

Quarterly Report Q2 for the fiscal year ending December 2023

Aug 10th, 2023
Nittoseiko Co., Ltd.
(Issue code: Tokyo Stock Exchange Prime 5957)



March 2022:
Selected as a
Health
Management
Brand for the
second
consecutive year.

March 2022:
Selected as a
Nadeshiko
Brand for the
first time.

Highlight of Q2 consolidated result for the fiscal year ending December 2023

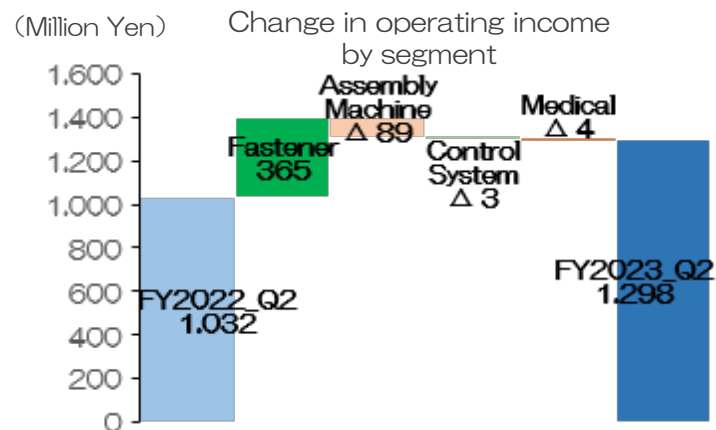
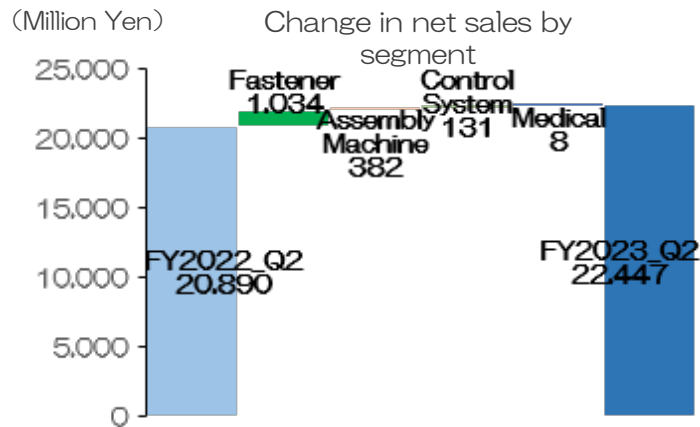


Unit: Million yen / %	Q2 fiscal year 2022		Q2 fiscal year 2023		YoY	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount change	% Change
Net sales	20,890	100.0	22,447	100.0	1,557	7.5
Gross profit	4,764	22.8	5,117	22.8	353	7.4
Selling, general and administrative expenses	3,732	17.9	3,818	17.0	86	2.3
Operating income	1,032	4.9	1,298	5.8	266	25.9
Ordinary income	1,270	6.1	1,476	6.6	205	16.2
Net income for current period before income taxes	1,612	7.7	1,494	6.7	△117	△7.3
Net income attributed to shareholders of the parent company	996	4.8	833	3.7	△162	△16.3
Net income per share (yen)	26.97		22.57			

- Sales increased 7.5% YoY due to strong sales of fastener products for the automobile-related industry and the housing and construction industry, as well as the consolidation of KM Seiko Co., Ltd. and Pinning Co., Ltd. as subsidiaries in April last year.
- Profit increased 25.9% YoY due to sales price revisions and unified efforts to reduce costs in manufacturing and sales, despite a hike in parts prices due to soaring costs of resources and raw materials.
- Despite firm sales in Southeast Asia, orders were sluggish overseas due to the slowdown of the U.S. and Chinese economies, and sales remained flat.

Net Sales and Operating Income by Segment (Consolidated) **NITTOSEIKO**

(Unit: Million yen / %)		Q2 fiscal year 2022	Q2 fiscal year 2023	YoY	
				Amount change	% Change
Fastener	Net sales	15,226	16,260	1,034	6.8
	Operating income	434	800	365	84.0
	Profit ratio	2.9	4.9		
Assembly Machine	Net sales	3,070	3,453	382	12.5
	Operating income	571	481	△89	△15.7
	Profit ratio	18.6	13.9		
Control System	Net sales	2,588	2,720	131	5.1
	Operating income	73	69	△3	△5.4
	Profit ratio	2.9	2.6		
Medical	Net sales	4	13	8	182.9
	Operating income	△47	△52	△4	—
	Profit ratio	—	—		



Overview of results by segment - Fastener Division

Unit: Mil yen/ %	FY2022 Q2	FY2023 Q2	YOY	
	Amount	Amount	Amount	% Change
Net sales	15,226	16,260	1,034	6.8
Automobile	5,368	6,147	778	14.5
Housing and construction	3,055	3,691	636	20.8
Electrical and electronic parts	2,775	2,387	△388	△14.0
Household goods	1,112	1,243	131	11.8
IT and digital equipment	755	627	△127	△16.9
Precision equipment	552	535	△17	△3.1
Medical	166	142	△23	△14.1
Energy sector	70	90	19	28.1
Others	1,373	1,398	25	1.8
Operating Income	434	800	365	84.0

- ◆Automobile
 - Despite production adjustments by customers due to material shortages, demand remained strong for “GIZATITE,” “ALUMITITE,” “CP GRIP,” “washer-embedded screws,” and “precision pressed products” for EVs, ECUs, batteries, sensors, and electrification, as well as the new “JOISTUD” series, which contributes to lighter and thin plated vehicles.
- ◆Housing and construction
 - Demand for fastening parts for construction, such as “drill screws” and “nuts,” remained strong. In addition, future growth is expected with the launch of the new product “SHARECROSS”.
- ◆Electrical and electronic parts
 - Demand remained sluggish due to the significant impact of material shortages.
- ◆Household goods
 - Despite a slowdown in domestic stay-at-home demand from the Corona disaster, sales remained strong due to increased overseas sales (China and Taiwan).

- Both sales and profit increased due to strong demand in the mainstay automobile, housing and construction sectors, as well as the effect of transferring prices to customers.
- Overseas, demand in Indonesia remained strong.

Overview of results by segment - Assembly Machine Division



Unit: Mil yen/ %	FY2022 Q2	FY2023 Q2	YOY	
	Amount	Amount	Amount	% Change
Net sales	3,070	3,453	382	12.5
Automobile	1,954	1,826	△128	△6.6
Electrical and electronic parts	209	711	502	240.0
Amusement machine	55	206	151	277.1
IT and digital equipment	98	139	41	42.2
Housing and construction	47	104	57	122.5
Energy sector	165	99	△66	△40.0
Household goods	23	10	△12	△54.9
Others	519	358	△162	△31.3
Operating income	571	481	△89	△15.7

◆Automobile

- Although there were many inquiries for CASE/EV-related equipment, equipment modifications to incorporate new vehicle models, and automation equipment to alleviate labor shortages, demand for screw fastening equipment remained sluggish due to a decline in capital investment as a result of soaring raw material prices.

◆Electrical and electronic parts

- Significant YoY increase due to acquisition of a large project for substrate plating equipment, and other factors.

◆Amusement machine

- Sales increased significantly due to large orders for “assembly lines” and “screw robots” for the production of new models.

◆IT and digital equipment

- Strong sales due to special demand related to smartphones.

◆Housing and construction

- Demand for labor-saving equipment remained strong.

• In addition to the continuing strong demand from the electrification and other business domains, the recent labor shortages in various fields have contributed to strong sales. However, despite the strong performance, profits decreased due to the effects of soaring raw material prices. The Company is committed toward generating profits, including price pass-through.

• Overseas, demand was strong in Thailand and Taiwan.

Overview of Results by Segment – Control System Division **NITTOSEIKO**

Unit: Mil yen/ %	FY2022 Q2	FY2023 Q2	YOY	
	Amount	Amount	Amount	% Change
Net sales	2,588	2,720	131	5.1
Chemical and pharmaceuticals	592	633	40	6.8
Energy sector	443	439	△4	△0.9
Housing and construction	288	256	△31	△11.0
Electrical and electronic parts	151	171	19	13.1
Ship building	138	164	25	18.7
Automobile	190	144	△46	△24.4
Medical	42	67	25	59.5
Others	744	846	102	13.8
Operating income	73	69	△3	△5.4

- ◆Chemical and pharmaceuticals
 - In addition to analyzers, demand for various flowmeters and other equipment remained strong.
- ◆Energy sector
 - Demand for analyzers remained flat.
- ◆Housing and construction
 - Sales of the geotechnical survey machine “GEOKARTE IV” remained sluggish due to a lack of growth in the number of detached housing starts.
- ◆Electrical and electronic parts
 - Demand for analytical and measuring instruments remained strong.
- ◆Ship building
 - Due to the transition to the international system related to CO2 emission regulations, demand for flowmeter modification and replacement with mass flowmeters remained strong both in domestic and overseas markets.
- ◆Automobile
 - Although there has been demand for analyzers, sales declined significantly due to parts shortages. Inquiries about the “MISTOL Series” of parts inspection systems were strong, due in part to the trend toward labor saving and automation. For “MISTOL”, the Company plans to develop an AI function that facilitates difficult inspection settings, in order to revive sales in the future.

- Nittoseiko Analytech Europe GmbH began operations in Germany in April of this year. The Company aims to strengthen its technical services and expand sales in Europe.
- Although profit decreased YoY, it has been improving since Q1 due to the effect of price pass-through.
- Overseas, demand for flowmeters was strong, affected by the depreciation of the yen. In China and South Korea, there is a trend of recovery in demand for shipbuilding. The Company will strengthen its manufacturing and sales structure to further expand sales.

Unit: Mil yen/ %	FY2022 Q2	FY2023 Q2	YOY	
	Amount	Amount	Amount	% Change
Net sales	4	13	8	182.9
Medical	4	13	8	182.9
Others	—	—	—	—
Operating income	△47	△52	△4	—

◆Medical

- The “FREELED” medical illuminator did not achieve full adoption despite efforts to collect market needs and engage in proposal activities while reducing costs, something that was highly demanded by customers after the Corona disaster. Going forward, the Company will continue to focus on strengthening PR through sales companies, aiming for full adoption of the product.
- The Company obtained a domestic patent for “high purity bio-soluble magnesium material for medical use”. With the acquisition of the patent as momentum, the Company will focus on the launch of the product, including the development of integrated manufacturing facilities, production of samples for clinical trials, and performance testing, with the aim of completing non-clinical trials by the end of this year.
- Initiated a new project utilizing the Company’s existing technology. Plans to expand medical equipment.

Q2 consolidated balance sheets for the fiscal year ending December 2023



Unit : Millions of yen/%	Year ending Dec 2022		Q2 fiscal year 2023		YoY	
	Yen	Share (%)	Yen	Share (%)	Amount	%
Assets						
Total current assets	34,342	64.3	34,170	64.0	△172	△0.5
Cash and deposits	9,098	17.0	9,618	18.0	519	5.7
Notes and accounts receivable - trade Electronically recorded monetary claims - operating	13,986	26.2	12,815	24.0	△1,171	△8.4
inventory	10,081	18.9	10,917	20.5	835	8.3
Total non-current assets	19,065	35.7	19,199	36.0	134	0.7
Non-current assets	14,085	26.4	14,211	26.6	125	0.9
Intangible assets	1,146	2.1	1,048	2.0	△98	△8.6
Investments and other assets	3,833	7.2	3,939	7.4	106	2.8
Total assets	53,408	100.0	53,370	100.0	△37	△0.1
Liabilities						
Total current liabilities	14,601	27.3	13,631	25.6	△969	△6.6
Notes and accounts payable - trade Electronically recorded obligations - operating	9,015	16.9	8,962	16.8	△52	△0.6
Short-term borrowings	2,436	5.6	1,851	3.5	△584	△24.0
Total non-current liabilities	4,304	8.1	4,021	7.5	△283	△6.6
Total liabilities	18,906	35.4	17,652	33.1	△1,253	△6.6
Net assets						
Share capital	3,522	6.6	3,522	6.6	—	—
Capital surplus Retained earnings	28,208	52.8	28,838	54.0	629	2.2
Treasury shares	△1,246	△2.3	△1,341	△2.5	△94	—
Total net assets	34,501	64.6	35,717	66.9	1,215	3.5

Consolidated of cash flows for the fiscal year ending December 2023

Unit : Millions of yen	Q2 fiscal year 2022	Q2 fiscal year 2023		
	Yen	Yen	Amount	%
Cash flows from operating activities ※①	300	2,371	2,071	690.0
Cash flows from investing activities※②	△1,517	△539	978	—
(FCF) ※①+②	△1,217	1,832	3,049	—
Cash flows from financing activities	△661	△1,105	△444	—
Net increase (decrease) in cash and cash equivalents	△1,659	556	2,215	—
Cash and cash equivalents at beginning of period	10,435	8,305	△2,129	△20.4
Cash and cash equivalents at end of period	8,776	8,862	85	1.0

2. Sales estimate for the fiscal year ending December 2023

The future projections in this document, including earnings forecasts, are based on information currently available to the company and certain assumptions that the company considers reasonable and actual results may differ from these forecasts due to a variety of factors.

Sales estimate for the fiscal year ending December 2023

Unit : Millions of yen/%	Fiscal year 2022		Fiscal year 2023		YoY	
	Yen	Share (%)	Yen	Share (%)	Amount	%
Net sales	44,021	100.0	46,500	100.0	2,478	5.6
Operating profit	2,931	6.7	3,500	7.5	568	19.4
Ordinary profit	3,235	7.3	3,700	8.0	464	14.4
Profit attributable to owners of parent	1,828	4.2	2,200	4.7	371	20.3
Earnings per share	49.50		59.54			

- Despite the lingering impact of material shortages, the Company expects to increase sales and profit on the back of a recovery in demand, particularly in the automobile sector (EVs and ECUs), as well as an increase in the shipments of products with prices transferred to the market.
- In the fastener business, in addition to various screw products that contribute to weight reduction and electrification in the automobile sector, the Company expects increased demand for precision press products by subsidiary Shinwa Seiko Co., Ltd. Increased demand is also expected for screws and nuts in the housing and construction sector, the second pillar of the fastener business, owing to the New Normal and Osaka Expo related demands.
- The assembly machine business aims to recover in the second half of the year by acquiring large production equipment projects, including the launch of new models in the automobile sector and CASE-related projects. Also, demand in the electric and electronic parts sector is expected to recover, and efforts to generate profits will be made, including price pass-through.
- In the control system business, demand related to analyzers and inspection equipment is expected to remain firm due to the need for labor saving and automation. In addition, demand for flow meters is expected to increase due to the transition to an international shipbuilding system.
- In the medical business, the Company will work to strengthen cooperation with sales companies and promote the development of new products that address the needs of the medical field and the market outlook.