

Control and inspection technologies
contribute to quality control

NIRECO**NIRECO CORP. (6863)****Material for 1H-FY2023
Financial Results****November 10, 2023****Cautionary Statement**

This document includes forward-looking statements that reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions.

Business Performance



Unit: JPY Million

Financial Results & Plan

Orders Received:	5,718 (YoY)	(+12%)	5,196 (-9%)	10,500 (+2%)
Net Sales:	4,004 (YoY)	(-0%)	4,531 (+13%)	10,000 (+9%)
Operating Profit:	364 (YoY)	(+43%)	536 (+47%)	1,190 (+1%)

Main objectives

- ◆ Expansion of markets
- ◆ Technological advances
- ◆ Shareholder returns

Achieve sustainable growth in any environment

- ◆ **Expand & enhance business foundations**
- ◆ **Improve our competitive advantage**

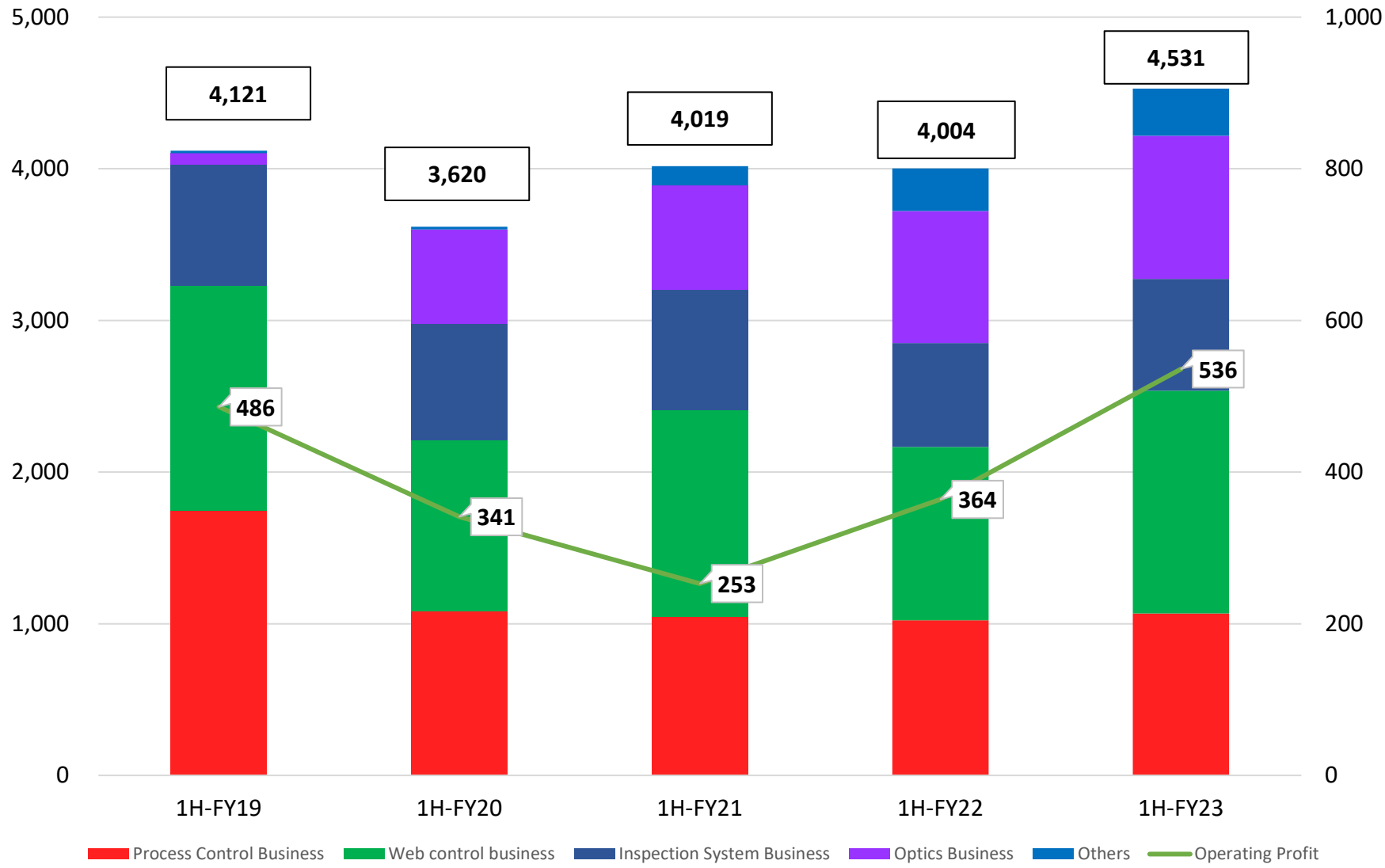
Main efforts of 1H-FY2023

- Strengthened optics business
- Expansion of product portfolio handled by overseas subsidiaries
- Strengthening inter-group communication following a change in board members

Consolidated dividend payout ratio of 40% or more and consolidated Dividend On Equity (DOE) capital ratio of 2% or more.

Net sales and operating profit of 1st half

(Unit: JPY Million)



- 1 . 1H-FY2023 Financial Results
& Plans for FY2023
- 2 . Towards Sustainable Growth

1 . 1H-FY2023 Financial Results & Plans for FY2023

Consolidated Statement

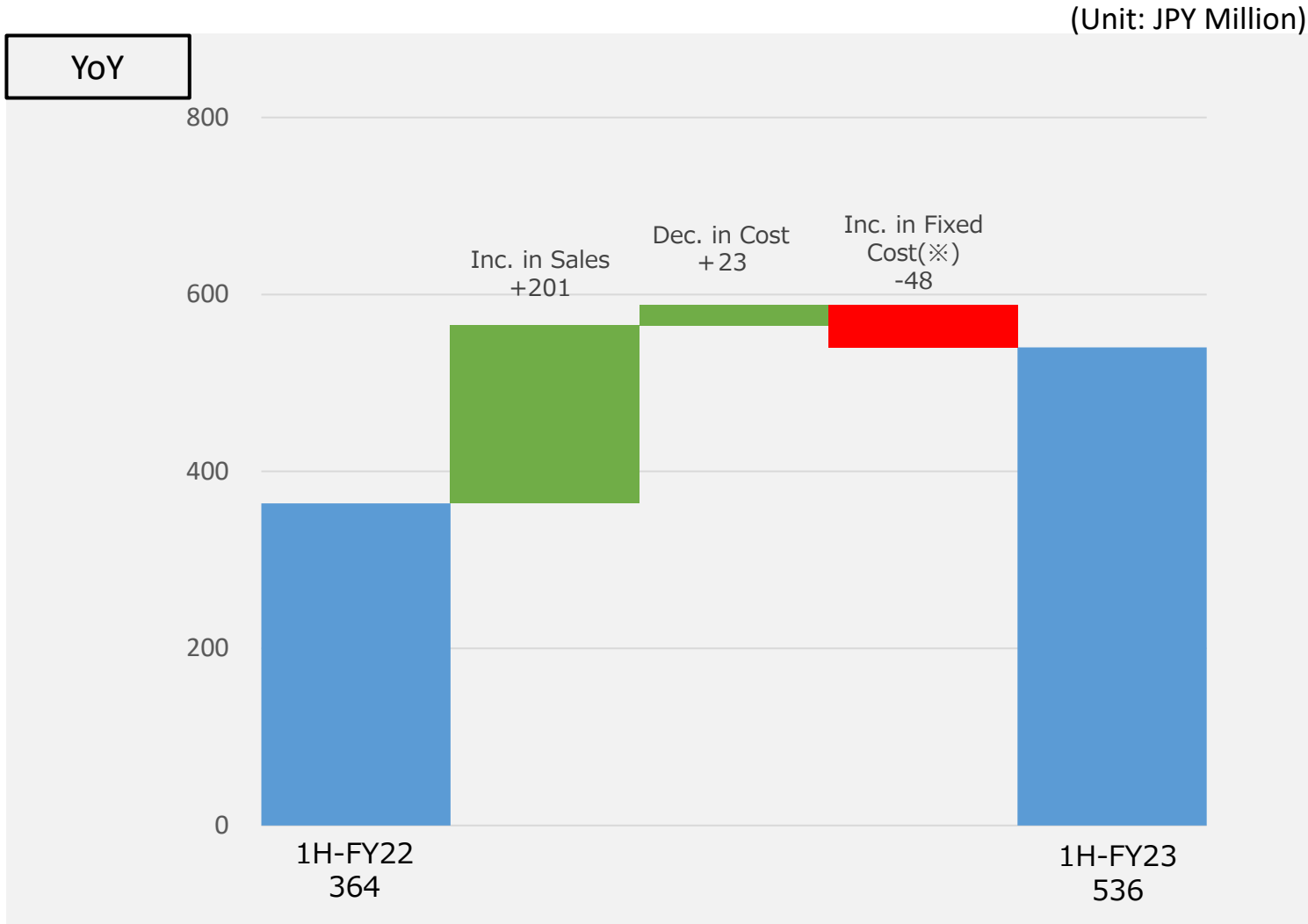
- Net sales were almost in line with the plan, and profits exceeded the plan due to the product mix and profit improvement measures.
- Operating profit for the 1H exceeded 500 million yen for the first time since the 1H of the FY91

(Unit: JPY Millions)

	1H-FY22	FY23		Rate of change	
		1H Initial Plan	1H Result	YoY	Vs to Plan
Orders received	5,718	5,200	5,196	-9%	-0%
Net sales	4,004	4,600	4,531	+13%	-2%
Operating profit	364	380	536	+47%	+41%
Operating profit margin	9.1%	8.3%	11.8%	-	-
Ordinary profit	410	430	589	+43%	+37%
Ordinary profit margin	10.3%	9.3%	13.0%	-	-
Profit attributable to owners of parent	268	310	370	+38%	+19%
Profit attributable to owners of parent margin	6.7%	6.7%	8.2%	-	-
Earnings per share (JPY)	36.69	42.29	50.43	+37%	+19%
Order backlog	6,089	5,936	6,001	-1%	+1%

Increase/ Decrease Factors in Operating Profit

- Increased sales and cost saving led to a significant increase in profits.



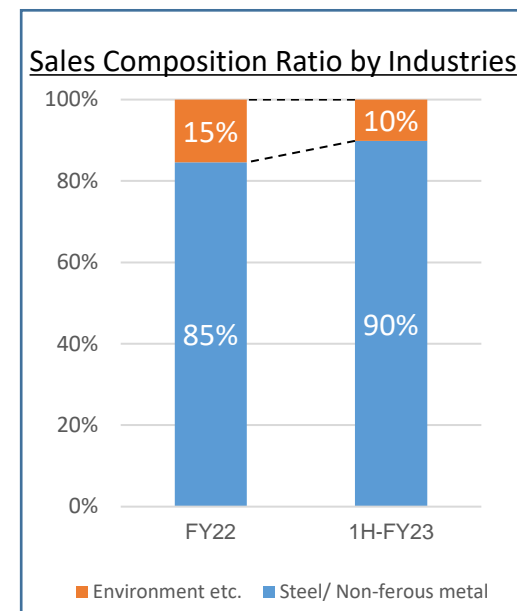
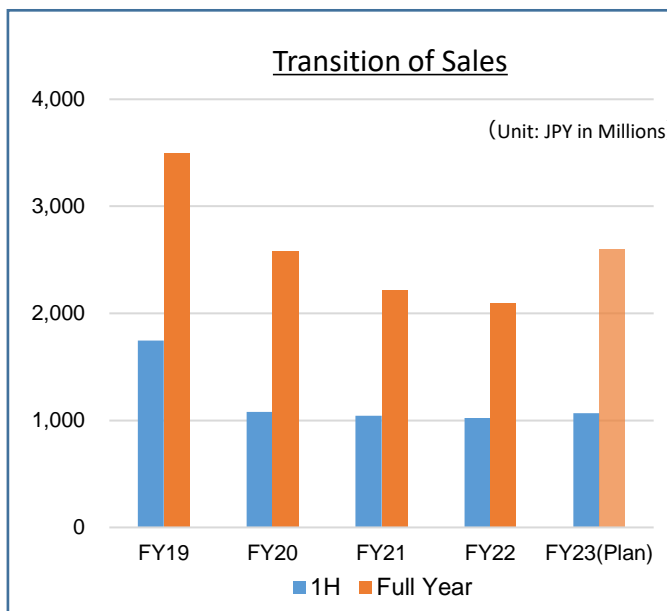
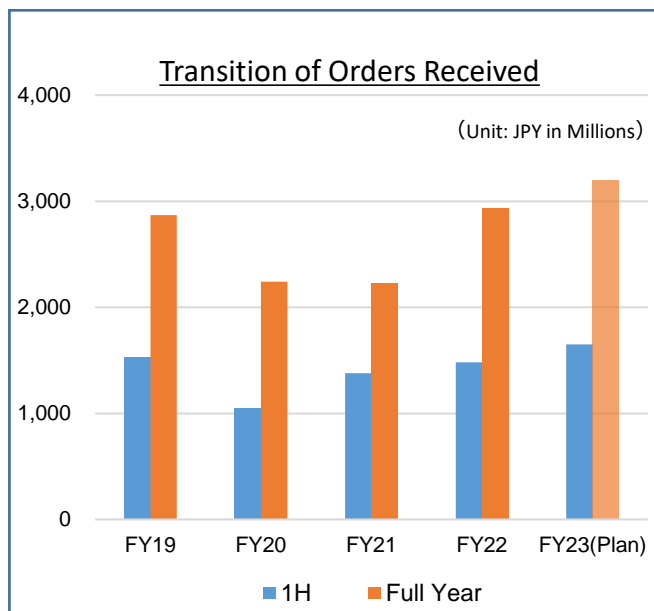
※Fixed Cost = SG&A Expenses

Process Control Business

- Orders are recovering due to the recovery of the steel industry's business performance
- 1H-FY23 profitability improved due to the low profit margin in the 1H-FY22

(Unit: JPY Million)

	FY22	FY23	YoY	FY23 plan	
	1H	1H		Full year	Progress rate
Orders received	1,483	1,650	+11%	3,200	52%
Net sales	1,023	1,068	+4%	2,600	41%
Segment profit	109	152	+40%	340	45%
Segment profit margin	10.7%	14.3%	-	13.1%	-

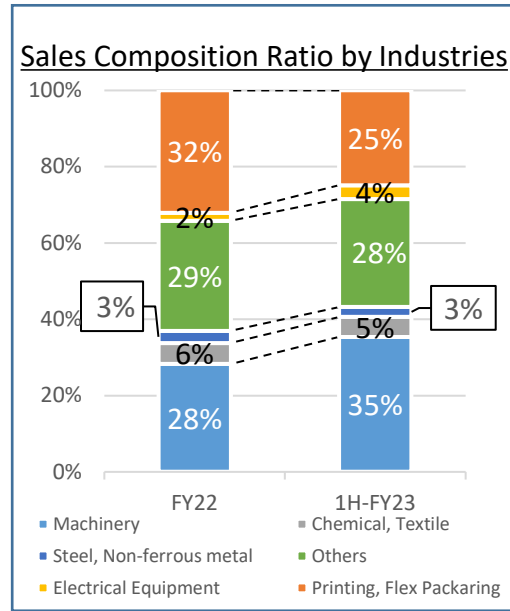
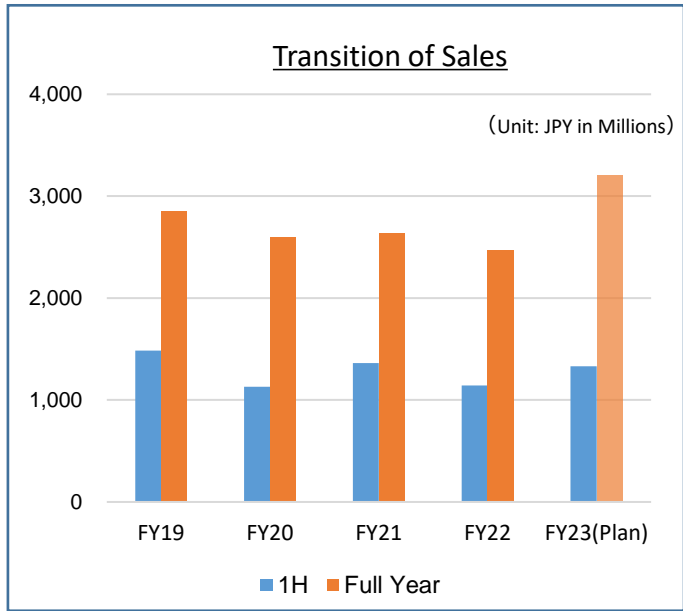
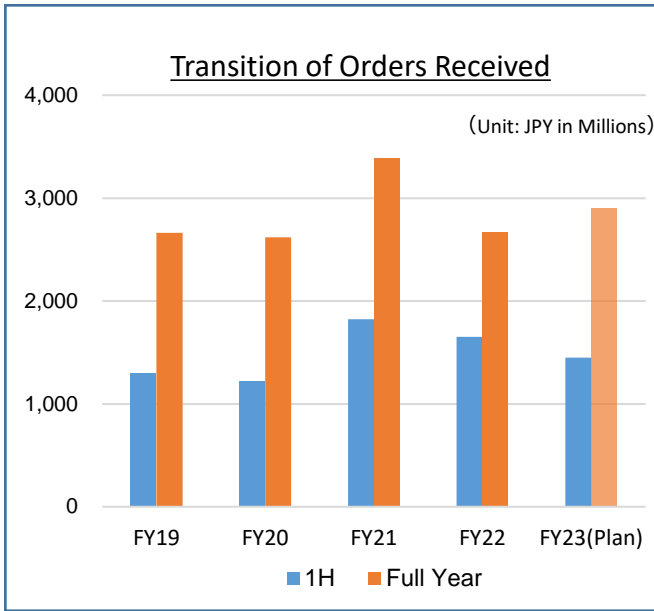


Web Control Business

- Although demand in the LIB industry appears to be slowing down, sales increased reflecting the high level of order backlogs
- Profit increased YoY due to higher sales and recovery in profitability

(Unit: JPY Million)

	FY22	FY23	YoY	FY23 plan	
	1H	1H		Full year	Progress rate
Orders received	1,652	1,449	-12%	2,900	50%
Net sales	1,142	1,469	+29%	3,200	46%
Segment profit	142	242	+70%	490	49%
Segment profit margin	12.5%	16.5%	-	15.3%	-

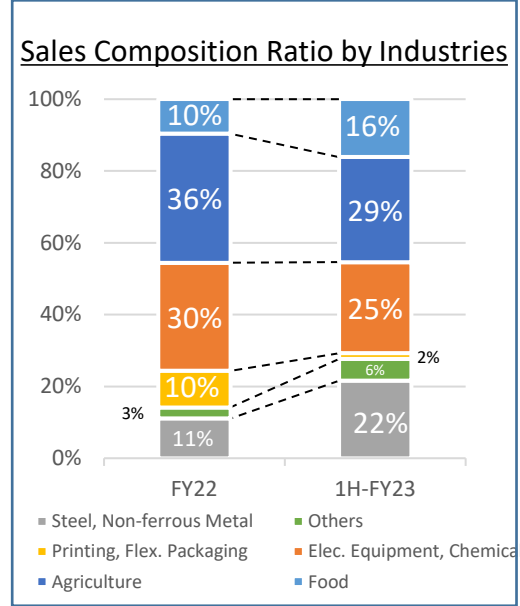
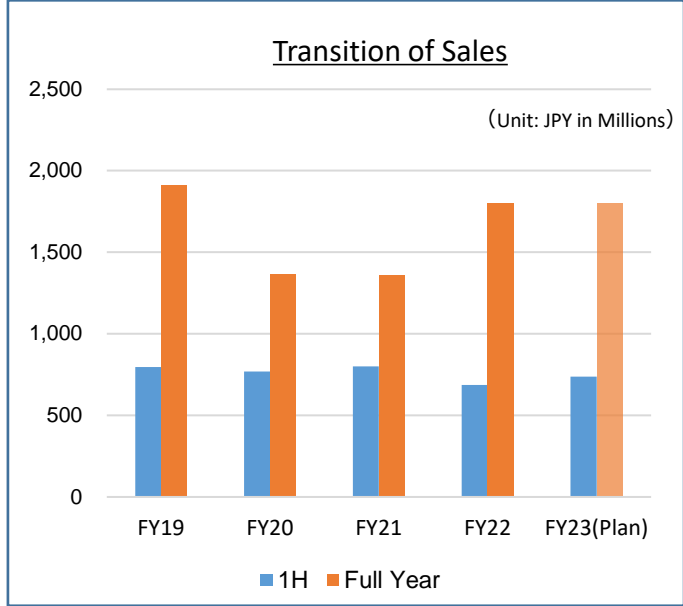
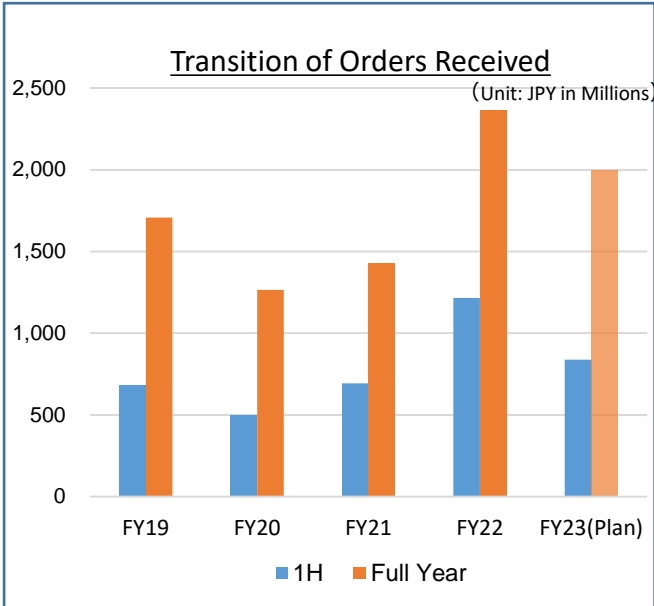


Inspection System Business

- Full-year order plan decreased YoY due to the absence of large orders received FY22
- Sales and profit progress was slow due to extended delivery schedule caused by customers' reasons

(Unit: JPY Million)

	FY22	FY23	YoY	FY23 plan	
	1H	1H		Full year	Progress rate
Orders received	1,216	837	-31%	2,000	42%
Net sales	686	737	+7%	1,800	41%
Segment profit	1	2	+66%	180	1%
Segment profit margin	0.2%	0.3%	-	10.0%	-

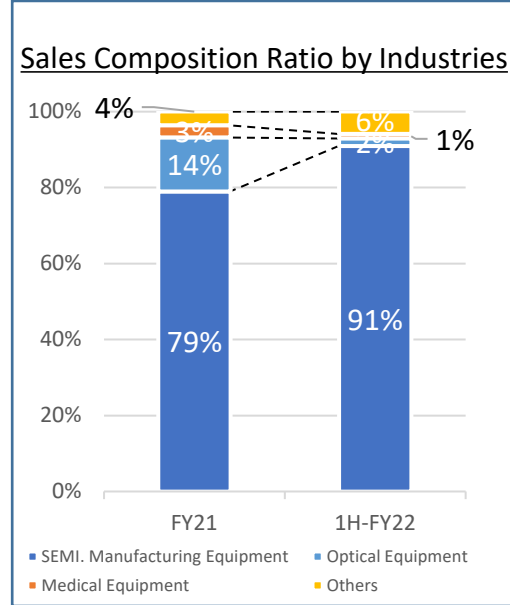
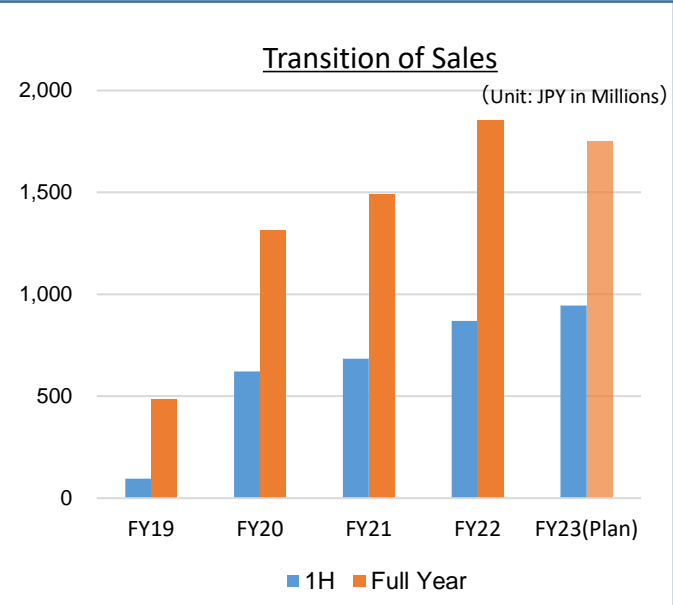
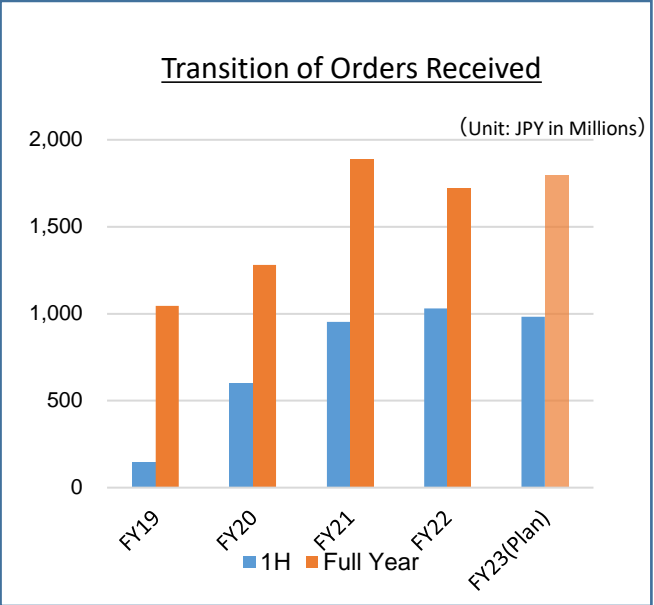


Optics Business

- Slow orders for optical components were offset by orders for laser systems for semiconductor inspection equipment
- Backlog of orders is high, and sales are expected to remain steady

(Unit: JPY Million)

	FY22	FY23	YoY	FY23 plan	
	1H	1H		Full year	Progress rate
Orders received	1,031	982	-5%	1,800	55%
Net sales	870	944	+9%	1,750	54%
Segment profit	358	376	+5%	620	61%
Segment profit margin	41.2%	39.9%	-	35.4%	-



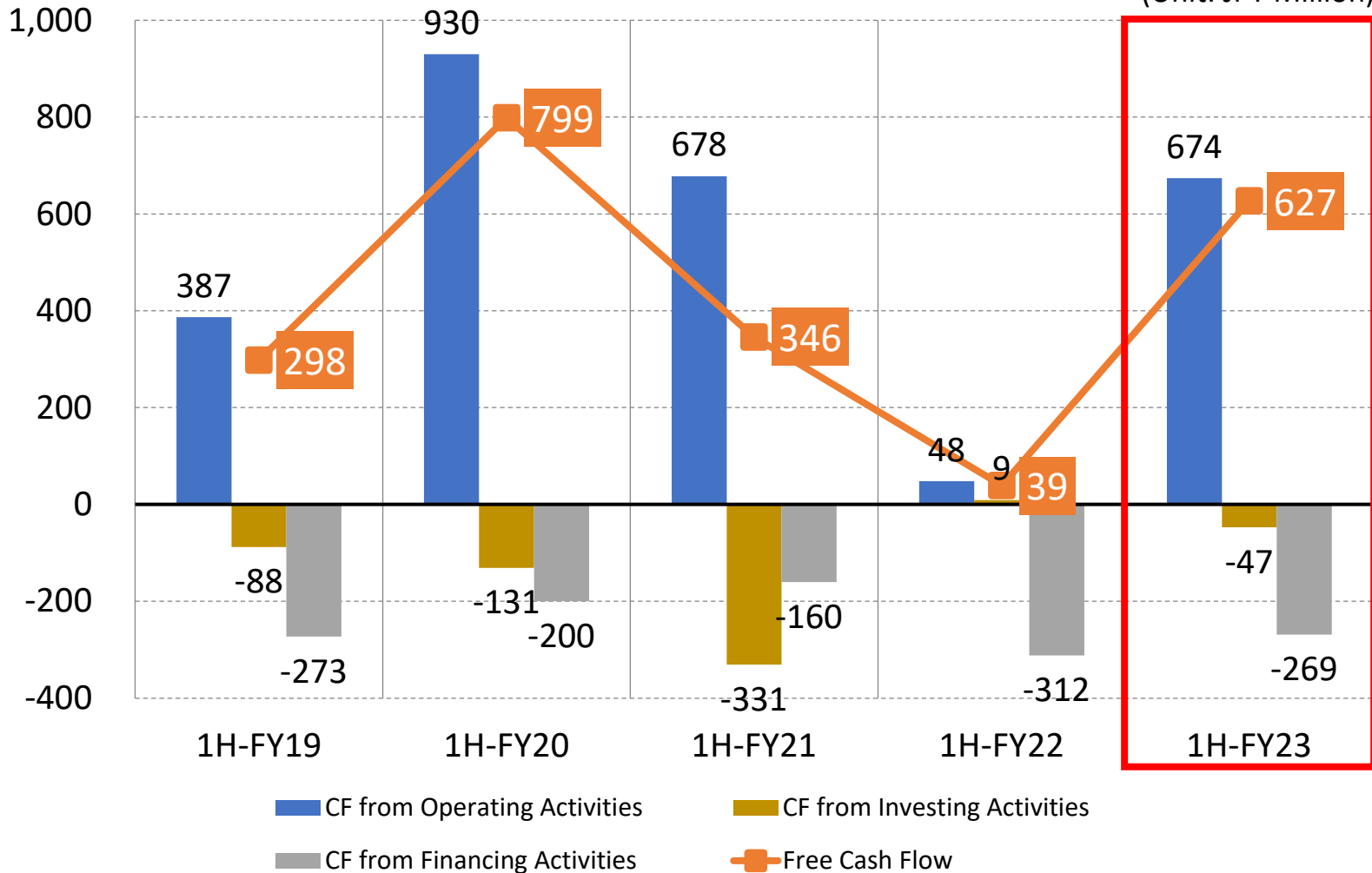
Balance Sheet

(Unit: JPY Million)

	End of FY22 (Mar. 31, 2023)		End of 1H FY23 (Sep. 30, 2023)		Change
Cash and deposits	4,381	25.8%	4,723	27.1%	+ 341
Trade receivables	4,025	23.7%	3,604	20.7%	- 421
Inventories	3,062	18.0%	3,387	19.4%	+ 325
Other current assets	150	0.9%	206	1.2%	+ 56
Current assets	11,619	68.3%	11,921	68.3%	+ 302
Property, plant and equipment	3,255	19.1%	3,226	18.5%	- 29
Intangible assets	241	1.4%	205	1.2%	- 36
Investments and other assets	1,885	11.1%	2,090	12.0%	+ 205
Non-current assets	5,382	31.7%	5,522	31.7%	+ 140
Total assets	17,002	100.0%	17,444	100.0%	+ 442
Accounts payable - trade	449	2.6%	484	2.8%	+ 35
Other current liabilities	1,390	8.2%	1,327	7.6%	- 63
Current liabilities	1,840	10.8%	1,812	10.4%	- 28
Non-current liabilities	557	3.3%	570	3.3%	+ 13
Total liabilities	2,397	14.1%	2,382	13.7%	- 15
Equity capital	14,503	85.3%	14,959	85.8%	+ 456
Total net assets	14,605	85.9%	15,062	86.3%	+ 456
Total liabilities and net assets	17,002	100.0%	17,444	100.0%	+ 442

Cash Flows

(Unit: JPY Million)



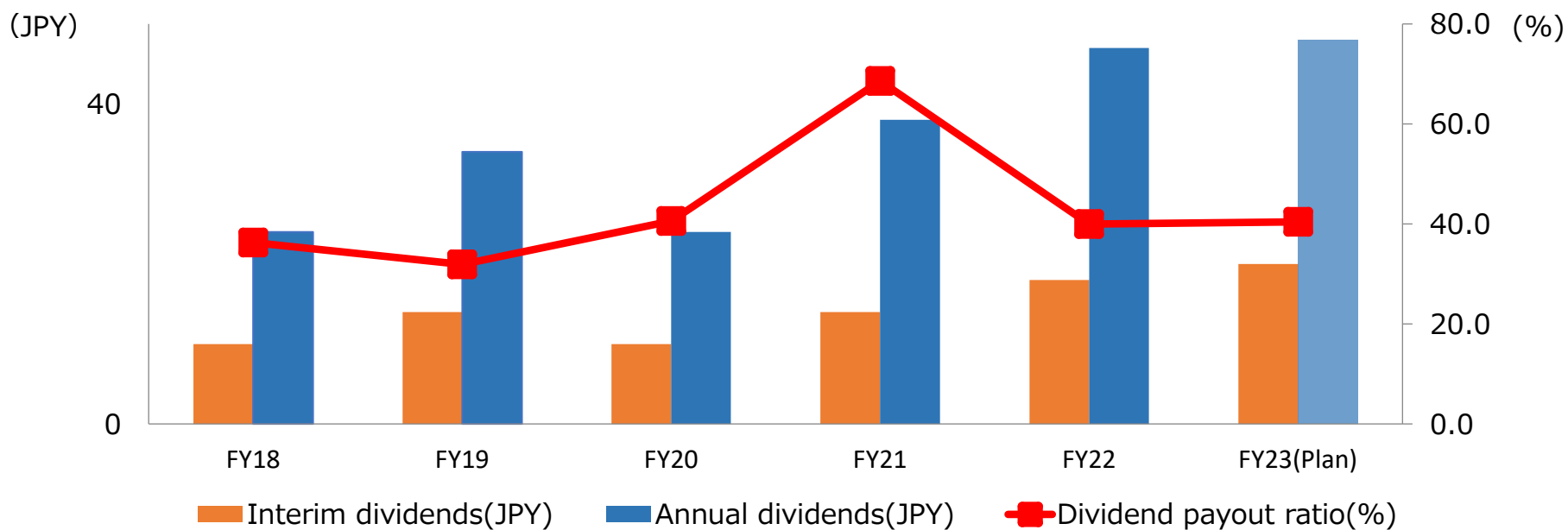
➤ Summary of CF from Operating Activities :

Profit before income taxes + 568, Depreciation + 131

Increase in inventories -304, Decrease in trade receivables and contract assets +435

Return to shareholders

Consolidated dividend payout ratio of 40% or more and consolidated Dividend On Equity (DOE) capital ratio of 2% or more



	FY18	FY19	FY20	FY21	FY22	FY23 (Plan)
Interim dividends (JPY)	10	14	10	14	18	20
Annual dividends (JPY)	24	34	24	38	47	48
Dividend payout ratio (%)	36.3	31.9	40.6	68.6	40.0	40.4
DOE (%)	1.4	2.0	1.3	2.0	2.4	2.4

Business Plan

- Steady Progress on Track to Achieve Full-Year Plan
- Planning to exceed 1 billion yen in operating profit and ordinary profit for the second consecutive year for the first time since the FY 1997

(Unit: JPY Million)

	FY22	1H-FY23	FY23 Plan	YoY	Progress rate
Orders received	10,307	5,196	10,500	+2%	49%
Net sales	9,155	4,531	10,000	+9%	45%
Operating profit	1,182	536	1,190	+1%	45%
Operating profit margin	12.9%	11.8%	11.9%	-	-
Ordinary profit	1,255	589	1,260	+0%	47%
Ordinary profit margin	13.7%	13.0%	12.6%	-	-
Profit attributable to owners of parent	860	370	870	+1%	43%
Profit attributable to owners of parent margin	9.4%	8.2%	8.7%	-	-
Earnings per share (JPY)	117.40	50.43	118.70	+1%	-
Order backlog	5,336	6,001	5,836	+9%	-

2H Business Direction

Process Control Business

- Focusing on sales to manufacturers of high-grade steel and non-ferrous metals for use in EVs
- Strengthen our ability to make product appeals to customers by expanding our product lineup
- Strengthen production and services at overseas subsidiaries

Web Control Business

- Focus on sales of products that have a lower environmental impact, including E+L products
- Focus on growth areas as the LIB industry
- Continuing cost reduction activities in collaboration with partner companies

Inspection System Business

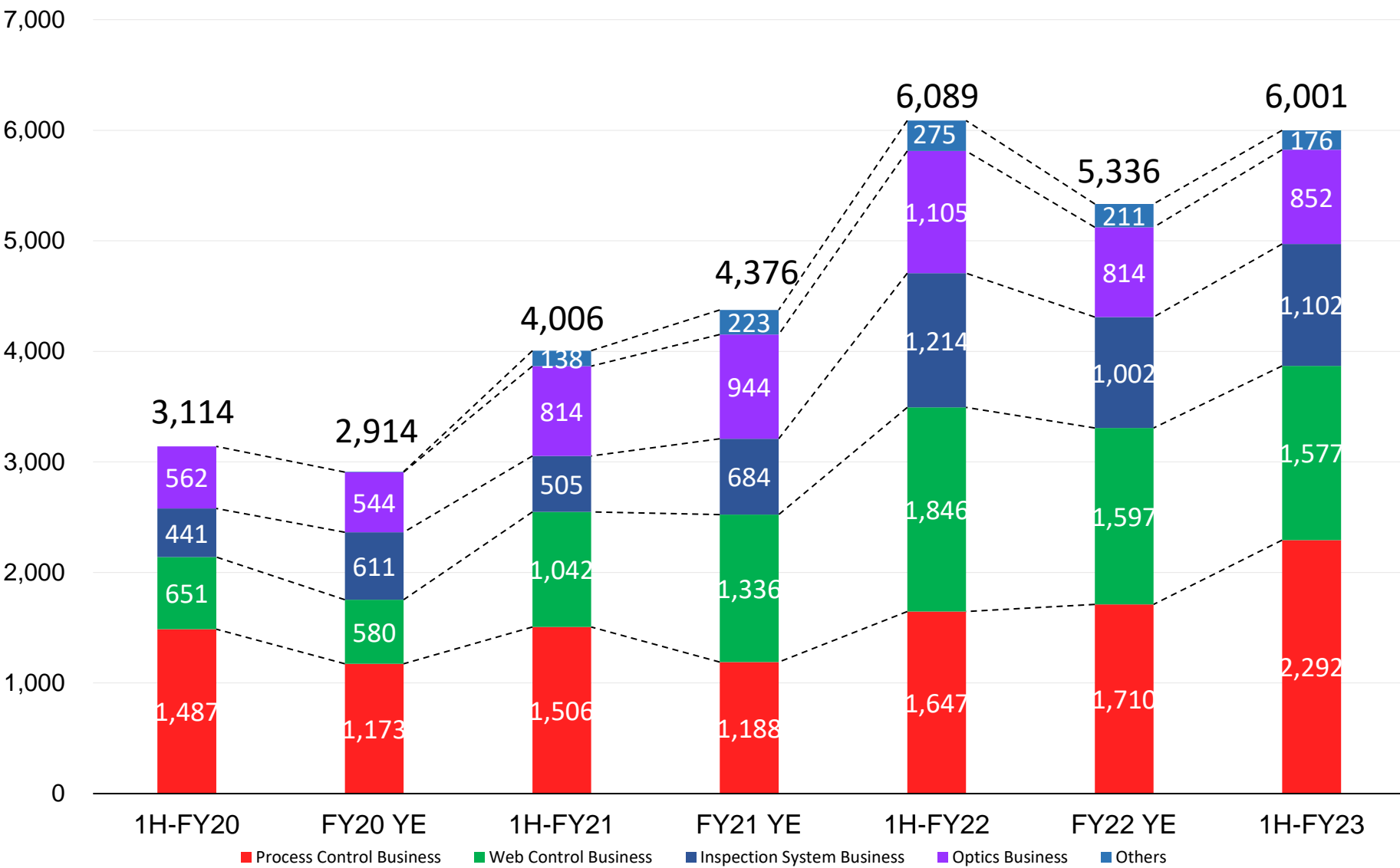
- Expand sales of new products targeting the rechargeable battery industry
- Strengthen overseas expansion by enhancing technical support
- Developing applications in markets that are expected to expand

Optics Business

- Expand market share in the semiconductor inspection equipment industry using deep UV
- Expanding Sales of Laser Products for the Semiconductor Industry
- New development by using our strength in crystal processing and evaluation technology

Order Backlog

(Unit: JPY Million)



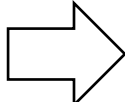
2. Towards sustainable growth

Main objectives for sustainable growth

Strengthen our group to enable growth in any environment

Expand our market presence

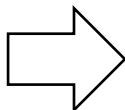
- Drive overseas expansion
- Strengthen Inspection system business and Optics business
- Exploit new fields of business through new-product development



Expand & enhance business foundations

Technological advances

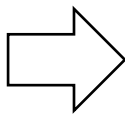
- Enhance image analysis technology for new product development
- Develop new products based on optical applications technology



Enhance competitive advantage

Enhance organizational capabilities

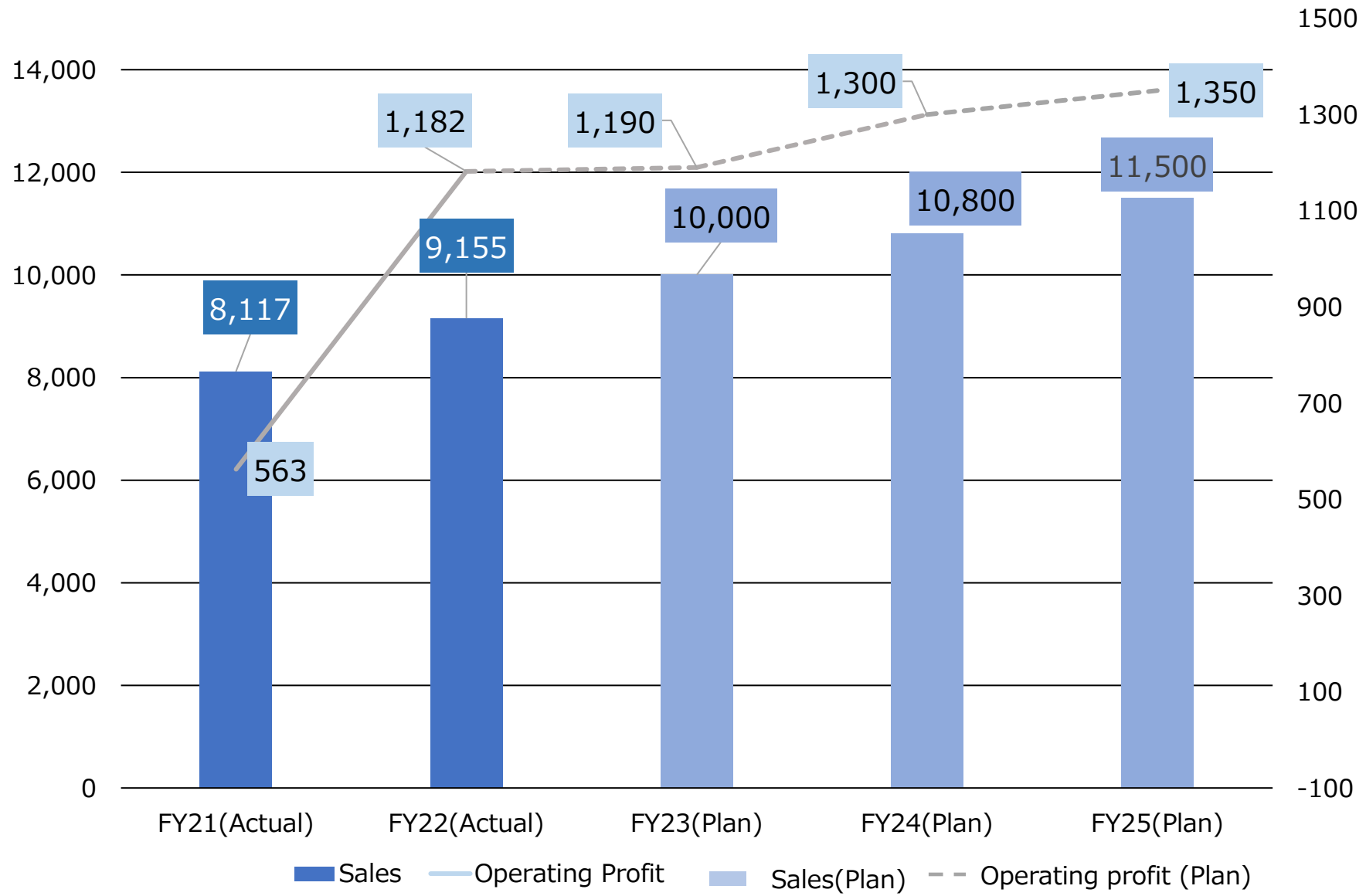
- Improve profitability of existing businesses
- Maximize synergy by strengthening group collaboration
- Invest in human resources and infrastructure to strengthen competitiveness



Reinforce organizational base

Mid-term targets

(Unit: JPY Million)

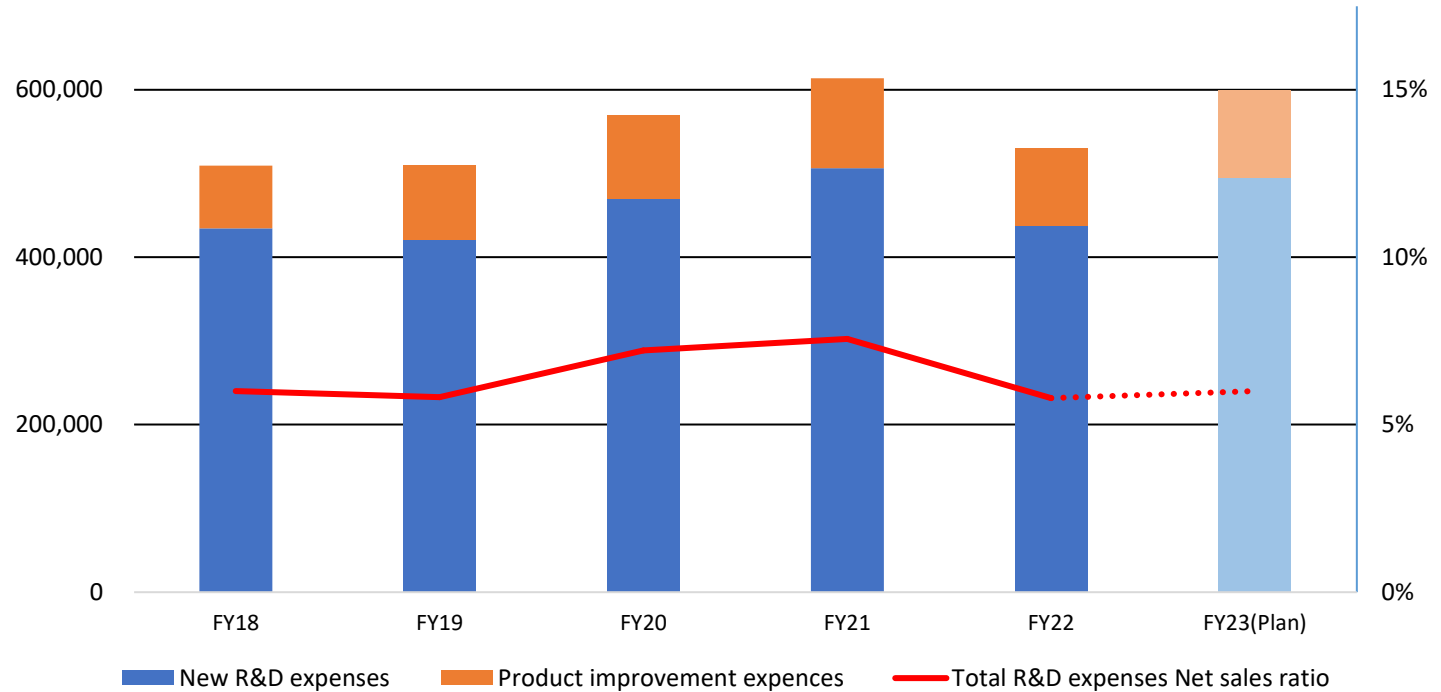


R&D

➤ Aiming to create a new revenue streams & accelerate development projects using our technology strengths.

- Main development themes
- Development of next-generation image inspection systems
 - Development of new products using laser technology
 - Development of inspection and measurement equipment applying optic technologies

(Unit : JPY Thousand)



Reference Data

Company Profile

Company name	NIRECO Corporation
President & CEO	Shinichi Nakasugi
Head office	2951-4 Ishikawa-machi, Hachioji, Tokyo, Japan
Established	November 1950
Stock exchange listing	TSE Standard
Paid-in capital	3,084 Million Japanese Yen
Number of employees	449*
Net sales (Consolidated)	9,155 Million Japanese Yen (FY2022)

*As of March 31, 2023

History

- 1950: Nihon Regulator Co., Ltd. established in Chuo-ku, Tokyo
- 1979: Head office relocated to Hachioji, Tokyo
- 1984: Company name changed to NIRECO Corporation
- 1989: Registered on the OTC share market with the Japan Securities Dealers Association
- 1990: Acquired Miyota Seimitsu Co., Ltd.
- 1998: Acquired Nireco Taiwan Corporation following application for capital increase
- 2003: Nireco Automatic Controller (Shanghai) Co., Ltd. established in Shanghai, China
- 2004: Listed stocks on the JASDAQ Securities Exchange
- 2013: Transfer listed market to the Tokyo Stock Exchange JASDAQ (standard)
- 2014: Nireco Process Korea Co., Ltd. (NPK) established in Korea
- 2018: NPK acquired the land and buildings to establish a production system
- 2019: Acquired Kogakugiken Corp.
- 2021: Acquired SEIBU Electric Corp.
- 2022: Transfer to TSE Standard market due to restructuring of market tiers in the Tokyo Stock Exchange

Management philosophy

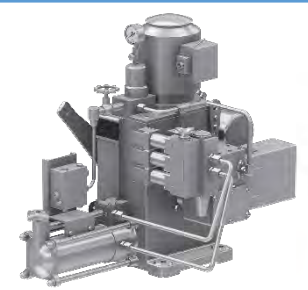
‘TECHNOLOGY & TRUST’

We provide products that utilize our advanced control, measurement and inspection technology and services that precisely match the needs of our customers. NIRECO grows together with its customers as a reliable partner and as a company that wins trust.

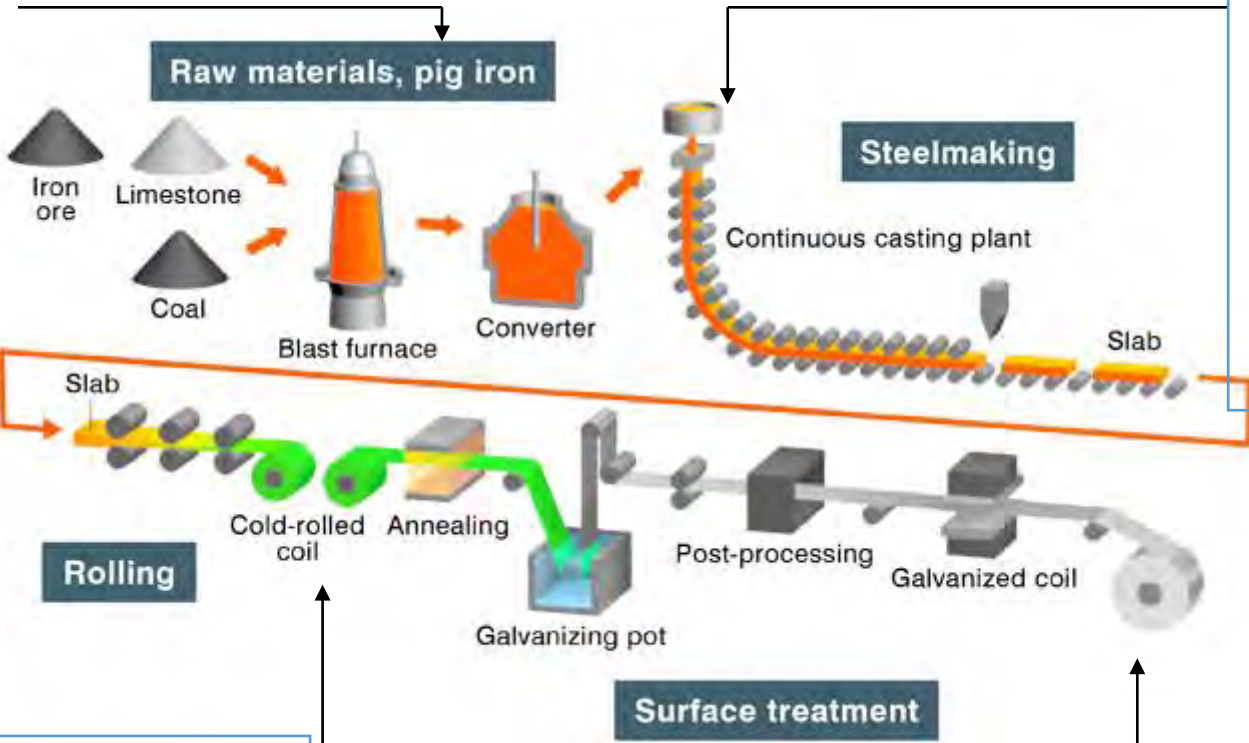
Furthermore, we will contribute to the realization of an affluent and sustainable society by widely applying the value created through our partnerships with society.

Process Control Business

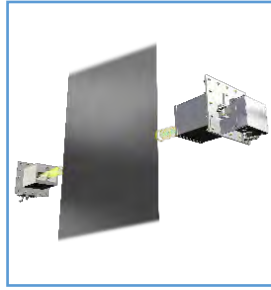
Markets automatic control equipment in several industries such as steel, metal, gas, chemical etc.



Electro-hydraulic Actuator
Controls pressure, flow rate and temperature inside blast furnace



Eddy Current Level Meter
Eddy currents are used to measure the level of molten steel poured into a cast.



Edge Position Control System
Controls the meandering of the steel strip traveling along the production line.



Automatic Marking System
Imprints various information on the finished metal product.

Web Control Business

Markets position control equipment etc. for thin-sheet materials so-called 'Web', such as paper, film and foil




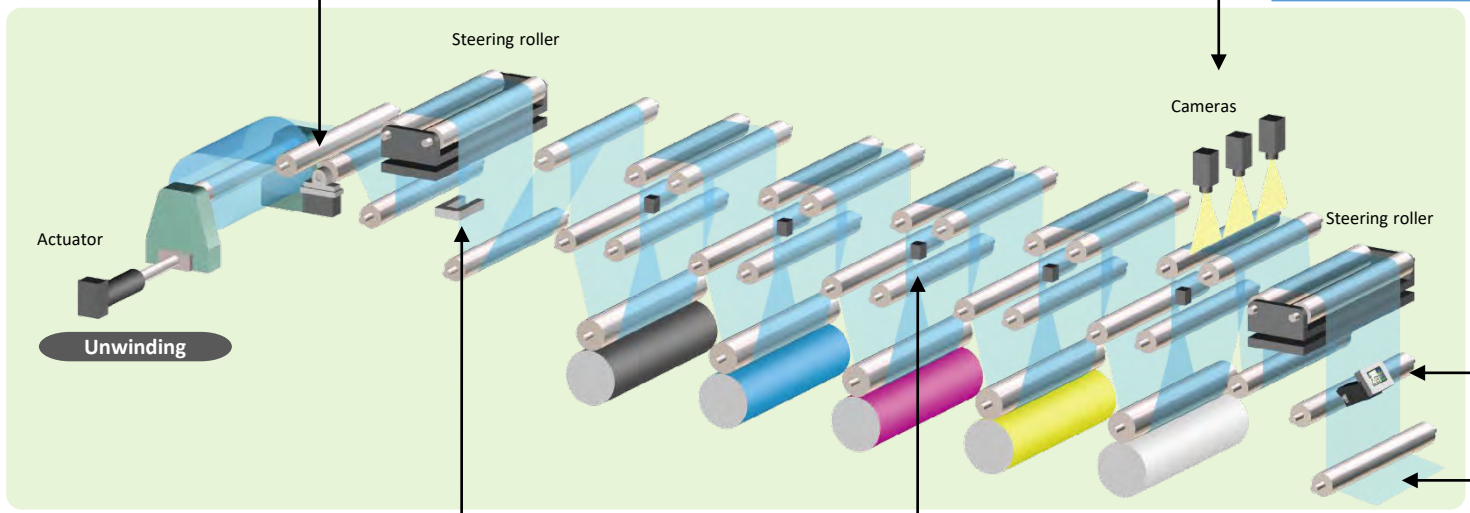
Tension Control System
Keeps the web tension constant and enables stable, high-precision production.



Print Quality Inspection System
Detects blemishes on the surface of printed products.




Web Position Control System (Pattern matching)
Keeps web in a constant position and prevents meandering based on captured image.



Web Position Control System
Keeps web in a constant position and prevents meandering based on its edge.



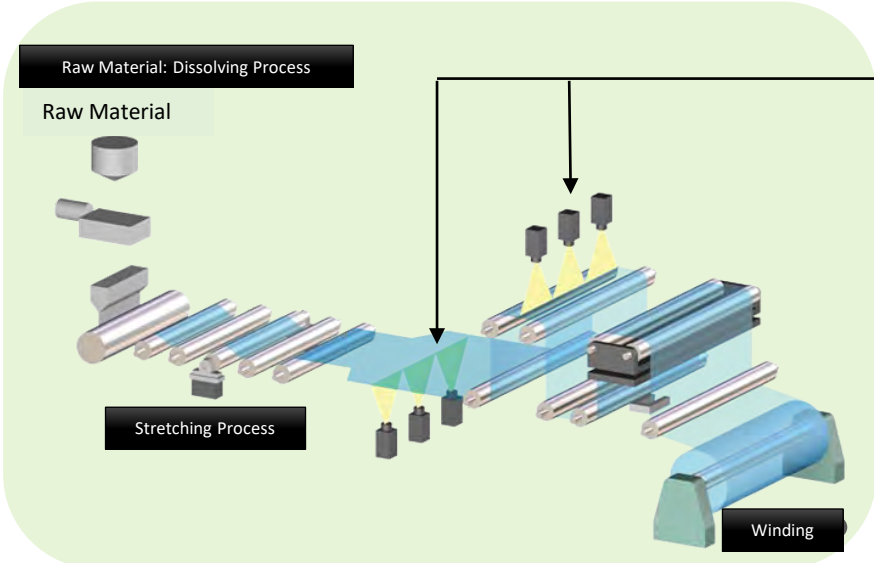
Automatic Register Control System
Controls the color-to-color registration on rotogravure printing laterally and on the circumference.



Gluing Control System
Applies glue in various patterns. Checks applied glue using camera or electromagnetic wave.

Inspection System Business

Sales of quality inspection systems for a wide range of products from agriproducts to electronic components and custom developed using image processing technology refined over many years.



Defect Inspection System for Plain Surfaces

Able to detect multiple kinds of defects even on high-speed production lines.

Fruit/Vegetable Sorting System

Performs instantaneous non-destructive quality tests for agricultural products externally (scratches, decay, and sizes) and internally (sugar content and acidity).



Optics Business

The Optics business engages in the R&D, manufacture and sale of advanced laser devices meticulously developed over many years and highly specialized optical components.

- Main uses :
 - Semiconductor Inspection Equipment
 - Optical Equipment
 - Medical Equipment

Optical Components



Nonlinear optical crystal

Convert wavelength to the UV light with specific frequency suitable for use in semiconductor inspection equipment.

Polarizers

Offer polarizers to extract specific lights. Our polarizers have high transmittance and high extinction ratio for DUV.



Lasers



Deep UV fiber laser

Generate 199nm deep ultraviolet fiber laser that suitable for mask inspection.

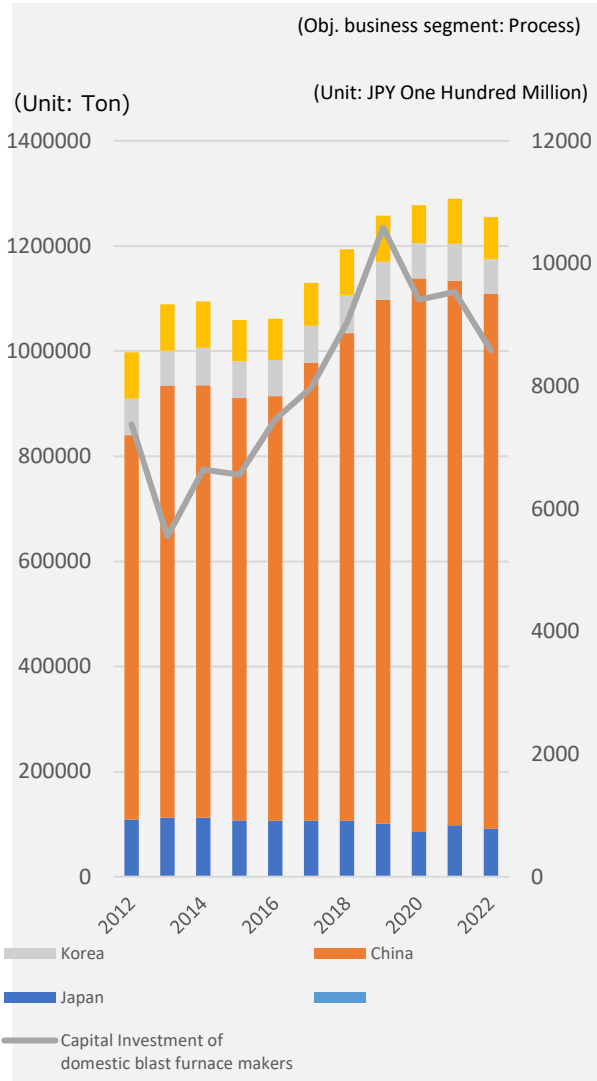


Green Laser device

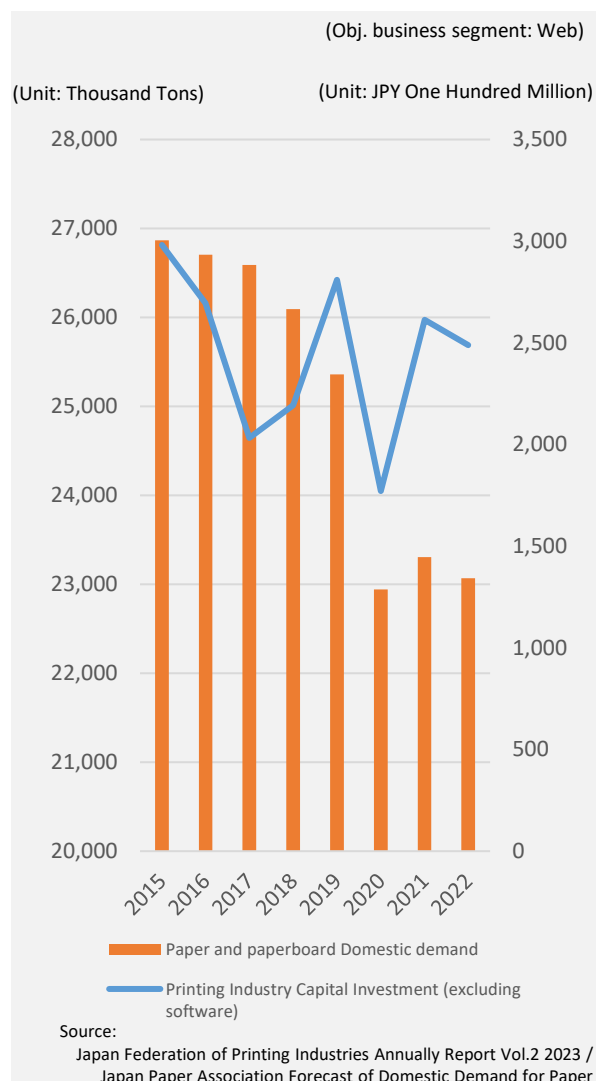
Generate high output green laser for various purposes such as processing of silicon wafer, metal marking and so on.

Market environment

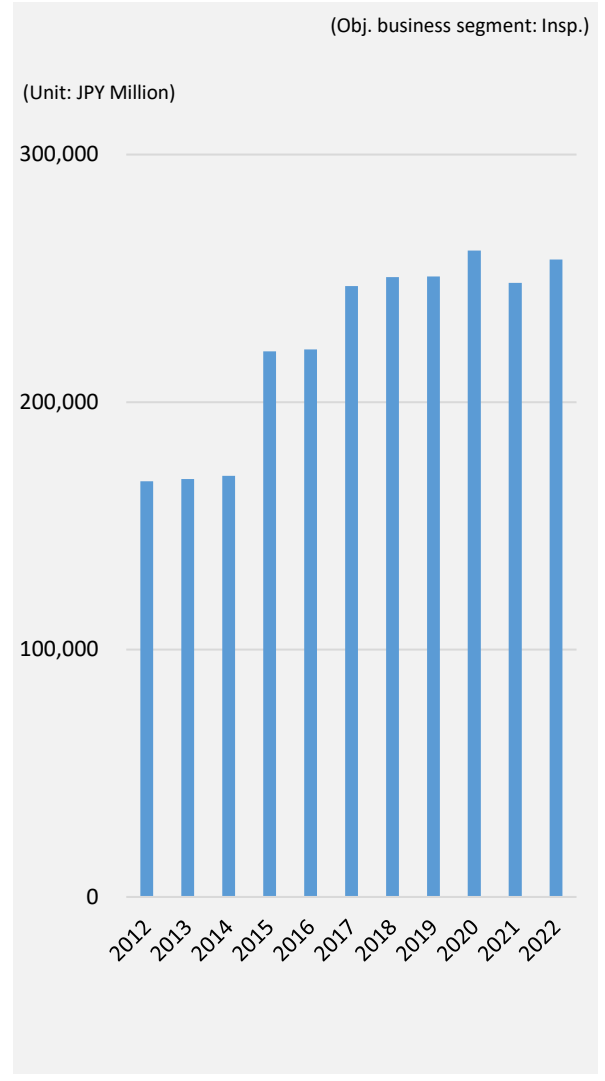
Regional Crude Steel Production & Capital Investment by Major Domestic Blast Furnace Makers



Paper and Paperboard Domestic Demand and Printing Industry Capital Investment

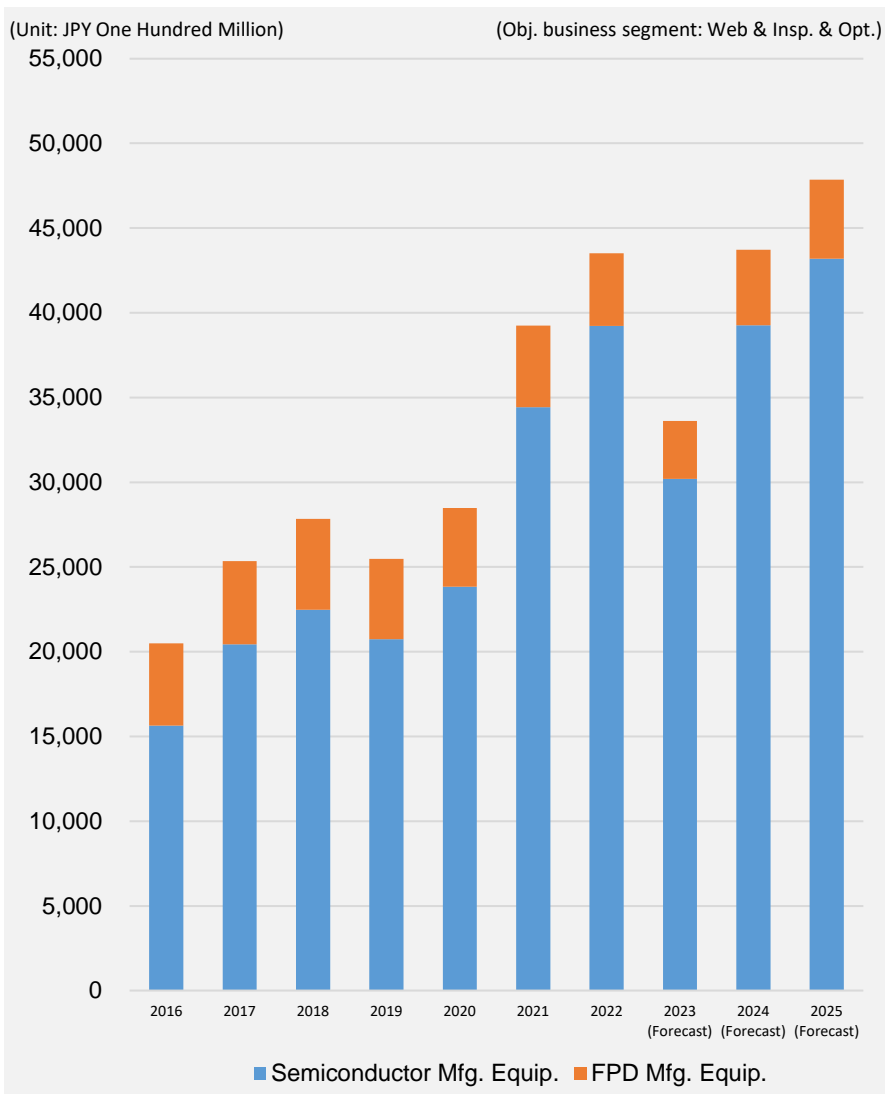


Japan Food Machinery Sales
(excluding processing machinery)



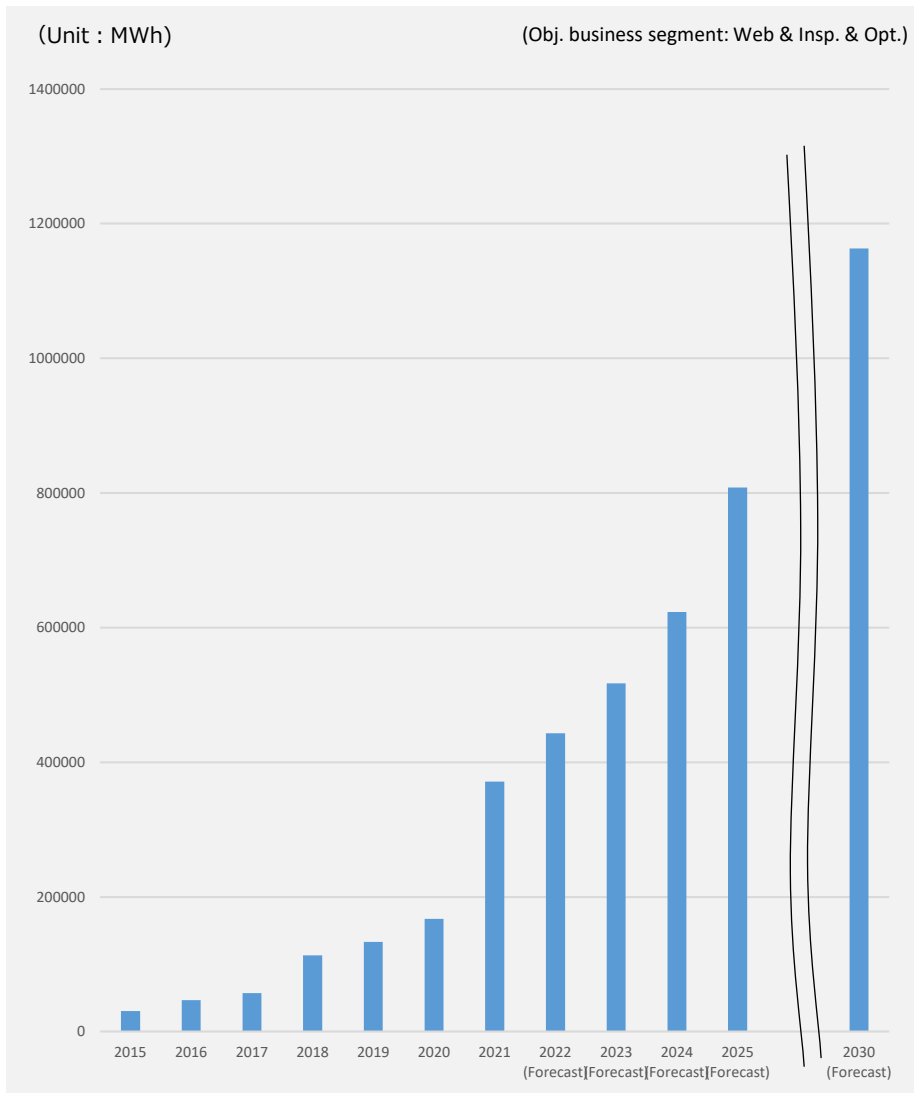
Market environment

Forecast of Demand for Semiconductor & FPD Mfg. Equip.



Source: Semiconductor Equipment Association of Japan

Automotive LiB World Market Forecast



Source: Yano Research Institute Ltd.

Business Segment Data

(Unit: JPY Million)

		1H-FY20	FY20	1H-FY21	FY21	1H-FY22	FY22	1H-FY23
Sales	Process	1,081	2,584	1,045	2,216	1,023	2,411	1,068
	Web	1,129	2,599	1,361	2,631	1,142	2,465	1,469
	Inspection	769	1,365	800	1,356	686	1,797	737
	Optics	621	1,313	684	1,489	870	1,855	944
	Others	18	37	127	423	282	625	310
	Total		3,620	7,899	4,019	8,117	4,004	9,155
Segment Profit	Process	203	412	89	313	109	460	152
	Web	138	291	157	230	142	248	242
	Inspection	31	-19	33	35	1	200	2
	Optics	206	399	182	401	358	740	376
	Others	0	-1	23	39	6	57	48
	Adjustment	-238	-480	-232	-456	-253	-524	-285
Total		341	600	253	563	364	1,182	536
Orders Received	Process	1,054	2,242	1,378	2,232	1,483	2,934	1,650
	Web	1,221	2,620	1,823	3,387	1,652	2,862	1,449
	Inspection	498	1,265	693	1,429	1,216	2,172	837
	Optics	604	1,280	954	1,888	1,031	1,725	982
	Others	17	39	261	642	334	612	276
Total		3,397	7,447	5,111	9,579	5,718	10,307	5,196
Order Backlog	Process	1,487	1,173	1,506	1,188	1,647	1,710	2,292
	Web	651	580	1,042	1,336	1,846	1,597	1,577
	Inspection	441	611	505	684	1,214	1,002	1,102
	Optics	562	544	814	944	1,105	814	852
	Others	1	4	138	223	275	211	176
Total		3,144	2,914	4,006	4,376	6,089	5,336	6,001

NIRECO