

**NORITSU**

**Integrated Report**  
Noritsu Koki Co., Ltd.

**2023**

# Our Philosophy

“Always become the best in every field we enter.”

Our founder declared this after inventing an automatic photo print washer.

Thus, the history of Noritsu Koki began in 1951.

Few people will ever see all the things we have made over the years, but they are all devices that play vital roles in the world.

Over the years, we have expanded beyond our manufacturing roots to tackle new challenges in various fields—creating things that society needs.

Things that people need as times change.

Things that make people happy.

Things that become necessities. Things that support lives from behind the scenes.

We continuously create things that become the very foundation of society.

Serious, dedicated and sparing no effort,

we will pioneer the next era.

That is our commitment and our promise to the world.

## Mission

Prosperity for society and people

## Vision

A corporate group that continues producing “No. 1/Only 1” businesses

## Value

Understand the needs of the age and think one step ahead.

Pursue products and services that enrich lives.

Respect the potential for growth and innovation and support a spirit of challenge.

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#### Editorial Policy

This integrated report is the first issued by Noritsu Koki. The purpose of the report is to create better communication, and ultimately to support further value creation, by informing stakeholders about the Noritsu Koki Group's business model, vision and initiatives for creating value. In preparing this report, we have referred to the *International Integrated Reporting Framework* of the International Integrated Reporting Council (IIRC; now the IFRS Foundation).

#### Scope of the Report

Noritsu Koki Co., Ltd. and its three consolidated subsidiaries (Teibow Co., Ltd., AlphaTheta Corporation, and PEAG, LLC dba JLab)

Period Covered: January 1, 2022 to December 31, 2022

Note: Includes some information from before and after this period.

#### Forward-Looking Statements

Financial forecasts and other forward-looking statements in this report are predictions based on information available at the time of publication, and involve potential risks, uncertainties and other factors. Accordingly, changes in various factors could cause actual results to differ materially from forecasts.

# Our History

When Noritsu Koki's founder established the Company in 1951, his aspiration was to focus on manufacturing. In passing down and adhering to this aspiration, we will advance as a corporate group that adapts to the environment and achieves sustainable growth in constantly changing times.

## The Evolution of the Noritsu Koki Group

### Foundation—Growth—Maturity

#### 1951—Foundation

Founder Kan'ichi Nishimoto, who ran a photo studio in Wakayama City in post-war Japan, applied the principles behind the water wheel to create an automatic photo print washer that enabled more efficient photo development and could be used even during power outages. With his groundbreaking invention as the catalyst, Nishimoto established Noritsu Optical Machinery Works Limited. Thus, the current Noritsu Group was built on the foundation of photo processing equipment. Our founder's wish to make people's lives better by providing excellent products has been passed on as part of a heritage of innovation and taking on challenges.



#### 1961—Growth Stage

With the development of the RF-20E black-and-white film processor, the Company became the first in the world to successfully automate the black-and-white film development process. The Company also changed its corporate name and organizational structure to make it easier to expand its business areas. The founder's aspiration to "Always become the best in every field we enter" is the root of the Group's Vision: "A corporate group that continues producing 'No. 1/Only 1' businesses." In the following period, the Company was able to capture a large market share—leading to rapid progress in the 1970s.



#### 1976—Globalization

In 1976, the Company developed the QSS-1 (the origin of the MiniLab), a system that consolidated the whole process from film development to printing. This was a game-changing product that shortened the time needed for film development from one week to just 45 minutes. Three years later, the QSS-2 model was launched. It became the driving force behind the Company's entry into the U.S. market and overseas expansion. The Company then expanded its business by developing advanced devices and equipment. This led to the Company listing its stock on the First Section of the Tokyo Stock Exchange in 1997 (now listed on the Prime Market). With this expansion, the Company started a new chapter in its history as a global enterprise.



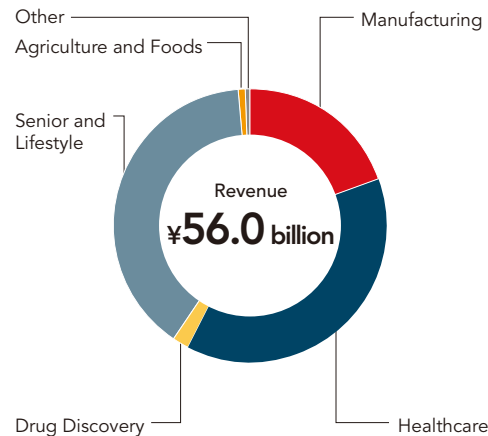
### Diversification

#### 2009—Diversification

**An era of change with a focus on business diversification in order to acquire new revenue sources**

As the industry shifted toward digitization, the performance of the imaging department declined, and the founder passed away in 2005. Finding itself at a major crossroads, management decided to return to the Company's founding principle, and has focused resources on business areas demanded by modern society. The Company has promoted M&A in diverse fields such as remote diagnostic imaging, regenerative medicine and pen nibs. The Company decided to transfer its founding business of photo processing equipment in 2016.

Business Portfolio (2018)



### A New Stage

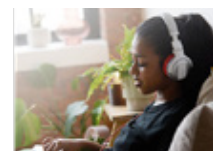
#### 2018—A New Stage of Renewed Growth

**Evolving into a corporate group that continues to grow globally based on the manufacturing capabilities of its three core Group companies**

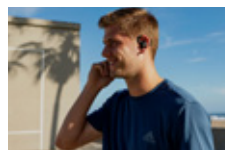
Amid rapid changes in the economic environment, the Company embarked on a realignment of the diversified business portfolio it had established through M&A. AlphaTheta, which has the world's top market share of DJ equipment, joined the Group in April 2020. JLab, which leads the U.S. earbud and headphone market, joined in May 2021. On the other hand, we removed JMDC, which handles the healthcare business, from consolidation in February 2022. With these moves, we established a new Group structure centered on three manufacturers—Teibow, AlphaTheta and JLab. Under this new structure, the Company is promoting sustainability-related initiatives to build a sustainable environment and society. The Company has also identified material issues, and will actively invest technologies, capital and human resources to resolve them. In addition, the Company aims to establish a new value creation process that balances social and economic value.

With the foresight and pioneering spirit cultivated throughout its history of more than 70 years, coupled with the strength of its high-quality product lineup, the Company will contribute to promoting prosperity for people worldwide by continuing to innovate.

Business Portfolio (2022)

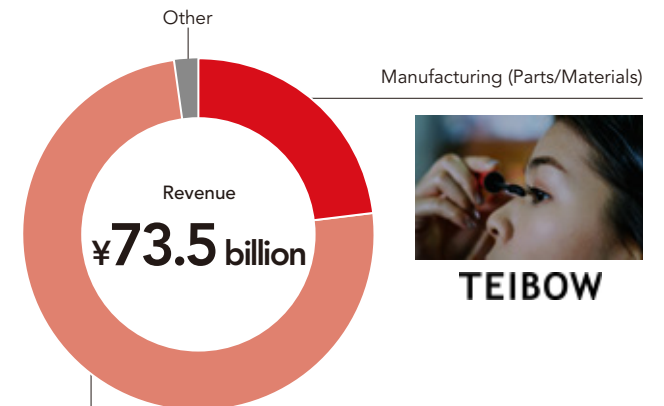


AlphaTheta



JLAB

Manufacturing (Audio Equipment/Peripherals)



TEIBOW

# Noritsu Koki at a Glance

We will enhance the uniqueness of our businesses and maximize their growth potential to become a corporate group that continues producing "No. 1/Only 1" businesses as we work to promote prosperity for society and people.

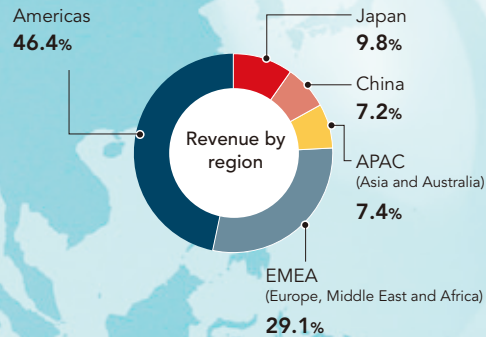
2. 2020 to 2022

3. Based on data from The NPD Group/Retail Tracking Service, U.S. (unit sales in 2020, 2021 and 2022)

4. For the years ended May 2021 to 2022 (after joining the Group)

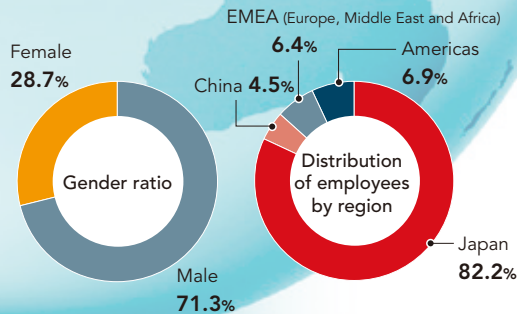
## The Noritsu Koki Group: Key Facts and Figures

### Global Business Operations



### Diverse Human Resources

Number of consolidated employees (full-time): 1,144



### High Profitability and Growth

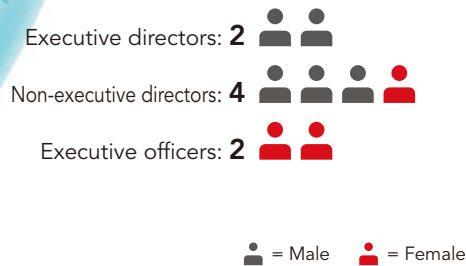
Revenue: **¥73.5 billion**

Operating EBITDA<sup>1</sup>: **¥11.3 billion**

Operating EBITDA margin: **15.5%**

CAGR of operating EBITDA: **9.5%**

### Corporate Governance



1. Operating EBITDA is defined as operating profit less other income and expenses plus depreciation and amortization (excluding depreciation costs for right-of-use assets). Although operating EBITDA is not a performance indicator defined in the consolidated financial statements, it provides a clearer picture of underlying earnings capabilities by removing the impact of non-recurring profit and loss items and depreciation and amortization. The Company has included operating EBITDA in financial disclosures to provide readers of the consolidated financial statements with more information to evaluate the Group's earnings.

## The Noritsu Koki Group's Businesses

### Parts/Materials Business



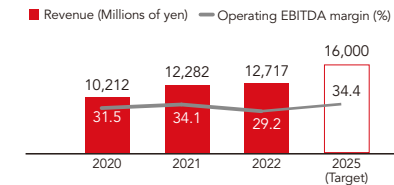
#### TEIBOW

Teibow handles approximately 3,400 different types of products, including marking pen nibs and cosmetic pen nibs, and its production capacity for metal injection molding (MIM) is among the largest in Japan.

### Marking Pen Nib Business with Global Market Share of over 50%

Using the combined technologies and expertise it has built up over more than 120 years, the Group provides high-quality marking pen nibs to customers in more than 45 countries around the world. We continue to make rapid progress as the global leader in this category with a market share of over 50%.

#### Revenue/Operating EBITDA Margin



CAGR (Revenue)<sup>2</sup>  
**11.6%**

### Audio Equipment/Peripherals Business



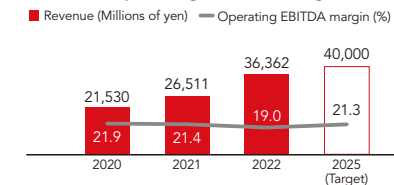
#### AlphaTheta

AlphaTheta deploys its outstanding user interface technology, digital audio analysis and processing technologies and more to deliver a variety of equipment and services to the DJ industry worldwide.

### A DJ Equipment Manufacturer with the Top Global Market Share

Ever since it introduced the world's first commercial-use flat-top DJ CD player in 1994, AlphaTheta has been creating various products and contributing to the development of music culture as the DJ equipment manufacturer with the top global market share.

#### Revenue/Operating EBITDA Margin



CAGR (Revenue)<sup>2</sup>  
**30.0%**



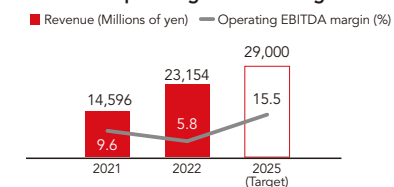
#### JLAB

An audio and accessories manufacturer founded in the United States in 2005, JLab provides an extensive lineup of earbuds, headphones and other audio products that utilize its unique high-performance driver technology to deliver crisp, clear and immersive sound.

### Top Market Share in the U.S. for True Wireless Earbuds under \$100

JLab's earbuds, which are designed to offer the features everyone needs at affordable prices, have attracted the support of music, fitness and content lovers not just in the U.S. but worldwide. They have maintained the top market share in the U.S. for true wireless earbuds under \$100 since 2020.<sup>3</sup>

#### Revenue/Operating EBITDA Margin



CAGR (Revenue)<sup>4</sup>  
**58.6%**

# Message from the CEO



*R. Iwakiri*

Ryukichi Iwakiri  
Representative Director  
and CEO

Based on Medium-Term Management Plan FY25 and our four material issues, we will work to be a corporate group that continues producing “No. 1/Only 1” businesses.

## On the Issuance of *Integrated Report 2023*

Since its foundation in 1951 as a photo processing equipment business, Noritsu Koki has stirred the hearts and minds of customers around the world with its diligent efforts and spirit of service. In light of the sudden and drastic changes in the business environment in recent years, we have focused on reforming our business structure and creating new businesses to adapt to the changing times. We have also worked to realize our “second founding” to open up a new stage of growth. In 2019, we set our Mission, Vision and Value to clearly state what the Group strives for. We then welcomed AlphaTheta to the Group in 2020, followed by JLab in 2021. We made those companies, along with Teibow, the three core Group companies, and embarked on a new journey as a global corporate group focused on craftsman-like manufacturing. Medium-Term Management Plan FY25, which covers the period from 2022 to 2025, is steadily moving forward, and we are now entering a phase in which all our efforts are devoted to executing our business strategies and achieving further growth.

We consider developing a good relationship with our various stakeholders including shareholders and investors to be a management priority. As one way to achieve this, we created *Integrated Report 2023* as a communication tool for explaining our vision and how we plan to realize it. In putting together the report, we did our best to incorporate input from management about topics such as medium- to long-term strategies, the strengths and conditions of each business, the value creation process, our governance system and sustainability promotion. I hope that *Integrated Report 2023* will serve as an opportunity to further deepen engagement with our stakeholders.

## Message from the CEO

### What the Noritsu Group Aims to Be

Five years have passed since I was appointed representative director and CEO of Noritsu Koki in June 2018. In 2019, my second year, we established our Mission, Vision and Value (MVV) to define the Group's purpose and the goals it seeks to accomplish. However, there were more than a few twists and turns before MVV was finalized. I read management documents from earlier periods and the books written by our founder, Kan'ichi Nishimoto, over and over and had in-depth discussions with other members of the management team. As a result, we decided to define our Mission and Value in a way that could be universally accepted at an early stage. The Vision, though, would be different depending on what we defined as the "future"—whether we took a medium-term view of about five years, or a longer-term view of 10 years or more. After pondering and discussing it countless times, we finally decided on a Vision that would be relevant even in the distant future: "A corporate group that continues producing 'No. 1/Only 1' businesses." We incorporated the phrase "No. 1" to respect the intention of our founder to "always become the best in every field we enter," and our original business that brought innovation to the economy and society.



Yet the phrase "No. 1" does not fully express our thoughts. Ever since the Company's inception, we have achieved sustainable growth by creating new value and communicating it to society. Of course, expanding revenue and winning in market competition are important, but what is even more important is to focus on quality rather than quantity, to create technologies and products that will be part of the foundation for the next generation, and to provide unique value to all our stakeholders, including customers, shareholders, investors, business partners, local communities and employees. Our strong determination to be an indispensable company for our stakeholders by delivering highly original technologies and products to society at large is encapsulated in the phrase, "Only 1."

Our Vision of "A corporate group that continues producing 'No. 1/Only 1' businesses" has been a guiding principle for management in rebuilding our business portfolio over the last several years, and served as the fundamental philosophy supporting our rapid change. We are now attempting to enter a new growth stage centered on manufacturing. I am certain that by further instilling our Mission, Vision and Value as guiding principles that foster unity of purpose among executives and employees, the Noritsu Koki Group's future strategies and measures will be even more effective.

#### Mission

Prosperity for society and people

#### Vision

A corporate group that continues producing "No. 1/Only 1" businesses

#### Value

Understand the needs of the age and think one step ahead

Pursue products and services that enrich lives

Respect the potential for growth and innovation and support a spirit of challenge

## Message from the CEO

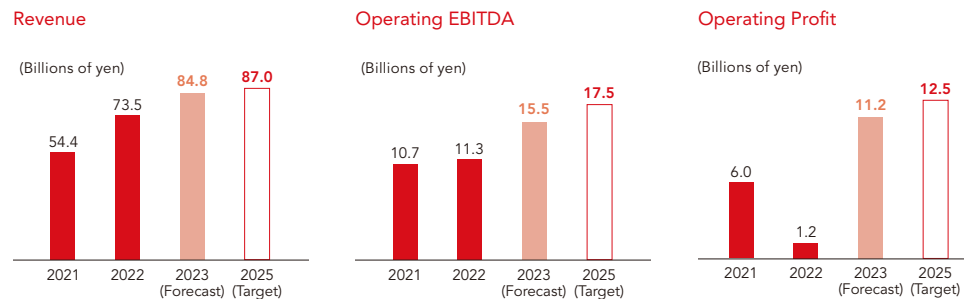
### Initiatives under Medium-Term Management Plan FY25

We are currently carrying out the initiatives of Medium-Term Management Plan FY25, a four-year plan that ends in 2025. We positioned these four years as a period for accelerating growth of the three core Group companies (Teibow, AlphaTheta and JLab) and further enhancing their profitability, with a focus on realizing the Vision of being “A corporate group that continues producing ‘No. 1/Only 1’ businesses.”

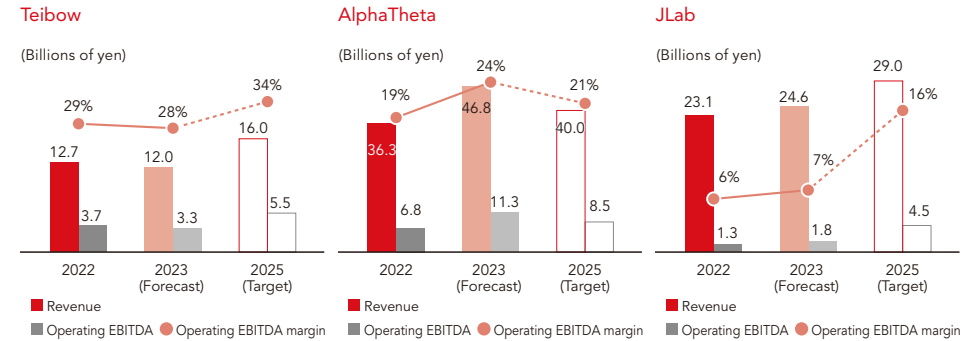
The three Group companies that form the core of the Noritsu Koki Group have consistently secured operating EBITDA margins of around 20%, excluding the last few years when COVID-19 severely impacted economies and industries worldwide. In addition to our existing business areas where we are leaders in the global market, including Teibow’s pen nibs, AlphaTheta’s DJ equipment, and JLab’s wireless earbuds, we are actively diversifying our revenue sources by developing and enhancing new businesses. Each of the three companies has growth potential of at least 10% annually, and I consider it my mission as the Group’s representative to maximize that potential.

The three core Group companies have numerous sources of competitiveness, including the extensive technological assets they have built up, and human resources who have high-level technological capabilities and knowledge, in addition to their main products that have top market shares. We will carefully manage these business resources and further refine their superiority in the market to realize synergy as a manufacturing group while also working to achieve the targets of Medium-Term Management Plan FY25. We will create a corporate group that will continue to grow even further into the future.

#### Targets of Medium-Term Management Plan FY25



#### Targets of the Three Core Group Companies



### Commitment to Environmental, Economic and Social Sustainability

Achieving medium- to long-term growth and continuously expanding our corporate value requires more than simply pursuing profit; it is also imperative that we fulfill our responsibilities as a corporate citizen, including reducing the environmental impact of our manufacturing activities, maintaining positive work environments for our employees, creating employment, and paying appropriate taxes. In addition, it is essential that we cooperate and collaborate with our various stakeholders and continue to create economic and social value.

Based on this awareness, we identified and announced four material issues in 2021. In identifying issues, we were strongly conscious of consistency between the MVV and material issues to ensure that all Group companies can carry out initiatives based on a shared understanding of issues. In addition to multiple discussions by Group executives and staff, we also ensured the validity of material issues by incorporating the views of third-party experts.

## Message from the CEO

The key material issues and their activity themes (individual items) include some that are extensions of what we have already been doing, but others are ones that we have newly recognized in the course of identifying issues. However, what they both have in common is that they are not material issues that were influenced by conventional wisdom regarding problems of public concern or examples of initiatives by other companies. They were also not forced on us by external influences. We asked ourselves questions like, “What measures can we take to increase corporate value,” “How can we realize the MVV in our business activities,” and “What can we do for the lasting development of the economy and society.”

Note: For details, see Material Issues on page 22.

We believe the sustainable development of companies will be difficult unless the sustainability of the environment and society are secured. To help build a sustainable society, the Noritsu Koki Group will invest resources in the following four material issues—“Creating a prosperous society and enriching people’s lives,” “Enhancing our supply chain framework to make it more environmentally and socially responsible,” “Creating inclusive workplaces where all employees can thrive and contribute with a future-oriented mindset,” and “Enhancing our sound corporate governance structure.” For the Group, which is made up of three core Group companies that are rich in character, strengthening Group governance beyond the boundaries of each company is a key management issue. In the respective boards of directors of Teibow, AlphaTheta and JLab as well as at Noritsu Koki, we emphasize fast and appropriate decision-making and close communication that eliminates information asymmetry, and are constantly working to ensure both transparency and agility in corporate management.

## To Our Stakeholders

In 2022, the first year of Medium-Term Management Plan FY25, we made significant steps toward achieving the targets of the plan, as we recorded substantial growth in revenue and in profit attributable to owners of parent. Another outcome of the past year that I want to emphasize is that we were able to share our awareness of the business challenges, uniqueness and future potential of the three core Group companies, and our policy for future initiatives, as a Group. For the Materiality Action Plan, we have already achieved results for 2022, and are currently focusing on making solid progress on our strategies and measures with a view toward the 2023 targets.

From its inception until today, the Noritsu Koki Group has grown by earning the support of stakeholders and overcoming various changes in society. The support we have cultivated through integrity in business activities and trust-based relationships with stakeholders are the foundation of our sustainable growth, and we also see them as the root of our competitive advantage. We will continue to deliver distinctive value to stakeholders, backed by the strengths of our sound financial structure and effective business strategies. For customers, we intend to further enhance customer satisfaction by continuing to provide high-quality products and services at reasonable prices. For our shareholders, we will pay dividends based on a payout ratio target of 40% or higher, and seek to maximize shareholder value through sustainable growth. For society, we will contribute to the conservation of the planet and the formation of prosperous communities with our sustainable initiatives. And for employees, we will focus on establishing an organizational structure in which diversity is highly respected and maintaining positive work environments.

We have passed the halfway mark of 2023. Although the COVID-19 pandemic is subsiding, the business environment remains hard to predict due to the rising geopolitical risk and supply chain disruptions stemming from the prolonged conflict in Ukraine, worldwide inflation and monetary tightening. Even under these conditions, we will continue to tackle bold challenges with an eye on the future and aim to realize our Vision. To our stakeholders, we aim for lasting growth into the future, and ask for your continued support.

