

Quarterly Report Q3 for the fiscal year ending December 2023

Nov 14th, 2023

NITTOSEIKO CO., LTD.

(Issue code: Tokyo Stock Exchange Prime 5957)



March 2023:
Selected as a
Health
Management
Brand for the
third consecutive
year.

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

Highlight of Q3 consolidated result for the fiscal year ending December 2023

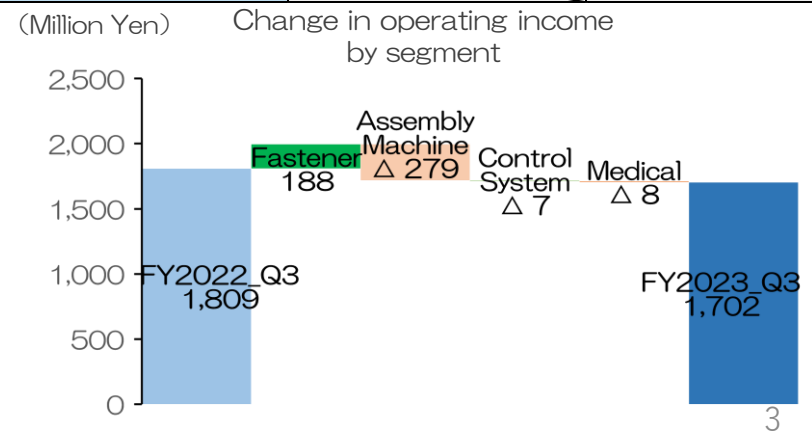
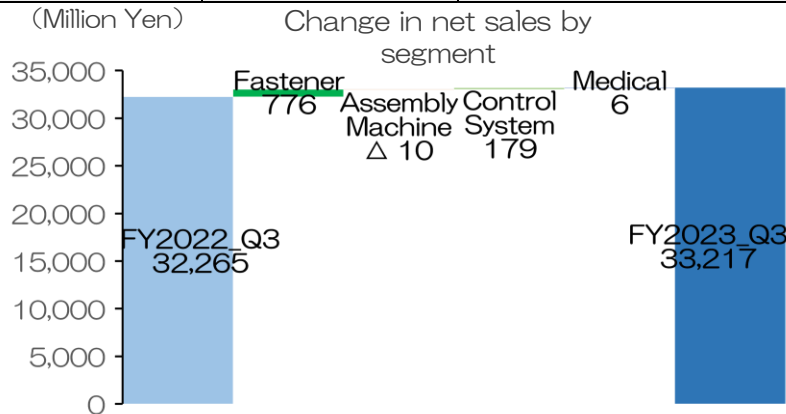


Unit: Million yen / %	Q3 fiscal year 2022		Q3 fiscal year 2023		YoY	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount change	% Change
Net sales	32,265	100.0	33,217	100.0	952	3.0
Gross profit	7,429	23.0	7,416	22.3	△ 12	△ 0.2
Selling, general and administrative expenses	5,619	17.4	5,714	17.2	94	1.7
Operating income	1,809	5.6	1,702	5.1	△ 107	△ 5.9
Ordinary income	2,155	6.7	1,926	5.8	△ 228	△ 10.6
Net income for current period before income taxes	2,499	7.7	1,930	5.8	△ 568	△ 22.7
Net income attributed to shareholders of the parent company	1,613	5.0	1,122	3.4	△ 490	△ 30.4
Net income per share (yen)	43.68		30.39			

- K.M. Seiko Co., Ltd. and Pinning Co., Ltd., which became consolidated subsidiaries in April last year, contributed to financial results. In addition, sales of fastener products for the automobile, housing, and construction industries, and control products such as analytical instruments for the chemical and pharmaceutical industries showed growth, resulting in a 3.0% YoY sales increase.
- Profits declined 5.9% YoY due to the significant impact of sluggish orders caused by the slowdown of the U.S. and Chinese economies, despite sales price revisions and cost reductions in both production and sales operations in response to soaring resource and raw material prices.
- Overseas, sales declined slightly due to the slowdown of the U.S. and Chinese economies as well as prolonged inventory adjustments by customers in Southeast Asia.

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

Unit: Million yen / %		Q3 fiscal year 2022	Q3 fiscal year 2023	YoY	
				Amount change	% Change
Fastener	Net sales	23,769	24,546	776	3.3
	Operating income	952	1,140	188	19.7
	Profit ratio	4.0	4.6		
Assembly Machine	Net sales	4,637	4,626	△ 10	△ 0.2
	Operating income	861	581	△ 279	△ 32.4
	Profit ratio	18.6	12.6		
Control System	Net sales	3,849	4,029	179	4.7
	Operating income	70	63	△ 7	△ 10.0
	Profit ratio	1.8	1.6		
Medical	Net sales	8	15	6	86.8
	Operating income	△ 73	△ 82	△ 8	—
	Profit ratio	△ 919.2	△ 550.1		



Overview of Results by Segment - Fastener Division



Unit: Mil yen/ %	FY2022	FY2023	YOY	
	Q3	Q3		
	Amount	Amount	Amount	% Change
Net sales	23,769	24,546	776	3.3
Automobile	8,242	9,489	1,246	15.1
Housing and construction	4,997	5,540	543	10.9
Electrical and electronic parts	4,161	3,573	△ 588	△ 14.1
Household goods	1,907	1,721	△ 185	△ 9.7
IT and digital equipment	1,241	981	△ 260	△ 21.0
Precision equipment	828	821	△ 7	△ 0.9
Medical	243	238	△ 4	△ 1.8
Energy sector	109	138	28	26.2
Others	2,038	2,041	3	0.2
Operating Income	952	1,140	188	19.7

- In addition to the mainstay automotive sector, the housing and construction sectors remained strong, resulting in increased sales and profit.
- Overseas, sales of construction screws for North America remained strong.
- Promoting efficiency and cost reduction by consolidating manufacturing plants.

- ◆ Automobile
 - Despite the aftermath of customers' inventory adjustments due to the coronavirus pandemic, sales recovered for "GIZATITE", "ALUMITITE", and "Screws with Captive Washers" for EVs, ECUs, batteries, sensors, and electrification. Demand for "CP GRIP," "Precision Pressed Products" and the new product "JOISTUD," which contributes to weight reduction and thinner sheets, remained strong.
- ◆ Housing and construction
 - Demand for fastening parts for construction, such as "Self-Drilling Screws" and "Nuts," showed growth. In addition, future growth is expected with the launch of the new product "SHARECROSS" in the market.
- ◆ Electrical and electronic parts
 - Sales remained weak due to sluggish consumption in Europe and China.
- ◆ Household goods
 - The game machine market, which had been boosted by a stay-at-home demand during the coronavirus pandemic, calmed down, and orders for precision screws declined.
- ◆ IT and digital equipment
 - Sales were weak, including overseas, in reaction to the strong performance of the 5G telecommunications business in the previous fiscal year.

Overview of Results by Segment - Assembly Machine Division **NITTOSEIKO**

Unit: Mil yen/ %	FY2022	FY2023	YOY	
	Q3	Q3	Amount	% Change
Net sales	4,637	4,626	△ 10	△ 0.2
Automobile	2,945	2,616	△ 328	△ 11.1
Electrical and electronic parts	379	828	449	118.4
Amusement machine	58	208	150	255.4
IT and digital equipment	123	161	38	30.9
Energy sector	221	159	△ 62	△ 28.0
Housing and construction	99	146	47	47.2
Household goods	34	10	△ 24	△ 69.5
Others	776	495	△ 282	△ 36.3
Operating income	861	581	△ 279	△ 32.4

- Net sales decreased slightly due to sluggish capital investment in the U.S. and China, despite growing momentum for automation and strong demand for electrification against a backdrop of labor shortages.
- Operating income decreased due to lower orders for special machines and low orders in the U.S., despite efforts to pass on selling prices of standard machines.

- ◆ Automobile
 - Orders for EV-related screw fastening machines in Japan and CASE-related equipment overseas are strong, but increasing uncertainty in the global economy is lowering the incentive for capital investment, and sales of automobile related parts have been sluggish especially due to low orders in the U.S. and China.
- ◆ Electrical and electronic parts
 - Substantial YoY increase due to acquisition of large projects such as substrate surface treatment equipment.
- ◆ Amusement machine
 - Sales increased significantly due to large orders for "Assembly Lines" and "Screw Driving Robots" associated with the production of new models.
- ◆ IT and digital equipment
 - Strong sales due to special demand related to smartphones.
- ◆ Energy sector
 - Despite orders for equipment related to gas stoves and gas meters, sales remained sluggish overall.
- ◆ Others
 - Sales declined due to a downward trend in exports in the industrial robot market and a backlash of related equipment from strong sales in the previous year.

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

Unit: Mil yen/ %	FY2022	FY2023	YOY	
	Q3	Q3	Amount	% Change
Net sales	3,849	4,029	179	4.7
Chemical and pharmaceuticals	843	964	120	14.3
Energy sector	644	642	△ 1	△ 0.2
Housing and construction	439	331	△ 108	△ 24.6
Electrical and electronic parts	211	267	55	26.4
Ship building	195	237	42	21.8
Environment	209	187	△ 21	△ 10.1
Automobile	262	187	△ 74	△ 28.5
Others	1,044	1,210	166	16.0
Operating income	70	63	△ 7	△ 10.0

- Sales increased due to steady demand for analyzers and flowmeters.
- Operating income declined due to sluggish sales of GEOKARTE products in addition to soaring raw material costs. Efforts will be made to quickly improve profitability, including cost reductions such as in-house production of machined parts and sales price revisions.

- ◆ Chemical and pharmaceuticals
 - Demand for various flow meters and other products, mainly for analyzers, remained strong.
- ◆ Energy sector
 - Demand for analyzers remained flat.
- ◆ Housing and construction
 - Sales of the ground investigation equipment “GEOKARTE IV” remained sluggish due to a weak 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 scheme for CO₂ emission control, demand for replacement of mass flowmeters, etc., showed growth both in Japan and overseas.
- ◆ Environment
 - Despite demand for factory wastewater analyzers and element meters, sales declined due to parts shortages.
- ◆ Automobile
 - Demand for resistivity meters is high, including for battery materials, but demand for inspection equipment is sluggish.

Unit: Mil yen/ %	FY2022	FY2023	YOY	
	Q3	Q3	Amount	% Change
Net sales	8	15	6	86.8
Medical	8	15	6	86.8
Others	—	—	—	—
Operating income	△ 73	△ 82	△ 8	—

◆ Medical

- The “FREELED” medical illuminator did not achieve full adoption despite efforts to collect market needs and engage in promotional activities while reducing costs, a high customer demand after the coronavirus pandemic. The Company will continue to focus on strengthening PR activities through sales companies to achieve full adoption.
- The Company received a patent in Japan for “High purity bio-soluble magnesium for medical use” in June this year. The Company aims to complete non-clinical trials by the end of this year and will focus its efforts on the development of integrated manufacturing facilities, the production of samples for clinical trials, and performance testing, to bring the product to the market. At the same time, the Company will also collect information on parts to which this material can be applied.
- New projects utilizing the Company’s existing technologies have been initiated and are ongoing. The Company will expand its medical device business.

Q3 consolidated balance sheets for the fiscal year ending December 2023



Unit : Millions of yen/%	fiscal year 2022		Q3 fiscal year 2023		YoY	
	Yen	Share (%)	Yen	Share (%)	Amount	%
Assets						
Total current assets	34,342	64.3	33,689	64.0	△ 653	△ 1.9
Cash and deposits	9,098	17.0	9,018	17.1	△ 80	△ 0.9
Notes and accounts receivable - trade Electronically recorded monetary claims - operating	13,986	26.2	12,497	23.7	△ 1,489	△ 10.6
inventory	10,081	18.9	11,158	21.2	1,077	10.7
Total non-current assets	19,065	35.7	18,961	36.0	△ 104	△ 0.5
Non-current assets	14,085	26.4	14,084	26.8	△ 1	△ 0.0
Intangible assets	1,146	2.1	1,028	2.0	△ 117	△ 10.3
Investments and other assets	3,833	7.2	3,847	7.3	14	0.4
Total assets	53,408	100.0	52,650	100.0	△ 757	△ 1.4
Liabilities						
Total current liabilities	14,601	27.3	12,983	24.7	△ 1,617	△ 11.1
Notes and accounts payable - trade Electronically recorded obligations - operating	9,015	16.9	8,433	16.0	△ 581	△ 6.5
Short-term borrowings	2,436	5.6	1,720	3.3	△ 716	△ 29.4
Total non-current liabilities	4,304	8.1	3,861	7.3	△ 443	△ 10.3
Total liabilities	18,906	35.4	16,845	32.0	△ 2,060	△ 10.9
Net assets						
Share capital	3,522	6.6	3,522	6.7	-	-
Capital surplus	28,208	52.8	28,788	54.7	579	2.1
Retained earnings	△ 1,246	△ 2.3	△ 1,342	△ 2.5	△ 95	-
Treasury shares	34,501	64.6	35,805	68.0	1,303	3.8

2. Forecast for the 118th Fiscal Year Ending Dec 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.

Forecast of consolidated financial results for fiscal year ending Dec 2023 (Revised)



Unit : Millions of yen/%	Fiscal year 2022		Fiscal year 2023 (forecast)		YoY	
	Yen	Ratio (%)	Yen	Ratio (%)	Amount Change	% Change
Net sales	44,021	100.0	45,000	100.0	978	2.2
Operating profit	2,931	6.7	2,600	5.8	△ 331	△ 11.3
Ordinary profit	3,235	7.3	2,800	6.2	△ 435	△ 13.5
Net income attributed to shareholders of the parent company	1,828	4.2	1,700	3.8	△ 128	△ 7.0
Net income per share (yen)	49.50		46.01			

- In the fastener business, demand is recovering, especially in the automobile industry, but it is taking time to clear distribution inventories, which increased due to production adjustments during the coronavirus pandemic, and a full-scale recovery will not be achieved until the second half of the fiscal year or later. In addition, although progress has been made in passing on price increases of raw materials, negotiations to pass on price increases in energy and subsidiary materials have been difficult, resulting in a lower-than-expected performance.
- In the assembly machine business, although sales of automobile CASE-related equipment showed growth, capital investment intentions are expected to remain weak for the time being due to uncertainty in the global economy. In particular, demand for standard machines in the U.S. and China has declined more than expected, resulting in lower sales and profits.
- In the control system business, capital investment is active mainly in the chemical, pharmaceutical, food, and shipbuilding sectors, and demand for renewal of flow meters is expected to increase in the future.

Net Sales and Operating Income by Segment (Consolidated)



Unit: Million yen / %		Fiscal year 2022	Fiscal year 2023 (forecast)	YoY	
				Amount change	% Change
Fastener	Net sales	32,199	33,020	820	2.5
	Operating income	1,648	1,660	11	0.7
	Profit ratio	5.1	5.0		
Assembly Machine	Net sales	6,515	6,280	△ 235	△ 3.6
	Operating income	1,227	890	△ 337	△ 27.5
	Profit ratio	18.8	14.2		
Control System	Net sales	5,296	5,680	383	7.3
	Operating income	157	160	2	1.4
	Profit ratio	3.0	2.8		
Medical	Net sales	10	20	9	91.3
	Operating income	△ 102	△ 110	△ 7	-
	Profit ratio	△ 976.2	△ 550.0		

