



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Three Months Ended June 30, 2019 (Japanese GAAP)

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Company name: NOK Corporation
 Securities code: 7240
 Representative: Kiyoshi Doi
 President
 Inquiries: Noriyuki Takahashi
 Department Manager
 Corporate Communication Department

Listed on the Tokyo Stock Exchange
 URL <http://www.nok.co.jp>
 Telephone: +81-3-6891-0191

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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 Three Months of Fiscal 2019 (April 1, 2019 to June 30, 2019)

(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	%
3 mos. ended June 30, 2019	138,192	(15.6)	(3,945)	–	(3,149)	–	(3,643)	–
3 mos. ended June 30, 2018	163,657	(0.8)	4,896	(18.9)	8,050	(18.4)	3,860	(21.4)

Note: Comprehensive income: (10,861) million yen, –% (as of June 30, 2019); 2,173 million yen, (77.4)% (as of June 30, 2018)

	Net income per share	Diluted net income per share
	yen	yen
3 mos. ended June 30, 2019	(21.06)	–
3 mos. ended June 30, 2018	22.32	–

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
June 30, 2019	765,114	469,883	56.2	2,485.60
March 31, 2019	785,133	485,498	56.6	2,567.92

Reference: Owner's equity: 429,937 million yen (as of June 30, 2019); 444,177 million yen (as of March 31, 2019)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2018	–	25.00	–	25.00	50.00
FY 2019	–				
FY 2019 (Forecast)		25.00	–	25.00	50.00

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

3. Consolidated Forecasts for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(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
Half year	301,400	(11.9)	1,500	(89.3)	2,900	(83.9)	(800)	–	(4.63)
Full year	625,000	(6.6)	20,500	(11.4)	25,500	(18.1)	13,500	294.8	78.05

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

* 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

i) Changes in accounting policies based on revisions of accounting standard: Yes

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

iii) Changes in accounting estimates: None

iv) Retrospective restatement: None

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

i) Number of issued and outstanding shares at the end of each period (including treasury stock)	June 30, 2019	173,138,537 shares	Mar. 31, 2019	173,138,537 shares
ii) Number of shares of treasury stock at the end of each period	June 30, 2019	166,915 shares	Mar. 31, 2019	166,905 shares
iii) Average number of shares (year to date)	3 mos. ended June 30, 2019	172,971,624 shares	3 mos. ended June 30, 2018	172,959,575 shares

Note: The Employee Stock Ownership Plan Trust (the “ESOP Trust”) account was abolished in April 2018. The Company’s stock owned by the ESOP Trust account is included in the number of shares of treasury stock deducted from the calculation of the “Average number of shares (year to date)” (– shares for the three months ended June 30, 2019 and 12,299 shares for the three months ended June 30, 2018).

* 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 Three Months Ended June 30, 2019

(1) Explanation of Operating Results

During the first three months of the current consolidated fiscal year, the Japanese economy saw an increased sense of economic malaise on the back of a drop in exports mainly to China, despite robust domestic demand. Overseas, the Chinese economy showed a stronger slowdown as external demand weakened and the recovery of domestic demand was delayed. Furthermore, due in part to the trade friction between the U.S. and China, the outlook of overseas economies is unclear.

In the automobile industry, demand remained strong in Japan, while China and North America entered a stagnant phase.

In the electronic equipment industry, the smartphone market has peaked and demand remained flat. Production for use in HDDs decreased for both server applications and PC applications.

In the office machine industry, the overall production volume increased as a result of the growth in demand for color printers and copiers.

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

In the seal business, sales for automobile applications decreased mainly due to a drop in demand in North America and a delay in the recovery of demand in China, although demand in Japan remained robust. Sales to manufacturers of general industrial machinery decreased on the back of a slowdown in demand in China from manufacturers of construction machinery, machine tools, and robots.

As a result, net sales decreased to 81,370 million yen (down 5.9% year on year). Operating income totaled 6,019 million yen (down 34.7% year on year) mainly due to the drop in net sales and an increase in personnel and other costs and depreciation and amortization costs.

In the electronic product business, sales for smartphone applications decreased significantly. Sales for HDD applications dropped owing to a decline in production volume.

As a result, net sales stood at 49,684 million yen (down 28.3% year on year). Operating loss totaled 10,109 million yen (compared to an operating loss of 4,663 million yen in the same period of the previous fiscal year) due to the decline in net sales.

In the roll business, sales declined due to a production decrease by a major customer.

As a result, net sales ended at 4,788 million yen (down 8.2% year on year). Operating loss came to 80 million yen (compared to an operating income of 14 million yen in the same period of the previous fiscal year) as the effect of a decline in sales outweighed efforts to reduce costs.

In other businesses including special lubricants, net sales stood at 2,349 million yen (down 13.7% year on year). Operating income ended at 202 million yen (down 36.3% year on year).

In summary, the Group posted the following results for the first three months of the current consolidated fiscal year: Net sales totaled 138,192 million yen (down 15.6% year on year); operating loss was 3,945 million yen (compared to an operating income of 4,896 million yen in the same period of the previous fiscal year); and ordinary loss amounted to 3,149 million yen (compared to an ordinary income of 8,050 million yen in the same period of the previous fiscal year), resulting in 3,643 million yen in loss attributable to owners of parent (compared to a profit attributable to owners of parent of 3,860 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets as of June 30, 2019 stood at 765,114 million yen, a decrease of 20,018 million yen from March 31, 2019. This was mainly attributable to decreases in notes and accounts receivable-trade and in cash and deposits, as well as a decrease in investment securities due in part to a decline in share prices.

Total liabilities as of June 30, 2019 amounted to 295,230 million yen, a decrease of 4,403 million yen from March 31, 2019, mostly reflecting decreases in provision for bonuses and income taxes payable.

Net assets totaled 469,883 million yen, a decrease of 15,615 million yen from March 31, 2019, mainly due to decreases in retained earnings and foreign currency translation adjustment. Consequently, the ratio of shareholders' equity to total assets stood at 56.2%.

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

There have been no changes to the financial projections that were announced on July 17, 2019.

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

(million yen)

	FY 2018 (as of March 31, 2019)	1Q FY 2019 (as of June 30, 2019)
Assets		
Current assets		
Cash and deposits	80,798	75,874
Notes and accounts receivable-trade	129,464	121,866
Electronically recorded monetary claims	15,704	15,127
Inventories	86,715	84,469
Other	15,303	16,504
Allowance for doubtful accounts	(157)	(135)
Total current assets	327,828	313,707
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	89,695	93,374
Machinery, equipment and vehicles, net	110,968	111,131
Other, net	61,831	58,093
Total property, plant and equipment	262,496	262,598
Intangible assets	4,760	4,504
Investments and other assets		
Investment securities	150,066	144,389
Other	40,155	40,086
Allowance for doubtful accounts	(174)	(172)
Total investments and other assets	190,047	184,303
Total noncurrent assets	457,304	451,406
Total assets	785,133	765,114

(million yen)

	FY 2018 (as of March 31, 2019)	1Q FY 2019 (as of June 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	44,557	44,241
Short-term loans payable	66,972	68,452
Income taxes payable	3,549	2,182
Provision for bonuses	10,125	7,673
Other	55,856	56,599
Total current liabilities	181,061	179,149
Noncurrent liabilities		
Long-term loans payable	19,563	18,218
Deferred tax liabilities	7,133	7,163
Net defined benefit liabilities	87,842	86,778
Other	4,033	3,921
Total noncurrent liabilities	118,572	116,081
Total liabilities	299,634	295,230
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,244	23,288
Retained earnings	362,604	354,636
Treasury stock	(226)	(226)
Total shareholders' equity	408,959	401,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,694	46,119
Foreign currency translation adjustment	12,157	6,447
Remeasurements of defined benefit plans	(24,633)	(23,663)
Total accumulated other comprehensive income	35,218	28,903
Non-controlling interests	41,321	39,945
Total net assets	485,498	469,883
Total liabilities and net assets	785,133	765,114

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Three Months Ended June 30, 2019)

(million yen)

	3 months ended June 30, 2018	3 months ended June 30, 2019
Net sales	163,657	138,192
Cost of sales	137,231	120,431
Gross profit	26,425	17,761
Selling, general and administrative expenses	21,528	21,706
Operating income (loss)	4,896	(3,945)
Non-operating income		
Dividend income	1,164	1,197
Share of profit of entities accounted for using equity method	1,243	1,230
Foreign exchange gains	667	—
Other	855	1,037
Total non-operating income	3,930	3,466
Non-operating expenses		
Interest expenses	683	773
Foreign exchange losses	—	1,807
Other	93	88
Total non-operating expenses	777	2,669
Ordinary income (loss)	8,050	(3,149)
Extraordinary income		
Gain on sales of noncurrent assets	17	27
Gain on sales of investment securities	23	376
Other	11	—
Total extraordinary income	52	404
Extraordinary loss		
Loss on retirement of noncurrent assets	1,309	207
Other	26	24
Total extraordinary loss	1,335	231
Income (loss) before income taxes	6,766	(2,976)
Income taxes	2,118	875
Net income (loss)	4,648	(3,851)
Profit (loss) attributable to non-controlling interests	787	(208)
Profit (loss) attributable to owners of parent	3,860	(3,643)

(Consolidated Quarterly Comprehensive Income Statement)
 (Three Months Ended June 30, 2019)

(million yen)

	3 months ended June 30, 2018	3 months ended June 30, 2019
Net income (loss)	4,648	(3,851)
Other comprehensive income		
Valuation difference on available-for-sale securities	(854)	(1,554)
Foreign currency translation adjustment	(1,984)	(5,363)
Remeasurements of defined benefit plans, net of tax	871	921
Share of other comprehensive income of entities accounted for using equity method	(507)	(1,013)
Total other comprehensive income	(2,475)	(7,009)
Comprehensive income	2,173	(10,861)
(Detail)		
Comprehensive income attributable to owners of parent	1,842	(9,958)
Comprehensive income attributable to non-controlling interests	330	(902)

(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.

(Change in Accounting Policy)

(Adoption of IFRS 16 "Leases")

Some of the consolidated subsidiaries that adopt IFRS have adopted IFRS 16 since the beginning of the first quarter of the current consolidated fiscal year. Due to this, the borrower has booked all leases under assets and liabilities on the consolidated quarterly balance sheet, as a rule. The impact of the adoption of said accounting standards on consolidated quarterly financial statements is minor.

(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 current first-quarter period, and multiplying income before income taxes for the current first-quarter period by the estimated effective tax rate.

(Segment Information)

[Segment Information]

I Three Months Ended June 30, 2018

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	Roll	Other			
Net sales							
Net sales to external customers	86,464	69,250	5,217	2,724	163,657	–	163,657
Inter-segment sales/transfers	485	4	0	107	598	[598]	–
Total	86,949	69,255	5,218	2,832	164,256	[598]	163,657
Segment income (loss)	9,225	(4,663)	14	317	4,893	3	4,896

Notes: 1. The amount of 3 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 Three Months Ended June 30, 2019

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	Roll	Other			
Net sales							
Net sales to external customers	81,370	49,684	4,788	2,349	138,192	–	138,192
Inter-segment sales/transfers	351	4	–	119	476	[476]	–
Total	81,722	49,689	4,788	2,468	138,668	[476]	138,192
Segment income (loss)	6,019	(10,109)	(80)	202	(3,968)	23	(3,945)

Notes: 1. The amount of 23 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 loss stated in the consolidated quarterly income statement.