

The NIRECO Trusted Partner logo is centered on the slide. It features the word "NIRECO" in red and "Trusted Partner" in white, with a small red square above the "P" in "Partner".

NIRECO CORP.
(6863)

Material for
FY2021 Financial
Results
May 23, 2022

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

	FY20	FY21	FY22(Plan)
Orders Received:	7,447 (-10% YoY)	9,579 (+29% YoY)	10,000 (+4% YoY)
Net Sales:	7,899 (-10% YoY)	8,117 (+3% YoY)	9,200 (+13% YoY)
Operating Profit:	600 (-37% YoY)	563 (-6% YoY)	800 (+42 %YoY)

Financial Results & Plan

Main objectives

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

Achieve sustainable growth in any environment

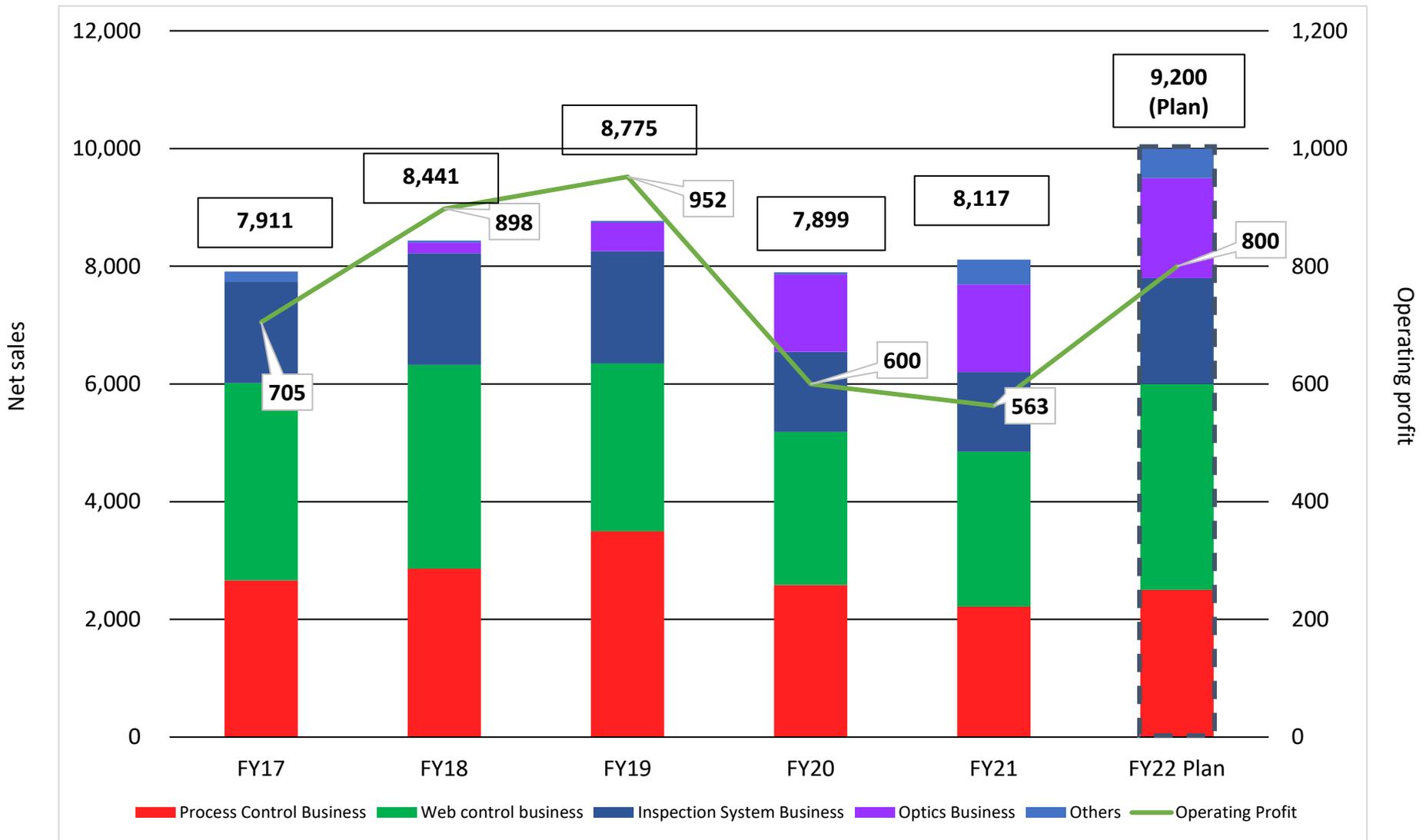
Main efforts in FY2021

- ◆ Expand & enhance business foundations
 - Strengthened optics business
 - Optimized procurement by adopting alternative materials and developing procurement routes
- ◆ Increase our competitive advantage
 - Strengthened competitiveness and development capabilities through M&A

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

(Unit: JPY Million)



- 1 . FY2021 Financial Results
- 2 . Plans for FY2022
- 3 . Towards Sustainable Growth

1. FY2021 Financial Results (April 2021 – March 2022)

Consolidated Statement

- Orders received recovered due to a rebound in economic activity
- Sales growth was limited mainly due to supply chain disruptions

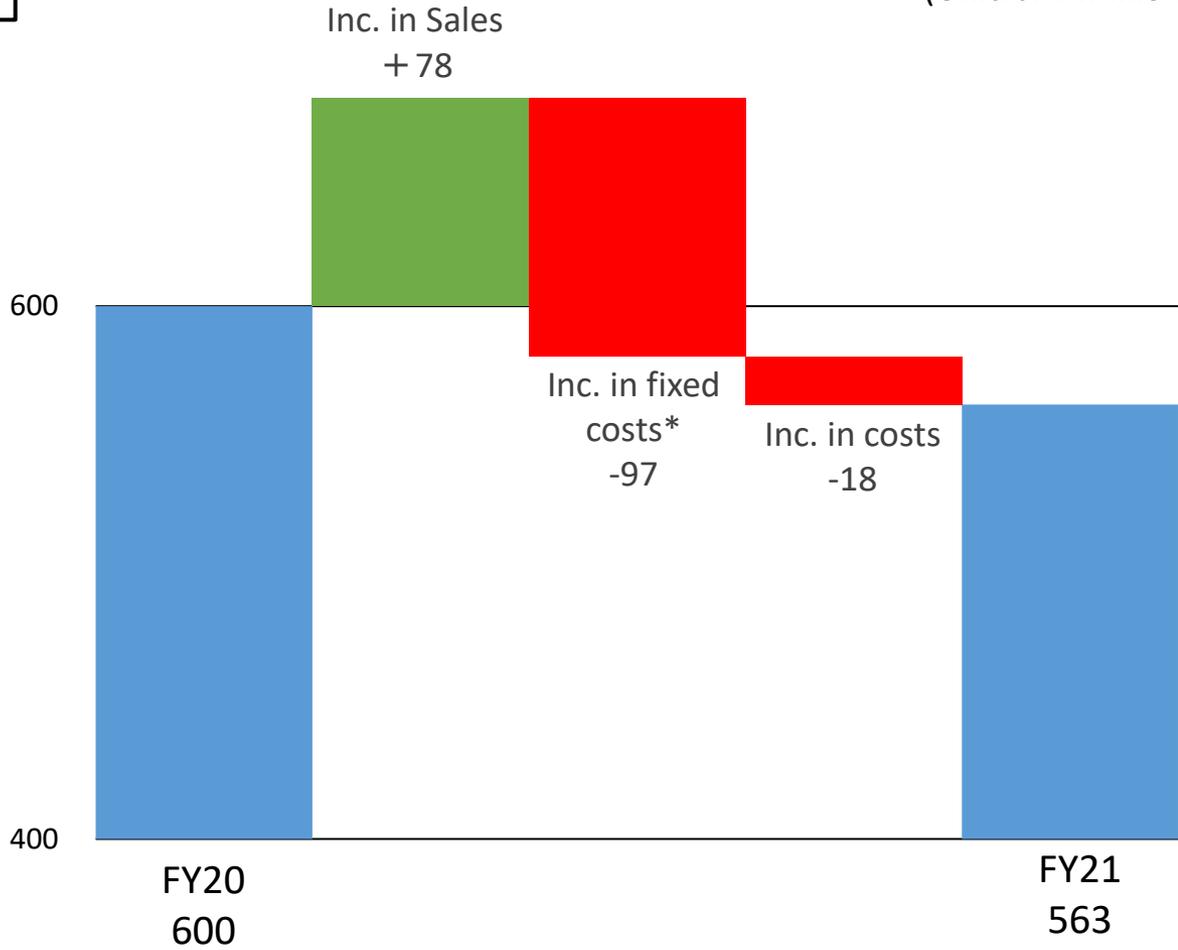
(Unit: JPY Million)

	FY20	FY21		Rate of change	
		Initial Plan	Result	YoY	Vs. Plan
Orders received	7,447	8,800	9,579	+29%	+9%
Net sales	7,899	8,500	8,117	+3%	-4%
Operating profit	600	650	563	-6%	-13%
Operating profit margin	7.6%	7.6%	6.9%	-	-
Ordinary profit	635	700	650	+2%	-7%
Ordinary profit margin	8.0%	8.2%	8.0%	-	-
Profit attributable to owners of parent	432	500	406	-6%	-19%
Profit attributable to owners of parent margin	5.5%	5.9%	5.0%	-	-
Earnings per share (JPY)	59.06	68.22	55.41	-6%	-19%
Order backlog	2,914	3,214	4,376	+50%	+36%

Increase/ Decrease Factors in Operating Profit

YoY

(Unit: JPY Million)



※Fixed costs = SG&A expenses

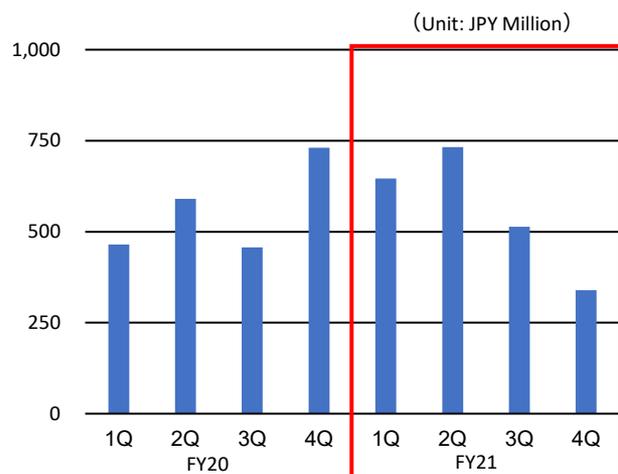
Process Control Business

- Steelmakers' capital investment stance remains cautious
- Net sales decreased compared with FY20 due to a low order backlog at the beginning of the fiscal year

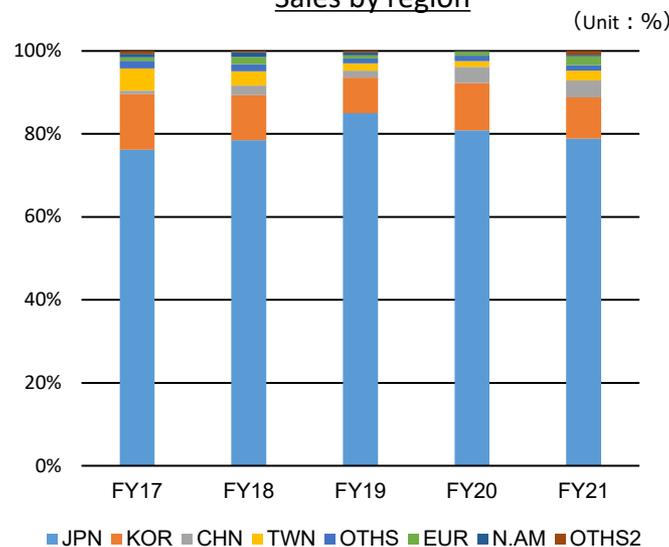
(Unit: JPY Million)

	FY20	FY21		YoY	Actual/ Plan
	Actual	Initial Plan	Actual		
Orders received	2,242	2,600	2,232	-0%	-14%
Net sales	2,584	2,400	2,216	-14%	-8%
Segment profit	412	350	313	-24%	-11%
Segment profit margin	15.9%	14.6%	14.1%	-	-
Order backlog	1,173	1,373	1,188	+1%	-13%

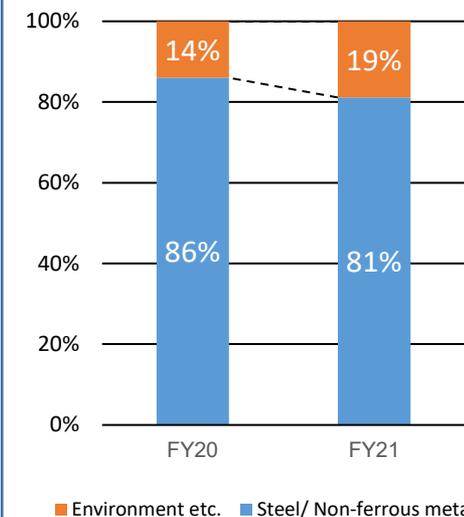
Orders Received



Sales by region



Sales by industry

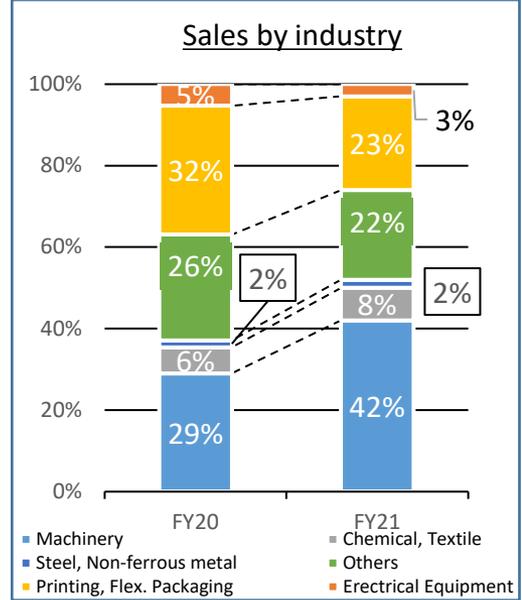
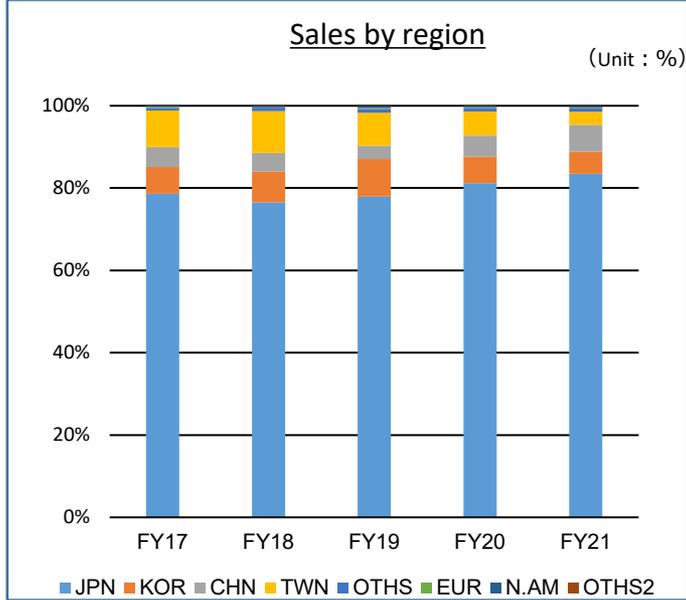
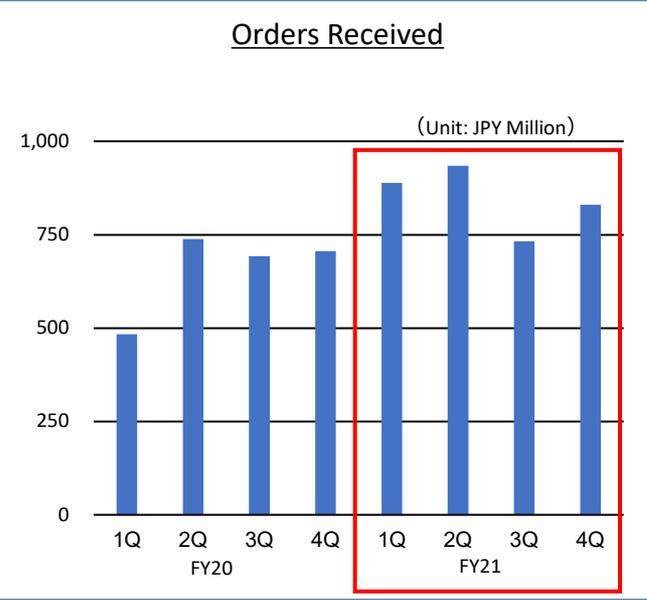


Web Control Business

- Orders significantly increased, mainly due to demand from the LIB industry
- No rise in sales due to a lengthened order-to-shipment period impacted by disruptions in the supply chain

(Unit: JPY Million)

	FY20	FY21		YoY	Actual/ Plan
	Actual	Initial Plan	Actual		
Orders received	2,620	2,850	3,387	+29%	+19%
Net sales	2,599	2,800	2,631	+1%	-6%
Segment profit	291	400	230	-21%	-43%
Segment profit margin	11.2%	14.3%	8.8%	-	-
Order backlog	580	630	1,336	+130%	+112%



Inspection System Business

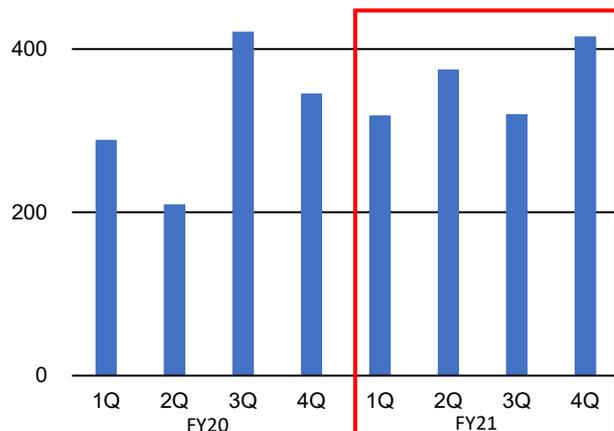
- Surface inspection systems orders and sales surpassed FY20 results due to a recovery in corporate capital investment
- Sales of inspection equipment for the agricultural sector declined versus FY20 due in part to a decrease in large projects

(Unit: JPY Million)

	FY20	FY21		YoY	Actual/ Plan
	Actual	Initial Plan	Actual		
Orders received	1,265	1,900	1,429	+13%	-25%
Net sales	1,365	1,900	1,356	-1%	-29%
Segment profit	-19	150	35	-	-77%
Segment profit margin	-1.4%	7.9%	2.6%	-	-
Order backlog	611	611	684	+12%	+12%

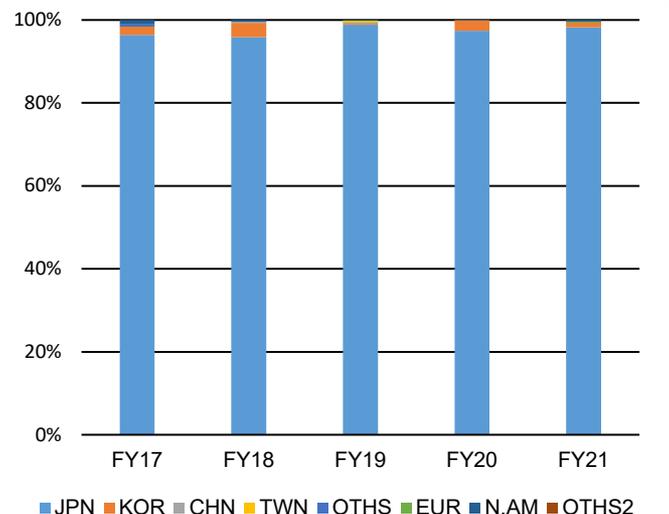
Orders Received

(Unit: JPY Million)

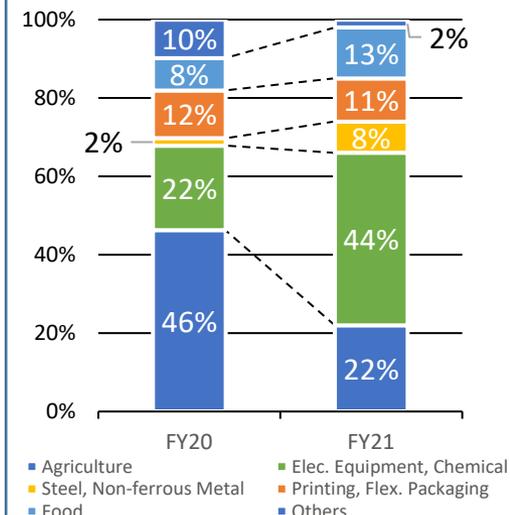


Sales by region

(Unit : %)



Sales by industry

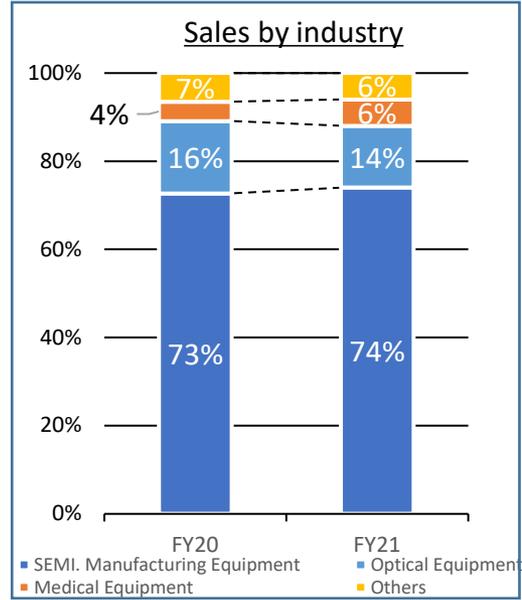
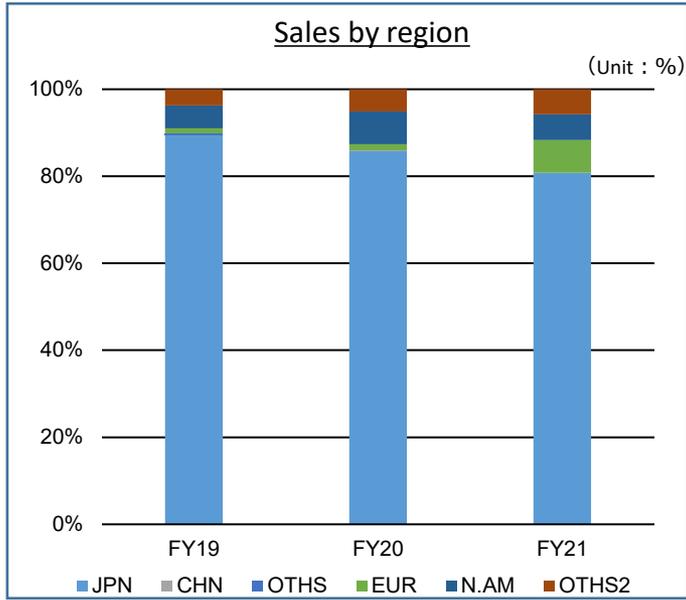
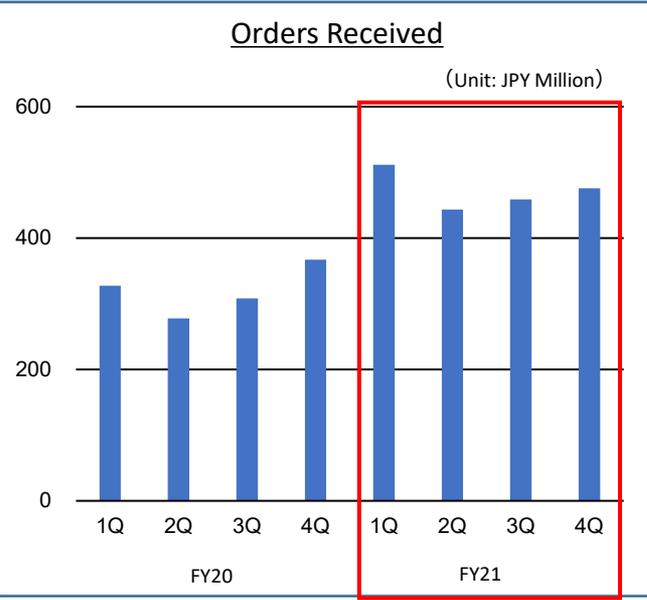


Optics Business

- Capital investment in the semiconductor industry remained strong, resulting in a significant increase in orders received
- Optical component production capacity investment also contributed to an increase in sales

(Unit: JPY Million)

	FY20	FY21		YoY	Actual/ Plan
	Actual	Initial Plan	Actual		
Orders received	1,280	1,450	1,888	+48%	+30%
Net sales	1,313	1,400	1,489	+13%	+6%
Segment profit	399	300	401	+1%	+34%
Segment profit margin	30.4%	21.4%	26.9%	-	-
Order backlog	544	594	944	+73%	+59%

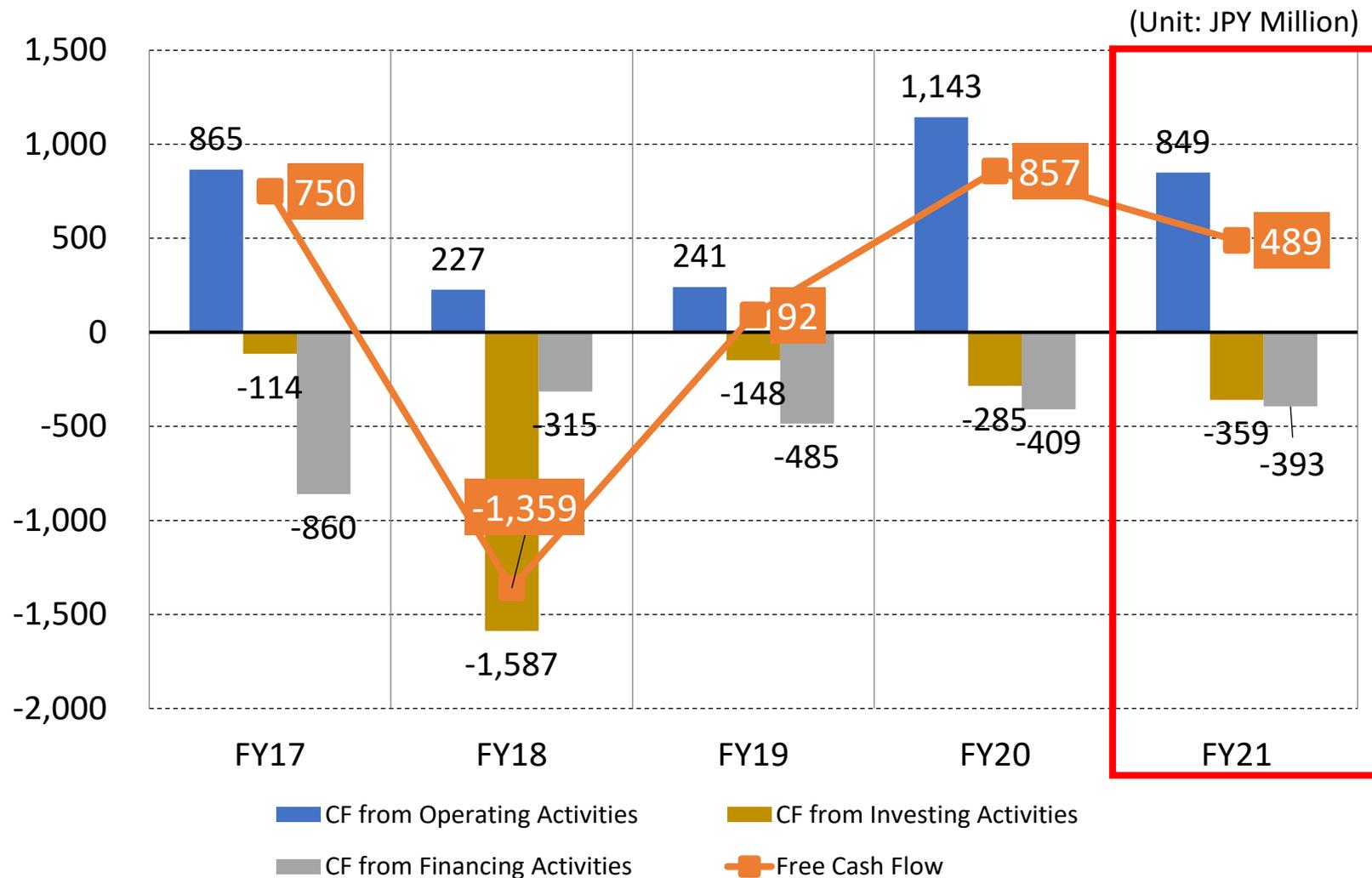


Balance Sheet

(Unit: JPY Million)

	End of FY20 (Mar. 31, 2021)		End of FY21 (Mar. 31, 2022)		Change
Cash and deposits	4,679	30.5%	4,834	29.9%	+ 155
Trade receivables	3,570	23.3%	3,415	21.1%	- 155
Inventories	1,986	13.0%	2,507	15.5%	+ 520
Other current assets	166	1.1%	136	0.8%	- 29
Current assets	10,403	67.9%	10,894	67.4%	+ 491
Property, plant and equipment	2,934	19.1%	3,304	20.5%	+ 369
Intangible assets	207	1.4%	258	1.6%	+ 50
Investments and other assets	1,779	11.6%	1,695	10.5%	- 84
Non-current assets	4,921	32.1%	5,258	32.6%	+ 336
Total assets	15,324	100.0%	16,152	100.0%	+ 827
Accounts payable - trade	351	2.3%	610	3.8%	+ 259
Other current liabilities	996	6.5%	1,157	7.2%	+ 161
Current liabilities	1,347	8.8%	1,768	10.9%	+ 421
Non-current liabilities	450	2.9%	533	3.3%	+ 83
Total liabilities	1,797	11.7%	2,301	14.2%	+ 504
Total net assets	13,527	88.3%	13,850	85.7%	+ 323
Total liabilities and net assets	15,324	100.0%	16,152	100.0%	+ 827

Cash Flows



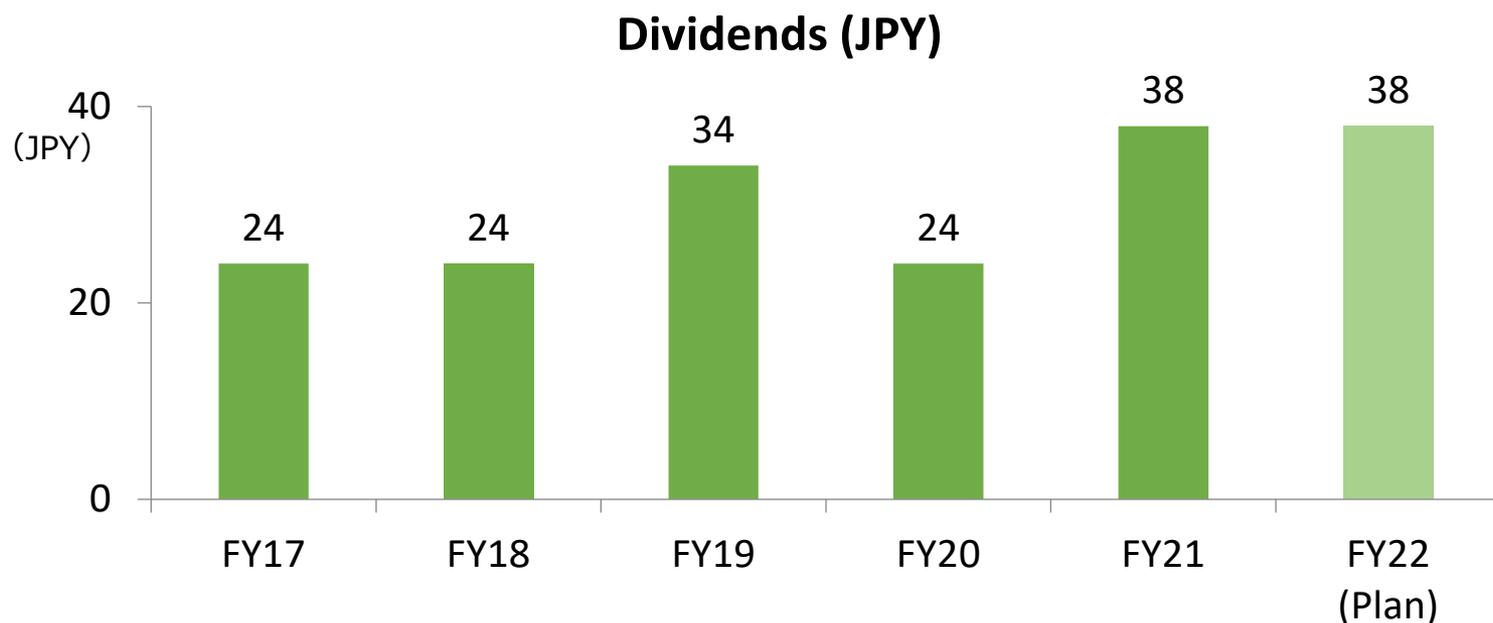
Overview of FY21

Cash flows from operating activities: Income before income taxes (650 million yen), Increase in Inventory (-582 million yen)

Cash flows from investing activities: Fixed assets acquisition (-215 million yen), Purchase of shares of subsidiaries(-262 million yen)

Shareholders' Return

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



Net profit per share (JPY)	69.79	66.07	106.58	59.06	55.41	81.86
Dividends (JPY)	24	24	34	24	38	38
Dividend Payout Ratio (%)	34.4	36.3	31.9	40.6	68.6	46.4
DOE	1.5%	1.4%	2.0%	1.3%	2.0%	2.0%

2 . Plans for FY2022 (April 2022 – March 2023)

Business Plan

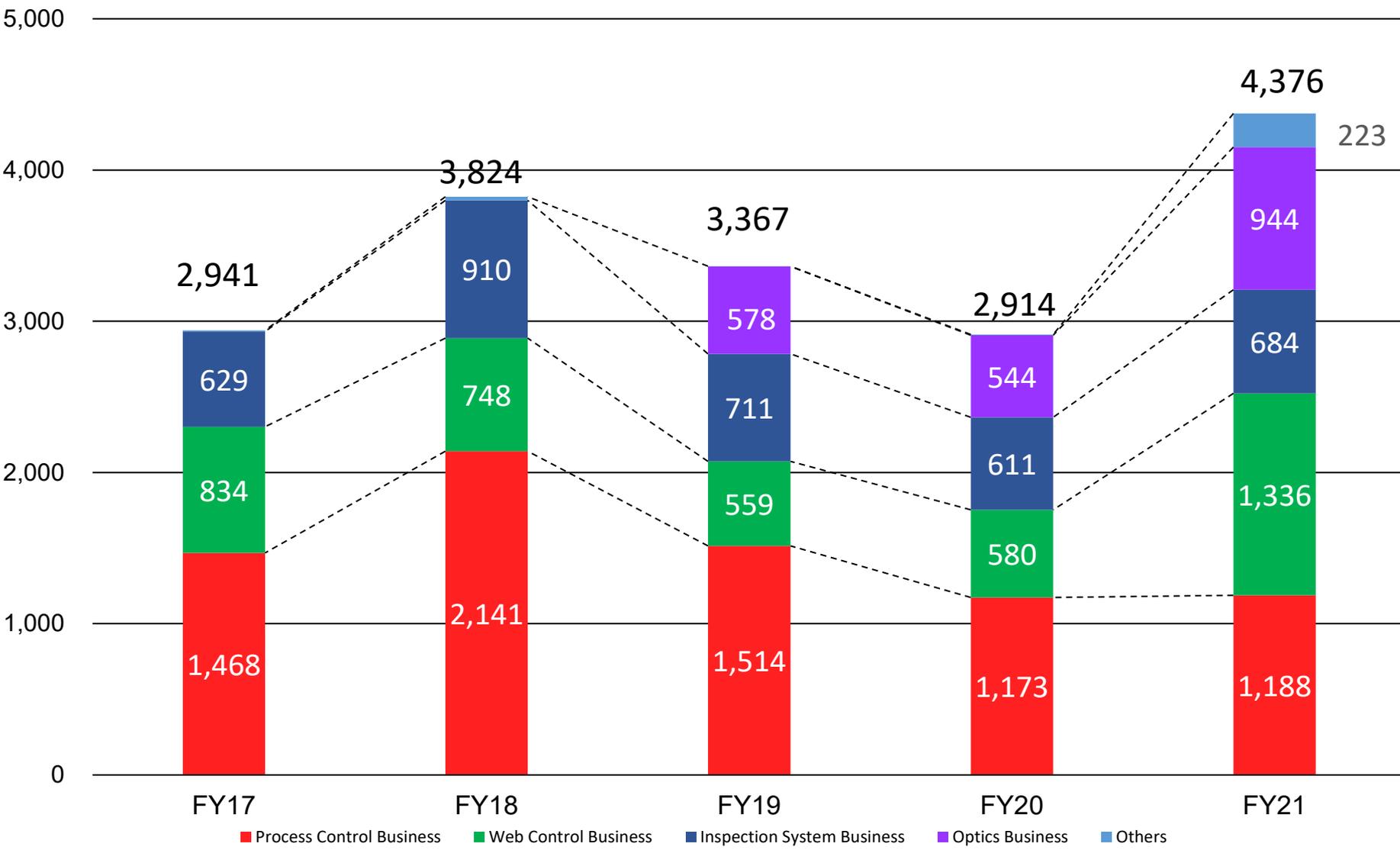
- Demand is firm in all business segments. Sales are expected to recover in the 2H, supported by a strong order backlog

(Unit: JPY Million)

	FY21	FY22 Plan	YoY
Orders received	9,579	10,000	+4%
Net sales	8,117	9,200	+13%
Operating profit	563	800	+42%
Operating profit margin	6.9%	8.7%	-
Ordinary profit	650	860	+32%
Ordinary profit margin	8.0%	9.3%	-
Profit attributable to owners of parent	406	600	+48%
Profit attributable to owners of parent margin	5.0%	6.5%	-
Earnings per share (JPY)	55.41	81.86	+48%
Order backlog	4,376	5,176	+18%

Order Backlog

(Unit: JPY Million)



Market Conditions & Measures: Process Control Business

Domestic Steel Market

- Steelmakers are focused on production of high-grade steel for Electrified Vehicles
 - Recovery in capital investment by steelmakers
- ↓
- Focus on the sales activities for steelmakers' capex for high-grade steel and non-ferrous metal manufacturers

Overseas Steel Market

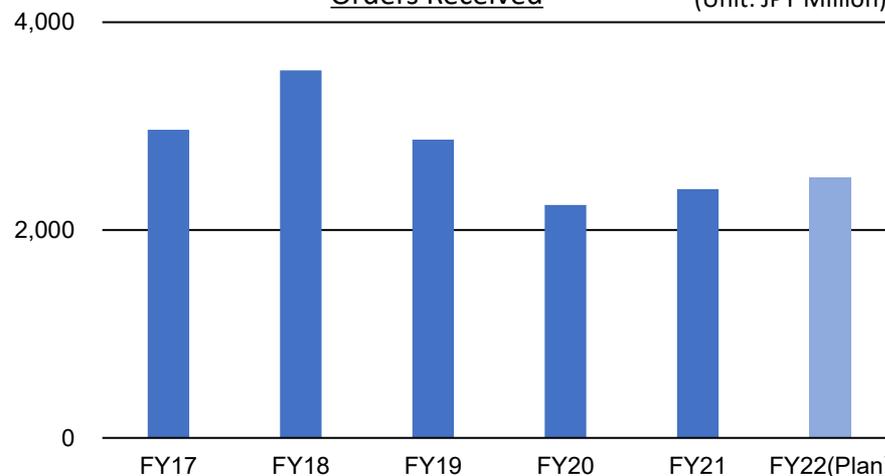
- Global steel production capacity constrained due to Ukraine conflict, production adjustments in China and other factors.
- ↓
- Strengthen our overseas market sales team
 - Strengthen production and services at overseas subsidiaries

(Unit: JPY Million)

	FY21	FY22 Plan
Orders received	2,232	2,500
Net sales	2,216	2,500
Segment profit	313	340
Segment profit margin	14.1%	13.6%

Orders Received

(Unit: JPY Million)



Market Conditions & Measures: Web Control Business

Electronic parts/ High Functional Film Market

- Capital investment in LIB remains strong
 - Supply chain disruptions have resulted in longer delivery lead times
- ↓
- Continue to capture capital investment demand for LIB
 - Focus on delivery lead time by utilizing alternative parts and other measures
 - Take actions to improve profit margins, such as cost reduction and other measures

Papers/ Printing/ Soft packaging Market

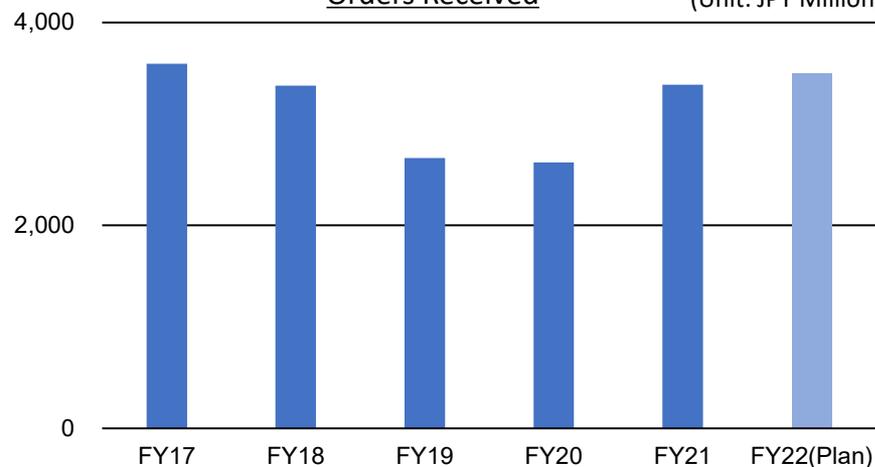
- Demand from the paper and printing market continues to decline
 - Growing environmental awareness arises interest in the efficient usage of packaging materials
- ↓
- Conduct sales activities in response to customer's environmentally conscious capital investment, which includes web controls to save packaging materials
 - Focus on domestic sales of products from E+L, a business partner

(Unit: JPY Million)

	FY21	FY22 Plan
Orders received	3,387	3,500
Net sales	2,631	2,900
Segment profit	230	340
Segment profit margin	8.8%	11.7%

Orders Received

(Unit: JPY Million)



Market Conditions & Measures: Inspection System Business

Electronic parts/ High Functional Film Market

- Investment in inspection equipment among manufacturers is on the road to recovery
- Diversified needs for LIB parts, metal foil, film, etc.
- Longer delivery lead times due to delays in parts supplies and materials



- Capture the needs for more sophisticated inspection devices
- Overcome to delivery challenges by utilizing alternative parts, etc.

Food Related Market

- Demand for inspection equipment for the agricultural sector is firm
- Demand is expanding for mechanical inspecting for various processed food products



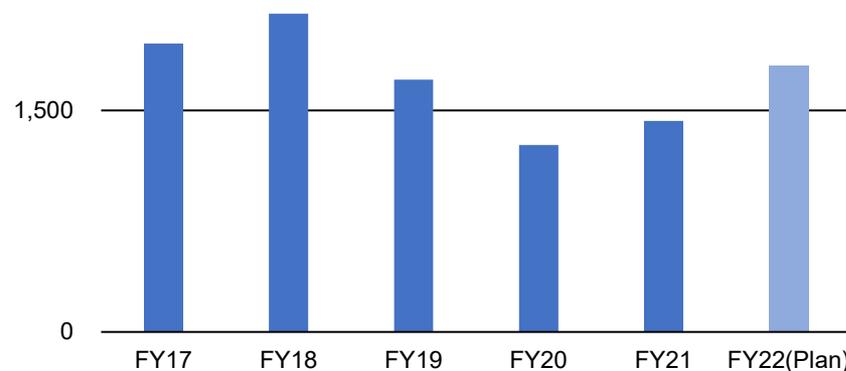
- Focused on development of new products for the agricultural sector
- Strengthen response to processed food inspection needs

(Unit: JPY Million)

	FY21	FY22 Plan
Orders received	1,429	1,800
Net sales	1,356	1,650
Segment profit	35	170
Segment profit margin	2.6%	10.3%

Orders Received

(Unit: JPY Million)



Market Conditions & Measures: Optics Business

Optical Component Market

- Demand for semiconductor inspection equipment is strong
 - Optical components are in wide demand, including overseas
- ↓
- Capture demand steadily for optical components in the semiconductor field as well as in the medical, R&D and other fields
 - Develop new applications by leveraging our strengths in design and processing technologies

Laser-related products

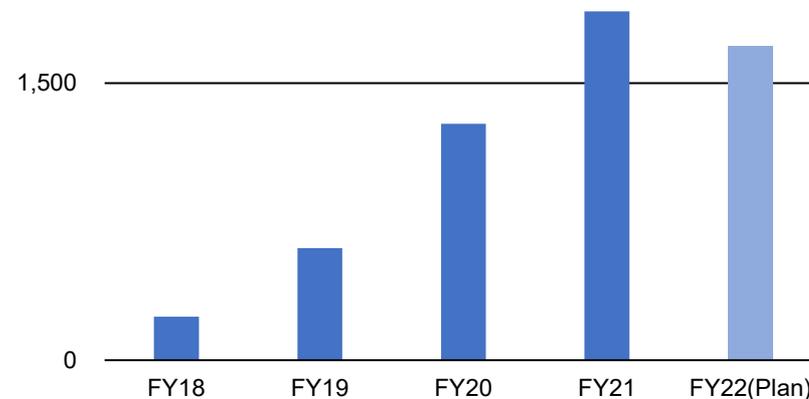
- Demand is strong such as semiconductors and medical.
- ↓
- Develop new applications that utilize product features in addition to semiconductor inspection sector and medical diagnosis fields, which have strengths

(Unit: JPY Million)

	FY21	FY22 Plan
Orders received	1,888	1,700
Net sales	1,489	1,650
Segment profit	401	400
Segment profit margin	26.9%	24.2%

Orders Received

(Unit: JPY Million)

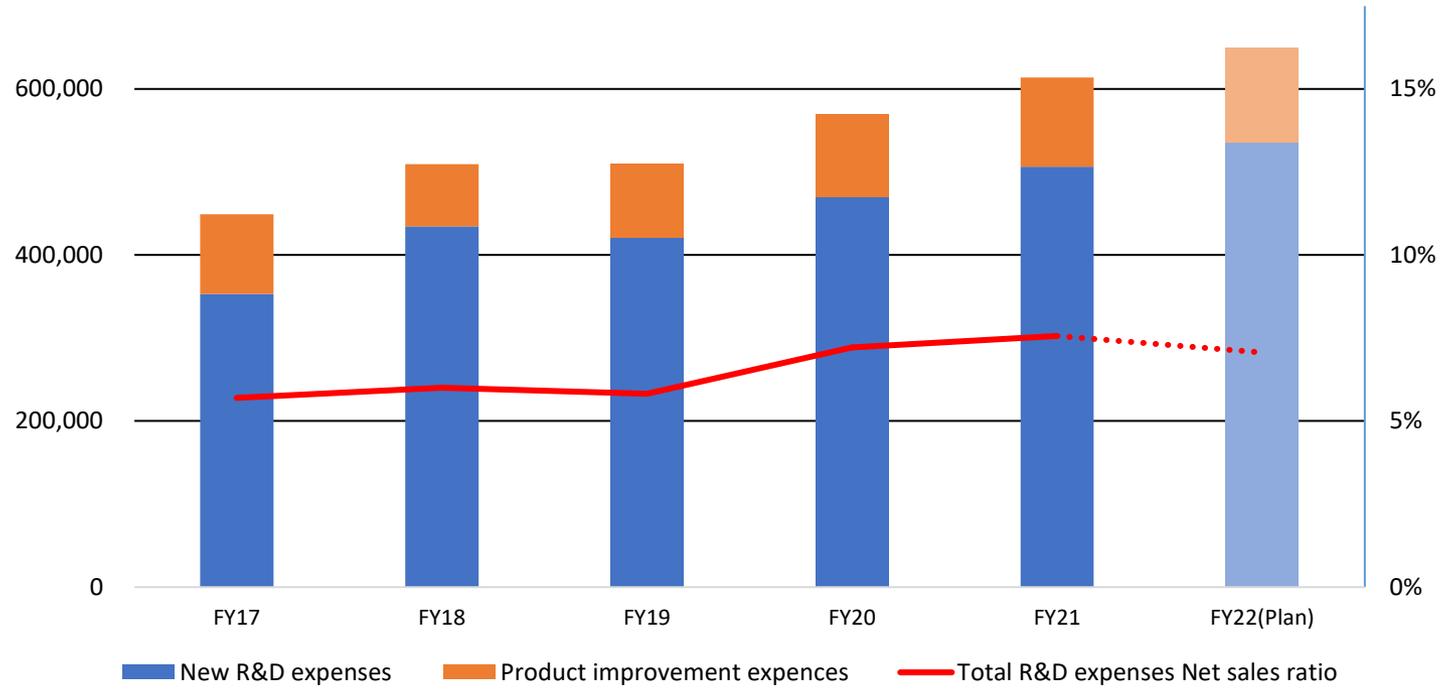


R&D

➤ 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)



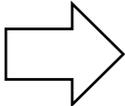
3. Towards sustainable growth

Main objectives for sustainable growth

Strengthen our group to enable growth in any environment

Expand our market presence

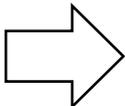
- Drive overseas expansion
- Strengthen Inspection system business and Optics business
- Exploit new fields of business through new-product development



Expand & enhance business foundations

Technological advances

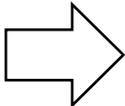
- Enhance image analysis technology for new product development
- Develop new products based on optical applications technology



Enhance competitive advantage

Enhance organizational capabilities

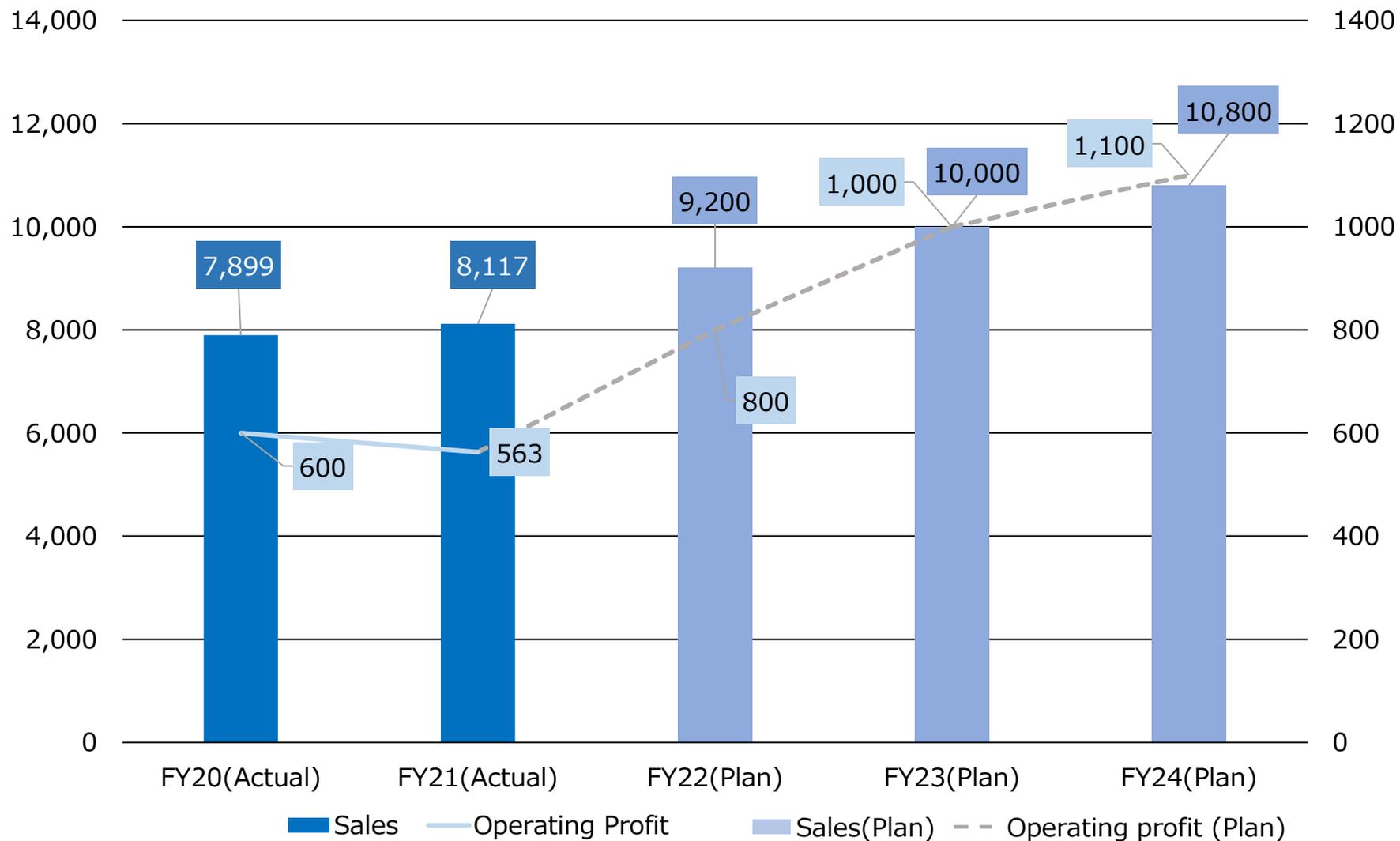
- Improve profitability of existing businesses
- Maximize synergy by strengthening group collaboration
- Invest in human resources and infrastructure to strengthen competitiveness



Reinforce organizational base

Mid-term targets

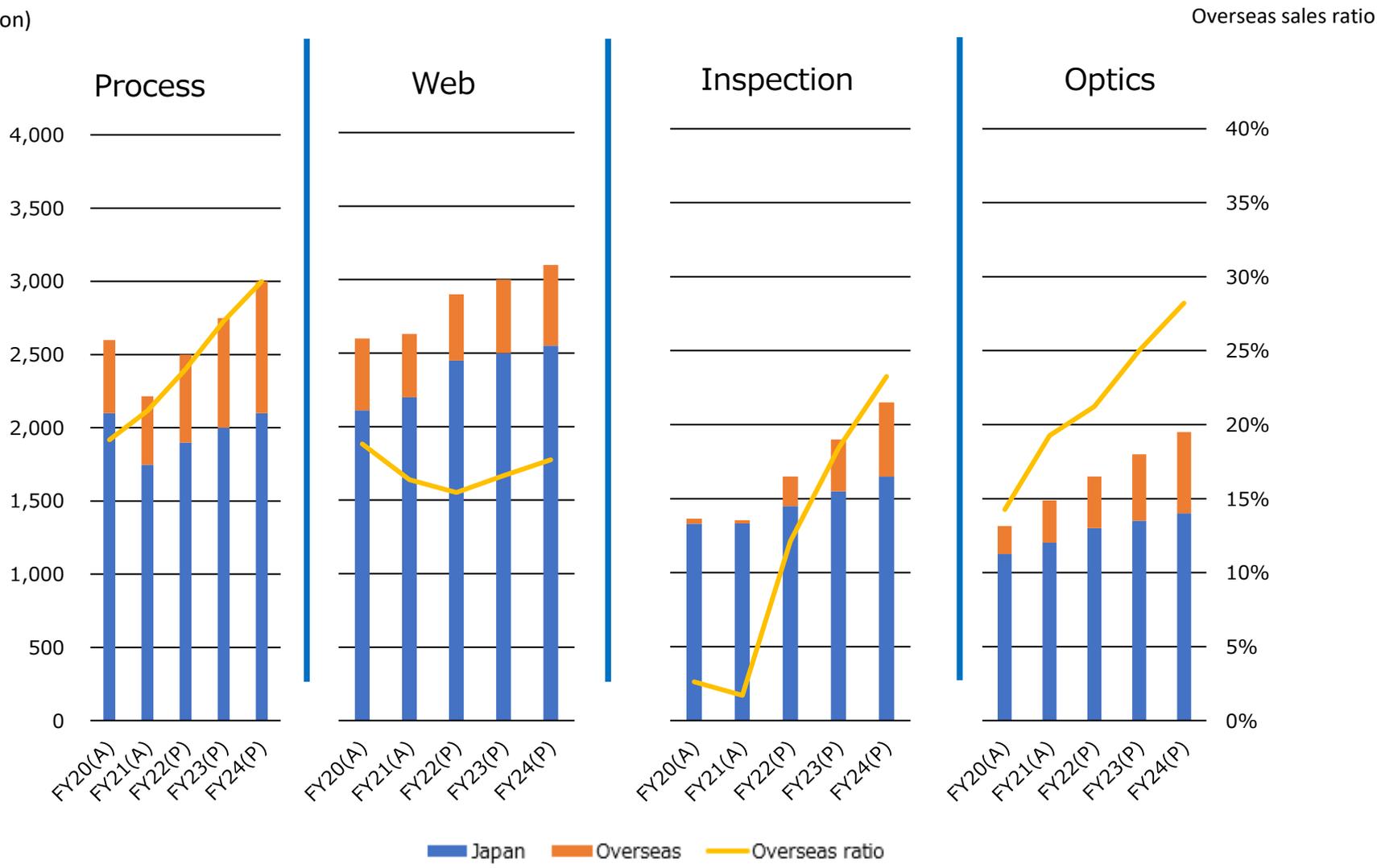
(Unit: JPY Million)



*In order to continuously deal with the changes in the external environment and changes in business assumptions, such as the expansion of the Group, only targets for the next three years are stated.

Mid-term targets (Combined Japan/overseas sales by business segment)

(Unit: JPY Million)



Reference Data

Company Profile

Company name	NIRECO Corporation
President & CEO	Toshiharu Kubota
Head office	2951-4 Ishikawa-machi, Hachioji, Tokyo, Japan
Established	November 1950
Stock exchange listing	TSE Standard
Paid-in capital	3,072 million Japanese yen*
Number of employees	453*
Net sales (Consolidated)	8,117 million Japanese yen (FY2021)

*As of March 31, 2022

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: Nireco International GmbH established in Germany
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

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.

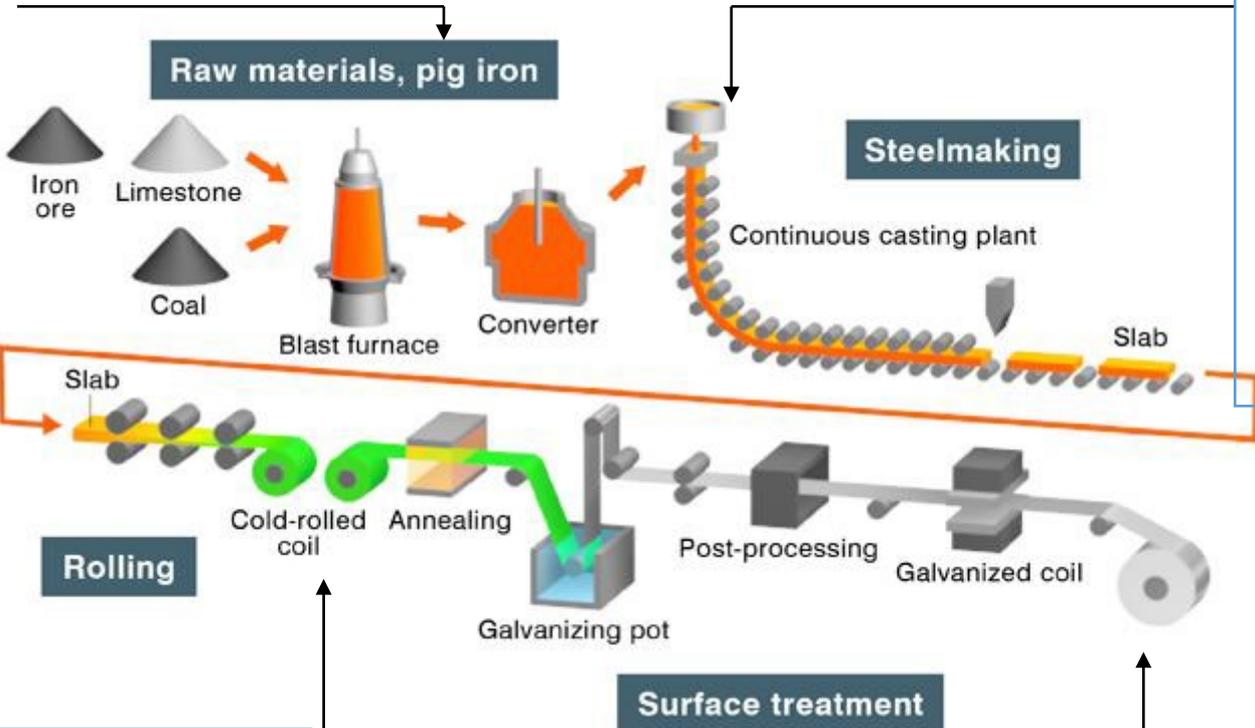
Furthermore, we will contribute to the realization of an affluent and sustainable society by widely applying the value created through our partnerships with society.

Process Control Business

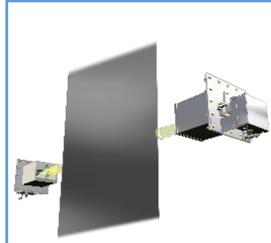
Markets automatic control equipment in several industries such as steel, metal, gas, chemical etc.



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



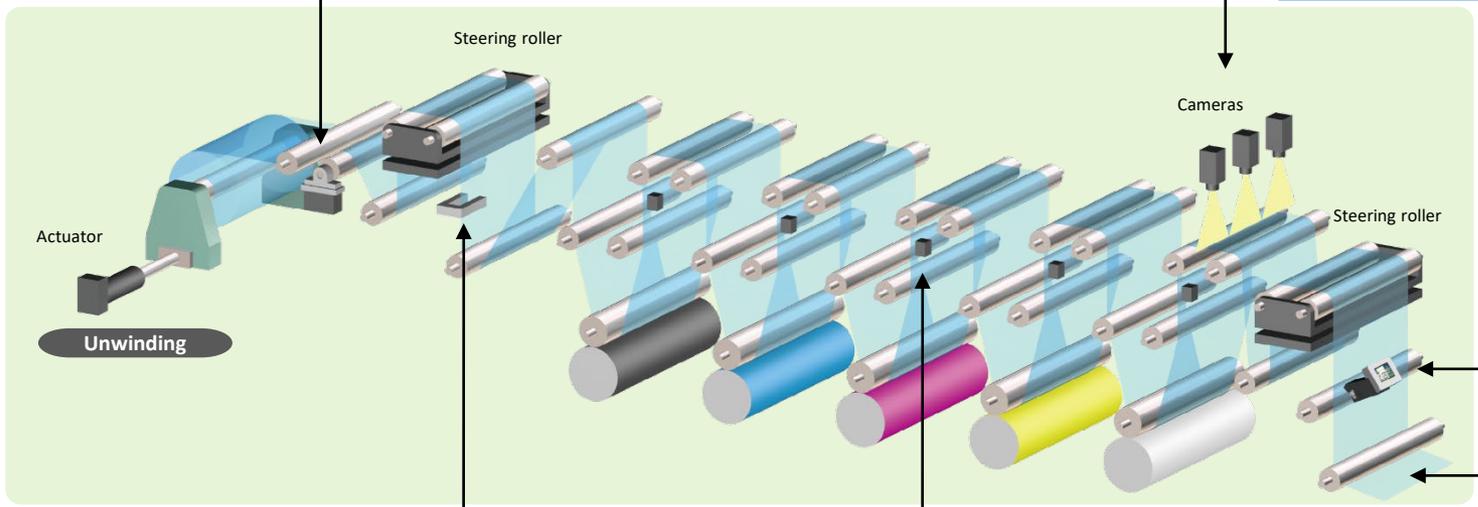
Tension Control System
Keeps the web tension constant and enables stable, high-precision production.



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.



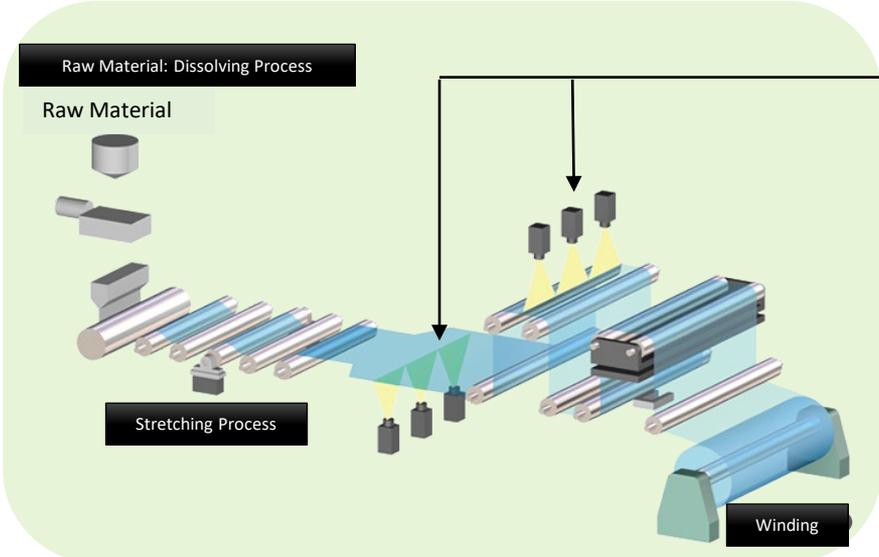
Automatic Register Control System
Controls the color-to-color registration on rotogravure printing laterally and on the circumference.



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.

The image shows a tall, grey industrial machine with a control panel at the top and a green base. It is labeled 'MultiView Express'.

Fruit/Vegetable Sorting System

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

The image shows a white and red industrial machine with a hopper at the top and a conveyor belt at the bottom. It is labeled 'AF9770'.



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

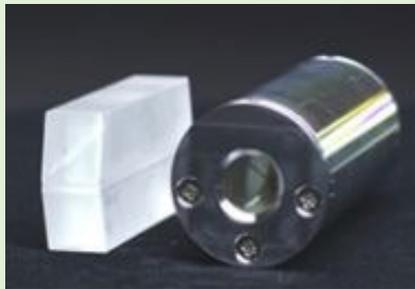


Nonlinear optical crystal

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.

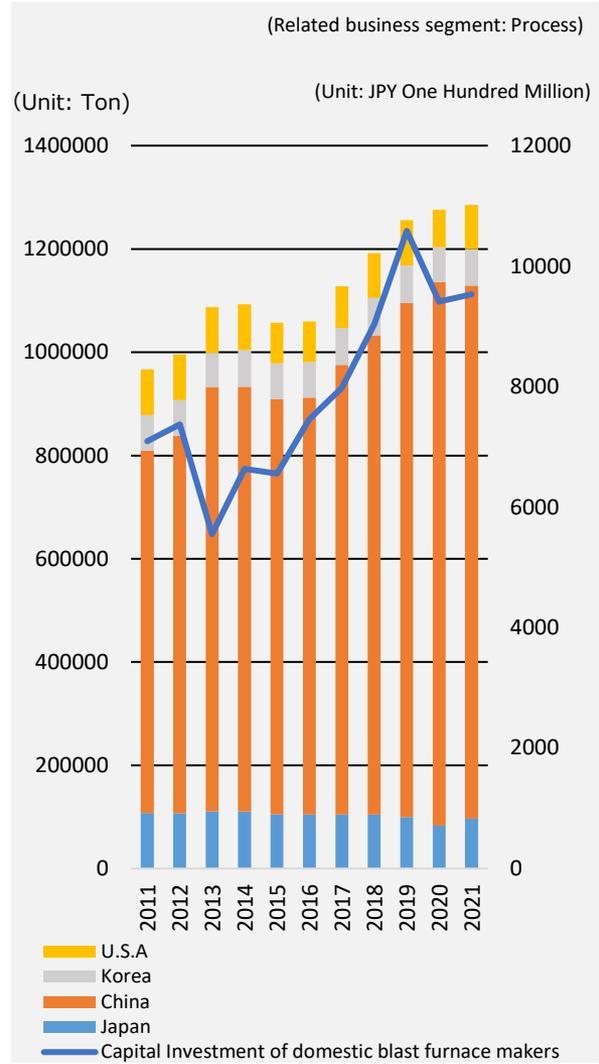


Green Laser device

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

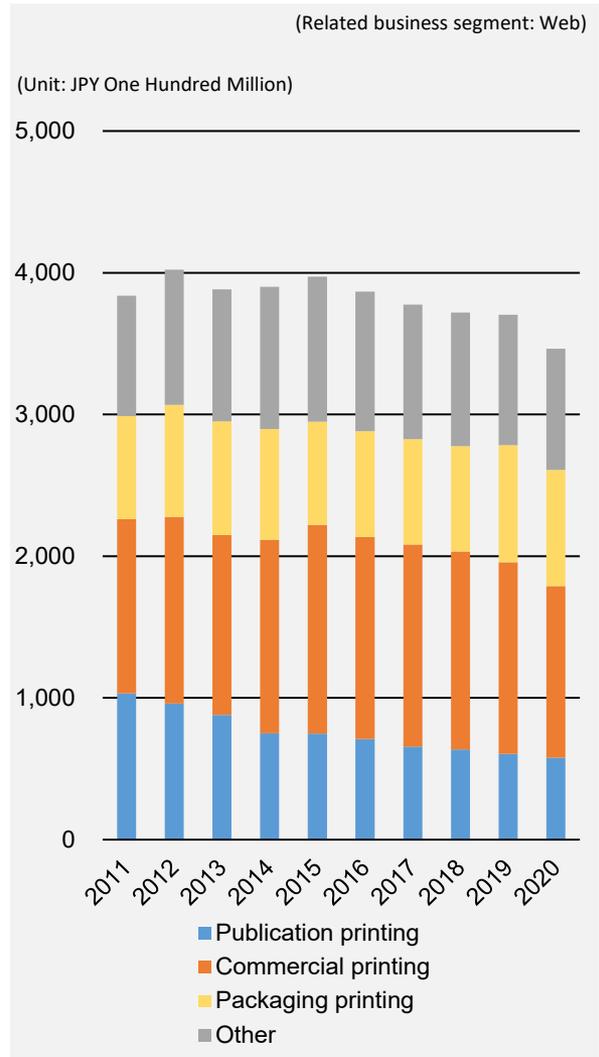
Market environment

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



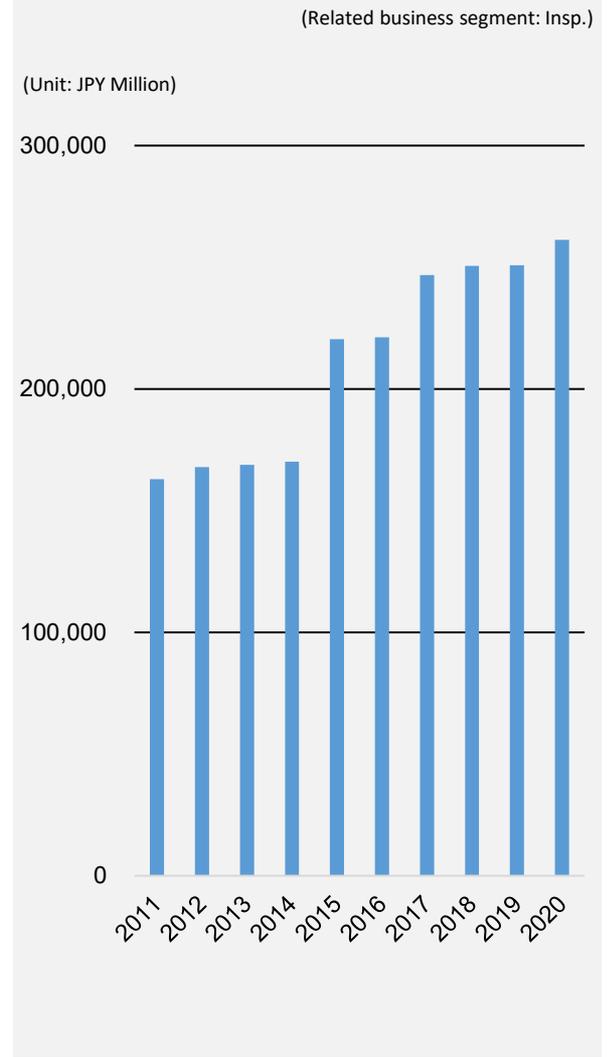
Source: The Japan Iron and Steel Federation

Scale of Japan's Printing Market



Source: Based on industrial & production dynamics statistics

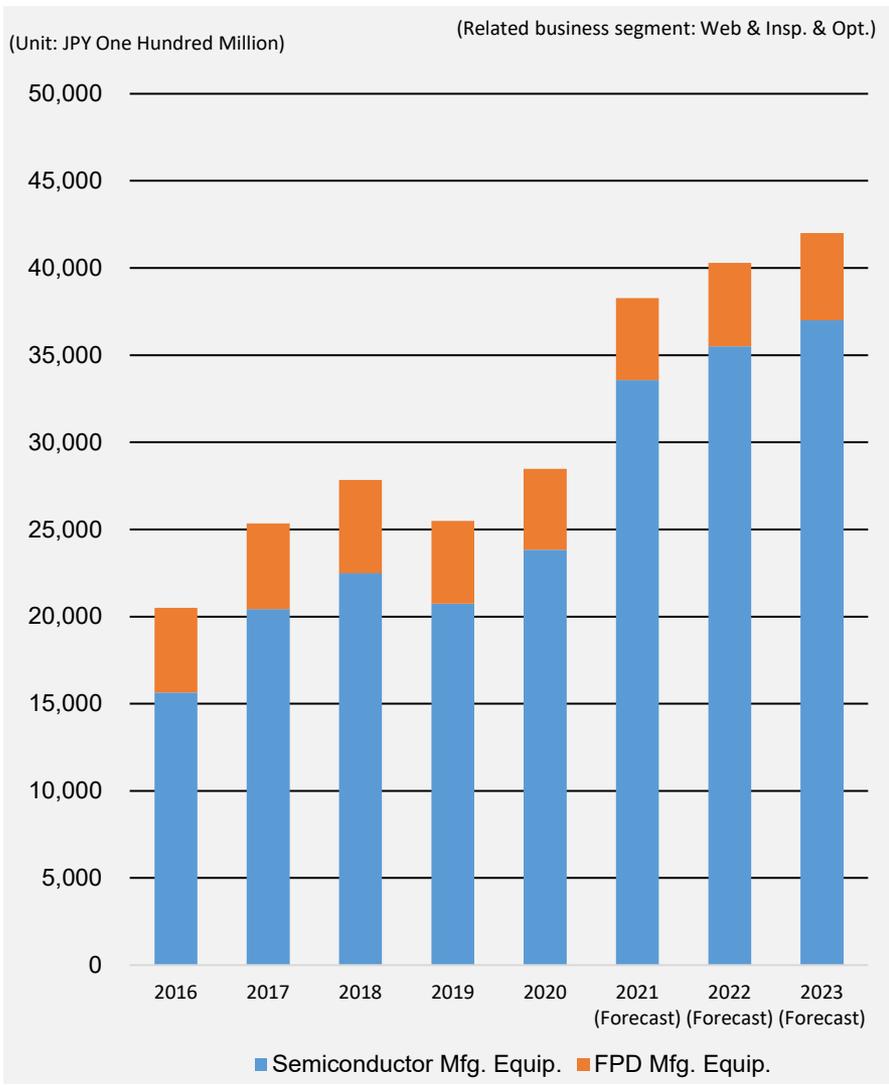
Japan Food Machinery Sales
(excluding processing machinery)



Source: The Japan Food Machinery Manufacturers' Association

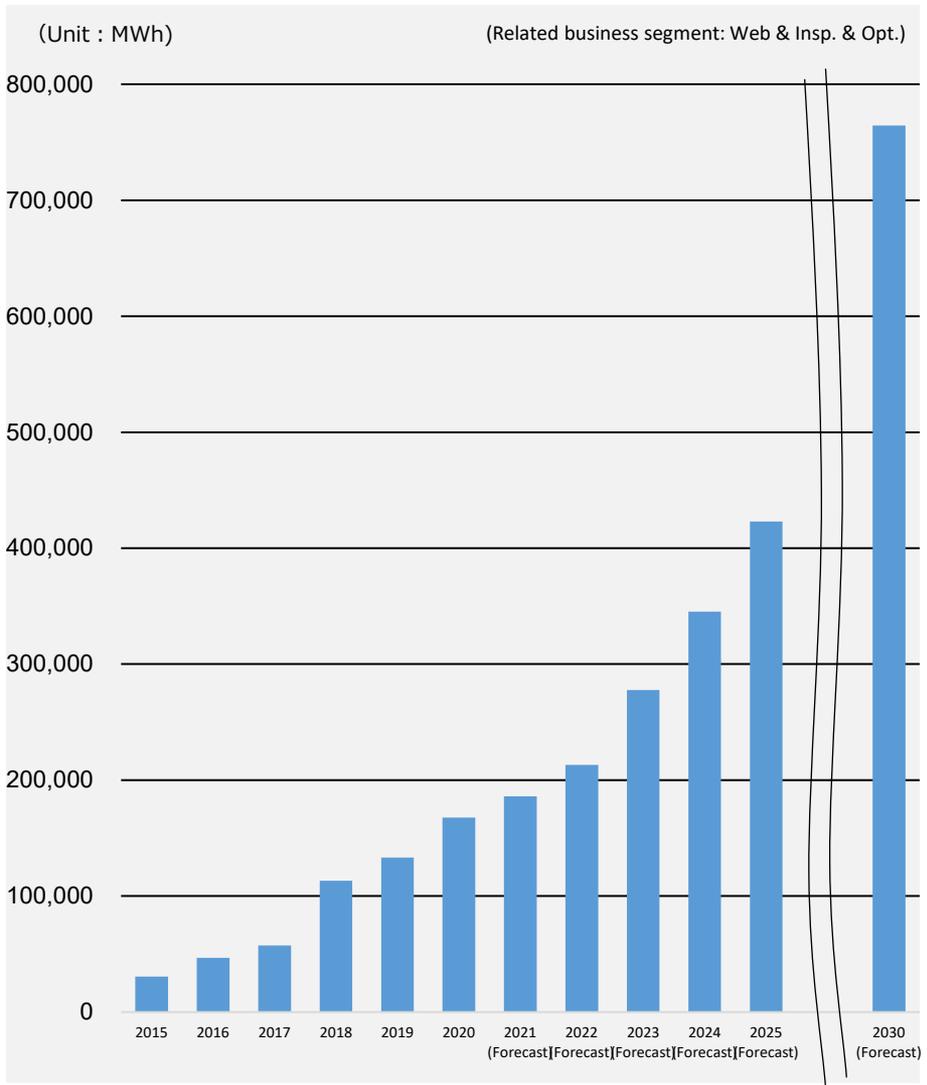
Market environment

Forecast of Demand for Semiconductor & FPD Mfg. Equip.



Source: Semiconductor Equipment Association of Japan

Automotive LiB World Market Forecast



Source: Yano Research Institute Ltd.

Business Segment Data

(Unit: JPY Million)

		FY19	FY20	FY21
Sales	Process	3,497	2,584	2,216
	Web	2,853	2,599	2,631
	Inspection	1,906	1,365	1,356
	Optics	486	1,313	1,489
	Others	31	37	423
	Total		8,775	7,899
Segment Profit	Process	736	412	313
	Web	547	291	230
	Inspection	92	-19	35
	Optics	78	399	401
	Others	0	-1	39
	Adjustment	-503	-480	-456
	Total		952	600

(Unit: JPY Million)

		FY19	FY20	FY21
Orders Received	Process	2,870	2,242	2,232
	Web	2,664	2,620	3,387
	Inspection	1,708	1,265	1,429
	Optics	1,046	1,280	1,888
	Others	27	39	642
	Total		8,317	7,447
Order Backlog	Process	1,514	1,173	1,188
	Web	559	580	1,336
	Inspection	711	611	684
	Optics	578	544	944
	Others	2	4	223
	Total		3,367	2,914

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