

Quarterly Report Q2 for the fiscal year ending December 2022

Aug 8th, 2022

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 2022



Unit: Million yen / %	Q2 fiscal year 2021		Q2 fiscal year 2022		YoY	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount change	% Change
Net sales	20,252	100.0	20,890	100.0	637	3.1
Gross profit	5,275	26.0	4,953	23.7	△321	△6.1
Selling, general and administrative expenses	3,393	16.8	3,732	17.9	338	10.0
Operating income	1,881	9.3	1,221	5.8	△660	△35.1
Ordinary income	2,010	9.9	1,459	7.0	△550	△27.4
Net income for current period before income taxes	2,131	10.5	1,449	6.9	△682	△32.0
Net income attributed to shareholders of the parent company	1,231	6.1	833	4.0	△398	△32.4
Net income per share (yen)	33.41		22.56			

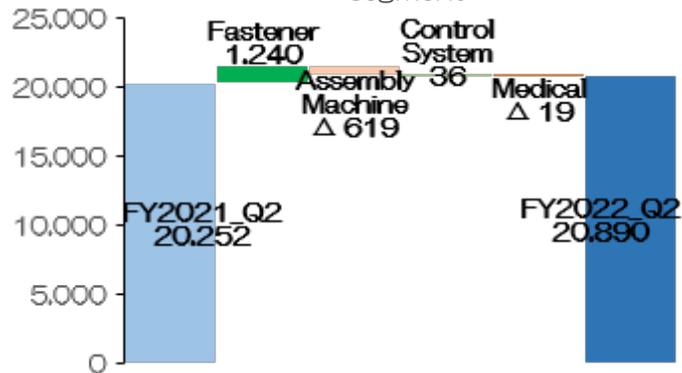
- Although affected by production adjustments in the main customers in the automobile-related industry, sales increased YoY due to contributions from KM Seiko Co., Ltd. and Pinning Co., Ltd., which became subsidiaries in April this year.
- Profit decreased YoY due to soaring raw material prices and logistics costs, as well as parts shortages.
- Overseas, production recovered mainly in Southeast Asia, despite the impact of lockdowns in China. The weak yen also contributed to higher sales YoY.

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

(Unit: Million yen / %)		Q2 fiscal year 2021	Q2 fiscal year 2022	YoY	
				Amount change	% Change
Fastener	Net sales	13,985	15,226	1,240	8.9
	Operating income	894	624	△270	△30.2
	Profit ratio	6.4	4.1		
Assembly Machine	Net sales	3,690	3,070	△619	△16.8
	Operating income	944	571	△372	△39.5
	Profit ratio	25.6	18.6		
Control System	Net sales	2,552	2,588	36	1.4
	Operating income	47	73	25	54.0
	Profit ratio	1.9	2.9		
Medical	Net sales	23	4	△19	△80.5
	Operating income	△4	△47	△43	—
	Profit ratio	△19.9	△1,038.6		

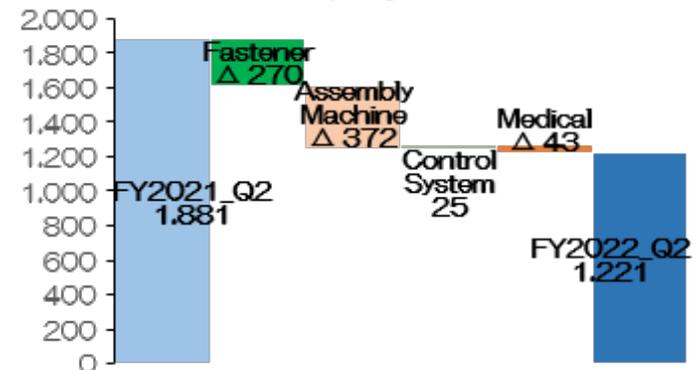
(Million Yen)

Change in net sales by segment



(Million Yen)

Change in operating income by segment



Overview of results by segment - Fastener Division

Unit: Mil yen/ %	FY2021 Q2	FY2022 Q2	YOY	
	Amount	Amount	Amount	% Change
Net sales	13,985	15,226	1,240	8.9
Automobile	5,366	5,368	2	0.0
Housing and construction	2,278	3,055	776	34.1
Electrical and electronic parts	2,611	2,775	164	6.3
Household goods	1,198	1,112	△85	△7.2
IT and digital equipment	653	755	101	15.5
Precision equipment	515	552	37	7.2
Medical	143	166	22	16.0
Energy sector	86	70	△16	△18.8
Others	1,135	1,373	238	21.0
Operating Income	894	624	△270	△30.2

- ◆Automobile
 - Demand for EV-related products, such as AKROSE products and gear parts, were strong, but production adjustments due to shortages of semiconductors and other materials had a significant impact, resulting in flat YoY growth.
- ◆Housing and construction
 - Demand for screw products for housing equipment remained strong and increased significantly YoY.
- ◆Electrical and electronic parts
 - Demand for screw products, including home appliances, remained strong.
- ◆Household goods
 - Sales of screw products for game devices remained sluggish due to planned production cutbacks caused by the shortage of semiconductors and other factors.
- ◆IT and digital equipment
 - 5G communication-related developments were active, and demand for related parts grew strongly.

- As a result of the addition of "KM Seiko Co., Ltd." and "Pinning Co., Ltd." to our group in April this year, sales remained steady YoY.
- Overseas, screw products related to IT and information equipment generally performed well.

Unit: Mil yen/ %	FY2021 Q2	FY2022 Q2	YOY	
	Amount	Amount	Amount	% Change
Net sales	3,690	3,070	△619	△16.8
Automobile	1,922	1,954	32	1.7
Electrical and electronic parts	630	209	△421	△66.8
Energy sector	511	165	△345	△67.6
IT and digital equipment	85	98	12	15.1
Amusement machine	23	55	32	141.0
Housing and construction	55	47	△8	△15.1
Household goods	12	23	11	95.2
Others	452	519	67	15.0
Operating income	944	571	△372	△39.5

◆Automobile

- Demand remained flat due to many inquiries for manufacturing equipment such as EV and ECU related equipment.

◆Electrical and electronic parts

- Demand for semiconductor equipment has been strong since last year, but demand from major users this quarter was limited due to last year's investments. As a result, the demand declined significantly YoY.

◆Energy sector

- In response to last year's reaction to special demand related to gas meters, the year-on-year decrease was substantial.

◆IT and digital equipment

- Demand remained strong for telecommunication bases and other related products.

◆Amusement machine

- Significant YoY increase due to steady demand for renewal of manufacturing facilities and other factors.

- Sales were down 16.8% YoY due to soaring material prices and difficulty in obtaining materials.
- Overseas, the Company participated in an international trade fair (Germany) for the first time and developed measures to expand sales and expects growth in the future.

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

Unit: Mil yen/ %	FY2021 Q2	FY2022 Q2	YOY	
	Amount	Amount	Amount	% Change
Net sales	2,552	2,588	36	1.4
Chemical and pharmaceuticals	613	592	Δ20	Δ3.3
Energy sector	562	443	Δ119	Δ21.2
Housing and construction	265	288	23	8.8
Automobile	150	190	39	26.1
Electrical and electronic parts	145	151	5	3.7
Ship building	121	138	17	14.2
Food	52	58	6	12.5
Others	644	728	83	13.0
Operating income	47	73	25	54.0

- ◆Chemical and pharmaceuticals
 - Demand for analyzers, such as element meters and moisture meters, remained flat.
- ◆Energy sector
 - Despite inquiries for the new “NSX5000V series” and for export, sales remained sluggish at -21.2% YoY.
- ◆Housing and construction
 - Demand for “GEOKARTE” remains strong.
- ◆Automobile
 - Demand for “MISTOL” , “KizMIL” , and other products is also strong and steady.
- ◆Ship building
 - Mass flowmeter sales are steady due to the fuel shift associated with going carbon neutral.

• Although sales of analyzers and other products in the energy sector lacked growth, flow meters, ground survey equipment, and other products in other fields contributed to sales growth. As a result, sales remained flat YoY.

Unit: Mil yen/ %	FY2021 Q2	FY2022 Q2	YOY	
	Amount	Amount	Amount	% Change
Net sales	23	4	△19	△80.5
Medical	23	4	△19	△80.5
Others	—	—	—	—
Operating income	△4	△47	△43	—

◆Medical

- For “High-purity, bio-soluble magnesium for medical use”, efforts are underway for early commercialization, including building a system based on ministerial ordinances, etc., for clinical trials and a manufacturing framework.

Q2 consolidated balance sheets for the fiscal year ending December 2022

Unit : Millions of yen/%	Q2 fiscal year 2021		Q2 fiscal year 2022		YoY	
	Yen	Share (%)	Yen	Share (%)	Amount	%
Assets						
Total current assets	32,646	64.1	33,368	63.1	722	2.2
Cash and deposits	11,415	22.4	9,612	18.2	Δ1,802	Δ15.8
Notes and accounts receivable - trade Electronically recorded monetary claims - operating	12,084	23.7	12,813	24.2	729	6.0
inventory	7,926	15.6	9,921	18.8	1,995	25.2
Total non-current assets	18,277	35.9	19,486	36.9	1,208	6.6
Non-current assets	13,092	25.7	14,212	26.9	1,120	8.6
Intangible assets	1,281	2.5	1,194	2.3	Δ86	Δ6.8
Investments and other assets	3,904	7.7	4,078	7.7	174	4.5
Total assets	50,924	100.0	52,854	100.0	1,930	3.8
Liabilities						
Total current liabilities	13,675	26.9	14,303	27.1	628	4.6
Notes and accounts payable - trade Electronically recorded obligations - operating	8,069	15.8	8,761	16.6	691	8.6
Short-term borrowings	2,610	5.1	2,597	4.9	Δ13	Δ0.5
Total non-current liabilities	4,546	8.9	4,461	8.4	Δ84	Δ1.9
Total liabilities	18,221	35.8	18,765	35.5	543	3.0
Net assets						
Share capital	3,522	6.9	3,522	6.7	—	—
Capital surplus Retained earnings	26,993	53.0	27,510	52.1	517	1.9
Treasury shares	Δ1,254	Δ2.5	Δ1,245	Δ2.4	9	0.7
Total net assets	32,702	64.2	34,089	64.5	1,387	4.2

Consolidated of cash flows for the fiscal year ending December 2022

Unit : Millions of yen	Q2 fiscal year 2021	Q2 fiscal year 2022		
	Yen	Yen	Amount	%
Cash flows from operating activities ※①	1,893	300	△1,593	△84.1
Cash flows from investing activities※②	△337	△1,517	△1,179	—
(FCF) ※①+②	1,555	△1,217	△2,773	—
Cash flows from financing activities	△164	△661	△496	—
Net increase (decrease) in cash and cash equivalents	1,508	△1,659	△3,167	—
Cash and cash equivalents at beginning of period	8,299	10,435	2,136	25.7
Cash and cash equivalents at end of period	9,808	8,776	△1,031	△10.5

2. Sales estimate for the fiscal year ending December 2022

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 2022



Unit : Millions of yen/%	Fiscal year 2021		Fiscal year 2022		YoY	
	Yen	Share (%)	Yen	Share (%)	Amount	%
Net sales	40,518	100.0	42,500	100.0	1,981	4.9
Operating profit	3,249	8.0	3,400	8.0	150	4.6
Ordinary profit	3,487	8.6	3,500	8.2	12	0.3
Profit attributable to owners of parent	2,200	5.4	2,200	5.2	0	0.0
Earnings per share	59.63		59.54			

- Although the shortage of semiconductors and the impact of the re-expansion of the infection of the new coronavirus remain, sales are expected to increase due to a recovery in demand, especially in the automotive-related industry (EVs and ECUs). In addition, KM Seiko Co., Ltd., which became a subsidiary in April, contributes to sales expansion in the fastener business.
- Demand for screw products, which reduce weight and improve resource efficiency, is expected to remain strong.
- In the screw fastening machine-related business, sales are expected to increase in the second half of the year on the back of strong demand from equipment related to CASE in the automotive industry and from the housing industry.
- Flowmeter-related products are expected to be strong due to the recovery of demand in the shipbuilding industry, and inspection machine-related products are expected to be strong due to the need for labor saving and automation.
- In the medical business, we will strive to strengthen cooperation with sales companies and develop new products with a focus on the needs of the medical field and the market.
- Expectations are high regarding the effectiveness of the follow-up after the international trade fair in May to develop new customers in Europe.