

# FY2021 Summary of Financial Results

Nifco Inc.

- 1. FY2021 Summary of Consolidated Financial Results**
- 2. FY2022 Full-Year Forecast**
- 3. Medium-Term Management Plan (FY2022-FY2024)**

# Summary

## Summary of Financial Results

- In the fourth quarter, **10.2% OPM was secured due to fixed cost control, etc.**, despite a decrease in profit relative to the same period of the previous year, when there was a significant sharp recovery after Covid.
- For the full year, **OP (30.5 billion yen) and OPM (10.7%) outperformed that of levels before Covid (FY2019).**

## Full-year Forecast (FY2022)

- Although raw material costs and other expenses are expected to increase, growth in the value installed per vehicle and recovery in automobile production, as well as continued control of fixed costs, are expected to contribute to the **increase in sales (+7.5%) and profit (OP +3.3%) compared to FY2021**
- Maintain target payout ratio of 30%; **estimated dividend is 62 yen/share** for this fiscal year

## Mid-term Management Plan

- Expect normalization of automobile production, but due to an increase in raw material costs, etc., **the profit target for FY2024 is set at the same level as the FY2023 target of the previous medium-term management plan.**  
(FY2024 target: Net sales 330 billion yen; operating profit 38 billion yen)
- **Maintain target operating cashflow of 120 billion yen/3 years**

## **1. FY2021 Summary of Consolidated Financial Results**

## 2. FY2022 Full-Year Forecast

## 3. Medium-Term Management Plan (FY2022-FY2024)

## OP exceeded pre-Covid levels

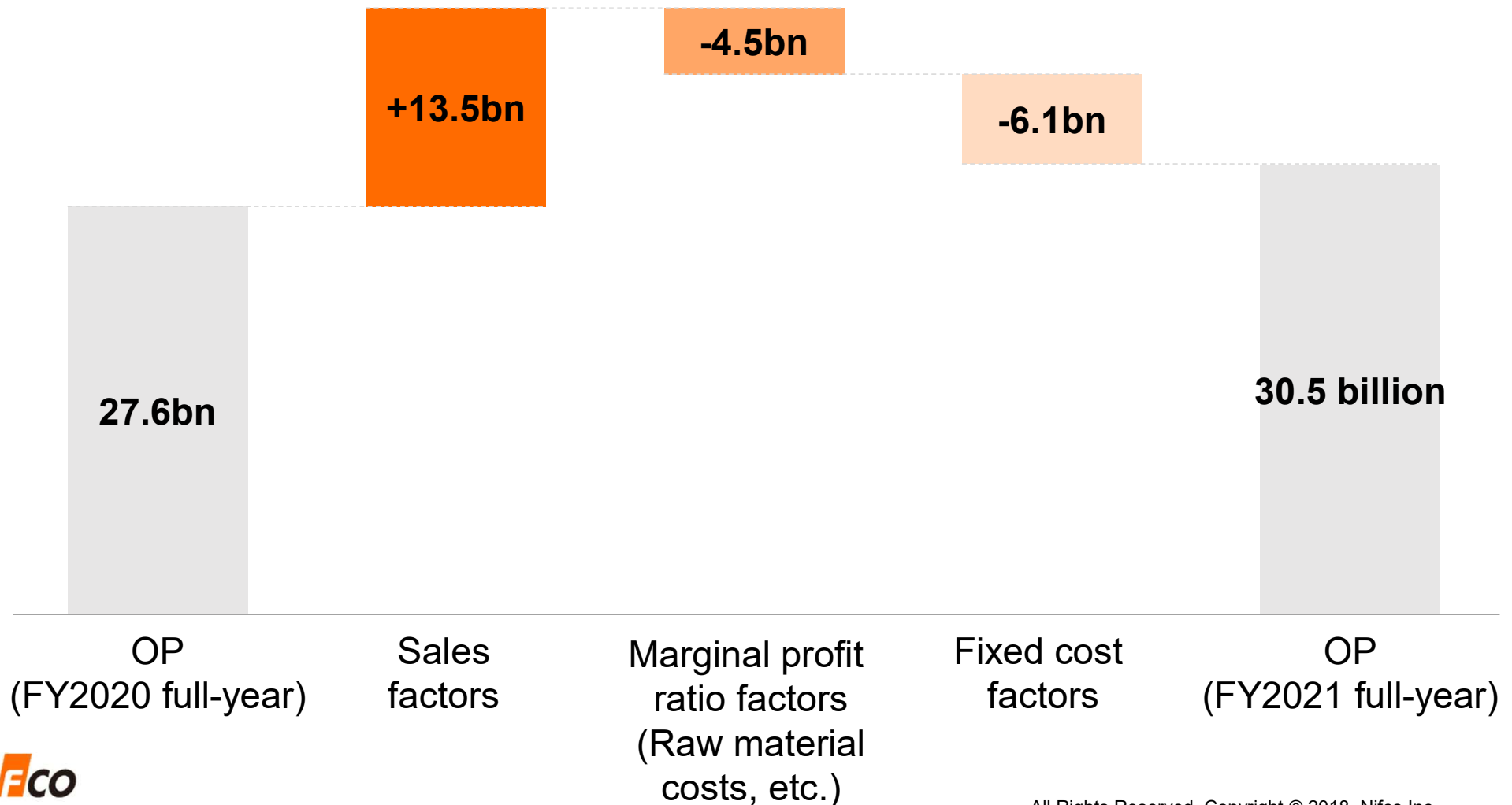
- Sales did not reach pre-Covid (FY 2019) levels, but operating profit exceeded pre-Covid levels, despite increased expenses and automobile production cutbacks

	FY2020	FY2021		FY2019
	Full-Year	Full-Year	YoY	Full-Year
(JPY)				
<b>Net sales</b>	256bn	<b>283.7bn</b>	+10.8%	288bn
<b>OP (OPM)</b>	27.6bn (10.8%)	<b>30.5bn (10.7%)</b>	+10.3% (-0.1%pts)	29.7bn (10.3%)
<b>Net income</b>	18.4bn	<b>22.9bn</b>	+24.8%	18.3bn
<b>EPS</b>	181.09 yen	<b>227.27 yen</b>	+25.5%	171.43 yen
<b>ROE</b>	10.7%	<b>12.3%</b>	+1.6%pts	11.3%
<b>ROIC</b>	10%	<b>11.8%</b>	+1.8%pts	8.4%
<b>FX rate</b>	1\$ = 106.7 yen 1euro = 121.8 yen	<b>1\$ = 109.9 yen 1euro = 129.9 yen</b>	1\$ = +3.2 yen 1euro = +8.1 yen	1\$ = 109.0 yen 1euro = 122.0 yen

## 2. FY2021 Consolidated Operating Profit (YoY Comparison)

### Operating profit increased 10% year-on-year

- Achieved 10% increase in profits due to the effect of increased revenue based on a recovery from Covid impact despite the impact of increased costs
- Fixed costs were controlled within budget



### 3. FY2021 Segment Information (Net Sales)

## Achieved year-on-year revenue growth in all regions

- Net sales increased in all segments

(JPY)	FY2020 (Full-Year)	FY2021 (Full-Year)	YoY	Major Factors of Change
<b>Consolidated</b>	256.0bn	283.7bn	+10.8%	
<b>Plastics</b>	230.7bn	254.0bn	+10.1%	
<b>Japan</b>	70.3bn	73.7bn	+4.8%	Increase in installed value per vehicle
<b>North America</b>	51.1bn	58.5bn	+14.5%	Production volume was flat YoY FX rate
<b>Europe</b>	31.8bn	35.0bn	+10%	Slight decrease in production volume; FX rate
<b>Asian</b>	77.4bn	86.8bn	+12.1%	
<b>China</b>	29.7bn	29.7bn	+0%	
<b>Bed</b>	25.3bn	29.7bn	+17.4%	Strong performance in China and Southeast Asia

#### 4. FY2021 Segment Information (Operating Profit)

### Achieved YoY increase in OP in all regions except North America and JPN

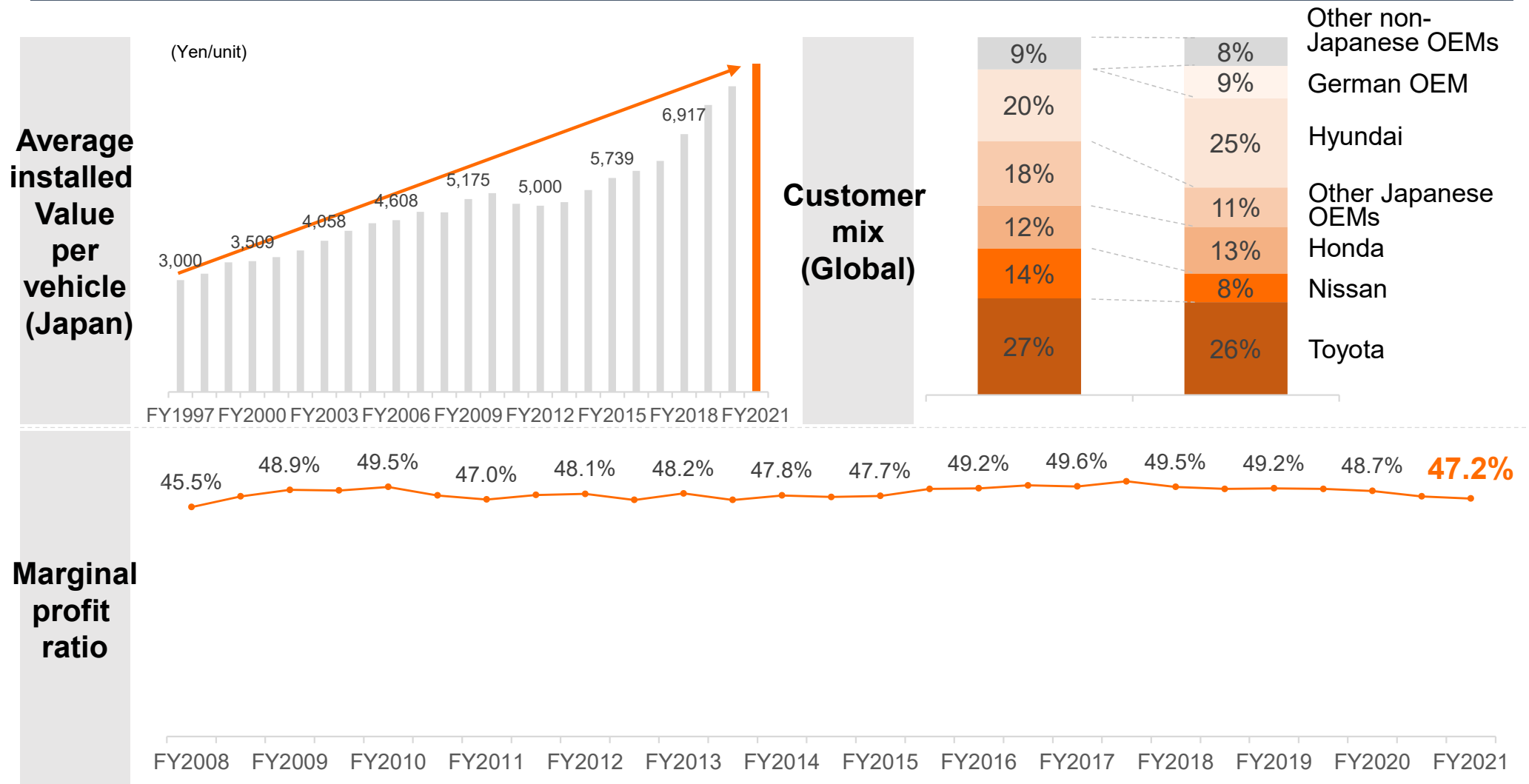
- There was a (one-time) increase in raw material costs in North America
- Profitability improvement is an issue in Europe and the U.S. regions

(JPY)	FY2020 (Full-Year)	FY2021 (Full-Year)	YoY	Major Factors of Change
<b>Consolidated</b>	27.6bn (10.8%)	30.5bn (10.7%)	+10.3%	
<b>Plastics</b>	28.9bn (12.5%)	30.1bn (11.9%)	+4.1%	
<b>Japan</b>	12.8bn (18.2%)	11.6bn (15.8%)	-9.3%	Impact of production decline in the second half of FY2021
<b>North America</b>	3.1bn (6.1%)	1.1bn (2.0%)	-64.5%	Increase in material-related cost (one-time)
<b>Europe</b>	1.1bn (3.5%)	2.1bn (6.1%)	+90.9%	Rebound from revenue and profit decrease due to COVID
<b>Asia</b>	11.8bn (15.2%)	15.2bn (17.5%)	+28.8%	
<b>China</b>	4bn (13.5%)	4.8bn (16.2%)	+20%	
<b>Bed</b>	4.1bn (16.2%)	5.6bn (18.9%)	+36.6%	Strong performance in China and Southeast Asia



## Increase in average installed value per vehicle

- Average installed value per vehicle continues to increase in the current fiscal year with a wide range of customers including Japanese OEMs, Korean OEMs, European OEMs, etc.
- Marginal profit ratio remains in the upper 40% range. Currently declining due to increased material costs.



## Continued emphasis on cashflow-oriented management

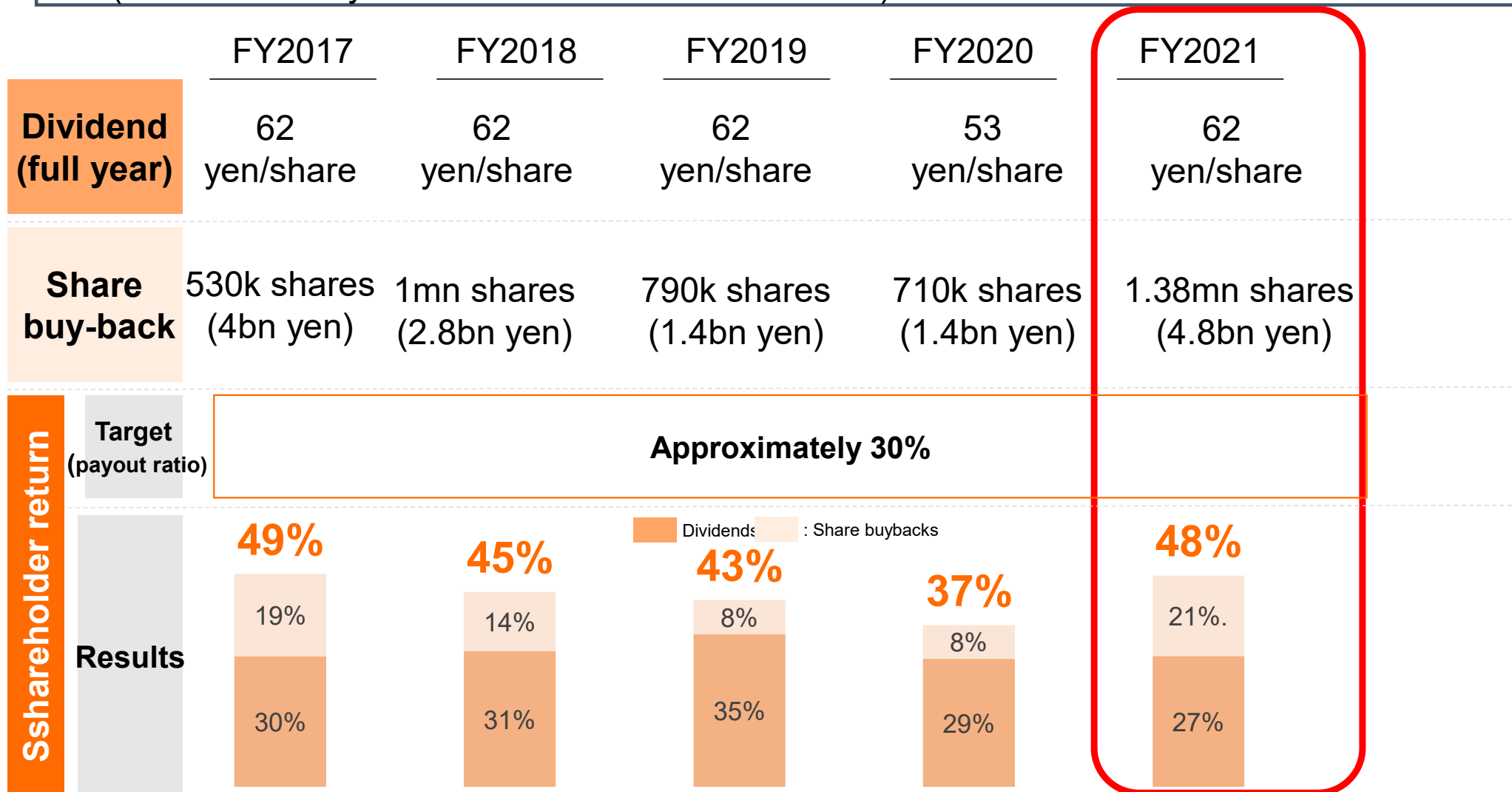
- Capital investment was reduced from planned

(JPY)	<u>FY2020 (Full-Year)</u>	<u>FY2021 (Full-Year)</u>	<u>Change</u>
<b>CAPEX</b>	15.6bn	8.9bn	-6.7bn
<b>Depreciation</b>	13.5bn	12.8bn	-0.7bn
<b>R&amp;D</b>	2.9bn	2.9bn	+0.04bn
<b>Operating CF</b>	39.9bn	31.7bn	-8.2bn
<b>Investment CF</b>	-12.5bn	-9.4bn	+3.1bn
<b>Free CF</b>	27.4bn	22.3bn	-5.1bn
<b>Financial CF</b>	-20.2bn	-13.5bn	+6.7bn
<b>Cash equivalent balance</b>	95.7bn	109.9bn	+14.2bn

## 7. Shareholder returns

# Achieved total payout ratio of nearly 50% due to dividend and buybacks

- Aiming for a dividend payout ratio of approximately 30%.
- Furthermore, by flexibly and continuously conducting share buybacks, we will continue to return profits to shareholders that exceed dividend payout targets (three share buybacks were conducted in FY2021).



1. FY2021 Summary of Consolidated Financial Results

**2. FY2022 Full-Year Forecast**

3. Medium-Term Management Plan (FY2022-FY2024)

# Aim for increased revenue and profit despite increased cost & uncertainty

- Despite the impact of higher raw material costs and other expenses, we expect an increase in sales and operating profit due to growth in installed value per vehicle, progress with production recovery, and strict control of fixed costs.

	FY2021 Actual	FY2022 Forecast	
(JPY)			Vs. FY2021
Net sales	283.7bn	305bn	+7.5%
OP (OPM)	30.5bn (10.7%)	31.5bn (10.3%)	+3.3% (-0.4%pts)
Net income	22.9bn	20bn	-12.7%
EPS	227.27 yen	200 yen	-12%
ROE	12.3%	10%	-2.3%pts
ROIC	11.8%	13%	+1.2%pts
FX rate	1\$ = 109.9 yen 1euro = 129.9 yen	1\$ = 115 yen 1euro = 130 yen	1\$ = +5.1 yen 1euro = +0.1 yen

# Aim to increase revenue and profit (record-high OP) in FY2022

- Aiming for record-high operating profit despite uncertainty over automobile production volume and risk of various cost increases

	FY2021 (Full-Year)		FY2022 Forecast		YoY	
	Net sales	OP (OPM)	Net sales	OP (OPM)	Net sales	OP (OPM)
(JPY)						
<b>Consolidated</b>	283.7bn	30.5bn (10.8%)	305bn	31.5bn (10.3%)	<b>+7.5%</b>	<b>+3.3%</b> <b>(-0.5%pts)</b>
<b>Plastics</b>	254.0bn	30.1bn (11.9%)	272bn	31.0bn (11.4%)	<b>+7.1%</b>	<b>+3.3%</b> <b>(-0.5%pts)</b>
<b>Japan</b>	73.7bn	11.6bn (15.7%)	80bn	11.5bn (14.4%)	<b>+8.5%</b>	<b>-8.6%</b> <b>(-1.3%pts)</b>
<b>North America</b>	58.5bn	1.1bn (1.9%)	65bn	3.0bn (4.6%)	<b>+11.1%</b>	<b>+172%</b> <b>(+2.7%pts)</b>
<b>Europe</b>	35.0bn	2.1bn (6.0%)	37bn	2.0bn (5.4%)	<b>+5.7%</b>	<b>-4.7%</b> <b>(-0.6%)</b>
<b>Asia</b>	86.8bn	15.2bn (17.5%)	90bn	14.5bn (16.1%)	<b>+3.7%</b>	<b>-4.6%</b> <b>(-1.4%)</b>
<b>China</b>	29.7bn	4.8bn (16.2%)	31bn	4.5bn (14.5%)	<b>+4.3%</b>	<b>-6.2%</b> <b>(-1.7%)</b>
<b>Bed</b>	29.7bn	5.6bn (20.2%)	33bn	6.0bn (18.2%)	<b>+11.1%</b>	<b>+7.1%</b> <b>(-2.0%)</b>

## Aim to thoroughly respond to supply issues and rising costs

- Aim to thoroughly implement measures, including fixed cost management, to cope with uncertainties in the business environment, such as in automobile production trends, and with raw material costs.
- Will seek to mitigate risks through diverse customer mix (e.g. strong bed business).

	Risk factor	Situation / Response
<b>Demand</b>	<ul style="list-style-type: none"> <li>• Factory shutdown due to lockdown by continuing Covid infections</li> <li>• Prolonged automobile production adjustment due to supply chain problems, international politics, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mitigate risk through diverse customer mix</b></li> <li>• Fixed cost management appropriate to circumstances</li> </ul>
<b>Supply</b>	<ul style="list-style-type: none"> <li>• Responding to increased production when automobile production recovers</li> <li>• Supply chain risk (Covid impact on China, pressures on sea transport, international politics, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Aim to secure production capacity</b> for when production demand increases</li> <li>• Aim to secure a stable supplier</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>• Material cost hike</li> <li>• Other rising costs (logistics and labor costs, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Promote <b>price optimization initiatives</b></li> <li>• <b>Thorough cost reduction and fixed cost management</b></li> </ul>

## Allocation of funds with emphasis on cashflow-oriented management

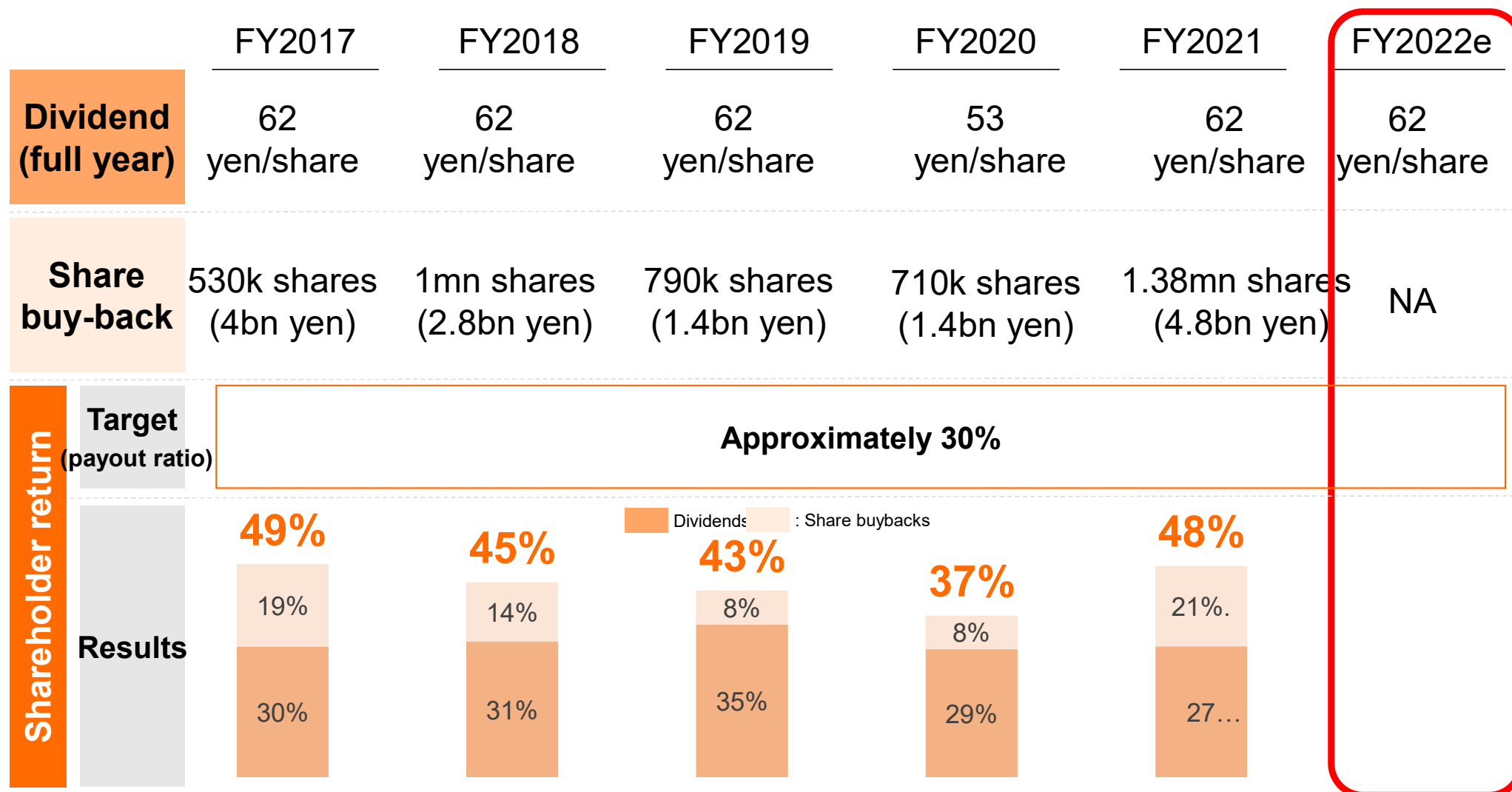
- Capital investment and depreciation will return to normal and free cash flow will increase

(JPY)	<u>FY2021 (Actual)</u>	<u>FY2022 (Budget)</u>	<u>Change</u>
<b>CAPEX</b>	8.9bn	13.1bn	+4.2bn
<b>Depreciation</b>	12.8bn	13.0bn	+0.2bn
<b>R&amp;D</b>	2.9bn	2.8bn	-0.1bn
<b>Operating CF</b>	31.7bn	38.4bn	+6.7bn
<b>Investment CF</b>	-9.4bn	-13.1bn	-3.7bn
<b>Free CF</b>	22.3bn	25.3bn	+3.0bn
<b>Financial CF</b>	-13.5bn	-14.7bn	-1.2bn
<b>Cash equivalent balance</b>	109.9bn	119.9bn	+10.0bn



## Dividends to remain the same as the previous year

- Net income is expected to decline, but dividend is expected to remain unchanged from the previous year at 62 yen per share.



1. FY2021 Summary of Consolidated Financial Results

2. FY2022 Full-Year Forecast

**3. Medium-Term Management Plan  
(FY2022-FY2024)**

### 13. Medium-Term Management Plan

**Set annually when there are changes in targets and strategies for the next three years, taking into account changes in the business environment and other factors**

Set goals for 3-year rolling medium-term management plan

Formulated	Applicable period	Rolling				
		FY2021	FY2022	FY2023	FY2024	FY2025
FY2021	FY2021~2023	Medium-term target (FY2023) (Sales, Profit, ROE, ROIC, etc.)				
FY2022	FY2022~2024	Set mid-term targets for each FY Medium-term target (FY2024) (Sales, Profit, ROE, ROIC, etc.)				
FY2023	FY2023~2025	Set mid-term targets for each FY Medium-term target (FY2025) (Sales, Profit, ROE, ROIC, etc.)				

# 14. Numerical Targets for FY2024

Target figures that were postponed almost a year due to Covid

	FY2021	FY2022	FY2024		FY2023
	Results	Forecast	Target	Vs. FY2021	Prev. mid-term target as reference
(JPY)					
Net sales	283.7bn	305bn	330bn	+16.3%	310bn
OP	30.5bn	31.5bn	38bn	+24.6%	38bn
OPM	10.8%	10.3%	11.5%	+0.7%pts	12.3%
Net income	22.9bn	20bn	26.5bn	+15.7%	26.5bn
ROE	12.3%	10%	13%	+0.7%pts	13%
ROIC	11.8%	13%	15%	+3.2%pts	15%
Operating CF (3-year total)	107.4bn	110bn	120bn	+ 11.7%	120bn
Estimated FX rate	1\$ = 109.9 yen 1euro = 129.9 yen	1\$ = 115 yen 1euro = 130 yen	1\$ = 115 yen 1euro = 130 yen		1\$ = 106 yen 1euro = 122 yen

### Production volume normalizes, but costs remain unsparing

#### Net sales

- Covid-19, supply chain issues, geopolitics, and other influences have subsided and **automobile production has normalized**

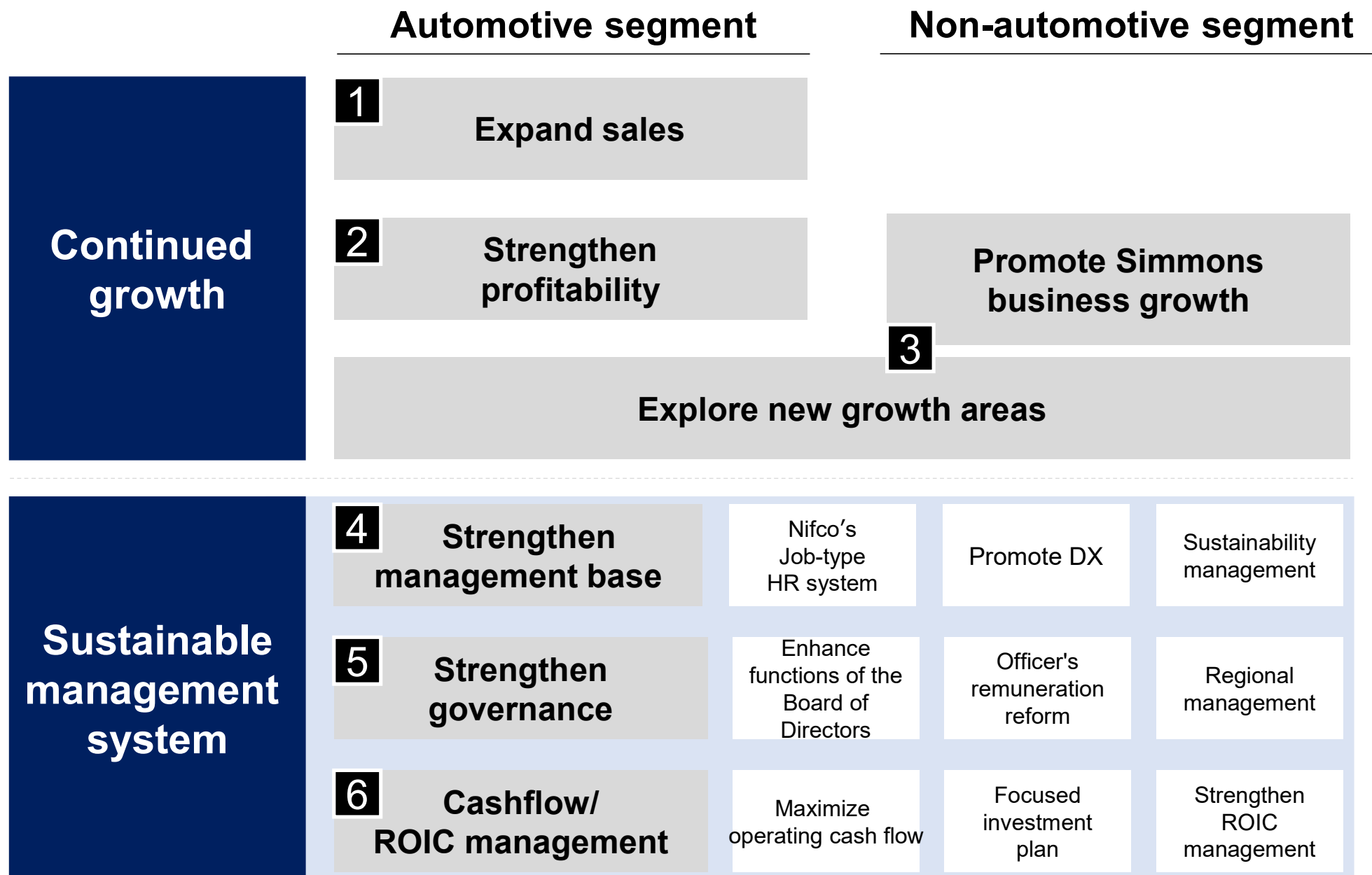
#### Cost

- **Raw material prices continue to soar** due to high natural resource prices (high crude oil prices), inflation, etc.
- Assumption is that **logistics, labor and other costs will continue to increase on a global basis**
- Incorporate **cost reduction activities** that have high feasibility

#### FX rate

- Estimated at the same level as FY2022  
(1\$ = 115 yen, 1euro = 130 yen)

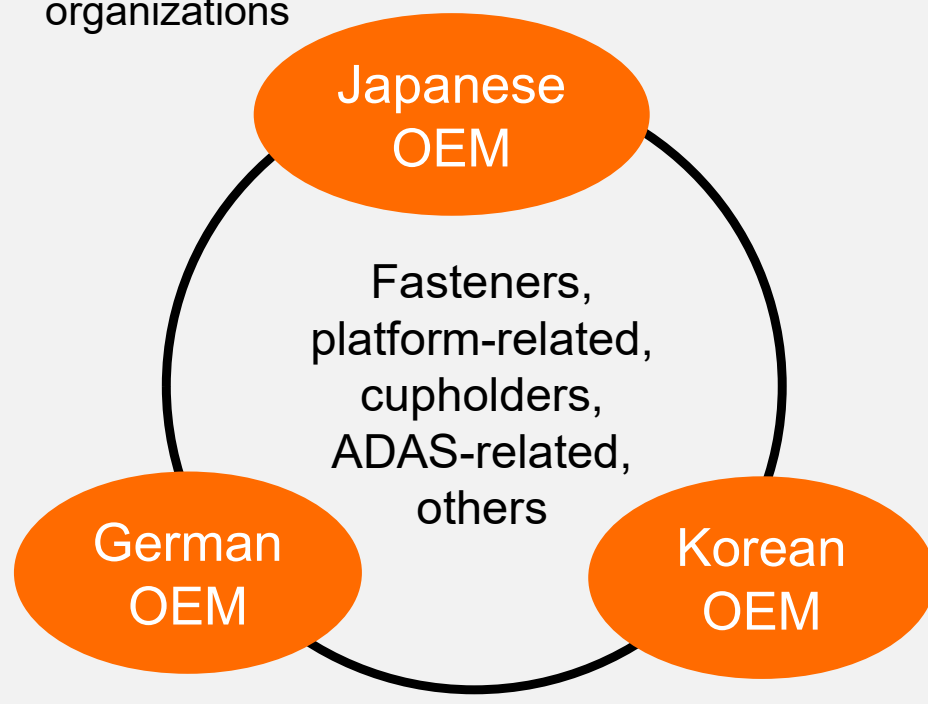
# Maximize corporate value through "ambidextrous management"



### 1 Seek to maximize the installed value per vehicle

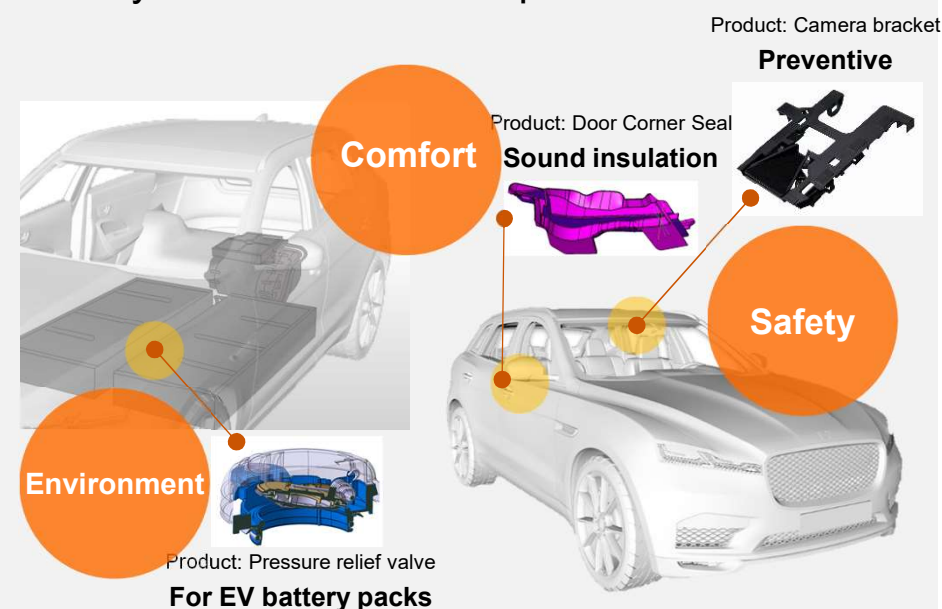
#### 1 Horizontal development of strong product lines across the Group

- Cross-development beyond product and business organizations



#### 2 New product development focused on a theme

- Development of new products consistent with management and business strategies
- Timely introduction of new products to the market



As shown above, efficiently pursue new needs and develop new markets through concentrating management resources to aim for **growth beyond automobile production increase**

## 2 Thorough cost reduction and fixed cost control within individual processes



Improve profitability:

Always aim for a **stable operating profit margin of 10%** or more



### 3 Develop businesses for future growth in both the automotive and new fields

#### 3 Promote growth of Simmons business

- Restructure domestic sales channels and strengthen sales (Cultivate new customers and expand online sales, etc.)
- Accelerate growth in China and Southeast Asian markets (Consideration to aggressive store development, new production plant, etc.)
- Develop new markets with SleepTech

#### 3 Establish unit dedicated to new businesses

##### Automotive segment:

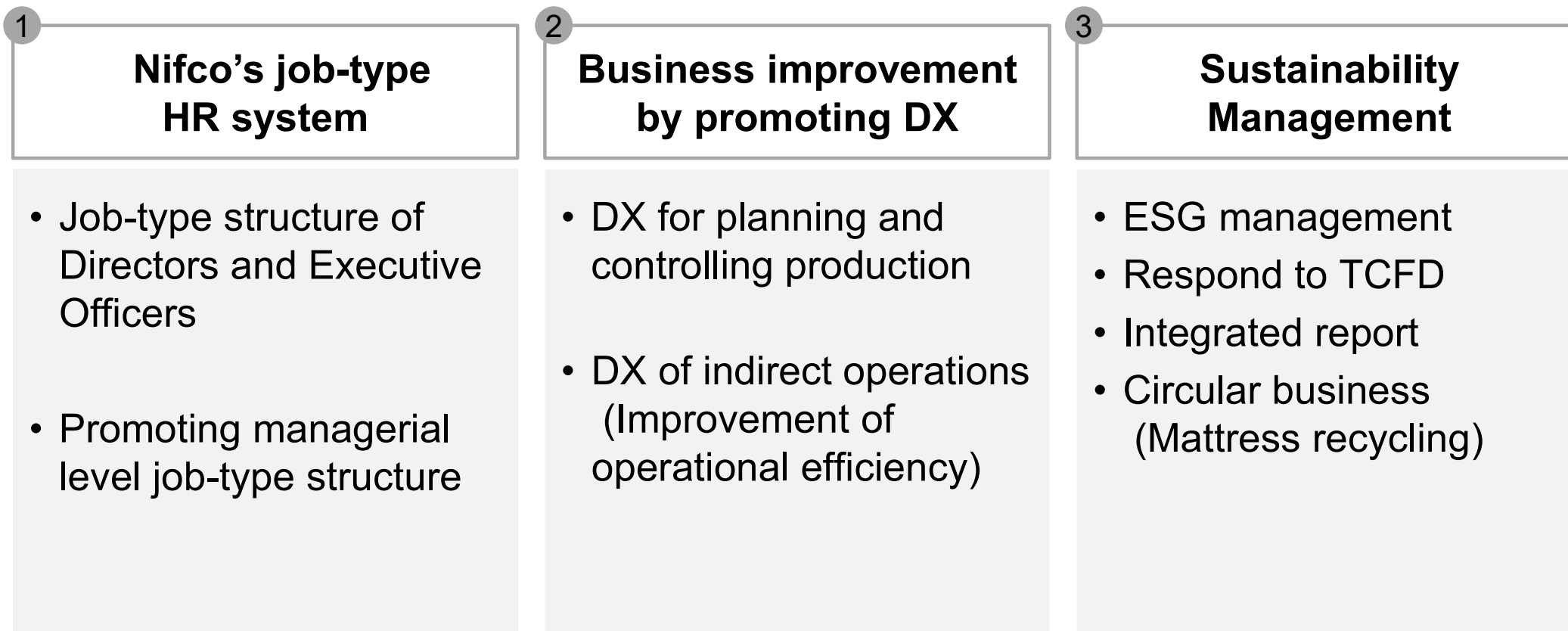
- Establish an independent unit dedicated to new businesses (Business Creation Office)

##### New segment:

- Set up ITC business (joint development with NTT East and others)
- Utilize various methods such as alliances, M&A, CVC, etc.

Sales and profit results from these activities are not included in the mid-term targets

## 4 Maintain sustainable growth by strengthening the management base



Aiming to **develop human resources**  
by improving operational efficiency and working styles

### **5 Build a governance system that contributes to maximizing corporate value**

1

#### **Strengthen functions of the Board of Directors**

- Transition to company with Audit and Supervisory Committee
- Constitute the majority of the Board with outside Directors
- Promote diversity (gender, nationality)

2

#### **Reform executive compensation system**

- Single year evaluation items
  - Net Sales
  - Operating profit
- Medium-term evaluation items
  - Operating cash flow
  - ROIC
  - Total Shareholders Return (TSR)

3

#### **Strengthen regional management**

- Strengthen hybrid-type management where local and each headquarter management collaborate
- Introduce regional management functions in phases (consideration for a European regional management company)

- Improving Board effectiveness
- Speed up management decision by delegating operational authority

Enhancement of corporate value from the shareholder's perspective

Optimization of and swift management decision-making by region

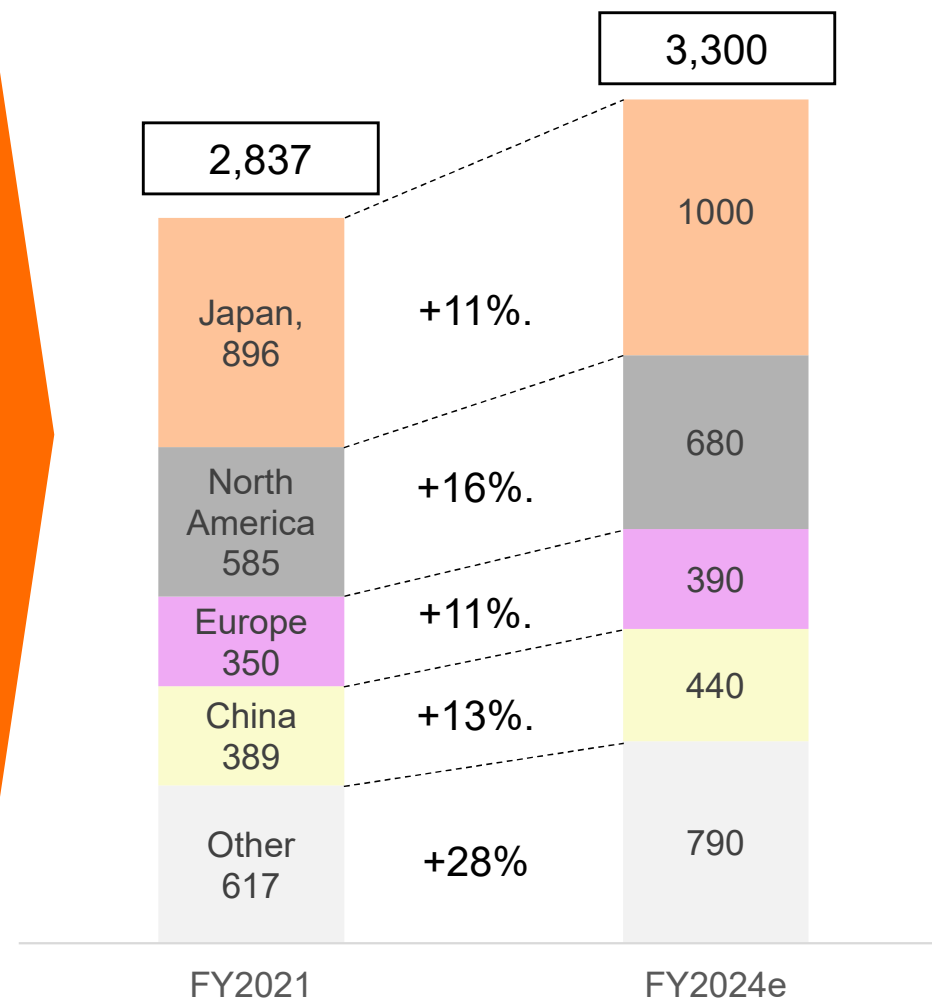
# 5 Develop and implement regional strategy optimal for both the group and region

## Optimal Regional Strategy

Region	North America	<ul style="list-style-type: none"> <li>Enhance profitability through productivity and quality improvement</li> </ul>
	Europe	<ul style="list-style-type: none"> <li>Further improve profitability of subsidiaries in Germany</li> <li>Strengthen regional management function</li> </ul>
	China	<ul style="list-style-type: none"> <li>Establish the base network with clear functions</li> </ul>
	ASEAN India	<ul style="list-style-type: none"> <li>Increase production</li> <li>Maintain high profitability</li> </ul>
	Japan	<ul style="list-style-type: none"> <li>New products and development technologies</li> <li>Establish process methods and production technology</li> <li>Explore new businesses</li> </ul>

## Sales by Region

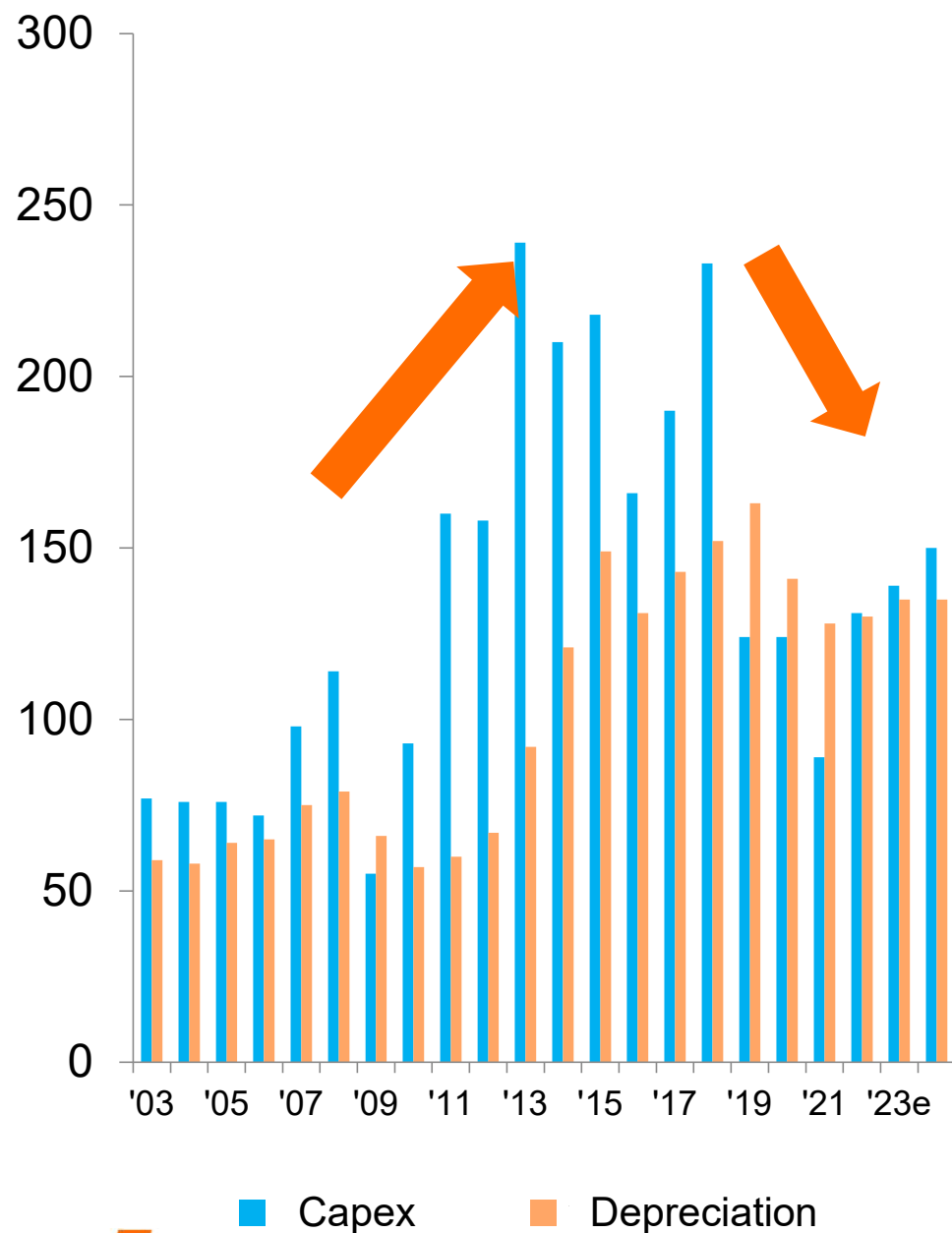
(100mn yen)



## 23. Medium-Term Management Plan

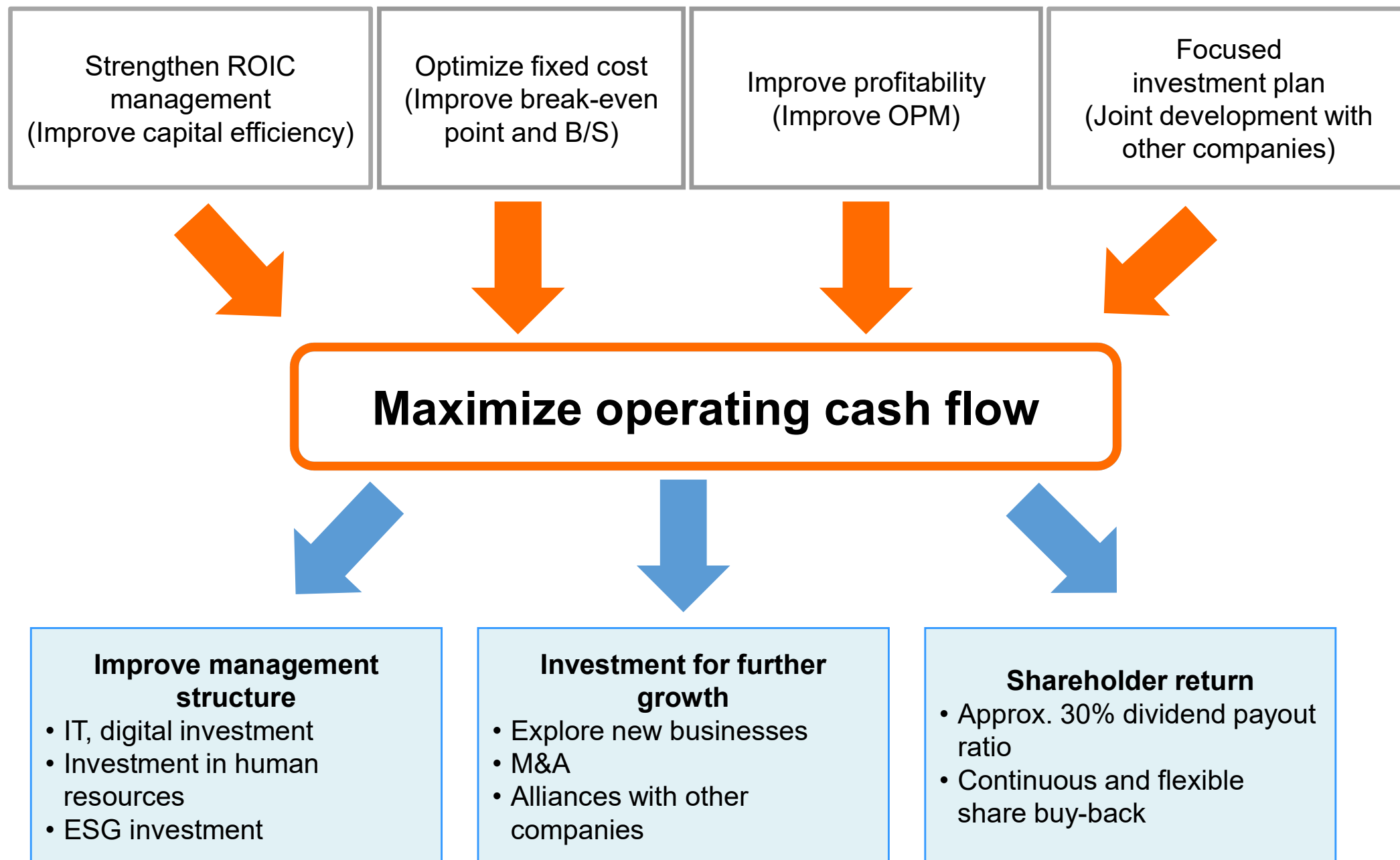
### 6 Management focused on cashflow and efficiency

(100mn yen)



	FY2019-2021 Cumulative Results	FY2022-2024 Cumulative Budget
Pretax profit	873	1,000
Depreciation	427	400
Operating CF	1,074	1,200
Capital investment	479	420
Investment CF	-436	-750
Free CF	638	450
Dividend	184	216
Cash equivalent balance	1,099	911

## 6 Balanced distribution and investment in growth



# End



Forward-looking statements or projections included in this document, including earnings projections, are based on currently available information and certain premises that are judged to be rational at the time of this writing. Actual results may differ greatly from the forecast figures depending on various factors.