

Quarterly Report 3Q for the fiscal year ending December 2024

Nov 13th, 2024
NITTOSEIKO CO., LTD.
(Issue code: Tokyo Stock Exchange Prime 5957)



Summary of Financial Results

Unit: Million yen / %	2023/12 3Q		2024/12 3Q		YoY	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount change	% Change
Net sales	33,217	100.0	34,019	100.0	801	2.4
Gross profit	7,416	22.3	8,030	23.6	613	8.3
Selling, general and administrative expenses	5,714	17.2	5,771	17.0	56	1.0
Operating income	1,702	5.1	2,259	6.6	556	32.7
Ordinary income	1,926	5.8	2,377	7.0	450	23.4
Net income for current period before income taxes	1,930	5.8	2,328	6.8	397	20.6
Net income attributed to shareholders of the parent company	1,122	3.4	1,467	4.3	345	30.7
Net income per share (yen)	30.39		40.17			

Main points

Net Sales

- Sales of analyzers for energy-related applications in the control system segment, analyzers compliant with PFAS regulations and parts inspection machines for the automobile industry were strong against a backdrop of labor shortages. In addition, sales increased by 2.4% YoY due to the establishment of a European base in April 2023, as well as progress in price transfers, particularly for screw driving machines in the assembly machine segment.

Operating Income

- Profit increased 32.7% YoY due to progress in price transfer, especially for screw driving machines, and shipments of high value-added analyzers.

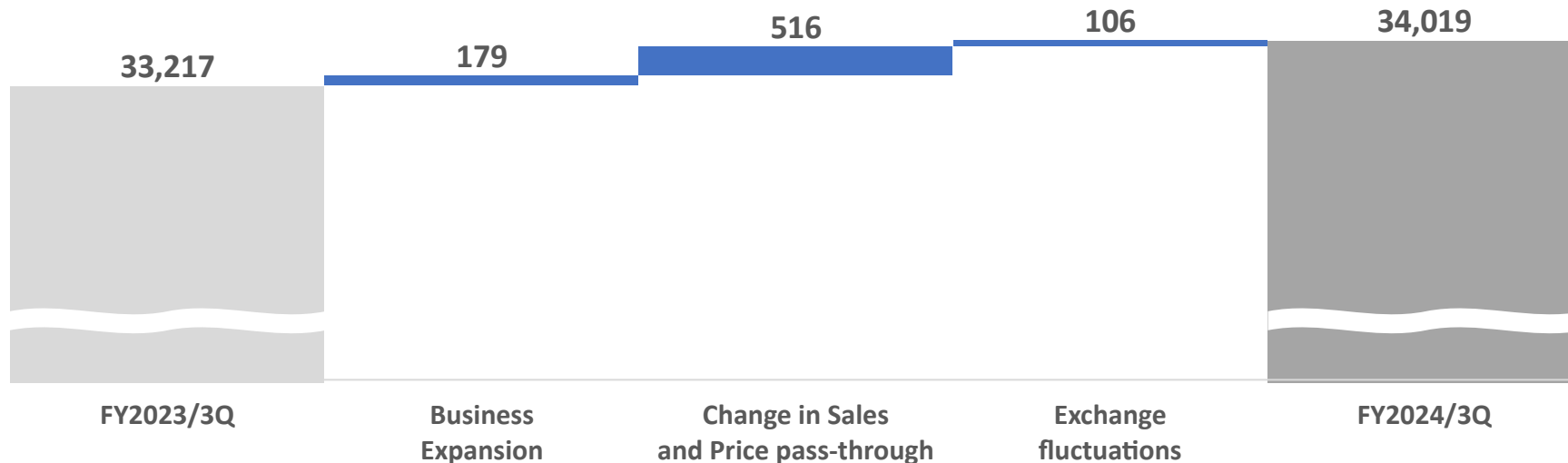
Overseas

- In addition to the recovery in sales of fastener products for the Chinese automotive industry, which had been in decline since last year, sales of analytical equipment at our European base were also strong, leading to an increase in sales.

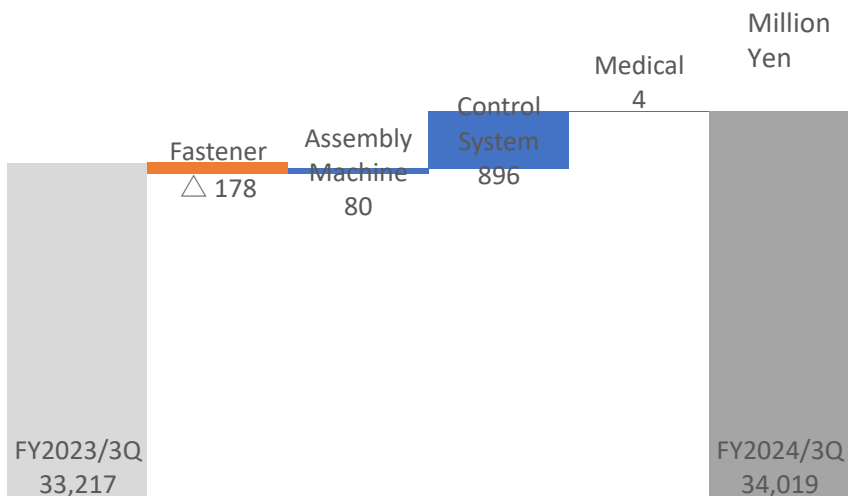
Summary of Financial Results - Net Sales

Analysis of Net Sales

Million Yen



Change in net sales by segment



Business Expansion

Nittoseiko Analytech Europe GmbH, established in 2023, contributed.

Change in Sales

Analyzers for energy-related and environmental fields and parts inspection machines for automobiles in the control system segment performed well.

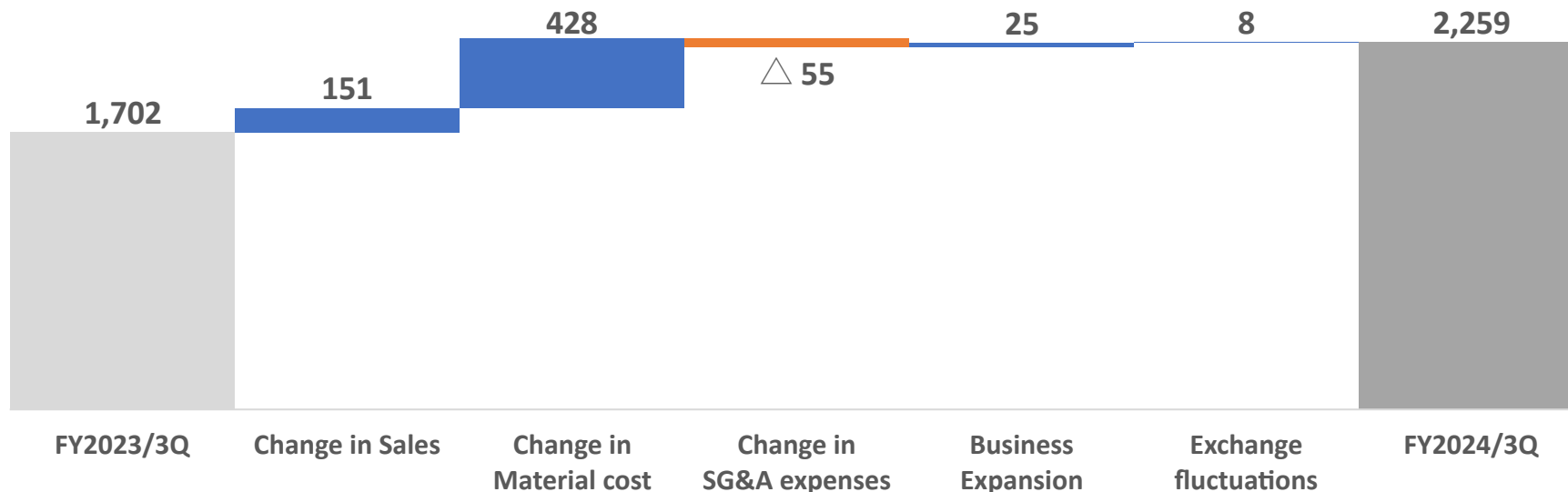
Price Pass-through

Price Pass-through of screw driving machine-related products has progressed. Negotiations continue for other items.

Summary of Financial Results - Operating Income

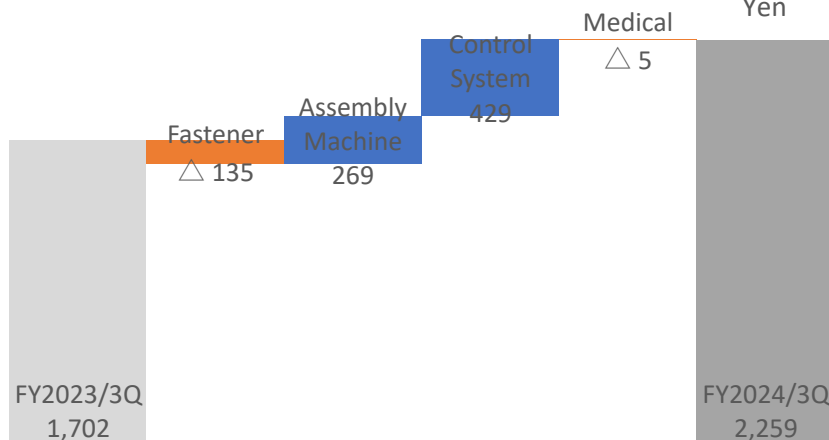
Analysis of Operating Income

Million Yen



Change in Operating Income by segment

Million Yen



Change in Material cost

The cost ratio improved due to the effect of price transfer related to screw driving machines. In addition, progress in shipments of high value-added analytical instruments also contributed.

Change in SG&A expenses

Labor costs increased approximately 3.4% (approx. 75 million yen) from the previous year due to wage increases.

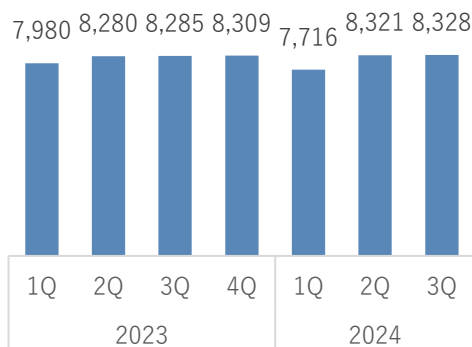
Business Expansion

Nittoseiko Analytech Europe GmbH, established in 2023, contributed.

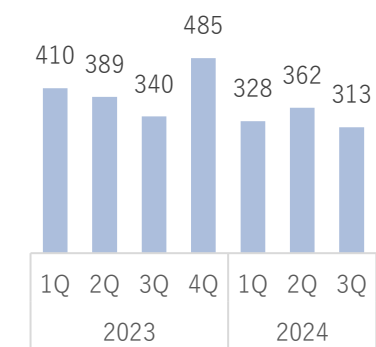
Overview of Results by Segment - Fastener Segment



Million Yen Net sales



Million Yen Operating income



Outlook

- Net sales were down YoY due to the effects of a slowdown in demand in the game console market and delays in plans due to severe labor shortages and soaring material costs in the construction industry, despite firm sales in the mainstay automobile industry.
- Operating income decreased YoY due to insufficient price transfer in response to rising costs of wire rods (the main material), sub-materials, wages, and logistics costs.
- Promoting efficiency and cost reduction through consolidation of manufacturing plants.

Industry Comments

◆Automobile

- Despite the impact of production halt caused by the type certification issue of domestic automakers, sales of our original “GIZATITE” anti-loosening screws, “ASFA” screws with built-in washers, “CP GRIP” screws that prevent scattering of fastening dust, and precision press products for CASE and EV applications remained strong. Inquiries about “JOISTUD,” which enables lighter and thinner fastenings, and “AKROSE,” which joins dissimilar metals for batteries, were also strong.

◆Housing and construction

- Despite domestic demand, sales declined YoY due to the industry's serious shortage of labor and material price hikes, which led to delays in plans, etc. In February, the company launched a new product that eliminates the need for spring washers and flat washers, the flange-type anti-loosening bolt “CUP BOLT,” and is expanding sales.

◆Electrical and electronic parts

- Despite weak consumption in Europe and China, demand for consumer electronics in Indonesia is on a recovery trend and sales increased slightly.

◆Household goods

- Sales of precision screws declined as the game console market, which had been boosted by stay-at-home demand, calmed down.

◆IT and digital equipment

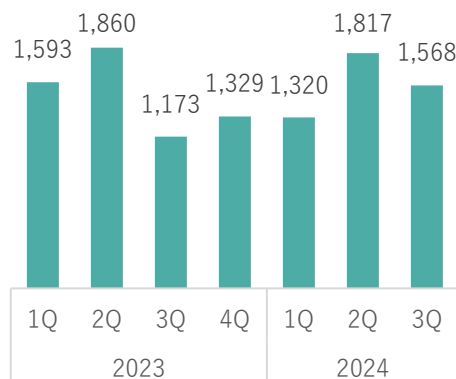
- Sales for office automation equipment increased in China and Malaysia.

Unit: Mil yen/ %	2023/12	2024/12	YoY	
	3Q	3Q		
	Amount	Amount	Amount	% Change
Net Sales	24,546	24,367	△ 178	△ 0.7
Automobile	9,514	9,558	44	0.5
Housing and construction	5,541	5,308	△ 233	△ 4.2
Electrical and electronic parts	3,513	3,546	33	0.9
Household goods	1,722	1,518	△ 204	△ 11.8
IT and digital equipment	981	1,210	229	23.3
Precision equipment	821	863	42	5.1
Medical	239	232	△ 7	△ 2.9
Others	2,215	2,133	△ 82	△ 3.7
Operating Income	1,140	1,004	△ 135	△ 11.9

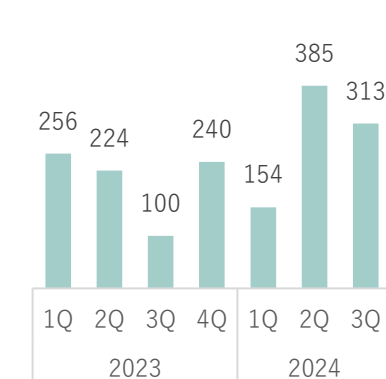
Overview of Results by Segment – Assembly Machine Segment



Million Yen Net sales



Million Yen Operating income



Outlook

- Sales increased slightly YoY due to increased demand for electrification and automation from outside of existing industries, and labor shortages, despite the slowdown in EV sales and stagnant capital investment prior to the presidential election in the U.S.
- Operating income increased YoY due to an improvement in the cost of sales ratio of screw driving machines as a result of progress in price transfer from the Q2 period.
- Released a low-torque model of the high-precision, high-performance NX driver in August.

Industry Comments

◆Automobile

- In Japan, orders for CASE-related screw driving machines and orders for equipment for new car models increased, and there was a slight recovery trend from Q2, but capital investment stagnated in the U.S. and EV sales slowed worldwide, resulting in weak performance.

◆Electrical and electronic parts

- Despite a rebound from last year's large equipment orders, a slight YoY increase due to an increase in assembly machines for pneumatic equipment.

◆Energy

- Slight increase due to renewal demand for equipment for smart meters and watt meters.

◆Amusement machine

- Decreased in response to last year's large equipment orders.

◆IT and digital equipment

- Decreased in response to last year's orders for cell phones in South Korea.

◆Household goods

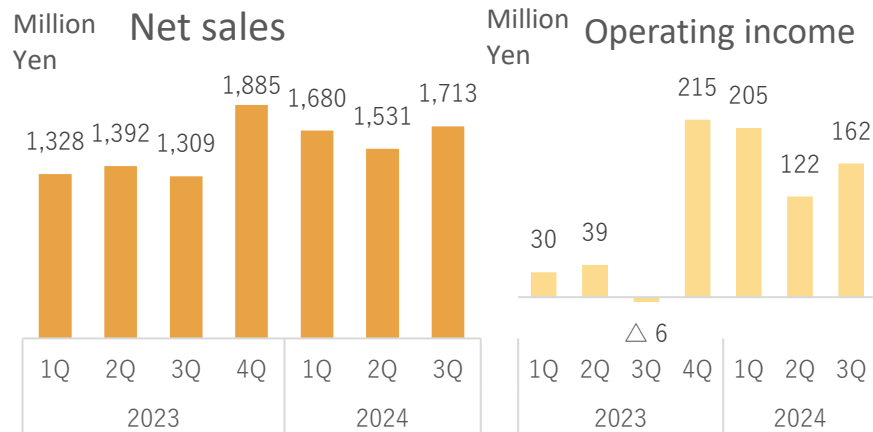
- Received new order for child seat screw driving machine.

◆Others

- Orders increased due to large projects for general-purpose engine equipment, industrial pump equipment, furniture assembly equipment, and semiconductor equipment manufacturers.

Unit: Mil yen/%	2023/12	2024/12	YoY	
	3Q	3Q	Amount	% Change
Net Sales	4,626	4,706	80	1.7
Automobile	2,616	2,434	△ 182	△ 7.0
Electrical and electronic parts	828	868	40	4.8
Energy sector	159	192	33	20.8
Amusement machine	209	132	△ 77	△ 36.8
Housing and construction	147	115	△ 32	△ 21.8
IT and digital equipment	162	102	△ 60	△ 37.0
Household goods	10	55	45	450.0
Others	494	808	314	63.6
Operating Income	581	851	269	46.3

Overview of Results by Segment – Control System Segment



Outlook

- Sales of analytical instruments were strong, especially in the chemical, pharmaceutical, and energy-related industries. In addition, sales of analytical instruments in Europe against the backdrop of PFAS regulations and large orders for parts inspection systems for the automobile industry led to higher sales and profit YoY.
- In addition to new product development, the Company will promote cost visualization, in-house production of machined parts, efficient assembly production, and sales price revisions.

Industry Comments

◆Chemical and pharmaceutical

- Sales of analytical instruments in North America remained strong. Sales channels are being expanded with the start of sales through subsidiaries in China, following a review of distribution channels.

◆Energy

- Sales increased due to special demand for moisture and titration meters for oil refineries in Latin America.

◆Environment

- Demand for analysis of organic fluorine due to PFAS regulations increased significantly and drove sales of the new “Automatic Quick Furnace AOF/AQF-5000H,” launched in March. Inquiries about microbubbles are increasing due to interest in environmentally friendly products.

◆Automobile

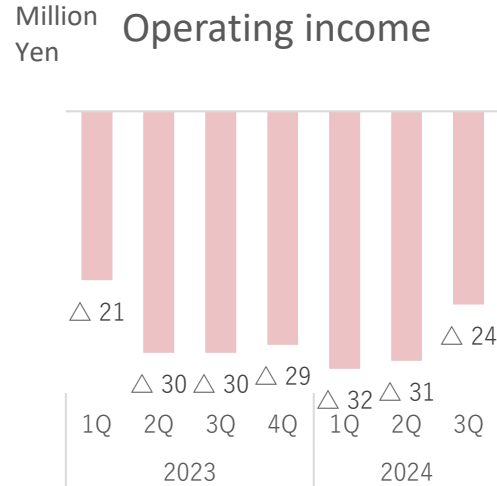
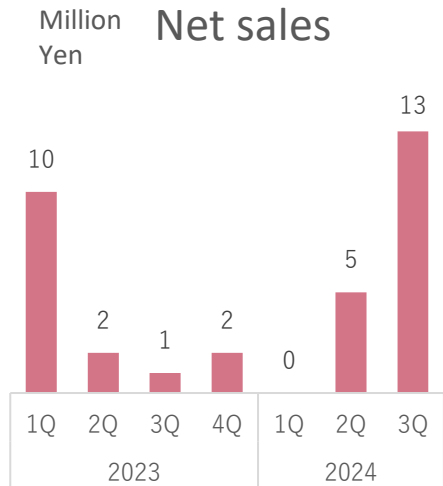
- Sales increased significantly due to large orders for MISTOL parts inspection equipment. Demand for resistivity meters for battery materials, etc. also increased.

◆Housing and construction

- Sales of “GEOKARTE IV,” a ground investigation equipment, remained sluggish due to a lack of growth in the number of detached housing starts. First sales were made to the Provincial Highway Department of the Ministry of Transport of Thailand.

Unit: Mil yen/%	2023/12	2024/12	YoY	
	3Q	3Q		
	Amount	Amount	Amount	% Change
Net Sales	4,029	4,926	896	22.2
Chemical and pharmaceuticals	964	1,011	47	4.9
Energy sector	643	1,001	358	55.7
Environment	169	482	313	185.2
Automobile	187	479	292	156.1
Electrical and electronic parts	267	275	8	3.0
Ship building	238	246	8	3.4
Housing and construction	332	221	△ 111	△ 33.4
Food	60	97	37	61.7
Medical	116	90	△ 26	△ 22.4
Others	1,055	1,024	△ 31	△ 2.9
Operating Income	63	492	429	679.4

Overview of Results by Segment – Medical Segment



Outlook

- The medical illuminator “FREELED” did not achieve full adoption despite efforts to collect market needs and offer proposals while reducing costs, a high customer demand after the COVID-19 pandemic. Going forward, the Company will continue to focus on strengthening PR through sales companies, aiming for full adoption of the product.
- Following the patent in Japan in 2023, a U.S. patent for "High purity bio-soluble magnesium for medical use" was granted in July 2024. Patents already filed in six other major countries are scheduled to be granted sequentially. 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.
- A system is being set up to acquire new medical device manufacturing contracts utilizing the Company's existing technologies.

Unit: Mil yen/ %	2023/12	2024/12	YoY	
	3Q	3Q	Amount	% Change
Net Sales	15	19	4	27.0
Medical	15	19	4	27.0
Others	—	—	—	—
Operating Income	△ 82	△ 88	△ 5	—

Balance Sheet (Consolidated)

Unit : Million yen/%	Year ended Dec 2023		Year ending Dec 2024/3Q		YoY		
	Amount	Ratio (%)	Amount	Ratio (%)	Amount change	% Change	
Assets							
Total current assets	33,822	63.4	34,937	65.2	1,114	3.3	
Cash and deposits	8,849	16.6	9,418	17.6	568	6.4	
Notes and accounts receivable – inventory	12,794	24.0	12,683	23.7	△ 110	△ 0.9	
inventory	11,023	20.7	11,278	21.0	255	2.3	
Total non-current assets	19,521	36.6	18,657	34.8	△ 864	△ 4.4	
Non-current assets	14,129	26.5	13,904	25.9	△ 225	△ 1.6	
Intangible assets	999	1.9	892	1.7	△ 107	△ 10.7	
Investments and other assets	4,391	8.2	3,860	7.2	△ 531	△ 12.1	
Total assets	53,344	100.0	53,594	100.0	250	0.5	
Liabilities							
Total current liabilities	12,901	24.2	12,393	23.1	△ 507	△ 3.9	
Notes and accounts payable -	8,615	16.2	8,357	15.6	△ 258	△ 3.0	
Short-term borrowings	1,574	3.0	1,308	2.4	△ 265	△ 16.9	
Total non-current liabilities	4,040	7.6	3,723	6.9	△ 317	△ 7.8	
Total liabilities	16,941	31.8	16,116	30.1	△ 825	△ 4.9	
Net assets							
Share capital	3,522	6.6	3,522	6.6	–	–	
Capital surplus / Retained earnings	29,400	55.1	30,062	56.1	661	2.3	
Treasury shares	△ 1,562	△ 2.9	△ 1,527	△ 2.8	34	–	
Total net assets	36,402	68.2	37,478	69.9	1,075	3.0	

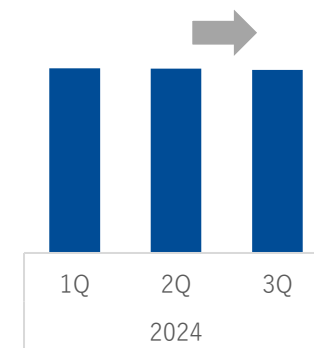
2. Forecast for the Fiscal Year Ending Dec 31, 2024

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			

Change in order backlog



Main points

Net Sales

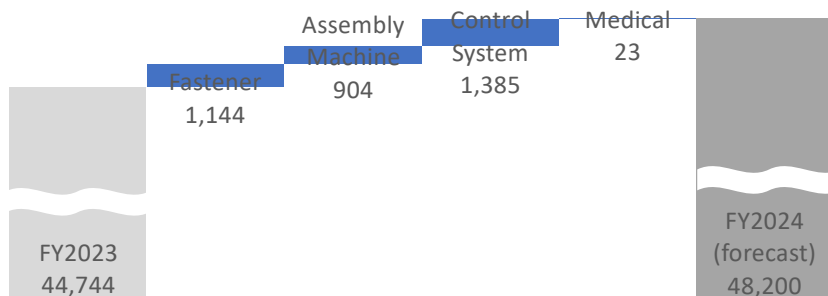
- While the first half of this fiscal year lacked momentum due to inventory adjustments at mainstay automobile customers and slowing economic growth in major countries; from the second half, however, the Company expect the business to recover to a certain level, driven by the elimination of excess inventory as well as large orders for precision parts. Although recovery is awaited at some overseas bases, analytical instruments, for which demand is expected to be strong in energy and environment-related industries, continue to perform well, complementing the group's overall performance.

Operating Income

- Sales of high value-added products such as analytical instruments in the control system segment are expected to remain strong. In addition, the Company expects to see the effects of the price transfer of screw driving machine-related products that has been underway since 2Q. Furthermore, the Company is continuing to improve profitability by consolidating fastener plants, continuing negotiations for products for which price transfer has not yet been completed, reviewing parts and materials, and producing machined parts in-house.

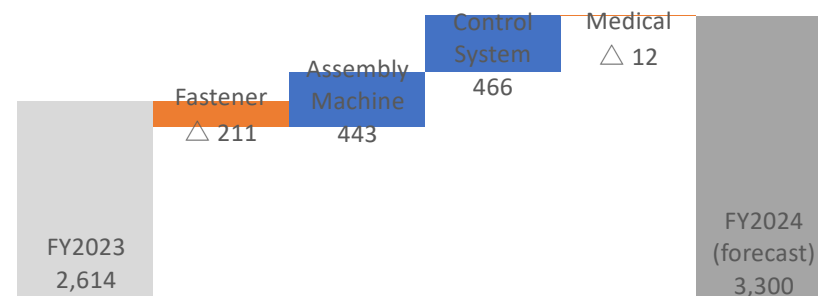
(Million Yen)

Change in net sales by segment



(Million Yen)

Change in Operating Income by segment



Market trend and initiatives by segment

	Main market trends		Initiatives and future efforts	Change in order backlog
Fastener	Automobile	Japanese manufacturers are planning to build new battery plants in Japan to increase production of various types of EVs. Despite the aftermath of production halts due to the type certification issue, demand for lighter and thinner vehicles continue to grow.	The Company will expand sales of “AKROSE” and “JOISTUD” series for the automobile industry and the new washer-free “CUP BOLT” for the housing and construction industries. In addition to main material costs, the Company is in the process of passing on prices following increases in sub-material costs, wages, distribution costs, and other costs. The Company is also working to reduce manufacturing costs through factory reorganization and other measures.	
	Housing and construction	Despite domestic demand, the industry's severe shortage of labor and rising material costs have caused planning delays, etc.		
	Household goods	Expect a rise in the game console market, which had been stagnant.		
Assembly Machine	Automobile	Although the shift to EVs is temporarily slowing down, the electrification and ADAS areas are expected to accelerate in the future. ECU-related equipment projects are on the rise due to the expansion of vehicle models equipped with inverters, advanced safety system ECUs, and other products.	In the automobile business, the battery sales team is promoting expansion of sales. In an effort to win orders for special watt meters, the Company is considering the development of a new partner factory to expand production capacity. Local subsidiaries in China and Thailand are promoting joint development of Asian models and demonstrating them at trade shows for PR.	
	Electrical and electronic parts	Domestic production returned due to “China risks” and the weak yen. Orders for semiconductor inspection equipment, an area of strength, are showing signs of recovery in line with the recovery of the semiconductor industry.		
	Energy sector	Installation of equipment is expected to proceed at various companies due to the increased production of new meters.		
Control System	Chemical and pharmaceutical	Demand for LIBs is slowing in some regions, including China, but demand for next-generation battery materials in Japan and elsewhere is expected to stay strong.	The Company will promote sales of its new product “Automatic Quick Furnace AOF/AQF-5000H” for demand related to electronic materials and PFAS. The Company plans to respond to an increase in inquiries for inspection equipment related to labor shortages. In addition, the Company will promote cost visualization, in-house production of machined parts, more efficient assembly production, and sales price revisions.	
	Energy sector	While demand decreased due to decarbonization, demand for recycled fuels such as SAF and synthetic fuels is expected to increase.		
	Environment	Continued demand for analyzers is expected in Europe and the U.S. due to PFAS regulations.		
Medical	Development plan	Starting with the U.S. in July, the Company plans to acquire overseas patents for “High purity bio-soluble magnesium for medical use.” In addition to preparing manufacturing facilities for this product and conducting non-clinical studies, the Company will also prepare for clinical studies and expand sales of medical device products and develop new products. The Company is also building a system to obtain new medical device manufacturing contracts utilizing existing technologies.		