



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Japanese GAAP)

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

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

1. Consolidated Financial Results for the First Nine Months of Fiscal 2022 (April 1, 2022 to December 31, 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	%
9 mos. ended Dec. 31, 2022	540,215	6.7	15,078	(35.1)	23,903	(30.0)	13,529	(28.3)
9 mos. ended Dec. 31, 2021	506,252	16.2	23,240	348.6	34,132	388.4	18,879	-

Note: Comprehensive income: 17,759 million yen (47.2) % (as of December 31, 2022); 33,637 million yen, 20.2% (as of December 31, 2021)

	Net income per share	Diluted net income per share
	yen	yen
9 mos. ended Dec. 31, 2022	78.61	-
9 mos. ended Dec. 31, 2021	109.15	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Dec. 31, 2022	854,610	557,349	59.0
March 31, 2022	857,324	554,355	58.6

Reference: Owner's equity: 504,091 million yen (as of December 31, 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 Forecast 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	717,400	5.1	13,700	(56.3)	23,200	(49.7)	10,500	(59.4)	61.01

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 “2. Consolidated Quarterly Financial Statements and Principal Notes (3) Notes Concerning Consolidated Quarterly Financial Statements (Accounting Treatments Specific to the Preparation of 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 : Yes
- (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)

9 mos. ended Dec. 31, 2022	173, 138, 537 shares	Dec. 31, 2021	173, 138, 537 shares
9 mos. ended Dec. 31, 2022	1, 987, 136 shares	Dec. 31, 2021	169, 991 shares
9 mos. ended Dec. 31, 2022	172, 103, 200 shares	9 mos. ended Dec. 31, 2021	172, 968, 572 shares

*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 projections for financial results, and other important matters:

Forward-looking statements such as projections 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 projections, etc. Actual financial results may differ significantly due to various factors. For assumptions, etc., used as the basis for the projections for financial results, please see “Explanation of Consolidated Financial Projections 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 Nine Months Ended December 31, 2022

(1) Explanation of Financial Position and Operating Results

During the first nine 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 lockdown in China as a result of the spread of COVID-19 and the supply shortage of semiconductors and other components. On the other hand, the prolonged conflict in Russia and Ukraine and other factors have caused raw material and energy prices to soar, and the monetary policies of various countries against accelerating inflation, as well as China's policy shift against COVID-19, have made it difficult to shake off the uncertainty in foreign exchange rate movements and the future of the economy uncertain.

In the automobile industry, while production declined both in Japan and overseas owing to the effect of lockdown in China 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 electronics industry, demand for smartphones and hard disk drives declined, although the impact of shortages of semiconductors and other components has eased.

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

In the seal business, sales for automobile applications are currently on a recovery track, despite the negative effect of lockdown in China during the first quarter of the current consolidated fiscal year and the shortage of semiconductors and other components. In addition, sales to automobile applications increased due to the significant impact of foreign exchange rate movements as well as passing on soaring raw material prices to selling prices.

Looking at demand for general industrial machinery applications, demand from manufacturers of machine tools in Japan remained firm while demand from manufacturers of construction machinery was negatively affected by lockdown in China. 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 261,371 million yen (up 4.9% year on year). Operating income amounted to 15,058 million yen (down 42.7% year on year) mainly due to soaring raw material and energy prices that exceeded price pass-through.

In the electronic product business, demand for automobile applications increased despite the negative impact of lockdown in China and the shortage of semiconductors and other components. Demand for high-end smartphones decreased due to the impact of new lockdowns in some Chinese cities. And demand for HDDs also 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 stood at 256,466 million yen (up 7.8% year on year). Operating loss decreased to 1,188 million yen (compared to an operating loss of 3,928 million yen in the same period of the previous fiscal year) due to the decreased personnel costs and the impact of foreign exchange rate.

In other businesses, sales increased due to strong demand for special lubricants, a recovery in demand for products for office equipment, and the positive effect of foreign exchange rate movements.

As a result, net sales totaled 22,377 million yen (up 16.2% year on year). Operating income came to 1,202 million yen (up 32.0% year on year).

In summary, the Group posted the following results for the first nine months of the current consolidated fiscal year: Net sales totaled 540,215 million yen (up 6.7% year on year); operating income was 15,078 million yen (down 35.1% year on year); ordinary income ended at 23,903 million yen (down 30.0% year on year), resulting in 13,529 million yen in profit attributable to owners of parent (down 28.3% year on year).

Total assets as of December 31, 2022 stood at 854,610 million yen, a decrease of 2,713 million yen compared with March 2022. This was mainly attributable to decreases in cash, deposits and market value of shares held by the Company, despite an increase in inventories.

Total liabilities as of December 31, 2022 amounted to 297,261 million yen, a decrease of 5,707 million yen compared with March 31, 2022. This was mainly due to decreases in accounts payable-trade and income taxes payable, despite increases in short-term loans payable and long-term loans payable.

Net assets totaled 557,349 million yen, an increase of 2,994 million yen compared with March 31, 2022. Consequently, the ratio of shareholders' equity to total assets stood at 59.0%. This mainly reflected an increase in retained earnings as a result of the recognition of profit attributable to owners of parent for the period, and an increase in foreign currency translation adjustment due to exchange rate fluctuations, despite the payment of dividends and decrease in valuation difference on available-for-sale securities.

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

As a result of a review of the consolidated financial projections for the nine months ended December 31, 2022, our projection for net sales, operating income, ordinary income and profit attributable to owners of parent have been revised downward from the previously announced projections.

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

(million yen)

	FY 2021 (as of March 31, 2022)	3Q FY 2022 (as of December 31, 2022)
Assets		
Current assets		
Cash and deposits	113,085	97,283
Notes and accounts receivable-trade	151,015	149,621
Electronically recorded monetary claims	18,489	22,713
Inventories	111,261	126,073
Other	13,323	14,686
Allowance for doubtful accounts	(132)	(143)
Total current assets	407,043	410,234
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	88,204	89,990
Machinery, equipment and vehicles, net	102,894	107,944
Other, net	58,103	51,998
Total property, plant and equipment	249,203	249,933
Intangible assets	3,971	4,019
Investments and other assets		
Investment securities	163,644	151,960
Net defined benefit asset	1,869	2,257
Other	31,733	36,342
Allowance for doubtful accounts	(142)	(137)
Total investments and other assets	197,105	190,422
Total noncurrent assets	450,280	444,376
Total assets	857,324	854,610

(million yen)

	FY 2021 (March 31, 2022)	3Q FY 2022 (December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	62,568	57,502
Short-term loans payable	60,545	62,651
Income taxes payable	6,924	1,707
Provision for bonuses	11,148	8,493
Other	61,150	63,002
Total current liabilities	202,337	193,357
Noncurrent liabilities		
Long-term loans payable	10,398	15,453
Deferred tax liabilities	9,404	8,544
Net defined benefit liabilities	73,355	71,697
Provision for business restructuring	579	-
Provision for share awards for directors (and other officers)	-	259
Other	6,893	7,948
Total noncurrent liabilities	100,632	103,904
Total liabilities	302,969	297,261
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,591	23,591
Retained earnings	365,880	369,077
Treasury stock	(230)	(2,461)
Total shareholders' equity	412,577	413,543
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60,663	52,218
Foreign currency translation adjustment	34,263	41,277
Remeasurements of defined benefit plans	(5,243)	(2,948)
Total accumulated other comprehensive income	89,684	90,547
Non-controlling interests	52,092	53,258
Total net assets	554,355	557,349
Total liabilities and net assets	857,324	854,610

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Nine Months Ended December 31, 2022)

(million yen)

	9 months ended December 31, 2021	9 months ended December 31, 2022
Net sales	506,252	540,215
Cost of sales	420,105	456,910
Gross profit	86,147	83,304
Selling, general and administrative expenses	62,907	68,226
Operating income	23,240	15,078
Non-operating income		
Dividend income	2,342	2,677
Foreign exchange gains	3,809	724
Share of profit of entities accounted for using equity method	3,630	5,151
Other	2,822	3,115
Total non-operating income	12,605	11,669
Non-operating expenses		
Interest expenses	1,294	1,988
Other	417	855
Total non-operating expenses	1,712	2,844
Ordinary income	34,132	23,903
Extraordinary income		
Gain on sales of noncurrent assets	201	1,468
Gain on sales of investment securities	0	3,830
Total extraordinary income	201	5,298
Extraordinary loss		
Loss on retirement of noncurrent assets	562	1,556
Business restructuring expenses	-	731
Other	77	50
Total extraordinary loss	639	2,338
Income before income taxes	33,695	26,863
Income taxes	11,120	10,283
Net income	22,574	16,580
Profit attributable to non-controlling interests	3,695	3,051
Profit attributable to owners of parent	18,879	13,529

(Consolidated Quarterly Comprehensive Income Statement)
(Nine Months Ended December 31, 2022)

(million yen)

	9 months ended December 31, 2021	9 months ended December 31, 2022
Net income	22,574	16,580
Other comprehensive income		
Valuation difference on available-for-sale securities	2,464	(8,471)
Foreign currency translation adjustment	6,213	6,393
Remeasurements of defined benefit plans, net of tax	1,520	2,122
Share of other comprehensive income of entities accounted for using equity method	863	1,133
Total other comprehensive income	11,062	1,179
Comprehensive income	33,637	17,759
(Detail)		
Comprehensive income attributable to owners of parent	28,657	14,392
Comprehensive income attributable to non-controlling interests	4,979	3,367

(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 calculate the amount by reasonably estimating an effective tax rate after applying tax effect accounting to income before income taxes for the consolidated fiscal year including the third-quarter period under review, and multiplying income before income taxes for the third-quarter period under review by the estimated effective tax rate.

(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. These changes had no impact on the Company's quarterly consolidated financial statements.

(Segment information)

I Nine Months Ended December 31, 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	249,097	237,905	19,250	506,252	–	506,252
Inter-segment sales/transfers	1,712	14	395	2,122	(2,122)	–
Total	250,810	237,919	19,645	508,375	(2,122)	506,252
Segment income (loss)	26,258	(3,928)	910	23,241	(1)	23,240

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.

II Nine Months Ended December 31, 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	261,371	256,466	22,377	540,215	–	540,215
Inter-segment sales/transfers	1,568	29	425	2,023	(2,023)	–
Total	262,939	256,495	22,803	542,239	(2,023)	540,215
Segment income (loss)	15,058	(1,188)	1,202	15,072	5	15,078

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.