

NIRECO
Trusted Partner

NIRECO CORP.
(6863)

Material for
FY2022 Financial
Results
May 26, 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

	FY21	FY22	FY23(Plan)
Orders Received:	9,579 (+29% YoY)	10,307 (+8% YoY)	10,500 (+2% YoY)
Net Sales:	8,117 (+3% YoY)	9,154 (+13% YoY)	10,000 (+9% YoY)
Operating Profit:	563 (-6% YoY)	1,182 (+110% YoY)	1,190 (+1 %YoY)

Financial Results & Plan

Main objectives

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

Achieve sustainable growth in any environment

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

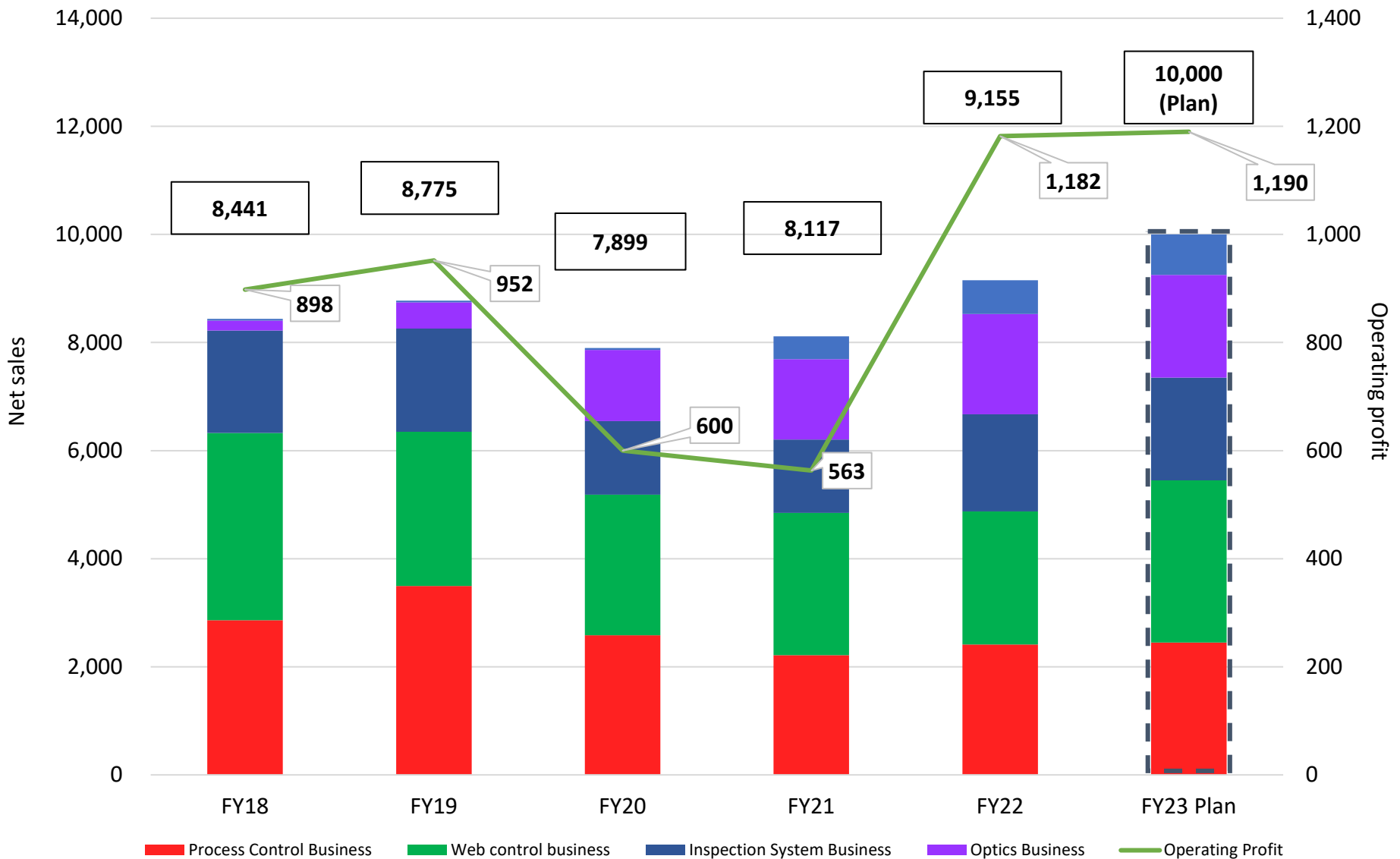
Main efforts in FY2022

- Strengthened optics business
- Optimized procurement by adopting alternative materials and developing procurement routes
- New product releases

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 . FY2022 Financial Results
- 2 . Plans for FY2023
- 3 . Towards Sustainable Growth

1. FY2022 Financial Results (April 2022 – March 2023)

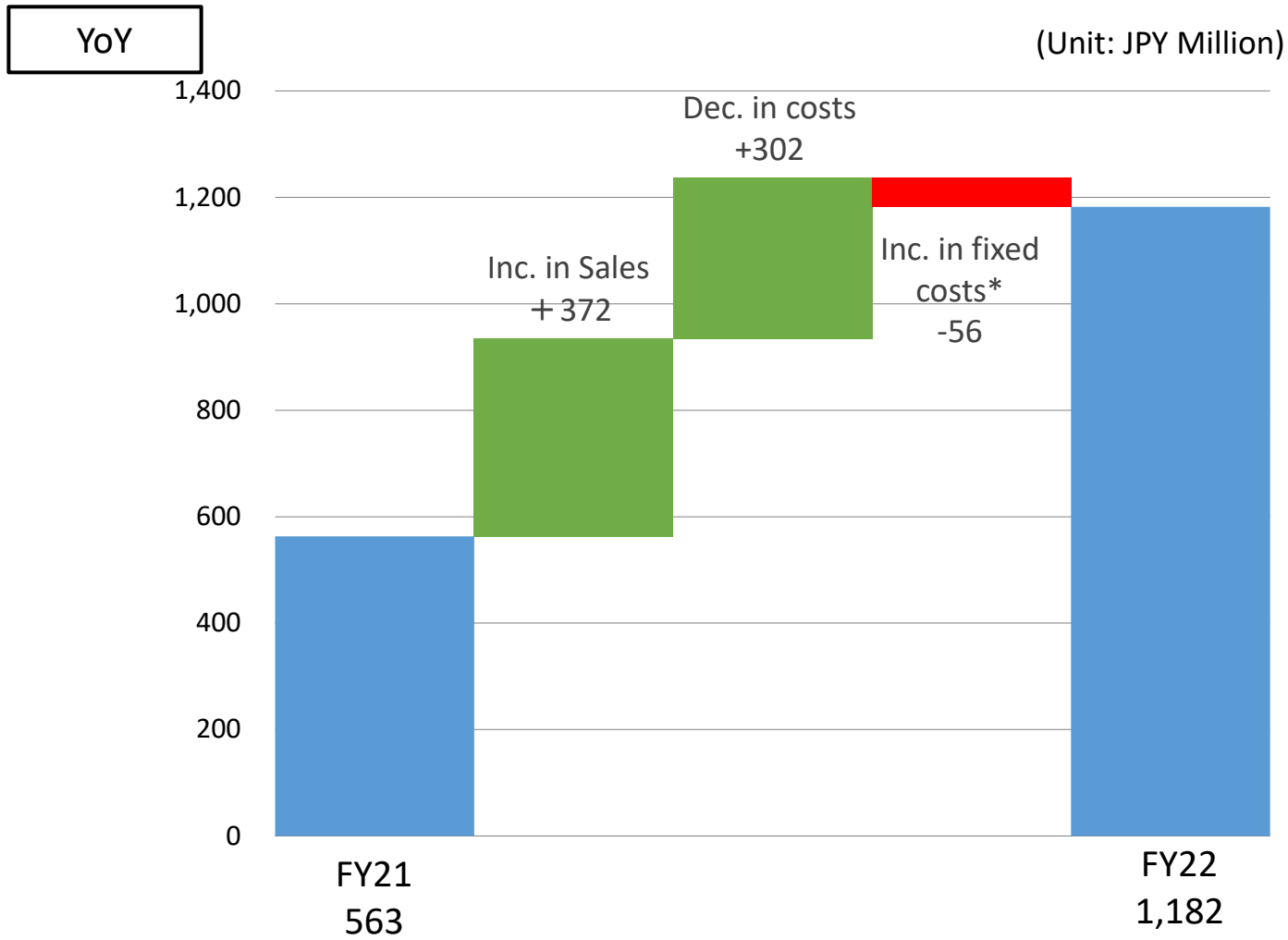
Consolidated Statement

- Orders received and sales were close to plan due to less constraints on parts supplies.
- Profits increased greatly due to substantial sales of profitable products and cost reductions.

(Unit: JPY Million)

	FY21	FY22		Rate of change	
		Initial Plan	Result	YoY	Vs. Plan
Orders received	9,579	10,000	10,307	+8%	+3%
Net sales	8,117	9,200	9,155	+13%	-0%
Operating profit	563	800	1,182	+110%	+48%
Operating profit margin	6.9%	8.7%	12.9%	-	-
Ordinary profit	650	860	1,255	+93%	+46%
Ordinary profit margin	8.0%	9.3%	13.7%	-	-
Profit attributable to owners of parent	406	600	860	+112%	+43%
Profit attributable to owners of parent margin	5.0%	6.5%	9.4%	-	-
Earnings per share (JPY)	55.41	81.86	117.40	+112%	+43%
Order backlog	4,376	5,176	5,529	+26%	+7%

Increase/ Decrease Factors in Operating Profit



※Fixed costs = SG&A expenses

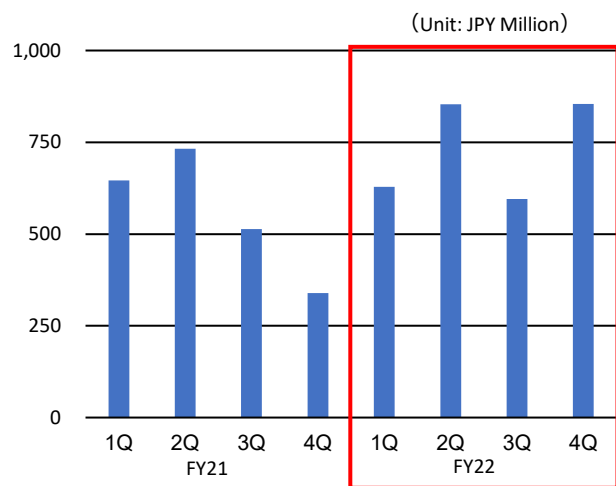
Process Control Business

- Both sales and orders increased YoY due to a focus on overseas sales
- Profitability recovered due to demand for high-grade products in the steel industry and substantial sales of profitable products

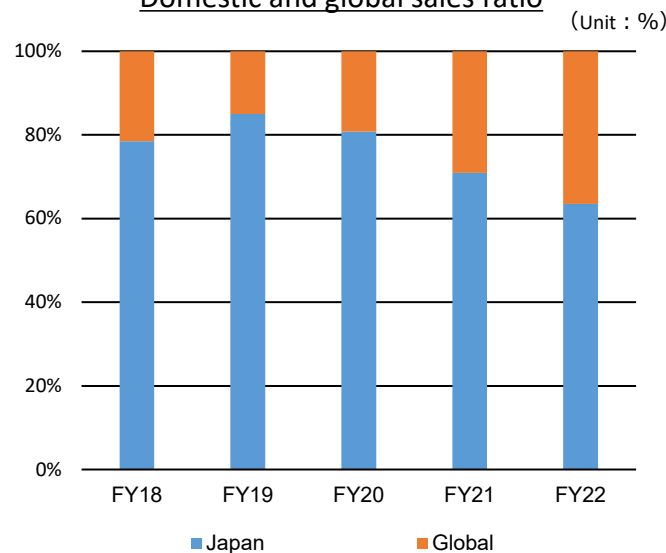
(Unit: JPY Million)

	FY21	FY22		YoY	Actual/ Plan
	Actual	Initial Plan	Actual		
Orders received	2,232	2,500	2,934	+31%	+17%
Net sales	2,216	2,500	2,411	+9%	-4%
Segment profit	313	340	460	+47%	+35%
Segment profit margin	14.1%	13.6%	19.1%	-	-
Order backlog	1,188	1,188	1,710	+44%	+44%

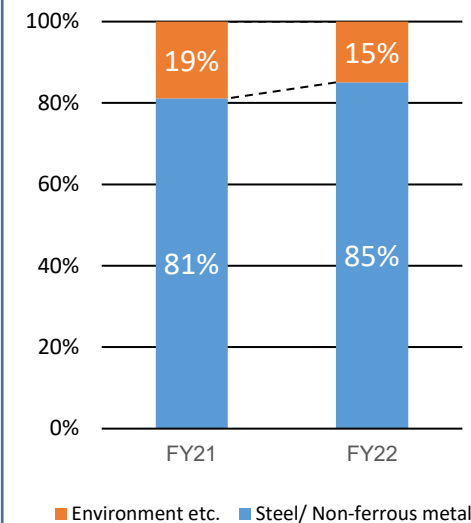
Orders Received



Domestic and global sales ratio



Sales by industry



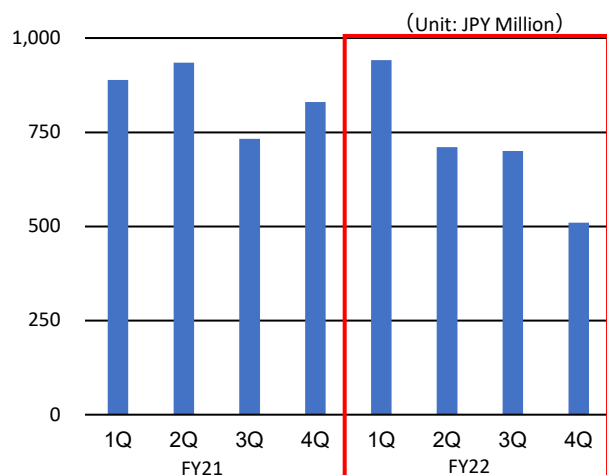
Web Control Business

- Demand from LIB industry entered an adjustment phase, resulting in YoY declines in sales and orders received
- Profit increased due to cost reduction and profit improvement efforts

(Unit: JPY Million)

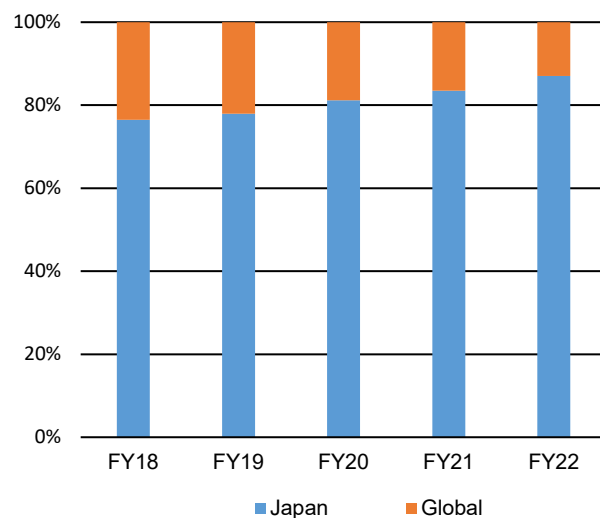
	FY21	FY22		YoY	Actual/ Plan
	Actual	Initial Plan	Actual		
Orders received	3,387	3,500	2,862	-16%	-18%
Net sales	2,631	2,900	2,465	-6%	-15%
Segment profit	230	340	248	+8%	-27%
Segment profit margin	8.8%	11.7%	10.1%	-	-
Order backlog	1,336	1,936	1,540	+15%	-20%

Orders Received

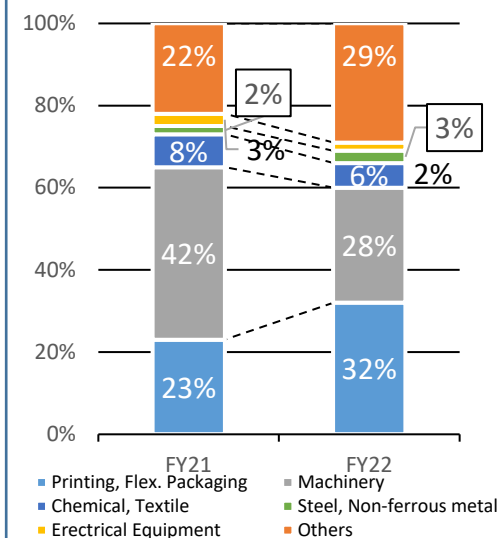


Domestic and global sales ratio

(Unit : %)



Sales by industry



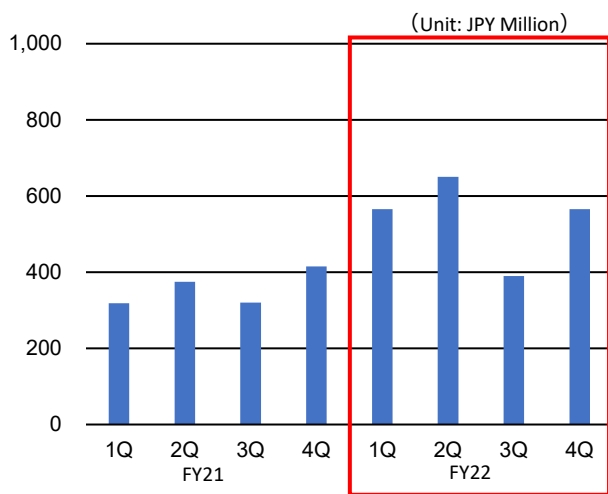
Inspection System Business

- Overseas orders and sales of surface inspection systems were strong. Domestic sales of food inspection systems also increased, resulting in significantly higher net sales.
- Major improvement in profitability due to higher sales

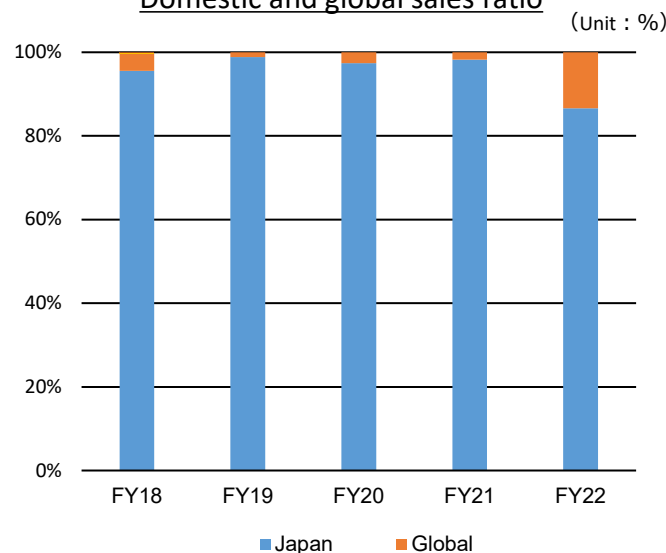
(Unit: JPY Million)

	FY21	FY22		YoY	Actual/ Plan
	Actual	Initial Plan	Actual		
Orders received	1,429	1,800	2,172	+52%	+21%
Net sales	1,356	1,650	1,797	+33%	+9%
Segment profit	35	170	200	+471%	+18%
Segment profit margin	2.6%	10.3%	11.2%	-	-
Order backlog	684	834	1,252	+83%	+50%

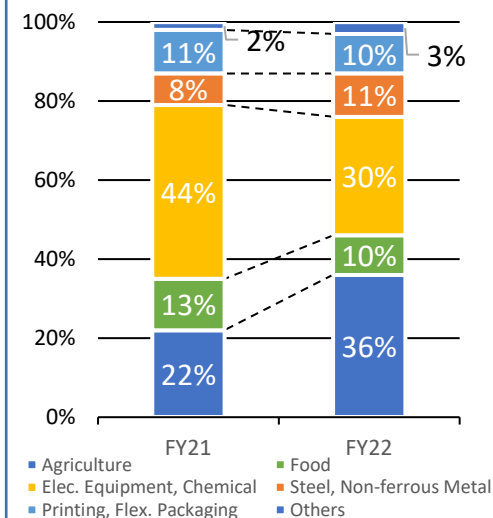
Orders Received



Domestic and global sales ratio



Sales by industry



Optics Business

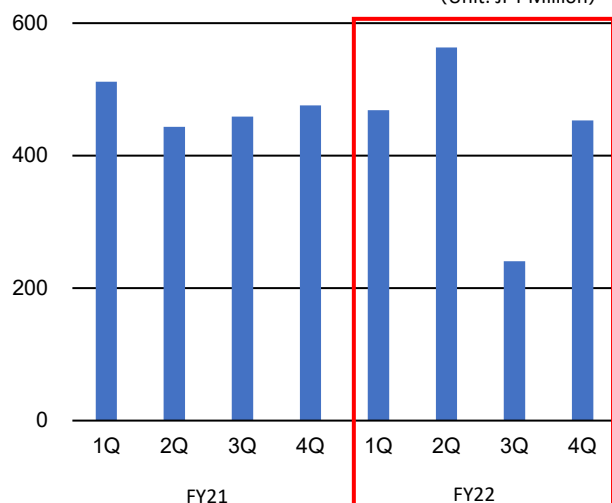
- Shipment to overseas increased. Investment in optical component production capacity also contributed, resulting in higher net sales YoY
- Orders decreased YoY due partly to adjustments underway in the semiconductor industry.

(Unit: JPY Million)

	FY21	FY22		YoY	Actual/ Plan
	Actual	Initial Plan	Actual		
Orders received	1,888	1,700	1,725	-9%	+1%
Net sales	1,489	1,650	1,855	+25%	+12%
Segment profit	401	400	740	+85%	+85%
Segment profit margin	26.9%	24.2%	39.9%	-	-
Order backlog	944	994	814	-15%	-18%

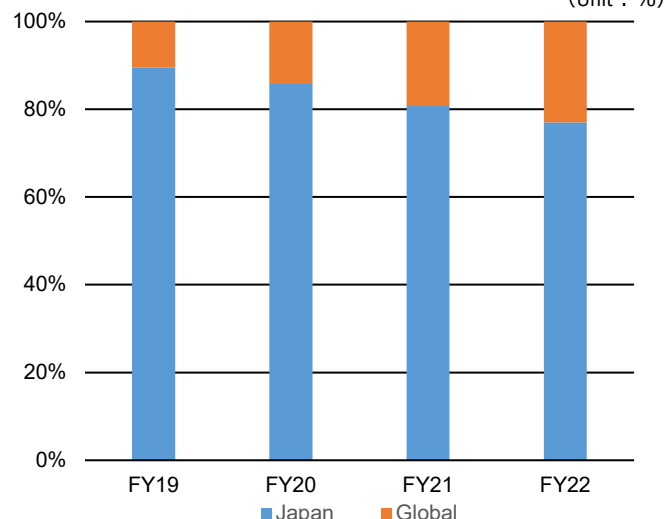
Orders Received

(Unit: JPY Million)

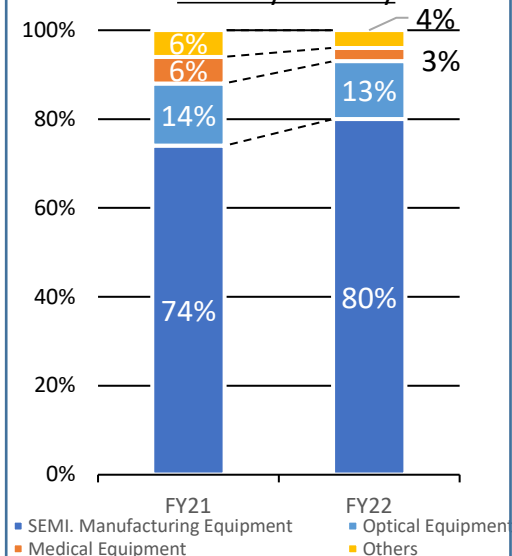


Domestic and global sales ratio

(Unit : %)



Sales by industry

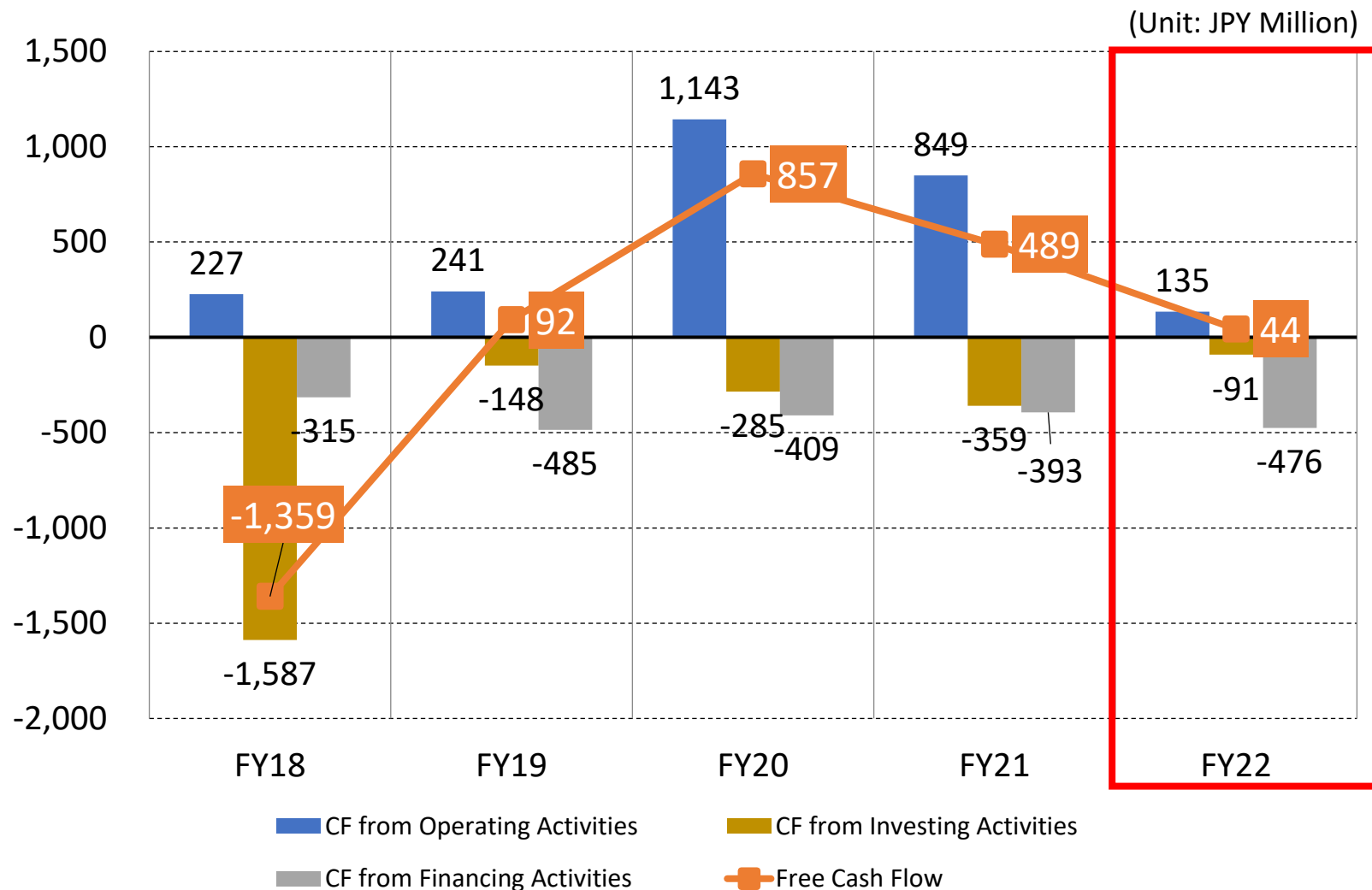


Balance Sheet

(Unit: JPY Million)

	End of FY21 (Mar. 31, 2022)		End of FY22 (Mar. 31, 2023)		Change
Cash and deposits	4,834	29.9%	4,381	25.8%	- 452
Trade receivables	3,415	21.1%	4,025	23.7%	+ 609
Inventories	2,507	15.5%	3,062	18.0%	+ 554
Other current assets	136	0.8%	150	0.9%	+ 15
Current assets	10,894	67.4%	11,619	68.3%	+ 725
Property, plant and equipment	3,304	20.5%	3,255	19.1%	- 48
Intangible assets	258	1.6%	241	1.4%	- 17
Investments and other assets	1,695	10.5%	1,885	11.1%	+ 190
Non-current assets	5,258	32.6%	5,382	31.7%	+ 123
Total assets	16,152	100.0%	17,002	100.0%	+ 849
Accounts payable - trade	610	3.8%	449	2.6%	- 162
Other current liabilities	1,157	7.2%	1,390	8.2%	+ 232
Current liabilities	1,768	10.9%	1,840	10.8%	+ 71
Non-current liabilities	533	3.3%	557	3.3%	+ 24
Total liabilities	2,301	14.2%	2,397	14.1%	+ 95
Total net assets	13,850	85.8%	14,605	85.9%	+ 754
Total liabilities and net assets	16,152	100.0%	17,002	100.0%	+ 849

Cash Flows



Overview of FY22

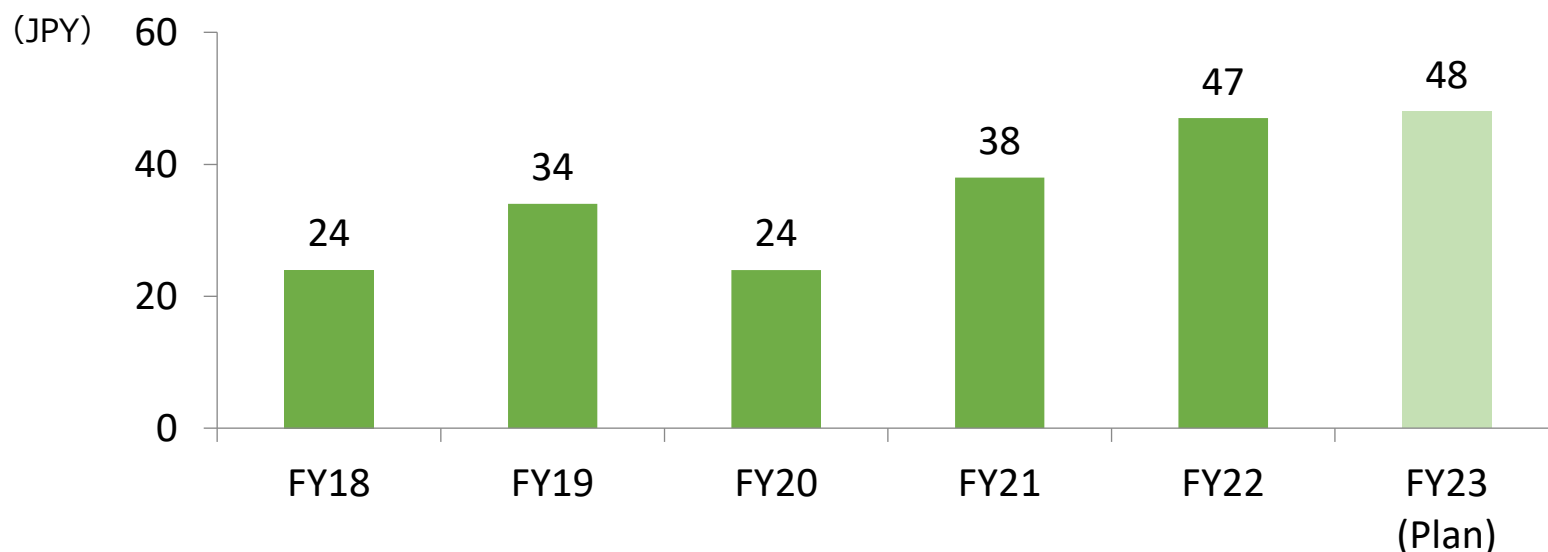
Cash flows from operating activities: Income before income taxes (1,249 million yen),
 Increase in trade receivables and contract assets(-606 million yen),
 Increase in Inventory (-542 million yen)

Shareholders' Return

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

Highest dividend since IPO

Dividends (JPY)



Net profit per share (JPY)	66.07	106.58	59.06	55.41	117.40	118.70
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%

2 . Plans for FY2023 (April 2023 – March 2024)

Business Plan

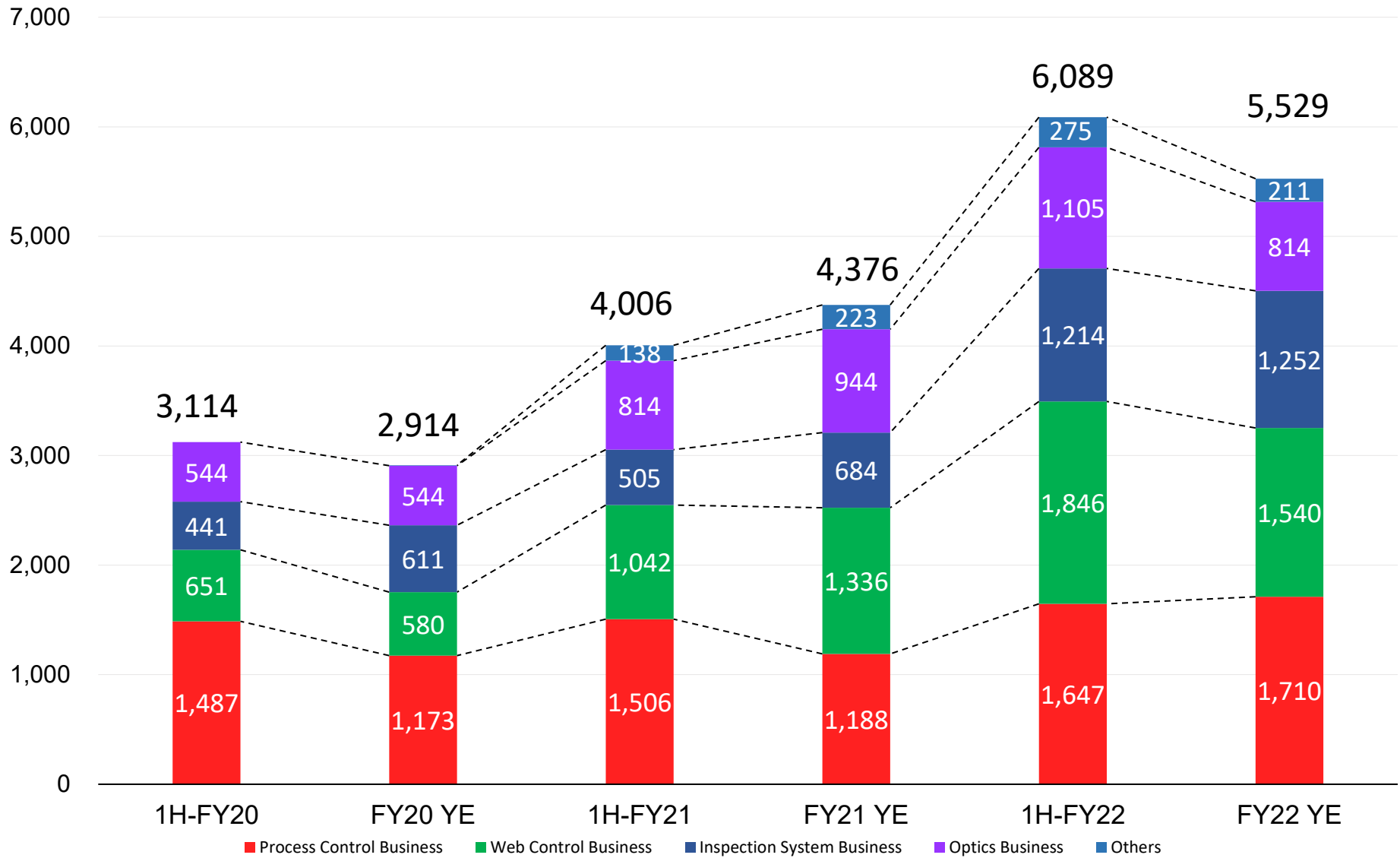
- Higher sales expected due to substantial order backlog.
- Profits flat YoY against the background of adjustments underway in the semiconductor industry.

(Unit: JPY Million)

	FY21	FY22 Plan	YoY
Orders received	10,307	10,500	+2%
Net sales	9,155	10,000	+9%
Operating profit	1,182	1,190	+1%
Operating profit margin	12.9%	11.9%	-
Ordinary profit	1,255	1,260	+0%
Ordinary profit margin	13.7%	12.6%	-
Profit attributable to owners of parent	860	870	+1%
Profit attributable to owners of parent margin	9.4%	8.7%	-
Earnings per share (JPY)	117.40	118.70	+1%
Order backlog	5,529	6,029	+9%

Order Backlog

(Unit: JPY Million)



Market Conditions & Measures: Process Control Business

Domestic Steel Market

- Steelmakers are focused on production of high-grade steel for Electric Vehicles



- Focus sales efforts on steelmaker capex for high-grade steel and non-ferrous metal manufacturers
- Promote cross-divisional sales of elemental analyzers and other devices.

Overseas Steel Market

- Inflation and high interest rates to limit recovery in steel demand
- Lifting of restrictions on sales activities in China with the end of the zero-Covid policy



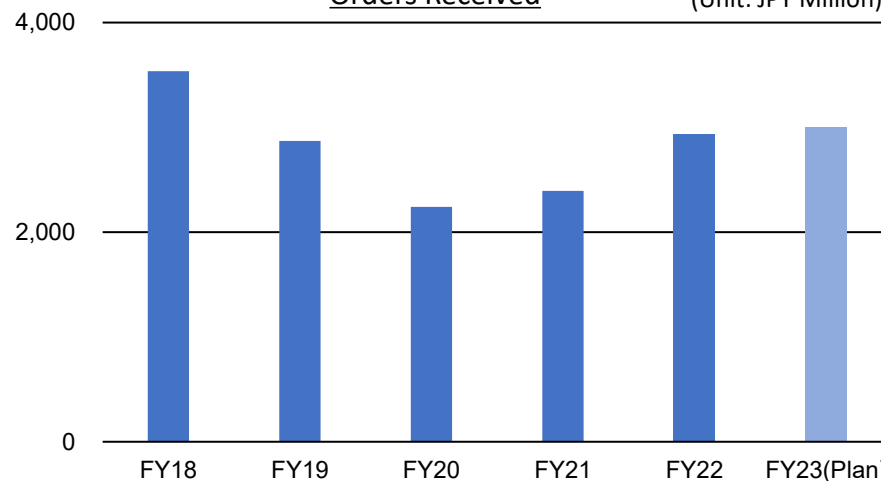
- Improve overseas sales structure and continue to strengthen production and services at overseas subsidiaries

(Unit: JPY Million)

	FY22	FY23 Plan
Orders received	2,934	3,000
Net sales	2,411	2,450
Segment profit	460	360
Segment profit margin	19.1%	14.7%

Orders Received

(Unit: JPY Million)



Market Conditions & Measures: Web Control Business

Electronic parts/ High Functional Film Market

- Capital investment in LIBs to stabilize growth as strong demand is hit by a slowdown
- ↓
- Continue to capture part of demand for capital investment in LIBs
 - Improve profit margins through cost reductions and other measures

Papers/ Printing/ Soft packaging Market

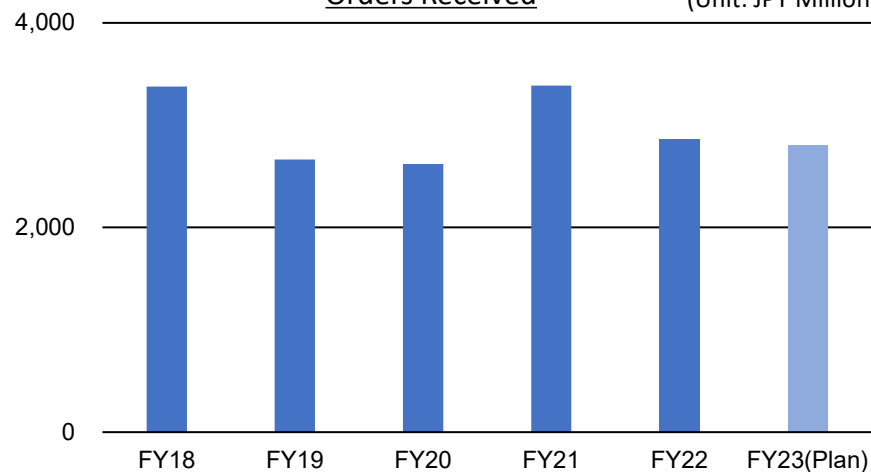
- Focus on efficient use of packaging materials to improve sustainability
- ↓
- Orient sales to respond to customers greening their capital investment, which includes web controls to save packaging materials
 - Focus on domestic sales of products from E+L, a business partner

(Unit: JPY Million)

	FY22	FY23 Plan
Orders received	2,862	2,800
Net sales	2,465	3,000
Segment profit	248	380
Segment profit margin	10.1%	12.7%

Orders Received

(Unit: JPY Million)



Market Conditions & Measures: Inspection System Business

Electronic parts/ High Functional Film Market

- Manufacturers' investment in inspection equipment is firm
- Diversifying demand for LIB applications, metal foil, film, etc.



- Responding to more advanced inspection needs through development of new products
- Add diversity to PR methods, including more Internet promotions

Food Related Market

- Demand in the agricultural sector for inspection equipment is firm
- Demand is expanding for machine inspections related to various processed food products



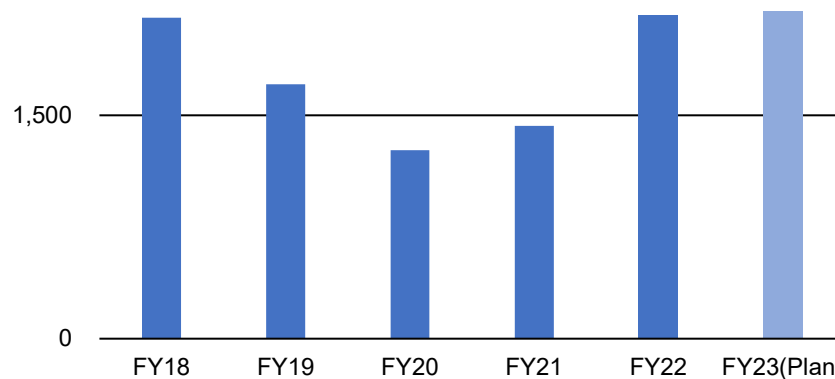
- Strengthen response to growing need for processed food inspection

(Unit: JPY Million)

	FY22	FY23 Plan
Orders received	2,172	2,200
Net sales	1,797	1,900
Segment profit	200	240
Segment profit margin	11.2%	12.6%

Orders Received

(Unit: JPY Million)



Market Conditions & Measures: Optics Business

Optical Component Market

- Demand for semiconductor inspection equipment has entered an adjustment phase
 - Broad demand exists for optical components, including overseas
- ↓
- Boost efforts to capture demand 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

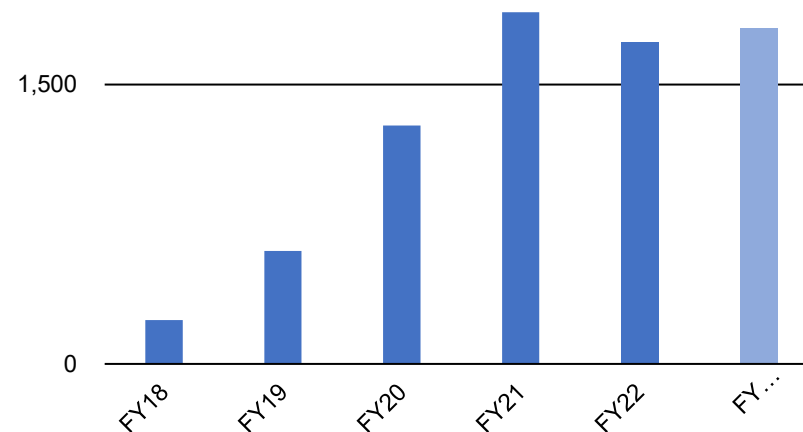
- Demand is strong in the semiconductor and medical sectors.
- ↓
- Move beyond the fields of semiconductor inspection & medical diagnosis to develop new applications that leverage our unique product strengths

(Unit: JPY Million)

	FY22	FY23 Plan
Orders received	1,725	1,800
Net sales	1,855	1,900
Segment profit	740	660
Segment profit margin	39.9%	34.7%

Orders Received

(Unit: JPY Million)



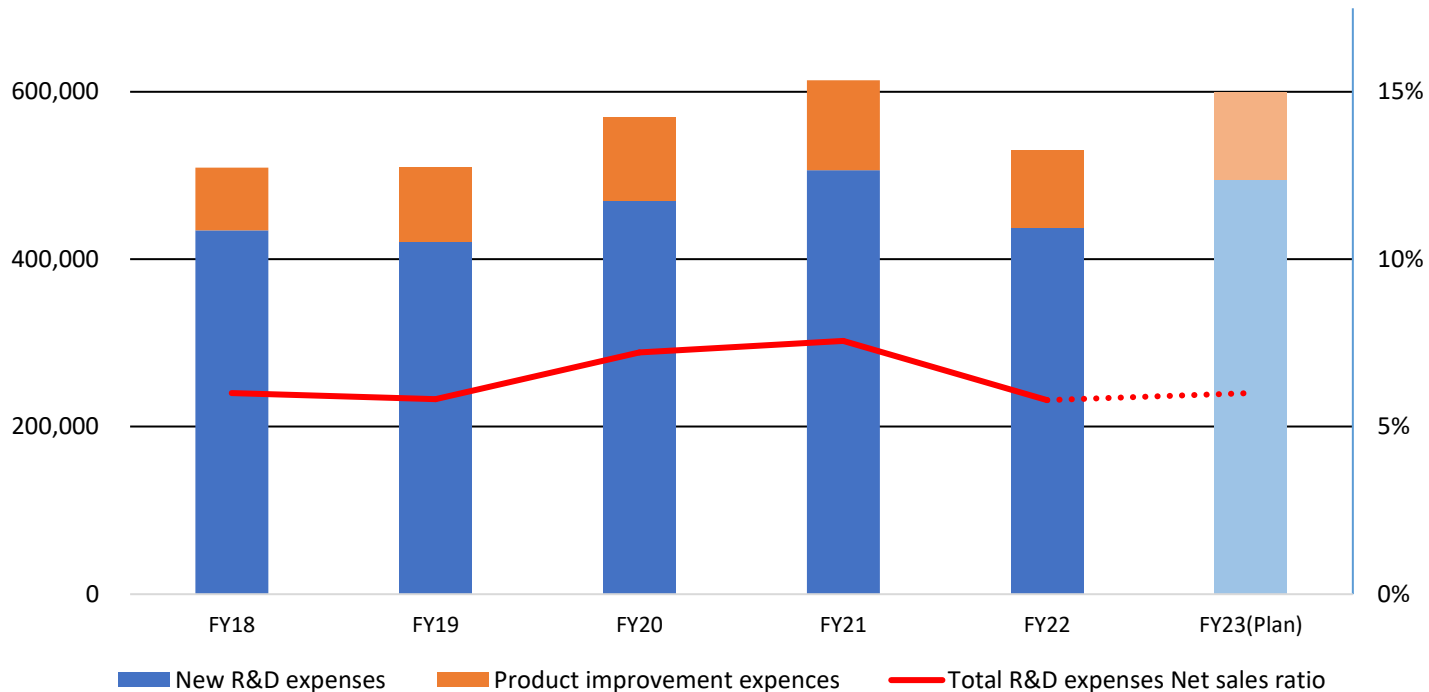
R&D

- 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)



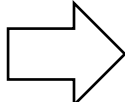
3. Towards sustainable growth

Main objectives for sustainable growth

Strengthen our group to enable growth in any environment

Expand our market presence

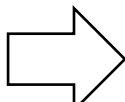
- Drive overseas expansion
- Strengthen Inspection system business and Optics business
- Exploit new fields of business through new-product development



Expand & enhance business foundations

Technological advances

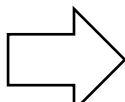
- Enhance image analysis technology for new product development
- Develop new products based on optical applications technology



Enhance competitive advantage

Enhance organizational capabilities

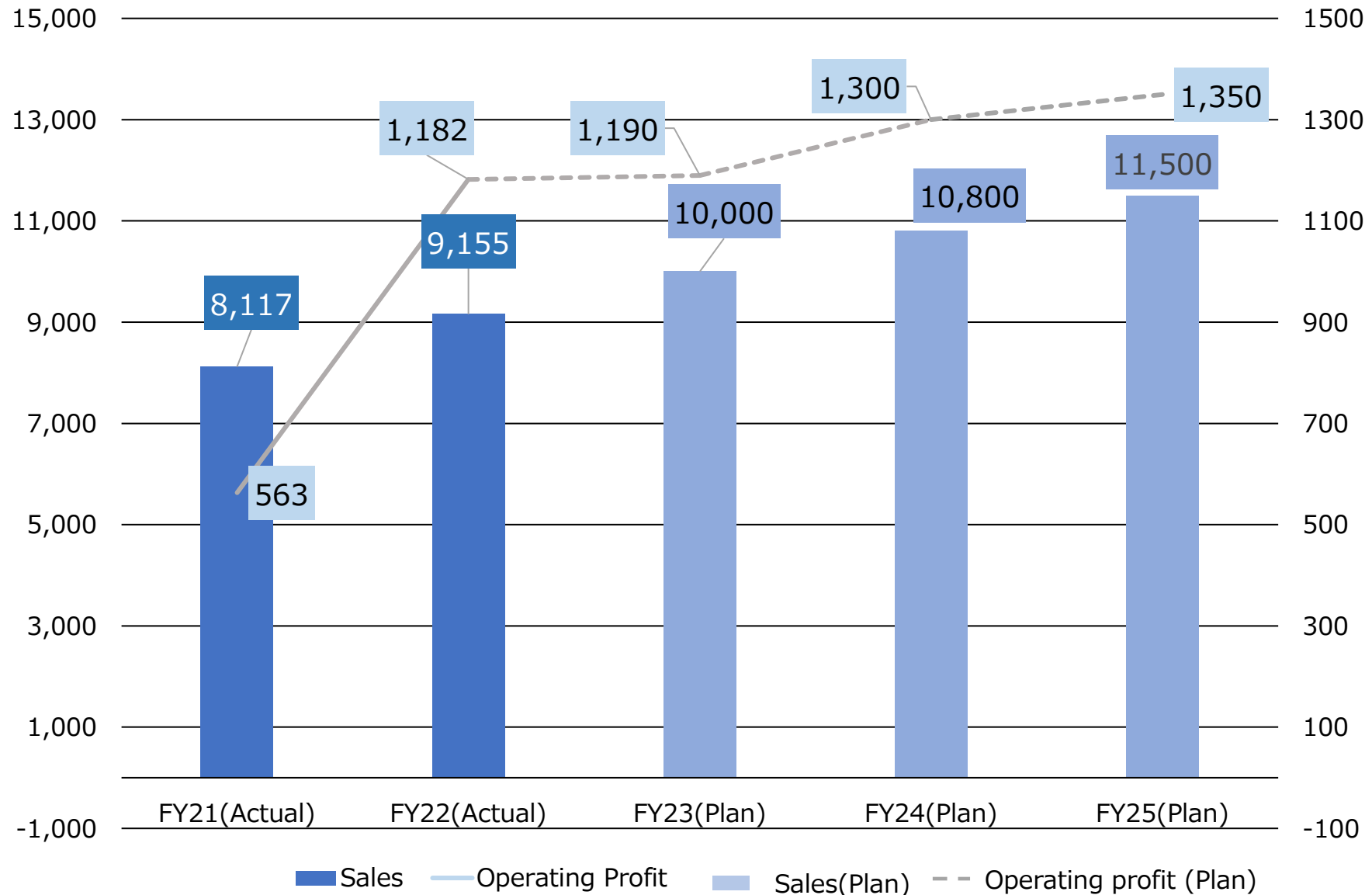
- Improve profitability of existing businesses
- Maximize synergy by strengthening group collaboration
- Invest in human resources and infrastructure to strengthen competitiveness



Reinforce organizational base

Mid-term targets

(Unit: JPY Million)



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

(Unit: JPY Million)

Overseas sales ratio



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	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., a Japanese company
- 2022: Transfer to TSE Standard market due to restructuring of market tiers in the Tokyo Stock Exchange

Management philosophy

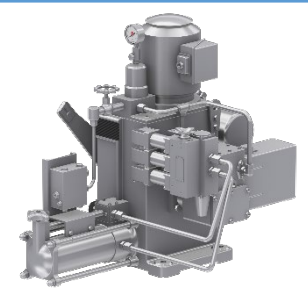
‘TECHNOLOGY & TRUST’

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.

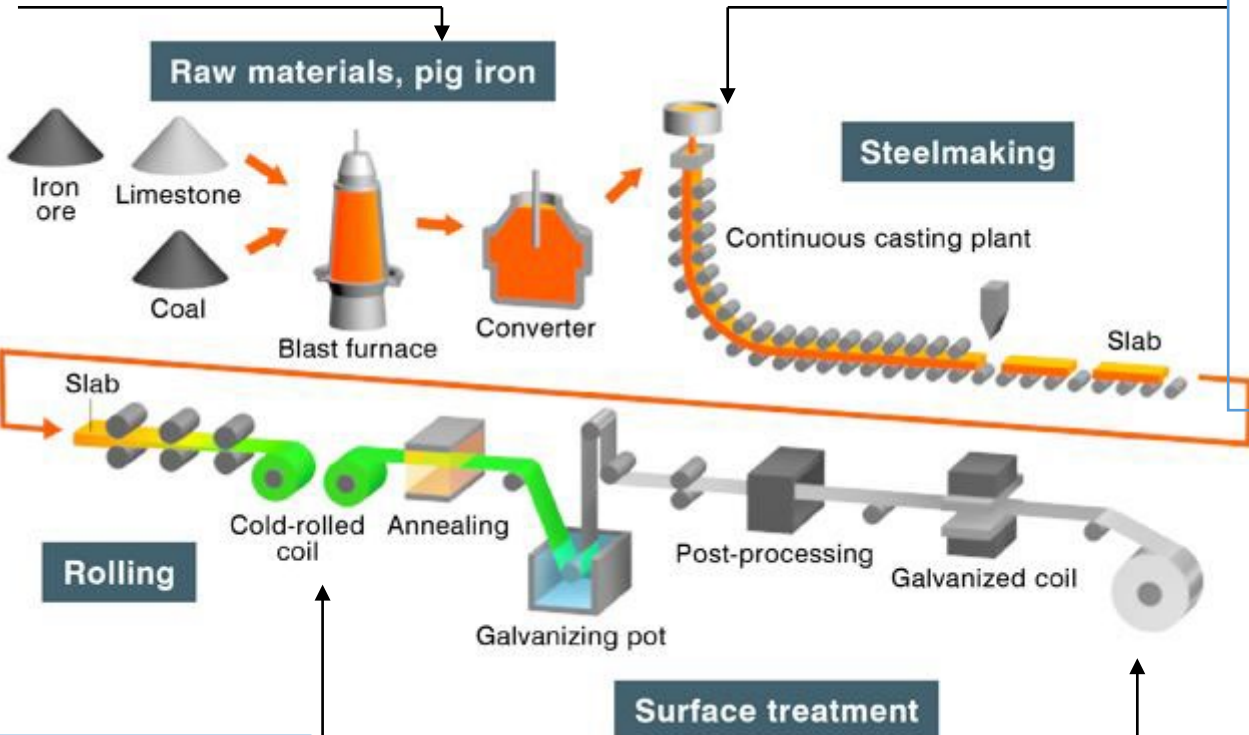
Furthermore, we will contribute to the realization of an affluent and sustainable society by widely applying the value created through our partnerships with society.

Process Control Business

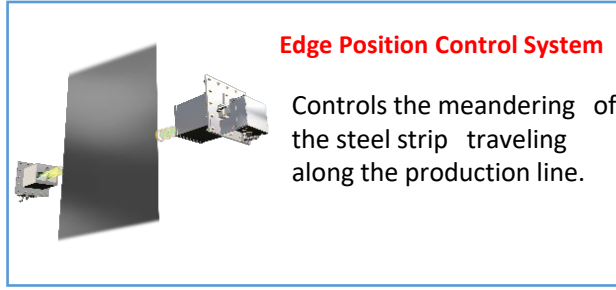
Markets automatic control equipment in several industries such as steel, metal, gas, chemical etc.



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



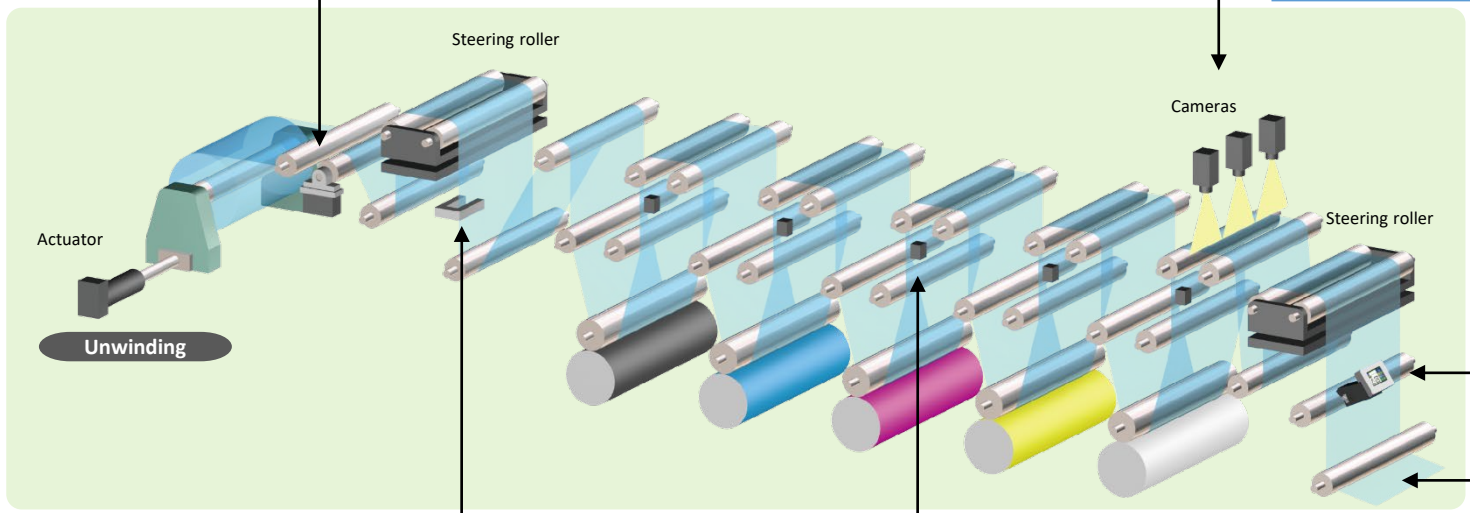

Tension Control System
Keeps the web tension constant and enables stable, high-precision production.




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.



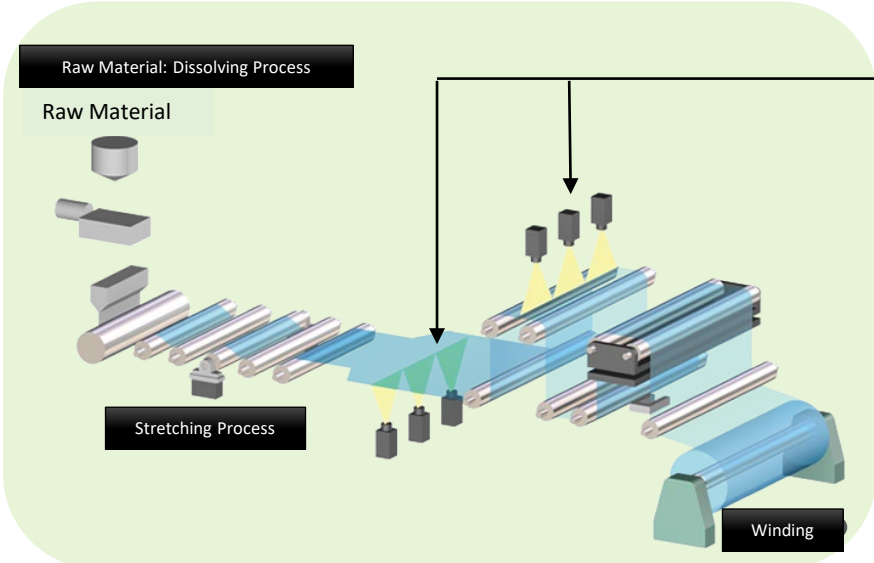
Automatic Register Control System
Controls the color-to-color registration on rotogravure printing laterally and on the circumference.



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.

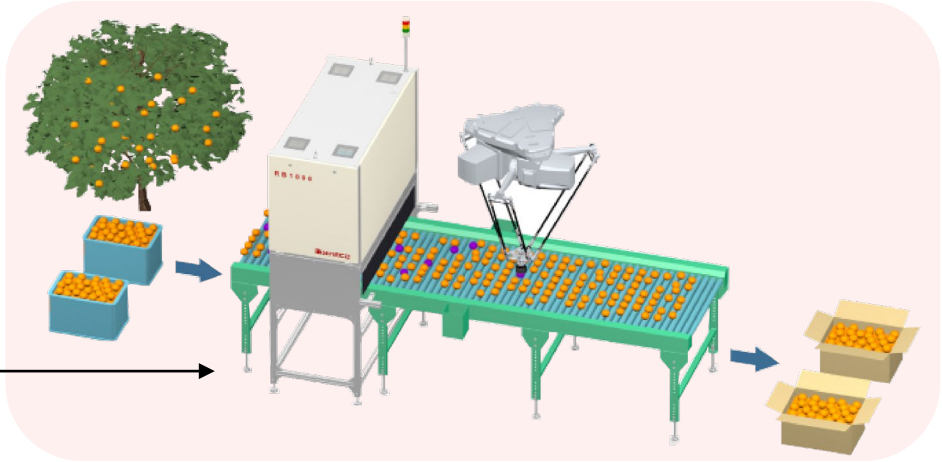


Defect Inspection System for Plain Surfaces

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

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

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.

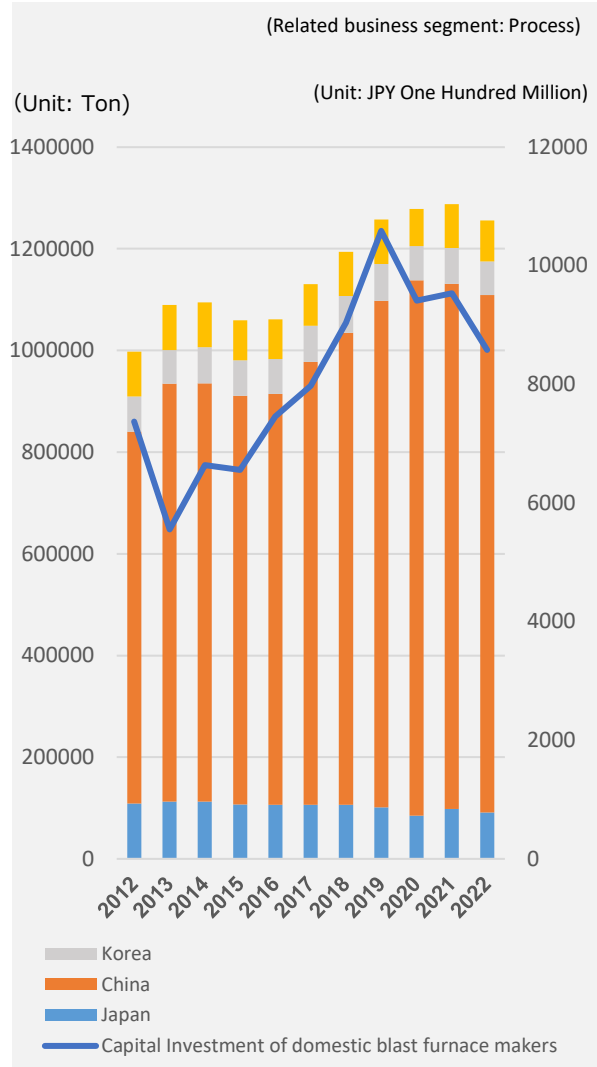


Green Laser device

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

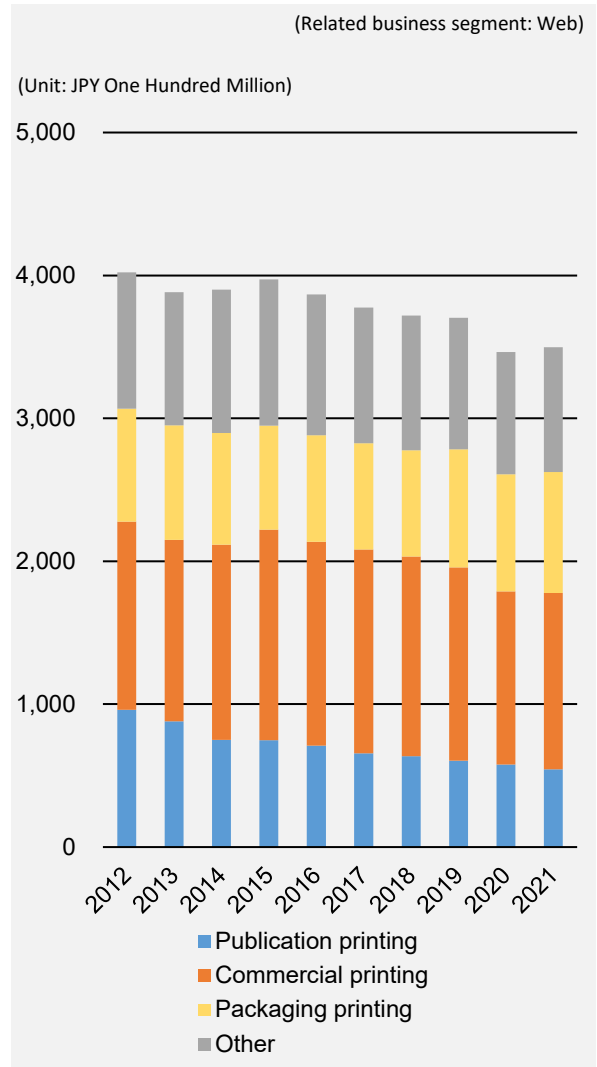
Market environment

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



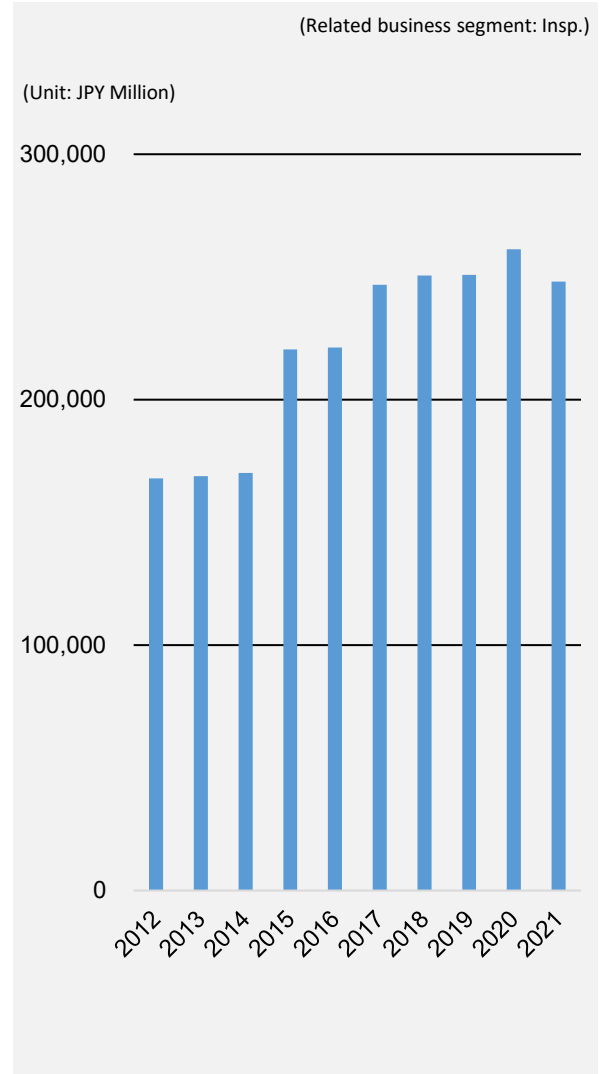
Source: The Japan Iron and Steel Federation

Scale of Japan's Printing Market



Source: Based on industrial & production dynamics statistics

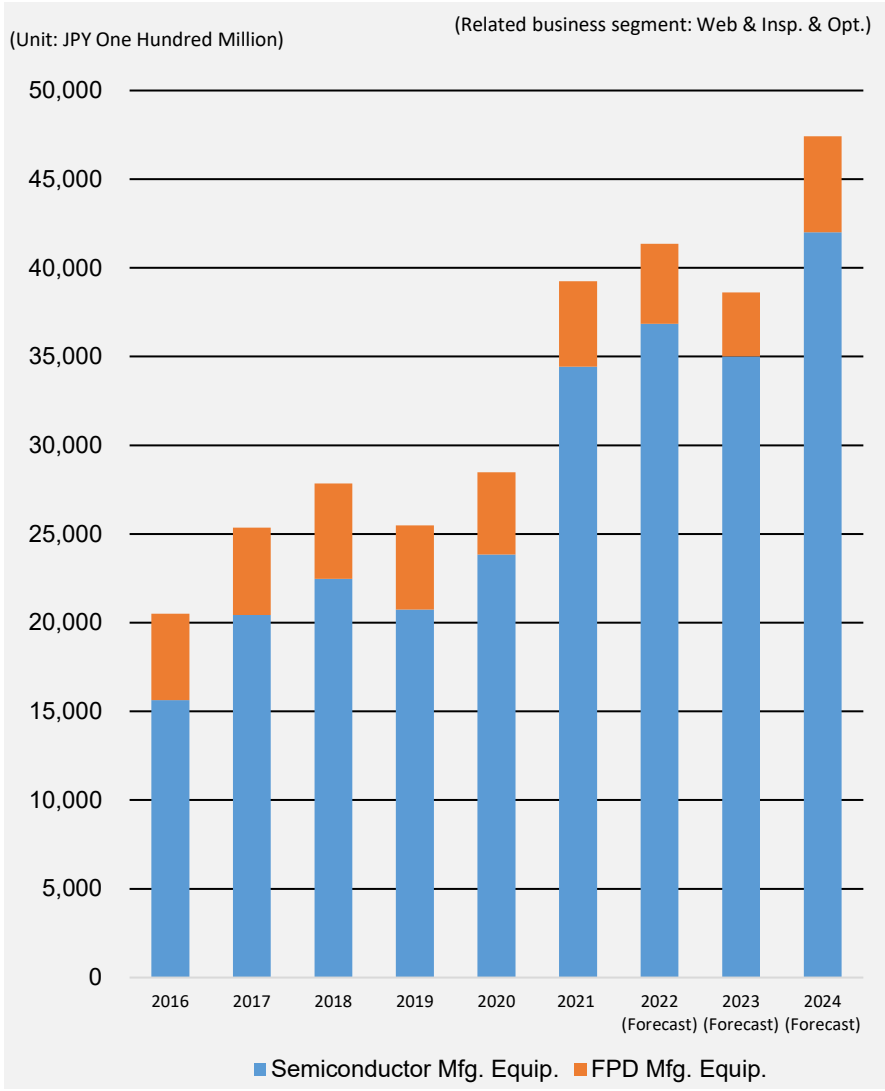
Japan Food Machinery Sales
(excluding processing machinery)



Source: The Japan Food Machinery Manufacturers' Association

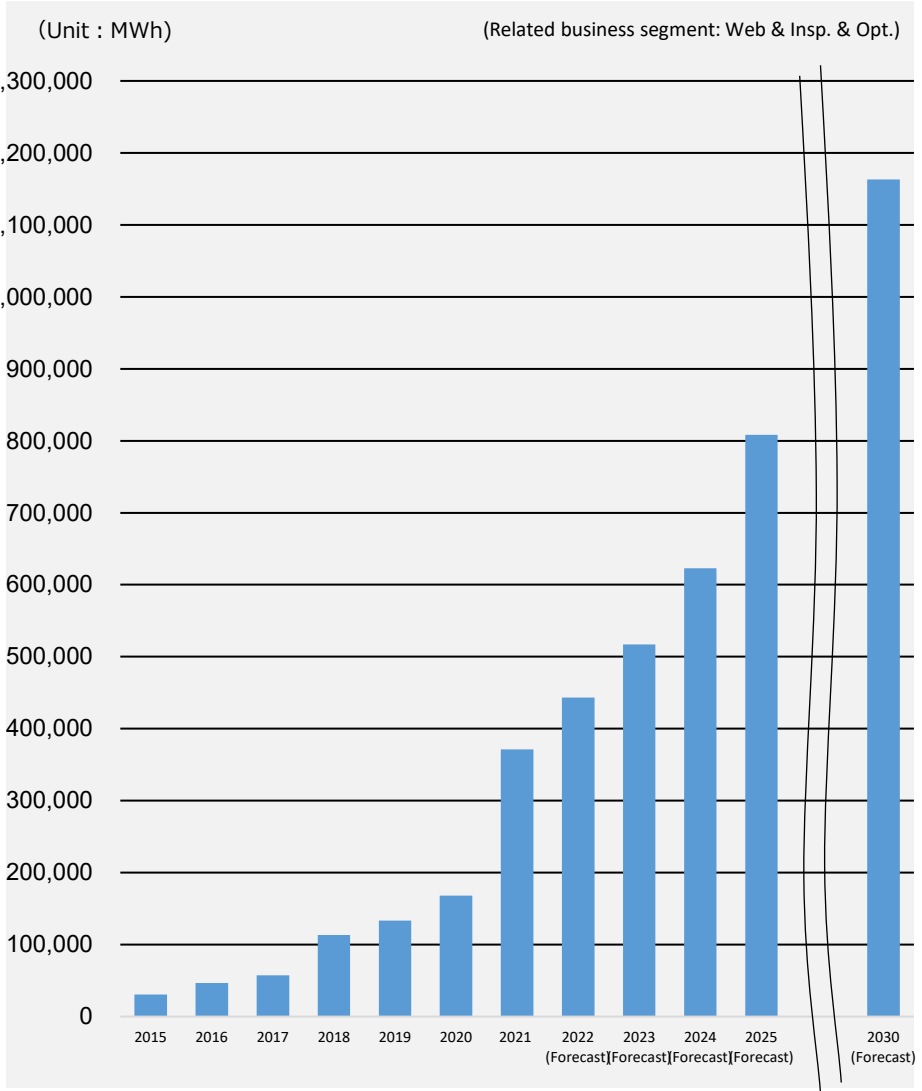
Market environment

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)

		FY20	FY21	FY22
Sales	Process	2,584	2,216	2,411
	Web	2,599	2,631	2,465
	Inspection	1,365	1,356	1,797
	Optics	1,313	1,489	1,855
	Others	37	423	625
	Total	7,899	8,117	9,155
Segment Profit	Process	412	313	460
	Web	291	230	248
	Inspection	-19	35	200
	Optics	399	401	740
	Others	-1	39	57
	Adjustment	-480	-456	-524
Total	600	563	1,182	

(Unit: JPY Million)

		FY20	FY21	FY22
Orders Received	Process	2,242	2,232	2,934
	Web	2,620	3,387	2,669
	Inspection	1,265	1,429	2,365
	Optics	1,280	1,888	1,725
	Others	39	642	612
	Total	7,447	9,579	10,307
Order Backlog	Process	1,173	1,188	1,710
	Web	580	1,336	1,540
	Inspection	611	684	1,252
	Optics	544	944	814
	Others	4	223	211
	Total	2,914	4,376	5,529

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