



Financial results for FY2019

Financial Summary

February 14, 2020

NIKKISO CO., LTD.

Securities code: 6376

Disclaimer

This material contains forward-looking statements about future business performance. These statements by definition involve risks and uncertainties and are not intended to guarantee future performance. Actual results in the future may differ from the estimates presented in the material herein due to changes in the business environment and other factors.

I . Consolidated Performance

II . Performance by Business Segment

III. Financial forecast

IV. New Medium-Term Business Plan

Appendix

Company Information

I . Consolidated Performance

Financial Summary

Both revenue and operating profit hit a record high. Interest-bearing debt declined further.

PL	Revenue	<p>Increased by 400 million yen (Industrial: Δ700; Medical: +1200) Δ3,900 million yen (Industrial: Δ3,000; Medical: Δ900) as a negative impact of FX, but +4,400 million yen as a positive effect of strong sales (Industrial: +2,300; Medical: +2,100)</p>
	Operating Profit	<p>Increased by 2,100 million yen (Industrial: +2,700; Medical: Δ2,100; Corporate expenses: +1,500) Increase was mainly due to profit improvement (LEWA/Cryogenic Industries Group) and gain on sales of the particle analytical equipment business (+2,400 million yen), despite the negative impact of FX (Δ600 million yen) and impairment losses in Medical Business (Δ2,100 million yen).</p>
	Profit for the year	<p>Decreased by 600 million yen Various factors (e.g. impairment loss is not deductible for income tax purposes) pushed up taxable income, reducing profit for the year.</p>
BS		<p>Interest-bearing debt decreased by 12,300 million yen (117,000 million yen \rightarrow 104,700 million yen)</p>
CF		<p>Free cash flow: 6,800 million yen (year-on-year increase of 5,000 million yen)</p>

Consolidated Performance



Millions of JPY	FY2018 Jan. 2018 – Dec. 2018	Performance forecast Announced in November 14, 2019	FY2019 Jan. 2019 – Dec. 2019	YoY comparison		Comparison with forecast
				Change	Change rate	Change rate
Orders	172,492	171,500	167,034	△5,457	△3.2%	△2.6%
Revenue	165,326	170,000	165,780	+454	+0.3%	△2.5%
Operating profit	10,302	12,000	12,466	+2,163	+21.0%	+3.9%
Operating margin	6.2%	7.1%	7.5%			
Profit before tax	9,741	11,200	11,381	+1,639	+16.8%	+1.6%
Pretax profit margin	5.9%	6.6%	6.9%			
Profit for the year attributable to owners of the company	7,448	6,700	6,813	△634	△8.5%	+1.7%
Profit margin attributable to owners of the company	4.5%	3.9%	4.1%			
Average foreign exchange rate						
Against the US dollar (Yen)	110.44	109.00	109.03	△1.41	-	-
Against the euro (Yen)	130.35	122.00	122.03	△8.32	-	-

Financial results for FY2019

Breakdown of Profit/Loss



Millions of JPY	FY2018 Jan.2018 – Dec. 2018	FY2019 Jan. 2019 – Dec. 2019	Change	Remarks
Gross profit	56,977	54,783	△2,193	
- Selling, general and administrative expenses	47,123	43,917	△3,205	Impact of FX, exclusion of subsidiaries from consolidation (particle analytical equipment business), etc.
- Other income	805	4,354	+3,549	Gain on sales of the particle analytical equipment business (+2,414) and income from a joint venture agreement in the deep UV-LED business (income from a licensing agreement: +1,000)
- Other expenses	356	2,753	+2,397	CRRT business-related impairment losses (+2,139)
Operating profit	10,302	12,466	+2,163	
- Financial income	528	523	△5	
- Financial costs	1,355	1,345	△9	
- Share of profit of associates and joint ventures accounted for using the equity method	266	△262	△528	
Profit before tax	9,741	11,381	+1,639	
Closing rate				
- Against the US dollar (Yen)				
- Against the euro (Yen)	111.00	109.56	△1.44	
Gross profit	127.00	122.54	△4.46	

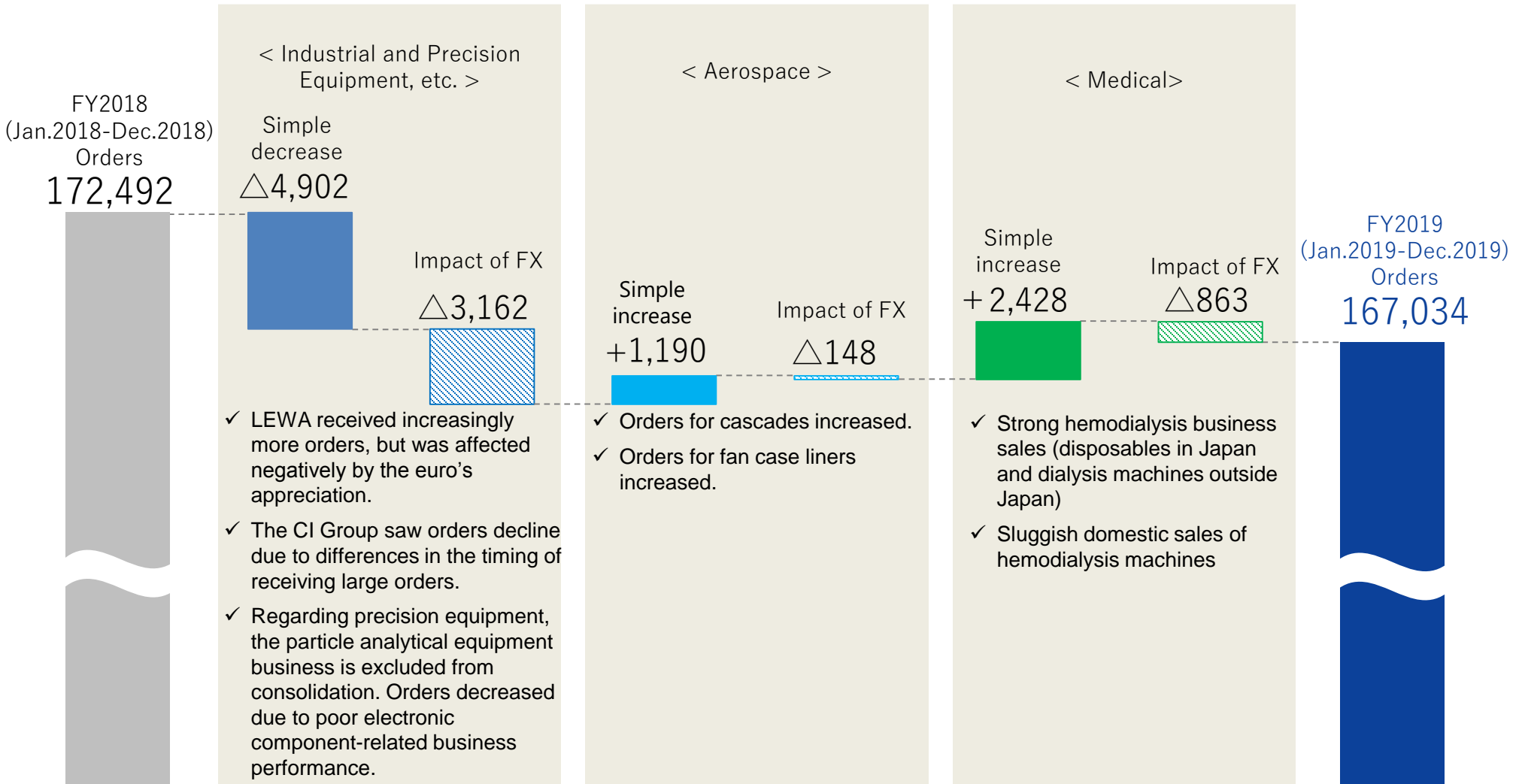
II . Performance by Business Segment

Performance by Business Segment

Millions of JPY	FY2018 Jan. 2018 - Dec. 2018	Performance forecast Announced in November 14, 2019	FY2019 Jan. 2019 - Dec. 2019	YoY comparison		Comparison with forecast
				Change	Change Rate	Change Rate
Orders	172,492	171,500	167,034	△5,457	△3.2%	△2.6%
Industrial Business	111,459	107,200	104,437	△7,022	△6.3%	△2.6%
Industrial	82,238	79,900	77,623	△4,615	△5.6%	△2.8%
Precision Equipment	12,204	9,200	7,571	△4,632	△38.0%	△17.7%
Aerospace	16,884	17,600	17,926	+1,042	+6.2%	+1.9%
Medical Business	61,032	64,300	62,597	+1,565	+2.6%	△2.6%
Revenue	165,326	170,000	165,780	+454	+0.3%	△2.5%
Industrial Business	104,501	105,700	103,734	△767	△0.7%	△1.9%
Industrial	76,763	77,900	75,238	△1,524	△2.0%	△3.4%
Precision Equipment	10,682	9,700	9,233	△1,448	△13.6%	△4.8%
Aerospace	16,909	17,600	17,955	+1,045	+6.2%	+2.0%
Medical Business	60,824	64,300	62,046	+1,222	+2.0%	△3.5%
Operating Profit	10,302	12,000	12,466	+2,163	+21.0%	+3.9%
Operating margin	6.2%	7.1%	7.5%			
Industrial Business	8,140	10,000	10,851	+2,711	+33.3%	+8.5%
Operating margin	7.8%	9.5%	10.5%			
Medical Business	5,582	4,000	3,447	△2,134	△38.2%	△13.8%
Operating margin	9.2%	6.2%	5.6%			
Corporate Expenses	△3,419	△2,000	△1,833	+1,586	-	-

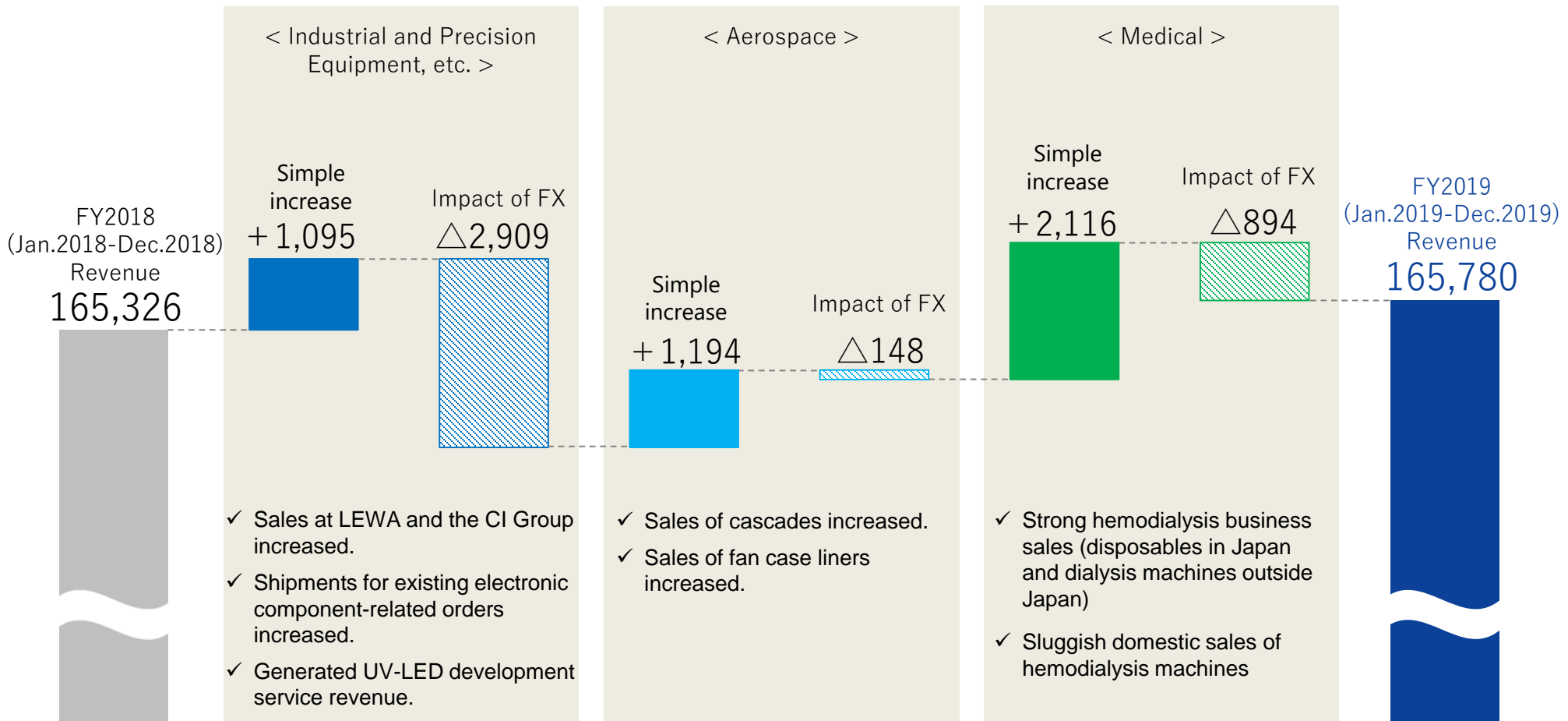
Millions of JPY

Decreased 5,967 million yen year on year (Simple decrease: $\Delta 1,800$; Impact of FX: $\Delta 4,166$)



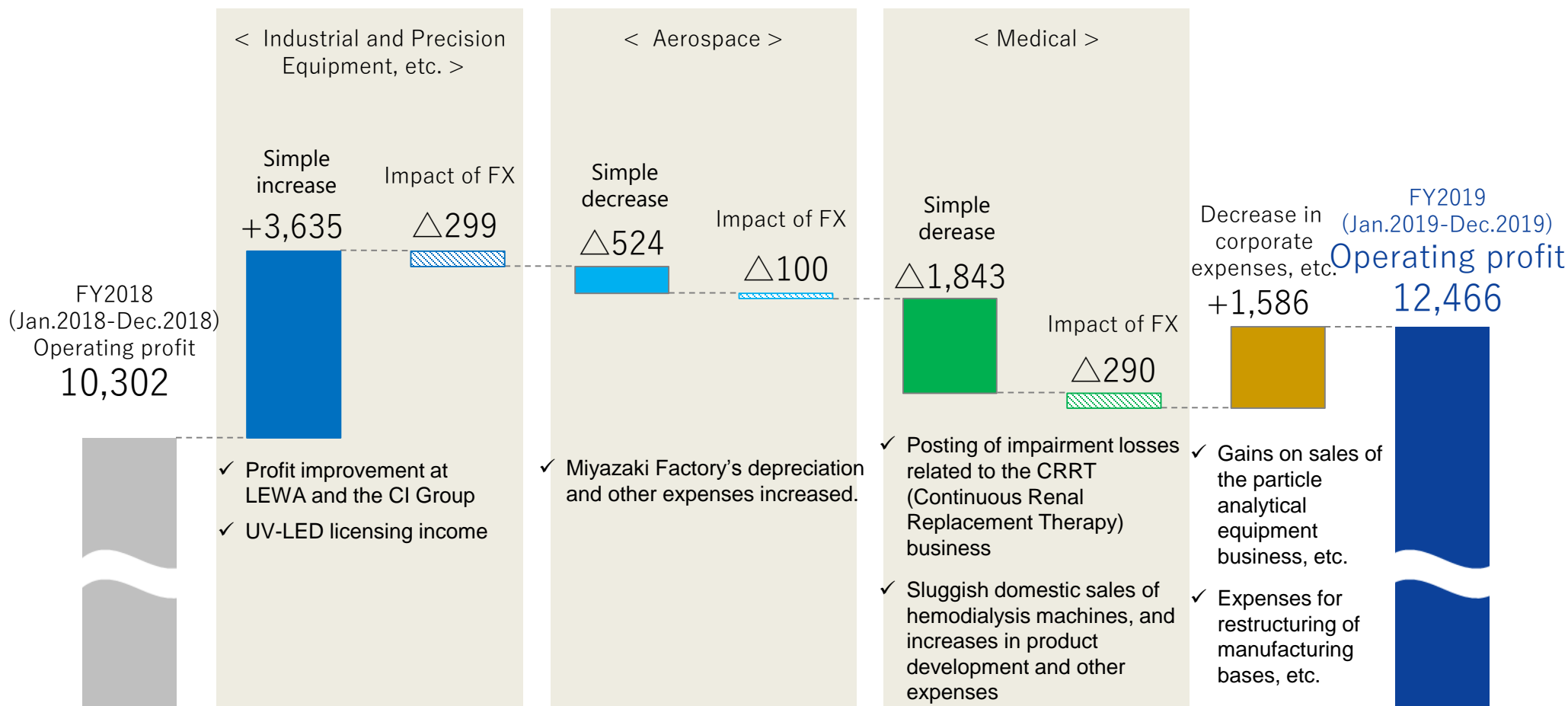
Millions of JPY

Increased 454 million yen year on year (Simple increase: +4,407; Impact of FX: Δ 3,953)



Millions of JPY

Increased 2,163 million yen year on year (Simple increase: +1,268; Impact of FX: Δ 690; Corporate expenses: +1,586)



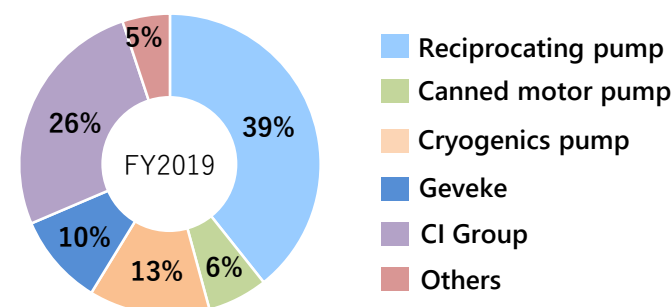
1. Overview

- ✓ LEWA achieved a year-on-year increase in revenue and profit as a result of focusing on sales expansion through strengthened activities in the downstream sector, including after-sales services, and thanks to the number of quotation requests in the upstream sector that increased to previous levels.
- ✓ Received an increasing number of quotation requests and orders for large cryogenic pumps used in LNG-receiving terminals.
Cryogenic Industries Group's revenue and profit increased year on year thanks to growing sales and decreased depreciation expenses.
- ✓ Consequently, the Industrial Division ensured an increase in profit, although its revenue decreased year on year due to the effect of a weaker euro, etc.
- ✓ Aim to expand sales by promoting the Group's sales strategy, strengthen the ability to meet the increasing demand for LNG by building a cryogenic pump testing facility in Miyazaki, and enhance technological ability and productivity by building an industrial factory.

2. Consolidated performance

Millions of JPY	FY2018	FY2019	YoY comparison	
	Jan.2018 – Dec. 2018	Jan. 2019 – Dec. 2019	Change	Change rate
Orders	82,238	77,623	△4,615	△5.6%
Revenue	76,763	75,238	△1,524	△2.0%

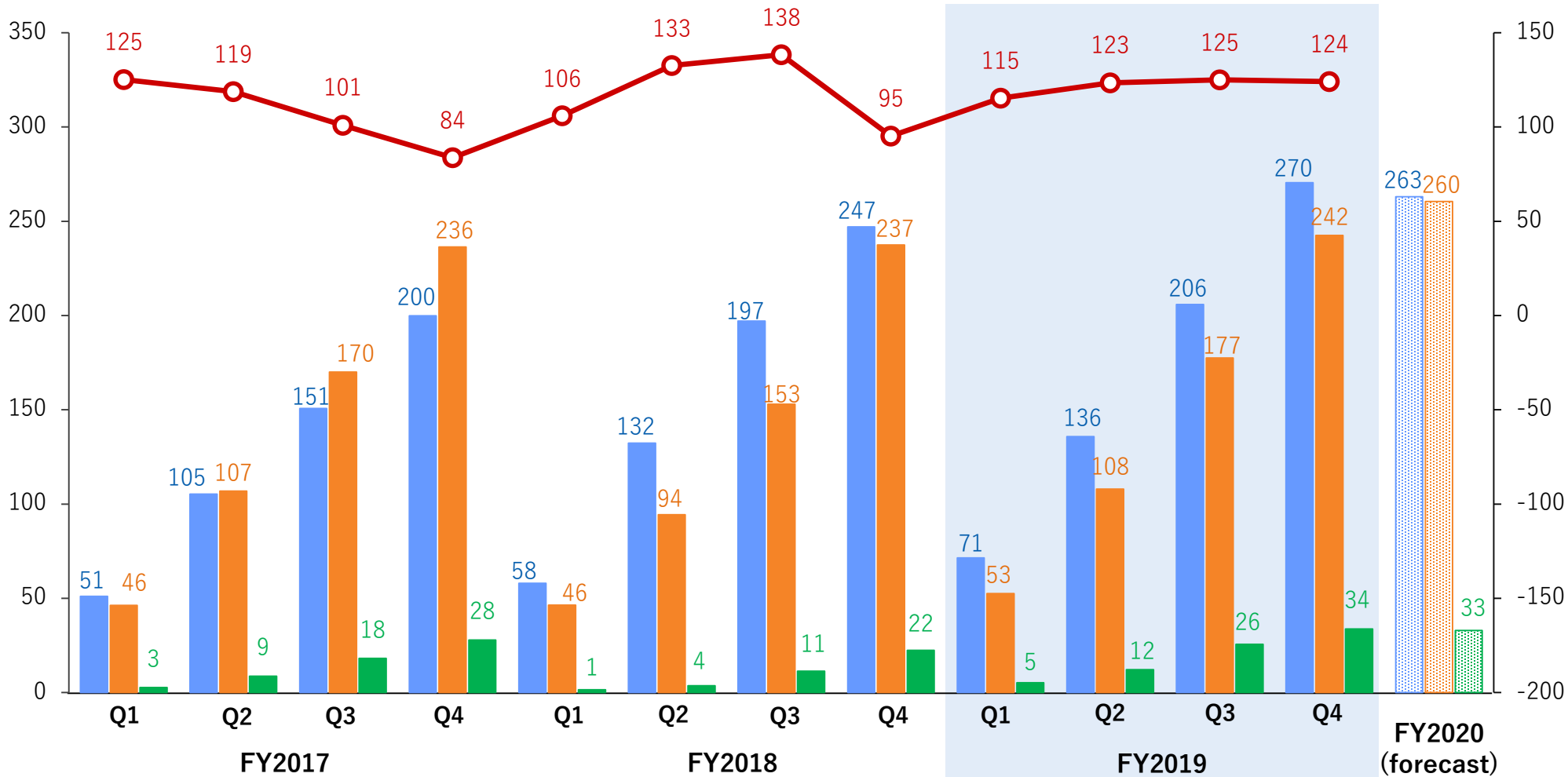
3. Revenue Composition ratio by Product



Quarterly performance trend of LEWA

Millions of €

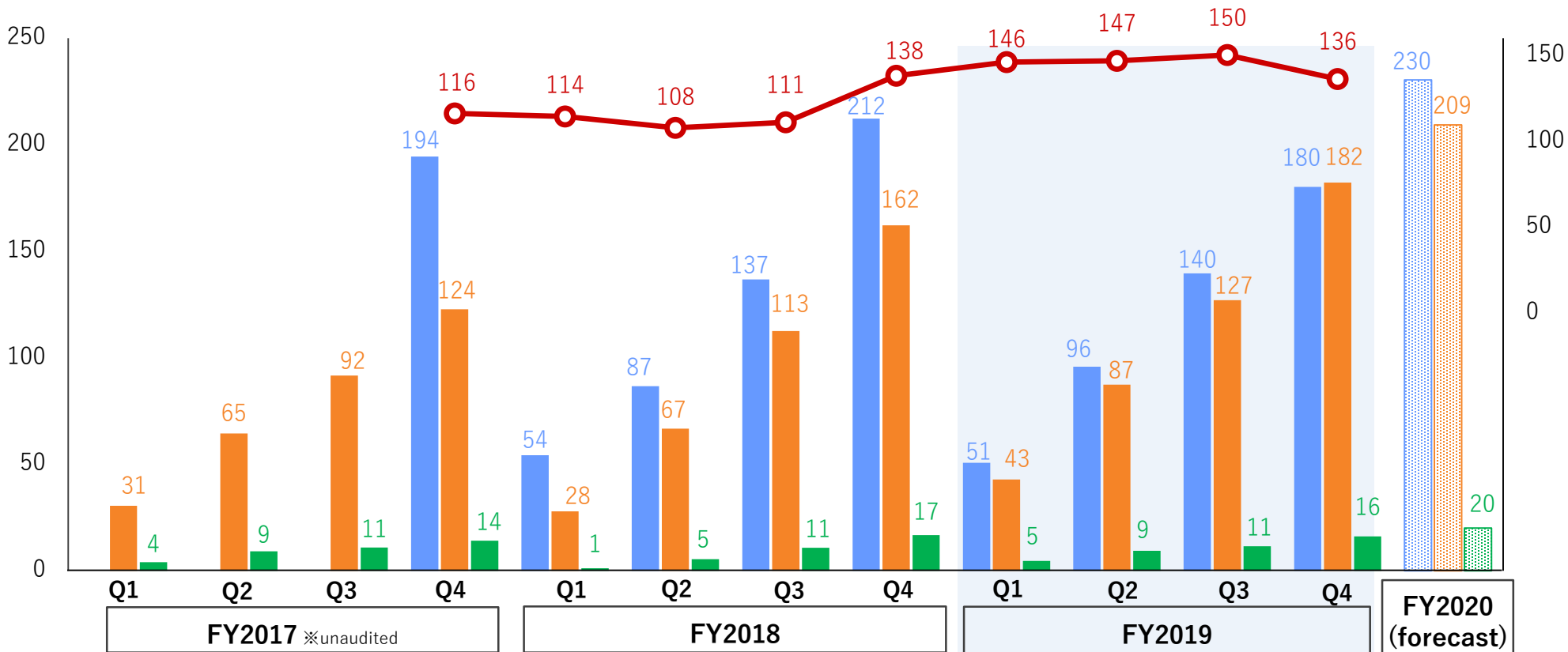
Order (Left axis) Reveue (Left axis) EBITDA (Left axis) Order backlog(Right axis)



Quarterly performance trend of CI group

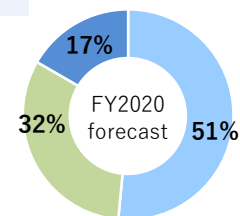
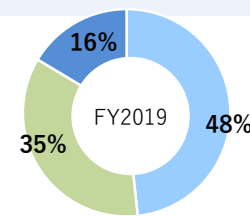
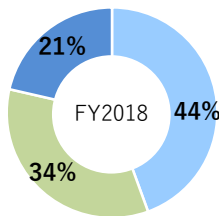
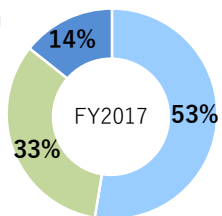
Millions of €

Order (Left axis) Reveue (Left axis) EBITDA (Left axis) Order backlog(Right axis)



Revenue Composition ratio by segment

- ACD
- Cryoquip
- Cosmodyne



Financial results for FY2019

Precision Equipment Division



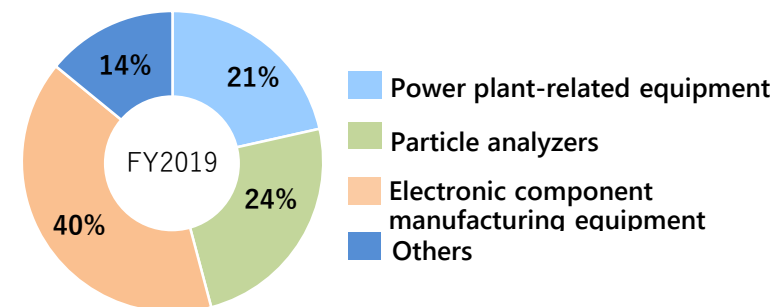
1. Overview

- ✓ The domestic market for power plant-related equipment remained soft, but quotation requests for water-conditioning systems from foreign countries, particularly Southeast Asian countries, are increasing.
- ✓ Orders for electronic component manufacturing equipment decreased due to an electronic component market slowdown, but both manufacturing and shipments for existing orders were steady. Orders for our equipment are expected to increase against the backdrop of globally increasing 5G demand.
- ✓ The Precision Equipment Business reported fewer orders and lower sales revenue as a whole compared with the same period last year, as it transferred its particle analytical equipment business in July 2019.

2. Consolidated performance

	Millions of JPY		YoY comparison	
	FY2018 Jan.2018 – Dec. 2018	FY2019 Jan. 2019 – Dec. 2019	Change	Change rate
Orders	12,204	7,571	△4,632	△38.0%
Revenue	10,682	9,233	△1,448	△13.6%

3. Revenue Composition ratio by Product



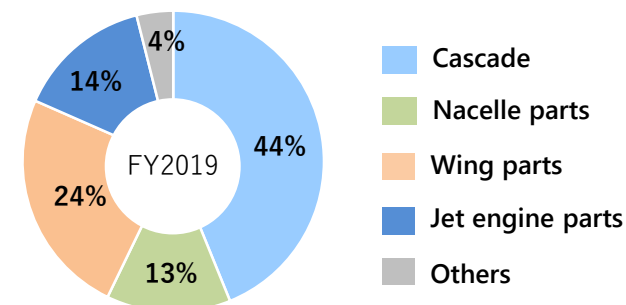
1. Overview

- ✓ The number of inquiries that the Company received increased steadily as commercial aircraft demand mainly for small planes (single-aisle planes) continuously increased, primarily in Southeast Asia. There were no major effects on the shipment of products for Boeing 737 MAX during the current fiscal year.
- ✓ Revenue increased year on year as the shipment of our main products (cascades and engine parts) increased.
- ✓ Profit decreased due to increased expenses, including depreciation expenses, incurred in connection with the launch of the Miyazaki Factory. The initial shipment of A320neo PW cascades, which were newly developed at the Miyazaki Factory, was sent in October. Continue to promote the development of production/new technologies.
- ✓ Discontinued production in Shizuoka in December, and entirely transferred it to another factory. Continue to integrate and optimize production bases and systems, aiming to improve profitability by ensuring stable operations at the Miyazaki Factory and using the second factory in Vietnam.

2. Consolidated performance

	FY2018	FY2019	YoY comparison	
	Jan.2018 – Dec. 2018	Jan. 2019 – Dec. 2019	Change	Change rate
Orders	16,884	17,926	+1,042	+6.2%
Revenue	16,909	17,955	+1,045	+6.2%

3. Revenue Composition ratio by Product



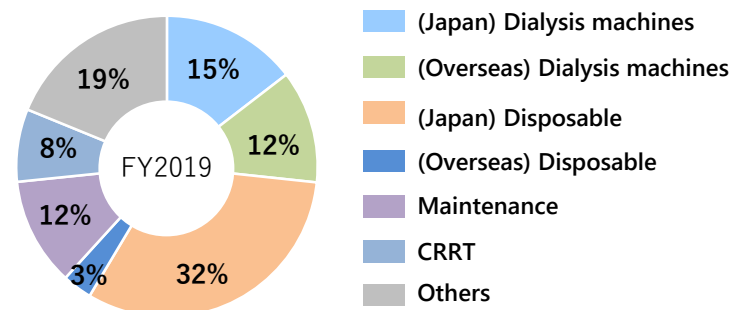
1. Overview

- ✓ Domestic sales of hemodialysis machines remained relatively weak mainly due to the effect of longer replacement cycles. Quotation requests for new machines that were launched in the 3rd quarter increased as the safety of medical treatment, convenience, and economic efficiency were highly evaluated.
- ✓ Domestic sales of blood tubing lines, powder-type dialysate, and other disposables rose. As for overseas markets, sales of hemodialysis machines remained strong in China and Europe.
- ✓ Aim to penetrate the domestic market with new hemodialysis machines, increase the number of users, and strengthen the service system. As for overseas markets, promote sales expansion in Europe, Southeast Asia, China and the U.S. where the functions of the Company's machines are highly evaluated.
- ✓ Posted impairment losses due to worsened performance in the CRRT (Continuous Renal Replacement Therapy) business. The Medical Business saw its revenue increase but its profit decrease year on year as a whole.

2. Consolidated performance

	Millions of JPY		YoY comparison	
	FY2018 Jan.2018 – Dec. 2018	FY2019 Jan. 2019 – Dec. 2019	Change	Change rate
Orders	61,032	62,597	+1,565	+2.6%
Revenue	60,824	62,046	+1,222	+2.0%

3. Revenue Composition ratio by Product



III. Financial forecast

Financial Forecast Summary

The Company's main business continues to grow, although global circumstances remain uncertain.

Increasing investment and costs associated with the strengthening of our business foundation.

Revenue

+8,200 million yen year on year (Industrial: +4,200; Medical: +3,900)

<Industrial>

Revenues in Industrial and Aerospace will increase thanks to market growth. Precision Equipment will see decreased revenue, affected by the sales of certain business operations in the previous year and decreasing electronic component-related orders.

<Medical>

Medical will increase its revenue by penetrating domestic and overseas markets with new hemodialysis machines and by increasing users.

Operating Profit

△1,200 million yen year on year (Industrial: △600; Medical: +2,000; Company: △2,800)

<Industrial>

Costs will increase in connection with the strengthening of the business foundation (e.g. construction of a new factory in Miyazaki).

<Medical>

Medical's profit will increase as CRRT business-related impairment losses are not incurred (△2,100 million yen for the previous year), although other expenses (e.g. R&D expenses and those incurred to expand overseas sales) are expected to increase.

<Company>

No gain on sales of the particle analytical equipment business (+2,400 million yen for the previous year), while costs of restructuring domestic bases are increasing.

Performance by Business Segment

Millions of JPY	FY2019 Actual record	FY2020 Performance forecast	YoY comparison	
			Change	Change rate
Orders	167,034	177,000	+9,965	+6.0%
Revenue	165,780	174,000	+8,219	+5.0%
Operating profit	12,466	11,000	△1,466	△11.8%
Operating margin	7.5%	6.3%		
Profit before tax	11,381	10,000	△1,381	△12.1%
Pretax profit margin	6.9%	5.7%		
attributable to owners of the company				
Profit for the year	6,813	6,000	△813	△11.9%
Profit margin	4.1%	3.4%		
attributable to owners of the company				
Average/Forecast				
Against the US dollar (Yen)				
Against the euro (Yen)				
Forex sensitivity for FY2019 (When yen was depreciated by 1 yen)				
US dollar (Yen)	109.03	109.00	△0.03	
Euro (Yen)	122.03	120.00	△2.03	

Orders

Revenue +460 million yen Operating profit +80 million yen
 Revenue +400 million yen Operating profit +60 million yen

Performance by Business Segment

	FY2019 Actual record	FY2020 Performance forecast	YoY comparison	
			Change	Change rate
Orders	167,034	177,000	+9,965	+6.0%
Industrial Business	104,437	111,000	+6,562	+6.3%
Industrial	77,623	85,000	+7,376	+9.5%
Precision Equipment	7,571	6,500	△1,071	△14.2%
Aerospace	17,926	18,500	+573	+3.2%
Medical Business	62,597	66,000	+3,402	+5.4%
Revenue	165,780	174,000	+8,219	+5.0%
Industrial Business	103,734	108,000	+4,265	+4.1%
Industrial	75,238	82,000	+6,761	+9.0%
Precision Equipment	9,233	6,500	△2,733	△29.6%
Aerospace	17,955	18,500	+544	+3.0%
Medical Business	62,046	66,000	+3,953	+6.4%
Operating Profit	12,466	11,000	△1,466	△11.8%
Operating margin	7.5%	6.3%		
Industrial Business	10,851	10,200	△651	△6.0%
Operating margin	10.5%	9.4%		
Medical Business	3,447	5,500	+2,052	+59.5%
Operating margin	5.6%	8.3%		
Corporate Expenses	△1,833	△4,700	△2,866	

IV. New Medium-Term Business Plan

Review of the previous Medium-Term Business Plan “Nikkiso 2020”

Basic strategies

1. Re-establish Nikkiso as a technology expert
2. Strengthen our management base and profitability for further growth

Main achievements

We have identified promising business areas, reorganized our business structure, and clarified our future growth trajectory.

- Have set the LNG-related equipment market, overseas hemodialysis market, and aerospace component market as growth areas, and focused more on allocating management resources
- Have discontinued our business operations in areas that are not deemed promising and those that are unprofitable or relatively irrelevant to our main business

New Medium-Term Business Plan “Nikkiso 2025” FY2020-FY2025

Nikkiso’s Medium-Term Business Plan “Nikkiso 2020” had been in effect from 2016 to 2019 and, during the 4-year period, we engaged in various challenging endeavors to achieve our future dreams.

Now that we have clarified our future growth trajectory by identifying promising business areas and reorganizing our business structure, we consider it necessary to take action based on new goals reflecting external environmental changes and global and domestic issues we identify. Therefore, we have prepared our new Medium-Term Business Plan “Nikkiso 2025” covering the period between 2020 and 2025.

Basic strategies

1. Enhance our technological ability and production system

Aim to enhance production efficiency and capacity in Japan, create an environment enabling technology and development teams to demonstrate their abilities, and cultivate higher level and efficient production ability and human resources.

2. Build an organization enabling globally integrated business promotion

Strengthen collaboration among group companies and manufacturing bases, and build regional production, sales, and technology frameworks.

Turn our strategies into achievements

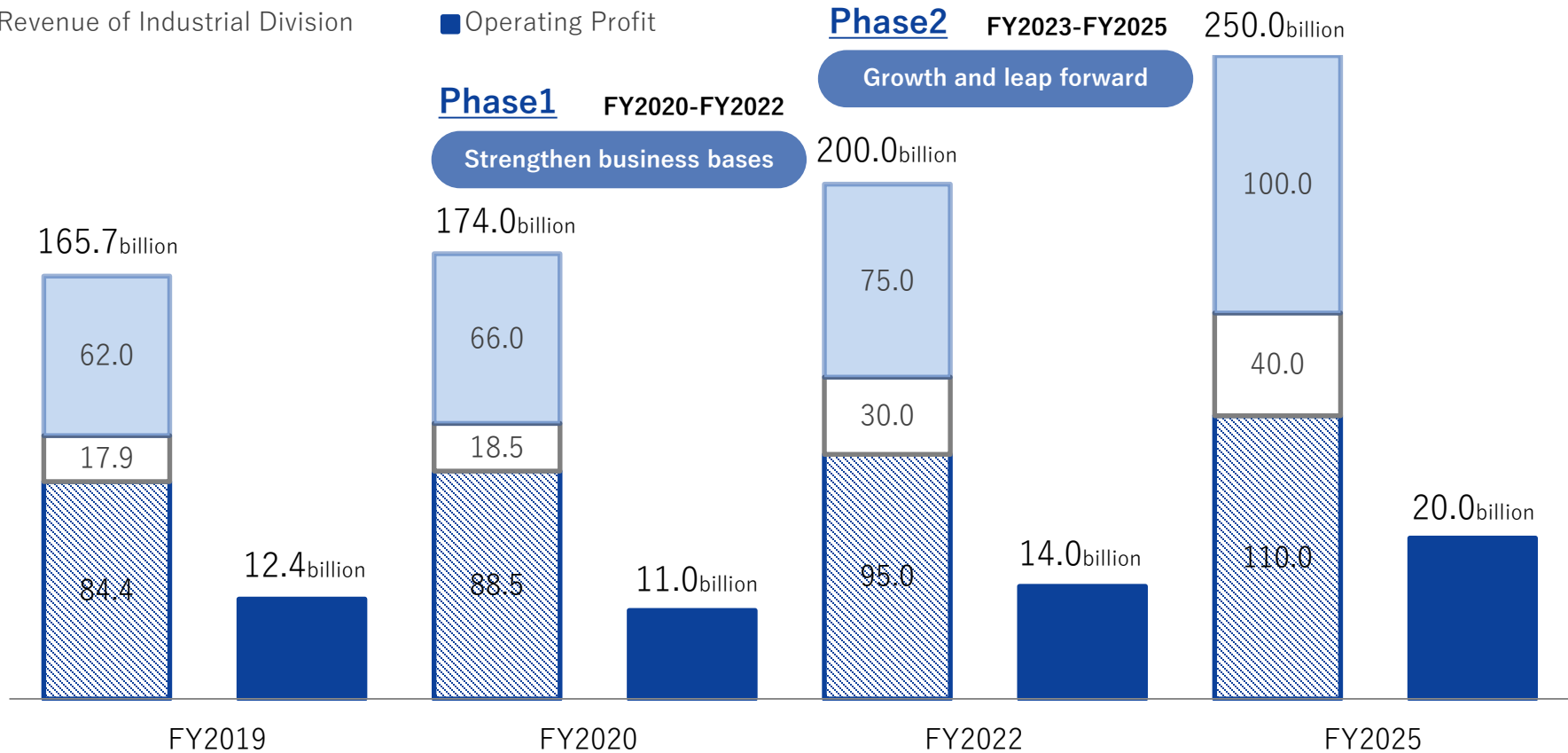
New Medium-Term Business Plan “Nikkiso 2025” for FY2020-FY2025



Strengthen our business bases by categorizing the first 3 years of the 6-year plan as Phase 1, and then make our existing investments successful and turn each strategy into an achievement in the latter half of the plan (Phase 2).

- Revenue of Medical Division
- Revenue of Industrial Division

- Revenue of Aerospace Division
- Operating Profit



Medium-Term Business Plan
NIKKISO 2020

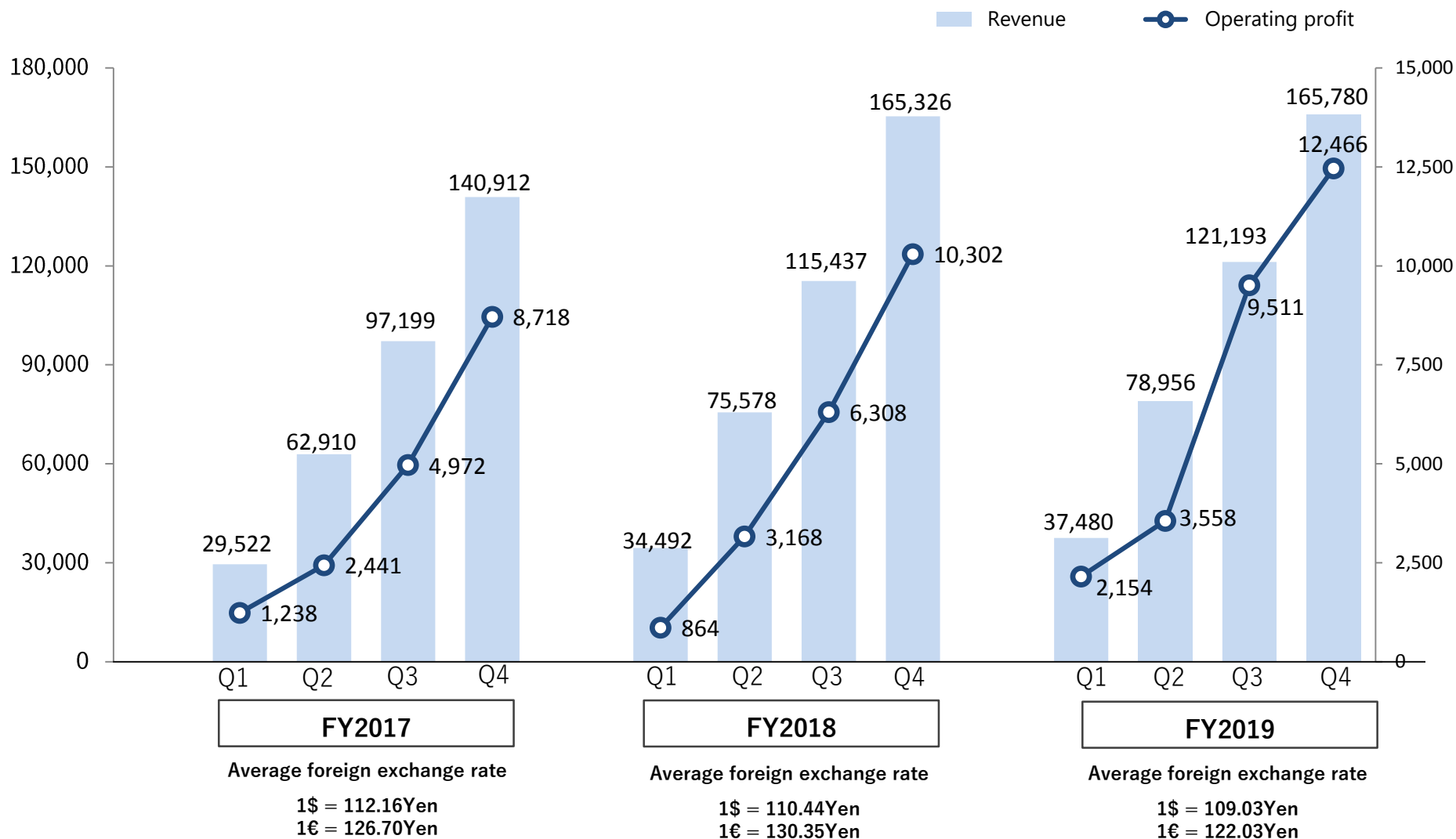
New Medium-Term Business Plan 「Nikkiso 2025」 <FY2020-FY2025>

Appendix

Quarterly results trend



Millions of JPY



Quarterly results trend

Millions of JPY

	As of December 2018		As of December 2019		Change
	Amount	Composition ratio	Amount	Composition ratio	
Total assets	249,788	100.0%	252,984	100.0%	+3,196
Total current assets	121,342	48.6%	113,020	44.7%	△8,321
Cash and cash equivalents	29,269	11.7%	20,303	8.0%	△8,965
Trade and other receivables	54,077	21.6%	53,256	21.1%	△820
Inventories	33,297	13.3%	35,523	14.0%	+2,226
Total non-current assets	128,446	51.4%	139,964	55.3%	+11,517
Property, plant and equipment	44,920	18.0%	41,849	16.5%	△3,070
Goodwill and Intangible assets	64,255	25.7%	61,105	24.2%	△3,150
Total liabilities	171,450	68.6%	169,571	67.0%	△1,878
Trade and other payables	27,380	11.0%	28,231	11.2%	+851
Bonds and borrowings	117,052	46.9%	104,731	41.4%	△12,321
Total equity	78,338	31.4%	83,413	33.0%	+5,074

※ Nikkiso group applied IFRS16 “Leases” from the beginning of current fiscal year. Right-of-use assets and lease liabilities are recognized at the lease commencement date.

Consolidated Statement of Financial Position

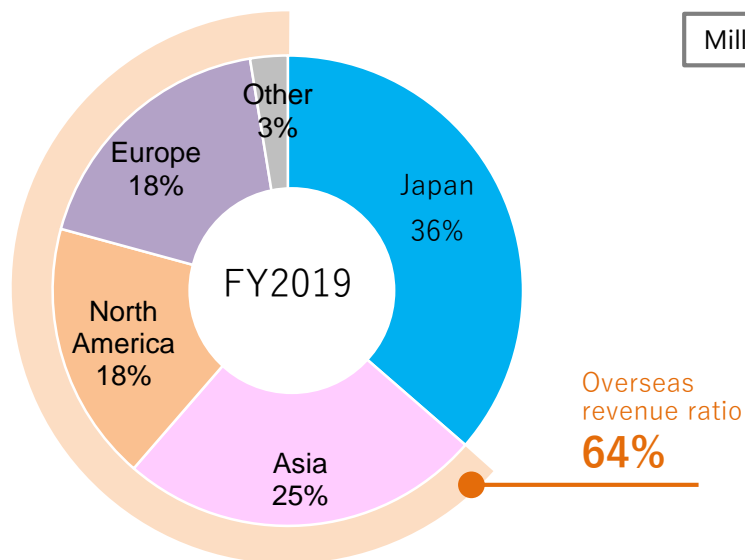


Millions of JPY

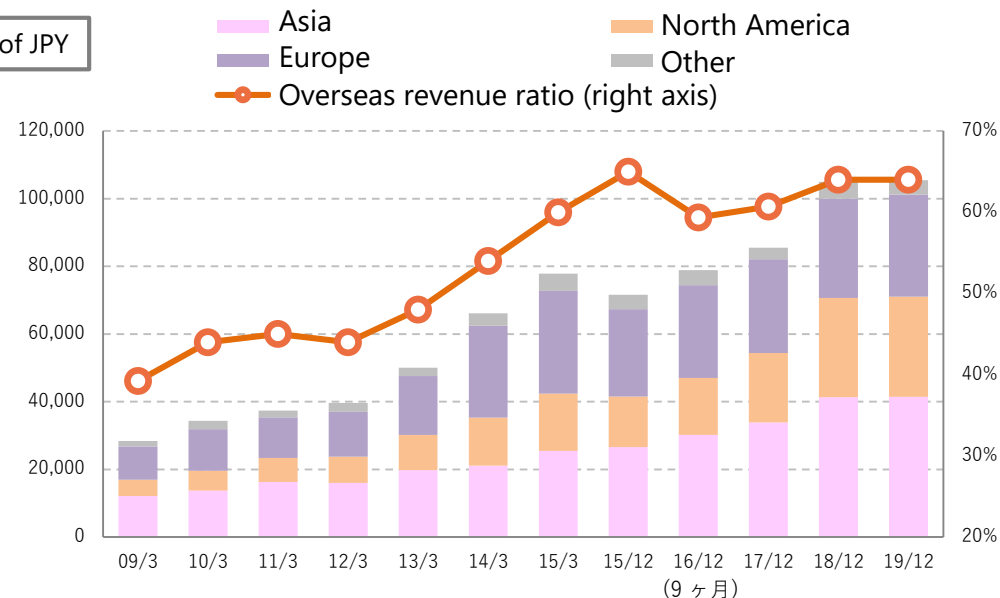
	FY2018 (Jan.2018-Dec.2018)	FY2019 (Jan.2019-Dec.2019)	Change
Cash flows from operating activities	14,076	11,996	Δ 2,079
Profit before tax	9,741	11,381	+1,639
Depreciation and amortization	6,335	8,994	+2,659
Increase(decrease) of working capital (trade receivables/payables and inventories)	Δ 2,983	Δ 3,015	Δ 32
Cash flows from investment activities	Δ 12,218	Δ 5,145	+7,073
Purchase of property, plant and equipment	Δ 11,959	Δ 5,699	+6,260
Payments for acquisition of subsidiaries	Δ 909	Δ 1,520	Δ 611
Free cash flows	1,857	6,851	+4,994
Cash flows from financing activities	Δ 5,771	Δ 15,534	Δ 9,763
increase(decrease) in borrowings	Δ 4,346	Δ 11,071	Δ 6,724
Dividends paid	Δ 1,139	Δ 1,424	Δ 285
Cash and cash equivalents at the end of year	29,269	20,303	Δ 8,965

Revenue Composition Ratio by Region

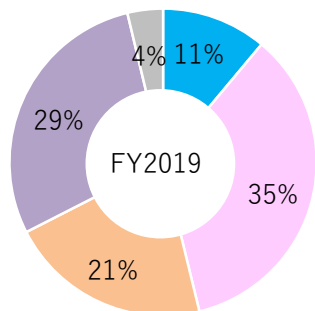
Nikkiso group total



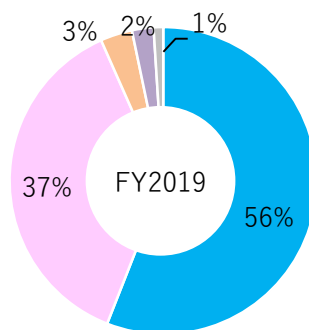
Revenue trend by overseas region



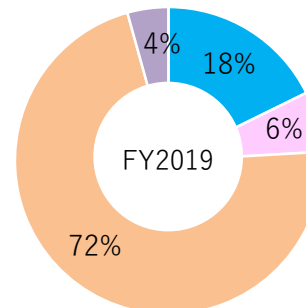
Industrial



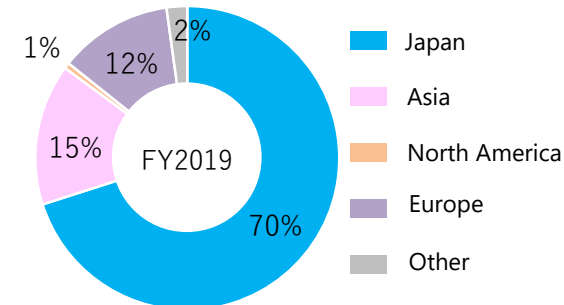
Precision Equipment



Aerospace



Medical



Breakdown of forex sensitivity

※When yen was depreciated by 1 yen

Millions of JPY	FY2020 Performance forecast			
	Against the US dollar		Against the euro	
	Revenue	Operating profit	Revenue	Operating profit
Industrial Division/ Precision Equipment Division	+310	+20	+320	+30
Aerospace Division	+140	+90	+0	+0
Medical Division	+10	△30	+80	+40
Total	+460	+80	+400	+70
Average/Forecast (Yen)		109.00		120.00

Financial data



	FY2016	FY2017	FY2018	FY2019
Earnings per share (Basic)	66.08yen	72.82yen	104.63yen	95.68yen
Return on equity (ROE)	7.2%	7.3%	9.8%	8.6%
Return on asset (ROA)	3.8%	3.9%	3.9%	4.5%
Operating margin	6.2%	6.2%	6.2%	7.5%
Equity ratio	37.4%	30.7%	30.7%	32.2%
Debt/equity ratio	1.05times	1.63times	1.53times	1.28times

Millions of JPY

	FY2016	FY2017	FY2018	FY2019
Capital expenditure	7,635	7,508	12,869	7,220
Research and development expenditure	1,679	2,435	2,387	2,346
Depreciation and amortization	4,766	5,246	6,335	8,994

Quarterly orders/order backlog trend of Industrial Division



Orders

		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
FY2017		11,261	14,331	14,132	19,103
	overseas	9,487	12,241	12,425	17,113
FY2018		20,066	19,760	18,808	23,604
	overseas	18,316	17,659	16,974	20,488
FY2019		21,676	19,727	18,147	18,075
	overseas	20,422	16,050	16,819	15,939

Order backlog

		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
FY2017		29,727	30,582	39,461	38,198
	overseas	26,570	27,174	36,036	34,834
FY2018		43,058	44,457	43,496	43,674
	overseas	40,088	41,298	40,305	39,608
FY2019		47,813	49,402	48,938	46,058
	overseas	44,435	44,282	44,900	41,935

Quarterly revenue trend



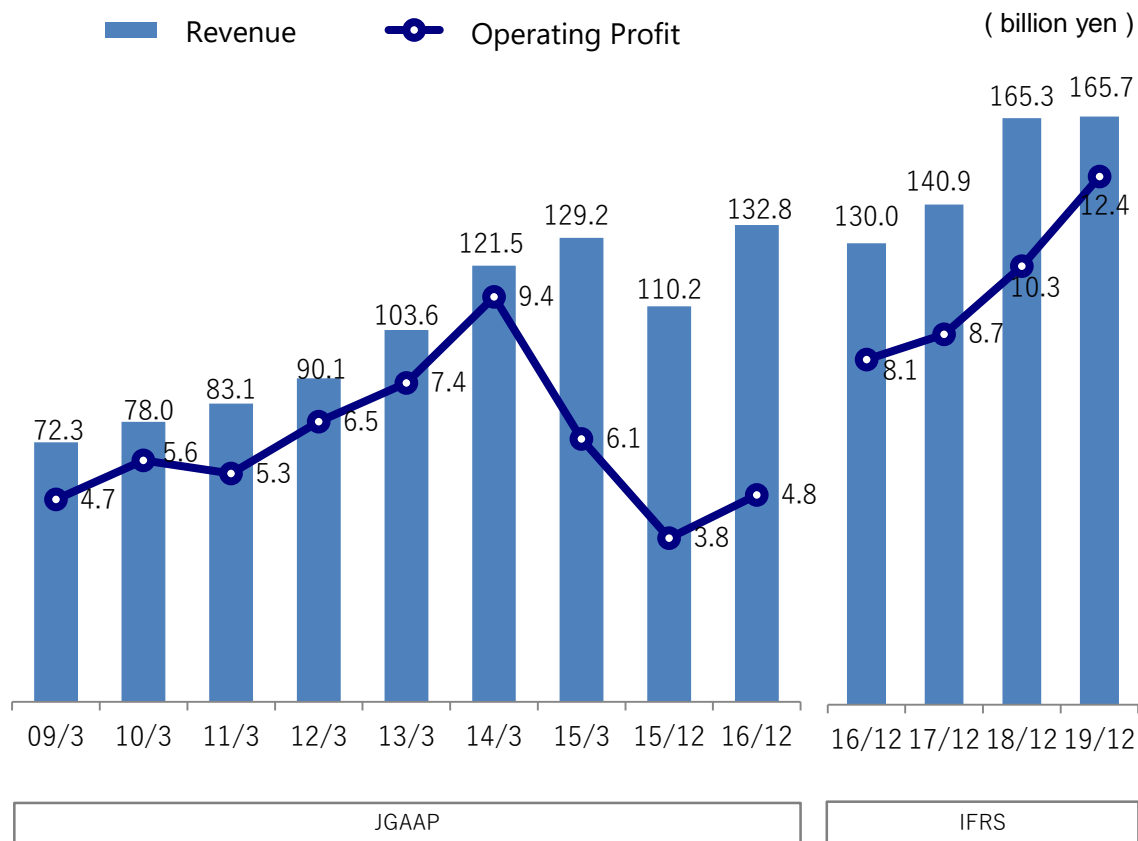
Millions of JPY

		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Industrial Division	FY2017	10,522	13,476	15,274	20,443
	overseas	8,321	12,502	13,393	16,986
	FY2018	15,206	18,361	19,770	23,426
	overseas	13,247	16,289	17,809	21,203
	FY2019	17,536	18,138	18,610	20,953
	overseas	15,595	16,203	16,567	18,535
Precision Equipment Division	FY2017	2,421	2,377	2,070	2,975
	overseas	745	885	821	775
	FY2018	2,516	2,640	2,187	3,339
	overseas	604	794	739	1,177
	FY2019	2,518	2,947	1,589	2,177
	overseas	896	1,113	662	1,394
Aerospace Division	FY2017	3,578	3,991	3,779	4,202
	overseas	2,920	3,606	3,306	3,865
	FY2018	3,792	4,213	3,924	4,980
	overseas	3,301	3,648	3,114	4,240
	FY2019	4,168	4,431	4,656	4,698
	overseas	3,389	3,704	3,803	3,874
Medical Division	FY2017	12,964	13,521	13,114	16,085
	overseas	3,834	3,959	4,623	3,671
	FY2018	12,936	15,855	13,943	18,090
	overseas	4,148	4,586	4,682	5,335
	FY2019	13,175	15,861	16,681	16,327
	overseas	4,193	4,703	4,420	5,255

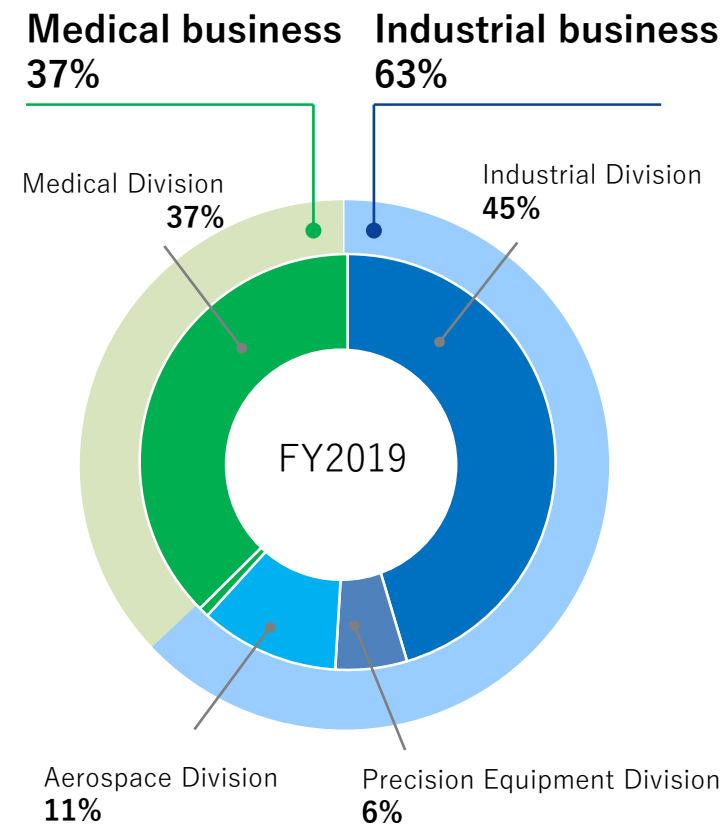
Company Information

Consolidated Revenue

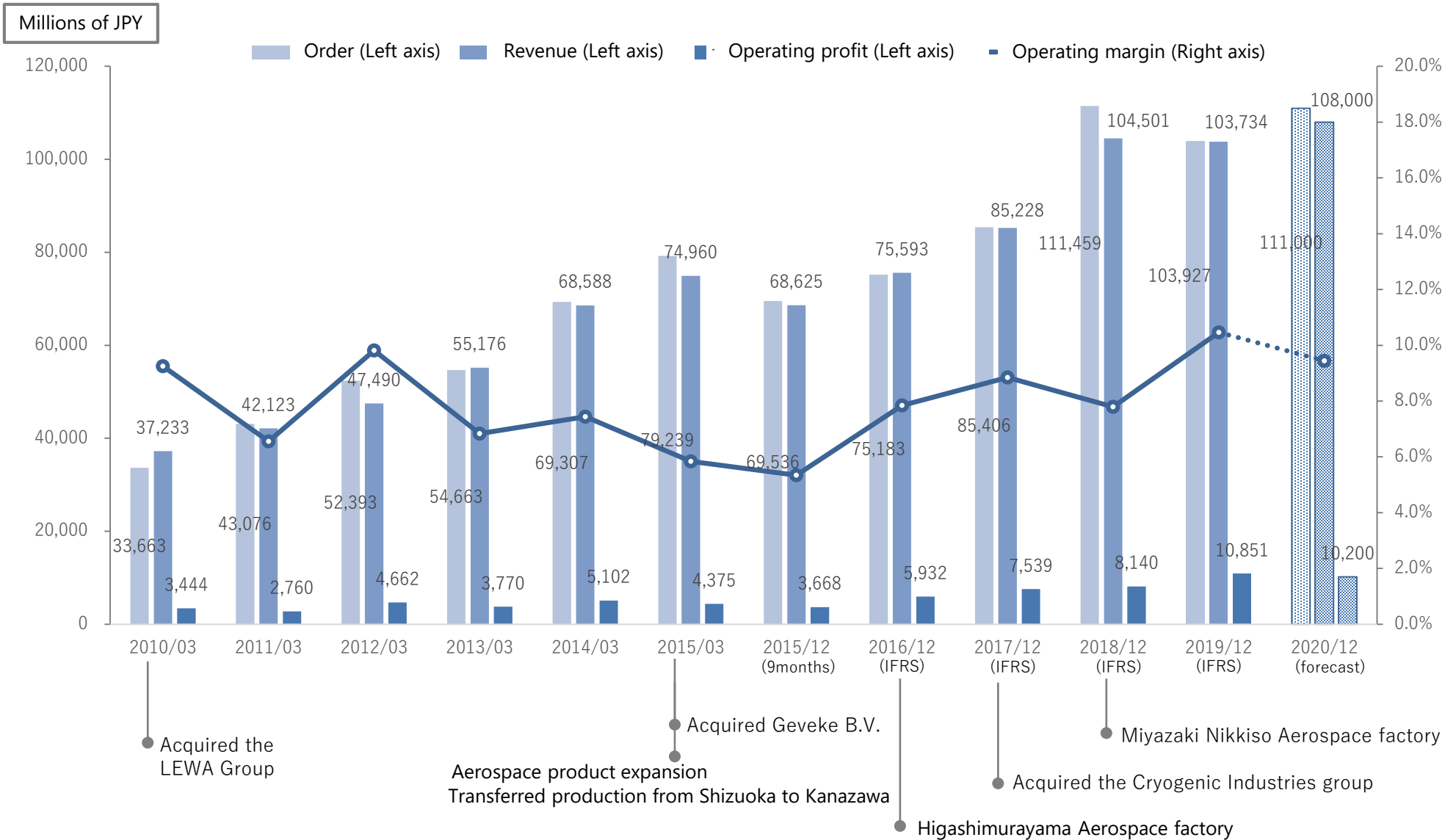
Trend in Revenue/Operating Profit



Revenue by Segment



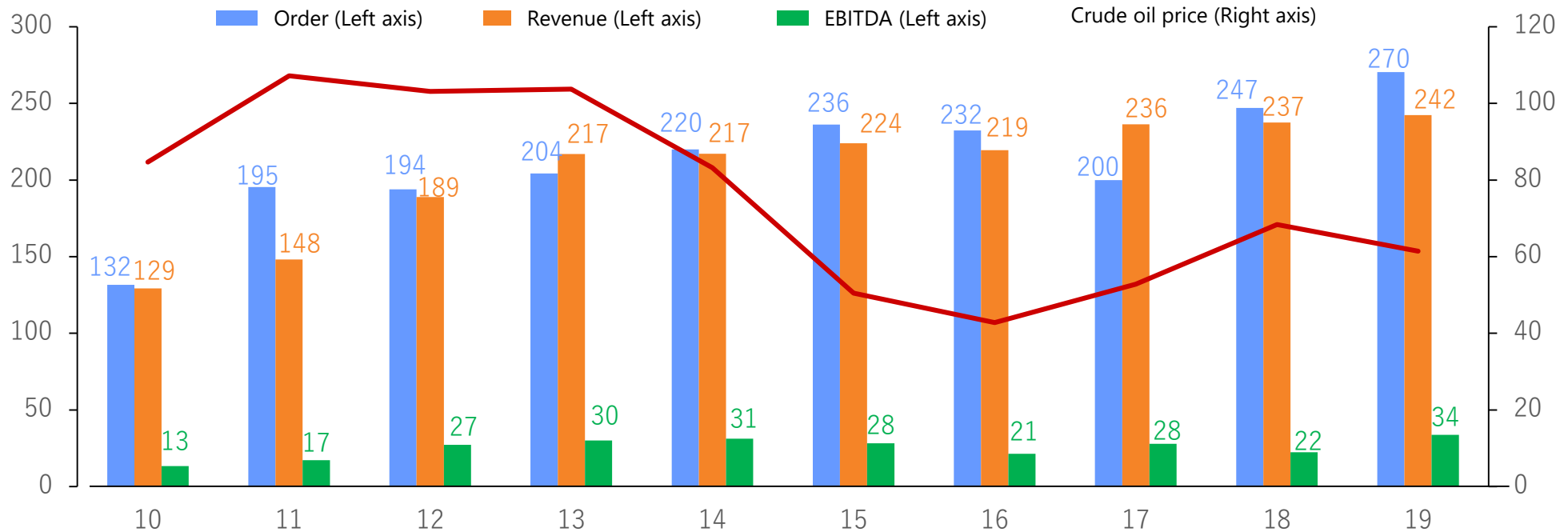
Performance trend of Industrial Business



Performance trend of LEWA

Millions of €

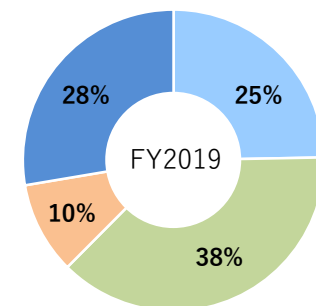
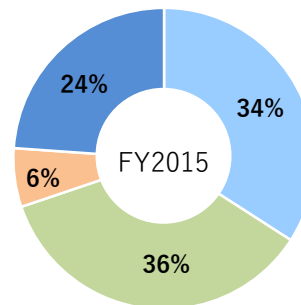
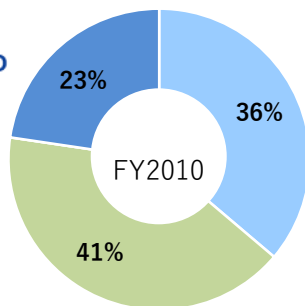
\$/barrel



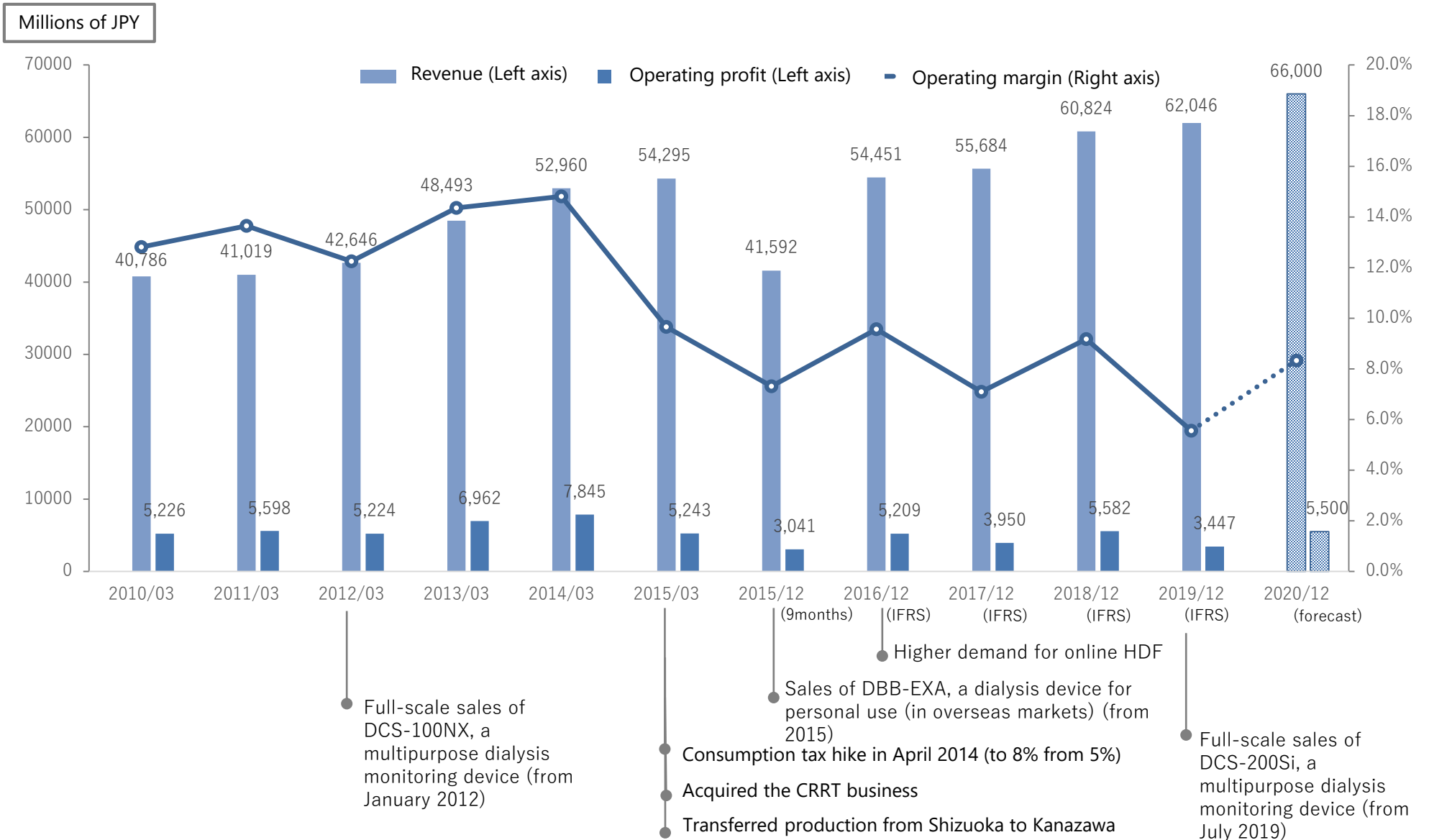
(Source) Crude oil price : The World Bank Group「Commodity Markets Outlook」

Revenue Composition ratio

- Oil & Gas
- Process industry
- Clean market
- After service



Performance trend of Medical Business



Footsteps of the NIKKISO Group

History

