

Consolidated Financial Results for the Nine Months Ended September 30, 2021 (IFRS) (Q3 FY ending December 2021)

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 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 6376
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Scheduled date for filling of securities report: November 12, 2021
 Scheduled date of commencement of dividend payment: -
 Supplementary documents for quarterly results: Yes
 Financial results briefing: None

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2021 (January 1, 2021 - September 30, 2021)

(1) Consolidated Results of Operations

(Percentages show year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
Sep. 30, 2021	118,770	6.3	4,183	(29.3)	4,647	(15.1)	1,091	(75.5)
Sep. 30, 2020	111,698	(7.8)	5,918	(37.8)	5,476	(34.5)	4,458	(7.1)

	Profit for the year attributable to owners of the company		Total amount of comprehensive income		Basic earnings per share	Diluted earnings per share
	Million yen	%	Million yen	%	Yen	Yen
Nine months ended						
Sep. 30, 2021	983	(76.9)	6,780	133.9	13.80	13.79
Sep. 30, 2020	4,253	(8.3)	2,898	114.3	59.71	59.63

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the company	Equity ratio
	Million yen	Million yen	Million yen	%
Nine months ended				
Sep.30,2021	296,432	93,465	91,561	30.9
Year ended				
Dec.31,2020	272,894	88,179	86,322	31.6

2. Dividend Conditions

	Dividends				
	End of the first quarter	End of the second quarter	End of the third quarter	Term-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2020	-	10.00	-	10.00	20.00
FY 2021	-	10.00	-		
FY 2021(Forecast)				10.00	20.00

Note) Revisions to dividend forecasts made during the quarter under review: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 - December 31, 2021)

(Percentages show year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit for the year attributable to owners of the company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	174,500	10.1	9,000	(12.0)	8,700	(3.8)	4,700	(28.4)	65.97

Note) Revisions to consolidated financial forecasts made during the quarter under review: No

* Note

- (1) Important changes in subsidiaries during the period
(change of specific subsidiaries in accordance with changes in the scope of consolidation)
Newly included: None, Excluded: None
- (2) Application of particular accounts procedures to the preparation of consolidated financial statements
- | | |
|---|------|
| (i) Changes in accounting policies required by IFRSs: | None |
| (ii) Changes other than (i) in accounting methods: | None |
| (iii) Changes in accounting estimates: | None |
- (3) Number of ordinary shares issued
- | | |
|--|-------------------|
| (i) Number of shares issued as of term-end (including treasury shares) | |
| As of September 30, 2021 | 74,286,464 shares |
| As of December 31, 2020 | 74,286,464 shares |
| (ii) Treasury shares as of term-end | |
| As of September 30, 2021 | 3,038,428 shares |
| As of December 31, 2020 | 3,038,263 shares |
| (iii) Average number of shares outstanding | |
| Nine months ended September 30, 2021 | 71,248,091 shares |
| Nine months ended September 30, 2020 | 71,238,740 shares |

* Immediate report of financial results is out of the scope of audit.

* Disclaimer regarding forward-looking information including appropriate use of forecast financial results
The forecast statements shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ from these forecast figures due to various factors.

1. Qualitative Information on Results for the Nine Months Ended September 30, 2021

(1) Business Performance

① Overview of Operating Performance

In the third quarter of 2021, the global economy as a whole, recovered as economic activity gradually resumed in step with the spread of vaccines, even amid the re-expansion of COVID-19. On the other hand, in addition to rising prices for crude oil, natural gas, and other natural resources, there were supply chain disruptions and soaring procurement and logistics costs due to shortages of semiconductors and other materials and stagnant international logistics networks caused by a surge in demand following the resumption of economic activities. As a result, the outlook remains uncertain amid an increase in uncertainty .

In the Industrial Segment, the Industrial Division resumed economic activities, mainly in developed countries. Capital investment for industrial gases and LNG is beginning to move, and orders for LNG fuel supply systems for ships are expanding significantly against the backdrop of heightened marine environmental regulations. Meanwhile, in the Aerospace Division, product shipments are gradually recovering as demand for civilian aircraft has begun to recover with the resumption of movement of people. However, it is still expected that it will take time for the business to recover to the level of performance before the Corona crisis. In the Medical Segment, domestic demand for hemodialysis machines remained brisk, and demand for machines recovered in overseas markets. On the other hand, at our factory of blood tubing lines in Ho Chi Minh, Vietnam, we have been forced to restrict plant operations since the end of June 2021 due to instructions from the authorities for the spread of COVID-19. Although the operating rate has gradually recovered, in addition to expenditures due to emergency responses, there is a concern that profitability will deteriorate due to uncertainty regarding the outlook for a convergence of soaring component costs and logistics costs for various products.

As a result of the above, in the consolidated cumulative third quarter of the fiscal year under review, our Group recorded orders of JPY136.977 billion (up 20.7% year on year), revenue of JPY118.77 billion (up 6.3%), operating profit of JPY4.183 billion (down 29.3%), profit before tax of JPY4.647 billion (down 15.1%), and profit attributable to owners of the parent of JPY983 million (down 76.9%).

② Results by Segment (Millions of yen)

	Year ended December 31, 2020 3rd quarter performance	Year ended December 31, 2021 3rd quarter performance	Year on year	
			Change	Rate of change
Orders received	113,494	136,977	+23,482	+20.7%
Industrial Segment	65,642	82,963	+17,321	+26.4%
Industrial Division	58,302	73,412	+15,109	+25.9%
Aerospace Division	6,769	6,725	(44)	(0.7)%
Medical Segment	47,984	55,424	+7,440	+15.5%
Revenue	111,698	118,770	+7,072	+6.3%
Industrial Segment	65,388	67,222	+1,834	+2.8%
Industrial Division	58,095	57,455	(639)	(1.1)%
Aerospace Division	6,815	6,891	+76	+1.1%
Medical Segment	46,442	53,324	+6,882	+14.8%
Segment profit	5,918	4,183	(1,735)	(29.3)%
Industrial Segment	3,806	2,916	(890)	(23.4)%
Medical Segment	4,836	4,402	(434)	(9.0)%
Company-wide expenses	(2,750)	(2,852)	(101)	-
Quarterly profit before tax	5,476	4,647	(828)	(15.1)%
Quarterly profit attributable to owners of the parent	4,253	983	(3,270)	(76.9)%

- ※ The Industrial Segment total column includes amounts for the deep UV LED business.
- ※ The Medical Segment includes amounts for the Healthcare Business.
- ※ In order to present segment results more appropriately in line with the increase in inter-segment transactions, the amounts before deduction of internal transactions are presented in each amount column for each segment.

« Industrial Segment »

<Industrial Division>

With the gradual resumption of economic activities, crude oil and natural gas prices have been on an upward trend, and the energy industry's appetite for capital investment has been on a recovery trend, and orders and inquiries from overseas have been brisk. Meanwhile, medium-to long-term demand for LNG is steady as a transition energy, and the petrochemical market is still showing brisk growth in China and other countries.

Clean Energy & Industrial Gases Group (CE&IG Group) in the Industrial Gases and LNG-related Business is experiencing a worldwide acceleration of its efforts to transition to a carbon-free society. Amid this, orders for LNG powered vessels and carriers are expanding significantly due to the tightening of environmental regulations in the oceans. Recently, both sales and profits declined year on year due to a decrease in sales revenue caused by delays in the progress of projects caused by the stagnation of the U.S. supply chain, as well as additional expenditures, such as for strengthening the system in conjunction with large-scale orders. Meanwhile, LEWA has been successful in transforming its business portfolio, including strengthening downstream fields and after-sales, despite a decline in sales revenues from upstream fields. As a result, operating income remained at the same level as the previous year, despite a decline in revenues for LEWA as a whole, supported by strong sales to the petrochemical market and the after-sales business.

In the Industrial Division as a whole, although the amount of orders increased significantly due to an upturn in the market environment, both sales and profits decreased due to an increase in depreciation expenses associated with the operation of the Miyazaki Industrial factory. In the Electronic Component Manufacturing Equipment business, demand for smartphones and electric vehicles is growing steadily, and orders for

equipment for MLCC are favorable.

We are also making steady progress in creating business domains in anticipation of the arrival of a carbon-free society. As announced on November 5, 2021 in the Notice of Investment in a Hydrogen Company in California, U.S.A., the CE&IG Group invested in FirstElement Fuel, Inc., the industry's largest developer and operator of hydrogen stations in California, U.S.A. Through the investment, we will deepen our cooperative relationship with the development of hydrogen station infrastructure for passenger cars and commercial vehicles, and advance our entry into the hydrogen station market in the country. In the future, we will aim to further expand our business with a view to expanding into global markets, including Japan, based on our achievements in California, U.S.A.

<Aerospace Division>

With the spread of vaccines worldwide, there are signs of a recovery in demand for aircraft as people resume moving. However, due in part to excessive customer inventories, it is expected that it will take more time before parts manufacturing recovers, and the business environment is expected to remain challenging.

Amid these challenging conditions, we are working with aircraft manufacturers not only to manufacture aircraft components, but also to develop materials and manufacturing methods for next-generation aircraft. At the same time, we have begun efforts to create new markets, such as eVTOL (electrical Vertical Take Off and Landing) of next-generation transportation methods and the practical application of hydrogen-fueled aircraft.

With regard to the business foundation, the consolidation of domestic production functions into Miyazaki was completed as planned. Going forward, we will further reduce costs and improve production efficiency to improve profitability, promote R&D to recover demand in the future, and continue to strengthen our business structure by restructuring production systems in Miyazaki and Vietnam.

As a result, orders received in the Industrial Segment were JPY82.963 billion (up 26.4% year on year), revenue was JPY67.222 billion (up 2.8% year on year), and segment profit was JPY2.916 billion (down 23.4% year on year).

« Medical Segment »

<Medical Division>

In the Medical Division, in the domestic hemodialysis market, our mainstay high-performance hemodialysis machines, which have been sold since 2019, were highly evaluated, and sales of machines were favorable, partly due to the rapid increase in demand for dialysis therapy in hospitals and individual rooms as a measure against infectious diseases. In addition, sales of disposables, such as blood tubing lines and powder of dialysate, which can provide added value through a combination with our hemodialysis machines, remain firm. In overseas markets, sales of machines increased year-on-year, mainly in Europe, where there has been a recovery from stagnant demand for hemodialysis machines due to the expansion of COVID-19.

Revenues in both domestic and overseas markets are steadily expanding, but expenses increased due to one-time costs to comply with licenses in each country, as well as upfront investment, including R&D expenses and costs to build a system for full-scale entry into the U.S. market. In addition, disruptions and stagnation in the global supply chain due to the expansion of COVID-19 have resulted in material shortages and soaring material procurement and logistics costs, and the business environment remains uncertain. At our blood tubing lines factory in Ho Chi Minh Vietnam, we have been forced to restrict operations since the end of June due to stricter regulations by the authorities to prevent the spread of infectious diseases. We are still not operating at full capacity, and we are incurring additional expenditures, such as the procurement of alternative products to secure shortage volumes and emergency transportation costs. Under these circumstances, in order to fulfill our duty as a supplier of blood tubing lines, which is the lifeline of dialysis therapy, we decided to construct a blood tubing lines factory at our consolidated subsidiary, Nikkiso Miyazaki, to automate and improve the efficiency of manufacturing processes, thereby establishing a system that can provide a stable supply of high-quality products to the domestic market.

The healthcare business, which utilizes deep UV LED technology, has strengthened its sales activities by expanding its lineup of deferred products and implementing campaigns. However, as vaccines become more popular, competition for products similar to competitors is intensifying, so sales revenue remained at the same level as the previous year. Meanwhile, we are continuing to inquire about the development of applications in collaboration with businesses in a variety of industries, such as incorporating the technologies and functions of deep UV LEDs into equipment. We will steadily continue our efforts to promote and instill the superiority of deep UV LEDs in the market.

As a result, orders received in the Medical Segment were JPY55.424 billion (up 15.5% year on year), revenue was JPY53.324 billion (up 14.8% year on year), and segment profit was JPY4.402 billion (down 9.0% year on year).

(2) Qualitative Information on Consolidated Financial Position

Total assets at the end of the third quarter of the current fiscal year were JPY296.432 billion, an increase of JPY23.537 billion from the end of the previous fiscal year. This was mainly attributable to increases in inventories and property, plant and equipment.

Total liabilities at the end of the third quarter of the current fiscal year were JPY202.966 billion, an increase of JPY18.251 billion from the end of the previous fiscal year. This was mainly due to an increase of debt.

Total equity at the end of the third quarter of the current fiscal year was JPY93.465 billion, an increase of JPY5.286 billion from the end of the previous fiscal year. This was mainly attributable to exchange differences on translation of foreign operations

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

Due to global supply chain disruptions and stagnation triggered by the expansion of COVID-19, the business environment surrounding us remains challenging and unpredictable. The forecast of consolidated financial results remains unchanged at this time, but in the future, we will assess the impact of changes in the environment in each business and promptly disclose any necessary revisions. The exchange rates assumed in the above forecasts are JPY109 to the U.S. dollar and JPY129 to the euro.

While the business environment is becoming increasingly uncertain, in addition to the full-scale entry into the U.S. hydrogen station market in anticipation of the arrival of a carbon-free society and efforts to commercialize next-generation transportation eVTOL and hydrogen-fueled aircraft through the aerospace business, we are making steady progress in reviewing the business portfolios of various businesses, such as phasing out business fields that are unlikely to grow. Together with strengthening our financial position by reducing external borrowings, we will steadily advance various initiatives for growth in the next fiscal year and beyond. In the future, we will promptly disclose any specific progress made on our initiatives.

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	28,570	34,481
Trade and other receivables	51,467	49,029
Other short-term financial assets	487	320
Inventories	40,300	47,606
Income tax refund receivable	421	593
Other current assets	3,314	6,085
Total current assets	124,562	138,117
Non-current assets		
Property, plant and equipment	48,480	54,831
Goodwill and Intangible assets	59,090	61,677
Right-of-use assets	15,471	16,996
Investments accounted for using the equity method	3,269	3,308
Long-term financial assets	17,763	17,209
Deferred tax assets	3,650	3,747
Other non-current assets	605	544
Total non-current assets	148,332	158,314
Total assets	272,894	296,432

(Millions of yen)

As of December 31, 2020 As of September 31, 2020

Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	20,992	41,036
Trade and other payables	26,769	27,405
Lease liabilities	2,359	2,782
Other short-term financial liabilities	790	697
Income taxes payable	1,094	1,936
Provisions	1,263	1,319
Other current liabilities	14,063	16,403
Total current liabilities	67,333	91,581
Non-current liabilities		
Long-term borrowings	96,588	90,357
Lease liabilities	12,332	13,400
Other long-term financial liabilities	1,402	764
Net defined benefit liabilities	3,028	3,025
Provisions	265	291
Deferred tax liabilities	3,687	3,467
Other non-current liabilities	77	79
Total non-current liabilities	117,381	111,385
Total liabilities	184,715	202,966
Equity		
Share capital	6,544	6,544
Capital surplus	10,976	10,976
Treasury shares	(2,495)	(2,495)
Other components of equity	794	6,476
Retained earnings	70,501	70,060
Equity attributable to owners of the Company	86,322	91,561
Non-controlling interests	1,856	1,903
Total equity	88,179	93,465
Total liabilities and equity	272,894	296,432

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income
(Consolidated Statement of Profit or Loss)

(Millions of yen)

	FY 2020 (From January 1, 2020 to September 30, 2020)	FY 2021 (From January 1, 2021 to September 30, 2021)
Revenue	111,698	118,770
Cost of sales	(75,243)	(79,732)
Gross profit	36,454	39,038
Selling, general and administrative expense	(31,353)	(35,628)
Other income	970	1,143
Other expenses	(153)	(370)
Operating profit	5,918	4,183
Financial income	309	1,351
Financial costs	(834)	(793)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	82	(93)
Profit before tax	5,476	4,647
Income tax expenses	(1,017)	(3,555)
Profit for the year	4,458	1,091
Profit for the year attributable to:		
Owners of the Company	4,253	983
Non-controlling interests	205	108
Profit for the year	4,458	1,091
Earnings per share		
Basic (Yen)	59.71	13.80
Diluted (Yen)	59.63	13.79

(Consolidated Statement of Other Comprehensive Income)

(Millions of yen)

	FY 2020 (From January 1, 2020 to September 30, 2020)	FY 2021 (From January 1, 2021 to September 30, 2021)
Profit for the year	4,458	1,091
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income (loss)	760	(373)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	2	0
Total	762	(372)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(2,164)	5,454
Gain (loss) on cash flow hedges	(134)	245
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(23)	362
Total	(2,322)	6,061
Other comprehensive income (loss), net of tax	(1,560)	5,688
Total comprehensive income	2,898	6,780
Total comprehensive income attributable to:		
Owners of the Company	2,830	6,664
Non-controlling interests	68	115
Total comprehensive income	2,898	6,780

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Previous Third Quarter (From January 1, 2020 to September 30, 2020)

(Millions of yen)

	Equity attributable to owners of the parent company				
	Capital stock	Capital surplus	Treasury stock	Other components of equity	
				Financial assets measured through other comprehensive income	Exchange differences on translating foreign operations
January 1, 2020	6,544	11,001	(2,519)	5,233	(3,108)
Quarterly profit					
Other comprehensive income				762	(2,051)
Total quarterly comprehensive income	-	-	-	762	(2,051)
Purchase of treasury stock			(0)		
Disposal of treasury stock		6	24		
Dividends					
Share-based payment transactions		(30)			
Transfer to retained earnings				(49)	
Total transactions with owners	-	(24)	24	(49)	-
September 30, 2020	6,544	10,976	(2,494)	5,946	(5,159)

(Millions of yen)

	Equity attributable to owners of the parent company				Non-controlling interests	Total Equity
	Other components of equity		Retained earnings	Total		
	Gains (losses) on cash flow hedges	Total				
January 1, 2020	(677)	1,447	65,063	81,537	1,875	83,413
Quarterly profit			4,253	4,253	205	4,458
Other comprehensive income	(134)	(1,423)		(1,423)	(136)	(1,560)
Total quarterly comprehensive income	(134)	(1,423)	4,253	2,830	68	2,898
Purchase of treasury stock				(0)		(0)
Disposal of treasury stock				30		30
Dividends			(1,424)	(1,424)	(64)	(1,489)
Share-based payment transactions				(30)		(30)
Transfer to retained earnings		(49)	49	-		-
Total transactions with owners	-	(49)	(1,375)	(1,424)	(64)	(1,489)
September 30, 2020	(812)	(25)	67,942	82,942	1,879	84,822

Current Third Quarter (From January 1, 2021 to September 30, 2021)

(Millions of yen)

	Equity attributable to owners of the parent company				
	Capital stock	Capital surplus	Treasury stock	Other components of equity	
				Financial assets measured through other comprehensive income	Exchange differences on translating foreign operations
January 1, 2021	6,544	10,976	(2,495)	7,162	(5,549)
Quarterly profit					
Other comprehensive income				(372)	5,808
Total quarterly comprehensive income	-	-	-	(372)	5,808
Purchase of treasury stock			(0)		
Dividends					
Total transactions with owners	-	-	(0)	-	-
September 30, 2021	6,544	10,976	(2,495)	6,789	259

(Millions of yen)

	Equity attributable to owners of the parent company				Non-controlling interests	Total Equity
	Other components of equity		Retained earnings	Total		
	Gains (losses) on cash flow hedges	Total				
January 1, 2021	(818)	794	70,501	86,322	1,856	88,179
Quarterly profit			983	983	108	1,091
Other comprehensive income	245	5,681		5,681	7	5,688
Total quarterly comprehensive income	245	5,681	983	6,664	115	6,780
Purchase of treasury stock				(0)		(0)
Dividends			(1,424)	(1,424)	(69)	(1,494)
Total transactions with owners	-	-	(1,424)	(1,425)	(69)	(1,494)
September 30, 2021	(573)	6,476	70,060	91,561	1,903	93,465

(4) Notes to Condensed Quarterly Consolidated Financial Statements
(Notes on Going Concern Assumption)

Not applicable.

(Significant Subsequent Events)

Not applicable.