

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2024
(Six Months Ended September 30, 2023)**

[Japanese GAAP]

Company name: NITTOKU CO., LTD.	Listing: Tokyo Stock Exchange
Stock code: 6145	URL: https://nittoku.co.jp
Representative: Nobushige Kondo, President	
Contact: Yumiko Fujita, Executive Officer, General Administration Division Executive General Manager	
Tel: +81-48-615-2109	
Scheduled date of filing of Quarterly Report:	November 13, 2023
Scheduled date of payment of dividend:	December 1, 2023
Preparation of supplementary materials for quarterly financial results:	Yes
Holding of quarterly financial results meeting:	Yes (for analysts and institutional investors)

Note: The original disclosure in Japanese was released on November 10, 2023, at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2023

(April 1, 2023–September 30, 2023)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2023	13,162	(15.4)	1,662	25.2	1,711	21.6	1,103	18.6
Six months ended Sep. 30, 2022	15,553	51.4	1,327	110.7	1,407	84.9	930	70.6

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2023: 1,902 (up 55.0%)
Six months ended Sep. 30, 2022: 1,227 (up 87.4%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Sep. 30, 2023	61.08		–	
Six months ended Sep. 30, 2022	51.48		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Sep. 30, 2023	52,139		37,655		71.6	
As of Mar. 31, 2023	47,675		36,024		74.9	

Reference: Shareholders' equity (million yen) As of Sep. 30, 2023: 37,340 As of Mar. 31, 2023: 35,715

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	–	15.00	–	15.00	30.00
Fiscal year ending Mar. 31, 2024	–	17.00			
Fiscal year ending Mar. 31, 2024 (forecast)			–	17.00	34.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023–March 31, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	33,000	12.0	3,400	9.8	3,400	9.0	2,350	5.7	130.07	

Note: Revisions to the most recently announced consolidated earnings forecast: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Application of special accounting methods in the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies and accounting-based estimates, and restatements
- 1) Changes in accounting policies due to revisions in accounting standards, others: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting-based estimates: None
 - 4) Restatements: None
- (4) Number of issued shares (common stock)
- 1) Number of issued shares at the end of the period (including treasury shares)

As of Sep. 30, 2023:	18,098,923 shares	As of Mar. 31, 2023:	18,098,923 shares
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 - 2) Number of treasury shares at the end of the period

As of Sep. 30, 2023:	32,488 shares	As of Mar. 31, 2023:	32,246 shares
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 - 3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2023:	18,066,549 shares	Six months ended Sep. 30, 2022:	18,067,022 shares
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* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information currently available to the Company's management at the time the materials were prepared. As such, they do not constitute an assurance that the Company promises to achieve the future performance. Actual results may differ significantly from these forecasts for a number of reasons. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 4 of the attachments "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements."

The Company plans to hold a results presentation for institutional investors and analysts on November 30, 2023. Materials will be available on the Company's website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the fiscal year ending March 31, 2024 (from April 1 through September 30, 2023), the global economy saw slowdown in recovery and faced great uncertainties such as growing geopolitical risks and rises in resources and energy prices amid the prolonged conflict in Ukraine, rising tensions in the Middle East, and the situation in China in addition to the increasing inflation rate especially in the U.S. and Europe and the concerns over the impact of downward pressure on economy driven by the tight monetary policies intended to respond to the inflation, etc.

Meanwhile, despite the recovery continuing in a moderate pace, the Japanese economic horizons still remained unclear amid the following concerns: soaring raw material and energy prices, increasing import costs caused by the further depreciation of yen, rising costs of living, restricted supply, and impacts on the economy due to changes in the global financial conditions and growing geopolitical risks and other factors.

The business environment surrounding the Group saw steady capital investments motivated by the strong needs for automating, sophisticating, and improving the quality of manufacturing production systems as well as investments to address the shortage of labor and the digital related investments, investments in research and developments for growth areas and carbon emissions reduction, investments aimed at strengthening supply chain. This was partly thanks to the boost provided by the accommodative financial conditions while the global trend toward carbon emissions reduction has continued in the automobile industry. Meanwhile, based on the idea of promoting local production for local consumption, the Company made efforts to build a system leveraging remote technologies that enables us to remotely negotiate over sales and specifications issues, confirm completion, and provide installation supports, as well as transferring the sales, production, and service provision operations to overseas branches to improve production efficiency. We also accelerated our efforts to implement production engineering on behalf of users in a bid to accurately meet the needs and wants of our users, as well as promoting collaboration and co-creation with users and suppliers.

In recent years, the society requires firms to respond to SDGs and pursue ESG management. Thus, the Company provides users with production systems which enable them to save energy, materials, electricity, and spaces and to achieve high productivity and safety to ultimately contribute to the global environment and the international community.

Under the above-mentioned circumstances, for the first half of the current fiscal year, due to the impact of timing of sales attributable to the build-to-order production, etc., the Group recorded net sales of 13,162 million yen (down 15.4% year on year), operating profit of 1,662 million yen (up 25.2% year on year), ordinary profit of 1,711 million yen (up 21.6% year on year), and profit attributable to owners of parent of 1,103 million yen (up 18.6% year on year).

In this business environment, results by business segment were as follows.

Winding System & Mechatronics Business

The Company has pursued a business model of providing a production system that helps users to win over the competition in the global market. To this end, we have developed the mechanical elemental technologies such as those for winding, tensioning, and handling as well as our proprietary OS enabling the high performance multi-axis synchronous control. We have integrated those through a material handling system to make them a platform-based production system. We must promptly cater to individual users' unique and diverse needs and wants. In doing so, we deep-dived into our existing business domains and continued to explore peripheral business domains by globally promoting our Blue Lake strategy—a strategy to promote collaboration and co-creation with users and suppliers through open innovation. As a result of these efforts, both orders received and net sales have recently been expanding primarily from the mobility industry.

Under the concept of local production for local consumption, we made strenuous efforts to streamline our marketing, production, and service operations and cut production costs by shifting operations online primarily at overseas branches to maximize productivity and competitiveness.

In this business, the Company has transformed itself from conventional “production facility manufacturer” to “line

builder” that provides technologies and ideas to the design and building of overall production systems of users and also contributes to the production efficiency and quality improvements for the entire process. Due to the enlarging production systems, orders for projects that are expensive and include lots of new elements have increased recently. Because of this, some projects may end up being low-profitable. However, during the period under review, we were able to ensure profits that exceed the forecast for these projects through accumulation of technical know-how, improvement of production efficiency, and cost reduction, etc. In addition, impacts of the exchange rate for the foreign denominated projects have worked in our favor.

As a result of the above, the Winding System & Mechatronics Business segment, which accounts for about 89% of the Group’s total net sales, reported net sales of 11,730 million yen (down 17.9% year on year) and segment profit (operating profit) of 1,654 million yen (up 11.0% year on year) on a consolidated basis.

On a non-consolidated basis, orders received decreased to 9,647 million yen (down 18.8% year on year), net sales decreased to 8,885 million yen (down 15.7% year on year), and the order backlog at the end of the second quarter increased to 20,697 million yen (up 19.7% year on year). This was due to the impacts of customers continuously remaining cautious in making investments in large production lines amid the unstable international situation despite the strong motivation for investments in automation in the manufacturing industry.

Contactless IC Tag & Card Business

During the first half of the current fiscal year, we received inquiries mainly for contactless IC cards and battery tags for production management systems. As a result, net sales of the contactless IC cards increased 14.3% year on year while net sales of battery tags for production management systems increased by 3.43 times year on year backed by increased needs for process management in production lines for battery.

As a result, net sales of the Contactless IC Tag & Card Business came in at 1,431 million yen (up 13.3% year on year) and segment profit (operating profit) came in at 516 million yen (up 82.8% year on year) on a consolidated basis. On a non-consolidated basis, orders received decreased to 949 million yen (down 4.1% year on year), net sales increased to 1,431 million yen (up 13.3% year on year), and the order backlog at the end of the second quarter decreased to 489 million yen (down 49.8% year on year).

(2) Explanation of Financial Position

1) Assets

Current assets increased 3,301 million yen from the end of the previous fiscal year to 35,403 million yen. This was mainly attributable to increases of 690 million yen in notes and accounts receivable-trade and 2,937 million yen in work in process, which were partially offset by a decrease of 705 million yen in cash and deposits.

Non-current assets increased 1,163 million yen from the end of the previous fiscal year to 16,736 million yen. This was mainly attributable to an increase of 489 million yen in investment securities.

As a result, total assets increased 4,464 million yen from the end of the previous fiscal year to 52,139 million yen.

2) Liabilities

Current liabilities increased 2,810 million yen from the end of the previous fiscal year to 13,282 million yen. This was mainly attributable to increases of 1,241 million yen in contract liabilities, 587 million yen in income taxes payable and 521 million yen in electronically recorded obligations-operating.

Non-current liabilities increased 23 million yen from the end of the previous fiscal year to 1,201 million yen.

Consequently, total liabilities increased 2,833 million yen from the end of the previous fiscal year to 14,484 million yen.

3) Net assets

Total net assets increased 1,630 million yen from the end of the previous fiscal year to 37,655 million yen.

Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the first half of the current fiscal year decreased 772 million yen from the end of the previous fiscal year to 11,251 million yen. The cash flow components during the first half of the current fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash used in operating activities was 70 million yen (compared with 1,653 million yen provided for the same period of the previous fiscal year). Main factors include increase in inventories of 3,341 million yen, increase in trade receivables of 460 million yen and income taxes paid of 127 million yen, despite the recording of profit before income taxes of 1,711 million yen, increase in contract liabilities of 1,083 million yen, increase in trade payables of 610 million yen and depreciation of 511 million yen.

Cash flows from investing activities

Net cash used in investing activities was 670 million yen (compared with 567 million yen used for the same period of the previous fiscal year). Main factors include payments into time deposits of 724 million yen, purchase of investment securities of 316 million yen and purchase of insurance funds of 279 million yen, despite proceeds from withdrawal of time deposits of 733 million yen.

Cash flows from financing activities

Net cash used in financing activities was 480 million yen (compared with 591 million yen used for the same period of the previous fiscal year), which was mainly caused by dividends paid of 270 million yen.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

The earnings forecasts are based on information available at the time of the release of this report. Actual results may differ from these forecasts for a number of reasons. The all of amounts of operating profit, ordinary profit and profit attributable to owners of parent for the first half of the fiscal year ending March 31, 2024 are at levels exceeding those of the relevant first-half earnings forecast released on May 12, 2023. Meanwhile, for the second half of the fiscal year, a higher proportion of projects for the third quarter has lots of development elements and the timing of its sales booking is concentrated around the end of the fourth quarter, thus it is expected that some of the timings of sales booking would be pushed back. Therefore, we currently maintain unchanged the consolidated earnings forecast and will promptly disclose any adjustments when we have a clear outlook for the performance in the future and revisions are deemed necessary.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	Prior fiscal year (As of Mar. 31, 2023)	Second quarter of current fiscal year (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	13,842	13,137
Notes and accounts receivable-trade	4,975	5,665
Electronically recorded monetary claims-operating	1,756	1,689
Work in process	8,753	11,690
Raw materials and supplies	1,950	2,485
Other	833	805
Allowance for doubtful accounts	(9)	(70)
Total current assets	32,102	35,403
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,549	4,952
Machinery, equipment and vehicles, net	869	991
Land	2,803	2,804
Other, net	742	655
Total property, plant and equipment	8,964	9,403
Intangible assets		
Other	114	170
Total intangible assets	114	170
Investments and other assets		
Investment securities	4,113	4,603
Retirement benefit asset	568	571
Deferred tax assets	47	49
Other	1,764	1,938
Total investments and other assets	6,494	7,162
Total non-current assets	15,573	16,736
Total assets	47,675	52,139

	(Millions of yen)	
	Prior fiscal year (As of Mar. 31, 2023)	Second quarter of current fiscal year (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,890	2,077
Electronically recorded obligations-operating	2,623	3,145
Income taxes payable	197	784
Contract liabilities	3,785	5,027
Provision for bonuses	630	745
Other	1,344	1,502
Total current liabilities	10,472	13,282
Non-current liabilities		
Deferred tax liabilities	702	634
Retirement benefit liability	19	1
Other	455	565
Total non-current liabilities	1,178	1,201
Total liabilities	11,650	14,484
Net assets		
Shareholders' equity		
Share capital	6,884	6,884
Capital surplus	2,535	2,535
Retained earnings	22,555	23,388
Treasury shares	(28)	(29)
Total shareholders' equity	31,948	32,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,575	1,708
Foreign currency translation adjustment	1,873	2,583
Remeasurements of defined benefit plans	319	268
Total accumulated other comprehensive income	3,767	4,561
Non-controlling interests	309	314
Total net assets	36,024	37,655
Total liabilities and net assets	47,675	52,139

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Six-month Period)**

	(Millions of yen)	
	First six months of prior fiscal year (Apr. 1, 2022–Sep. 30, 2022)	First six months of current fiscal year (Apr. 1, 2023–Sep. 30, 2023)
Net sales	15,553	13,162
Cost of sales	11,874	8,753
Gross profit	3,678	4,408
Selling, general and administrative expenses	2,351	2,746
Operating profit	1,327	1,662
Non-operating income		
Interest income	21	46
Dividend income	34	35
Other	84	54
Total non-operating income	140	135
Non-operating expenses		
Foreign exchange losses	39	55
Other	20	30
Total non-operating expenses	60	86
Ordinary profit	1,407	1,711
Extraordinary losses		
Loss on valuation of investment securities	52	–
Total extraordinary losses	52	–
Profit before income taxes	1,355	1,711
Income taxes-current	209	685
Income taxes-deferred	218	(68)
Total income taxes	428	617
Profit	926	1,093
Loss attributable to non-controlling interests	(3)	(9)
Profit attributable to owners of parent	930	1,103

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

	(Millions of yen)	
	First six months of prior fiscal year (Apr. 1, 2022–Sep. 30, 2022)	First six months of current fiscal year (Apr. 1, 2023–Sep. 30, 2023)
Profit	926	1,093
Other comprehensive income		
Valuation difference on available-for-sale securities	(278)	133
Foreign currency translation adjustment	622	725
Remeasurements of defined benefit plans, net of tax	(44)	(51)
Total other comprehensive income	300	808
Comprehensive income	1,227	1,902
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,219	1,896
Comprehensive income attributable to non-controlling interests	7	5

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of prior fiscal year (Apr. 1, 2022–Sep. 30, 2022)	First six months of current fiscal year (Apr. 1, 2023–Sep. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	1,355	1,711
Depreciation	512	511
Increase (decrease) in allowance for doubtful accounts	(1)	58
Increase (decrease) in provision for bonuses	156	103
Increase (decrease) in retirement benefit liability	17	(19)
Decrease (increase) in retirement benefit asset	(86)	(77)
Interest and dividend income	(55)	(81)
Foreign exchange losses (gains)	(11)	(30)
Decrease (increase) in trade receivables	387	(460)
Decrease (increase) in inventories	1,216	(3,341)
Increase (decrease) in trade payables	(72)	610
Subsidy income	(57)	(11)
Increase (decrease) in contract liabilities	(1,603)	1,083
Other, net	291	(75)
Subtotal	2,049	(20)
Interest and dividends received	55	77
Interest paid	(6)	(13)
Income taxes paid	(501)	(127)
Subsidies received	57	11
Net cash provided by (used in) operating activities	1,653	(70)
Cash flows from investing activities		
Payments into time deposits	(1,403)	(724)
Proceeds from withdrawal of time deposits	1,146	733
Purchase of property, plant and equipment	(115)	(189)
Proceeds from sale of property, plant and equipment	1	23
Purchase of intangible assets	(4)	(53)
Purchase of investment securities	(205)	(316)
Proceeds from sale and redemption of investment securities	0	16
Purchase of insurance funds	(253)	(279)
Proceeds from maturity of insurance funds	266	119
Other, net	–	(0)
Net cash provided by (used in) investing activities	(567)	(670)
Cash flows from financing activities		
Dividends paid	(451)	(270)
Other, net	(140)	(209)
Net cash provided by (used in) financing activities	(591)	(480)
Effect of exchange rate change on cash and cash equivalents	407	448
Net increase (decrease) in cash and cash equivalents	902	(772)
Cash and cash equivalents at beginning of period	11,768	12,023
Cash and cash equivalents at end of period	12,670	11,251

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

First six months of current fiscal year (Apr. 1, 2023–Sep. 30, 2023)

Not applicable.

Segment and Other Information

I. First six months of prior fiscal year (Apr. 1, 2022–Sep. 30, 2022)

1. Information related to net sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment		Total
	Winding System & Mechatronics Business	Contactless IC Tag & Card Business	
Net sales			
External sales	14,289	1,264	15,553
Inter-segment sales and transfers	–	–	–
Total	14,289	1,264	15,553
Segment profit	1,490	282	1,772

2. Reconciliation of amounts shown on the quarterly consolidated statement of income with total profit or loss for reportable segments (Millions of yen)

Profit	Amount
Total for reportable segments	1,772
Corporate expenses (Note)	(445)
Operating profit on the quarterly consolidated statement of income	1,327

Note: Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segments.

II. First six months of current fiscal year (Apr. 1, 2023–Sep. 30, 2023)

1. Information related to net sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment		Total
	Winding System & Mechatronics Business	Contactless IC Tag & Card Business	
Net sales			
External sales	11,730	1,431	13,162
Inter-segment sales and transfers	–	–	–
Total	11,730	1,431	13,162
Segment profit	1,654	516	2,171

2. Reconciliation of amounts shown on the quarterly consolidated statement of income with total profit or loss for reportable segments (Millions of yen)

Profit	Amount
Total for reportable segments	2,171
Corporate expenses (Note)	(509)
Operating profit on the quarterly consolidated statement of income	1,662

Note: Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segments.

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.