



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Japanese GAAP)

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 Supplemental material of quarterly results: None
 Convening briefing of quarterly results: Yes

(Fractions are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Six Months of Fiscal 2022 (April 1, 2022 to September 30, 2022)

(1) Consolidated operating results

(Percentage figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
6 mos. ended Sep. 30, 2022	352,769	8.8	6,117	(58.9)	16,561	(24.1)	10,185	(21.7)
6 mos. ended Sep. 30, 2021	324,368	27.1	14,868	—	21,830	—	13,001	—

Note: Comprehensive income: 26,966 million yen, 43.9% (as of September 30, 2022); 18,742 million yen, 304.7% (as of September 30, 2021)

	Net income per share	Diluted net income per share
	yen	yen
6 mos. ended Sep. 30, 2022	59.02	—
6 mos. ended Sep. 30, 2021	75.17	—

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
Sep. 30, 2022	894,384	570,967	57.8	3,019.71
March 31, 2022	857,324	554,355	58.6	2,903.78

Reference: Owner's equity: 516,828 million yen (as of September 30, 2022); 502,262 million yen (as of March 31, 2022)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2021	—	25.00	—	35.00	60.00
FY 2022	—	25.00	—	—	—
FY 2022 (Forecast)	—	—	—	25.00	50.00

Note: Correction of dividend forecast from the most recent dividend forecast: None

3. Consolidated Forecasts for Fiscal 2022 (April 1, 2022 to March 31, 2023)

(Percentage figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	756,900	10.9	23,300	(25.6)	37,900	(17.9)	22,700	(12.1)	131.53

Note: Correction of financial forecast from the most recent financial forecast: None

1. Qualitative Information on the Consolidated Operating Results for the Six Months Ended September 30, 2022

(1) Explanation of Financial Position and Operating Results

During the first six months of the current consolidated fiscal year, the Japanese economy saws signs of gradual recovery, despite a temporary contraction in economic activity due to the impact of China's lockdowns as a result of the spread of COVID-19 and the supply shortage of semiconductors and other components. On the other hand, there remain concerns that the yen will continue to depreciate against other currencies and that the economy may deteriorate against the backdrop of soaring raw material and energy prices due to the protraction of the conflict between Russia and Ukraine, as well as monetary policies against the rapid inflation in various countries.

In the automobile industry, while production declined both in Japan and overseas owing to the effect of China's lockdowns and the shortage of semiconductors and other components, it has been on a moderate recovery trend since the beginning of the second quarter of the current consolidated fiscal year. However, the outlook remains uncertain due to the ongoing impact of the shortage of semiconductors and other components.

In the electronic equipment industry, demand for high-end smartphones remained virtually flat year on year, despite some negative effects of the semiconductor shortage. Demand for HDDs decreased.

Under these circumstances, the operating results of the Group by business segment were as follows:

In the seal business, sales for automobile applications increased as a result of foreign exchange rate movements as well as passing on soaring raw material prices to selling prices, despite the negative effect of China's lockdowns during the first quarter of the current consolidated fiscal year and the shortage of semiconductors and other components. Looking at demand for general industrial machinery applications, demand from manufacturers of machine tools and robots in Japan remained firm while demand from manufacturers of construction machinery was negatively affected by China's lockdowns. Meanwhile, sales to manufacturers of general industrial machinery increased as a result of foreign exchange rate movements as well as passing on soaring raw material prices to selling prices.

As a result, net sales stood at 171,423 million yen (up 3.7% year on year). Operating income amounted to 8,715 million yen (down 52.3% year on year) mainly due to soaring material prices.

In the electronic product business, demand for components used in automobiles and high-end smartphones increased, despite the negative impact of China's lockdowns and the shortage of semiconductors and other components. Demand related to HDDs decreased. Sales rose on the back of the significant positive effect of foreign exchange rate movements on the overall business.

As a result, net sales totaled 166,622 million yen (up 14.0% year on year). Operating loss came to 3,412 million yen (compared to an operating loss of 3,995 million yen in the same period of the previous fiscal year) due to the effect of a decrease in personnel expenses and foreign exchange rate movements.

In other businesses, sales increased reflecting a recovery in demand related to office equipment as well as the positive effect of foreign exchange rate movements, despite a decline in demand for special lubricants.

As a result, net sales totaled 14,724 million yen (up 13.9% year on year). Operating income came to 821 million yen (up 36.7% year on year).

In summary, the Group posted the following results for the first six months of the current consolidated fiscal year: Net sales totaled 352,769 million yen (up 8.8% year on year); operating income was 6,117 million yen (down 58.9% year on year); ordinary income ended at 16,561 million yen (down 24.1% year on year), resulting in 10,185 million yen in profit attributable to owners of parent (down 21.7% year on year).

Total assets as of September 30, 2022 stood at 894,384 million yen, an increase of 37,060 million yen compared with March 31, 2022. This was mainly attributable to increases in inventories and notes and accounts receivable-trade, despite a decrease in investment securities due to a decline in the market value of shares held by the Company.

Net liabilities as of September 30, 2022 amounted to 323,417 million yen, an increase of 20,448 million yen compared with March 31, 2022. This was mainly due to increases in short-term loans payable, long-term loans payable, and accounts payable-trade.

Net assets totaled 570,967 million yen, an increase of 16,612 million yen compared with March 31, 2022. Consequently, the ratio of shareholders' equity to total assets stood at 57.8%. This mainly reflected an increase in foreign currency translation adjustment due to exchange rate fluctuations, despite a decline in valuation difference on available-for-sale securities and the payment of dividends.

(2) Explanation of Consolidated Financial Projections and Other Prospects for the Future

There have been no changes to the financial projections that were announced on October 25, 2022.

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

(million yen)

	FY 2021 (as of March 31, 2022)	Q2 FY 2022 (as of September 30, 2022)
Assets		
Current assets		
Cash and deposits	113,085	112,321
Notes and accounts receivable-trade	151,015	163,877
Electronically recorded monetary claims	18,489	19,328
Inventories	111,261	127,698
Other	13,323	14,897
Allowance for doubtful accounts	(132)	(129)
Total current assets	407,043	437,992
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	88,204	91,135
Machinery, equipment and vehicles, net	102,894	110,922
Other, net	58,103	55,685
Total property, plant and equipment	249,203	257,743
Intangible assets	3,971	4,158
Investments and other assets		
Investment securities	163,644	154,335
Net defined benefit asset	1,869	2,177
Other	31,733	38,117
Allowance for doubtful accounts	(142)	(139)
Total investments and other assets	197,105	194,490
Total noncurrent assets	450,280	456,392
Total assets	857,324	894,384

(million yen)

	FY 2021 (as of March 31, 2022)	Q2 FY 2022 (as of September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	62,568	69,449
Short-term loans payable	60,545	68,130
Income taxes payable	6,924	5,151
Provision for bonuses	11,148	14,921
Other	61,150	61,569
Total current liabilities	202,337	219,222
Noncurrent liabilities		
Long-term loans payable	10,398	14,398
Deferred tax liabilities	9,404	7,667
Net defined benefit liabilities	73,355	73,295
Provision for business restructuring	579	603
Provision for share awards for directors (and other officers)	—	172
Other	6,893	8,058
Total noncurrent liabilities	100,632	104,195
Total liabilities	302,969	323,417
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,591	23,591
Retained earnings	365,880	370,012
Treasury stock	(230)	(2,461)
Total shareholders' equity	412,577	414,478
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60,663	53,066
Foreign currency translation adjustment	34,263	53,869
Remeasurements of defined benefit plans	(5,243)	(4,586)
Total accumulated other comprehensive income	89,684	102,350
Non-controlling interests	52,092	54,139
Total net assets	554,355	570,967
Total liabilities and net assets	857,324	894,384

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Six Months Ended September 30, 2022)

(million yen)

	6 months ended September 30, 2021	6 months ended September 30, 2022
Net sales	324,368	352,769
Cost of sales	267,598	300,725
Gross profit	56,770	52,043
Selling, general and administrative expenses	41,901	45,926
Operating income	14,868	6,117
Non-operating income		
Dividend income	1,202	1,419
Foreign exchange gains	2,270	5,509
Share of profit of entities accounted for using equity method	3,229	3,004
Other	1,428	2,053
Total non-operating income	8,131	11,987
Non-operating expenses		
Interest expenses	883	1,153
Other	286	389
Total non-operating expenses	1,169	1,543
Ordinary income	21,830	16,561
Extraordinary income		
Gain on sales of noncurrent assets	114	1,333
Gain on sales of investment securities	0	3,439
Total extraordinary income	115	4,773
Extraordinary loss		
Loss on retirement of noncurrent assets	210	744
Other	—	5
Total extraordinary loss	210	750
Income before income taxes	21,735	20,583
Income taxes	6,324	8,218
Net income	15,411	12,365
Profit attributable to non-controlling interests	2,409	2,179
Profit attributable to owners of parent	13,001	10,185

(Consolidated Quarterly Comprehensive Income Statement)
 (Six Months Ended September 30, 2022)

(million yen)

	6 months ended September 30, 2021	6 months ended September 30, 2022
Net income	15,411	12,365
Other comprehensive income		
Valuation difference on available-for-sale securities	3,442	(7,610)
Foreign currency translation adjustment	(1,059)	19,581
Remeasurements of defined benefit plans, net of tax	1,023	604
Share of other comprehensive income of entities accounted for using equity method	(75)	2,026
Total other comprehensive income	3,331	14,601
Comprehensive income	18,742	26,966
(Detail)		
Comprehensive income attributable to owners of parent	16,259	22,851
Comprehensive income attributable to non-controlling interests	2,483	4,115

(Change in Accounting Policy)

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) has been applied since the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has decided to apply the new accounting policy set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement. This change had no impact on the Company’s quarterly consolidated financial statements.

(Segment Information)

I Six Months Ended September 30, 2021

1. Information regarding net sales and income (loss) by reportable segment

(million yen)

	Reportable segments			Total	Adjustments (Note 1)	Amount included in the consolidated quarterly income statement (Note 2)
	Seal	Electronic product	Other			
Net sales						
Net sales to external customers	165,342	146,096	12,930	324,368	–	324,368
Inter-segment sales/transfers	1,121	10	263	1,395	(1,395)	–
Total	166,464	146,106	13,193	325,764	(1,395)	324,368
Segment income (loss)	18,257	(3,995)	601	14,862	5	14,868

Notes: 1. The amount of 5 million yen in adjustments of segment income (loss) represents the result of the elimination of inter-segment transactions.

2. Segment income (loss) is adjusted for operating income stated in the consolidated quarterly income statement.

II Six Months Ended September 30, 2022

1. Information regarding net sales and income (loss) by reportable segment

(million yen)

	Reportable segments			Total	Adjustments (Note 1)	Amount included in the consolidated quarterly income statement (Note 2)
	Seal	Electronic product	Other			
Net sales						
Net sales to external customers	171,423	166,622	14,724	352,769	–	352,769
Inter-segment sales/transfers	1,036	7	267	1,312	(1,312)	–
Total	172,459	166,630	14,991	354,081	(1,312)	352,769
Segment income (loss)	8,715	(3,412)	821	6,125	(7)	6,117

Notes: 1. The amount of (7) million yen in adjustments of segment income (loss) represents the result of the elimination of inter-segment transactions.

2. Segment income (loss) is adjusted for operating income stated in the consolidated quarterly income statement.