



**NIRECO CORP. (6863)**

**Material for 1H-FY2021  
Financial Results**

**November 15, 2021**

**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

1 H-FY20

1H-FY21

FY21(Plan)

Unit: JPY Million

### Financial Results & Plan

Orders Received: 3,397  
(-7% YoY)

5,111  
(+51%YoY)

9,500  
(+28%YoY)

Net Sales: 3,620  
(-12% YoY)

4,019  
(+11%YoY)

9,000  
(+14%YoY)

Operating Profit: 341  
(-30%YoY)

253  
(-26%YoY)

700  
(+17 %YoY)

### Main objectives

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

### Achieve sustainable growth in any environment

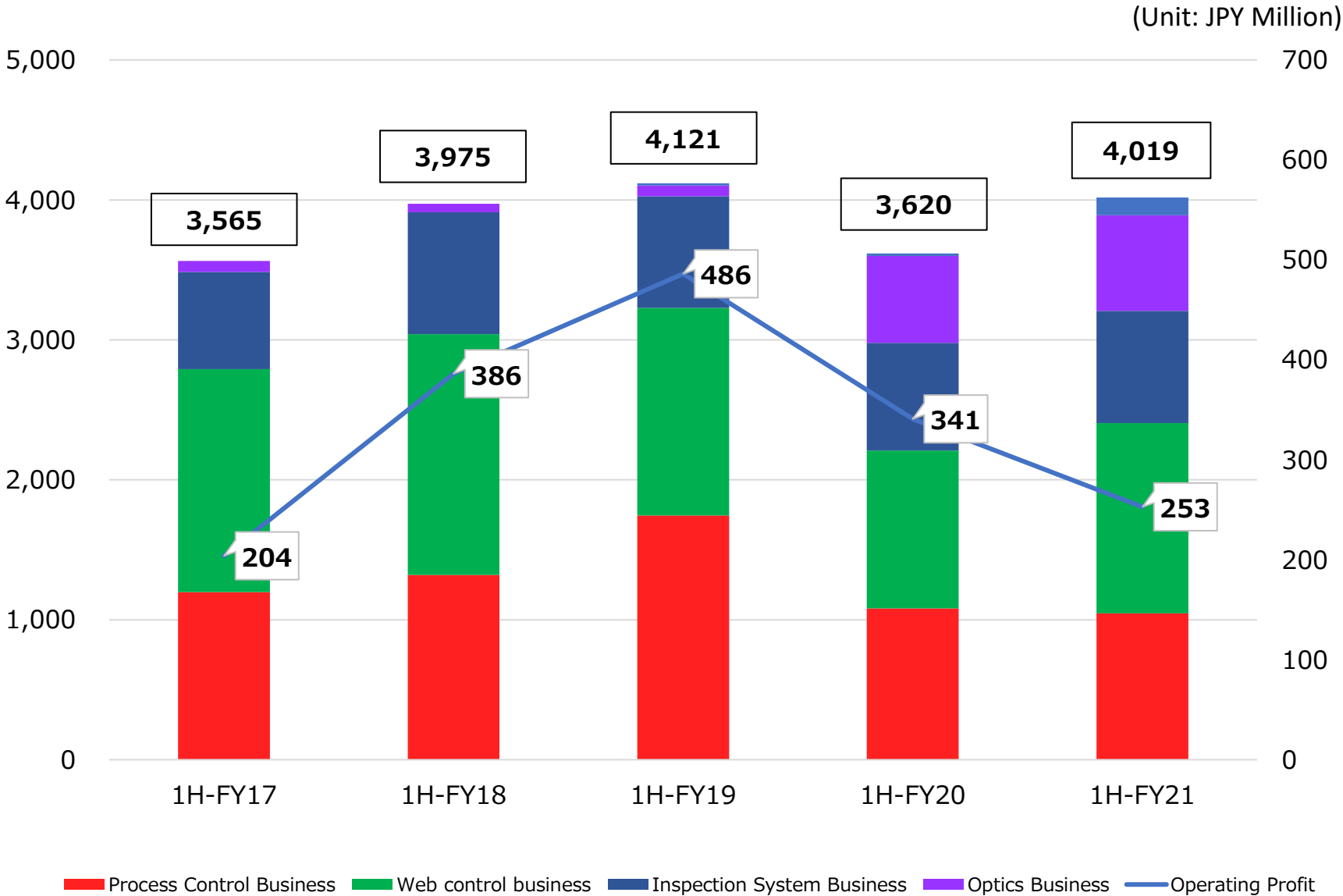
- ◆ Expand & enhance business foundations
- ◆ Improve our competitive advantage

#### Main efforts of 1H-FY2021

- Developed new business in Optics
- Pursued business efficiency, such as promoting remote work
- Created group synergies
- Strengthened shareholder return policy

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 1<sup>st</sup> half



\* The figures for the optics business before the FY17 are based on the conventional "Others" figure.

- 1 . 1H-FY2021 Financial Results  
& Plans for FY2021
- 2 . Towards Sustainable Growth
- 3 . Topics

# 1 . 1H-FY2021 Financial Results & Plans for FY2021

## Consolidated Statement

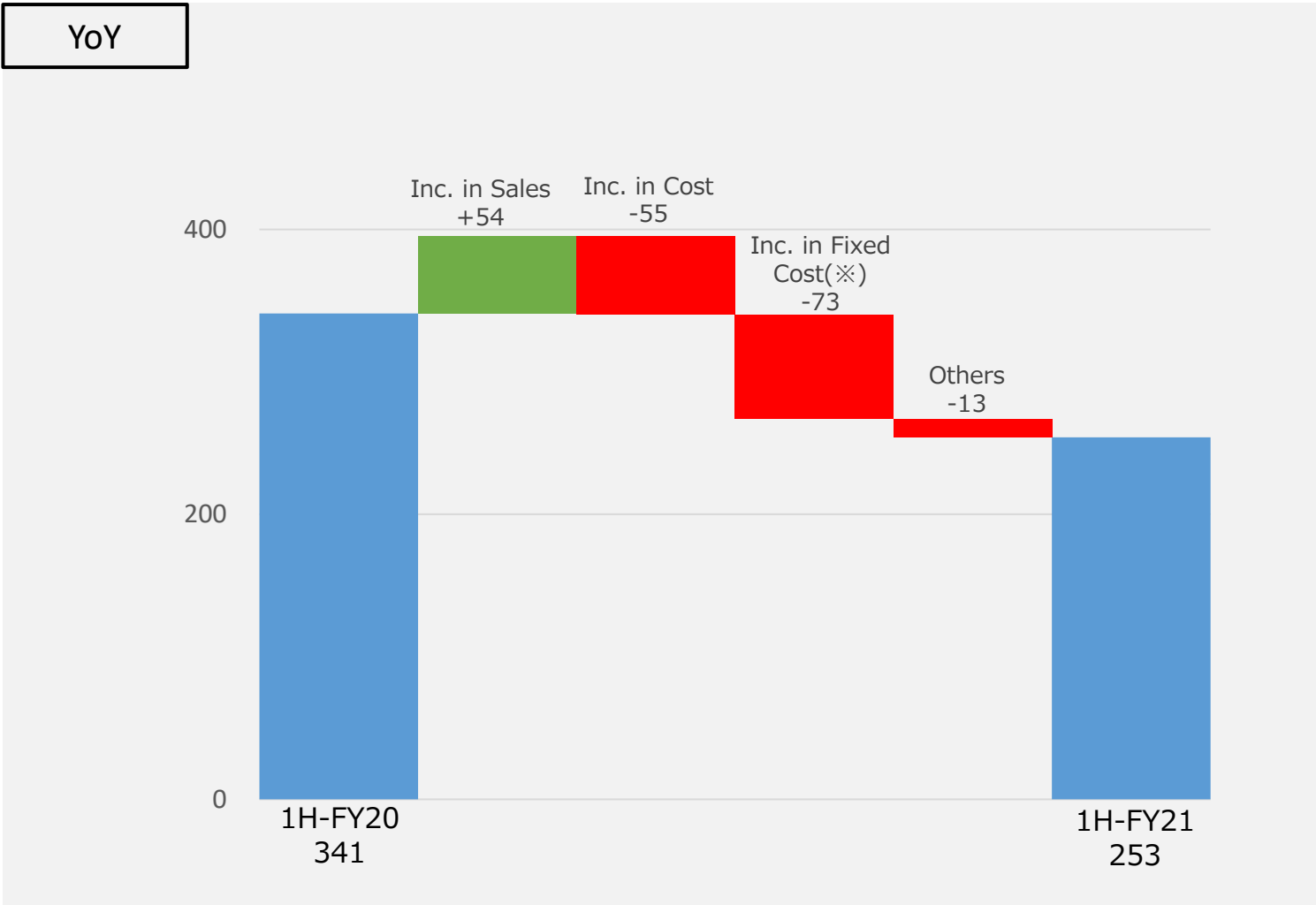
- Orders increased with economic recovery, and sales and profits exceeded initial plan.

(Unit: JPY in Millions)

	FY20	FY21		Rate of change	
	1H Result	1H Initial Plan	1H Result	YoY	Vs to Plan
Orders received	3,397	4,300	5,111	+50%	+19%
Net sales	3,620	3,800	4,019	+11%	+6%
Operating profit	341	180	253	-26%	+41%
Operating profit margin	9.4%	4.7%	6.3%	-	-
Ordinary profit	335	210	293	-13%	+40%
Ordinary profit margin	9.3%	5.5%	7.3%	-	-
Profit attributable to owners of parent	212	150	182	-14%	+21%
Profit attributable to owners of parent margin	5.9%	3.9%	4.5%	-	-
Earnings per share (JPY)	29.10	20.46	24.90	-14%	+22%
Order backlog	3,144	3,414	4,006	+27%	+17%

Increase/ Decrease Factors in Operating Profit

(Unit: JPY Million)



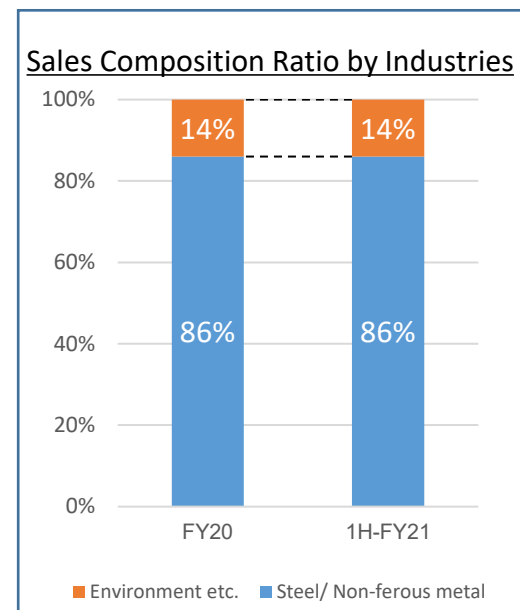
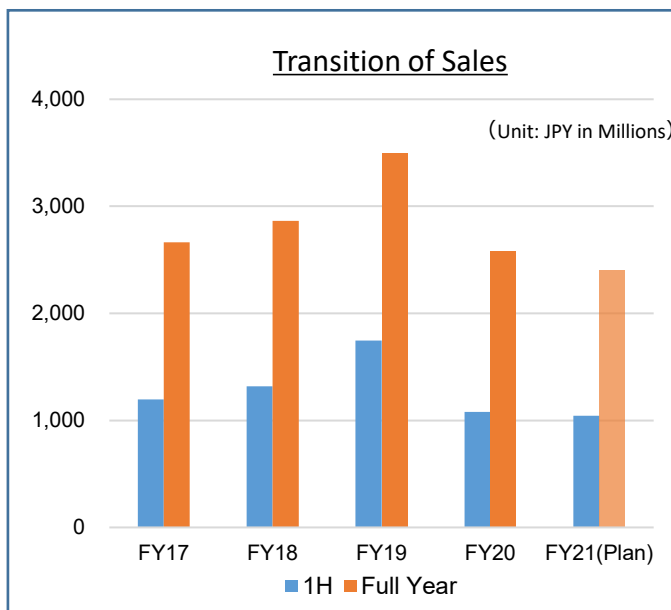
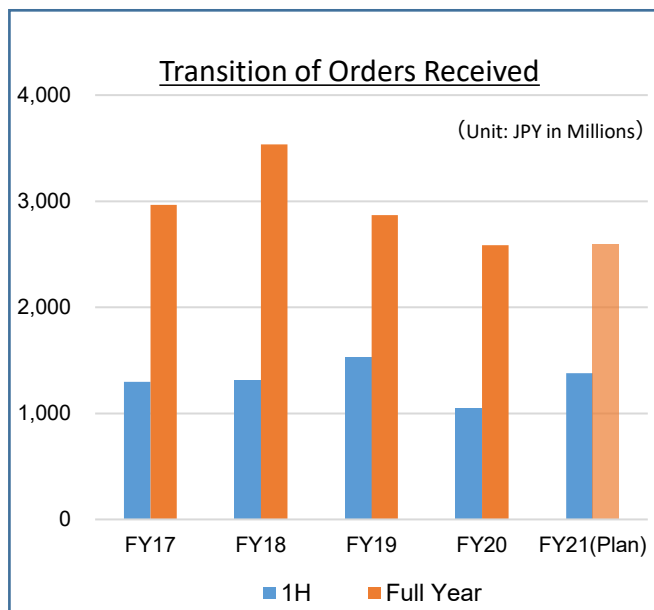
※Fixed Cost = SG&A Expenses

## Process Control Business

- Net sales in the first half declined YoY due to the impact of restrained CAPEX in the steel industry in the previous fiscal year.
- Orders are recovering due to the recovery in the steel industry.

(Unit: JPY in Millions)

	FY20	FY21		FY21 plan	
	1H	1H	YoY	Full year	Progress rate
Orders received	1,054	1,378	+31%	2,600	53%
Net sales	1,081	1,045	-3%	2,400	44%
Segment profit	203	89	-56%	300	30%
Segment profit margin	18.8%	8.6%	-	12.5%	-





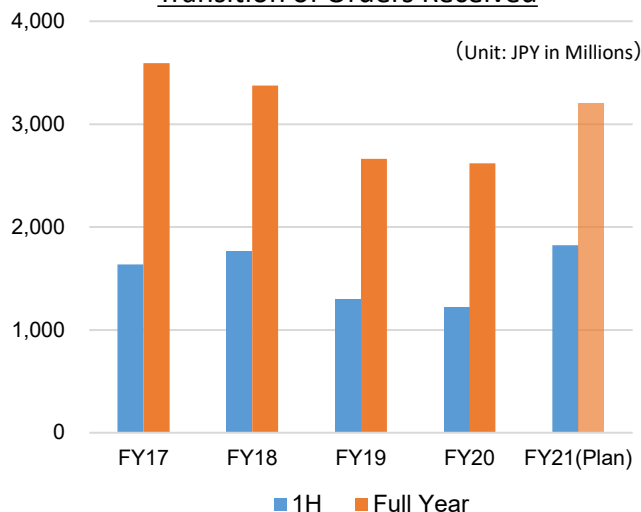
## Web Control Business

- Significant recovery in orders and sales, mainly due to demand from the LIB industry.
- Demand continues to be strong at present. Order backlog increased due to longer delivery times for specific products.

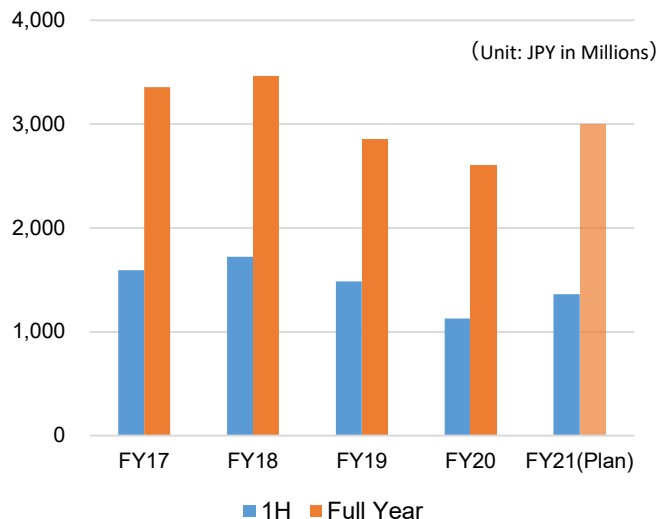
(Unit: JPY in Millions)

	FY20	FY21		FY21 plan	
	1H	1H	YoY	Full year	Progress rate
Orders received	1,221	1,823	+49%	3,200	57%
Net sales	1,129	1,361	+21%	3,000	45%
Segment profit	138	157	+14%	400	39%
Segment profit margin	12.3%	11.6%	-	13.3%	-

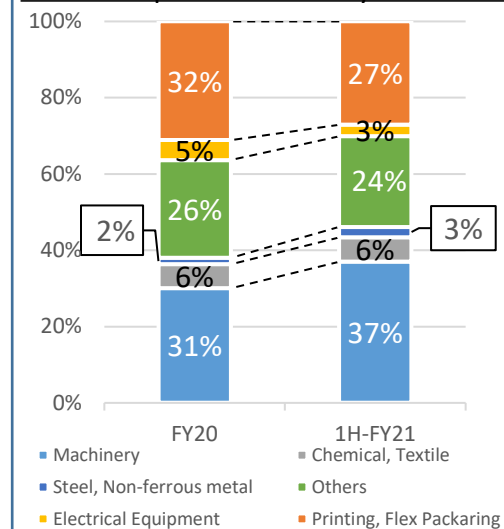
Transition of Orders Received



Transition of Sales



Sales Composition Ratio by Industries



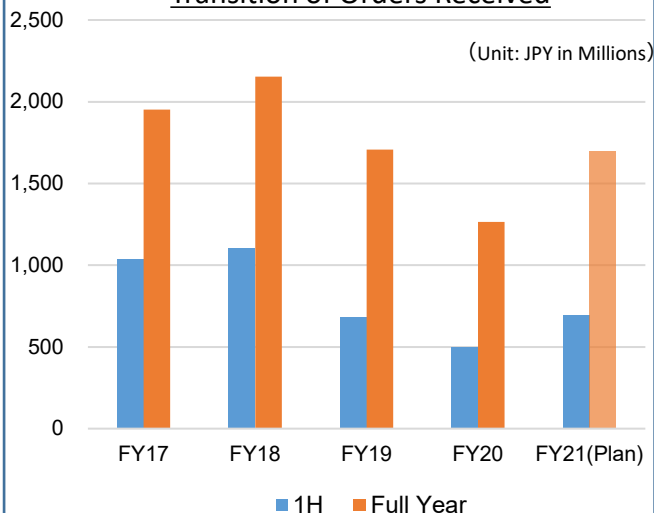
## Inspection System Business

- Signs of recovery in demand for inspection systems, despite cautious capex stance of customers.
- Focused on sales expansion of Mujiken-EX, a new product, and food inspection systems.

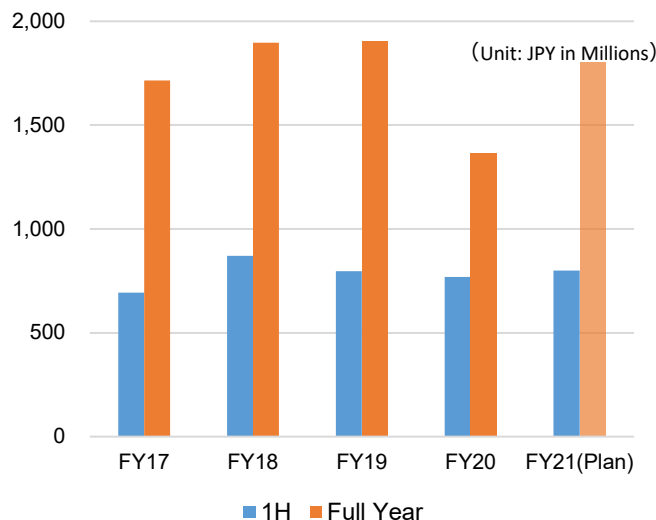
(Unit: JPY in Millions)

	FY20	FY21		FY21 plan	
	1H	1H	YoY	Full year	Progress rate
Orders received	498	693	+39%	1,700	41%
Net sales	769	800	+4%	1,800	44%
Segment profit	31	33	+4%	150	22%
Segment profit margin	4.1%	4.1%	-	5.0%	-

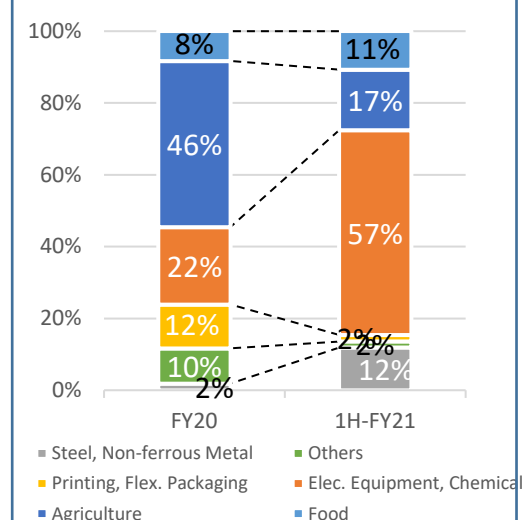
Transition of Orders Received



Transition of Sales



Sales Composition Ratio by Industries



## Optics Business

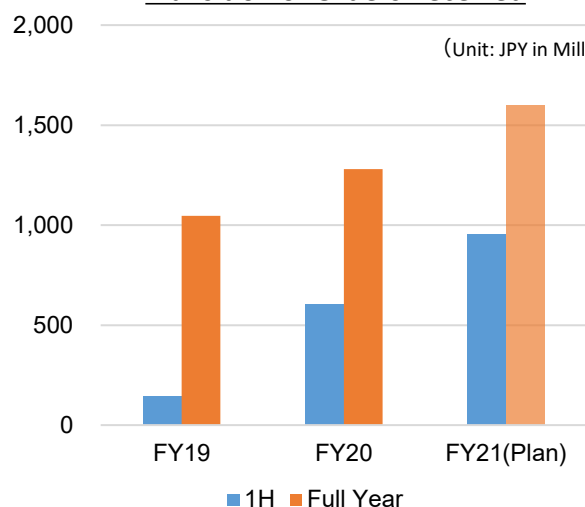
- Sales of optical components for semiconductor inspection equipment remain strong.
- Steady orders at present. Orders received and order backlog both increased.

(Unit: JPY in Millions)

	FY20	FY21		FY21 plan	
	1H	1H	YoY	Full year	Progress rate
Orders received	604	954	+58%	1,600	60%
Net sales	621	684	+10%	1,450	47%
Segment profit	206	182	-12%	350	52%
Segment profit margin	33.3%	26.6%	-	24.1%	-

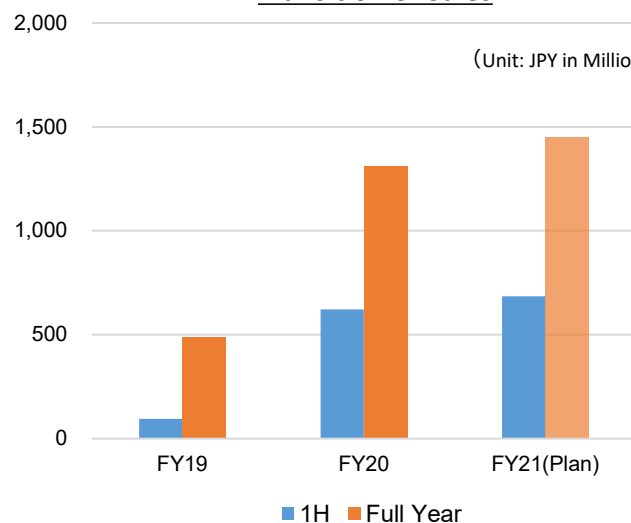
Transition of Orders Received

(Unit: JPY in Millions)

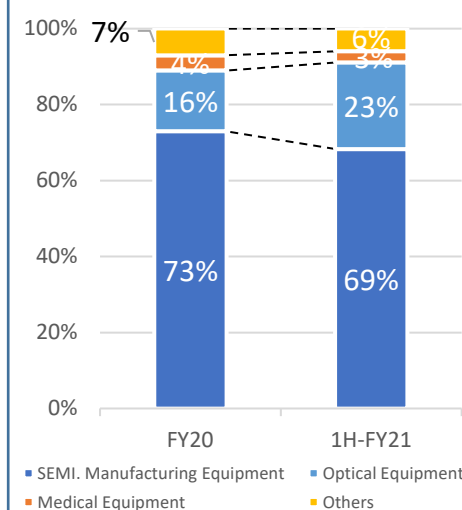


Transition of Sales

(Unit: JPY in Millions)



Sales Composition Ratio by Industries



\* Since the Optics Business became its own category in FY19, "Orders received" and "Sales" figures from 1H FY19 are stated in the usual "Others" category.

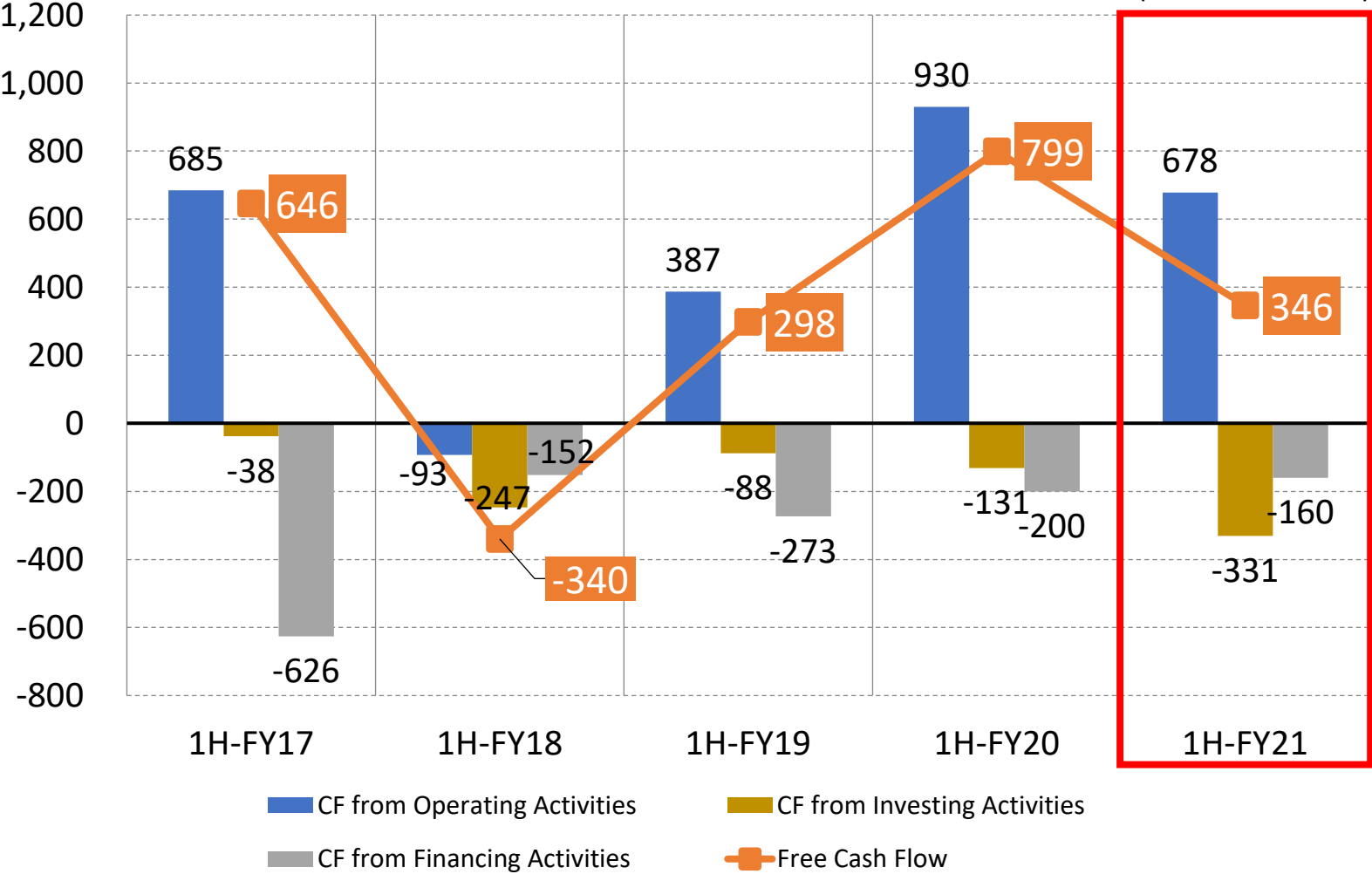
## Balance Sheet

(Unit: JPY Million)

	End of FY20 (Mar. 31, 2021)		End of 1H FY21 (Sep. 30, 2021)		Change
Cash and deposits	4,679	30.5%	4,899	30.5%	+ 220
Trade receivables	3,570	23.3%	3,362	21.0%	- 208
Inventories	1,986	13.0%	2,111	13.2%	+ 125
Other current assets	166	1.1%	145	0.9%	- 21
<b>Current assets</b>	<b>10,403</b>	<b>67.9%</b>	<b>10,518</b>	<b>65.6%</b>	<b>+ 115</b>
Property, plant and equipment	2,934	19.1%	3,320	20.7%	+ 386
Intangible assets	207	1.4%	285	1.8%	+ 78
Investments and other assets	1,779	11.6%	1,911	11.9%	+ 132
<b>Non-current assets</b>	<b>4,921</b>	<b>32.1%</b>	<b>5,518</b>	<b>34.4%</b>	<b>+ 597</b>
<b>Total assets</b>	<b>15,324</b>	<b>100.0%</b>	<b>16,037</b>	<b>100.0%</b>	<b>+ 713</b>
Accounts payable - trade	351	2.3%	470	2.9%	+ 119
Other current liabilities	996	6.5%	1,132	7.1%	+ 136
<b>Current liabilities</b>	<b>1,347</b>	<b>8.8%</b>	<b>1,603</b>	<b>10.0%</b>	<b>+ 256</b>
<b>Non-current liabilities</b>	<b>450</b>	<b>2.9%</b>	<b>686</b>	<b>4.3%</b>	<b>+ 236</b>
<b>Total liabilities</b>	<b>1,797</b>	<b>11.7%</b>	<b>2,289</b>	<b>14.3%</b>	<b>+ 492</b>
Equity capital	13,457	87.8%	13,664	85.2%	+ 207
<b>Total net assets</b>	<b>13,527</b>	<b>88.3%</b>	<b>13,747</b>	<b>85.7%</b>	<b>+ 220</b>
<b>Total liabilities and net assets</b>	<b>15,324</b>	<b>100.0%</b>	<b>16,037</b>	<b>100.0%</b>	<b>+ 713</b>

# Cash Flows

(Unit: JPY Million)



## Business Plan

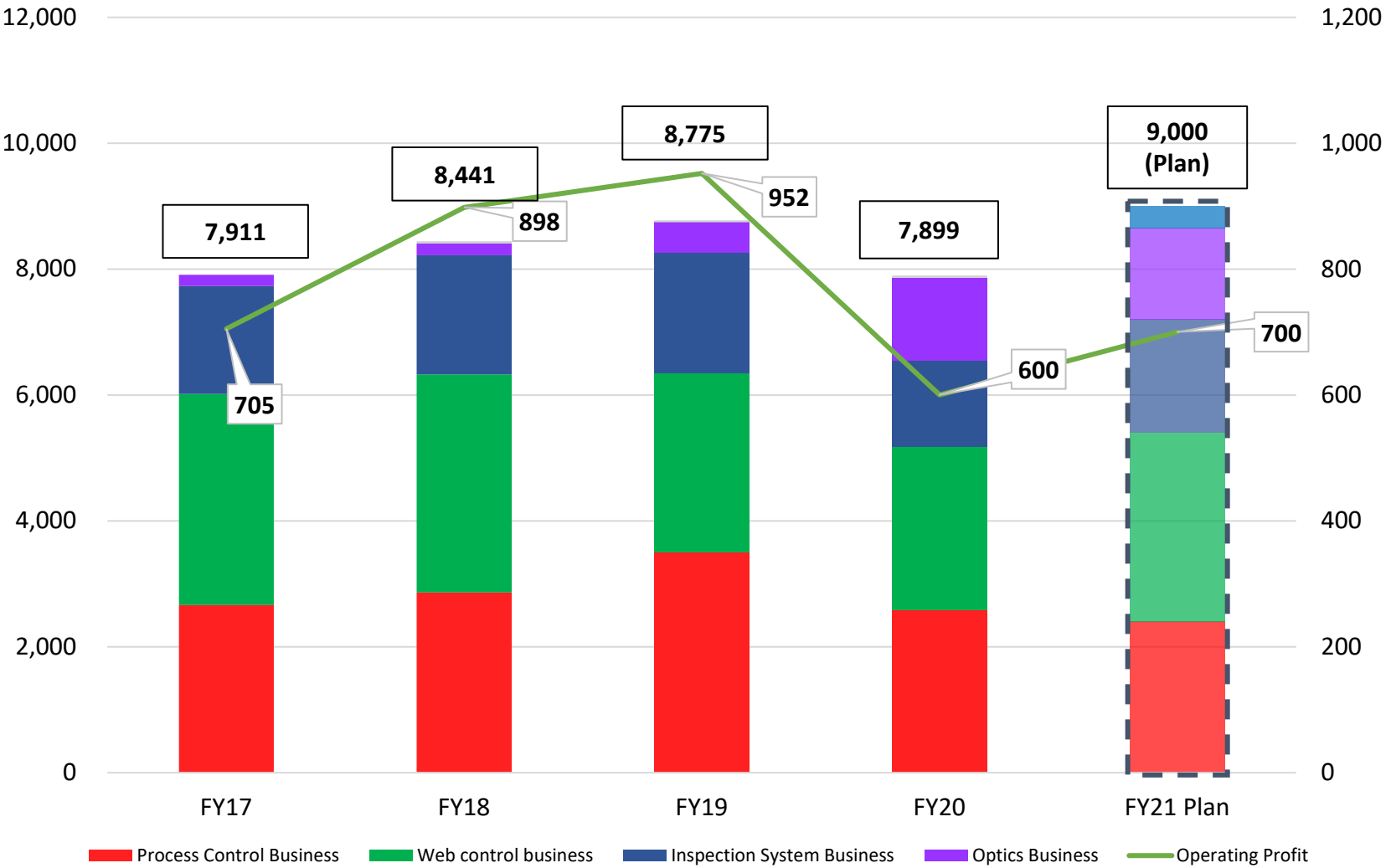
➤ Upward revision of earnings forecast based on 1H results and current conditions.

(Unit: JPY Million)

	FY20	FY21 Initial Plan	FY21 Revised Plan	YoY	VS Base Plan
Orders received	7,447	8,800	9,500	+28%	+8%
Net sales	7,899	8,500	9,000	+14%	+6%
Operating profit	600	650	700	+17%	+8%
Operating profit margin	7.6%	7.6%	7.8%	-	-
Ordinary profit	635	700	750	+18%	+7%
Ordinary profit margin	8.0%	8.2%	8.3%	-	-
Profit attributable to owners of parent	432	500	520	+20%	+4%
Profit attributable to owners of parent margin	5.5%	5.9%	5.8%	-	-
Earnings per share (JPY)	59.06	68.22	70.94	+20%	+4%
Order backlog	2,914	3,214	3,714	+27%	+16%

Net sales and operating profit

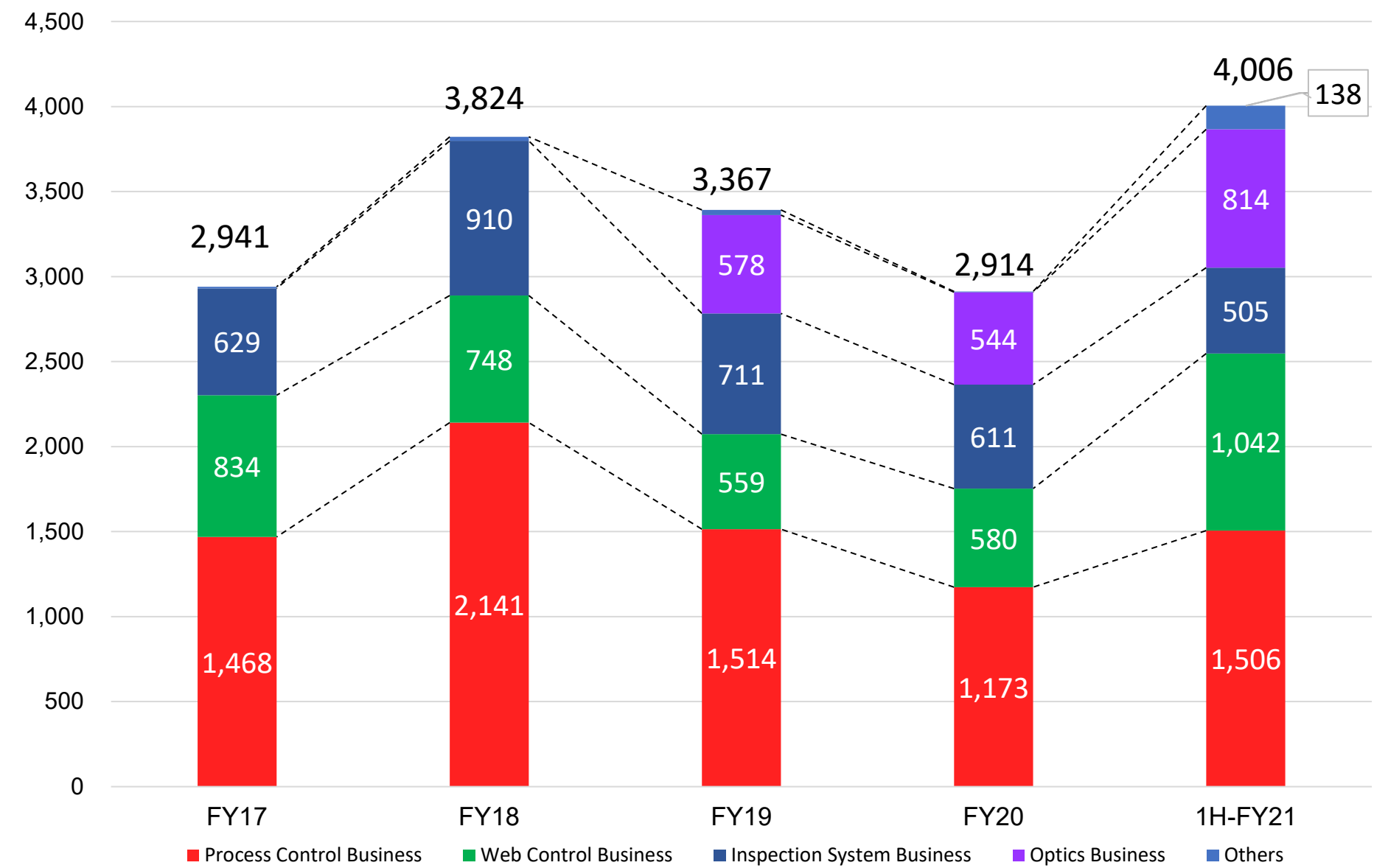
(Unit: JPY Million)



\* The figures for the Optics business prior to FY17 are based on "Other" business.

Transition of Order Backlog

(Unit: JPY Million)





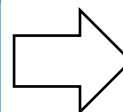
## 2. Towards sustainable growth

## Main objectives for sustainable growth

Strengthen our organization to enable growth in any environment

### Expand our market presence

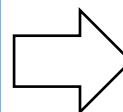
- Drive overseas expansion
- Strengthen Inspection system business and Optics business
- Exploit new fields of business through new-product development



**Expand & enhance  
business foundations**

### Technological advances

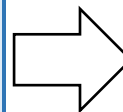
- By enhancing image analysis technology
- Developing products based on optical applications technology



**Enhance  
competitive advantage**

### Enhance organizational capabilities

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



**Reinforce  
organizational base**

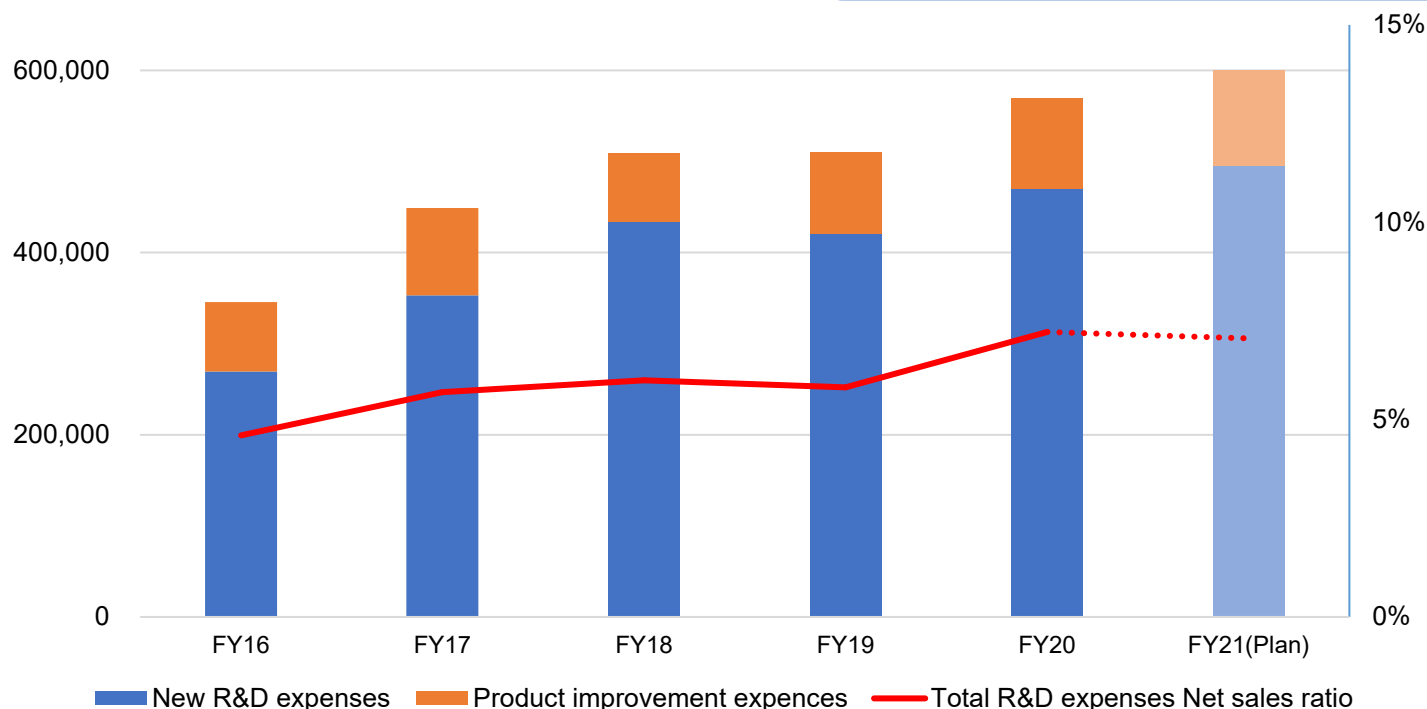
## R&D

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

### Main development themes

- Development of next-generation inspection systems and measuring devices
- Development of new products using laser technology
- Development of new products using magnetic field & microwave technology
- Development of applications for NIR analyzer

(単位：JPY Thousand)



## 3. Topics

Topics

Change in Shareholder Return Policy

Nireco considers the return of profits to shareholders as one of the essential management policies and has been stably paying the dividend applying the dividend payout ratio as an index.

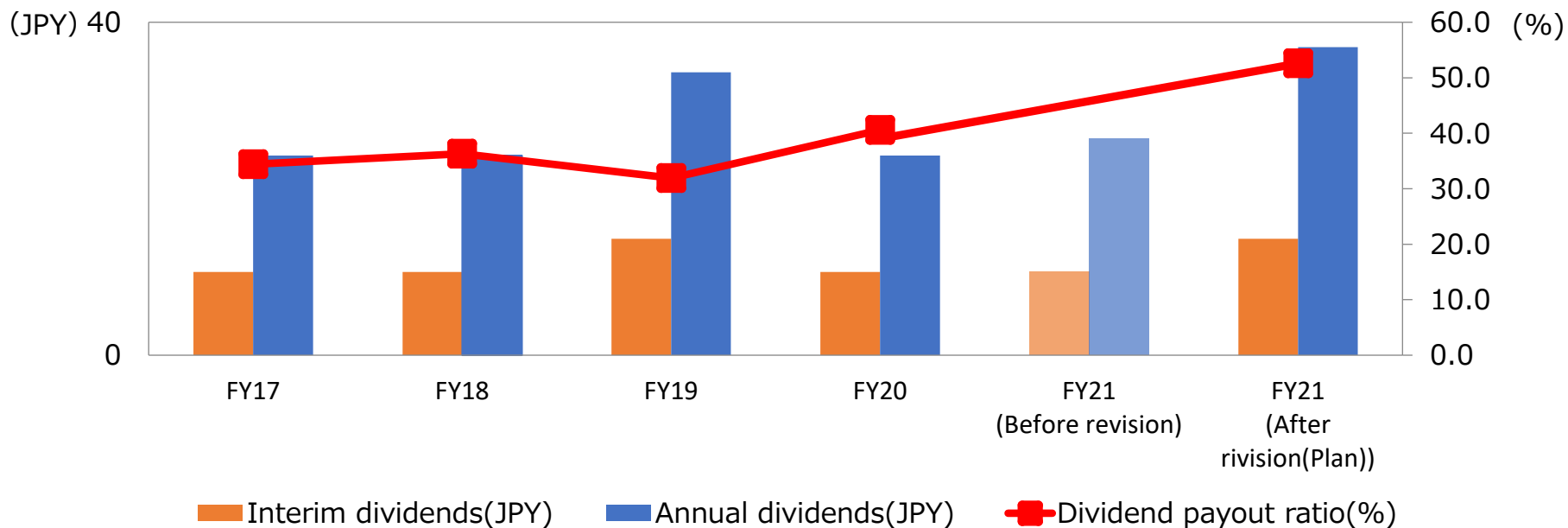
We decided to change our shareholder return policy to realize the enforcement of the shareholder return, stable dividend payments avoiding short-term earning volatility, and maintaining financial stability.

The change in policy is described below.

Before change in shareholder return policy	After the change
Nireco focused on the dividend payout ratio on a consolidated basis as an indicator of the return of profits to shareholders, and set a target of 35% on the basis of maintaining stable dividends.	Nireco has set a consolidated dividend payout ratio of 40% or more and a consolidated Dividend On Equity (DOE) capital ratio of 2% or more as indicators and targets for the return of profits to shareholders.

## Return to shareholders

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



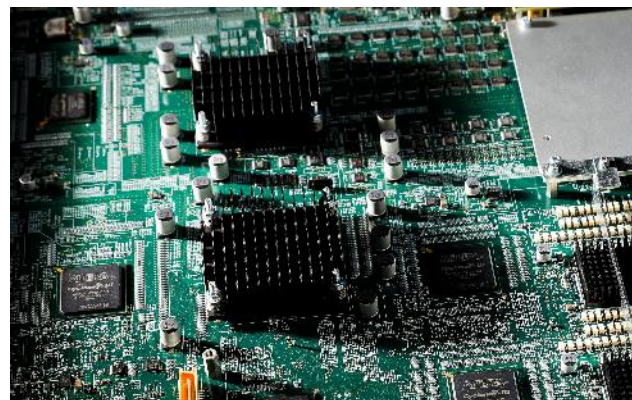
	FY17	FY18	FY19	FY20	FY21 (Before revision)	FY21 (After revision(plan))
Interim dividends (JPY)	10	10	14	10	10	14
Annual dividends (JPY)	24	24	34	24	26	37
Dividend payout ratio (%)	34.4	36.3	31.9	40.6	38.1	52.6
Dividend On Equity capital ratio (%)	1.5	1.4	2.0	1.3	1.4	2.0

# Topics

Electrical equipment manufacturer SEIBU Electric Corp. has become a group company

SEIBU Electric Corp. joined our group in June 2021.  
We will strengthen and accelerate the development of new products as well as promote the expansion of SEIBU Electric's business through group synergy.

(1) Company name	SEIBU Electric Corp.
(2) Address	1458-7 Hazama-machi, Hachioji-shi, Tokyo
(3) Name and title of representative	Akira Miyoshi, Representative Director
(4) Establishment date	November 1, 1988
(5) Description of Business	<p>Development and manufacture of electronic equipment, information equipment and various devices.</p> <p>Development and manufacture of OEM products.</p> <p>Serves as an agent for evaluation and certification and as an agent for various testing services.</p> <p>Supplies electronic components and mechanical parts.</p>
(6) Capital	10 million JPY



## Topics

### Started sales of Erhardt+Leimer GmbH products

As of March 2021, Nireco started supporting Japan-based product sales for Erhardt+Leimer GmbH (E+L), a German manufacturer of web control equipment, based on a business cooperation agreement.

We provide sales and service products related to E+L control products to the paper, printing and film and other special applications industries in Japan, and offer solutions tailored to user needs. In addition, we are using our tie-up with (E+L) to strengthen our business in other areas.



**SMARTSCAN**

Inspection system for the label industry



**ELGUIDER DRB14**

Web guiding system

E+L, a German manufacturer of web control equipment founded in 1919 and headquartered in Augsburg, Germany, is a global company with more than 1,600 employees in 15 countries around the world.



# 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 JASDAQ (Standard)
Paid-in capital	3,072 Million Japanese Yen*
Number of employees	427*
Net sales (Consolidated)	7,899 Million Japanese Yen (FY2020)

\*As of March 31, 2021

## 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
- 2014: Nireco Process Korea Co., Ltd. (NPK) established in Korea
- 2017: Acquired Megaopto Co., Ltd.
- 2018: NPK acquired the land and building to establish production system
- 2019: Nireco International GmbH established in Germany  
Merged with and absorbed subsidiary Megaopto Co., Ltd.  
Acquired Kogakugiken Corp.
- 2021: Acquired SEIBU Electric Corp.

## Management philosophy

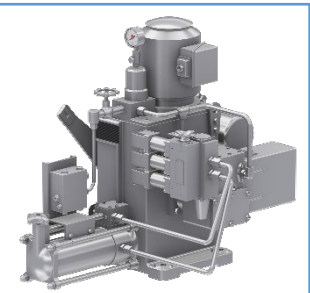
### **‘TECHNOLOGY & TRUST’**

*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.*

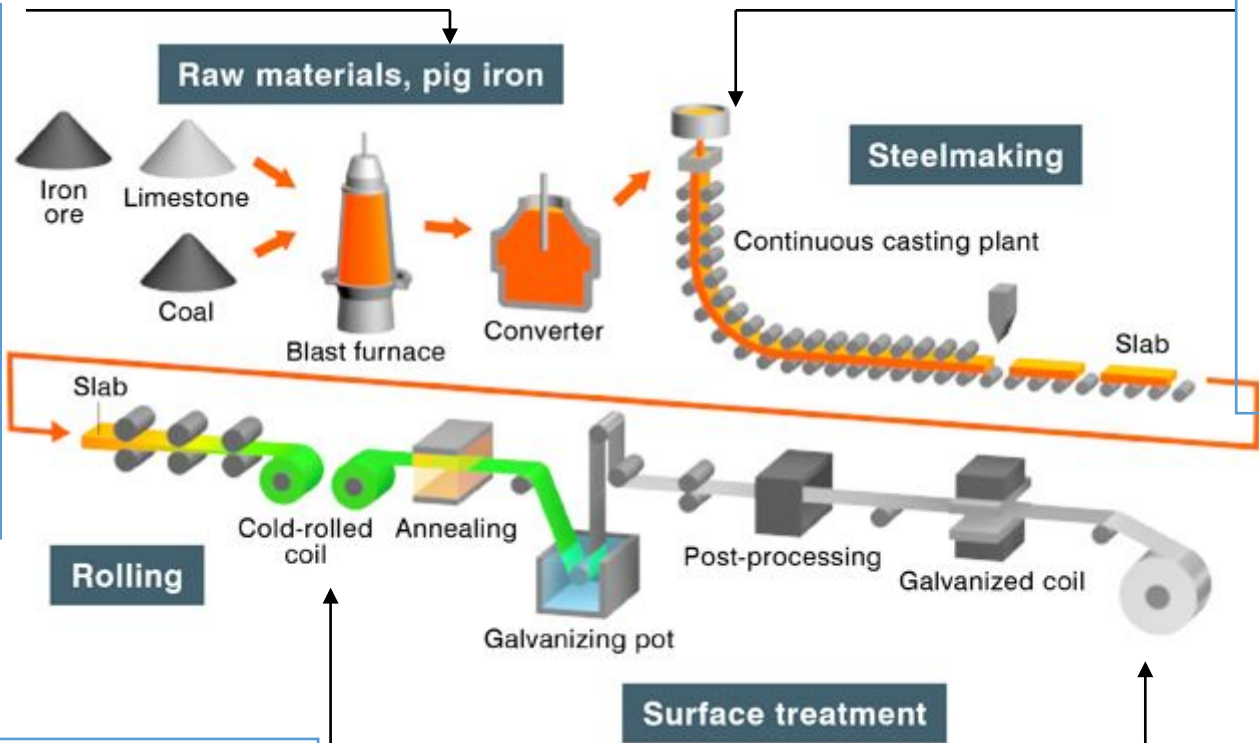
*Furthermore, we will contribute to the realization of a prosperous and sustainable society by promoting the widescale beneficial use of the value created through our partnerships.*

## Process Control Business

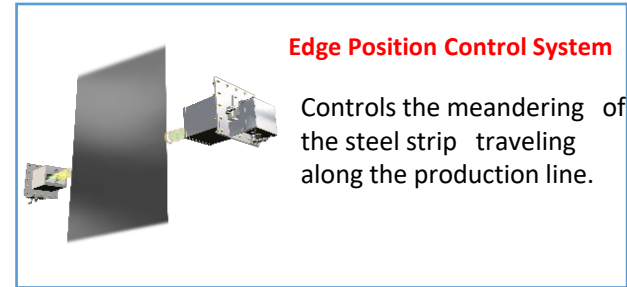
Markets automatic control equipment in several industries such as steel, metal, gas, chemical etc.



**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.



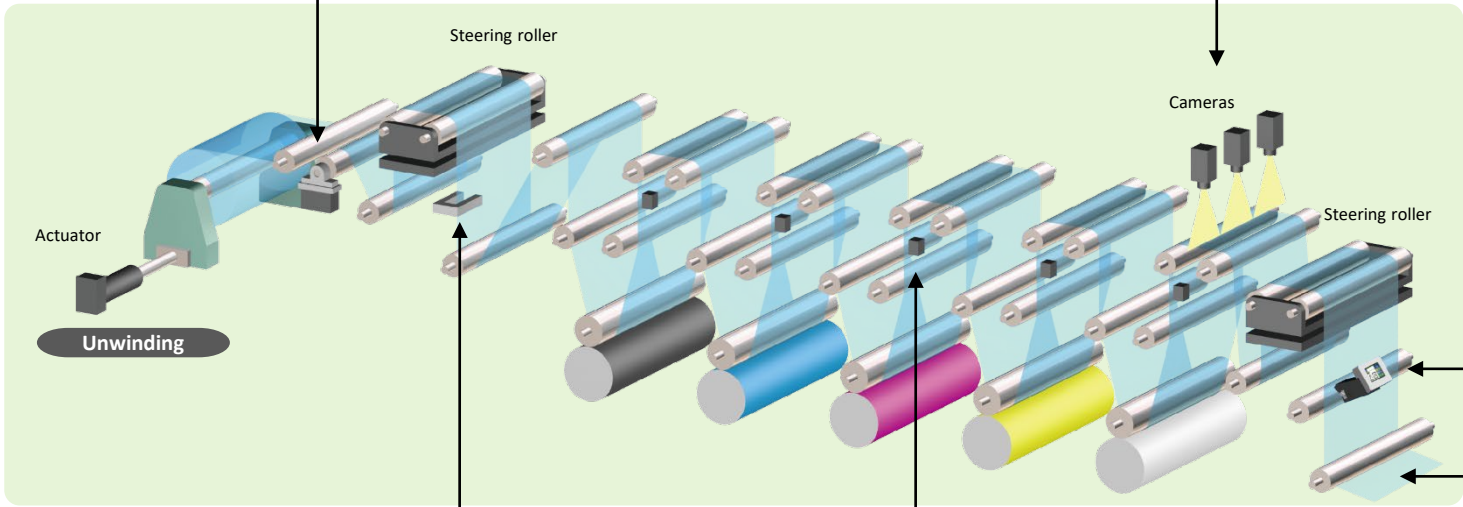
**Print Quality Inspection System**

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.

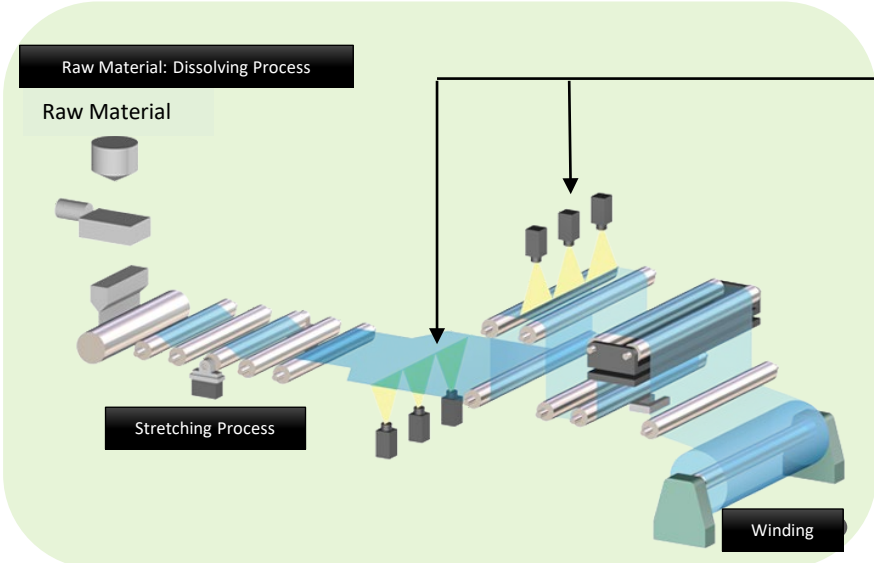


**Gluing Control System**

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.

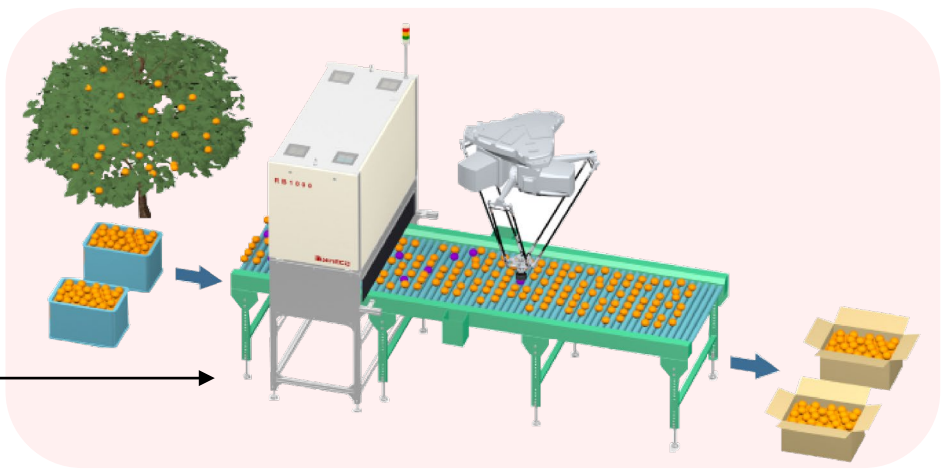


**Defect Inspection System for Plain Surfaces**

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.

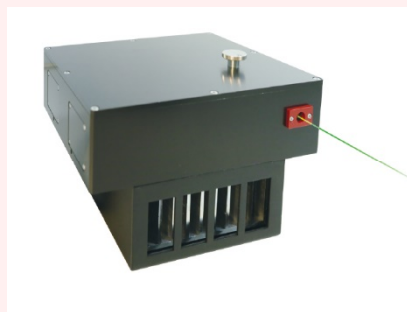


### Lasers



#### Deep UV fiber laser

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



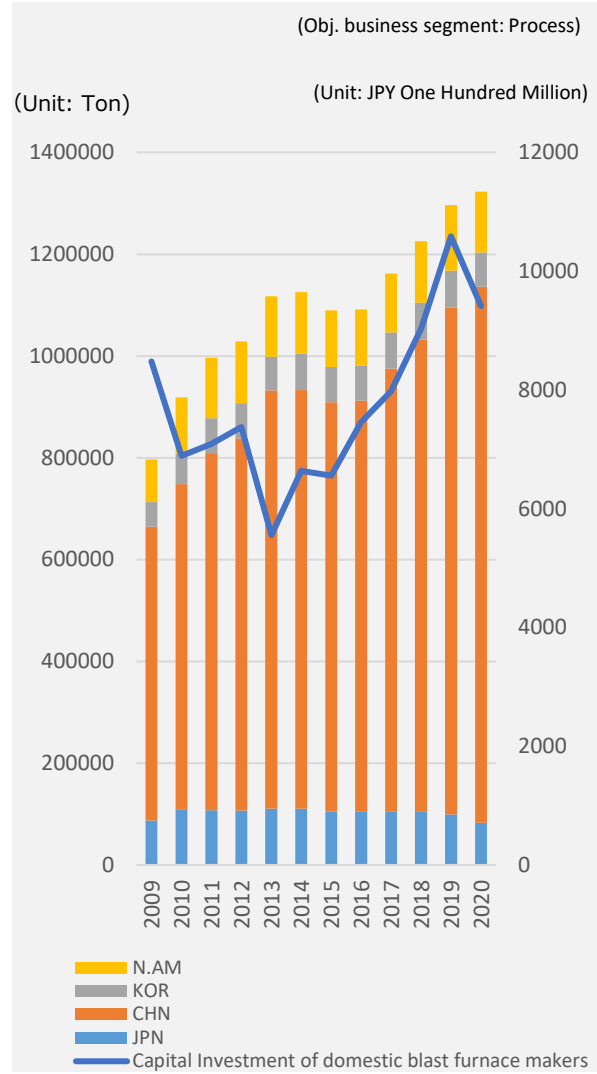
#### Green Laser device

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

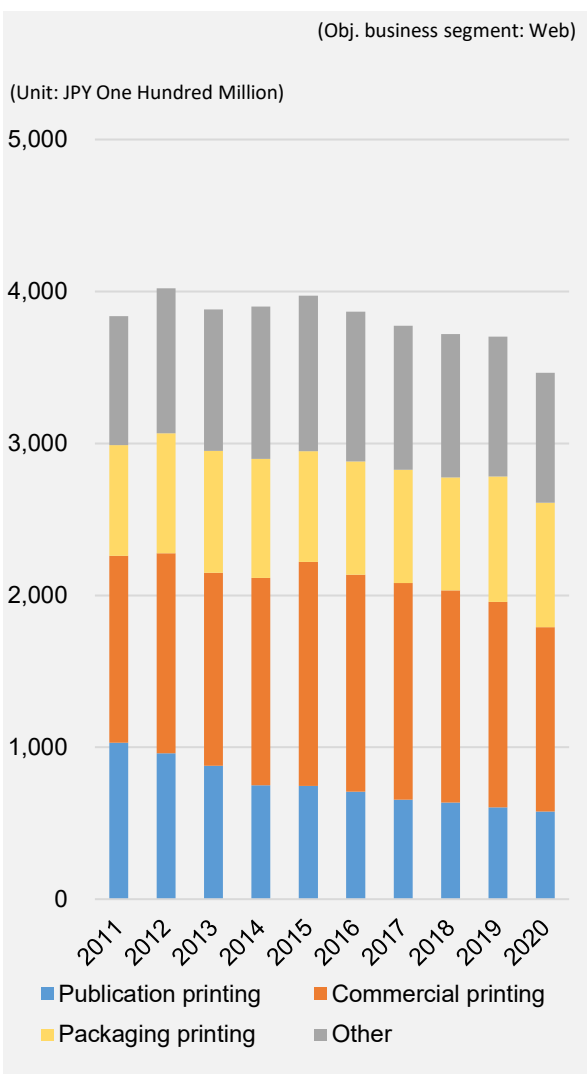


Market environment

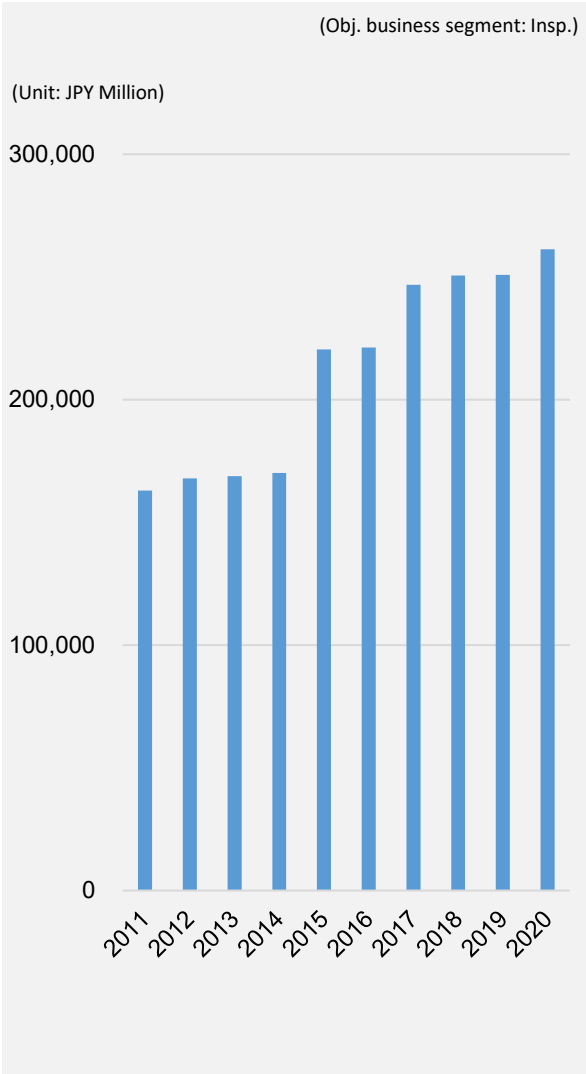
Regional Crude Steel Production & Capital Investment by Major Domestic Blast Furnace Makers



Scale of Japan's Printing Market

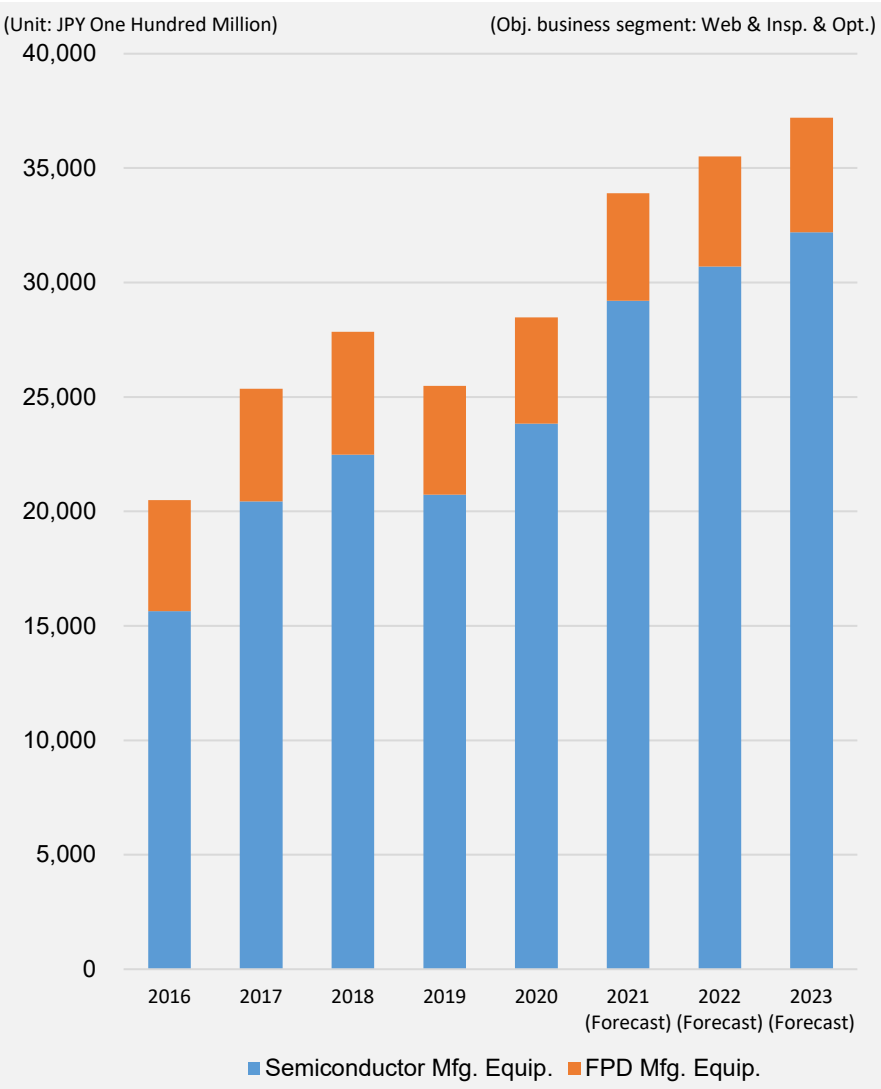


Japan Food Machinery Sales  
(excluding processing machinery)



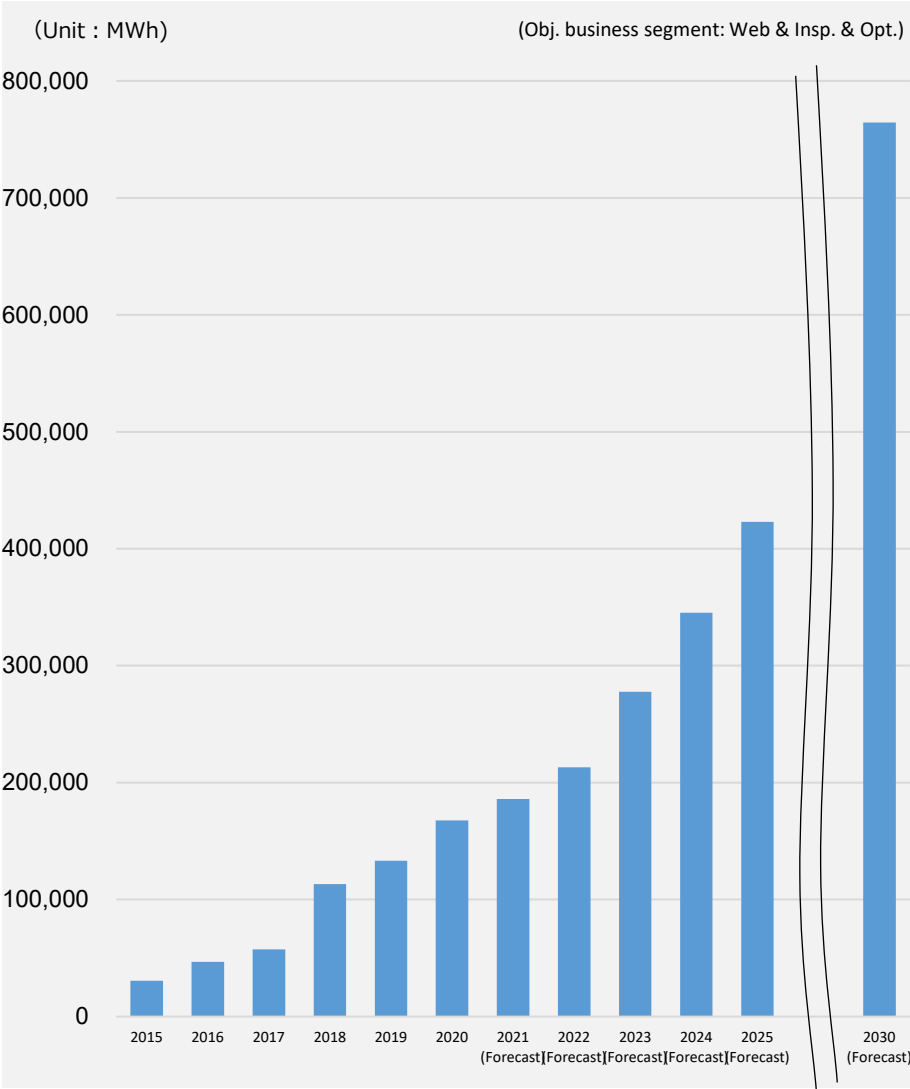
Market environment

Forecast of Demand for Semiconductor & FPD Mfg. Equip.



Source: Semiconductor Equipment Association of Japan

Automotive LiB World Market Forecast



Source: Yano Research Institute Ltd.

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The logo for Nireco Corporation, featuring the word "NIRECO" in a bold, red, sans-serif font. The letters are stylized with thick strokes and a slight shadow effect.