

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2023
(Six Months Ended September 30, 2022)**

[Japanese GAAP]

Company name: NITTOKU CO., LTD. Listing: Tokyo Stock Exchange
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 Scheduled date of filing of Quarterly Report: November 14, 2022
 Scheduled date of payment of dividend: December 1, 2022
 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 11, 2022, 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, 2022 (Apr. 1, 2022 – Sep. 30, 2022)

(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, 2022	15,553	51.4	1,327	110.7	1,407	84.9	930	70.6
Six months ended Sep. 30, 2021	10,270	1.8	629	14.0	760	23.7	545	(19.6)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2022: 1,227 (up 87.4%)
 Six months ended Sep. 30, 2021: 654 (down 41.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	51.48	-
Six months ended Sep. 30, 2021	30.17	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	46,577	34,694	73.9
As of Mar. 31, 2022	47,340	33,919	71.1

Reference: Shareholders' equity (million yen) As of Sep. 30, 2022: 34,421 As of Mar. 31, 2022: 33,653

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	15.00	-	25.00	40.00
Fiscal year ending Mar. 31, 2023	-	15.00	-	-	-
Fiscal year ending Mar. 31, 2023 (forecast)	-	-	-	15.00	30.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)

(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	29,000	3.1	2,600	(9.9)	2,600	(14.2)	1,800	(22.0)	99.63

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

*** 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: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting-based estimates: None
 - 4) Restatements: None
- (4) Number of outstanding shares (common stock)
- 1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2022:	18,098,923 shares	As of Mar. 31, 2022:	18,098,923 shares
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 - 2) Number of treasury shares at the end of the period

As of Sep. 30, 2022:	31,934 shares	As of Mar. 31, 2022:	31,887 shares
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 - 3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2022:	18,067,022 shares	Six months ended Sep. 30, 2021:	18,067,161 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, 2022. 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, 2023 (from April 1 through September 30, 2022), the global economy was moving toward the normalization of economic activities against the backdrop of the spread of vaccination against COVID-19 and the easing of movement restrictions across countries around the world. However, we have to carefully watch the global economic trends influenced by a number of headwinds. Such headwinds include rises in resources and energy prices and the disruption of the global supply chain amid the prolonged conflict in Ukraine, restricted production activities and a shortage of resources, parts and materials, and a global shift to tighter monetary policies against the soaring prices worldwide. As such, the economic outlook for the future has still remained uncertain amid mounting concerns about stagflation, under which the economy slows down while prices keep rising.

The global business environment surrounding the Group has been on the steady recovery from the COVID-19 pandemic, with the manufacturing industry in part actively making capital investments, motivated by the strong needs for automating, sophisticating, and improving the quality of production facilities. 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 transferred the order-taking, production, and service provision operations to overseas branches to improve production efficiency. We also accelerated our efforts to implement production engineering on behalf of customers in a bid to accurately meet the needs and wants of our customers, as well as promoted collaboration and co-creation with customers and suppliers. As a result of the above efforts, orders received on a non-consolidated basis for the first half increased 18.9% year on year to 12,874 million yen. While non-consolidated net sales increased 57.9% year on year to 11,799 million yen, the order backlog on a non-consolidated basis decreased 9.7% year on year to 18,265 million yen.

As a result of the above, for the first half of the current fiscal year, the Group reported net sales of 15,553 million yen (up 51.4% year on year), operating profit of 1,327 million yen (up 110.7% year on year), ordinary profit of 1,407 million yen (up 84.9% year on year), and profit attributable to owners of parent of 930 million yen (up 70.6% year on year).

Under these circumstances, results by business segment were as follows.

Winding System & Mechatronics Business

The Company created multiple platforms to serve as the basis for constructing totally automated, high-precision production lines integrated with a cutting-edge transport technology. These platforms include production systems that are built on advanced underlying technologies for winding, tensioning, and material handling and that run on our proprietary OS enabling synchronous control of multiple axes. With “implementing production engineering on behalf of customers” as a key phrase, we promoted collaboration and co-creation with customers and suppliers through our Blue Lake strategy, an approach leveraging open innovation. In fact, we responded expeditiously to diverse needs brought about by this approach, tapped further into our existing business segments, and continued to explore peripheral business segments. In addition, to address various constraints amid the COVID-19 crisis, under the concept of local production for local consumption, we made 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.

As a result of the above, the Winding System & Mechatronics Business segment, which accounts for about 92% of the Group’s total net sales, reported net sales of 14,289 million yen (up 49.3% year on year) and segment profit (operating profit) of 1,490 million yen (up 86.6% year on year) on a consolidated basis.

On a non-consolidated basis, the segment reported orders received of 11,884 million yen (up 18.6% year on year), net sales of 10,535 million yen (up 55.5% year on year), and the order backlog at the end of the second quarter of 17,290 million yen (down 12.9% year on year).

Contactless IC Tag & Card Business

We received inquiries mainly for contactless IC cards and FA tags for production control systems. Thus, net sales of the contactless IC cards increased 59.0% year on year and net sales of FA tags for production control systems increased 145.9-fold year on year in response to increased needs of process control for FA lines.

As a result, net sales of the Contactless IC Tag & Card Business were 1,264 million yen (up 81.4% year on year) and segment profit (operating profit) was 282 million yen (up 25.4% year on year) on a consolidated basis. On a non-consolidated basis, orders received increased to 990 million yen (up 22.7% year on year), while net sales increased to 1,264 million yen (up 81.4% year on year) and the order backlog at the end of the second quarter was 974 million yen (up 157.4% year on year).

(2) Explanation of Financial Position

1) Assets

Current assets decreased 509 million yen from the end of the previous fiscal year to 31,767 million yen. This was mainly attributable to decreases of 547 million yen in notes and accounts receivable-trade and 1,331 million yen in work in process, which were partially offset by an increase of 1,240 million yen in cash and deposits.

Non-current assets decreased 253 million yen from the end of the previous fiscal year to 14,809 million yen. This was mainly attributable to a decrease of 225 million yen in investment securities.

Consequently, total assets decreased 762 million yen from the end of the previous fiscal year to 46,577 million yen.

2) Liabilities

Current liabilities decreased 1,652 million yen from the end of the previous fiscal year to 11,099 million yen. This was mainly attributable to a decrease of 1,536 million yen in advances received.

Non-current liabilities increased 114 million yen from the end of the previous fiscal year to 782 million yen. This was mainly attributable to an increase of 96 million yen in deferred tax liabilities.

As a result, total liabilities decreased 1,538 million yen from the end of the previous fiscal year to 11,882 million yen.

3) Net assets

Total net assets increased 775 million yen from the end of the previous fiscal year to 34,694 million yen.

Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the first half of the current fiscal year increased 902 million yen from the end of the previous fiscal year to 12,670 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 provided by operating activities was 1,653 million yen (compared with 2,162 million yen provided for the same period of the previous fiscal year). Main factors include decreases of 1,216 million yen in inventories and 387 million yen in trade receivables, which were partially offset by a decrease of 1,603 million yen in advances received and income taxes paid of 501 million yen.

Cash flows from investing activities

Net cash used in investing activities was 567 million yen (compared with 50 million yen used for the same period of the previous fiscal year). Main factors include payments into time deposits of 1,403 million yen and purchase of insurance funds of 253 million yen, which were partially offset by proceeds from withdrawal of time deposits of 1,146 million yen.

Cash flows from financing activities

Net cash used in investing activities was 591 million yen (compared with 272 million yen used for the same period of the previous fiscal year), which was caused by dividends paid of 451 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. For details of the earnings forecasts, please refer to “Notice on Variance between Consolidated and Non-consolidated Earnings Forecasts and Actual Results for the First Half of the Fiscal Year Ending March 31, 2023 and Revisions to Full-year Consolidated and Non-consolidated earnings forecasts” (available in Japanese only) released on November 11, 2022.

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

(Millions of yen)

	Prior fiscal year (As of Mar. 31, 2022)	Second quarter of current fiscal year (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	13,729	14,969
Notes and accounts receivable-trade	5,661	5,113
Electronically recorded monetary claims-operating	1,236	1,544
Work in process	9,167	7,835
Raw materials and supplies	1,483	1,552
Other	1,005	758
Allowance for doubtful accounts	(7)	(6)
Total current assets	32,276	31,767
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,799	4,696
Machinery, equipment and vehicles, net	976	905
Land	2,812	2,812
Other, net	685	800
Total property, plant and equipment	9,272	9,214
Intangible assets		
Other	120	111
Total intangible assets	120	111
Investments and other assets		
Investment securities	3,560	3,335
Retirement benefit asset	465	476
Deferred tax assets	29	55
Other	1,614	1,616
Total investments and other assets	5,669	5,483
Total non-current assets	15,063	14,809
Total assets	47,340	46,577

	(Millions of yen)	
	Prior fiscal year (As of Mar. 31, 2022)	Second quarter of current fiscal year (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,579	2,134
Electronically recorded obligations-operating	2,839	2,300
Income taxes payable	555	250
Advances received	5,949	4,412
Provision for bonuses	519	684
Other	1,310	1,316
Total current liabilities	12,752	11,099
Non-current liabilities		
Deferred tax liabilities	286	382
Retirement benefit liability	12	16
Other	369	383
Total non-current liabilities	668	782
Total liabilities	13,420	11,882
Net assets		
Shareholders' equity		
Share capital	6,884	6,884
Capital surplus	2,535	2,535
Retained earnings	21,054	21,532
Treasury shares	(27)	(27)
Total shareholders' equity	30,447	30,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,298	1,020
Foreign currency translation adjustment	1,556	2,167
Remeasurements of defined benefit plans	351	307
Total accumulated other comprehensive income	3,206	3,495
Non-controlling interests	265	273
Total net assets	33,919	34,694
Total liabilities and net assets	47,340	46,577

(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, 2021 – Sep. 30, 2021)	First six months of current fiscal year (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	10,270	15,553
Cost of sales	7,525	11,874
Gross profit	2,745	3,678
Selling, general and administrative expenses	2,115	2,351
Operating profit	629	1,327
Non-operating income		
Dividend income	19	34
Gain on sale of non-current assets	49	-
Subsidy income	23	57
Other	75	48
Total non-operating income	168	140
Non-operating expenses		
Foreign exchange losses	14	39
Other	22	20
Total non-operating expenses	36	60
Ordinary profit	760	1,407
Extraordinary losses		
Loss on valuation of investment securities	-	52
Total extraordinary losses	-	52
Profit before income taxes	760	1,355
Income taxes-current	121	209
Income taxes-deferred	103	218
Total income taxes	225	428
Profit	535	926
Loss attributable to non-controlling interests	(9)	(3)
Profit attributable to owners of parent	545	930

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

(Millions of yen)

	First six months of prior fiscal year (Apr. 1, 2021 – Sep. 30, 2021)	First six months of current fiscal year (Apr. 1, 2022 – Sep. 30, 2022)
Profit	535	926
Other comprehensive income		
Valuation difference on available-for-sale securities	43	(278)
Foreign currency translation adjustment	114	622
Remeasurements of defined benefit plans, net of tax	(39)	(44)
Total other comprehensive income	118	300
Comprehensive income	654	1,227
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	668	1,219
Comprehensive income attributable to non-controlling interests	(14)	7

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of prior fiscal year (Apr. 1, 2021 – Sep. 30, 2021)	First six months of current fiscal year (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	760	1,355
Depreciation	347	512
Increase (decrease) in allowance for doubtful accounts	(2)	(1)
Increase (decrease) in provision for bonuses	164	156
Increase (decrease) in retirement benefit liability	9	17
Decrease (increase) in retirement benefit asset	(72)	(86)
Interest and dividend income	(40)	(55)
Foreign exchange losses (gains)	10	(11)
Loss (gain) on sale of property, plant and equipment	(49)	0
Decrease (increase) in trade receivables	1,454	387
Decrease (increase) in inventories	(1,430)	1,216
Increase (decrease) in trade payables	(435)	(72)
Subsidy income	-	(57)
Increase (decrease) in advances received	1,349	(1,603)
Other, net	245	291
Subtotal	2,312	2,049
Interest and dividends received	40	55
Interest paid	(3)	(6)
Income taxes paid	(210)	(501)
Subsidies received	23	57
Net cash provided by (used in) operating activities	2,162	1,653
Cash flows from investing activities		
Payments into time deposits	(965)	(1,403)
Proceeds from withdrawal of time deposits	1,096	1,146
Purchase of property, plant and equipment	(184)	(115)
Proceeds from sale of property, plant and equipment	63	1
Purchase of intangible assets	(5)	(4)
Purchase of investment securities	(109)	(205)
Proceeds from sale and redemption of investment securities	174	0
Purchase of insurance funds	(233)	(253)
Proceeds from maturity of insurance funds	113	266
Other, net	0	-
Net cash provided by (used in) investing activities	(50)	(567)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Dividends paid	(271)	(451)
Other, net	(1)	(139)
Net cash provided by (used in) financing activities	(272)	(591)
Effect of exchange rate change on cash and cash equivalents	55	407
Net increase (decrease) in cash and cash equivalents	1,894	902
Cash and cash equivalents at beginning of period	10,110	11,768
Cash and cash equivalents at end of period	12,004	12,670

(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, 2022 – Sep. 30, 2022)

Not applicable.

Changes in Accounting Policies

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

Changes in Accounting Policies

NITTOKU applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, NITTOKU decided to apply the new accounting policies prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively. There is no effect of this application on the quarterly consolidated financial statements.

Segment and Other Information

I. First six months of prior fiscal year (Apr. 1, 2021 – Sep. 30, 2021)

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	9,573	697	10,270
Inter-segment sales and transfers	-	-	-
Total	9,573	697	10,270
Segment profit	798	225	1,023

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	1,023
Corporate expenses (Note)	(394)
Operating profit on the quarterly consolidated statement of income	629

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, 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.

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.