

Quarterly Report 1Q for the fiscal year ending December 2024

May 13th, 2024

NITTOSEIKO CO., LTD.

(Issue code: Tokyo Stock Exchange Prime 5957)



Summary of Financial Results

Unit: Million yen / %	2023/12 1Q		2024/12 1Q		YoY	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount change	% Change
Net sales	10,912	100.0	10,717	100.0	△ 194	△ 1.8
Gross profit	2,517	23.1	2,512	23.4	△ 5	△ 0.2
Selling, general and administrative expenses	1,841	16.9	1,856	17.3	14	0.8
Operating income	675	6.2	655	6.1	△ 19	△ 3.0
Ordinary income	748	6.9	711	6.6	△ 36	△ 4.9
Net income for current period before income taxes	733	6.7	716	6.7	△ 16	△ 2.2
Net income attributed to shareholders of the parent company	439	4.0	472	4.4	32	7.4
Net income per share (yen)	11.90		12.93			

Main points

Net Sales

- Sales was strong for analytical and measuring instruments for energy-related applications in the control system business and in Europe by Nittoseiko Analytech Europe GmbH, established in Germany in April 2023. However, net sales declined 1.8% YoY due to lower sales of products for game consoles in the fastener business resulting from a slowdown in stay-at-home demand, and lower demand for screw fastening machines in the assembly machine business due to depressed capital investment appetites in the US, China and Thailand.

Operating Income

- Operating income decreased 3.0% YoY mainly due to the sluggish orders from the slowdown in the U.S. and Chinese economies, despite sales price revisions and cost reductions in both manufacturing and sales in response to soaring resource and raw material prices.

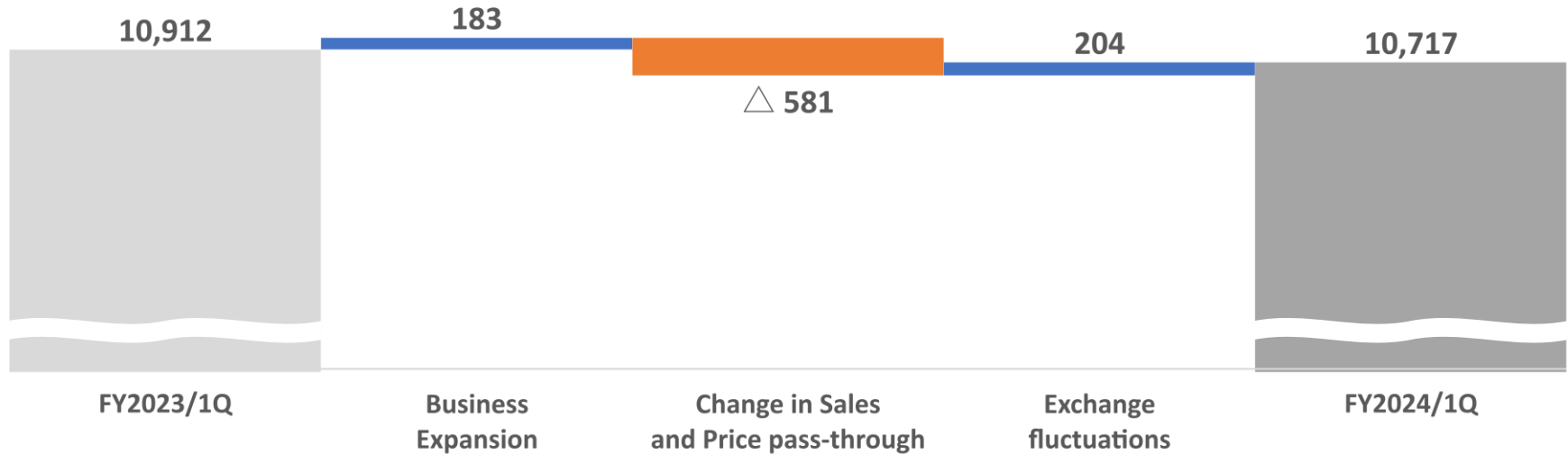
Overseas

- Overseas sales increased slightly due to strong sales of analytical instruments in Europe, despite weak sales in SE Asia due to the sluggish performance of Japanese home appliance manufacturers and depressed capital investment appetites in the U.S., China, and Thailand.

Summary of Financial Results - Net Sales

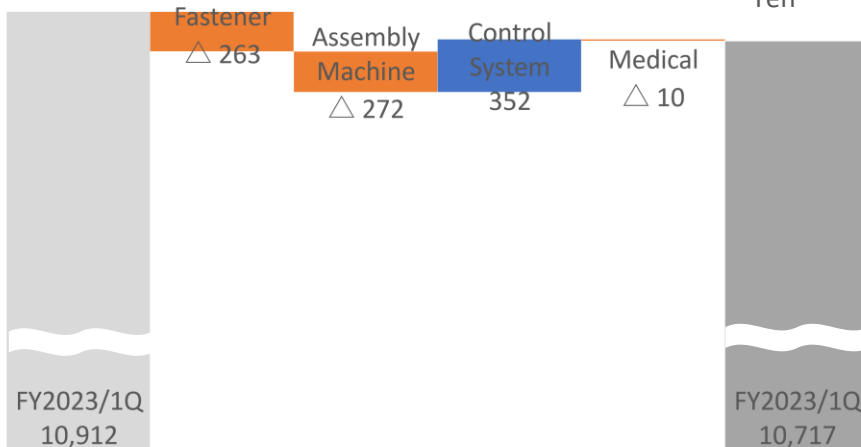
Analysis of Net Sales

Million Yen



Change in net sales by segment

Million Yen



Business Expansion

Contribution from the establishment of NittoSeiko Analytech Europe GmbH.

Change in Sales

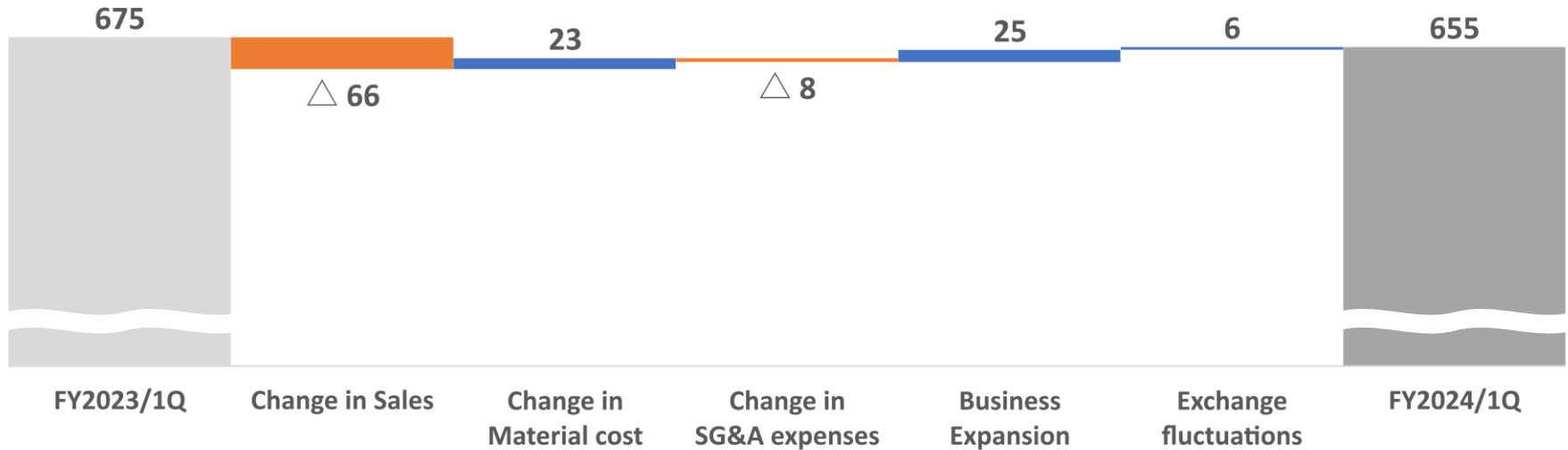
Although analytical and measuring instruments performed well, sales declined due to depressed capital investments in the U.S., China, and Thailand, as well as the sluggish performance of home appliance manufacturers in SE Asia.

Price Pass-through

The Company is gradually passing on material and energy costs to sales prices, but this has yet to be fully achieved.

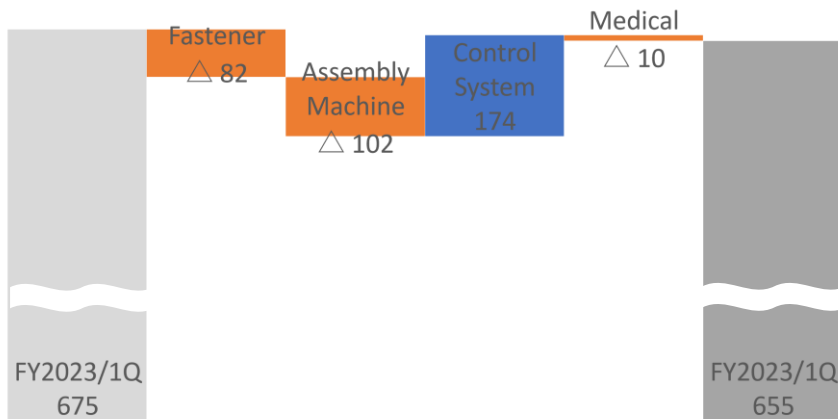
Analysis of Operating Income

Million Yen



Change in Operating Income by segment

Million Yen



Factors Affecting Cost Ratio Variance

Material and labor costs are being passed on to sales prices, but this has yet to be fully achieved. Material costs have increased by approximately 6.5% (approx. 320 million yen) over the previous year. However, increase in sales of high value-added analytical instruments reduced cost of sales ratio.

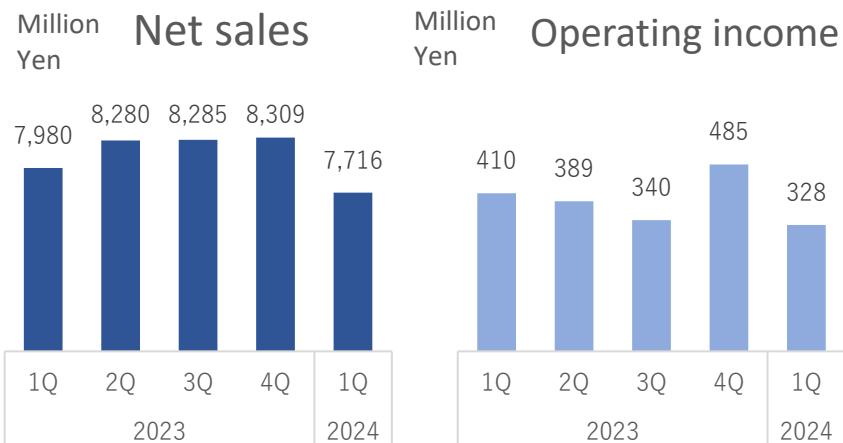
Cost and SG&A Variables

Labor costs increased approximately 0.2% (approx. 3 million yen) over the previous year due to wage increases.

Business Expansion

Contribution from the establishment of NittoSeiko Analytech Europe GmbH.

Overview of Results by Segment - Fastener Segment



Outlook

- Net sales decreased YoY due to slower demand in the game consoles market and sluggish consumption in Europe and China, despite steady sales in the mainstay automobile business.
- Operating income decreased YoY due to insufficient transfers of material and energy costs to sales prices regardless of the efforts.
- Currently improving efficiency and reducing costs by consolidating manufacturing plants.

Industry Comments

◆Automobile

- Despite the aftermath of inventory adjustments from the COVID-19 pandemic by customers mainly in SE Asia, sales are steady for our original anti-loosening screws “GIZATITE,” screws with built-in washers “ASFA,” screws that prevent scattering of fastening dust “CP GRIP,” and “precision press products” for CASE and EV applications. Sales of “JOISTUD,” a new product that contributes to weight reduction and thinner sheets, are also expanding.

◆Housing and construction

- Despite domestic demand, sales declined YoY due to shortages of labor and materials in the industry. A new product, “CUP BOLT,” that replaces bolts with built-in spring washers or flat washers, was launched in February and is currently expanding sales.

◆Electrical and electronic parts

- Sales remained weak due to sluggish consumption in Europe and China, and weak sales of Japanese home appliance manufacturers in SE Asia.

◆Household goods

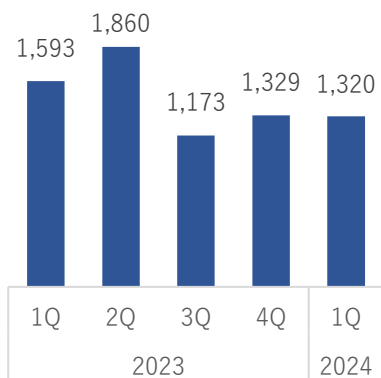
- Orders for precision screws declined amid a slowdown in the game console market, which had been boosted by stay-at-home demand.

Unit: Mil yen/ %	2023/12	2024/12	YoY	
	1Q	1Q	Amount	% Change
Net sales	7,980	7,716	△ 263	△ 3.3
Automobile	3,019	3,257	237	7.9
Housing and construction	1,824	1,733	△ 91	△ 5.0
Electrical and electronic parts	1,192	1,066	△ 125	△ 10.6
IT and digital equipment	335	340	4	1.3
Household goods	590	317	△ 272	△ 46.2
Precision equipment	261	270	9	3.7
Medical	71	64	△ 7	△ 10.3
Others	684	665	△ 18	△ 2.8

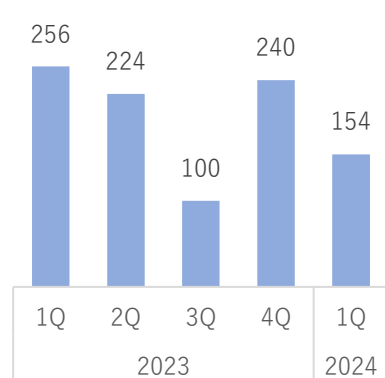
Overview of Results by Segment – Assembly Machine Segment



Million Yen Net sales



Million Yen Operating income



Outlook

- Net sales decreased YoY due to economic slowdown in the U.S., China, and Thailand and stagnant capital investment appetites due to political factors, despite a growing momentum for automation against a backdrop of demand for electrification and labor shortages.
- Operating income decreased YoY due to lower orders for special machines and lower orders in the U.S., despite efforts to reduce costs by reviewing parts and packaging materials and visualizing procurement prices.

Industry Comments

◆Automobile

- Orders for CASE-related screw fastening machines and equipment used in new vehicle models are on the rise, but capital investment appetites remain sluggish in the U.S. and Thailand, resulting in weak sales.

◆Electrical and electronic parts

- Sales were down YoY due to a rebound from last year's large orders for substrate surface treatment equipment and standard screw fastening machines for home appliances.

◆IT and digital equipment

- Sales increased due to large orders for screw fastening machines that mount electronic parts to board connectors.

◆Energy sector

- Overall sales remained sluggish despite orders for equipment related to gas stoves and gas meters.

◆Housing and construction

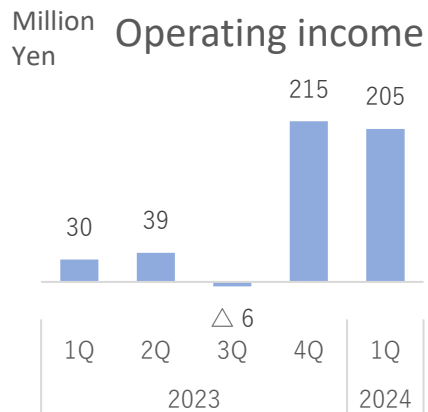
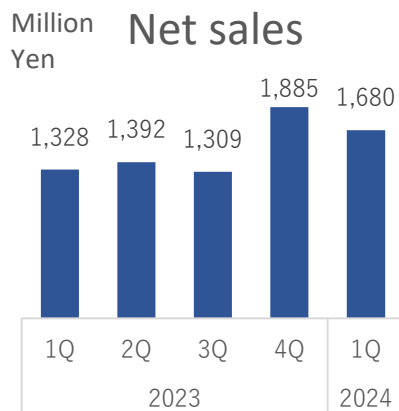
- Sales increased due to renewal demand for screw fastening equipment for custom-built detached houses.

◆Others

- Sales increased due to large orders for equipment for general-purpose engines and industrial pumps.

Unit: Mil yen/ %	2023/12	2024/12	YoY	
	1Q	1Q	Amount	% Change
Net sales	1,593	1,320	△ 272	△ 17.1
Automobile	703	638	△ 64	△ 9.1
Electrical and electronic parts	507	149	△ 357	△ 70.4
IT and digital equipment	27	59	32	118.2
Energy sector	74	58	△ 16	△ 21.4
Housing and construction	25	43	17	67.5
Amusement machine	38	33	△ 5	△ 12.9
Medical	0	14	14	-
Others	215	323	108	50.0

Overview of Results by Segment – Control System Segment



Outlook

- Analytical instruments, mainly for energy-related applications, performed well. Sales at the new base in Europe was also strong, resulting in YoY increases in both sales and profit.
- In addition to new product development, the Company will focus on cost visualization, in-house production of machined parts, efficient assembly production, and sales price revisions.

Industry Comments

◆Energy sector

- Sales increased due to a large order for sulfur analyzers. Renewal demand from the oil refining industry was also strong.

◆Chemical and pharmaceuticals

- Strong sales of analyzers at the new European base.

◆Environment

- The new product “Automatic Quick Furnace AOF/AQF-5000H,” launched in March, meets the demand for analysis of organic fluorine in accordance with the European PFAS regulation. Inquiries about microbubbles are increasing due to interest in environmentally friendly products.

◆Housing and construction

- Sales of the ground investigation equipment “GEOKARTE IV” remained sluggish due to a lack of growth in the number of detached housing starts.

◆Automobile

- Demand for resistivity meters increased for inspection equipment, battery materials, etc.

◆Ship building

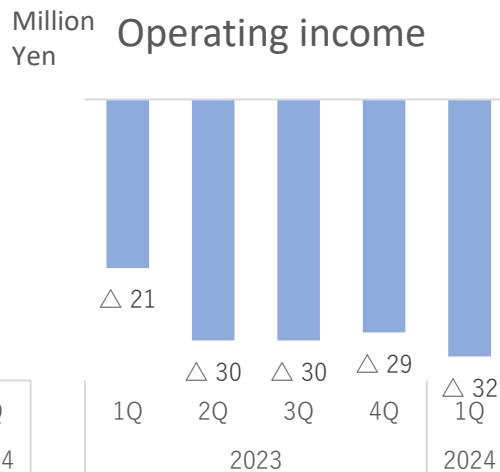
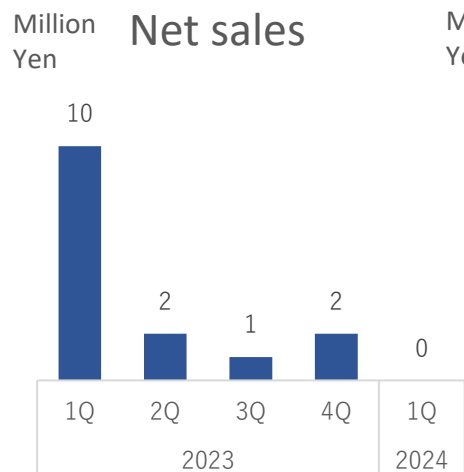
- Demand is expected to increase due to strong demand for modification projects, such as special-purpose vessels for offshore development, smart ships, solar panel installations, etc.

◆Others

- Demand increased for renewal of existing products that had been stagnant during the COVID-19 pandemic.

Unit: Mil yen/ %	2023/12		2024/12		YoY	
	1Q		1Q			
	Amount	Amount	Amount	% Change		
Net sales	1,328	1,680	352	26.5		
Energy sector	217	459	241	111.0		
Chemical and pharmaceuticals	286	302	15	5.4		
Environment	53	110	57	107.0		
Housing and construction	148	102	Δ 45	Δ 30.9		
Electrical and electronic parts	94	97	2	3.1		
Automobile	53	93	40	75.8		
Ship building	82	92	10	12.4		
Medical	31	43	12	39.1		
Food	12	32	19	150.9		
Others	348	346	Δ 1	Δ 0.4		

Overview of Results by Segment – Medical Segment



Outlook

- The medical illuminator “FREELED” did not achieve full adoption despite efforts to collect market needs and make proposals while reducing costs, a high customer demand after the COVID-19 pandemic. Going forward, the Company will focus on strengthening PR through sales companies, aiming for full adoption of the product.
- Sales of oxygen concentrators for medical equipment slumped with the end of the COVID-19 pandemic. The Company plans to expand and meet market needs outside of the existing medical industry, such as for healthcare applications.
- Obtained the domestic patent for “High purity bio-soluble magnesium for medical use” in June 2023. Application for overseas patents in major countries have been completed and are scheduled to be granted. The Company is trying to bring the product to market by preparing integrated manufacturing facilities, producing samples for non-clinical studies, conducting performance tests, as well as preparing to obtain a license for sales of medical products and establishing a quality control system. The Company will also gather information on the applicability of this material.
- New projects utilizing our existing technologies have been initiated and are ongoing. Plan to expand medical equipment.

Unit: Mil yen/ %	2023/12		2024/12		YoY	
	1Q		1Q			
	Amount	Amount	Amount	Amount	% Change	
Net Sales	10	0	△ 10	△ 99.0		
Medical	10	0	△ 10	△ 99.0		
Others	—	—	—	—		

Balance Sheet (Consolidated)

Unit : Million yen/%	Year ended Dec 2023		Year ending Dec 2024/1Q		YoY	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount change	% Change
Assets						
Total current assets	33,822	63.4	33,996	63.4	173	0.5
Cash and deposits	8,849	16.6	8,843	16.5	△ 6	△ 0.1
Notes and accounts receivable – trade Electronically recorded monetary claims - operating	12,794	24.0	12,715	23.7	△ 78	△ 0.6
inventory	11,023	20.7	11,432	21.3	408	3.7
Total non-current assets	19,521	36.6	19,607	36.6	85	0.4
Non-current assets	14,129	26.5	14,181	26.5	51	0.4
Intangible assets	999	1.9	978	1.8	△ 21	△ 2.2
Investments and other assets	4,391	8.2	4,447	8.3	55	1.3
Total assets	53,344	100.0	53,603	100.0	258	0.5
Liabilities						
Total current liabilities	12,901	24.2	12,737	23.8	△ 163	△ 1.3
Notes and accounts payable - trade Electronically recorded obligations – operating	8,615	16.2	8,521	15.9	△ 94	△ 1.1
Short-term borrowings	1,574	3.0	1,552	2.9	△ 21	△ 1.4
Total non-current liabilities	4,040	7.6	3,974	7.4	△ 65	△ 1.6
Total liabilities	16,941	31.8	16,712	31.2	△ 229	△ 1.4
Net assets						
Share capital	3,522	6.6	3,522	6.6	–	–
Capital surplus / Retained earnings	29,400	55.1	29,537	55.1	137	0.5
Treasury shares	△ 1,562	△ 2.9	△ 1,562	△ 2.9	0	–
Total net assets	36,402	68.2	36,890	68.8	488	1.3

2. Forecast for the Fiscal Year Ending Dec 31, 2024

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 for FY2024 (Consolidated)

Unit : Million yen/%	2023/12 Full Year		2024/12 Full Year (Forecast)		YoY	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount Change	% Change
Net sales	44,744	100.0	48,200	100.0	3,455	7.7
Operating profit	2,614	5.8	3,300	6.8	685	26.2
Ordinary profit	2,835	6.3	3,500	7.3	664	23.4
Net income attributed to shareholders of the parent company	1,734	3.9	2,100	4.4	365	21.1
Net income per share (yen)	46.95		57.46			

Main points

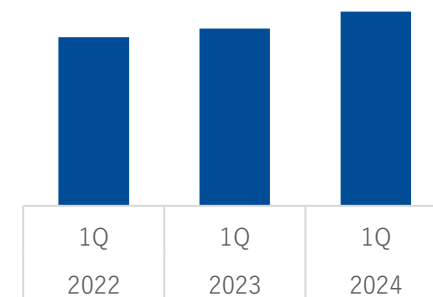
Net Sales

- While the first half of this fiscal year is expected to remain weak due to inventory adjustments, slowing economic growth in major countries, and geopolitical risks, the excessive inventory levels are being resolved. Capital investment appetite is also on a recovery track, especially in the automobile industry, and a group-wide recovery is expected from the second half of the fiscal year. In particular, demand is expected in the automobile, household goods, and energy-related industries.

Operating Income

- Plans to improve profitability by consolidating fastener plants, passing on material and labor costs to sales prices, reviewing parts and materials, and producing machined parts in-house.

Changes in the balance of order backlog

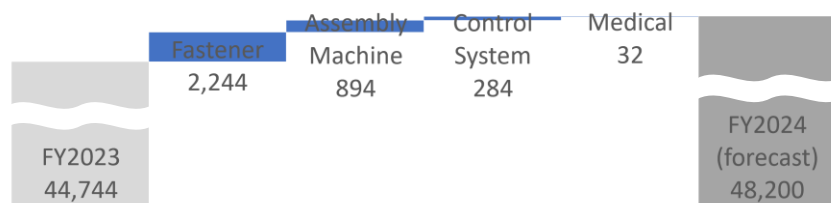


Net Sales and Operating Income Forecast by Segment (Consolidated)



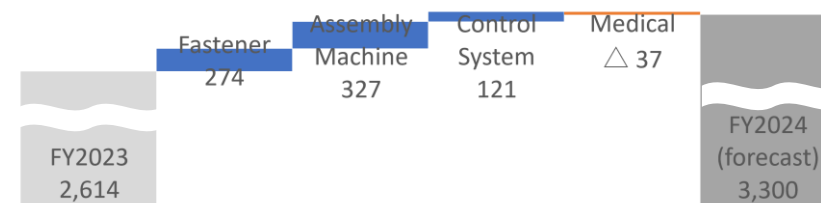
(Million Yen)

Change in net sales by segment



(Million Yen)

Change in Operating Income by segment



Business	Major market trend		Initiatives for this fiscal year	Changes in the balance of order backlog
Fastener Business	Automobile	Inquiries are increasing due to the growing need for lightweight and thin sheet materials for EVs. Orders are expected to increase from summer onward.	Promote sales of “AKROSE” and “JOISTUD” series for automotive applications, and the new “CUP BOLT,” which does not require a washer, for housing and construction applications. In response to rising wire rod costs, the Company is in the process of raising product prices. In addition, efforts will be made to reduce manufacturing costs through restructuring of plants, etc.	
	Housing and construction	The industry is experiencing shortages of labor and materials, but there is demand for large-scale construction projects in Japan.		
	Household goods	Expect an increase in orders for game consoles from January onward through the summer.		
Assembly Machine Business	Automobile	Orders for CASE-related screw fastening machines and equipment for new vehicle models are on track for recovery.	Alongside the stable orders for standard machines, the backlog of orders for special machines increased. To secure production capacity for wattmeter special machines, a field with a strong track record outside of the automobile industry, the Company is also developing new partner plants. In addition to the development of new products, The Company will also focus on cost reduction by reviewing parts and packaging materials and visualizing procurement prices.	
	Electrical and electronic parts	Domestic production returns due to China risk and yen depreciation. Orders for semiconductor inspection equipment, an area of strength, are on track for recovery due to the semiconductor industry's upturn.		
	Energy sector	Installation of new wattmeter equipment and smart meter equipment is expected to increase.		
Control System Business	Energy sector	While demand is expected to decrease due to decarbonization, demand for renewable fuels such as SAF and synthetic fuels is expected to increase.	Expand sales of the new “Automatic quick furnace AOF/AQF-5000H” for electronic materials and PFAS-related demand. Develop new products related to inspection equipment to meet the needs for labor saving and automation. In addition, the Company will focus on cost visualization, in-house production of machined parts, efficient assembly production, and sales price revisions.	
	Environment	Demand for analyzers in Europe and the U.S. is expected due to PFAS regulations.		
	Automobile	Orders for inspection equipment are expected to increase significantly from 2Q onward, including the first order for the parts inspection machine “MISTOL” for welded steel pipes in Indonesia.		
Medical Business	Development plan	Plan to obtain overseas patents for “High-purity bio-soluble magnesium for medical use” in due course. In addition to preparing manufacturing facilities and conducting non-clinical studies for this product, the Company will also prepare for clinical studies. Expand sales of medical device products and develop new products.		