



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Japanese GAAP)

November 8, 2023

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Quarterly securities report filing date (as planned): November 10, 2023
 Dividend payable date (as planned): December 4, 2023
 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 2023 (April 1, 2023 to September 30, 2023)

(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, 2023	354,239	0.4	4,863	(20.5)	16,389	(1.0)	12,181	19.6
6 mos. ended Sep. 30, 2022	352,769	8.8	6,117	(58.9)	16,561	(24.1)	10,185	(21.7)

Note: Comprehensive income: 46,601 million yen, 72.8% (as of September 30, 2023); 26,966 million yen, 43.9% (as of September 30, 2022)

	Net income per share	Diluted net income per share
	yen	yen
6 mos. ended Sep. 30, 2023	71.84	-
6 mos. ended Sep. 30, 2022	59.02	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Book-value Per Share
	million yen	million yen	%	yen
Sep. 30, 2023	940,126	614,000	59.5	3,294.71
Mar. 31, 2023	862,750	577,346	60.6	3,082.93

Reference: Owner's equity: 559,255 million yen (as of September 30, 2023); 522,426 million yen (as of March 31, 2023)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY2022	-	25.00	-	50.00	75.00
FY2023	-	37.50	-	-	-
FY2023 (Forecast)	-	-	-	37.50	75.00

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

3. Consolidated Forecast for Fiscal 2023 (April 1, 2023 to March 31, 2024)

(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	731,700	3.1	19,500	26.8	33,900	27.6	22,100	65.9	131.80

Note: Correction of financial forecast from the most recent financial forecast: Yes

*Notes

(1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from change in subsidiaries): None

(2) Applying of specific accounting of the consolidated quarterly financial statements: Yes

(Note) For details, please refer to “(3) Notes Concerning Consolidated Quarterly Financial Statements” on page 7 of the attached document.

(3) Changes in accounting policies and accounting estimates, retrospective restatement

(1) Changes in accounting policies based on revisions of accounting standard : None

(2) Changes in accounting policies other than ones based on revisions of accounting standard : None

(3) Changes in accounting estimates : None

(4) Retrospective restatement : None

(4) Number of issued and outstanding shares (common stock)

(1) Number of issued and outstanding shares at the end of each period (including treasury stock)

(2) Number of shares of treasury stock at the end of each period

(3) Average number of shares (year to date)

Sep. 30, 2023	173,138,537	Mar. 31, 2022	173,138,537
Sep. 30, 2023	3,395,133	Mar. 31, 2022	3,680,752
6 mos. ended Sep. 30, 2023	169,571,836	6 mos. ended Sep. 30, 2022	172,581,694

*This summary of quarterly financial results is not subject to quarterly review procedures of a certified public accountant or audit firm.

* Proper use of the forecasts for financial results, and other important matters:

Forward-looking statements such as forecasts of future financial results and other descriptions concerning our future business included in this document are based on currently available information and certain assumptions that we consider to be reasonable, and no representation or warranty is given with regard to the realization of such forecasts, etc. Actual financial results may differ significantly due to various factors. For assumptions, etc., used as the basis for the forecasts for financial results, please see “Explanation of Consolidated Financial Forecasts and Other Prospects for the Future” on page 2 of the attached document.

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1. Qualitative Information on the Consolidated Operating Results for the Six Months Ended September 30, 2023

(1) Financial Position and Operating Results

In the economic environment surrounding Japan during the first six months of the current consolidated fiscal year, restrictions on behavior related to COVID-19 were eased, and the normalization of economic activities has progressed. However, the outlook remains uncertain due to factors such as economic trend in the U.S., China and other countries, raw materials prices and energy costs, and surfacing geopolitical risk in the Middle East, etc.

In the automobile industry, the supply shortage of semiconductors and other components is being alleviated, and the number of vehicles produced has increased, mainly in Japan.

In the electronics industry, demand for smartphones declined due to the prolonged replacement cycle by end-users. As for hard disk drives, demand declined as the market has been still in the slump starting from the previous fiscal year.

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

In the seal business, automobile production, which had fallen due to the supply shortage of semiconductors and other components, recovered mainly in Japan. This led to increased sales. For general industrial machinery applications, sales decreased due to the significant impact of economic slowdown in China.

As a result, net sales totaled 179,494 million yen (up 4.7% year on year). Operating income amounted to 8,317 million yen (down 4.6% year on year) mainly due to increase in expenses mainly driven by normalized business activities.

In the electronic product business, sales for automobile applications, mainly for automotive batteries, increased due to the recovery from the lockdowns in China last year, and foreign exchange rate had a positive impact on sales. However, total sales decreased due to a sales decline for hard disk drives due to sluggish market conditions and for smartphones as well.

As a result, net sales totaled 161,171 million yen (down 3.3% year on year). Operating loss amounted to 3,572 million yen (compared to an operating loss of 3,412 million yen in the same period of the previous fiscal year) due to the sales decrease.

In the other businesses, overseas sales of products for office equipment declined, and demand for special lubricants also declined.

As a result, net sales totaled 13,572 million yen (down 7.8% year on year). Operating income came to 119 million yen (down 85.5% year on year).

In summary, the Group posted the following operating results for the first six months of the current consolidated fiscal year: Net sales totaled 354,239 million yen (up 0.4% year on year); operating income was 4,863 million yen (down 20.5% year on year); ordinary income ended at 16,389 million yen (down 1.0% year on year), resulting in 12,181 million yen in profit attributable to owners of parent (up 19.6% year on year).

Total assets as of September 30, 2023 stood at 940,126 million yen, an increase of 77,375 million yen compared with March 31, 2023. This was mainly attributable to increases in assets held by affiliates outside Japan due to yen's depreciation, as well as an increase in investment securities due to an increased market value of shares held by the Company.

Total liabilities as of September 30, 2023 amounted to 326,125 million yen, an increase of 40,721 million yen compared with March 31, 2023. This was mainly due to increases in accounts payable-trade and deferred tax liabilities.

Net assets totaled 614 billion yen, an increase of 36,653 million yen compared with March 31, 2023. Consequently, the ratio of shareholders' equity to total assets stood at 59.5%. This mainly reflected an increase in foreign currency translation adjustment due to exchange rate fluctuations and an increase in valuation difference on available-for-sale securities due to an increased market value of shares held, despite the payment of dividends.

(2) Consolidated Financial Forecasts

The consolidated financial forecasts for the financial year ending March 31, 2024 announced on August 2 were revised based on the recent business environment and results for the first half of this fiscal year. In the seal business, sales were revised downward by 6.5 billion yen while operating income were revised upward by 0.2 billion yen. In the electronic product business, the company made upward revision to sales by 3.5 billion yen but downward revision to operating income by 4.0 billion yen.

As a result, consolidated sales and operating income were revised downward by 3.5 and 4.0 billion, respectively. Non-operating profit is anticipated higher than the earlier forecast thanks to foreign exchange gain and other factors but ordinary income forecast is 0.3 billion lower than the previous forecast. The company raised its forecast for net income attributable to owners of parent by 3.3 billion yen mainly due to gain from sale of investment securities.

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

(million yen)

	FY2022 (as of March 31, 2023)	Q2 FY2023 (as of September 30, 2023)
Assets		
Current assets		
Cash and deposits	104,690	121,699
Notes and accounts receivable-trade	141,172	163,799
Electronically recorded monetary claims	19,760	23,046
Inventories	119,597	123,369
Other	16,065	11,150
Allowance for doubtful accounts	(138)	(134)
Total current assets	401,146	442,930
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	95,055	96,049
Machinery, equipment and vehicles, net	107,778	111,471
Other, net	49,804	53,278
Total property, plant and equipment	252,638	260,799
Intangible assets	3,958	4,045
Investments and other assets		
Investment securities	163,316	183,950
Net defined benefit asset	4,574	4,825
Other	37,243	43,927
Allowance for doubtful accounts	(128)	(352)
Total investments and other assets	205,006	232,350
Total noncurrent assets	461,603	497,195
Total assets	862,750	940,126

(million yen)

	FY2022 (as of March 31, 2023)	Q2 FY2023 (as of September 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	52,839	70,196
Short-term loans payable	54,329	58,852
Income taxes payable	2,317	4,993
Provision for bonuses	11,195	14,923
Other	62,638	69,081
Total current liabilities	183,319	218,046
Noncurrent liabilities		
Long-term loans payable	17,526	18,346
Deferred tax liabilities	13,075	17,991
Net defined benefit liabilities	63,046	63,198
Provision for share awards for directors (and other officers)	345	479
Other	8,090	8,064
Total noncurrent liabilities	102,084	108,079
Total liabilities	285,404	326,125
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,590	26,165
Retained earnings	368,823	372,357
Treasury stock	(4,741)	(4,375)
Total shareholders' equity	411,008	417,483
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,186	71,143
Foreign currency translation adjustment	46,440	64,739
Remeasurements of defined benefit plans	5,790	5,889
Total accumulated other comprehensive income	111,417	141,772
Non-controlling interests	54,920	54,744
Total net assets	577,346	614,000
Total liabilities and net assets	862,750	940,126

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Six Months Ended September 30, 2023)

(million yen)

	6 months ended September 30, 2022	6 months ended September 30, 2023
Net sales	352,769	354,239
Cost of sales	300,725	303,164
Gross profit	52,043	51,075
Selling, general and administrative expenses	45,926	46,212
Operating loss	6,117	4,863
Non-operating income		
Dividend income	1,419	1,602
Foreign exchange gains	5,509	6,123
Share of profit of entities accounted for using equity method	3,004	4,873
Other	2,053	2,565
Total non-operating income	11,987	15,165
Non-operating expenses		
Interest expenses	1,153	1,584
Loss on valuation of derivatives	-	1,325
Other	389	728
Total non-operating expenses	1,543	3,638
Ordinary income	16,561	16,389
Extraordinary income		
Gain on sales of noncurrent assets	1,333	34
Gain on sales of investment securities	3,439	6,044
Total extraordinary income	4,773	6,078
Extraordinary loss		
Loss on retirement of noncurrent assets	744	548
Business restructuring expenses	-	606
Other	5	0
Total extraordinary loss	750	1,154
Income before income taxes	20,583	21,313
Income taxes	8,218	7,105
Net income	12,365	14,208
Profit attributable to non-controlling interests	2,179	2,027
Profit attributable to owners of parent	10,185	12,181

(Consolidated Quarterly Comprehensive Income Statement)
(Six Months Ended September 30, 2023)

(million yen)

	6 months ended September 30, 2022	6 months ended September 30, 2023
Net income	12,365	14,208
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,610)	11,888
Foreign currency translation adjustment	19,581	17,377
Remeasurements of defined benefit plans, net of tax	604	44
Share of other comprehensive income of entities accounted for using equity method	2,026	3,081
Total other comprehensive income	14,601	32,392
Comprehensive income	26,966	46,601
(Detail)		
Comprehensive income attributable to owners of parent	22,851	42,536
Comprehensive income attributable to non-controlling interests	4,115	4,065

(3) Notes Concerning Consolidated Quarterly Financial Statements

(Notes Concerning the Going Concern Assumption)

None.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

None.

(Accounting Treatments Specific to the Preparation of Consolidated Quarterly Financial Statements)

As for tax expenses, some consolidated subsidiaries estimated an effective tax rate in a reasonable manner applying tax effect accounting to income before income taxes for the consolidated fiscal year including the period under review, and multiplied the estimated effective tax rate by income before income taxes for the period under review.

(Segment information)

I 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.

II Six Months Ended September 30, 2023

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	179,494	161,171	13,572	354,239	–	354,239
Inter-segment sales/transfers	718	44	332	1,095	(1,095)	–
Total	180,213	161,215	13,905	355,335	(1,095)	354,239
Segment income (loss)	8,317	(3,572)	119	4,864	(1)	4,863

Notes: 1. The amount of (1) 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.

(Significant Events After the Reporting Period)

(Business Combination Through Acquisition)

The Company entered into a share transfer agreement on July 26, 2023 with the aim of acquiring all shares of ESTOH Co., Ltd. and making it a subsidiary of the Company, and completed the acquisition of all the shares on October 2, 2023.

(1) Overview of Business Combination

1. Name and business activities of acquired company

Name of acquired company: ESTOH Co., Ltd.

Business activities: Design and manufacturing of ultra-precision molds and manufacturing of ultra-precision injection molded products

2. Main reason for business combination

ESTOH Co., Ltd. (hereinafter, "ESTOH") has an integrated production system for precision plastic products spanning from design/manufacturing of precision molds to production of injection molded products. This system gives ESTOH strength in technology to create products that meet customer needs. In the field of electric vehicles (EV), ESTOH's plastic gasket products for lithium-ion batteries have been highly evaluated in the automotive battery market, which requires high quality, and have been adopted by major EV manufacturers. The Group considers next-generation vehicles (including EVs) to be an important growth area. We are working to expand sales and focus on product development in both our core businesses, the seal business and the electronic product business. By welcoming ESTOH into the Group and adding ESTOH's plastic products to product groups (seal products using rubber, flexible printed circuits (FPC) for automotive batteries, etc.) which are the Group's strengths, we aim to expand our EV-related product lineup and meet a wider range of needs. In our seal business and electronic product business, we will work to further strengthen our business base by developing new products that utilize ESTOH's precision plastic molding technology; for example, combining our main products and plastics.

3. Date of business combination

October 2, 2023

4. Legal form of business combination

Stock acquisition

5. Name of company after business combination

ESTOH Co., Ltd.

6. Ratio of voting rights to be acquired

100%

7. Basis for deciding acquiring company

The transaction is acquisition of shares by the Company through cash consideration.

(2) Acquisition cost of acquired company and breakdown by type of consideration

Consideration	Cash	13,450 million yen
Acquisition cost		13,450 million yen

(3) Major acquisition related costs

Advisory fee, etc. 118 million yen

(4) Amount of goodwill incurred, cause of goodwill, depreciation method and depreciation period

Not confirmed at the current point in time.

(5) Amounts of assets and liabilities assumed on the business combination date and their main breakdown

Not confirmed at the current point in time.

(Acquisition of the Company's own shares)

The Company has resolved, at a meeting of the Board of Directors held on November 8, 2023, the matters concerning the acquisition of its own shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article of 165, paragraph (3) of the same Act.

1. Reason for acquisition of own shares
To improve capital efficiency and corporate value
2. Resolution of a Board of Director meeting concerning acquisition of own shares
 - (1) Class of shares to be acquired
Common shares
 - (2) Total number of shares to be acquired
7 million shares (maximum)
(4.04% of total number of issued shares (excluding treasury shares))
 - (3) Total amount of share acquisition costs
10 billion yen (maximum)
 - (4) Acquisition period
From November 9, 2023 to March 22, 2024
 - (5) Method of acquisition
 - (i) Purchase through off-auction own share repurchase trading system (ToSTNeT-3)
 - (ii) Market buying pursuant to the discretionary purchase agreement