

FY2023 Financial Results (Apr. 2023- Mar. 2024)



(Stock Code: 6863)
May 15, 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

	FY22	FY23	FY24(Plan)
Orders Received:	10,307 (+8% YoY)	9,970 (-3% YoY)	10,600 (+6% YoY)
Net Sales:	9,155 (+13% YoY)	9,861 (+8% YoY)	10,000 (+1% YoY)
Operating Profit:	1,182 (+110% YoY)	1,386 (+17%YoY)	1,200 (-13 %YoY)

Main objectives

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

Achieve sustainable growth in any environment

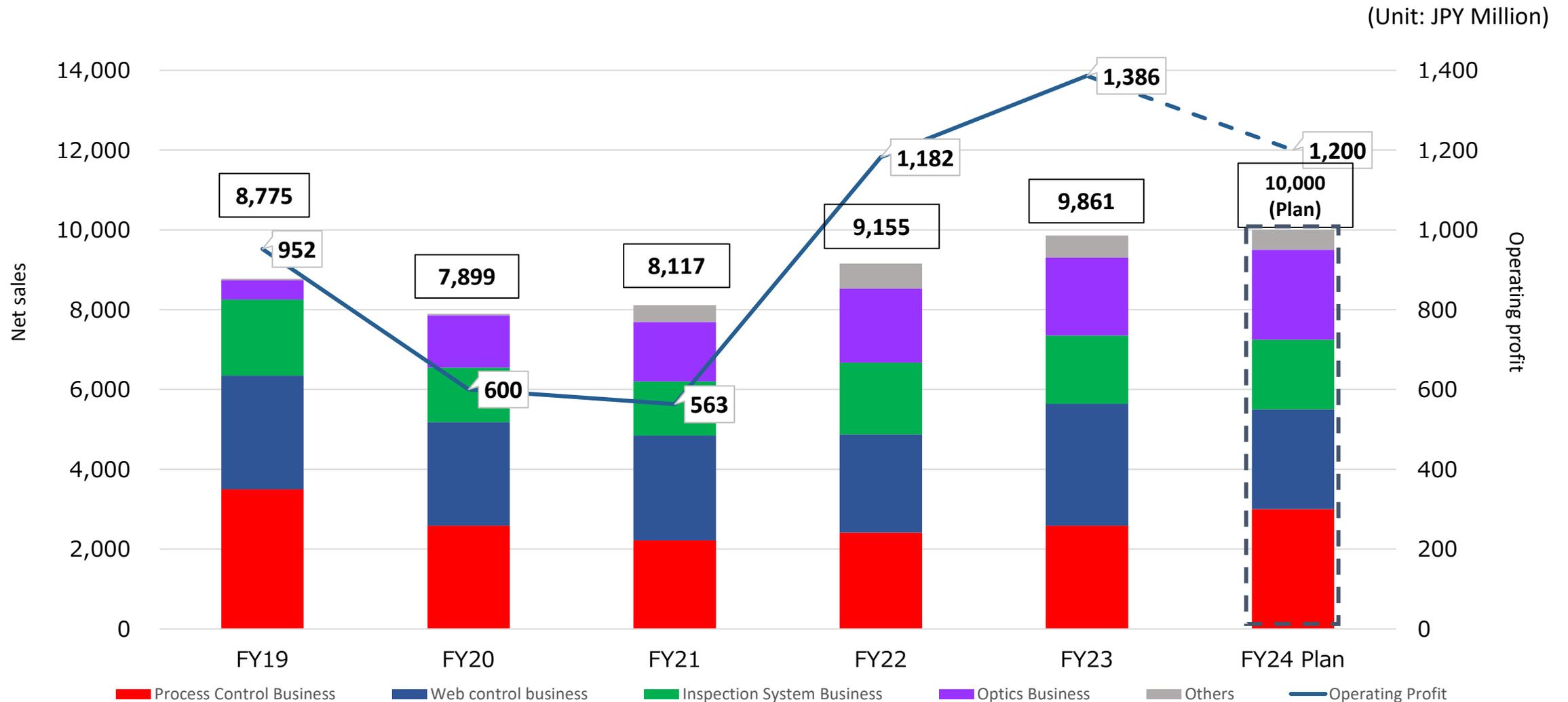
- ◆ Expand & enhance business foundations
- ◆ Increase our competitive advantage

Main efforts in FY2023

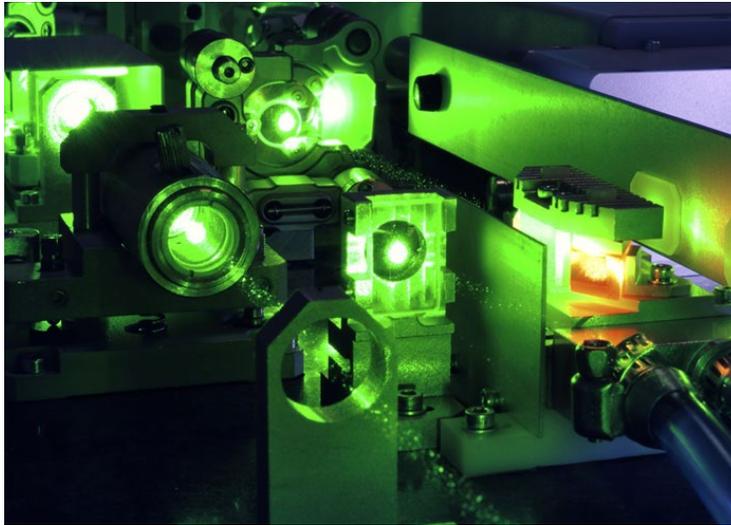
- Strengthened optics business
- Land acquisition for future growth
- Reorganization to improve business efficiency

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



1. FY2023 Financial Results
2. Plans for FY2024
3. Towards Sustainable Growth
4. Topics



1. FY2023 Financial Results (April 2023 - March 2024)

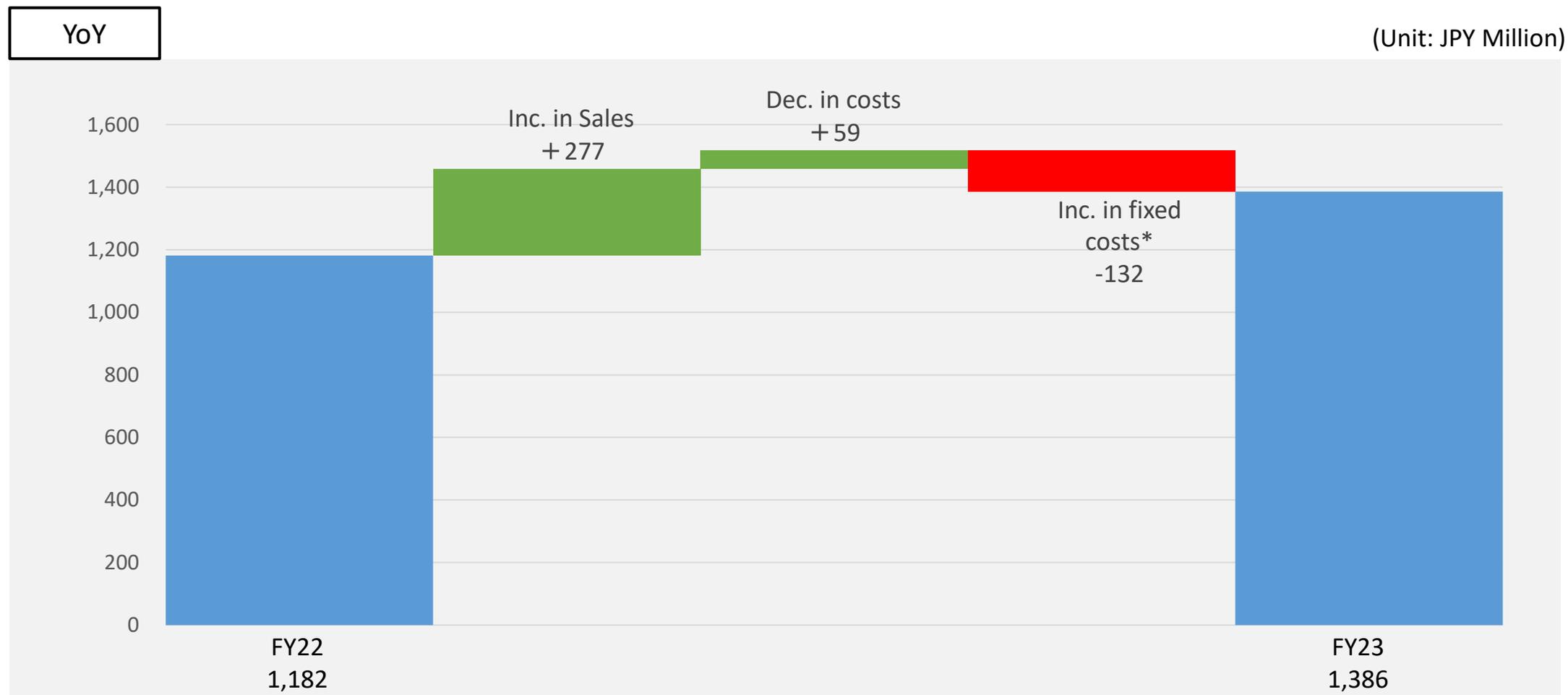
Consolidated Statement

- Profit increased significantly due to the efforts to improve profitability as well as high level of order backlog at the beginning of the FY
- Orders received remained strong, although segment trends were mixed
- Third highest sales and second highest net income since the company went IPO in 1989

(Unit: JPY Million)

	FY22	FY23		Rate of change	
		Initial Plan	Result	YoY	Vs. Plan
Orders received	10,307	10,500	9,970	-3%	-5%
Net sales	9,155	10,000	9,861	+8%	-1%
Operating profit	1,182	1,190	1,386	+17%	+17%
Operating profit margin	12.9%	11.9%	14.1%	-	-
Ordinary profit	1,255	1,260	1,470	+17%	+17%
Ordinary profit margin	13.7%	12.6%	14.9%	-	-
Profit attributable to owners of parent	860	870	1,011	+18%	+16%
of parent margin	9.4%	8.7%	10.3%	-	-
Earnings per share (JPY)	117.40	118.70	137.36	+17%	+16%
Order backlog	5,345	6,029	5,454	+2%	-10%

Increase/ Decrease Factors in Operating Profit



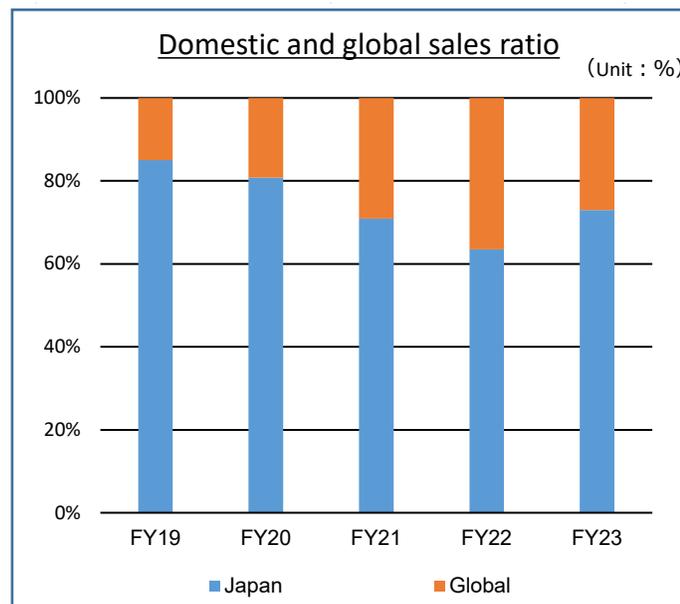
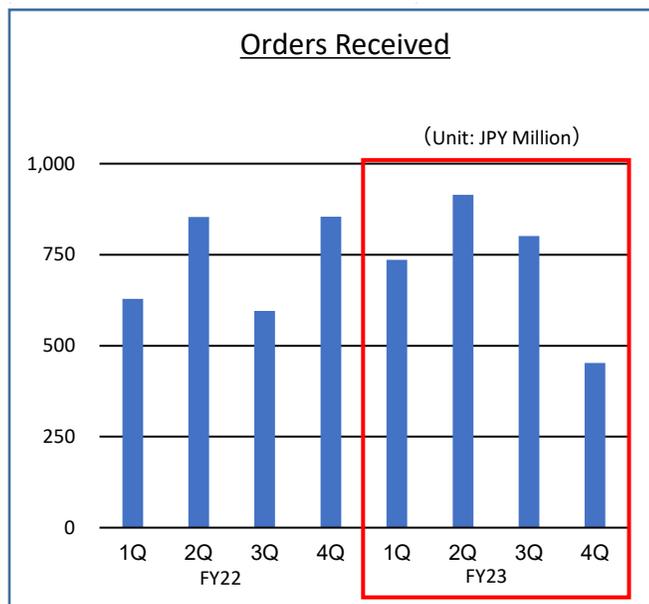
※Fixed costs = SG&A expenses

Process Control Business

- Sales increased YoY due to demand for higher quality productivities in the steel industry, renewal demand, etc.
- FY2023 Profit decreased YoY due to the reaction to the high profitable sales in FY2022

(Unit: JPY Million)

	FY22 Actual	FY23		Rate of change	
		Initial Plan	Actual	YoY	Actual/ Plan
Orders received	2,934	3,000	2,905	-1%	-3%
Net sales	2,411	2,450	2,585	+7%	+6%
Segment profit	460	360	442	-4%	+23%
Segment profit margin	19.1%	14.7%	17.1%	-	-
Order backlog	1,700	2,250	2,020	+19%	-10%

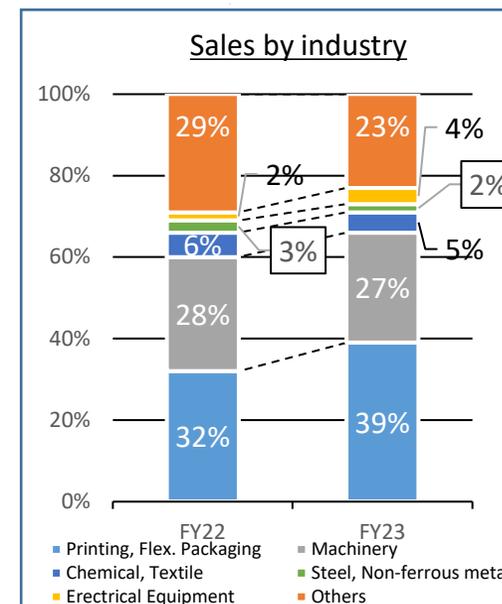
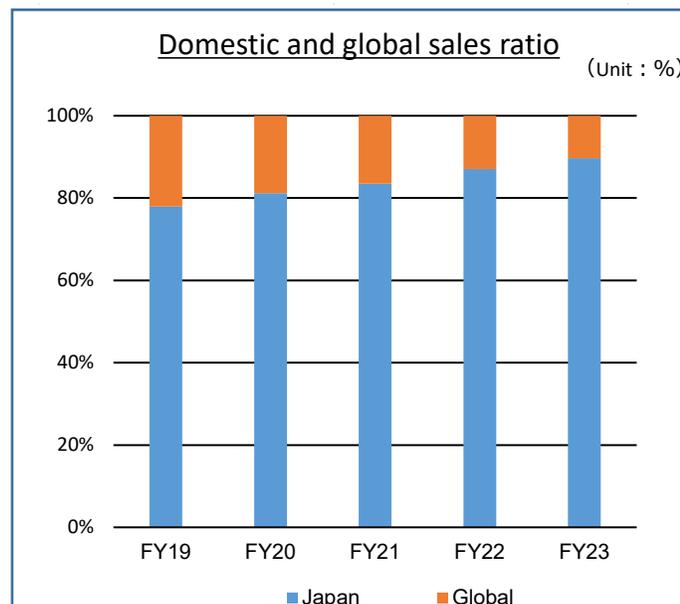
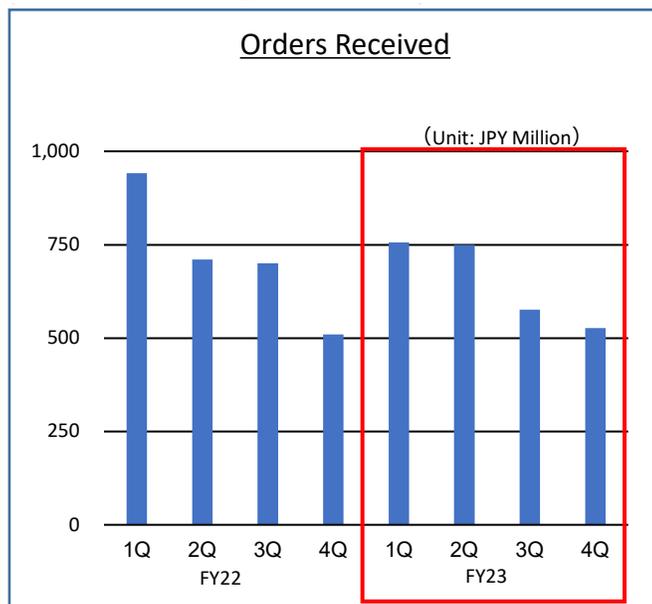


Web Control Business

- Demand from the LiB industry, especially overseas, appears stabilized.
- Sales increased YoY, mainly due to demand for renewal of print quality inspection equipment.
- Profit increased due to sales increase and profit improvement efforts.

(Unit: JPY Million)

	FY22	FY23		Rate of change	
	Actual	Initial Plan	Actual	YoY	Actual/ Plan
Orders received	2,862	2,800	2,608	-9%	-7%
Net sales	2,465	3,000	3,058	+24%	+2%
Segment profit	248	380	589	+138%	+55%
Segment profit margin	10.1%	12.7%	19.3%	-	-
Order backlog	1,597	1,397	1,147	-28%	-18%

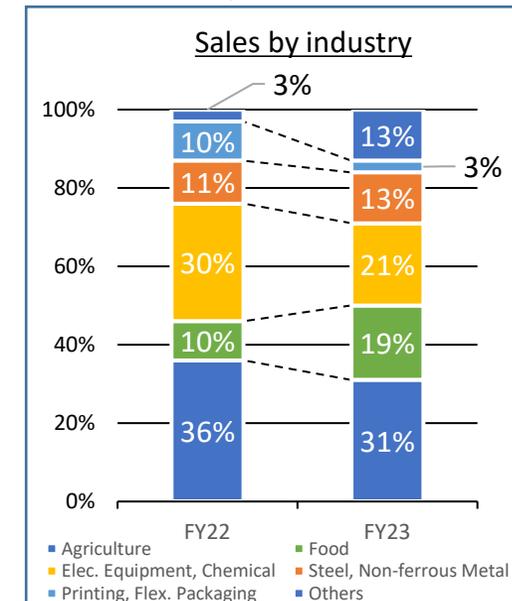
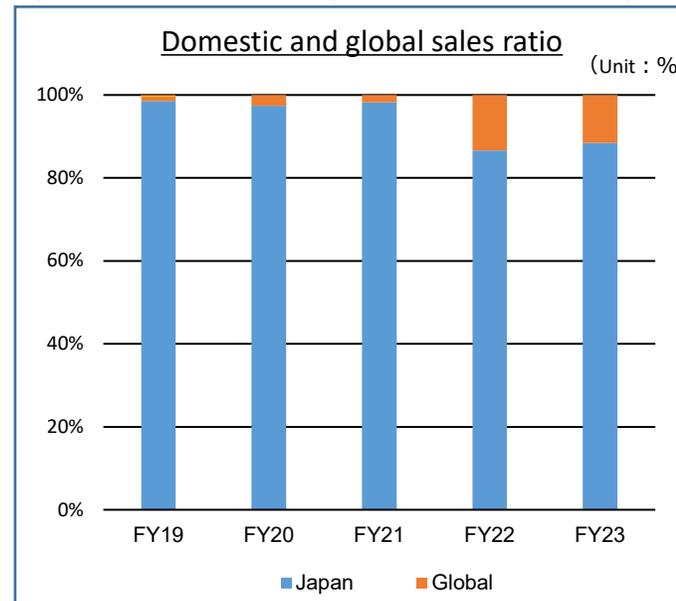
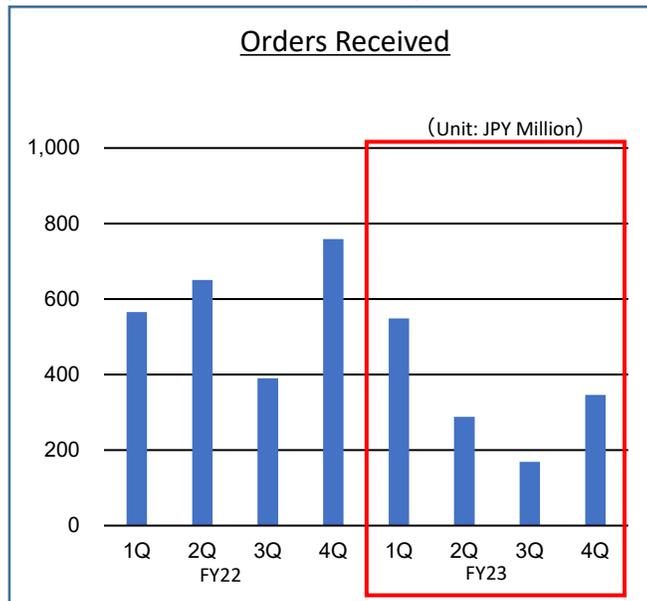


Inspection System Business

- Sales remained at the same level compared to YoY, due to the high level of order backlogs at the beginning of the FY.
- Orders for Surface Inspection Systems fell sharply, mainly due to stagnant capital investment in LiB industry.
- Sales of food inspection systems declined YoY due to significant decrease for large-scale projects.

(Unit: JPY Million)

	FY22 Actual	FY23		Rate of change	
		Initial Plan	Actual	YoY	Actual/ Plan
Orders received	2,172	2,200	1,353	-38%	-39%
Net sales	1,797	1,900	1,711	-5%	-10%
Segment profit	200	240	87	-57%	-64%
Segment profit margin	11.2%	12.6%	5.1%	-	-
Order backlog	1,021	1,321	664	-35%	-50%

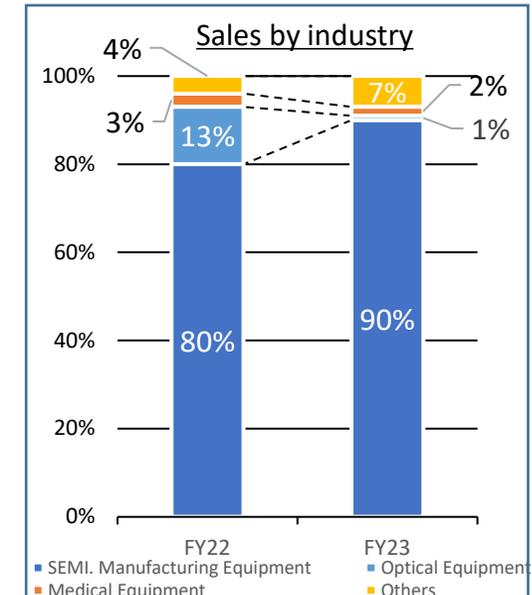
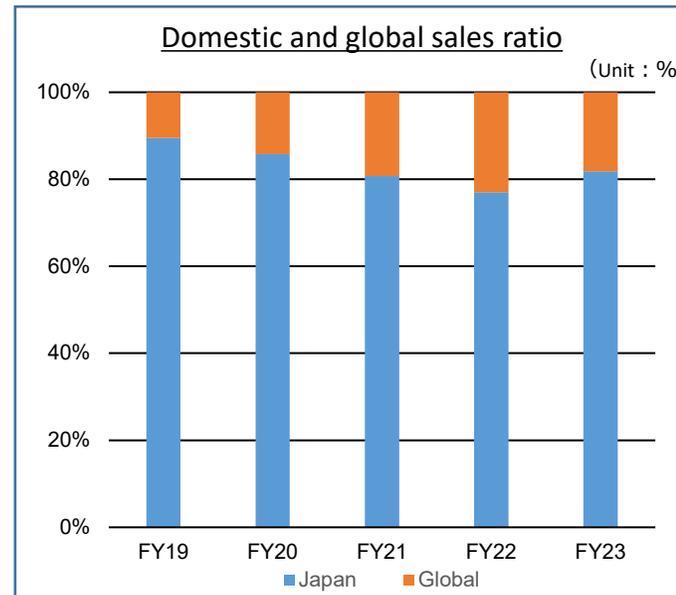
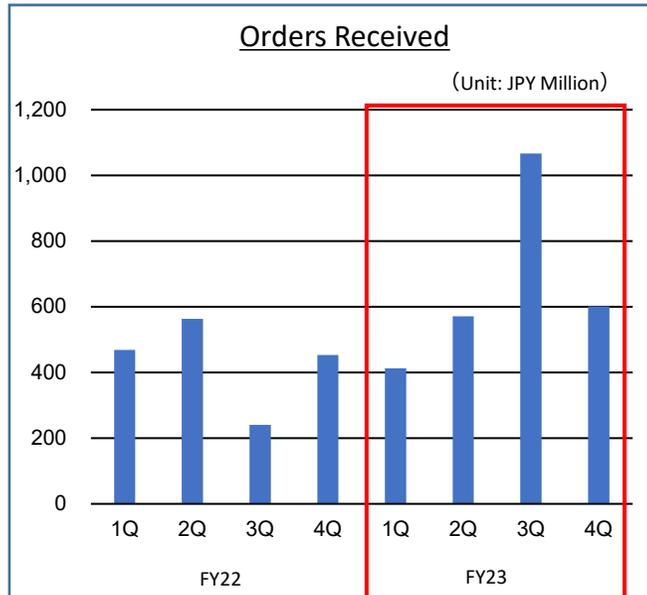


Optics Business

- Orders, sales, and profits increased YoY due to a recovery in orders from the semiconductor inspection equipment industry.
- Orders for laser equipment increased significantly due to orders for several projects for the next two years.

(Unit: JPY Million)

	FY22	FY23		Rate of change	
	Actual	Initial Plan	Actual	YoY	Actual/ Plan
Orders received	1,725	1,800	2,649	+54%	+47%
Net sales	1,855	1,900	1,954	+5%	+3%
Segment profit	740	660	807	+9%	+22%
Segment profit margin	39.9%	34.7%	41.3%	-	-
Order backlog	814	714	1,509	+85%	+111%

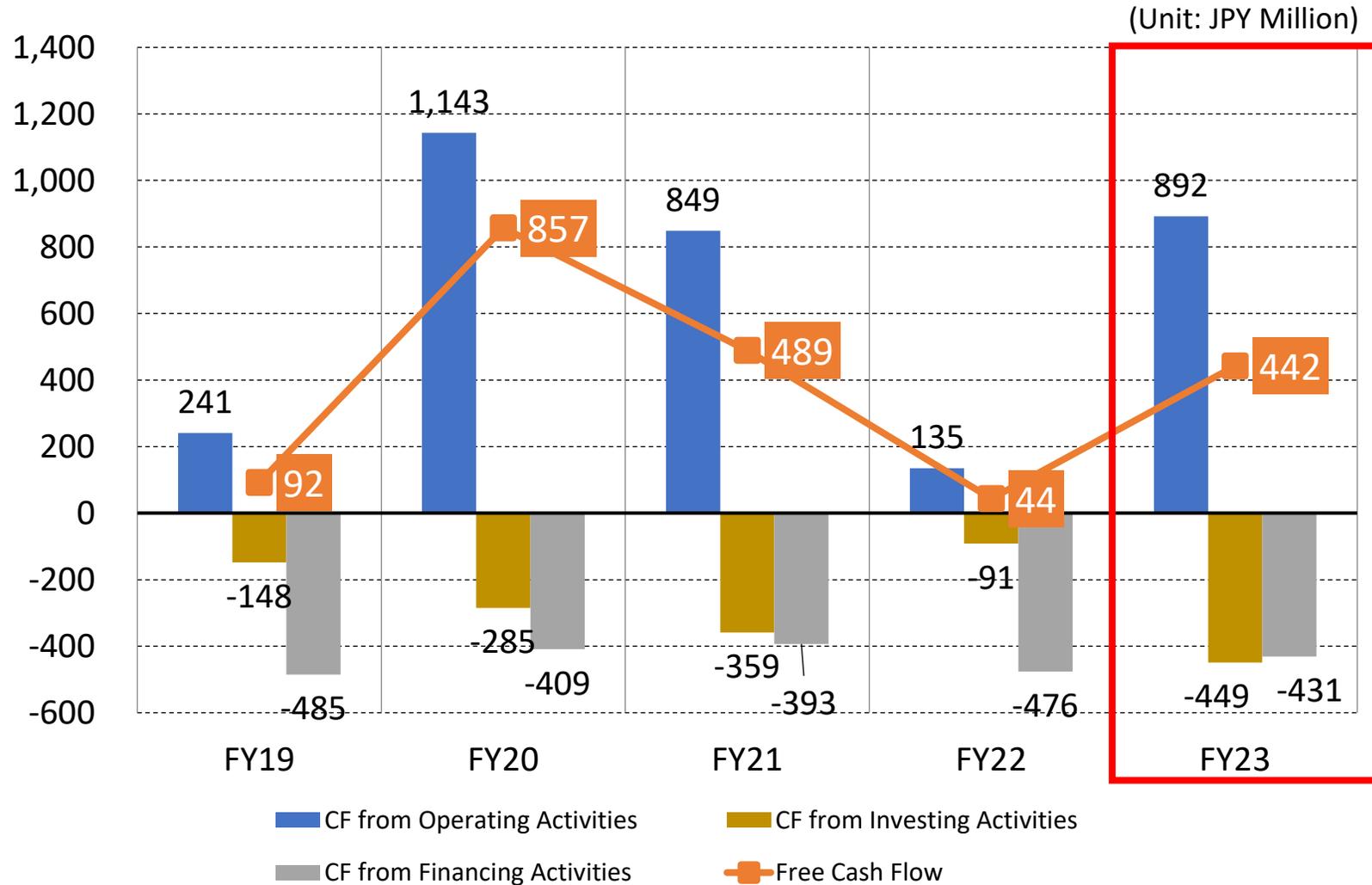


Balance Sheet

(Unit: JPY Million)

	End of FY22 (Mar. 31, 2023)		End of FY23 (Mar. 31, 2024)		Change
Cash and deposits	4,381	25.8%	4,354	23.4%	- 27
Trade receivables	4,025	23.7%	4,176	22.5%	+ 151
Inventories	3,062	18.0%	3,544	19.1%	+ 482
Other current assets	150	0.9%	272	1.5%	+ 122
Current assets	11,619	68.3%	12,347	66.5%	+ 728
Property, plant and equipment	3,255	19.1%	3,627	19.5%	+ 372
Intangible assets	241	1.4%	176	0.9%	- 65
Investments and other assets	1,885	11.1%	2,422	13.0%	+ 537
Non-current assets	5,382	31.7%	6,226	33.5%	+ 844
Total assets	17,002	100.0%	18,573	100.0%	+ 1,571
Accounts payable - trade	449	2.6%	576	3.1%	+ 127
Other current liabilities	1,390	8.2%	1,422	7.7%	+ 32
Current liabilities	1,840	10.8%	1,998	10.8%	+ 158
Non-current liabilities	557	3.3%	749	4.0%	+ 192
Total liabilities	2,397	14.1%	2,748	14.8%	+ 351
Total net assets	14,605	85.9%	15,825	85.2%	+ 1,220
Total liabilities and net assets	17,002	100.0%	18,573	100.0%	+ 1,571

Cash Flows



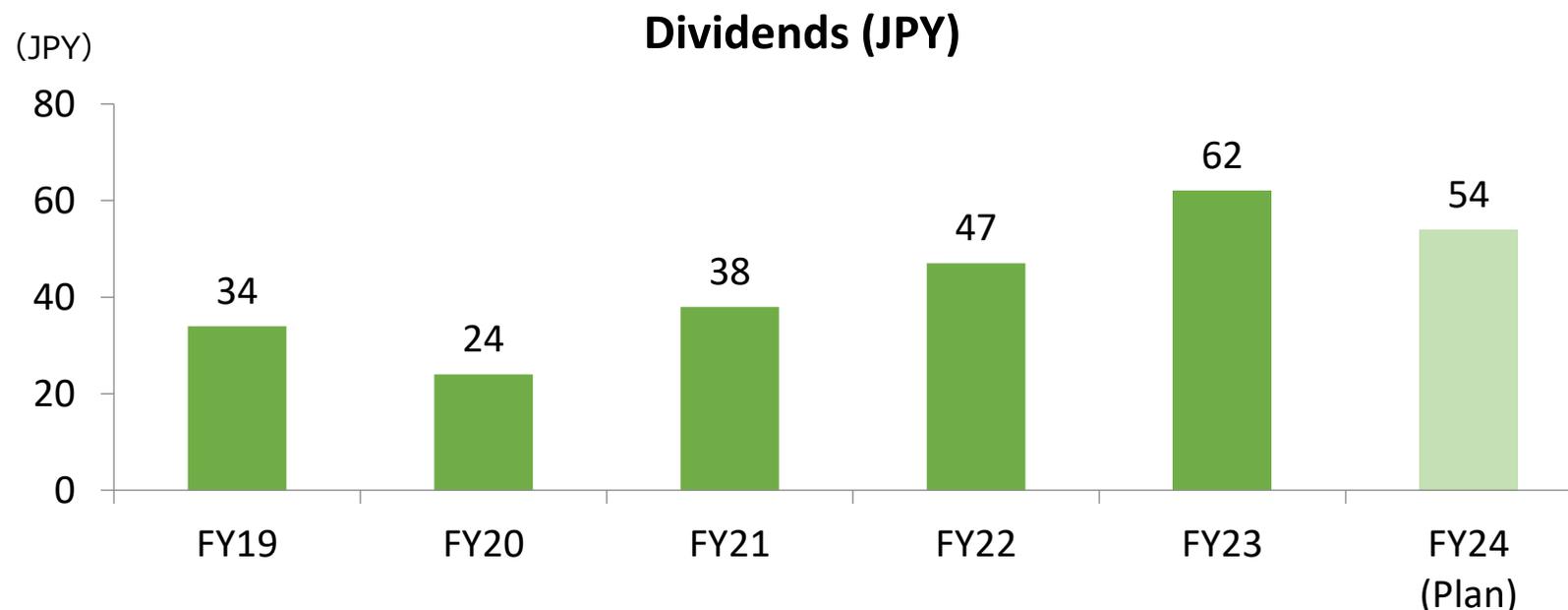
Overview of FY23

Cash flows from operating activities: Income before income taxes (1,468 million yen), Increase in Inventory (-471 million yen)

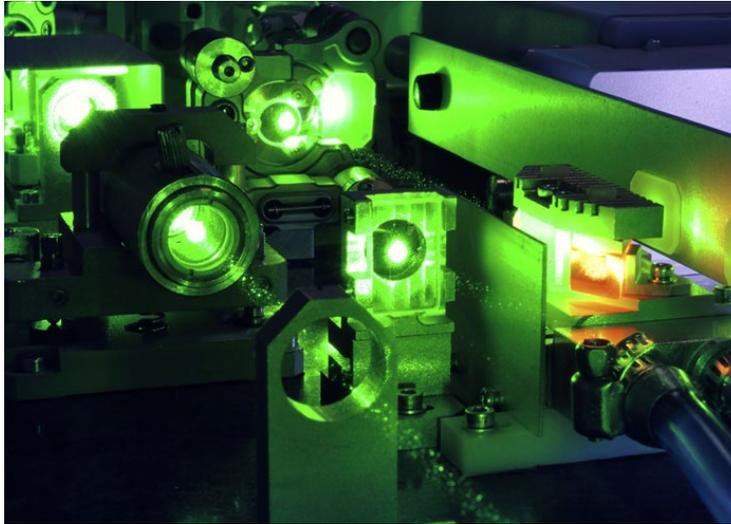
Shareholders' Return

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

Highest dividend since IPO for three consecutive years in FY2023



Net profit per share (JPY)	106.58	59.06	55.41	117.40	137.36	117.94
Dividends (JPY)	34	24	38	47	62	54
Dividend Payout Ratio (%)	31.9	40.6	68.6	40.0	45.1	45.8
DOE	2.0%	1.3%	2.0%	2.4%	3.0%	2.5%



2. Plans for FY2024 (April 2024 - March 2025)

Business Plan

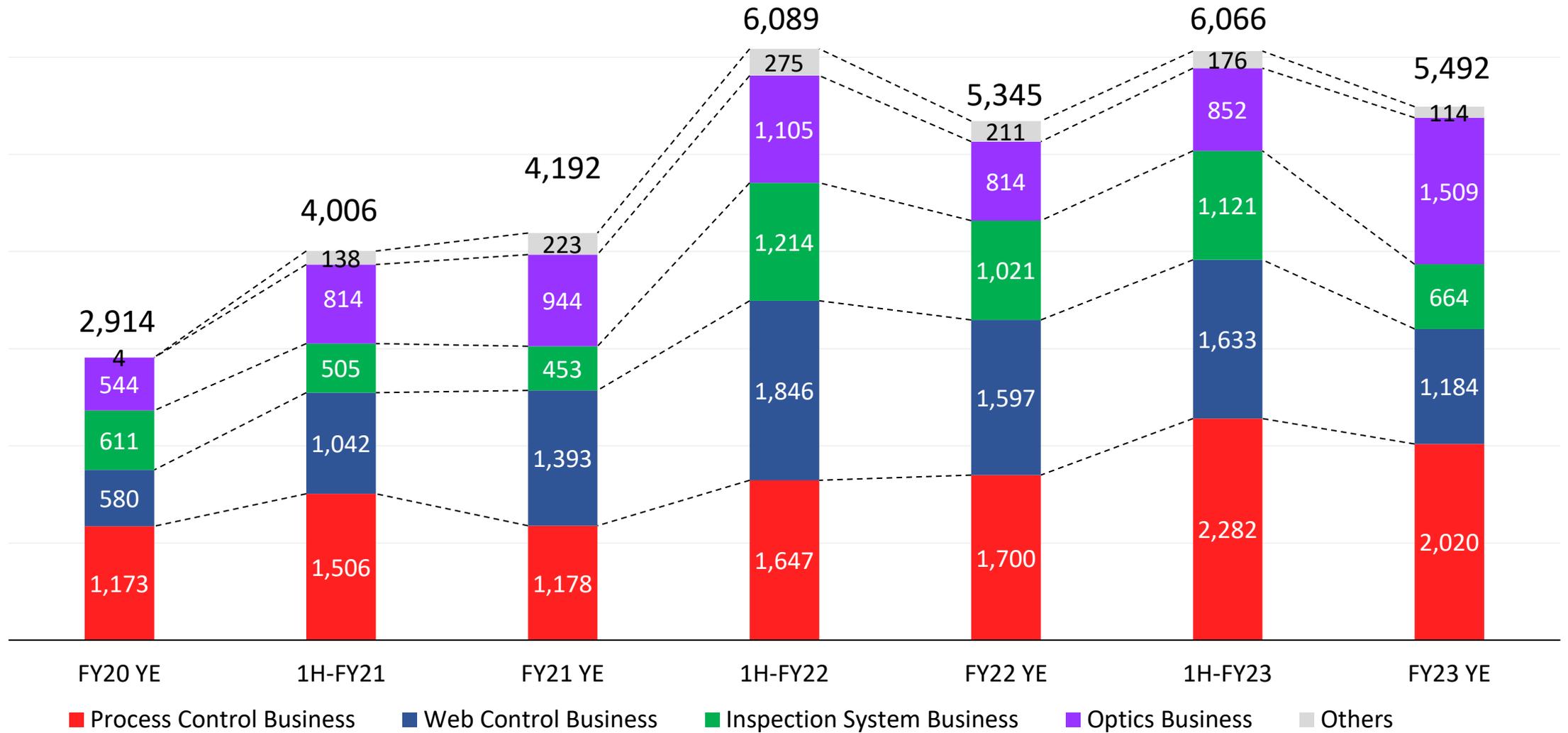
- Higher sales expected due to high order backlog.
- Profit is expected to decrease due to the rebound of the previous year and investment for growth and human resources.

(Unit: JPY Million)

	FY23	FY24 Plan	YoY
Orders received	9,970	10,600	+6%
Net sales	9,861	10,000	+1%
Operating profit	1,386	1,200	-13%
Operating profit margin	14.1%	12.0%	-
Ordinary profit	1,470	1,270	-14%
Ordinary profit margin	14.9%	12.7%	-
Profit attributable to owners of parent	1,011	870	-14%
Profit attributable to owners of parent margin	10.3%	8.7%	-
Earnings per share (JPY)	137.36	117.94	-14%
Order backlog	5,454	6,054	+11%

Order Backlog

(Unit: JPY Million)



Market Conditions & Measures: Process Control Business

Domestic Steel Market

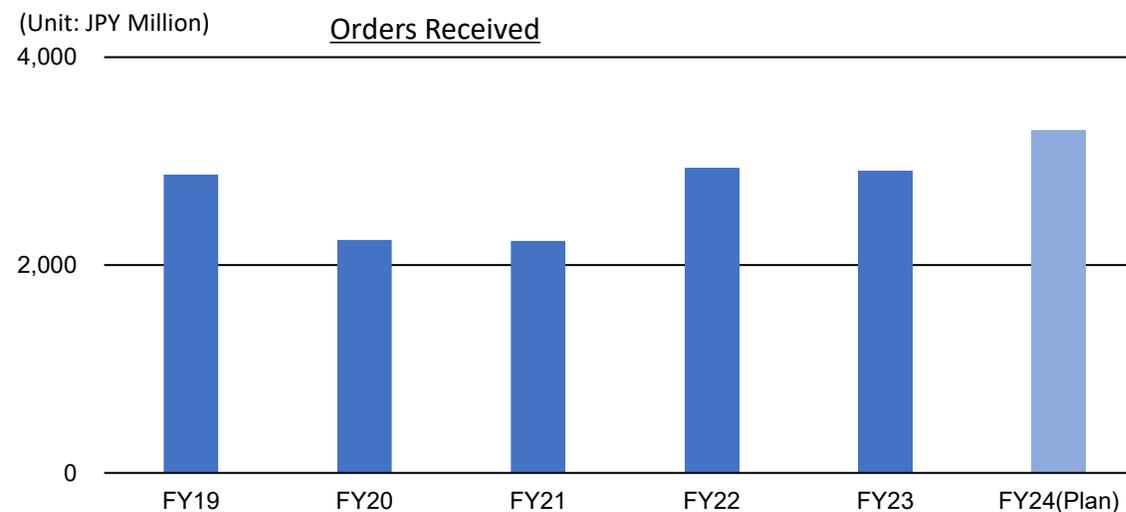
- Steelmakers are focused on production of high-grade steel for Electric Vehicles.
- ↓
- Sales Activities Appealing to Capital Investment in High-Grade Steel
 - Promote cross-divisional sales including elemental analyzers, inspection equipment, and other devices
 - Engage in efficiency improvement activities through mergers of subsidiaries and integration of business units

Overseas Steel Market

- Excess supply in overseas markets due to the sluggish Chinese economy
- ↓
- Approaches to Korean steel makers and others in cooperation with group companies
 - Expansion in North America and global deployment of technology through strengthened cooperation with IMS Group of Germany, with whom we have a cooperative relationship

(Unit: JPY Million)

	FY23	FY24 Plan
Orders received	2,905	3,300
Net sales	2,585	3,000
Segment profit	442	370
Segment profit margin	17.1%	12.3%



Market Conditions & Measures: Web Control Business

Electronic parts/ High Functional Film Market

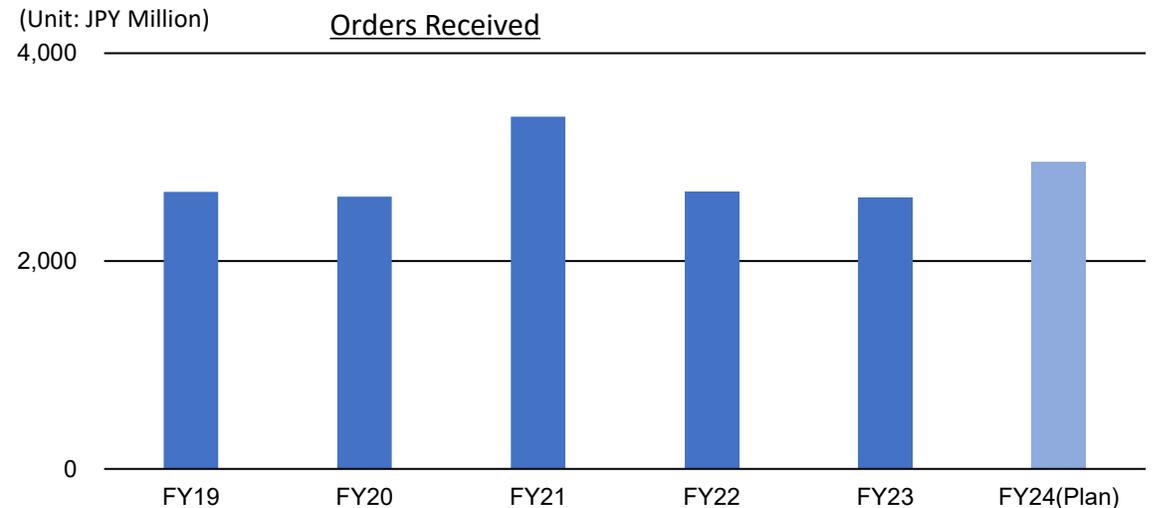
- Demand for capital investment in rechargeable batteries, mainly overseas, has leveled off
- ↓
- Sales activities to appeal to capital investment in the domestic LiBs field
 - Expand collaboration with business partner E+L products

Papers/ Printing/ Soft packaging Market

- Focus on efficient use of packaging materials to improve sustainability
- ↓
- Exhibit at trade shows outside the Tokyo metropolitan area to develop new customers
 - Appeal for meander control equipment to reduce packaging loss in the food packaging industry

(Unit: JPY Million)

	FY23	FY24 Plan
Orders received	2,608	2,950
Net sales	3,058	2,500
Segment profit	589	350
Segment profit margin	19.3%	14.0%



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 such as perovskite solar cells
- Accelerate R&D for higher functionality

Food Related Market

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



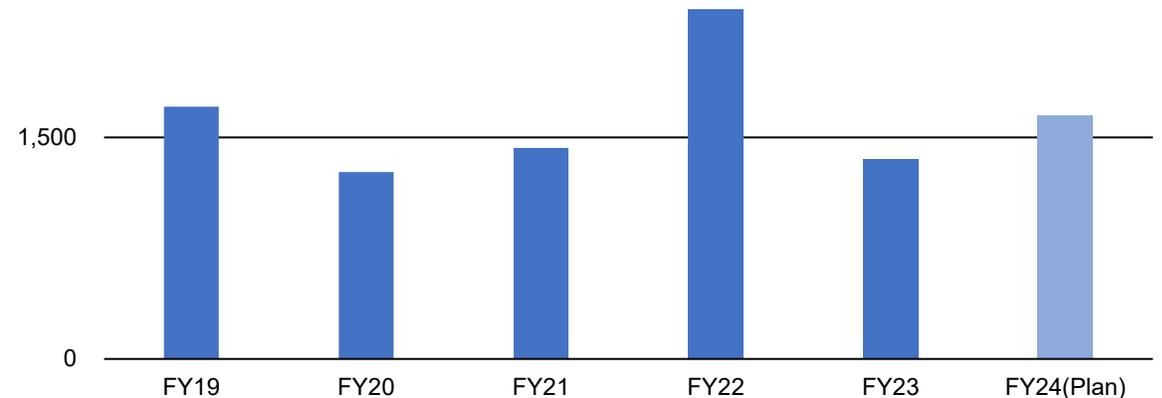
- Strengthen response to growing need for processed food inspection
- Promotion of product development for new business development

(Unit: JPY Million)

	FY23	FY24 Plan
Orders received	1,353	1,650
Net sales	1,711	1,750
Segment profit	87	230
Segment profit margin	5.1%	13.1%

(Unit: JPY Million)

Orders Received



Market Conditions & Measures: Optics Business

Optical Component Market

- Demand for semiconductor inspection equipment has recovered from Adjustment Phase
- Broad demand exists for optical components, including overseas



- Productivity improvement and facility expansion to meet demand
- Develop new applications by leveraging our strengths in design and processing technologies

Laser-related products

- Demand is strong in the semiconductor sectors.
- New application development needs include measurement applications.



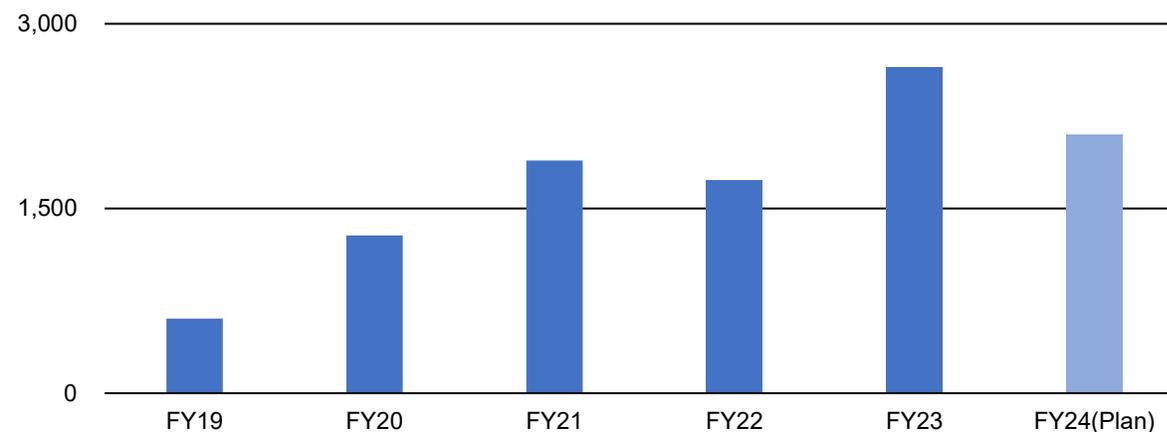
- Move beyond the fields of semiconductor inspection & medical diagnosis to develop new applications that leverage our unique product strengths
- Accelerate efforts to secure production and maintenance systems for ordered products

(Unit: JPY Million)

	FY23	FY24 Plan
Orders received	2,649	2,100
Net sales	1,954	2,250
Segment profit	807	780
Segment profit margin	41.3%	34.7%

(Unit: JPY Million)

Orders Received



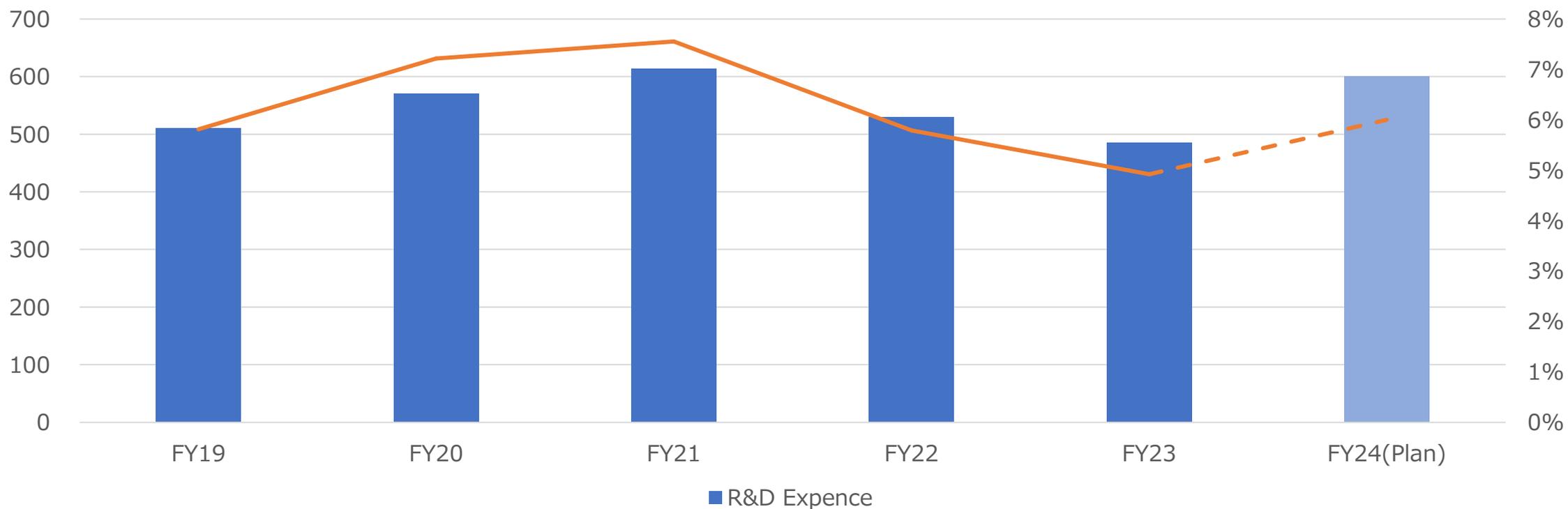
R&D

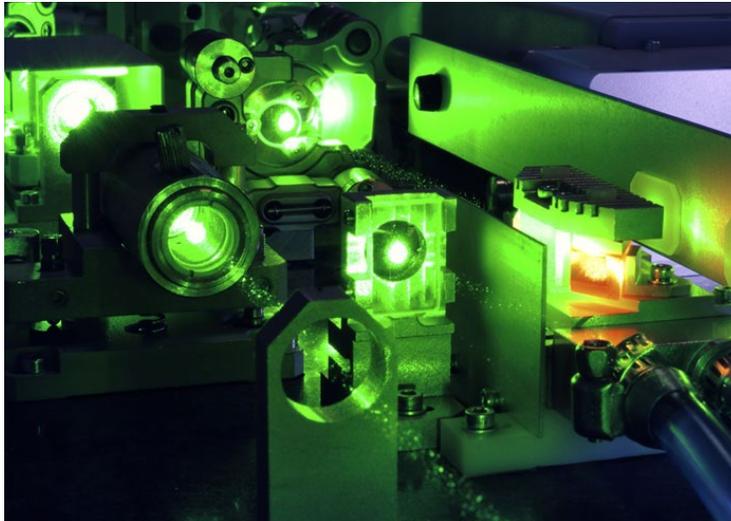
- Aiming to create a new revenue streams & accelerate development projects using our technology strengths.

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)





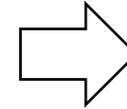
3. Towards sustainable growth

Main objectives for sustainable growth

Strengthen our group to enable growth in any environment

Expand our market presence

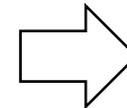
- Drive overseas expansion
- Strengthen Inspection system business and Optics business
- Exploit new fields of business through new-product development



**Expand & enhance
business foundations**

Technological advances

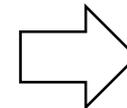
- Enhance image analysis technology for new product development
- Develop new products based on optical applications technology



**Enhance
competitive advantage**

Enhance organizational capabilities

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



**Reinforce
organizational base**

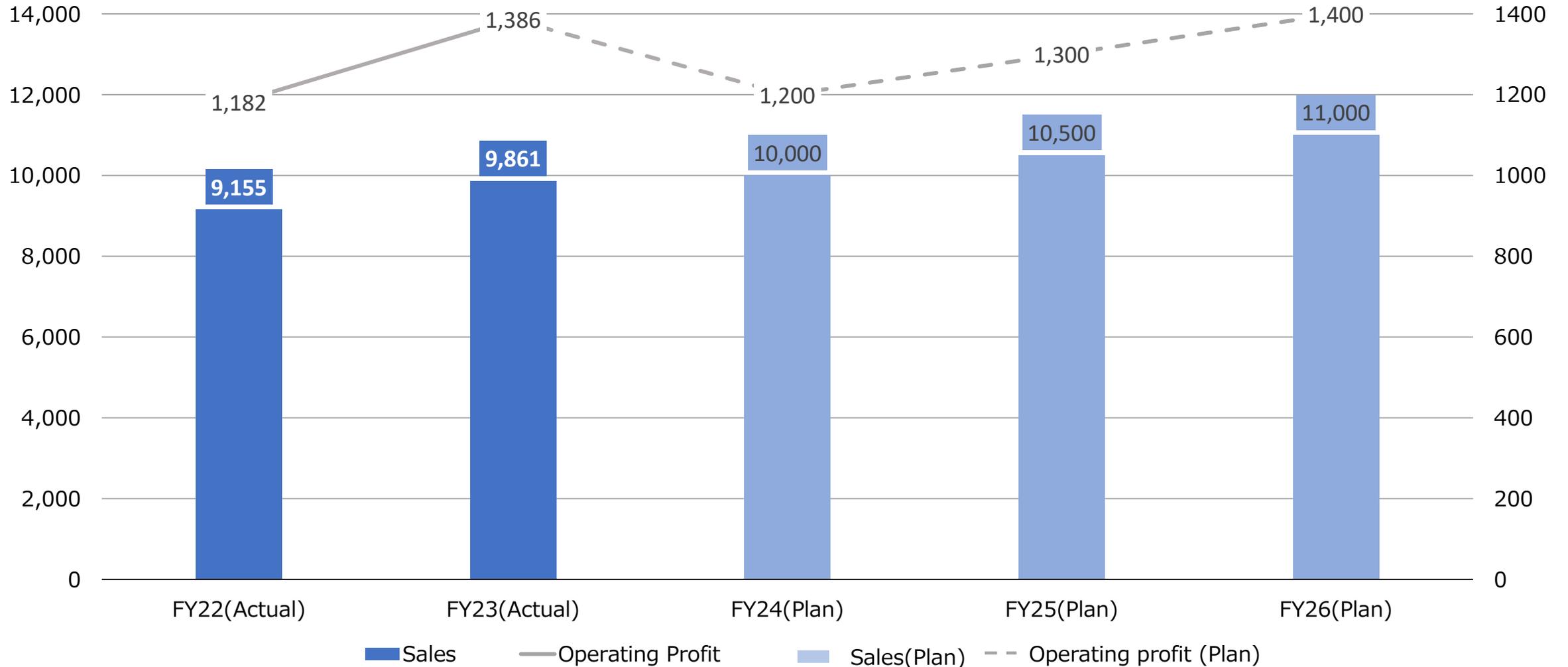
Mid-term Basic Policy

- 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

Revise targets to focus on profit and increase operating margin

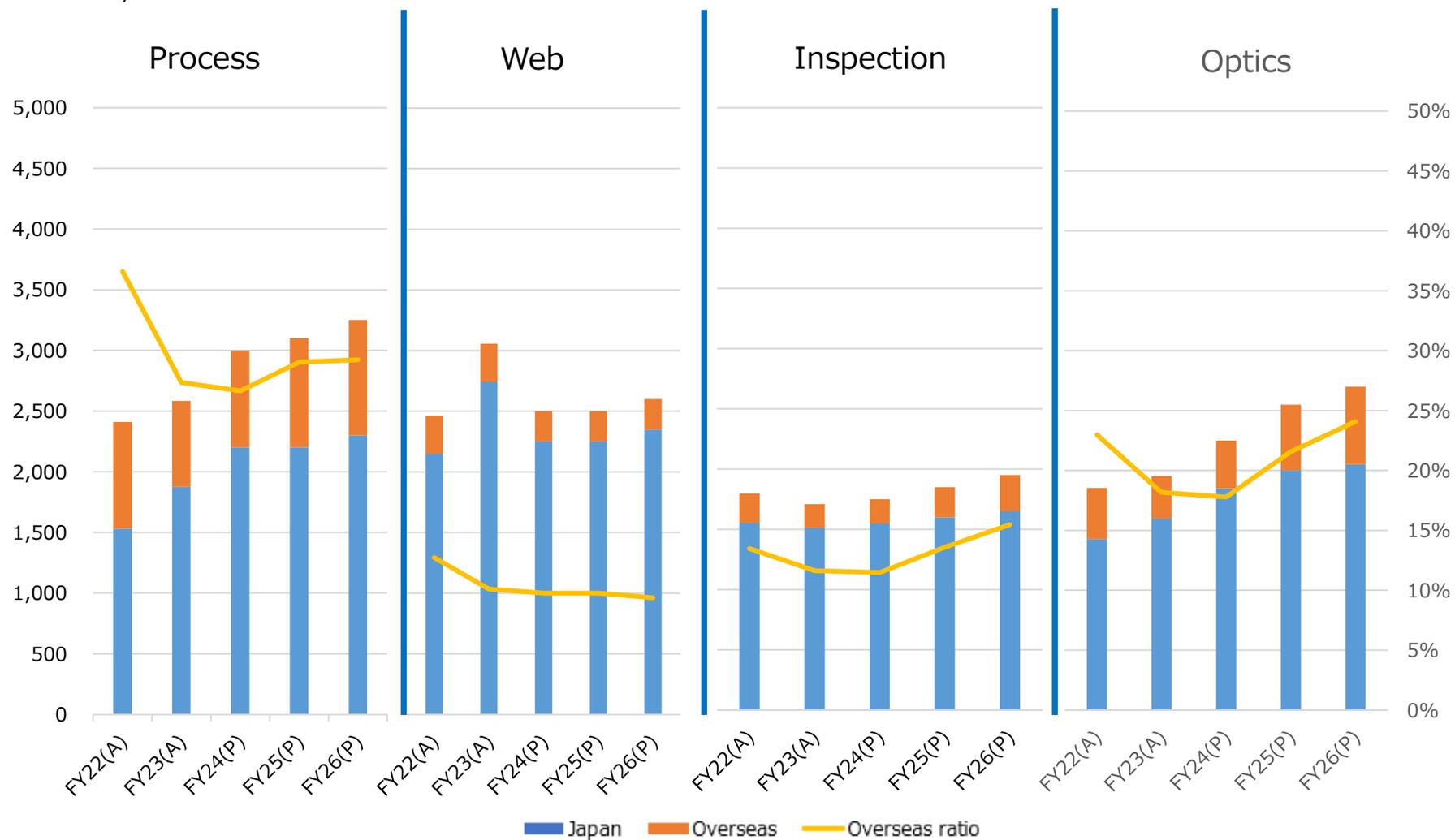
(Unit: JPY Million)



Mid-term targets (Combined Japan/overseas sales by business segment: *Previous Segment Basis)

(Unit: JPY Million)

Overseas sales ratio



Action on Cost of Capital-Conscious Management

Nireco aims to improve its reputation in the stock market through the following measures, etc., with an awareness of its cost of capital and stock price.

(1) Strengthen profitability by restructuring the business portfolio

- Further promotion of growth in the inspection system business and optics businesses, which are positioned as growth businesses
- Improve business efficiency through organizational changes, etc.
- Further reinforcement of synergies among business units and groups
- Continuation of measures to enhance profitability through cost reduction, reduction of defects, appropriate selling prices, etc.
- Promote efficient online sales activities
- Strengthen overseas sales by strengthening alliances with external companies

(2) Revision of Earnings Distribution Policy

- Revision of Earnings Distribution policy in February 2024
 - Consolidated dividend payout ratio of 40% or more and consolidated dividend on equity (DOE) of 2% or more
 - ⇒ Consolidated dividend payout ratio of 45% or more and DOE of 2.5% or more

(3) Investment and Capital Policy

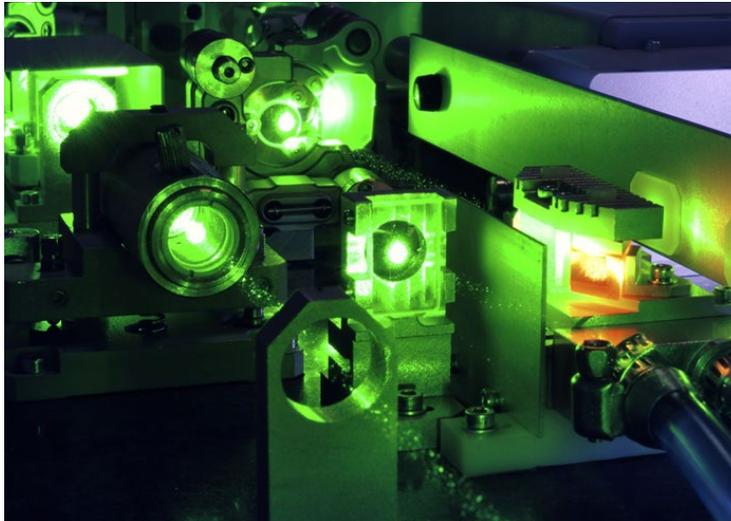
- Strengthen investment in growth businesses and new product development
- Strengthen digital investments to improve efficiency
- Continue to promote M&A

(4) Strengthen IR and PR activities

- Strengthen appeal to the stock market through more proactive IR and PR activities
- Provide easy-to-understand explanations of business activities and growth stories to individual investors
- Enhance opportunities for communication with shareholders and investors, including non-financial information



4. Topics



NIRECO

1. Merger of a subsidiary and organizational change

Effective April 1st, 2024, the Process Division and the Web Division were merged to form the new Control Equipment Business Division. This division will include the production division of the former Miyota Seimitsu Co. This reorganization will improve the divisions' productivity and further streamline the business operations of the Nireco Group.

2. Acquisition of Land and Buildings

Nireco acquired a land and building in Narahara-cho, Hachioji City for the medium- to long-term business expansion of the Nireco Group. Nireco plans to use the property as a base for expanding the group's production capacity for electronic devices and other products, as well as for development and production related to new businesses and optical devices.

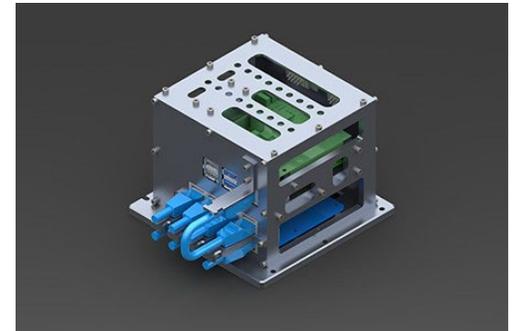
3. Nireco Group Products Used in Space Development

The PI Data Collection Device (PDC), which was contracted and developed by Seibu Electric Corp. a Nireco Group company, was installed on JAXA's sounding rocket S-520-33 in December 2023. This device is a system that simplifies the handling of data on sounding rockets and sends data efficiently. A demonstration experiment was conducted to collect data from camera images and various sensors, and to transmit that data to the ground, and the mission was successful as all experimental data collection results were obtained.

In addition, the Wollaston prism manufactured by a Nireco Group company, Kogaku Giken Corp. will be mounted on the Roman Space Telescope, which is scheduled to be launched in 2026, and this was featured in ISAS News April 2024 (No. 517) (page 5), the PR magazine of JAXA, the Institute of Space and Astronautical Science.

We believe that the high level of processing technology and reliability of our Group companies were highly appreciated in both cases.

Nireco Group will continue to contribute to the progress of society based on its management philosophy of "Technology and Trust".



PI data collection device (PDC)
Commissioned by Seibu Electric Co.

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	3,084 million Japanese yen*
Number of employees	450*
Net sales (Consolidated)	9,861 million Japanese yen (FY2023)

*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.

Management philosophy

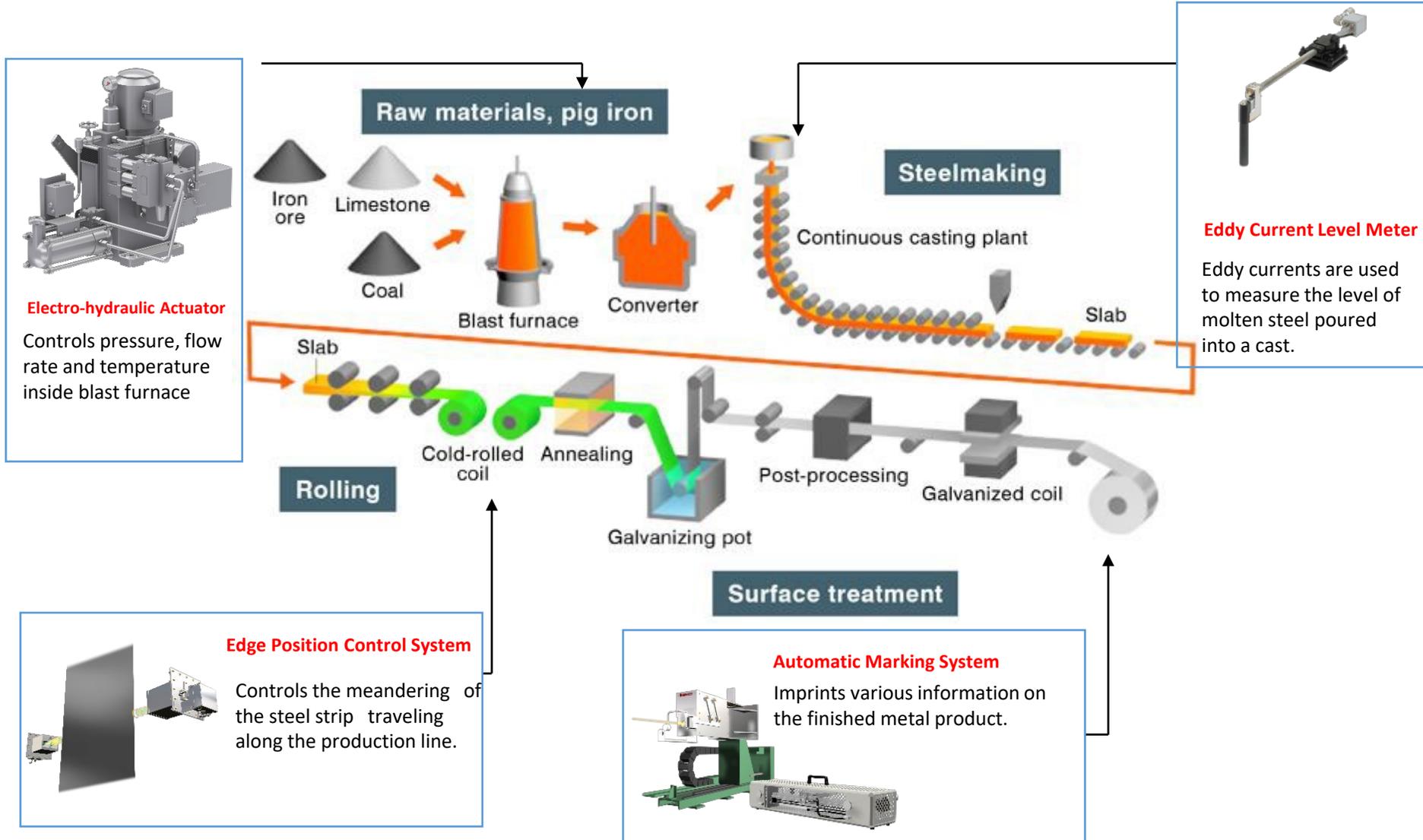
‘TECHNOLOGY & TRUST’

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.

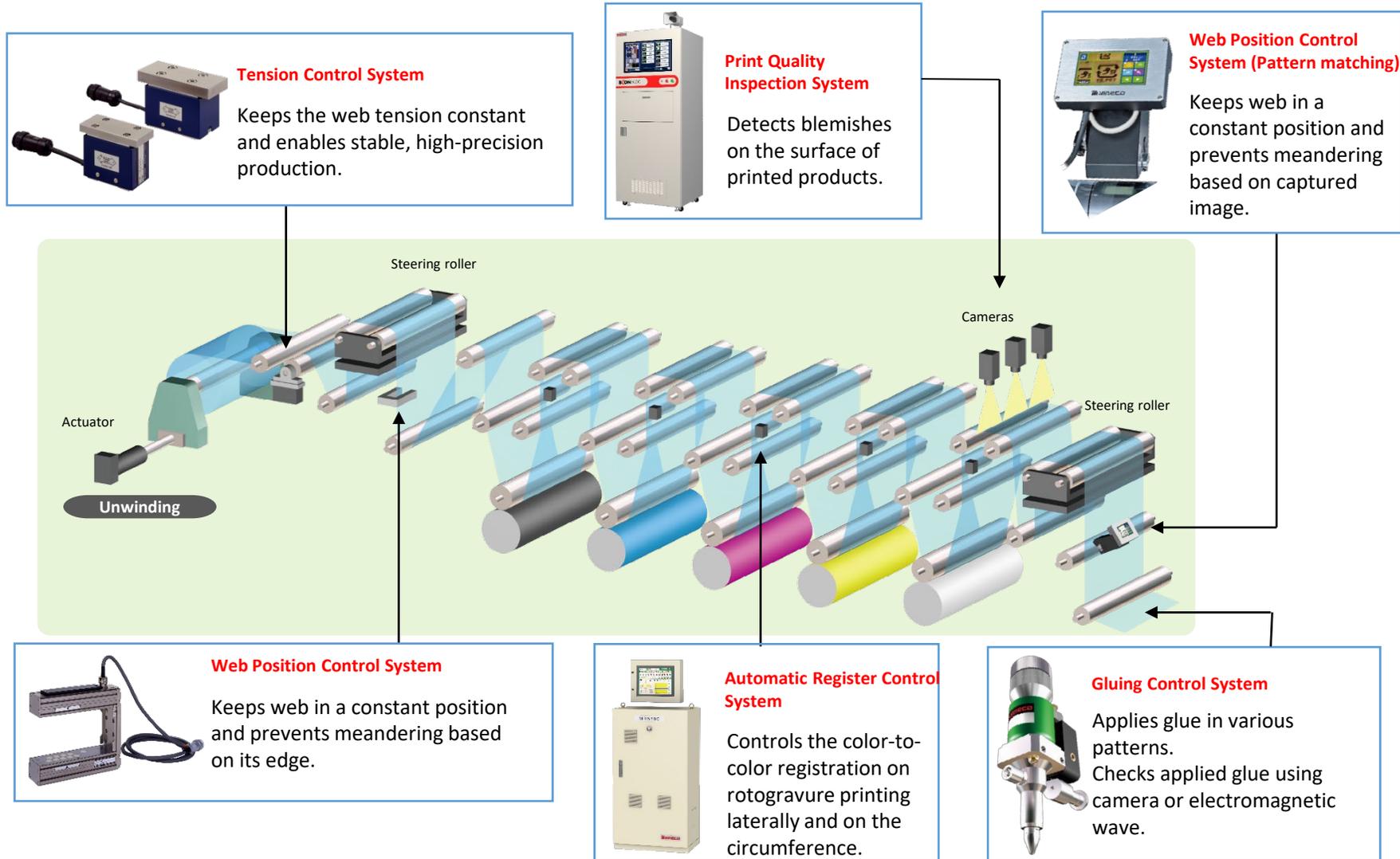
Process Control Business

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



Web Control Business

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



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

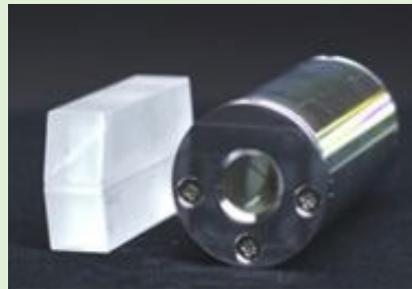


Nonlinear optical crystal

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.

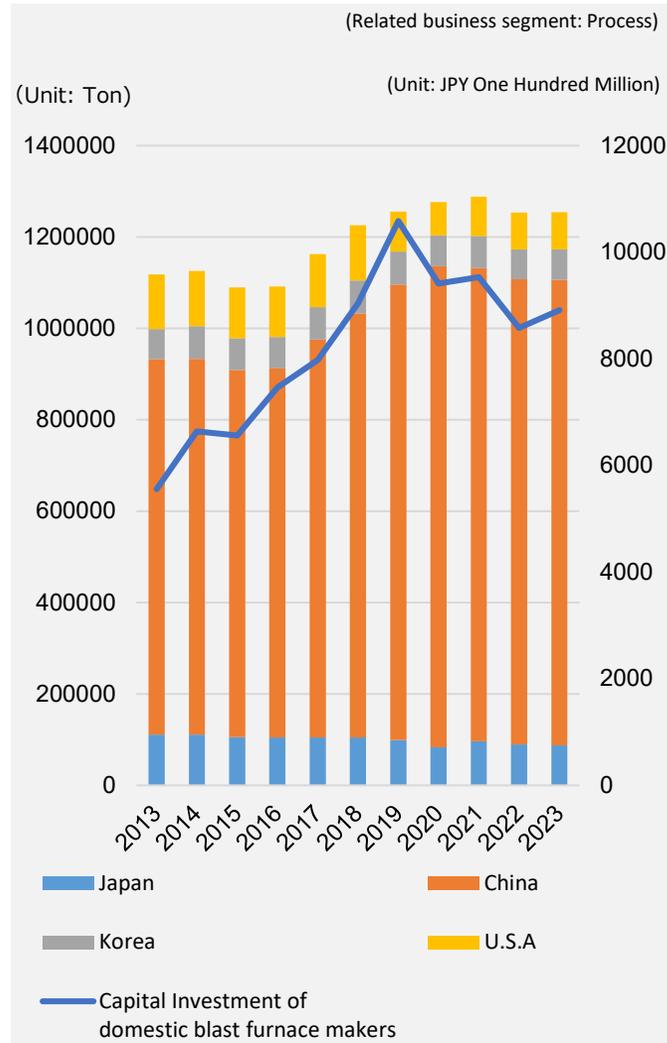


Green Laser device

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

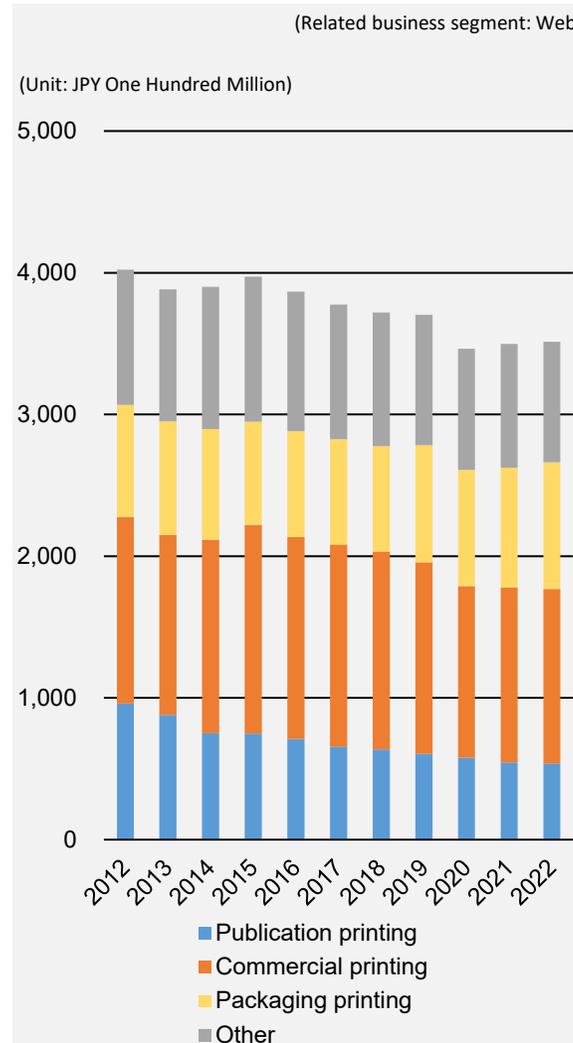
Market environment

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



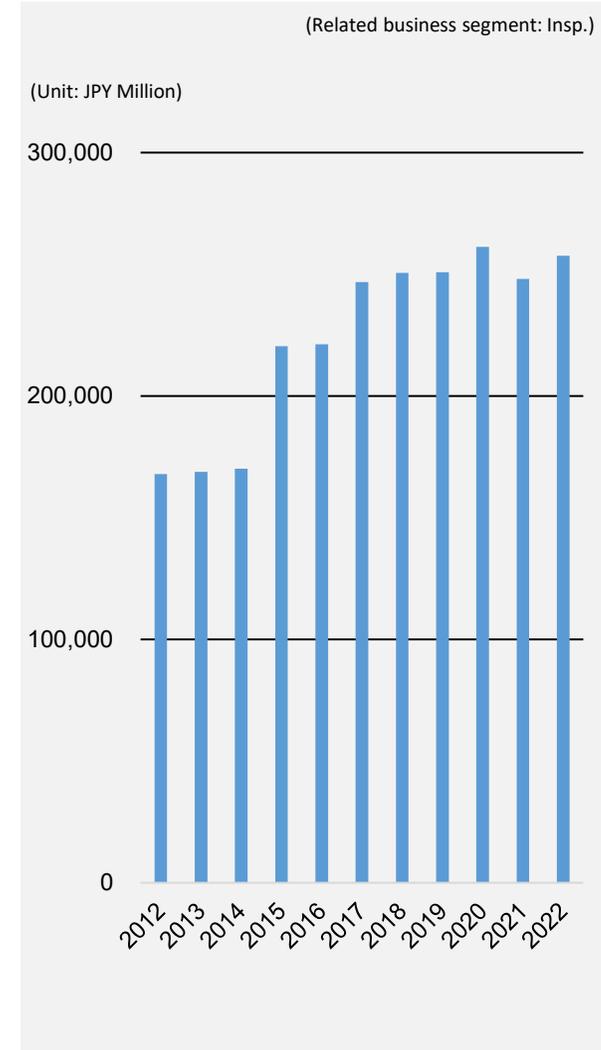
Source: world steel, Financial information of major Japanese manufacturers

Scale of Japan's Printing Market



Source: Based on industrial & production dynamics statistics

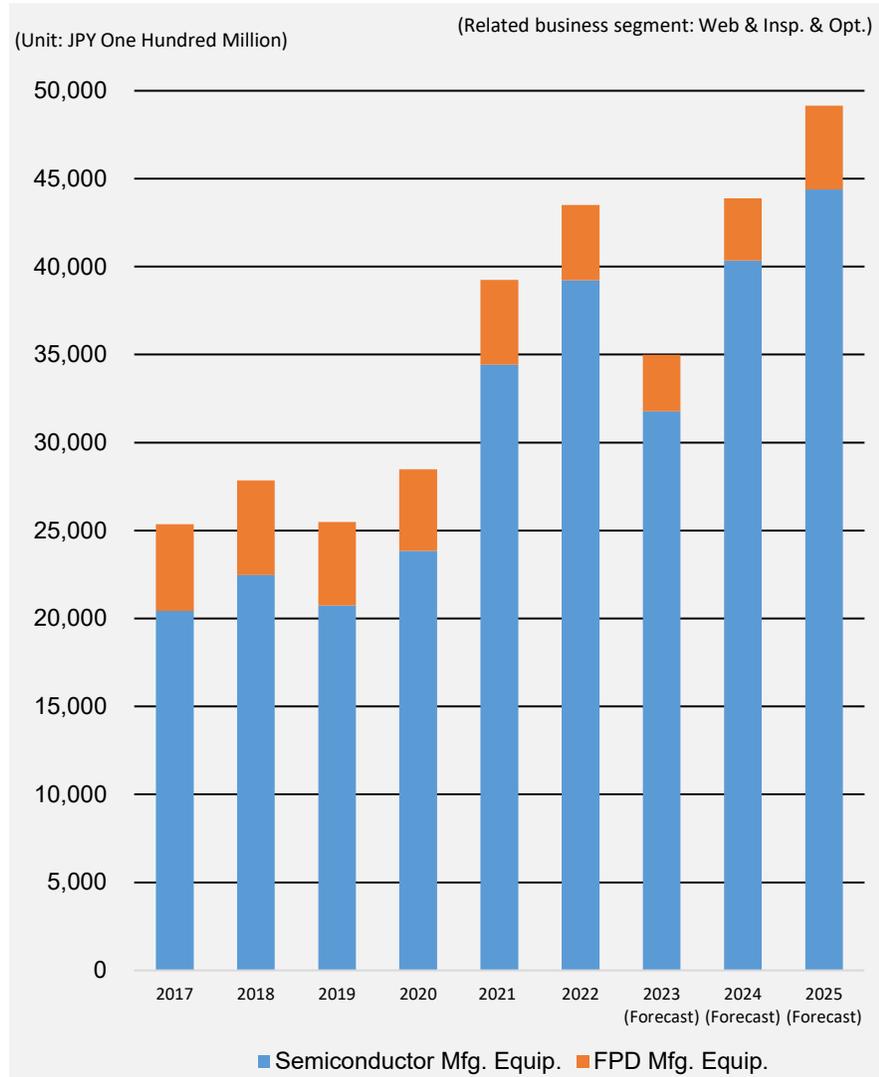
Japan Food Machinery Sales
(excluding processing machinery)



Source: The Japan Food Machinery Manufacturers' Association

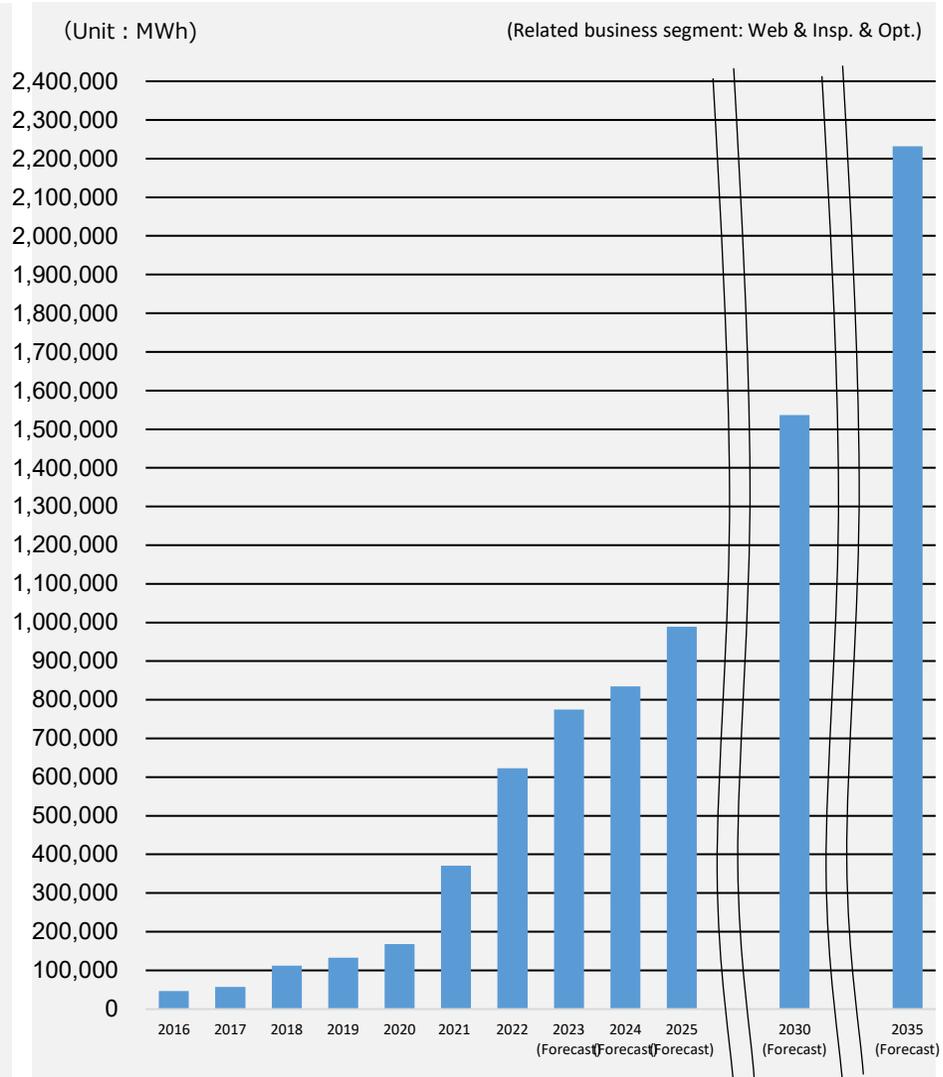
Market environment

Forecast of Demand for Semiconductor & FPD Mfg. Equip.



Source: Semiconductor Equipment Association of Japan

Automotive LiB World Market Forecast



Source: Yano Research Institute Ltd.

Business Segment Data

(Unit: JPY Million)

		FY21	FY22	FY23
Sales	Process	2,216	2,411	2,585
	Web	2,631	2,465	3,058
	Inspection	1,356	1,797	1,711
	Optics	1,489	1,855	1,954
	Others	423	625	551
	Total	8,117	9,155	9,861
Segment Profit	Process	313	460	442
	Web	230	248	589
	Inspection	35	200	87
	Optics	401	740	807
	Others	39	57	64
	Adjustment	-456	-524	-602
Total	563	1,182	1,386	

(Unit: JPY Million)

		FY21	FY22	FY23
Orders Received	Process	2,232	2,934	2,905
	Web	3,387	2,669	2,608
	Inspection	1,429	2,365	1,353
	Optics	1,888	1,725	2,649
	Others	642	612	454
	Total	9,579	10,307	9,970
Order Backlog	Process	1,178	1,700	2,020
	Web	1,393	1,597	1,147
	Inspection	453	1,021	664
	Optics	944	814	1,509
	Others	223	211	114
	Total	4,192	5,345	5,454

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