/USD)	116.2	129.6	138.4	141.0	132.3	137.4	144.6	147.9	148.6				
Quarter average forex rate (¥/EUR)	130.4	138.1	139.3	144.3	142.1	149.5	157.3	159.1	161.3				
Quarter average forex rate (¥/CNY)	18.3	19.6	20.2	19.9	19.3	19.6	19.9	20.4	20.6				

Source: Strategy Advisors – Based on Company Data

Note: Rounded under ¥ mn. Rounded to one decimal place

## Figure 4. Quarterly performance trends by business segment

Segment Breakdown (¥ mn, %) (Cumulative)	FY12/2022				FY12/2023				FY12/2024	Progress rate		FY12/2024	
	Q1	Q1-2	Q1-3	Q1-4	Q1	Q1-2	Q1-3	Q1-4	Q1	vs 1H CoE	vs FY CoE	1H CoE	FY CoE
Revenue	14,224	31,536	49,662	73,515	17,398	41,469	65,789	91,552	27,304	54.6%	26.4%	50,000	103,500
YoY	37.6%	34.0%	34.4%	34.9%	22.3%	31.5%	32.5%	24.5%	56.9%			20.6%	13.1%
Manufacturing (Parts/Materials)	3,062	6,298	9,452	12,717	2,856	5,808	8,750	11,781	2,713	46.0%	21.9%	5,900	12,400
YoY	7.3%	5.8%	3.6%	3.5%	-6.7%	-7.8%	-7.4%	-7.4%	-5.0%			1.6%	5.3%
Writing Instruments	1,988	4,235	6,237	8,249	1,829	3,684	5,585	7,519	1,778				
Cosmetics	415	783	1,269	1,706	371	764	1,115	1,442	253				
MIM	554	1,083	1,648	2,297	522	1,099	1,634	2,251	531				
Others	103	195	296	464	132	261	414	567	150				
Manufacturing (Audio Equipment/Peripherals)	10,895	24,673	39,299	59,516	14,211	34,984	55,971	78,270	24,208	55.9%	27.0%	43,300	89,500
YoY	50.5%	44.3%	45.2%	44.8%	30.4%	41.8%	42.4%	31.5%	70.3%			23.8%	14.3%
AlphaTheta	8,462	16,820	24,577	36,362	10,718	25,184	39,161	51,930	18,934	60.5%	31.6%	31,300	60,000
YoY	16.9%	18.0%	24.2%	37.2%	26.7%	49.7%	59.3%	42.8%	76.7%			24.3%	15.5%
JLab	2,433	7,853	14,722	23,154	3,493	9,800	16,810	26,340	5,274	44.0%	17.9%	12,000	29,500
YoY	-	176.5%	102.5%	58.6%	43.6%	24.8%	14.2%	13.8%	51.0%			22.4%	12.0%
Others	266	565	909	1,282	331	675	1,066	1,500	382	47.8%	23.9%	800	1,600
Operating EBITDA	2,486	5,049	6,980	11,367	2,552	8,046	13,748	17,875	7,847	67.6%	37.4%	11,600	21,000
YoY	-16.1%	-17.4%	-17.0%	5.8%	2.7%	59.4%	97.0%	57.3%	207.5%			44.2%	17.5%
EBITDA margin	17.5%	16.0%	14.1%	15.5%	14.7%	19.4%	20.9%	19.5%	28.7%			23.2%	20.3%
Manufacturing (Parts/Materials)	791	1,853	2,774	3,718	650	1,522	2,323	3,198	596	37.3%	17.0%	1,600	3,500
YoY	-18.0%	-13.7%	-15.0%	-11.2%	-17.8%	-17.9%	-16.3%	-14.0%	-8.3%			5.1%	9.4%
EBITDA margin	25.8%	29.4%	29.3%	29.2%	22.8%	26.2%	26.5%	27.1%	22.0%			27.1%	28.2%
Manufacturing (Audio Equipment/Peripherals)	1,899	3,578	4,722	8,234	2,081	6,938	12,050	15,814	7,436	70.2%	40.0%	10,600	18,600
YoY	-10.4%	-16.2%	-15.1%	16.4%	9.6%	93.9%	155.2%	92.1%	257.3%			52.8%	17.6%
EBITDA margin	17.4%	14.5%	12.0%	13.8%	14.6%	19.8%	21.5%	20.2%	30.7%			24.5%	20.8%
AlphaTheta	2,443	3,897	4,699	6,897	2,659	7,053	11,275	13,352	6,707	72.1%	43.6%	9,300	15,400
YoY	15.3%	-5.7%	-6.5%	21.6%	8.8%	81.0%	139.9%	93.6%	152.2%			31.9%	15.3%
EBITDA margin	28.9%	23.2%	19.1%	19.0%	24.8%	28.0%	28.8%	25.7%	35.4%			29.7%	25.7%
JLab	-543	-318	23	1,337	-577	-115	775	2,462	728	56.0%	22.8%	1,300	3,200
YoY	-	-	-95.7%	-4.8%	-	-	-	84.1%	-			-	30.0%
EBITDA margin	-22.3%	-4.0%	0.2%	5.8%	-16.5%	-1.2%	4.6%	9.3%	13.8%			10.8%	10.8%
Others	42	95	180	272	55	77	120	178	42			-600	-1,100
HQ expenses	-246	-478	-696	-858	-235	-491	-745	-1,316	-228				
Segment Breakdown (¥ mn, %) (3 months)	FY12/2022				FY12/2023				FY12/2024				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1				
Revenue	14,224	17,312	18,126	23,853	17,398	24,071	24,320	25,763	27,304				
YoY	37.6%	31.2%	35.1%	36.0%	22.3%	39.0%	34.2%	8.0%	56.9%				
Manufacturing (Parts/Materials)	3,062	3,236	3,154	3,265	2,856	2,952	2,942	3,031	2,713				
YoY	7.3%	4.4%	-0.5%	3.3%	-6.7%	-8.8%	-6.7%	-7.2%	-5.0%				
Writing Instruments	1,988	2,246	2,002	2,011	1,829	1,854	1,901	1,933	1,778				
Cosmetics	415	368	485	436	371	392	351	327	253				
MIM	554	528	564	649	522	576	535	616	531				
Others	103	91	101	167	132	128	152	155	150				
Manufacturing (Audio Equipment/Peripherals)	10,895	13,778	14,626	20,217	14,211	20,773	20,987	22,299	24,208				
YoY	50.5%	39.8%	46.8%	43.9%	30.4%	50.8%	43.5%	10.3%	70.3%				
AlphaTheta	8,462	8,358	7,757	11,785	10,718	14,466	13,977	12,768	18,934				
YoY	16.9%	19.1%	40.2%	75.3%	26.7%	73.1%	80.2%	8.3%	76.7%				
JLab	2,433	5,420	6,869	8,432	3,493	6,307	7,010	9,530	5,274				
YoY	-	90.8%	55.1%	15.1%	43.6%	16.4%	2.1%	13.0%	51.0%				
Others	266	299	344	373	331	344	391	433	382				
Operating EBITDA	2,486	2,563	1,931	4,387	2,552	5,494	5,702	4,127	7,847				
YoY	-16.1%	-18.5%	-16.1%	88.5%	2.7%	114.4%	195.3%	-5.9%	207.5%				
EBITDA margin	17.5%	14.8%	10.7%	18.4%	14.7%	22.8%	23.4%	16.0%	28.7%				
Manufacturing (Parts/Materials)	791	1,062	921	944	650	872	801	875	596				
YoY	-18.0%	-10.2%	-17.4%	2.4%	-17.8%	-17.9%	-13.0%	-7.3%	-8.3%				
EBITDA margin	25.8%	32.8%	29.2%	28.9%	22.8%	29.5%	27.2%	28.9%	22.0%				
Manufacturing (Audio Equipment/Peripherals)	1,899	1,679	1,144	3,512	2,081	4,857	5,112	3,764	7,436				
YoY	-10.4%	-21.9%	-11.3%	131.5%	9.6%	189.3%	346.9%	7.2%	257.3%				
EBITDA margin	17.4%	12.2%	7.8%	17.4%	14.6%	23.4%	24.4%	16.9%	30.7%				
AlphaTheta	2,443	1,454	802	2,198	2,659	4,394	4,222	2,077	6,707				
YoY	15.3%	-27.8%	-9.9%	239.7%	8.8%	202.2%	426.4%	-5.5%	152.2%				
EBITDA margin	28.9%	17.4%	10.3%	18.7%	24.8%	30.4%	30.2%	16.3%	35.4%				
JLab	-543	225	341	1,314	-577	462	890	1,687	728				
YoY	-	67.9%	-15.0%	51.2%	-	105.3%	161.0%	28.4%	-				
EBITDA margin	-22.3%	4.2%	5.0%	15.6%	-16.5%	7.3%	12.7%	17.7%	13.8%				
Others	42	53	85	92	55	22	43	57	42				
HQ expenses	-246	-232	-218	-162	-235	-256	-254	-571	-228				

Source: Strategy Advisors – Based on Company Data

Note: Rounded under ¥ mn. Rounded to one decimal place



**Figure 5. Medium-Term Management Plan (MTMP) target**

(\$ mn)	MTMP FY21	Midium-Term Management Plan FY25					CAGR
	FY12/21	FY12/22	FY12/23	FY12/24		FY12/25	
	Actual	Actual	Actual	old CoE	new CoE	Mid. Target	
<b>Revenue</b>	54,481	73,515	91,552	97,600	103,500	100,000	16.4%
Mfg. (Parts/Materials) Teibow	12,282	12,717	11,781	12,400	12,400	12,800	1.0%
Ratio to total	22.5%	17.3%	12.9%	12.7%	12.7%	12.8%	
Mfg.(Audio equipment/peripherals)	41,107	59,516	78,271	83,600	89,500	85,500	20.1%
Ratio to total	75.5%	81.0%	85.5%	85.7%	86.5%	85.5%	
AlphaTheta	26,511	36,362	51,930	55,600	60,000	56,500	20.8%
Ratio to total	48.7%	49.5%	56.7%	57.0%	58.0%	56.5%	
JLab	14,596	23,154	26,340	28,000	29,500	29,000	18.7%
Ratio to total	26.8%	31.5%	28.8%	28.7%	28.5%	29.0%	
Others	1,090	1,282	1,500	1,600	1,600	1,700	
Domestic revenue	7,816	8,396	9,172	-	-	-	
Ratio to total	14.3%	11.4%	10.0%				
Overseas revenue	46,665	65,119	82,380	-	-	-	
Ratio to total	85.7%	88.6%	90.0%				
<b>Operating EBITDA</b>	10,739	11,367	17,875	18,800	21,000	20,000	16.8%
<b>EBITDA margin</b>	19.7%	15.5%	19.5%	19.3%	20.3%	20.0%	
Mfg. (Parts/Materials) Teibow	4,185	3,718	3,198	3,500	3,500	3,700	-3.0%
EBITDA margin	34.1%	29.2%	27.1%	28.2%	28.2%	28.9%	
Mfg.(Audio equipment/peripherals)	7,076	8,234	15,814	16,400	18,600	17,200	24.9%
EBITDA margin	17.2%	13.8%	20.2%	19.6%	20.8%	20.1%	
AlphaTheta	5,671	6,897	13,352	13,500	15,400	13,800	24.9%
EBITDA margin	21.4%	19.0%	25.7%	24.3%	25.7%	24.4%	
JLab	1,404	1,337	2,462	2,900	3,200	3,400	24.7%
EBITDA margin	9.6%	5.8%	9.3%	10.4%	10.8%	11.7%	
Others, HQ expenses	-522	-585	-1,137	-1,100	-1,100	-900	
<b>Operating profit</b>	6,068	1,262	14,462	13,400	16,000	15,000	25.4%
<b>OP margin</b>	11.1%	1.7%	15.8%	13.7%	15.5%	15.0%	
<b>ROE</b>	4.7%	2.7%	5.1%			over4%~8%	
<b>ROIC (Gross IC base)</b>	2.1%	0.4%	4.4%	6.0%	6.0%	5~6%	
<b>ROIC (Net IC base, Co. definition)</b>	2.6%	0.6%	7.4%	6.0%	6.0%	5~6%	
<b>EPS (¥)</b>	143.6	2,848.5	285.9	241.0	288.7	290.0	
<b>Payout ratio</b>	137.9%	5.3%	40.2%	48.1%	40.2%	over 40%	
<b>Net Debt/Operating EBITDA</b>	5.1	-7.4	-2.9			below 3.0	

Source: Strategy Advisors – Based on Company Data

Note: Medium-term target for FY25/12 is as of February 13, 2024 (revised upward at the time of the announcement of FY23/12 results). The company's new estimates for FY12/24, which was revised upward at the time of the Q1 results announcement on May 10, 2024, already exceeded the mid-term target.

## 2. Comparison with similar companies

In selecting companies for comparison with Noritsu Koki, we have chosen companies whose core business is manufacturing, who have comparable products, and whose business scale is similar. Six similar companies were selected for comparison. However, there is no company like Noritsu Koki that has separated itself from its original business and transformed itself into a conglomerate in a completely different industry. Among the seven companies including Noritsu Koki, the company has the highest operating profit margin of 15.8%, while its ROE of 5.1% is the lowest. Its equity ratio of 73.5% is the second highest after ELECOM (6750 TSE Prime) 75.8% .

Kawai Musical Instruments Manufacturing (7952 TSE Prime) and Roland (7944 TSE Prime) are similar companies with a high sales ratio of audio equipment and comparable sales scale. Kawai Musical Instruments

**Highest operating profit margin and lowest ROE among the 7 companies**

**Kawai Musical Instruments Manufacturing**



Manufacturing is an old company established in 1927. Although Kawai Musical Instruments Manufacturing has a material processing business with a high operating profit margin, its overall operating profit margin remains at 5.7% due to the high sales ratio of the musical instrument education business, which mainly sells pianos with a low profit margin.

## Roland

Roland is a major Japanese electronic musical instrument manufacturer founded in 1972. Starting 2010, Roland was in the red for four consecutive years, and its business performance was sluggish. In July 2014, a takeover bid for Roland shares was initiated by Tokowa Corporation, a member of the Taiyo Pacific Partners Group, a US investment fund. Roland was delisted in October 2014, proceeded with a management restructuring, and relisted in December 2020. Roland has been reborn as a highly profitable company with an operating profit margin of 11.6% and an ROE of 22.2% for FY12/23.

## AuBEX

AuBEX (3583 TSE Standard) is a competitor of Teibow, although its sales are small. Operating profit margin 11.7%, ROE 8.3%. In addition to the core business of marking pen nibs (writing instruments, cosmetics), the company also operates a medical business (flow control tube applied products). The market share for marking pen nibs is 25% (Noritsu Koki has 50%). According to the company, the market size for marking pen nibs is estimated to be around several tens of billions of yen.

## ELECOM

Although ELECOM's business is different, it manages products with short life cycles and has relatively stable profitability (operating profit margin of 10.9% and ROE of 10.0%) despite fierce sales competition with competitors. It is worth watching as a benchmark for JLab.

## Casio computer JVCKENWOOD

Casio Computer (6952 TSE Prime) and JVCKENWOOD (6632 TSE Prime) have sales that are about three times larger than Noritsu Koki, but their operating profit margins are around 6%, the second lowest after Kawai Musical Instruments Manufacturing.

**Figure 6. Profitability comparison with similar companies**

Company name	Stock Code	FY	Sales (¥ mn)	OP (¥ mn)	OPM (%)	ROE (%)	Equity ratio (%)	Business
Noritsu Koki	7744	12/2023	91,522	14,462	15.8%	5.1%	73.5%	Pen nibs/cosmetics/MIM, Audio equip., Others
AuBEX	3583	3/2023	5,315	623	11.7%	8.3%	62.5%	Pen nibs/cosmetics, Medical equipment
Kawai Musical Inst. Mfg.	7952	3/2023	87,771	5,045	5.7%	10.3%	54.0%	Musical inst./education, Parts/material, etc.
Roland	7944	12/2023	102,445	11,871	11.6%	22.2%	49.2%	Musical Inst., DJ & Audio equipment
ELECOM	6750	3/2023	103,727	11,305	10.9%	10.0%	75.8%	PC/smartphone/tablet/TV/AV, Peripherals
CASIO COMPUTER	6952	3/2023	263,831	18,164	6.9%	5.9%	66.1%	Watch, Consumer, System, Others
JVCKENWOOD	6632	3/2023	336,910	21,634	6.4%	18.2%	33.0%	Car Audio, Wireless/commercial, Media/etc.

Note: Noritsu Koki and JVCKENWOOD are based on IFRS (Sales as Revenue), others are based on Japanese standards.

Source: Strategy Advisors – Based on Company Data

## 3. Stock price trends and valuation

### Stock price comparison of 7 similar companies

We compared the stock price performance of Noritsu Koki and the six similar companies mentioned above over the past five years. The recent stock price fluctuations are: (1) JVCKENWOOD +251%, (2) Noritsu Koki +37%, (3) Roland +34%, (4) Kawai Musical Instruments Manufacturing +20%, (5) AuBEX +14%, (6) Casio Computer -6%, (7) ELECOM -12%. Over the same period, TOPIX was +18% and the Nikkei average was +33%.

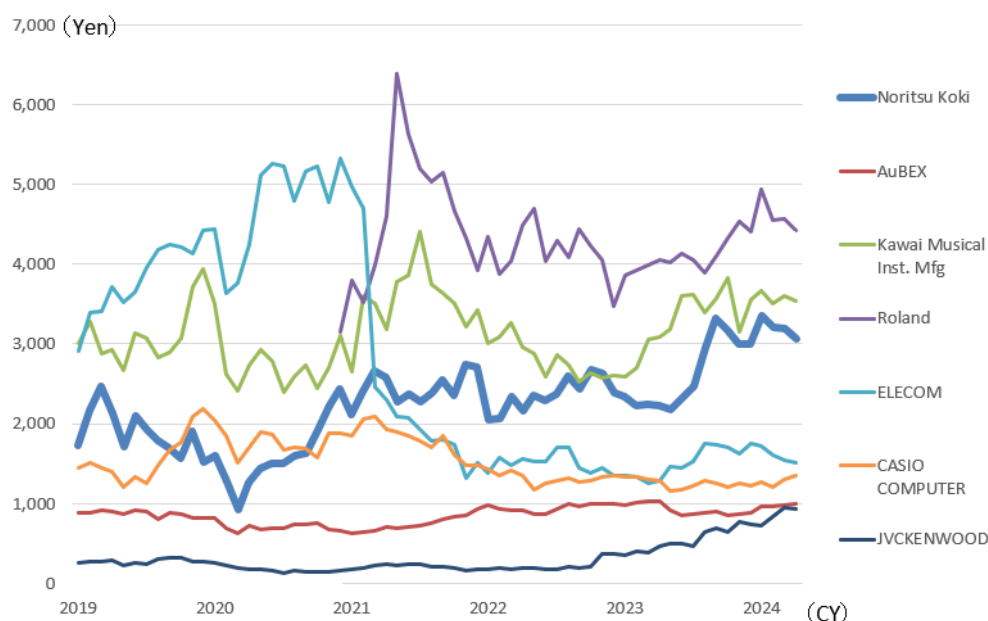
### Factors causing stock price fluctuations

With the exception of Casio Computer and JVCKENWOOD, each of the market capitalization of the five remaining companies is below ¥150 billion, respectively, meaning that they have not been able to follow the recent market trend led by large market capitalization stocks. The only reason why JVCKENWOOD's stock price has risen since 2023 is due to the positive surprise of a significant increase in sales and profits in Q1 for FY3/24. The reason for the slump in the stock prices of Casio Computer and ELECOM is presumed to be that their business performance has remained flat over the past five years and that there has been little change in their business structures.

### Valuation comparison

Among the seven companies, three companies have a PBR of 1.0 or less: Kawai Musical Instruments Manufacturing 0.72, Noritsu Koki 0.52, AuBEX 0.35. The PER ratio has been in the range of 7x to 22x, and Noritsu Koki's 12.38x is slightly lower than the median. Noritsu Koki has the highest dividend yield of 3.89 % followed by Roland 3.85%.

**Figure 7. Stock price trends of similar companies**



Source: Strategy Advisors

Note: Noritsu Koki's stock price is indicated by a bold blue line

## Noritsu Koki's stock price catalyst

Noritsu Koki's stock price bottomed out and began to rise between 2016 and 2017, when it proceeded with the transfer of its legacy business and M&A. During the COVID-19 pandemic, the company proceeded to begin its focus on manufacturing, and after another adjustment phase, it has been on an upward trajectory again since late 2023. Once the company's new business growth strategy and ROE improvement scenario come into view, its stock price will likely test its post-IPO high (5,900 yen, 1999/09/08). The company's PBR is 0.5x as a result of its increase of cash assets, and it is also an issue that requires immediate measures to return profits to shareholders. The company is advocating an improvement not only in its dividend payout ratio but also in its total return ratio.

## Risk factors

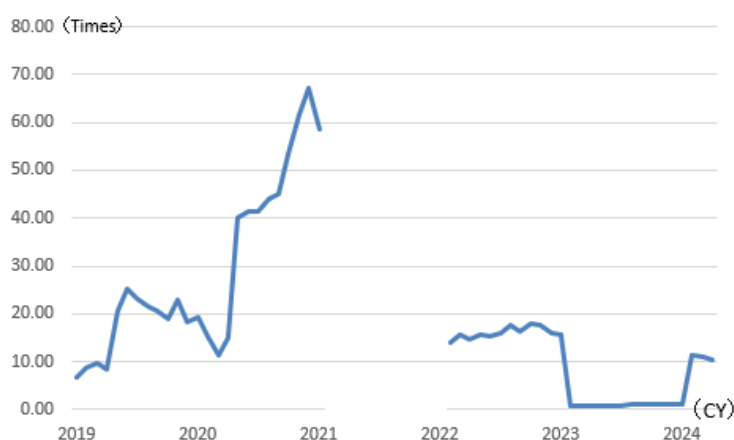
At present, the risk factor for the stock price is considered to be a decline in management efficiency due to the rapid expansion of overseas business. On February 14, 2023, JLab announced a goodwill impairment loss of ¥5.9 billion, and its stock price temporarily fell.

**Figure 8. Valuation comparison with similar companies**

Company name	Stock code	FY	Stock price (Apr.4) (¥)	Mkt cap (Apr.4) (¥ mn)	PER CoE (Times)	PBR Actual (Times)	Dividend Yield CoE (%)	ROE Actual (%)
Noritsu Koki	7744	12/2023	3,050	107,957	12.38	0.52	3.89%	5.1%
AuBEX	3583	3/2023	1,010	3,130	7.22	0.35	1.98%	8.3%
Kawai Musical Inst. Mfg.	7952	3/2023	3,530	31,856	9.50	0.72	2.69%	10.3%
Roland	7944	12/2023	4,440	124,340	14.25	3.04	3.85%	22.2%
ELECOM	6750	3/2023	1,504	130,162	14.97	1.52	2.92%	10.0%
CASIO COMPUTER	6952	3/2023	1,348.0	322,310	22.36	1.42	-	5.9%
JVCKENWOOD	6632	3/2023	935	150,388	13.58	1.29	0.87%	18.2%

Source: Strategy Advisors – Based on Company Data

**Figure 9. Trends in PER**



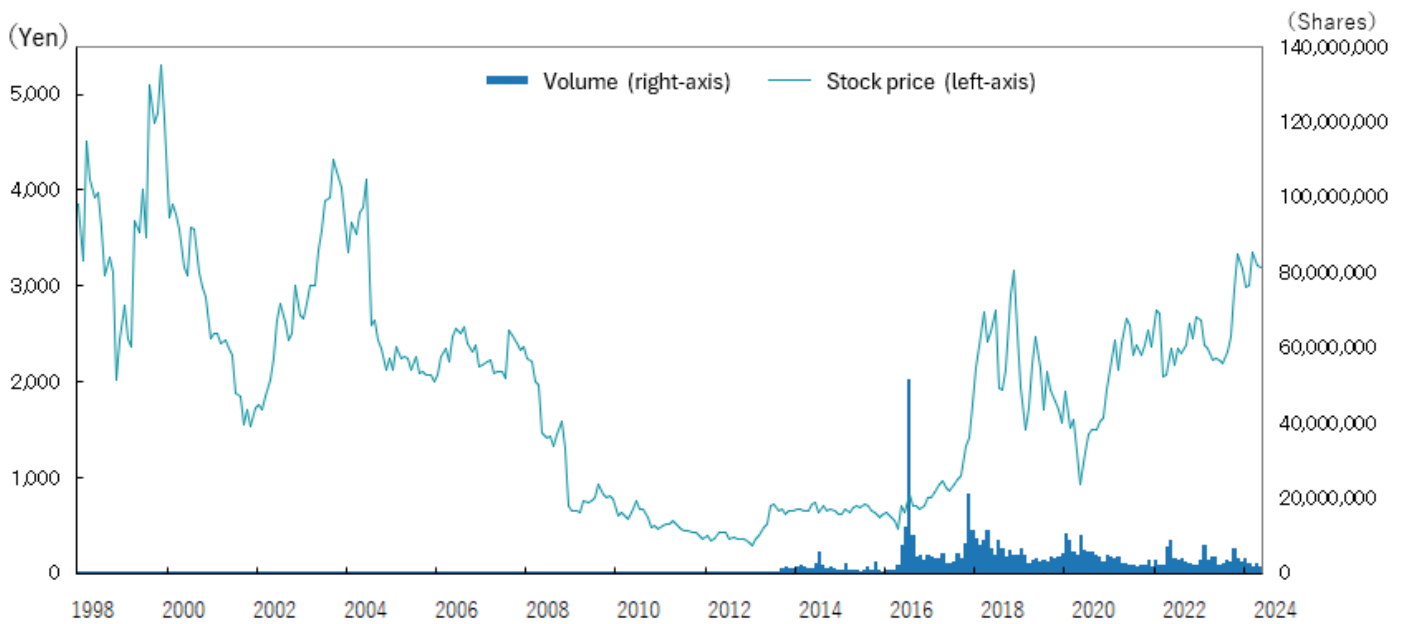
Source: Strategy Advisors

**Figure 10. PBR trends**



Source: Strategy Advisors

**Figure 11. Trends in Noritsu Koki's stock price and trading volume since its listing**



Source: Strategy Advisors

Note 1: Data on the last day of each month

Note 2: Highest price since listing was 5,900 yen (closing price on September 8, 1999)

## Figure 12. Income statement

Profit and loss statement (IFRS) (¥ mn)	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY12/2020	FY12/2021	FY12/2022	FY12/2023	FY12/2024
	9 months								
	CoE								
<b>Continuing operations</b>									
<b>Revenue</b>	<b>50,045</b>	<b>56,035</b>	<b>63,527</b>	<b>26,147</b>	<b>41,148</b>	<b>54,481</b>	<b>73,515</b>	<b>91,552</b>	<b>103,500</b>
YoY	16.0%	12.0%	13.4%	-	-	-	34.9%	24.5%	13.1%
Cost of sales	25,433	28,993	33,453	13,439	18,721	29,717	43,986	50,480	
<b>Gross profit</b>	<b>24,612</b>	<b>27,042</b>	<b>30,073</b>	<b>12,707</b>	<b>22,426</b>	<b>24,763</b>	<b>29,529</b>	<b>41,072</b>	
Gross profit margin	49.2%	48.3%	47.3%	48.6%	54.5%	45.5%	40.2%	44.9%	
Selling, general and administrative expenses	20,123	21,038	23,835	7,353	15,828	17,839	22,406	27,595	
SG&A ratio to sales	40.2%	37.5%	37.5%	28.1%	38.5%	32.7%	30.5%	30.1%	
Other income	211	85	118	57	441	253	341	1,342	
Other expenses	88	134	302	1,276	1,223	1,109	6,202	357	
<b>Operating profit (loss)</b>	<b>4,611</b>	<b>5,954</b>	<b>6,053</b>	<b>4,134</b>	<b>5,816</b>	<b>6,068</b>	<b>1,262</b>	<b>14,462</b>	<b>16,000</b>
YoY	127.1%	29.1%	1.7%	-	-	-	-79.2%	-	10.6%
Operating profit margin	9.2%	10.6%	9.5%	15.8%	14.1%	11.1%	1.7%	15.8%	15.5%
Equity method investment gains and losses	-42	-42	5	-3,358	-305	-248	-2,286	-982	
Finance income	2,333	887	88	31	113	1,027	6,767	827	
Finance costs	553	706	192	207	3,050	1,532	1,798	560	
<b>Profit (loss) before tax</b>	<b>6,348</b>	<b>6,092</b>	<b>5,954</b>	<b>599</b>	<b>2,574</b>	<b>5,315</b>	<b>3,944</b>	<b>13,747</b>	<b>15,400</b>
YoY	186.6%	-4.0%	-2.3%	-	-	-	-25.8%	248.6%	12.0%
Pretax profit margin	12.7%	10.9%	9.4%	2.3%	6.3%	9.8%	5.4%	15.0%	14.9%
Income tax expense	2,249	-3,352	1,965	-889	-4,321	887	-214	3,543	
Tax rate	35.4%	-55.0%	33.0%	-148.4%	-167.9%	16.7%	-5.4%	25.8%	
Profit (loss) from continuing operations	4,099	9,445	3,989	1,488	6,895	4,427	4,159	10,204	
Profit (loss) from discontinued operations	-189	-937	-1,349	117	3,761	2,168	97,552	6	
Net profit (loss)	3,909	8,507	2,639	1,606	10,657	6,595	101,712	10,210	
Non-controlling interests	-380	-412	-309	316	763	1,480	157	10	
<b>Profit attributable to owners of the parent profit</b>	<b>4,290</b>	<b>8,920</b>	<b>2,948</b>	<b>1,289</b>	<b>9,893</b>	<b>5,115</b>	<b>101,554</b>	<b>10,199</b>	<b>10,300</b>
YoY	-	107.9%	-67.0%	-	-	-	-	-90.0%	1.0%
Profit attributable to owners of the parent profit margin	8.6%	15.9%	4.6%	4.9%	24.0%	9.4%	138.1%	11.1%	10.0%
<b>Operating EBITDA</b>	<b>-</b>	<b>-</b>	<b>7,965</b>	<b>6,847</b>	<b>0</b>	<b>10,739</b>	<b>11,367</b>	<b>17,875</b>	<b>21,000</b>
EBITDA margin	-	-	12.5%	26.2%	0.0%	19.7%	15.5%	19.5%	20.3%

Source: Strategy Advisors – Based on Company Data

## Figure 13. Breakdown of SG&A expenses

Selling, general and administrative expenses (¥ mn)	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY12/2020	FY12/2021	FY12/2022	FY12/2023	FY12/2024
	9 months								
	CoE								
<b>SG&amp;A</b>	<b>20,123</b>	<b>21,038</b>	<b>23,835</b>	<b>7,353</b>	<b>15,828</b>	<b>17,839</b>	<b>22,406</b>	<b>27,595</b>	
Employee benefit expenses	6,546	7,544	8,497	4,446	5,753	4,534	5,728	7,007	
Advertising and promotional expenses	4,582	4,875	4,678	149	928	1,532	2,650	3,390	
Packing and transportation expenses	1,800	1,993	2,636	241	727	996	1,338	1,630	
Taxes and dues				193	298	182	210	238	
Communication expenses				90	228	177	259	477	
Sales commissions				72	300	312	1,038	1,406	
Consumables expenses					167	142	207	495	
Commission paid	1,631	1,126	1,325	503	1,034	1,294	1,512	1,906	
Travel and transportation expenses				340	114	55	192	364	
Research and development expenses	1,521	447	380	201	3,158	4,460	4,622	5,581	
Depreciation and amortization		494	581	763	2,504	3,300	3,684	3,763	
Other	4,041	4,557	5,237	350	611	849	966	1,333	

Source: Strategy Advisors – Based on Company Data

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