

Material for 1H-FY2024 Financial Results



(Stock Code: 6863)
November 13, 2024

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

	1H-FY23	1H-FY24	FY24(Plan)
Orders Received:	5,196 (-9% YoY)	5,102 (-3% YoY)	10,600 (+6% YoY)
Net Sales:	4,531 (+13% YoY)	4,908 (+8% YoY)	10,000 (+1% YoY)
Operating Profit:	536 (+47% YoY)	788 (+47%YoY)	1,400 (+1 %YoY)

Main objectives

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

Achieve sustainable growth in any environment

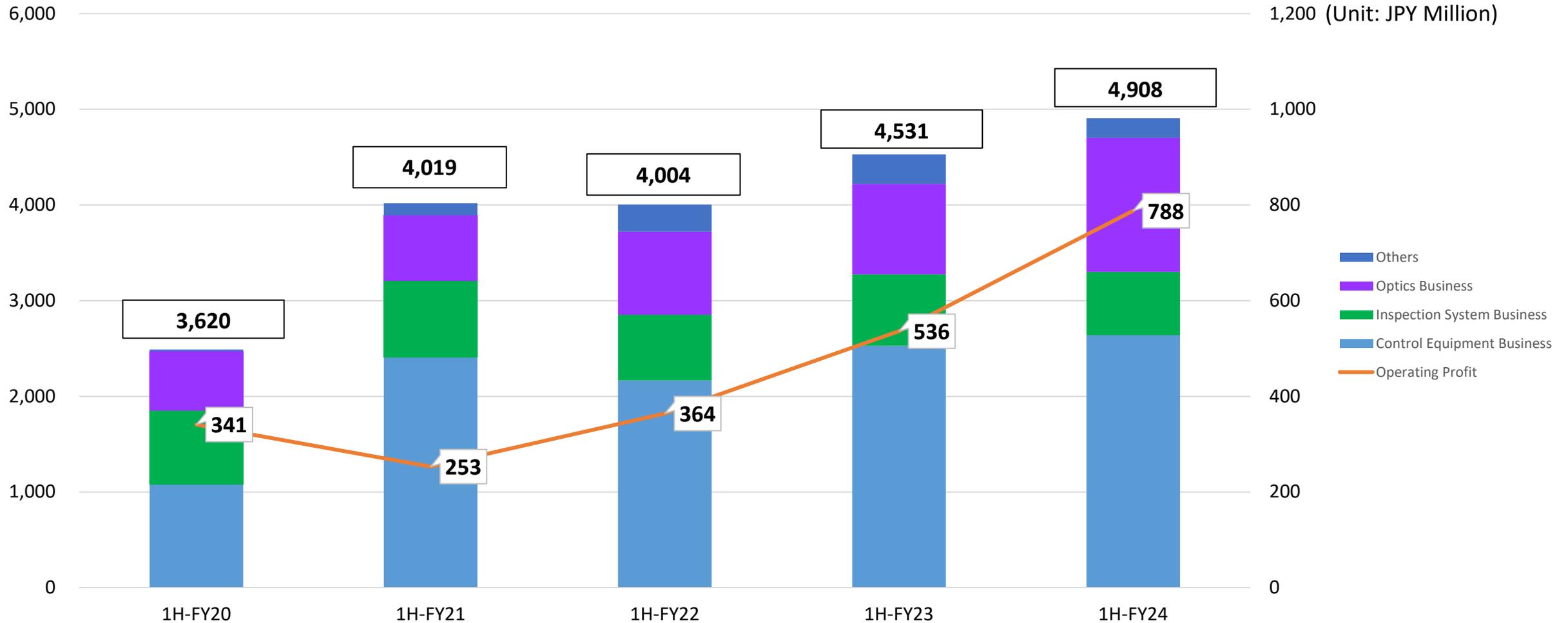
- ◆ Expand & enhance business foundations
- ◆ Increase our competitive advantage

Main efforts of 1H-FY2024

- Reorganization, including integration of subsidiaries
- Mergers and acquisitions with a vision for future growth
- Expansion of product lineup to strengthen expansion into the semiconductor industry

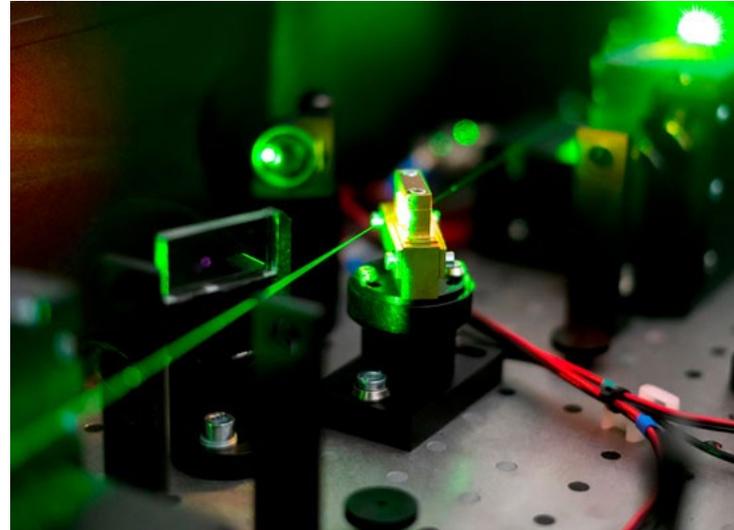
Consolidated dividend payout ratio of 45% or more and consolidated Dividend On Equity (DOE) capital ratio of 2.5% or more.

Net sales and operating profit



*Segment figures have been reclassified to reflect the merger of the former process and web control businesses into the control equipment business effective from the start of FY2024, therefore, the chart shows past segments have been reclassified as well.

1. 1H-FY2024 Financial Results
2. Towards Sustainable Growth
3. Topics



1. 1H-FY2024 Financial Results (April 2024 - September 2024)

Consolidated Statement

- Significant increase due to the high level of order backlog at the beginning of the Fiscal Year, efficiency improvement and profit improvement efforts in the control equipment business, including organizational changes, and high level of utilization in the optics business
- Second highest operating profit since the company went IPO in 1989

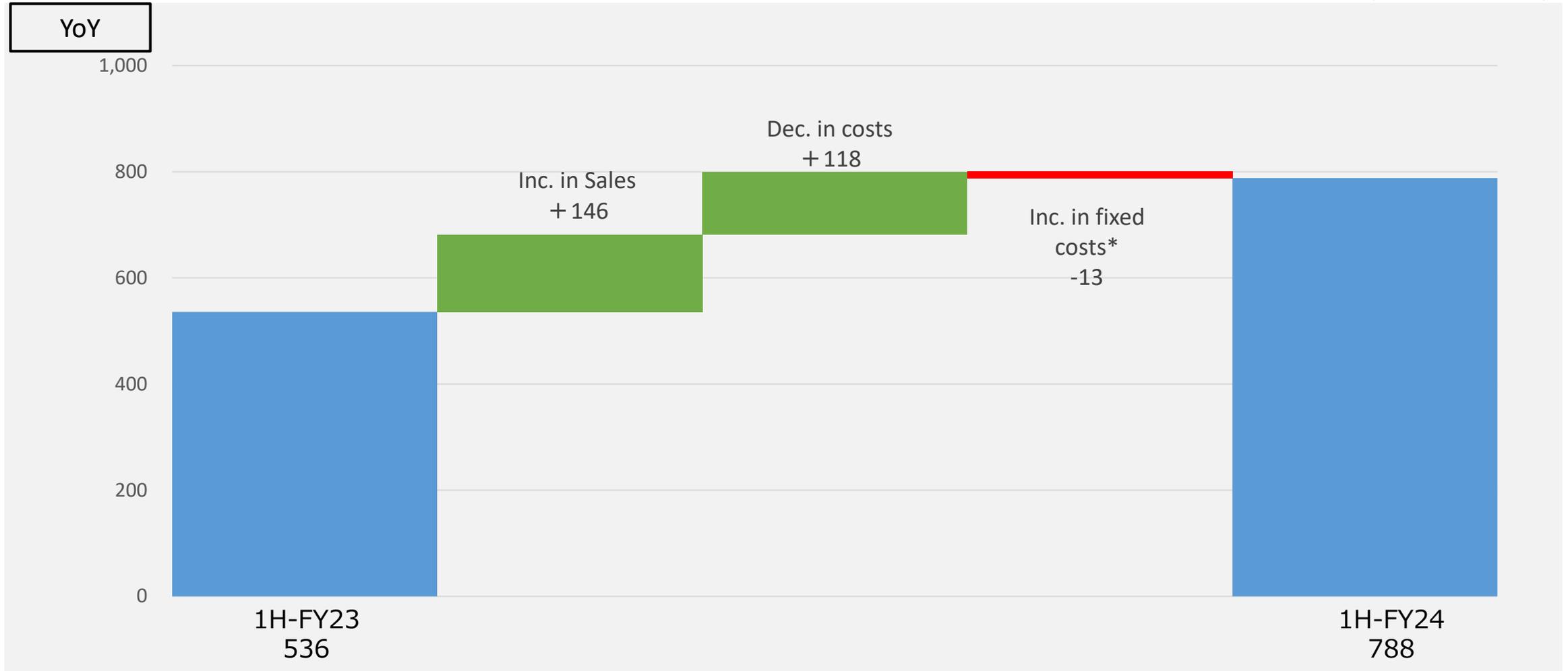
(Unit: JPY Million)

	1H-FY23	FY24		Rate of change	
		1H Initial Plan	1H Result	YoY	Vs to Plan
Orders received	5,718	5,400	5,102	-11%	-6%
Net sales	4,531	4,700	4,908	+8%	+4%
Operating profit	536	420	788	+47%	+88%
Operating profit margin	11.8%	8.9%	16.1%	-	-
Ordinary profit	589	470	845	+43%	+80%
Ordinary profit margin	13.0%	10.0%	17.2%	-	-
Profit attributable to owners of parent	370	320	550	+49%	+72%
Profit attributable to owners of parent margin	8.2%	6.8%	11.2%	-	-
Earnings per share (JPY)	50.43	43.38	74.54	+48%	+72%
Order backlog	6,057	6,789	5,648	-7%	-17%

Increase/ Decrease Factors in Operating Profit

➤ Significant year-on-year profit growth due to higher sales and cost reductions

(Unit: JPY Million)



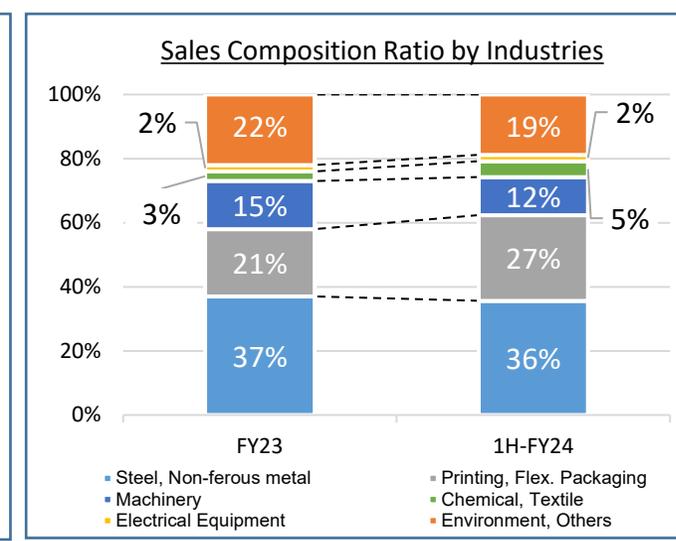
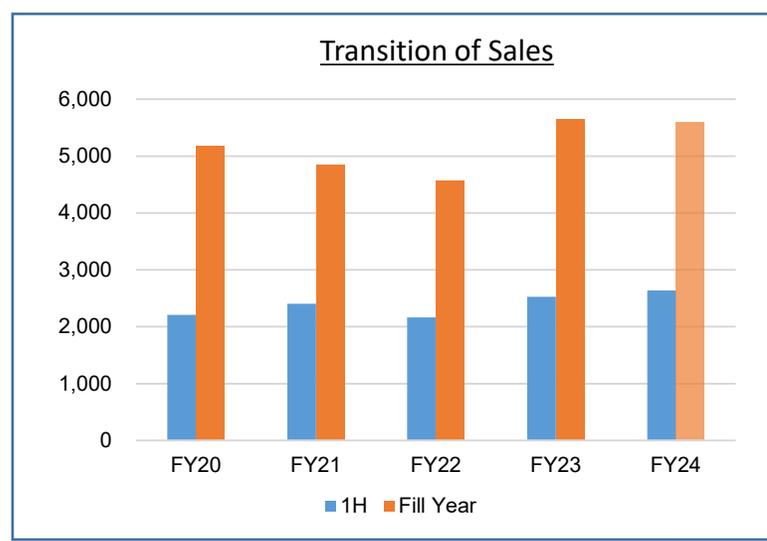
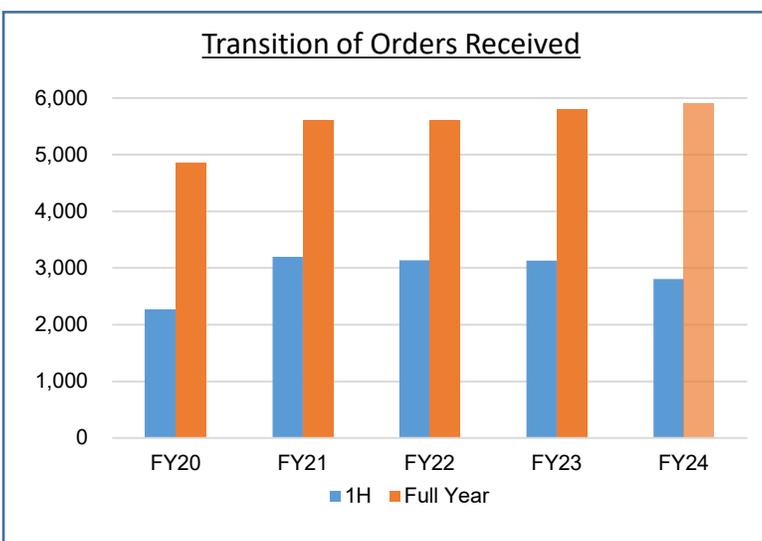
※Fixed costs = SG&A expenses

Control Equipment Business

- Both sales and profits increased YoY due to demand for higher grades in the steel industry and replacement demand.
- In the film and printing field, sales decreased. Profit increased from the year before due to successful implementation of profit improvement measures.

(Unit: JPY Million)

	FY23	FY24		FY24 plan	
	1H	1H	YoY	Full year	Progress rate
Orders received	3,133	2,806	-10%	5,900	48%
Net sales	2,526	2,638	+4%	5,600	47%
Segment profit	410	653	+59%	1,020	64%
Segment profit margin	16.2%	24.8%	-	18.2%	-

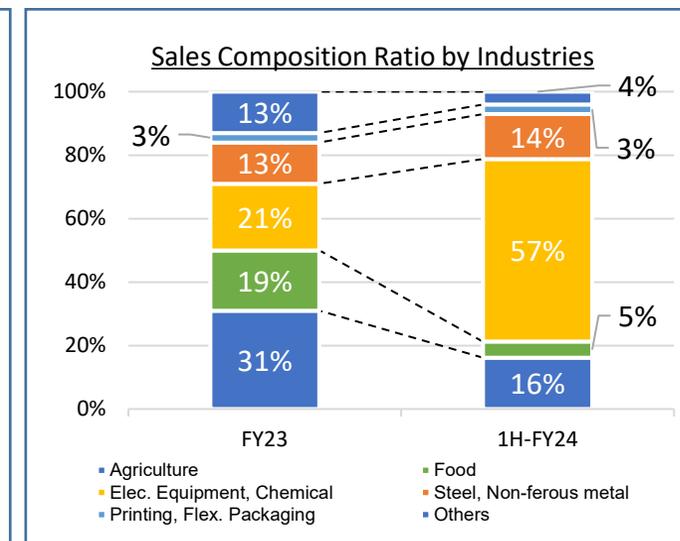
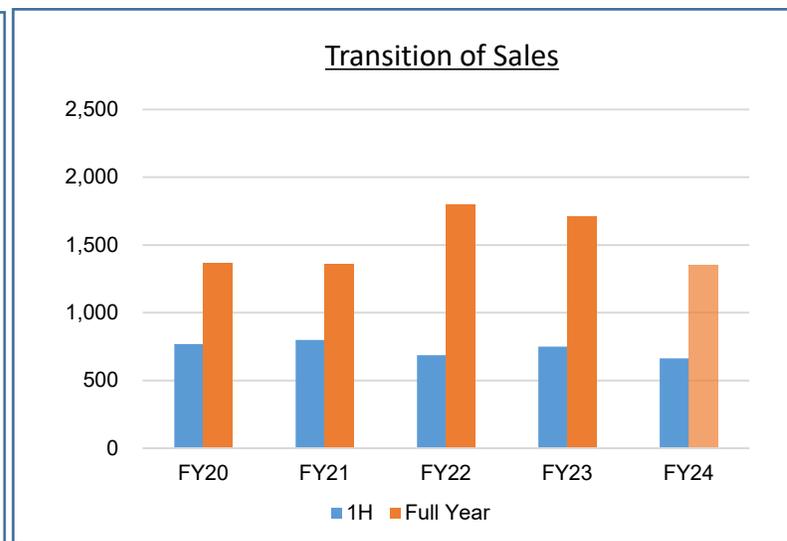
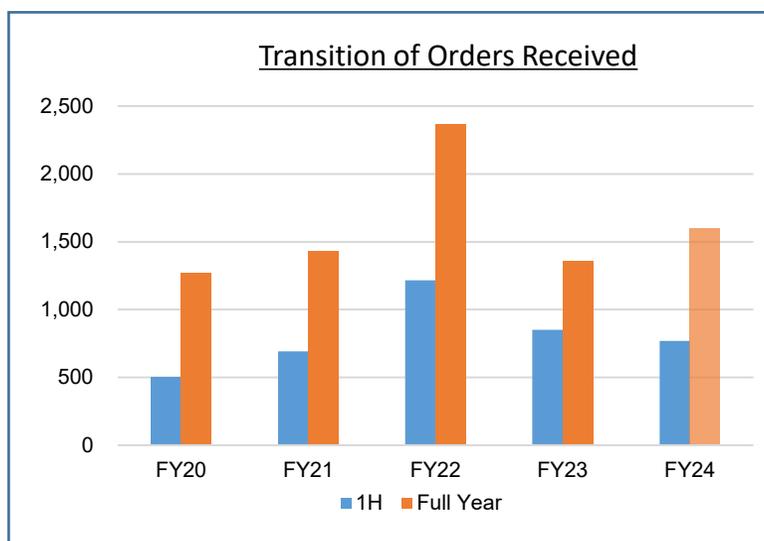


Inspection System Business

- Orders for surface inspection system decreased due to stagnant capital investment in LiB, etc. Sales also decreased YoY due to postponement of orders for customers' reasons, etc.
- Food inspection systems were sluggish due to the trough in the timing of sales and the absence of large projects.

(Unit: JPY Million)

	FY23	FY24		FY24 plan	
	1H	1H	YoY	Full year	Progress rate
Orders received	837	770	-8%	1,600	48%
Net sales	737	663	-10%	1,350	49%
Segment profit	-13	-63	-	30	-
Segment profit margin	-1.8%	-9.6%	-	2.2%	-

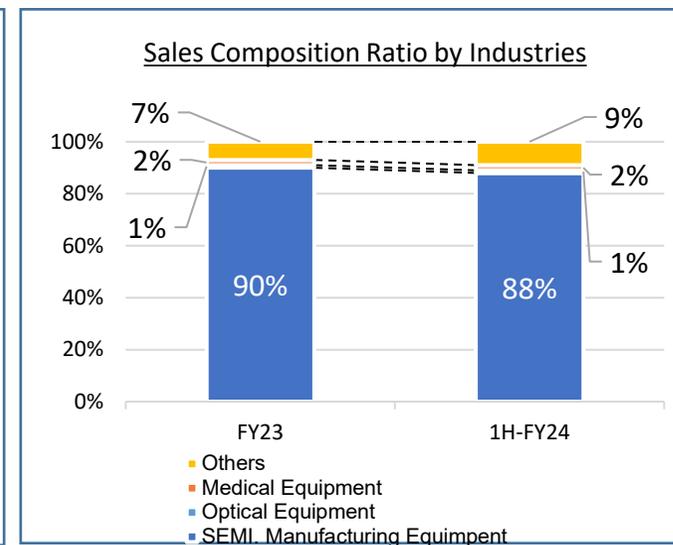
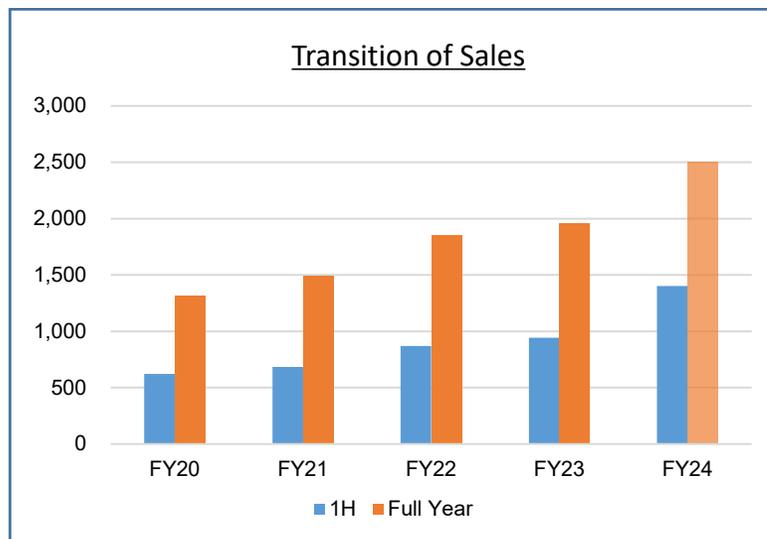
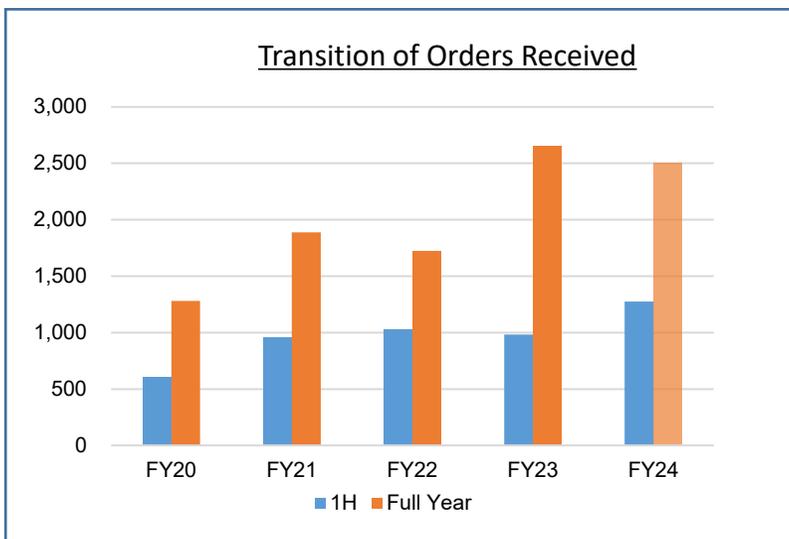


Optics Business

- Orders from the semiconductor production equipment industry were strong. Thus, orders, sales, and profits increased YoY.
- Increased inquiries from overseas in the optical components field. Recognition increases as an essential optical component in Deep Ultraviolet Light field.

(Unit: JPY Million)

	FY23 1H	FY24 1H	YoY	FY24 plan Full year	Progress rate
Orders received	982	1,276	+30%	2,500	51%
Net sales	944	1,402	+49%	2,500	56%
Segment profit	376	526	+40%	920	57%
Segment profit margin	39.9%	37.5%	-	36.8%	-

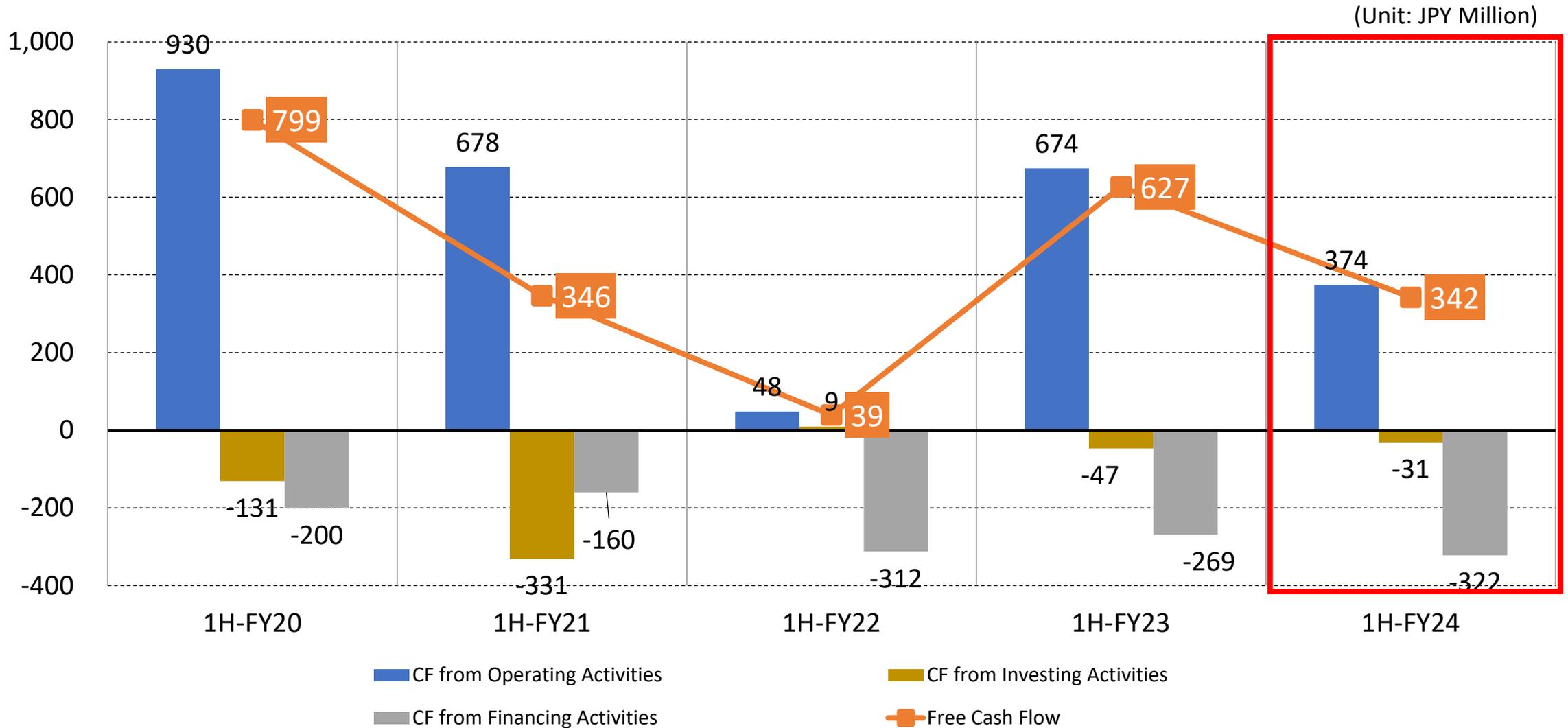


Balance Sheet

(Unit: JPY Million)

	End of FY23 (Mar. 31, 2024)		End of 1H FY24 (Sep. 30, 2024)		Change
Cash and deposits	4,354	23.4%	4,377	24.3%	+ 23
Trade receivables	4,176	22.5%	3,816	21.2%	- 360
Inventories	3,544	19.1%	3,880	21.5%	+ 336
Other current assets	272	1.5%	174	1.0%	- 98
Current assets	12,347	66.5%	12,250	68.0%	- 97
Property, plant and equipment	3,627	19.5%	3,605	20.0%	- 22
Intangible assets	176	0.9%	134	0.7%	- 42
Investments and other assets	2,422	13.0%	2,016	11.2%	- 406
Non-current assets	6,226	33.5%	5,756	32.0%	- 470
Total assets	18,573	100.0%	18,006	100.0%	- 567
Accounts payable - trade	576	3.1%	311	1.7%	- 265
Other current liabilities	1,422	7.7%	1,254	7.0%	- 168
Current liabilities	1,998	10.8%	1,565	8.7%	- 433
Non-current liabilities	749	4.0%	608	3.4%	- 141
Total liabilities	2,748	14.8%	2,174	12.1%	- 574
Equity capital	15,722	84.6%	15,740	87.4%	+ 18
Total net assets	15,825	85.2%	15,832	87.9%	+ 6
Total liabilities and net assets	18,573	100.0%	18,006	100.0%	- 567

Cash Flows



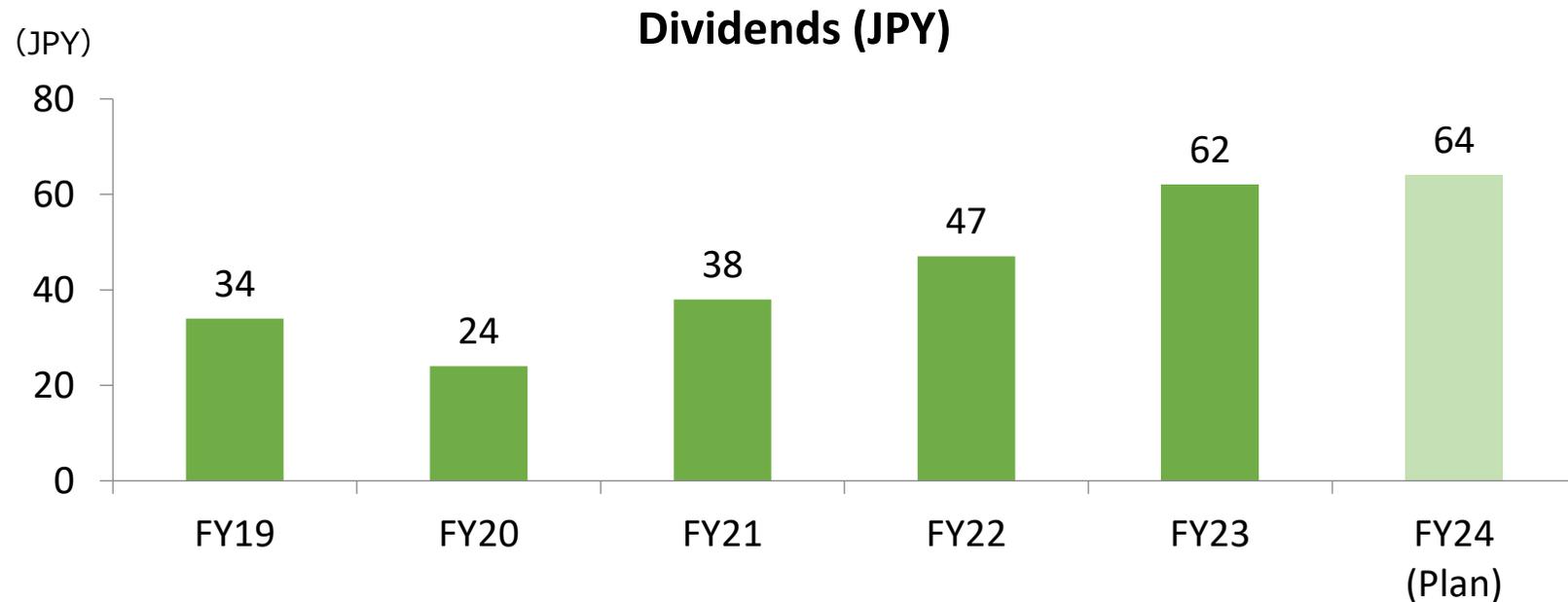
Overview of 1H-FY24

Cash flows from operating activities: Income before income taxes (845 million yen), Depreciation and amortization (135 million yen) Increase in Inventory (-300 million yen), Decrease in trade receivables and contract assets (379 million yen)

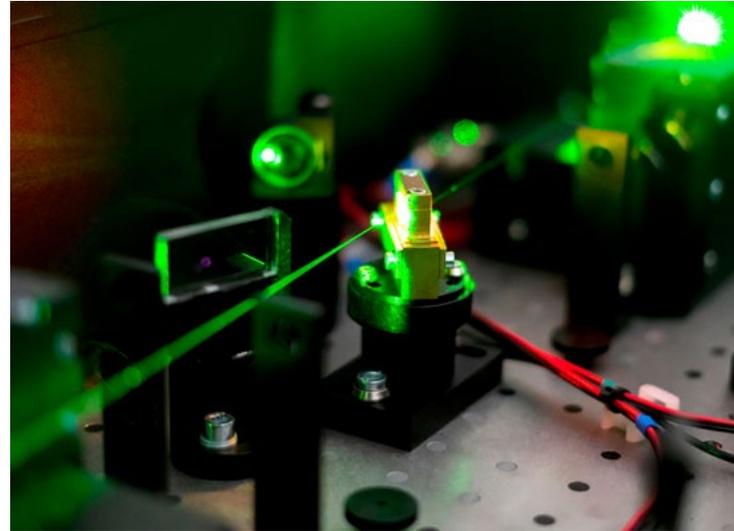
Shareholders' Return

Basic Policy : Consolidated dividend payout ratio of 45% or more and consolidated Dividend On Equity (DOE) capital ratio of 2.5% or more.

The company plans highest dividend since IPO four consecutive years in FY2024



Net profit per share (JPY)	106.58	59.06	55.41	117.40	137.36	141.86
Dividends (JPY)	34	24	38	47	62	64
Dividend Payout Ratio (%)	31.9	40.6	68.6	40.0	45.1	45.0
DOE	2.0%	1.3%	2.0%	2.4%	3.0%	3.0%



2. Towards sustainable growth

NIRECO

Business Plan

- Revised FY forecasts upward due to strong 1H profits. Aiming to increase sales and profit for the third consecutive year.
- Net income attributable to shareholders of the parent company is expected to increase due to the negative goodwill of acquired subsidiaries.

(Unit: JPY Million)

	FY23	1H-FY24	FY24 Plan	YoY	Progress rate
Orders received	9,970	5,102	10,600	+6%	48%
Net sales	9,861	4,908	10,000	+1%	49%
Operating profit	1,386	788	1,400	+1%	56%
Operating profit margin	14.1%	16.1%	14.0%	-	-
Ordinary profit	1,470	845	1,470	+0%	57%
Ordinary profit margin	14.9%	17.2%	14.7%	-	-
Profit attributable to owners of parent	1,011	550	1,050	+4%	52%
Profit attributable to owners of parent margin	10.3%	11.2%	10.5%	-	-
Earnings per share (JPY)	137.36	74.54	141.86	+3%	-
Order backlog	5,454	5,648	6,054	+11%	-

2H Business Direction

Control Equipment Business

A photograph showing industrial control panels and equipment, likely from a factory or manufacturing plant.

- Improving efficiency to maximize the effects of reorganization of merging subsidiaries and integrating divisions
- Focus on sales activities to steel and non-ferrous metal manufacturers of high-grade steel and non-ferrous metals
- Accelerate overseas expansion by strengthening cooperation with alliance partner IMS
- Sales efforts of products that contribute to reducing environmental impact, including partner company E+L's products

Inspection System Business

A photograph showing various inspection equipment and systems, possibly used in manufacturing or quality control.

- Expand sales of products aimed toward LiB industry
- Progress is underway on inspection equipment business for perovskite solar cells. Aiming to expand in the future.
- Technology development in progress to increase speed and functionality of inspection equipment
- Developing a new inspection method in the field of food inspection system

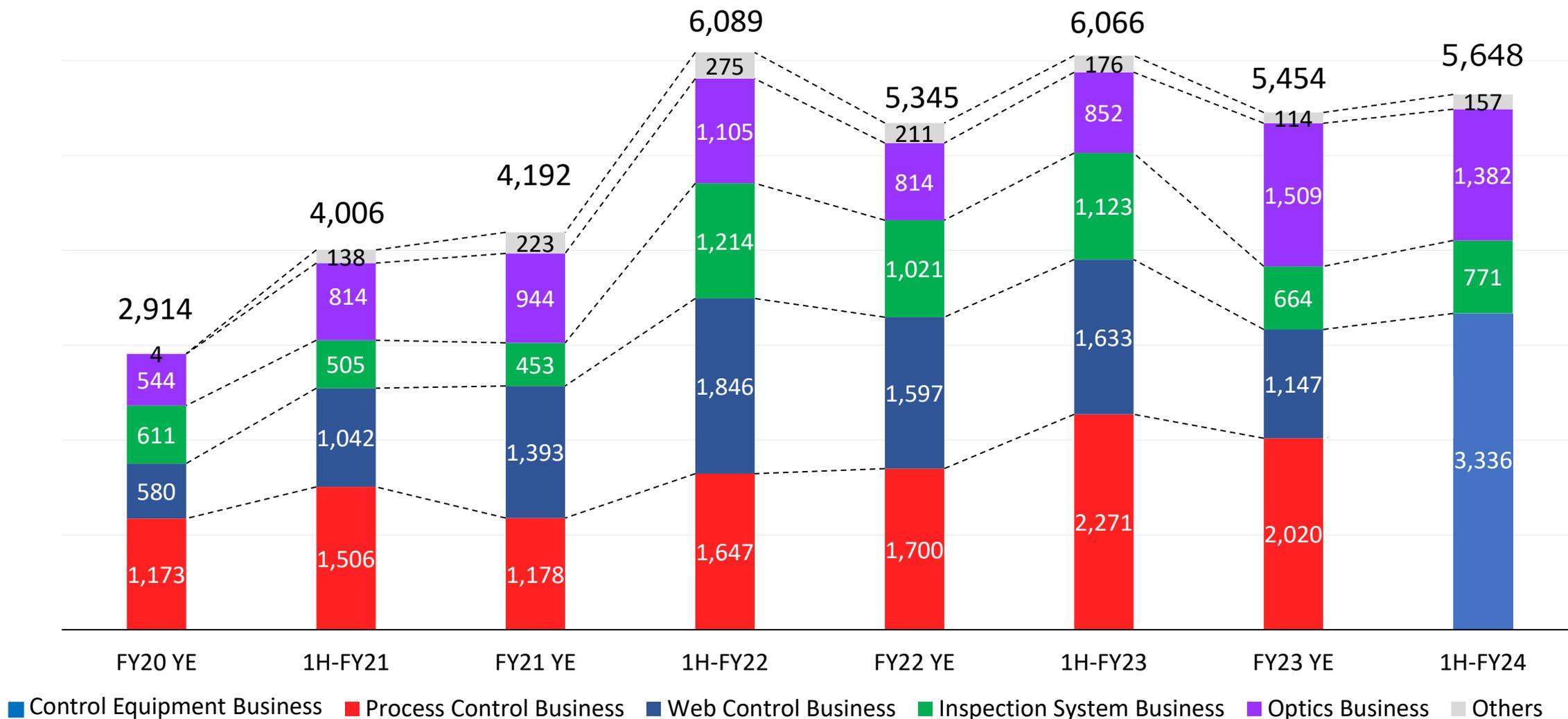
Optics Business

A photograph showing various optical components, including lenses and mirrors, arranged on a surface.

- Increased production capacity for optical components
- Development of new laser products for the semiconductor and measuring fields
- New development by using our strength in crystal processing and evaluation technology
- Creating synergies with a new group company, Keihin Komaku Co.

Order Backlog

(Unit: JPY Million)

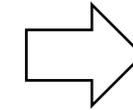


Main objectives for sustainable growth

Strengthen our group to enable growth in any environment

Expand our market presence

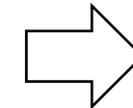
- Drive overseas expansion
- Strengthen Inspection system business and Optics business
- Exploit new fields of business through new-product development



**Expand & enhance
business foundations**

Technological advances

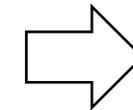
- Enhance image analysis technology for new product development
- Develop new products based on optical applications technology



**Enhance
competitive advantage**

Enhance organizational capabilities

- Improve profitability of existing businesses
- Maximize synergies by strengthening cooperation with the Group and outside partners
- Invest in human resources and infrastructure to strengthen competitiveness



**Reinforce
organizational base**

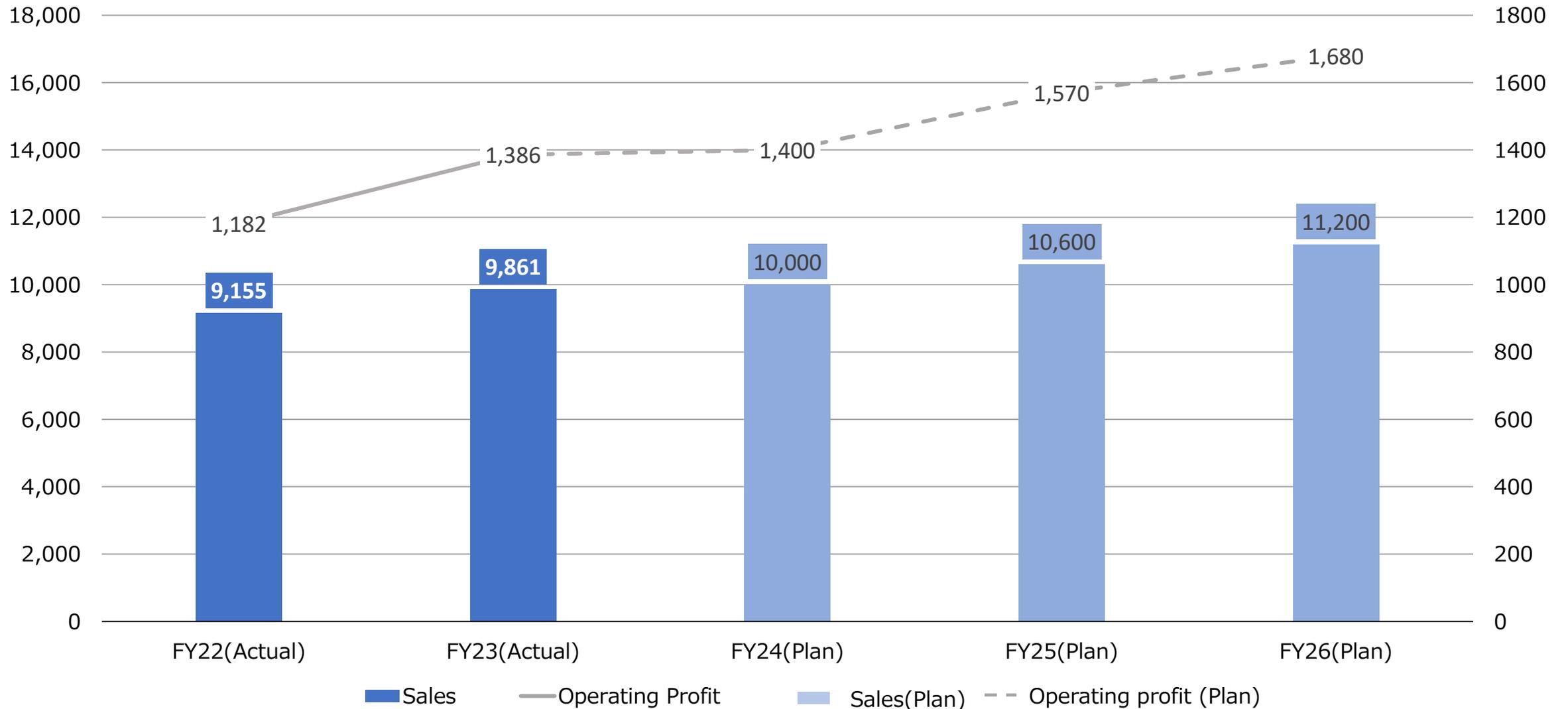
Mid-term Basic Policy

- Focus on profit-oriented approach.
- Improve business efficiency and strengthen profitability of the Control Equipment Business Division, which has a stable business foundation
- Promote growth of Inspection System business and Optics business
- Improving the business environment and strengthening investment in people for future growth
- Pursue opportunities for discontinuous growth, including M&A

Mid-term targets

Revised the mid-term plan upward in recognition of the current situation

(Unit: JPY Million)



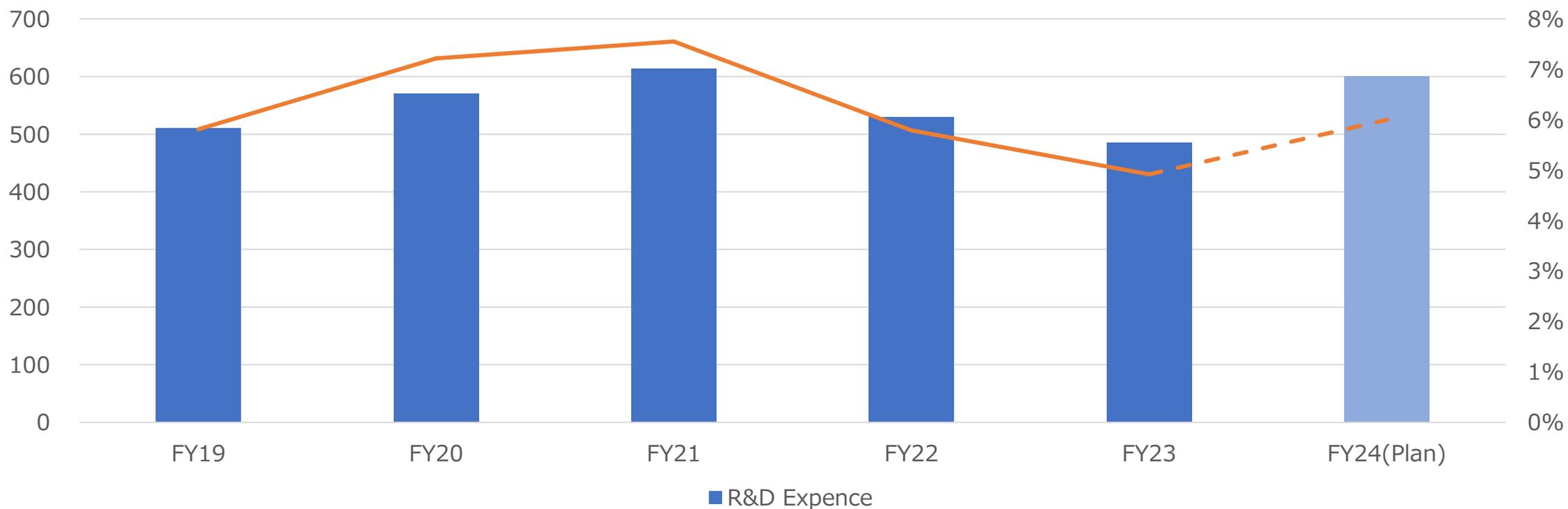
R&D

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

Main development themes

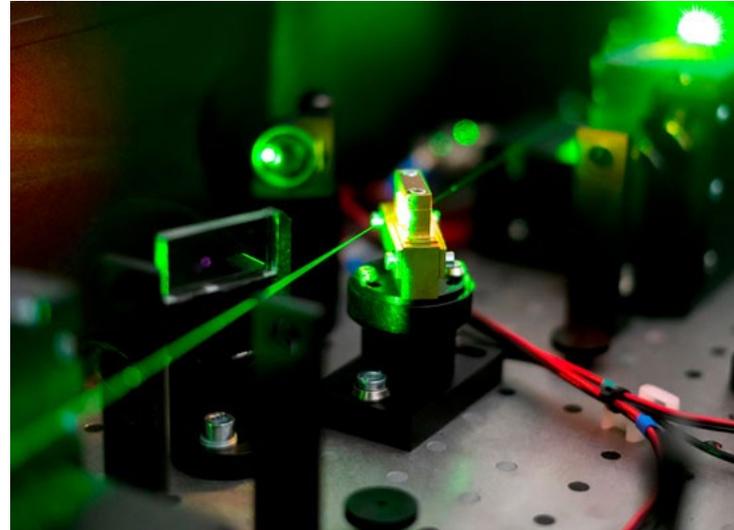
- Development of next-generation image inspection systems
- Development of new products using laser technology
- Development of inspection and measurement equipment applying optic technologies
- Development through technical exchange with partners

(Unit: JPY Million)





3. Topics



NIRECO

- Release of CSR Report

In order to communicate the status of Nireco's CSR efforts, the CSR Report 2023, which summarizes our CSR activities for the previous fiscal year, is now available on our website. We will continue to provide Nireco's information, including CSR perspectives, to our stakeholders.



- Acquisition of Shares of Keihin Komaku Co., Ltd.

On October 1, 2024, the company acquired all shares of Keihin Komaku Co., Ltd. Keihin Komaku Kogyo Co., Ltd. the predecessor of Keihin Komaku Co., Ltd. was engaged in the design of optical thin films and the manufacture and sale of optical products using the vacuum evaporation method.

As part of a recent reorganization, the business operations of the Hadano Plant were split off as Keihin Komaku Co., Ltd. We intend to further growth of the Optics Business segment by utilizing the advanced thin film generation technology possessed by Keihin Komaku Co., Ltd. and by strengthening cooperation within the group in the field of optics.



Keihin Komaku Co. HQ
(Hatano City, Kanagawa pref.)



Vacuum Evaporation Equipment



Low-vacuum sputtering equipment

- Solar Observation Satellite Equipped with Optical Instruments Laboratory's Waveplate Successfully Makes Observations

JAXA introduced that SUNRISE-III equipped with SCIP, a near-infrared polarization spectrograph equipped with a waveplate from our group company, Kogaku Giken Co.

SUNRISE-III was launched on July 10, 2024, by the Solar Science Project of the National Astronomical Observatory of Japan (NAOJ) and reportedly acquired very high-quality solar observation data during its six-day flight.

SUNRISE-III is equipped with three observation instruments, among which the near-infrared polarization spectrometer SCIP was equipped with a waveplate from Kogaku Giken Co.

- Distributorship agreement with Bowman for XRF thin film measurement system in Japan.

On October 1st, 2024, the Company contracted with Bowman, Inc. of the United States, a manufacturer of stand-alone XRF measurement systems, to be the exclusive distributor for their products in Japan.

The semiconductor industry is developing next-generation package substrates for higher circuit integration, and film thickness measurement of multilayered circuit patterns is gaining recognition as an inspection application for these substrates.

Bowman's XRF thin-film measurement system can simultaneously measure the thickness of up to five layers with high-precision, and it is expected to be used for next-generation packaging substrate inspection.

The Company aims to further expand its business in the semiconductor industry by entering the advanced semiconductor packaging field in complement to its existing customers in the electronic components, PCB, and plating industries.



NIRECO

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	3,094 million Japanese yen ^{*1}
Number of employees	450 ^{*2}
Net sales (Consolidated)	9,861 million Japanese yen (FY2023)

*1. As of September 30, 2024

*2. As of March 31, 2024

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., a Japanese company
- 2022 Transfer to TSE Standard market due to restructuring of market tiers in the Tokyo Stock Exchange
- 2023 Nireco Process Korea Co., Ltd. Changed the corporate name to Nireco Korea Corporation
- 2024 Merged Miyota Seimitsu Co.
Acquired KEIHIN KOMAKU Co., Ltd,

Management philosophy

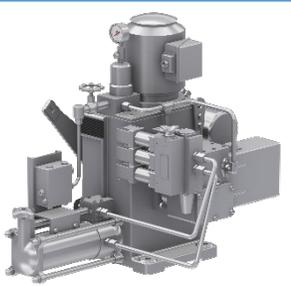
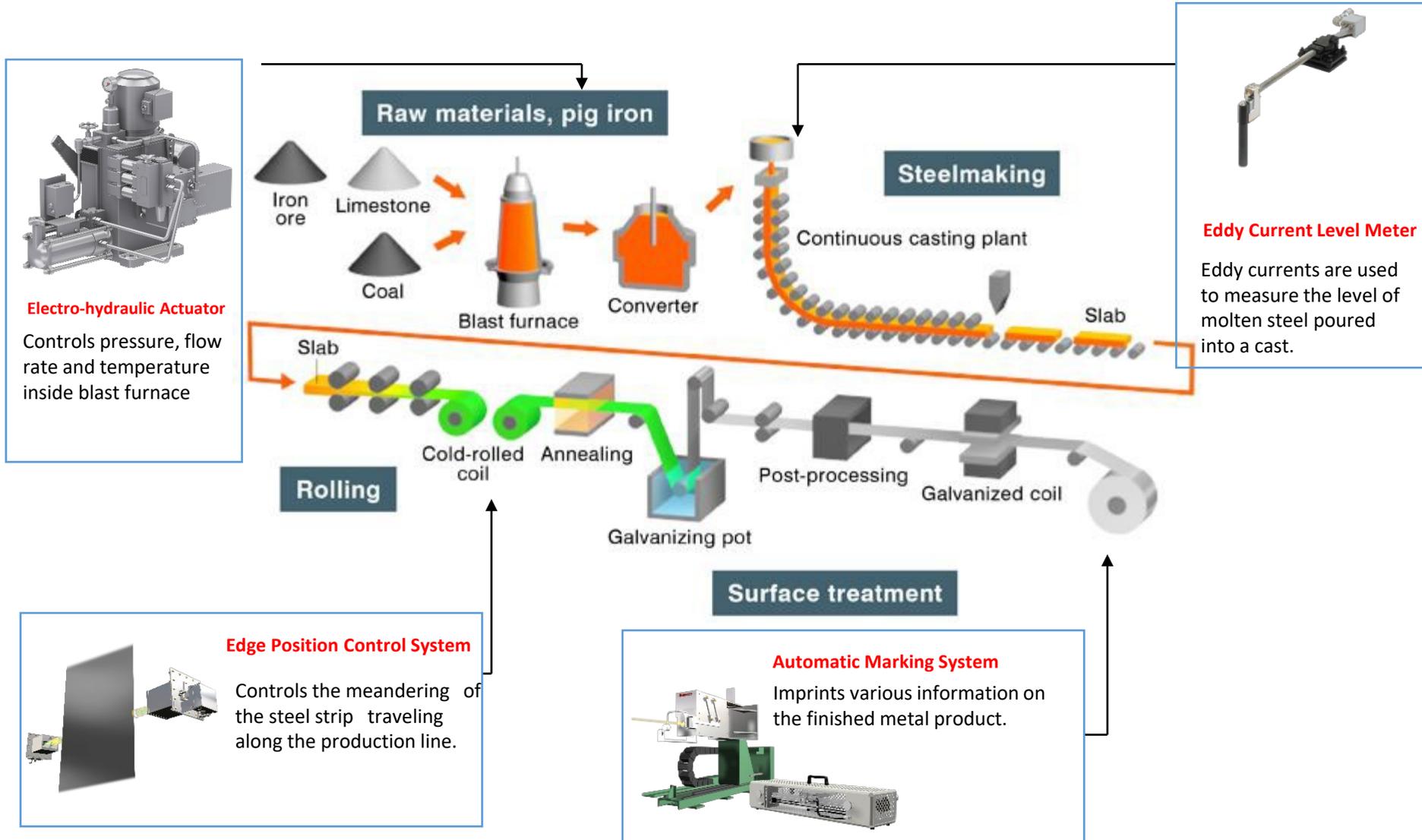
‘TECHNOLOGY & TRUST’

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.

Control Equipment Business: Metals & Nonferrous Metals area

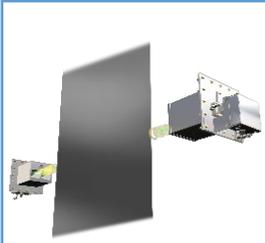
Markets automatic control equipment in several industries such as steel, metal, gas, chemical etc.



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.



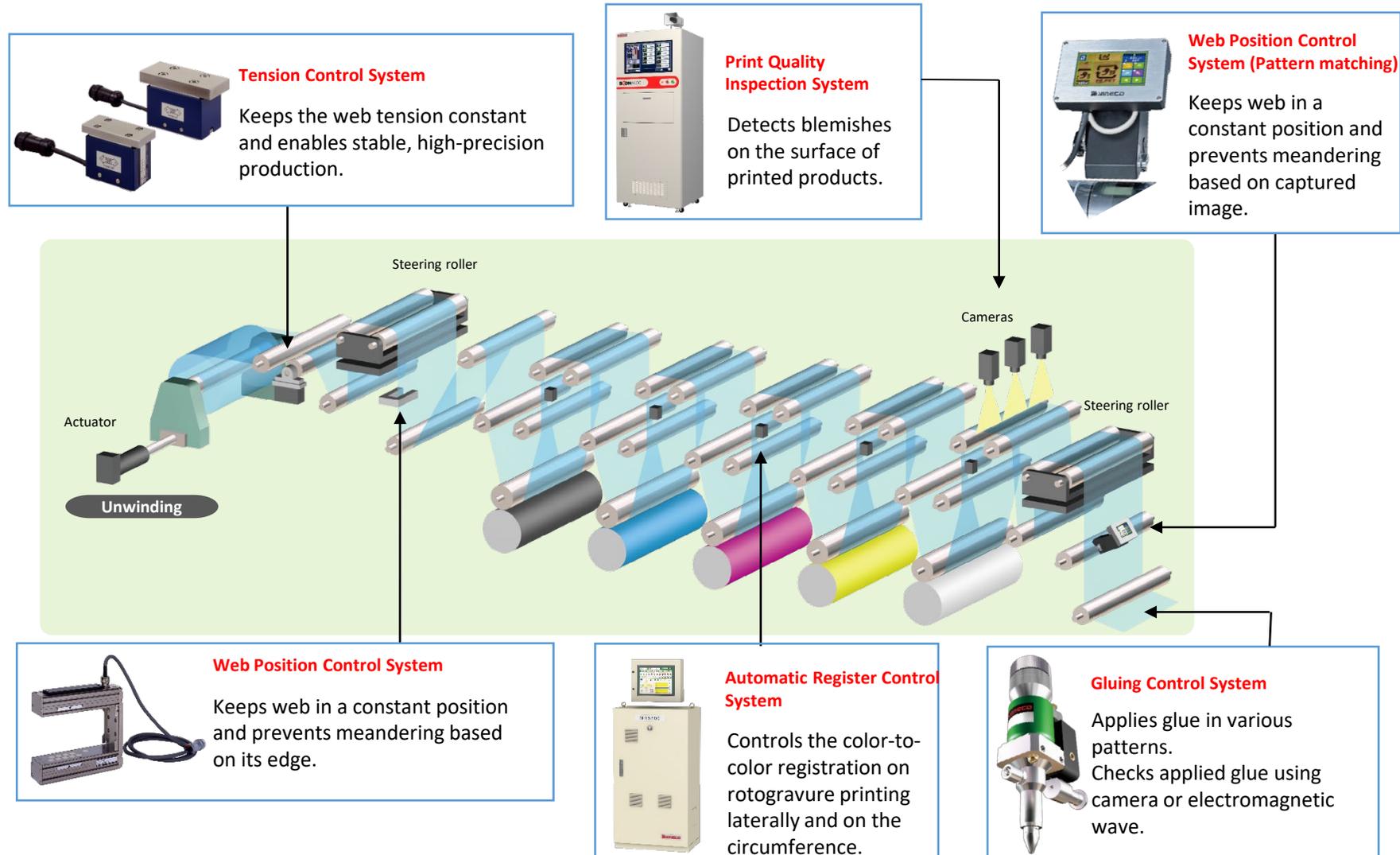
Edge Position Control System
Controls the meandering of the steel strip traveling along the production line.



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

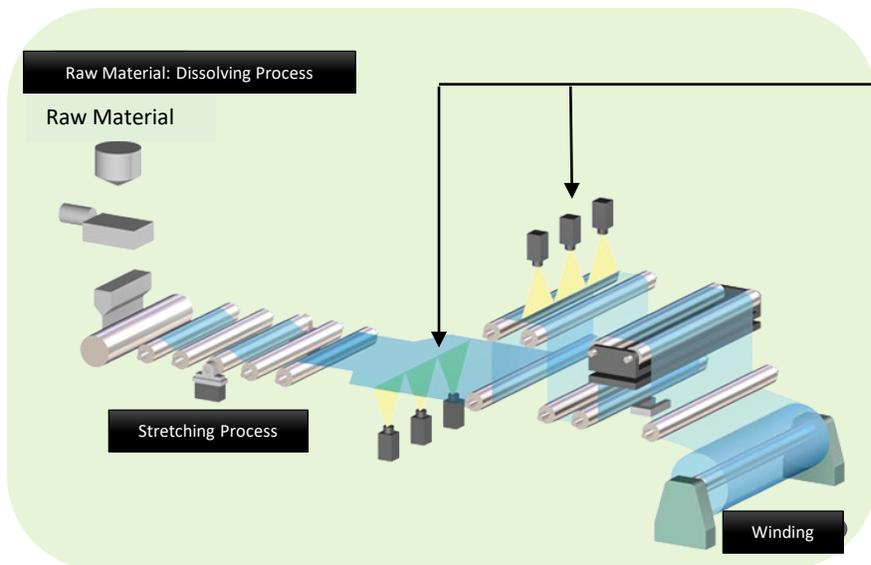
Control Equipment Business: Film, Print, Paper area

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



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 applications:
 - Semiconductor Inspection Equipment
 - Optical Equipment
 - Medical Equipment

Optical Components



Nonlinear optical crystal

CLBO elements suitable for wavelength conversion to deep-ultraviolet light are provided and used in advanced semiconductor inspection equipment, etc. Our unique processing technology has been highly evaluated by several semiconductor inspection equipment manufacturers around the world.

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. With regular maintenance once a year, the performance of the system is stable.

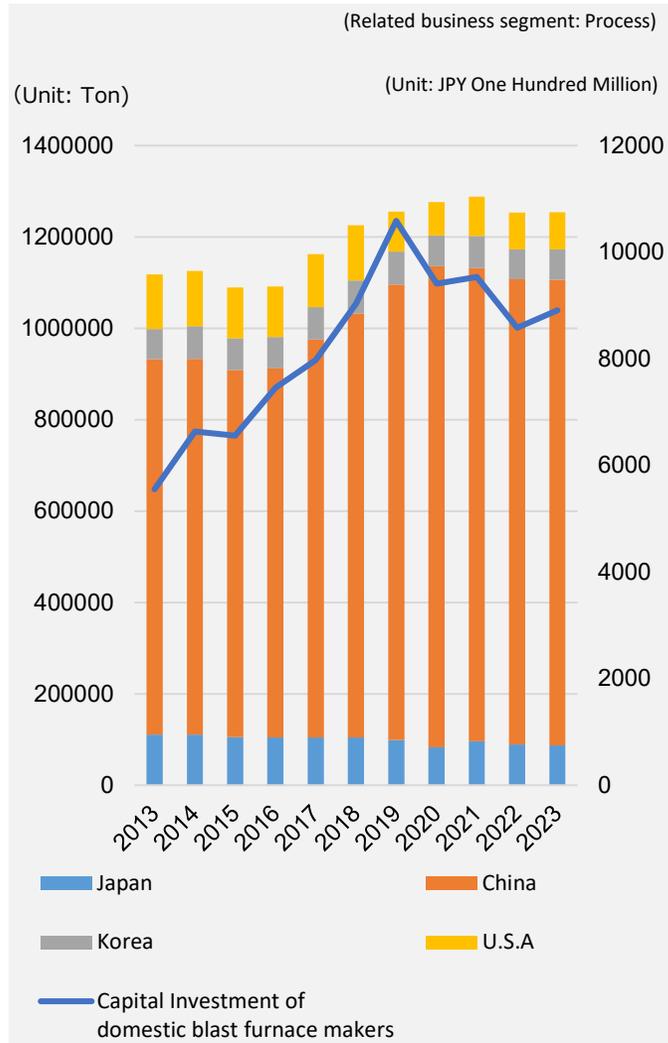


Green Laser device

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

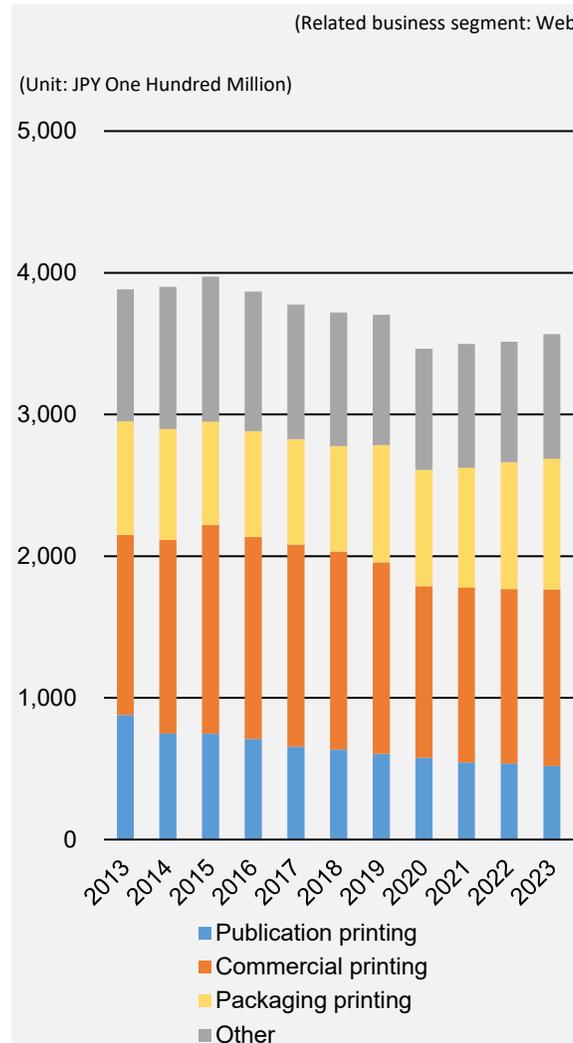
Market environment

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



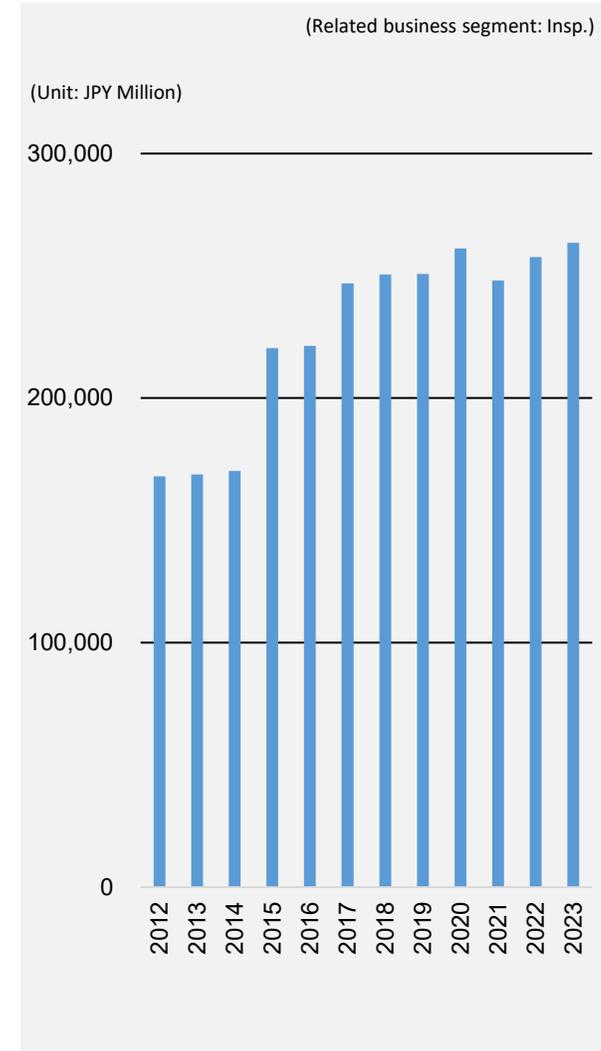
Source: world steel, Financial information of major Japanese manufacturers

Scale of Japan's Printing Market



Source: Based on industrial & production dynamics statistics

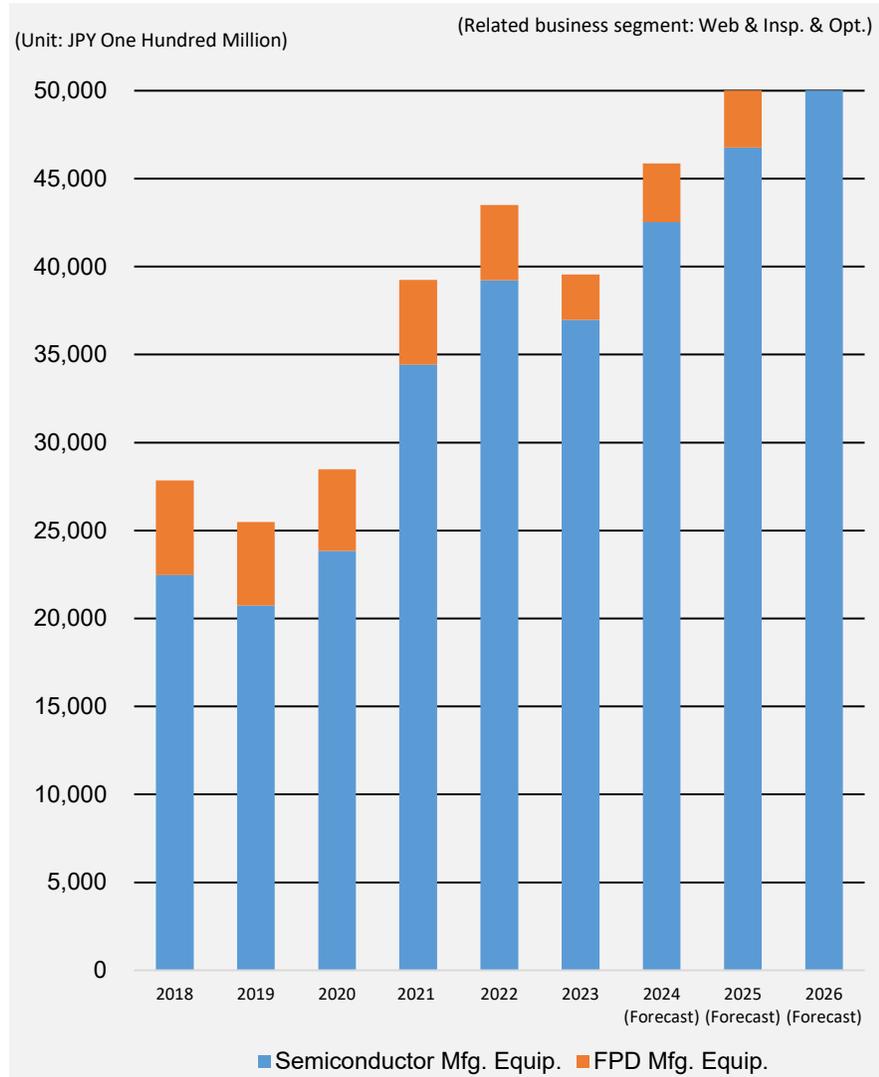
Japan Food Machinery Sales
(excluding processing machinery)



Source: The Japan Food Machinery Manufacturers' Association

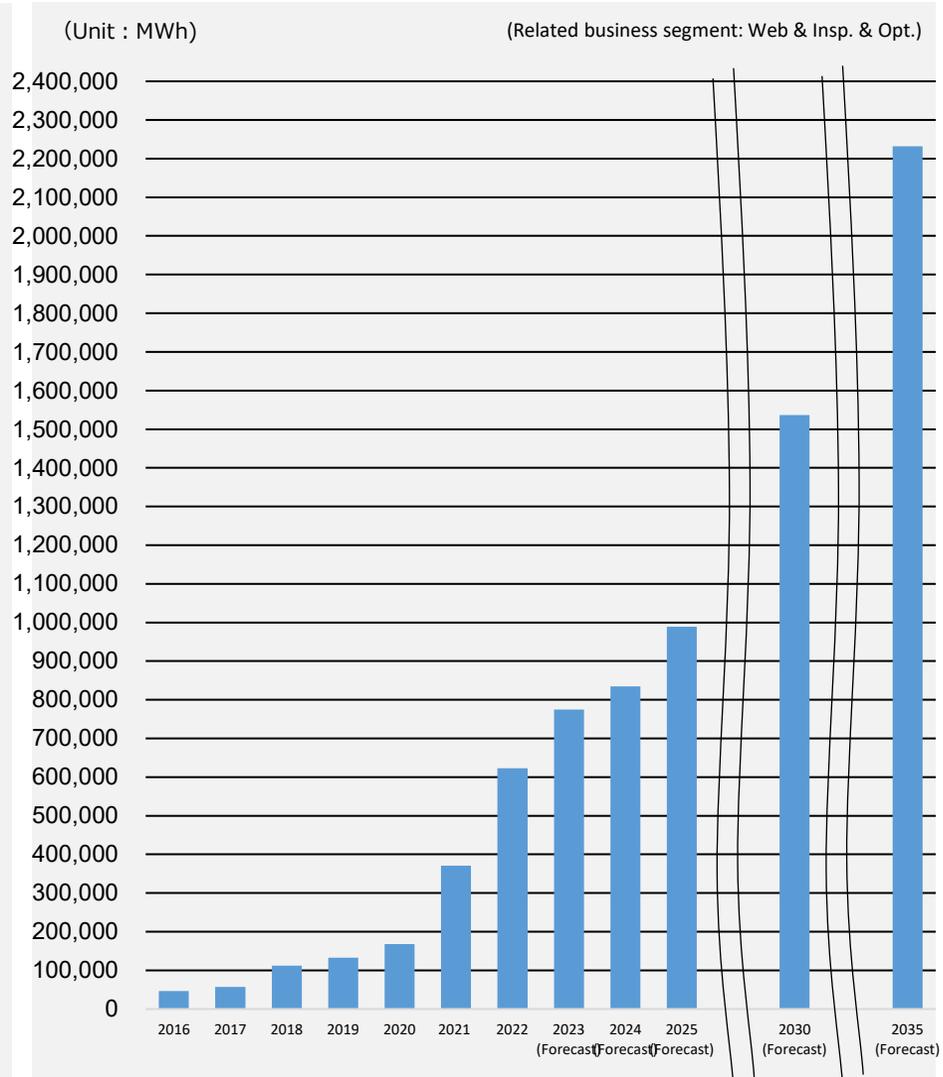
Market environment

Forecast of Demand for Semiconductor & FPD Mfg. Equip.



Source: Semiconductor Equipment Association of Japan

Automotive LiB World Market Forecast



Source: Yano Research Institute Ltd.

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