



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Nine Months Ended December 31, 2019 (Japanese GAAP)

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Company name: NOK Corporation
 Securities code: 7240
 Representative: Kiyoshi Doi
 President
 Inquiries: Takashi Kaku
 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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 Dividend payable date (as planned): –
 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 2019 (April 1, 2019 to December 31, 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	%
9 mos. ended Dec. 31, 2019	481,744	(7.7)	9,468	(64.3)	14,099	(55.7)	4,598	(75.7)
9 mos. ended Dec. 31, 2018	521,964	(6.7)	26,558	(28.4)	31,810	(33.7)	18,903	(36.9)

Note: Comprehensive income: 7,644 million yen, (18.3)% (as of December 31, 2019); 9,357 million yen, (85.3)% (as of December 31, 2018)

	Net income per share	Diluted net income per share
	yen	yen
9 mos. ended Dec. 31, 2019	26.59	–
9 mos. ended Dec. 31, 2018	109.29	–

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Dec. 31, 2019	791,494	483,959	55.9
March 31, 2019	785,133	485,498	56.6

Reference: Owner's equity: 442,689 million yen (as of December 31, 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	–	25.00	–	–	–
FY 2019 (Forecast)	–	–	–	–	–

Notes:

- Correction of dividend forecast from the most recent dividend forecast: None
- Although the Company's dividend record date is specified in the Articles of Incorporation as the fiscal year end date, the forecast dividend amount as of the said record date has not been determined at present.

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
Full year	619,600	(7.5)	9,500	(58.9)	14,000	(55.0)	3,000	(12.3)	17.34

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

1. Qualitative Information on the Consolidated Operating Results for the Nine Months Ended December 31, 2019

(1) Explanation of Operating Results

During the first nine months of the current consolidated fiscal year, the Japanese economy became increasingly stagnant due to sluggish exports owing to a slowdown of overseas economies as well as to the impact of large typhoons, etc. Overseas, the Chinese economy slowed down further, as the recovery of domestic demand was delayed and external demand remained weak due to the tariff hikes by the United States. The outlook for overseas economies remains generally unclear due to the continuing trade war between the United States and China.

In the automobile industry, demand remained strong in Japan, as in the United States, while the Chinese market remained weak.

In the electronic equipment industry, demand remained flat in the smartphone market. Production for use in HDDs continued to decrease.

In the office machinery industry, production volume remained flat despite 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 due to the continued weakness of the Chinese market, although demand in Japan remained robust. Sales to manufacturers of general industrial machinery decreased on the back of a drop in demand from manufacturers of construction machinery, machine tools, and robots.

As a result, net sales stood at 241,797 million yen (down 6.9% year on year). Operating income totaled 18,324 million yen (down 35.9% year on year) due to a decline in sales and increases in personnel and other expenses as well as depreciation and amortization costs.

In the electronic product business, sales decreased for high-function smartphone applications, among others.

As a result, net sales decreased to 219,046 million yen (down 8.1% year on year). Operating loss amounted to 9,374 million yen (compared to an operating loss of 3,214 million yen in the same period of the previous fiscal year) due to a significant decline in net sales, despite decreases in personnel expenses and depreciation and amortization costs.

In the roll business, sales declined due to a drop in demand for printer components and to unfavorable exchange rate movements.

As a result, net sales stood at 14,077 million yen (down 9.5% year on year). Operating loss amounted to 296 million yen (compared to an operating income of 94 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 dropped to 6,822 million yen (down 16.8% year on year). Operating income stood at 773 million yen (down 28.6% year on year).

In summary, the Group posted the following results for the first nine months of the current consolidated fiscal year: Net sales of 481,744 million yen (down 7.7% year on year); operating income of 9,468 million yen (down 64.3% year on year); ordinary income of 14,099 million yen (down 55.7% year on year); and profit attributable to owners of parent of 4,598 million yen (down 75.7% year on year).

(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 24, 2019.

The impact of the new Corona virus on our business performance has not been incorporated in the financial projections since the impact has not yet been determined.

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

(million yen)

	FY 2018 (as of March 31, 2019)	3Q FY 2019 (as of December 31, 2019)
Assets		
Current assets		
Cash and deposits	80,798	77,697
Notes and accounts receivable-trade	129,464	144,523
Electronically recorded monetary claims	15,704	14,945
Inventories	86,715	83,618
Other	15,303	14,537
Allowance for doubtful accounts	(157)	(130)
Total current assets	327,828	335,191
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	89,695	97,256
Machinery, equipment and vehicles, net	110,968	114,467
Other, net	61,831	54,316
Total property, plant and equipment	262,496	266,040
Intangible assets	4,760	4,342
Investments and other assets		
Investment securities	150,066	149,658
Other	40,155	36,432
Allowance for doubtful accounts	(174)	(171)
Total investments and other assets	190,047	185,919
Total noncurrent assets	457,304	456,303
Total assets	785,133	791,494

(million yen)

	FY 2018 (as of March 31, 2019)	3Q FY 2019 (as of December 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	44,557	51,492
Short-term loans payable	66,972	71,051
Income taxes payable	3,549	1,492
Provision for bonuses	10,125	6,697
Other	55,856	56,285
Total current liabilities	181,061	187,018
Noncurrent liabilities		
Long-term loans payable	19,563	19,296
Deferred tax liabilities	7,133	9,255
Net defined benefit liabilities	87,842	87,218
Other	4,033	4,746
Total noncurrent liabilities	118,572	120,516
Total liabilities	299,634	307,534
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,244	23,288
Retained earnings	362,604	358,449
Treasury stock	(226)	(226)
Total shareholders' equity	408,959	404,847
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,694	49,874
Foreign currency translation adjustment	12,157	10,392
Remeasurements of defined benefit plans	(24,633)	(22,424)
Total accumulated other comprehensive income	35,218	37,842
Non-controlling interests	41,321	41,269
Total net assets	485,498	483,959
Total liabilities and net assets	785,133	791,494

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Nine Months Ended December 31, 2019)

(million yen)

	9 months ended December 31, 2018	9 months ended December 31, 2019
Net sales	521,964	481,744
Cost of sales	430,794	408,229
Gross profit	91,170	73,515
Selling, general and administrative expenses	64,611	64,046
Operating income	26,558	9,468
Non-operating income		
Dividend income	2,293	2,366
Share of profit of entities accounted for using equity method	3,221	2,591
Subsidy income	419	2,756
Other	2,176	1,749
Total non-operating income	8,110	9,464
Non-operating expenses		
Interest expenses	2,098	2,133
Foreign exchange losses	401	1,706
Other	358	994
Total non-operating expenses	2,858	4,833
Ordinary income	31,810	14,099
Extraordinary income		
Gain on sales of noncurrent assets	139	146
Gain on sales of investment securities	32	383
Other	14	—
Total extraordinary income	186	529
Extraordinary loss		
Loss on retirement of noncurrent assets	2,268	773
Impairment loss	14	919
Other	432	654
Total extraordinary loss	2,716	2,347
Income before income taxes	29,279	12,282
Income taxes	7,527	7,042
Net income	21,751	5,240
Profit attributable to non-controlling interests	2,848	641
Profit attributable to owners of parent	18,903	4,598

(Consolidated Quarterly Comprehensive Income Statement)
(Nine Months Ended December 31, 2019)

(million yen)

	9 months ended December 31, 2018	9 months ended December 31, 2019
Net income	21,751	5,240
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,324)	897
Foreign currency translation adjustment	(1,596)	(1,080)
Remeasurements of defined benefit plans, net of tax	2,052	2,180
Share of other comprehensive income of entities accounted for using equity method	(524)	406
Total other comprehensive income	(12,393)	2,404
Comprehensive income	9,357	7,644
(Detail)		
Comprehensive income attributable to owners of parent	7,165	7,223
Comprehensive income attributable to non-controlling interests	2,192	420

(3) Segment Information

I Nine Months Ended December 31, 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	259,831	238,371	15,558	8,202	521,964	—	521,964
Inter-segment sales/transfers	1,532	40	1	329	1,902	[1,902]	—
Total	261,363	238,411	15,559	8,531	523,867	[1,902]	521,964
Segment income (loss)	28,594	(3,214)	94	1,083	26,558	0	26,558

Notes: 1. The amount of 0 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.

2. Information regarding impairment losses of noncurrent assets or goodwill, etc. by reportable segment
(Significant impairment loss on noncurrent assets)

In the electronic product business, the carrying amount of idle assets has been decreased to the recoverable amount and booked as impairment loss under extraordinary loss. The amount of said impairment loss booked was 14 million yen during the nine months ended December 31, 2018.

II Nine Months Ended December 31, 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	241,797	219,046	14,077	6,822	481,744	—	481,744
Inter-segment sales/transfers	1,332	19	—	356	1,708	[1,708]	—
Total	243,130	219,065	14,077	7,178	483,453	[1,708]	481,744
Segment income (loss)	18,324	(9,374)	(296)	773	9,426	41	9,468

Notes: 1. The amount of 41 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.

2. Information regarding impairment losses of noncurrent assets or goodwill, etc. by reportable segment
(Significant impairment loss on noncurrent assets)

In the electronic product business, the carrying amount of idle assets has been decreased to the recoverable amount and booked as impairment loss under extraordinary loss. The amount of said impairment loss booked was 919 million yen during the nine months ended December 31, 2019.