



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for Fiscal Year Ended March 31, 2021 (Japanese GAAP)

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Company name: NOK Corporation
 Securities code: 7240
 Representative: Masao Tsuru
 President
 Inquiries: Takashi Kaku
 Department Manager
 Corporate Communication Department

Listed on the Tokyo Stock Exchange
 URL <https://www.nok.co.jp>
 Telephone: +81-3-5405-6372

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Supplemental material of annual results: None

Convening briefing of annual results: Yes

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

1. Consolidated Financial Results for Fiscal 2020 (April 1, 2020 to March 31, 2021)

(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	%
FY 2020	596,369	(4.9)	14,467	20.3	18,339	5.6	(1,361)	—
FY 2019	626,815	(6.4)	12,028	(48.0)	17,373	(44.2)	(2,218)	—

Note: Comprehensive income: 58,909 million yen, —% (as of March 31, 2021); (29,063) million yen, —% (as of March 31, 2020)

	Net income per share	Diluted net income per share	Net income to shareholders' equity ratio	Ordinary income to total assets ratio	Operating income to net sales ratio
	yen	yen	%	%	%
FY 2020	(7.87)	—	(0.3)	2.4	2.4
FY 2019	(12.83)	—	(0.5)	2.3	1.9

Reference: Investment profit on equity method: (12) million yen (as of March 31, 2021); 3,318 million yen (as of March 31, 2020)

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2020	803,000	502,114	57.0	2,644.14
FY 2019	728,695	447,238	55.9	2,353.56

Reference: Owner's equity: 457,352 million yen (as of March 31, 2021); 407,092 million yen (as of March 31, 2020)

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents, end of period
	million yen	million yen	million yen	million yen
FY 2020	45,824	(18,719)	5,884	120,385
FY 2019	71,370	(50,425)	(17,497)	82,366

2. Dividends

	Dividend per share					Total dividend paid	Payout ratio (Consolidated)	Ratio of total amount of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY 2019	—	25.00	—	12.50	37.50	6,489	—	1.5
FY 2020	—	12.50	—	12.50	25.00	4,326	—	1.0
FY 2021 (Forecast)	—	25.00	—	25.00	50.00		60.1	

3. Consolidated Forecasts for Fiscal 2021 (April 1, 2021 to March 31, 2022)

(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	309,000	21.1	9,000	—	11,000	—	5,400	—	31.22
Full year	624,000	4.6	22,500	55.5	27,200	48.3	14,400	—	83.25

* Notes

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

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

- i) Changes in accounting policies based on revisions of accounting standard: None
- ii) Changes in accounting policies other than ones based on revisions of accounting standard: Yes
- iii) Changes in accounting estimates: None
- iv) Retrospective restatement: None

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

- i) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)
- ii) Number of treasury stock at the end of fiscal year
- iii) Average number of shares

FY 2020	173,138,537 shares	FY 2019	173,138,537 shares
FY 2020	169,825 shares	FY 2019	169,654 shares
FY 2020	172,968,817 shares	FY 2019	172,970,987 shares

(Reference) Overview of non-consolidated results

1. Non-consolidated financial results for Fiscal 2020 (April 1, 2020 to March 31, 2021)

(1) Non-consolidated operating results

(Percentage figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2020	201,122	(15.9)	4,852	(52.9)	9,296	(62.7)	6,684	(64.6)
FY 2019	239,123	(6.7)	10,303	(43.6)	24,945	(12.4)	18,905	(11.0)

	Net income per share	Diluted net income per share
	yen	yen
FY 2020	38.62	—
FY 2019	109.24	—

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2020	430,243	250,741	58.3	1,448.88
FY 2019	360,055	220,515	61.2	1,274.22

Reference: Owner's equity: 250,741 million yen (as of March 31, 2021); 220,515 million yen (as of March 31, 2020)

* This summary of consolidated financial results is not subject to audit by a certified public accountant or an 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. Financial results may differ significantly due to various factors.

For assumptions, etc. used as the basis for the projections of financial results, please see "1. Overview of Operating Results (1) Overview of Operating Results" on page 2 of the attached document.

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1. Overview of Operating Results

(1) Overview of Operating Results

i. Overview of fiscal 2020 operating results

During the consolidated fiscal year under review, the Japanese economy faced domestic and overseas difficulties as economic activities and personal consumption remained sluggish due to the impact of the novel coronavirus pandemic. Although a wide range of measures taken by the government were effective to a certain extent in controlling the pandemic, the spread of the virus was not stopped. As a result, the economic outlook remained uncertain with the risk of economic downturn throughout the year.

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

In the automobile industry, demand in Japan recovered in the second half of fiscal 2020 following a temporary decline caused by the spread of the novel coronavirus. While demand also decreased significantly in overseas markets, demand in North America picked up sharply during the second half of fiscal 2020. Meanwhile, in China where economic activities had been resumed from an early stage, demand remained brisk throughout fiscal 2020.

In the electronic equipment industry, manufacturing and shipment of products were delayed due to the impact of the novel coronavirus pandemic, and demand for smartphones and HDDs declined. On the other hand, demand for personal computers and tablets increased, reflecting the promotion of telework and online education.

In the office machinery industry, demand for both multifunction peripherals and printers declined due to the impact of the pandemic.

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

In the seal business, sales for automobile applications decreased because demand declined in the first half of fiscal 2020, although demand picked up from the second half of fiscal 2020. On the other hand, sales to manufacturers of general industrial machinery increased due to an upswing in demand from manufacturers of construction machinery in China.

As a result, net sales stood at 293,023 million yen (down 7.6% year on year). Operating income was 23,183 million yen (down 4.6% year on year) due to a decrease in sales despite efforts to reduce personnel and other expenses.

In the electronic product business, sales decreased due to a decline in demand during the first half of fiscal 2020, although demand for high-function smartphone and automotive applications recovered in the second half of fiscal 2020.

As a result, net sales totaled 281,771 million yen (down 0.5% year on year). Operating loss came to 8,371 million yen (compared to an operating loss of 12,600 million yen in the previous fiscal year) due to the effects of a reduction in personnel and other expenses as well as a decrease in depreciation and amortization costs, despite the drop in sales.

In the roll business, sales declined due to a drop in demand for multifunction peripherals and repair parts.

As a result, net sales totaled 14,184 million yen (down 20.3% year on year). Operating loss came to 1,422 million yen (compared to an operating loss of 751 million yen in the previous fiscal year) due to the significant impact of the drop in sales, despite efforts to reduce personnel and other expenses.

In other businesses including special lubricants, net sales stood at 7,390 million yen (down 17.5% year on year). Operating income ended at 1,060 million yen (up 6.4% year on year).

In summary, the Group posted the following results for the consolidated fiscal year under review: Net sales totaled 596,369 million yen (down 4.9% year on year); operating income was 14,467 million yen (up 20.3% year on year); and ordinary income amounted to 18,339 million yen (up 5.6% year on year), resulting in 1,361 million yen in loss attributable to owners of parent (compared to a loss attributable to owner of parent of 2,218 million yen in the previous fiscal year).

ii. Future projections

In the future operating environment surrounding the Group, the outlook remains uncertain due to a number of potential risks that may affect sales, including concerns about the supply of raw materials such as semiconductor components as well as labor shortages and delays in cargo and logistics, in addition to the continued spread of the novel coronavirus and its variants.

In the seal business, overall demand is expected to remain robust, although demand from automotive manufacturers in Japan will likely decline as a backlash to the increase in demand in the second half of fiscal 2020. Overseas, demand is anticipated to remain strong on the back of brisk demand for new vehicles, despite concerns over parts supply in North America, especially of semiconductor components. Meanwhile, in China, demand is projected to remain vigorous. In the medium to long term, however, we anticipate significant changes in the business environment associated with the electrification of automobiles. For manufacturers of general industrial machinery, domestic demand for construction machinery is expected to remain virtually unchanged. Overseas, demand for construction machinery is forecast to continue to grow in China. Amid such circumstances, since competition from Japanese and overseas competitors will likely intensify, we will make efforts across sales, technology and production divisions to expand sales of existing and new products, improve the efficiency and optimization of our production systems while continuing to further enhance quality.

In the electronic product business, there have been issues such as the response to fluctuations in demand for high-function smartphones and a drop in demand for HDDs. Although there is a concern over the current semiconductor shortage in automotive applications, demand is expected to pick up. In order to address such concerns, we will expand sales of products for automobiles and for new applications, as well as continue to exert unified efforts to make the Group more resilient to change and further improve quality.

In other businesses, in the roll business, in addition to the traditional slowdown in the growth of the office equipment market, there are concerns that the workstyle transformation through remote work will lead to a shift to a paperless office, and that demand for printers and consumables will continue to decline. In the special lubricant business, demand from automotive manufacturers is expected to increase. In order to respond to these, we intend to seek increased profitability by making efforts across sales, technology and production divisions to further expand sales by improving competitiveness in quality and cost, while promoting management efficiency by thoroughly reducing costs.

In summary, we expect the following consolidated operating results for fiscal 2021: Net sales of 624,000 million yen (up 4.6% year on year); operating income of 22,500 million yen (up 55.5% year on year); ordinary income of 27,200 million yen (up 48.3% year on year); and profit attributable to owners of parent of 14,400 million yen (compared to a loss attributable to owners of parent of 1,361 million yen in the previous fiscal year).

The above forecasts include projections of the future based on currently available information. Actual results may differ from the stated forecast figures due to future business operations and changes such as exchange rate fluctuations.

* From fiscal 2021, the roll business will be included in other business in light of its business scale.

(2) Overview of Financial Position

i. Assets, liabilities and net assets

Total assets as of March 31, 2021 stood at 803,000 million yen, an increase of 74,304 million yen compared with March 31, 2020. This was mainly attributable to an increase in cash and deposits due to an increase in short-term loans payable reflecting working capital needs, an increase in notes and accounts receivable-trade in line with a rise in sales in the second half of fiscal 2020, and an increase in investment securities owing to an increase in the market value of shares held by the Company, despite a decrease in property, plant and equipment as a result of temporary restraints on investment.

Total liabilities as of March 31, 2021 amounted to 300,886 million yen, an increase of 19,429 million yen compared with March 31, 2020. This was mainly due to an increase in short-term loans payable and deferred tax liabilities, despite a decrease in net defined benefit liabilities.

Net assets totaled 502,114 million yen, an increase of 54,875 million yen compared with March 31, 2020. Consequently, the ratio of shareholders' equity to total assets stood at 57.0%. This mainly reflected an increase in valuation difference on available-for-sale securities, despite a decrease in retained earnings due to the recognition of a loss attributable to owners of parent for the current period and dividend payments.

ii. Cash flows

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2021 amounted to 120,385 million yen. This represented an increase of 38,019 million yen compared with March 31, 2020. Cash flows during fiscal 2020 are summarized below.

[Cash flows from operating activities]

Net cash provided by operating activities totaled 45,824 million yen, down 35.8% year on year. This was mainly attributable to an increase in working capital on the back of the recovery in operating results during the second half of fiscal year 2020.

[Cash flows from investing activities]

Net cash used in investing activities amounted to 18,719 million yen (down 62.9%). This was primarily due to a reduction in investment from the beginning of the year in view of the impact of the novel coronavirus pandemic.

[Cash flows from financing activities]

Net cash provided by financing activities amounted to 5,884 million yen (compared to net cash used in financing activities of 17,497 million yen in the previous fiscal year). This mainly reflected an increase in short-term loans payable in view of the novel coronavirus pandemic, despite dividend payments and repayment of long-term loans payable.

The trend of cash flow indicators is as follows:

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Capital ratio (%)	55.7	57.9	56.6	55.9	57.0
Market capitalization to total assets (%)	59.4	45.0	38.0	28.3	32.3
Interest-bearing liabilities to cash flow (annualized)	1.3	1.2	1.6	1.3	2.3
Interest coverage ratio (multiple)	33.2	29.6	23.6	26.1	20.2

Capital ratio = Shareholders' equity / Total assets

Market capitalization to total assets = Market capitalization / Total assets

Interest-bearing liabilities to cash flow = Interest-bearing liabilities / Cash flow

Interest coverage ratio = Cash flow / Interest payments

Notes:

1. All indices above are calculated based on consolidated financial statements.
2. Market capitalization is calculated on the basis of the number of issued and outstanding shares excluding treasury stock.
3. Operating cash flow is used as "cash flow" in the above calculation.
4. Interest-bearing liabilities represent all liabilities on the consolidated balance sheet on which we pay interest.

(3) Principal Policy on Dividends and Dividend Distribution for Fiscal 2020 and 2021

As to dividend payment to our shareholders, it is our basic policy to continue a certain stable level of dividend corresponding to the medium- to long-term business performance. Meanwhile, saving a reasonable portion for internal reserve is also critical in preparation for our future business development and reinforcement of financial position. We will, therefore, determine the dividend by taking all these factors into consideration.

Taking into full consideration the aforementioned basic dividend distribution policy along with the level of net income for fiscal 2020, and the future funding situation, we propose to pay an annual dividend of 25 yen per share for fiscal 2020 (a 12.5-yen interim dividend plus a 12.5-yen term end dividend).

We plan to pay an annual dividend of 50 yen per share for fiscal 2021 (a 25-yen interim dividend plus a 25-yen term-end dividend).

2. Management Policy

(1) Principal Management Policy

It is our basic philosophy that a firm is the common asset of its shareholders, employees, and society. At the same time, the goal of the NOK Group is to become an entity in which all of its stakeholders including customers, suppliers, and financial institutions can take pride. For such purposes, we concentrate our efforts to create a vigorous, highly profitable corporate group through “manufacturing and distributing unique and useful products with high technical capabilities throughout the world and at appropriate prices.” This is the main policy under which NOK conducts its business.

(2) Medium- to Long-Term Management Strategies and Challenges

Based on the following policy, the Group will implement its three-year plan (FY 2020 to FY 2022) and work together as one, toward achieving the plan's goals. The Group aims to ensure that it prevents the further spread of the novel coronavirus, while achieving its sustainable growth with an eye towards the future, focusing on increasing sales through the appropriate management of its expanding overseas operations and the development of new products, further improving quality, implementing Business Continuity Management (BCM) in preparation for natural disasters, increasing operational efficiency, promoting digitalization, and developing human resources who can carry out these operations.

Slogan [Key Corporate Objective]

“Flexible response to changes and Re-challenge to be a Sustainable Company”

Initiatives

- (1) Moving away from dependence on specific customers
 - Expansion of sales across businesses and creation of new businesses for a well-balanced mix of customers
- (2) Repositioning quality management to origin
- (3) Operating practical and effective BCM
- (4) Advancing digitalization that will lead to higher competitiveness and profitability
- (5) Implementing management spirit that respects human dignity
 - Fostering vibrant people and supporting flexible and diverse work styles

3. Basic Concept on the Choice of Accounting Standards

The NOK Group intends to prepare consolidated financial statements based on the Japanese standard for the time being in consideration of the possibility of period comparison of consolidated financial statements as well as the possibility of comparison between companies.

For reference, we intend to appropriately respond to the application of IFRS in view of situations both in Japan and abroad.

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

(million yen)

	FY 2019 (as of March 31, 2020)	FY 2020 (as of March 31, 2021)
Assets		
Current assets		
Cash and deposits	82,400	120,421
Notes and accounts receivable-trade	122,157	134,489
Electronically recorded monetary claims	14,254	17,183
Merchandise and finished goods	33,724	33,691
Work in process	27,709	29,114
Raw materials and supplies	19,380	20,874
Other	13,449	12,733
Allowance for doubtful accounts	(124)	(145)
Total current assets	312,952	368,362
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	210,452	209,178
Accumulated depreciation	(116,549)	(120,356)
Buildings and structures, net	93,903	88,821
Machinery, equipment and vehicles	390,090	405,789
Accumulated depreciation	(284,966)	(304,328)
Machinery, equipment and vehicles, net	105,123	101,460
Tools, furniture and fixtures	84,970	89,176
Accumulated depreciation	(66,947)	(73,233)
Tools, furniture and fixtures, net	18,022	15,943
Land	18,465	19,004
Lease assets	3,644	4,095
Accumulated depreciation	(2,562)	(2,814)
Lease assets, net	1,081	1,280
Construction in progress	14,479	12,790
Total property, plant and equipment	251,076	239,301
Intangible assets	4,181	4,044
Investments and other assets		
Investment securities	123,118	163,199
Long-term loans receivable from employees	2,667	2,293
Deferred tax assets	12,553	4,484
Net defined benefit asset	264	285
Other	22,051	21,204
Allowance for doubtful accounts	(170)	(176)
Total investments and other assets	160,484	191,291
Total noncurrent assets	415,742	434,637
Total assets	728,695	803,000

(million yen)

	FY 2019 (as of March 31, 2020)	FY 2020 (as of March 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	44,915	48,968
Short-term loans payable	59,617	76,914
Income taxes payable	2,121	3,816
Provision for bonuses	10,483	10,531
Deposits received from employees	16,465	16,056
Other	32,334	40,844
Total current liabilities	165,938	197,131
Noncurrent liabilities		
Long-term loans payable	17,441	13,161
Deferred tax liabilities	772	7,549
Net defined benefit liabilities	92,536	77,980
Other	4,768	5,063
Total noncurrent liabilities	115,518	103,755
Total liabilities	281,457	300,886
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,288	23,288
Retained earnings	351,622	346,531
Treasury stock	(230)	(230)
Total shareholders' equity	398,016	392,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,230	61,908
Foreign currency translation adjustment	919	14,818
Remeasurements of defined benefit plans	(26,074)	(12,298)
Total accumulated other comprehensive income	9,075	64,427
Non-controlling interests	40,146	44,761
Total net assets	447,238	502,114
Total liabilities and net assets	728,695	803,000

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement
(Consolidated Income Statement)

(million yen)

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Net sales	626,815	596,369
Cost of sales	529,828	504,345
Gross profit	96,987	92,024
Selling, general and administrative expenses	84,958	77,556
Operating income	12,028	14,467
Non-operating income		
Interest income	417	243
Dividend income	2,547	2,097
Foreign exchange gains	—	1,901
Share of profit of entities accounted for using equity method	3,318	—
Rent income	875	892
Subsidy income	3,268	886
Other	1,237	1,029
Total non-operating income	11,665	7,050
Non-operating expenses		
Interest expenses	2,788	2,147
Foreign exchange losses	2,312	—
Share of loss of entities accounted for using equity method	—	12
Commission expenses	654	139
Other	564	879
Total non-operating expenses	6,320	3,179
Ordinary income	17,373	18,339
Extraordinary income		
Gain on sales of noncurrent assets	208	169
Gain on sales of investment securities	383	457
Total extraordinary income	592	626
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,035	1,592
Impairment loss	7,581	1,462
Business restructuring expenses	491	7,779
Loss on valuation of investment securities	1,960	61
Other	17	75
Total extraordinary loss	11,085	10,970
Income before income taxes	6,880	7,994
Income taxes-current	7,786	8,258
Income taxes-deferred	795	(1,502)
Total income taxes	8,581	6,756
Net income (loss)	(1,701)	1,238
Profit attributable to non-controlling interests	517	2,600
Loss attributable to owners of parent	(2,218)	(1,361)

(Consolidated Comprehensive Income Statement)

(million yen)

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Net income (loss)	(1,701)	1,238
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,406)	27,662
Foreign currency translation adjustment	(9,621)	13,499
Remeasurements of defined benefit plans, net of tax	(1,119)	13,192
Share of other comprehensive income of entities accounted for using equity method	(3,215)	3,315
Total other comprehensive income	(27,362)	57,670
Comprehensive income	(29,063)	58,909
(Detail)		
Comprehensive income attributable to owners of parent	(28,361)	53,990
Comprehensive income attributable to non-controlling interests	(702)	4,918

(3) Consolidated Statement of Changes in Equity
FY 2019 (April 1, 2019 to March 31, 2020)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	23,335	23,244	362,604	(226)	408,959
Cumulative effects of changes in accounting policies			(114)		(114)
Restated balance	23,335	23,244	362,489	(226)	408,844
Changes of items during the period					
Dividends from surplus			(8,648)		(8,648)
Loss attributable to owners of parent			(2,218)		(2,218)
Purchase of treasury stock				(4)	(4)
Increase (decrease) due to merger of consolidated subsidiaries		43			43
Change in treasury stock of parent arising from transactions with non-controlling shareholders		0			0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	43	(10,867)	(4)	(10,827)
Ending balance	23,335	23,288	351,622	(230)	398,016

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	47,694	12,157	(24,633)	35,218	41,321	485,498
Cumulative effects of changes in accounting policies						(114)
Restated balance	47,694	12,157	(24,633)	35,218	41,321	485,384
Changes of items during the period						
Dividends from surplus						(8,648)
Loss attributable to owners of parent						(2,218)
Purchase of treasury stock						(4)
Increase (decrease) due to merger of consolidated subsidiaries						43
Change in treasury stock of parent arising from transactions with non-controlling shareholders						0
Net changes of items other than shareholders' equity	(13,464)	(11,237)	(1,440)	(26,142)	(1,175)	(27,318)
Total changes of items during the period	(13,464)	(11,237)	(1,440)	(26,142)	(1,175)	(38,145)
Ending balance	34,230	919	(26,074)	9,075	40,146	447,238

FY 2020 (April 1, 2020 to March 31, 2021)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	23,335	23,288	351,622	(230)	398,016
Cumulative effects of changes in accounting policies			594		594
Restated balance	23,335	23,288	352,217	(230)	398,611
Changes of items during the period					
Dividends from surplus			(4,324)		(4,324)
Loss attributable to owners of parent			(1,361)		(1,361)
Purchase of treasury stock				(0)	(0)
Increase (decrease) due to merger of consolidated subsidiaries					—
Change in treasury stock of parent arising from transactions with non-controlling shareholders					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(5,685)	(0)	(5,685)
Ending balance	23,335	23,288	346,531	(230)	392,925

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	34,230	919	(26,074)	9,075	40,146	447,238
Cumulative effects of changes in accounting policies						594
Restated balance	34,230	919	(26,074)	9,075	40,146	447,832
Changes of items during the period						
Dividends from surplus						(4,324)
Loss attributable to owners of parent						(1,361)
Purchase of treasury stock						(0)
Increase (decrease) due to merger of consolidated subsidiaries						—
Change in treasury stock of parent arising from transactions with non-controlling shareholders						—
Net changes of items other than shareholders' equity	27,677	13,898	13,775	55,352	4,615	59,967
Total changes of items during the period	27,677	13,898	13,775	55,352	4,615	54,281
Ending balance	61,908	14,818	(12,298)	64,427	44,761	502,114

(4) Consolidated Cash Flow Statement

(million yen)

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Income before income taxes	6,880	7,994
Depreciation and amortization	43,312	40,664
Impairment loss	7,581	1,462
Increase (decrease) in provision for bonuses	365	(141)
Increase (decrease) in net defined benefit asset or liability	4,273	(1,368)
Interest and dividend income	(2,964)	(2,341)
Interest expenses	2,788	2,147
Foreign exchange losses (gains)	3,784	(2,843)
Share of (profit) loss of entities accounted for using equity method	(3,318)	12
Loss (gain) on sales and retirement of property, plant and equipment	820	1,427
Decrease (increase) in notes and accounts receivable-trade	7,391	(6,375)
Decrease (increase) in inventories	3,950	1,632
Increase (decrease) in notes and accounts payable-trade	(3,074)	(1,572)
Other, net	4,361	8,591
Subtotal	76,151	49,291
Interest and dividend income received	7,114	5,300
Interest expenses paid	(2,734)	(2,270)
Income taxes paid	(9,161)	(6,497)
Cash flows from operating activities	71,370	45,824
Cash flows from investing activities		
Decrease (increase) in time deposits	–	1
Purchase of investment securities	(161)	(25)
Purchase of property, plant and equipment	(51,145)	(22,686)
Proceeds from sales of property, plant and equipment	634	3,853
Purchase of intangible assets	(320)	(441)
Other, net	567	579
Cash flows from investing activities	(50,425)	(18,719)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,915)	15,239
Proceeds from long-term loans payable	4,423	484
Repayment of long-term loans payable	(6,963)	(4,971)
Repayment of lease obligations	(488)	(249)
Net decrease (increase) in treasury stock	(4)	(0)
Cash dividends paid	(8,650)	(4,326)
Dividends paid to non-controlling interests	(898)	(291)
Cash flows from financing activities	(17,497)	5,884
Effect of exchange rate change on cash and cash equivalents	(3,213)	5,030
Net increase (decrease) in cash and cash equivalents	233	38,019
Cash and cash equivalents at beginning of period	80,761	82,366
Increase in cash and cash equivalents from newly consolidated subsidiary	1,333	–
Increase in cash and cash equivalents from the merger of non-consolidated subsidiaries	37	–
Cash and cash equivalents at end of period	82,366	120,385

- (5) Notes Concerning Consolidated Financial Statements
 (Notes Concerning the Going Concern Assumption)
 None.

(Change in Accounting Policy)

Application of the Accounting Standard for Revenue Recognition, etc.

The “Accounting Standard for Revenue Recognition, etc.” (ASBJ Statement No. 29, March 31, 2020. Hereinafter, “Accounting Standard for Revenue Recognition”) has been applied since the beginning of the consolidated fiscal year under review. In accordance with the accounting standard, the Company recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

Due to the application, the revenue of some product sales, which had been recognized at customs clearance or over the course of collection of the sales proceeds (consideration), is now recognized at the specific point in time when control of the product is transferred to the customer.

Furthermore, the revenue of transactions in which the Company’s role in the sale of a product to a customer falls under that of agent, which had been recognized for the entire amount of the consideration received from the customer, is now recognized at net value (total consideration minus payments to a third party).

For charged supply transactions, which fall under repurchase agreements, we continue to recognize inventory for the supplied goods that remain at the recipient of the charged supply as financial transactions and recognize “liabilities related to charged supply transactions” for the amount equivalent to the ending inventory of the supplied goods that remain at the recipient of the charged supply. For charged receipt transactions, where we had recognized net sales and cost of sales at the time of sell-back to the supplier, we now recognize only the net value of the amount equivalent to process cost as revenue.

The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect when applying the new accounting policy retrospectively from before the beginning of the consolidated fiscal year under review is added to or subtracted from the retained earnings at the beginning of the consolidated fiscal year under review before applying the new accounting policy from the beginning-of-year balance. However, the new accounting policy has not been applied retrospectively to contracts in which almost all of the revenue has been recognized before the beginning of the consolidated fiscal year under review in accordance with the previous treatment by applying the method stipulated in paragraph 86 of the Accounting Standard for Revenue Recognition. Contract changes that were carried out before the beginning of the consolidated fiscal year under review by applying the method stipulated in (1) of paragraph 86 of the Accounting Standard for Revenue Recognition have been accounted for in accordance with the contract terms that have reflected all contract changes, and their cumulative effect has been adjusted in the retained earnings at the beginning of the consolidated fiscal year under review.

As a result, net sales and cost of sales for the consolidated fiscal year under review decreased by 2,929 million yen and 2,810 million yen, respectively, compared with the previous accounting method. Operating income, ordinary income and income before income taxes decreased by 119 million yen each. Inventories and current liabilities-other increased by 624 million yen each. Furthermore, beginning-of-year retained earnings increased by 594 million yen.

(Segment Information)

[Segment Information]

1. Outline of reportable segments

The reportable segments of the NOK Group are constituents of the Group for which separate financial information is available, and that are reviewed by the Board of Directors on a regular basis in order to evaluate business results and determine the best distribution of management resources.

The NOK Group classifies business segments by taking into consideration the product series and similarities between the markets. Each department controlling the relevant segments establishes comprehensive business strategies concerning the products and services to develop respective business activities.

The businesses of the NOK Group consist of four reportable segments: the “seal business,” “electronic product business,” “roll business” and “other businesses.”

In the “seal business,” NOK is the main company of the Group to manufacture and sell seal products for manufacturers of automobile, construction machinery and general industrial machinery. In the “electronic product business,” Nippon Mektron, Ltd. is the Group’s leader in the manufacture and sale of electronic parts, etc., mainly for the electronic equipment industry. In the “roll business,” NOK and Synztec Co., Ltd. play a central role in the manufacture and sale of roll products, etc., mainly for the office machine industry. And in “other businesses,” NOK and NOK Klueber Co., Ltd. are the Group’s leaders in the manufacture and sale of specialty lubricants, etc.

2. Calculation method for net sales, income (loss), assets and other items by reportable segment

The principles and procedures of the accounting method for reportable business segments are the same as those used in the preparation of consolidated financial statements.

Reportable segment income represents the amount of operating income.

Inter-segment sales and transfers are based on current market prices.

3. Information regarding net sales, income (loss), assets, liabilities and other items by reportable segment

FY 2019 (April 1, 2019 to March 31, 2020)

(million yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount included in the consolidated financial statements (Note 2)
	Seal	Electronic product	Roll	Other			
Net sales							
Net sales to external customers	316,966	283,079	17,807	8,962	626,815	—	626,815
Inter-segment sales/transfers	1,792	28	—	467	2,288	(2,288)	—
Total	318,759	283,107	17,807	9,429	629,104	(2,288)	626,815
Segment income (loss)	24,290	(12,600)	(751)	996	11,935	92	12,028
Segment assets	363,578	222,204	31,067	9,558	626,409	102,285	728,695
Other items							
Depreciation and amortization	23,691	18,538	892	234	43,356	(45)	43,312
Increase in property, plant and equipment and intangible assets	28,809	18,001	763	96	47,669	—	47,669

Notes:

1. Adjustments are as shown below:

- (1) The amount of 92 million yen in adjustments of segment income (loss) represents the result of the elimination of inter-segment transactions.
- (2) The amount of 102,285 million yen in adjustments of segment assets includes 112,626 million yen in corporate assets which are not allocated to individual reportable segments and (10,341) million yen in offset elimination of inter-segment claims and debts.
- (3) The amount of (45) million yen in adjustments of depreciation and amortization represents the result of the elimination of inter-segment transactions.

2. Segment income (loss) is adjusted for operating income stated in the consolidated financial statements.

FY 2020 (April 1, 2020 to March 31, 2021)

(million yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount included in the consolidated financial statements (Note 2)
	Seal	Electronic product	Roll	Other			
Net sales							
Net sales to external customers	293,023	281,771	14,184	7,390	596,369	–	596,369
Inter-segment sales/transfers	1,936	15	0	492	2,444	(2,444)	–
Total	294,959	281,786	14,185	7,882	598,814	(2,444)	596,369
Segment income (loss)	23,183	(8,371)	(1,422)	1,060	14,449	17	14,467
Segment assets	381,738	225,149	29,597	7,069	643,554	159,445	803,000
Other items							
Depreciation and amortization	23,876	15,707	840	240	40,665	(0)	40,664
Increase in property, plant and equipment and intangible assets	13,652	11,433	482	159	25,728	–	25,728

Notes:

- Adjustments are as shown below:
 - The amount of 17 million yen in adjustments of segment income (loss) represents the result of the elimination of inter-segment transactions.
 - The amount of 159,445 million yen in adjustments of segment assets includes 170,390 million yen in corporate assets which are not allocated to individual reportable segments and (10,944) million yen in offset elimination of inter-segment claims and debts.
 - The amount of (0) million yen in adjustments of depreciation and amortization represents the result of the elimination of inter-segment transactions.
- Segment income (loss) is adjusted for operating income stated in the consolidated financial statements.
- Since the accounting method for revenue recognition has changed due to the application of the Accounting Standard for Revenue Recognition, etc. from the beginning of the consolidated fiscal year under review, as described in the “Change in Accounting Policy,” the measurement method of income or loss by business segment has also been changed accordingly.
This change has led to the following changes compared with the previous measurement method: In the seal segment, net sales decreased by 2,136 million yen and segment income decreased by 119 million yen; in the electronic product segment, net sales decreased by 23 million yen and segment loss increased by 0 million yen; and in the “other” segment, net sales decreased by 769 million yen.

[Information regarding impairment loss on fixed assets by reportable segment]

FY 2019 (April 1, 2019 to March 31, 2020)

(million yen)

	Seal	Electronic product	Roll	Other	Company / Elimination	Total
Impairment loss	1,282	6,291	7	–	–	7,581

FY 2020 (April 1, 2020 to March 31, 2021)

(million yen)

	Seal	Electronic product	Roll	Other	Company / Elimination	Total
Impairment loss	335	616	509	–	–	1,462

[Information regarding amortization of goodwill and unamortized balance by reportable segment]
FY 2019 (April 1, 2019 to March 31, 2020)

(million yen)

	Seal	Electronic product	Roll	Other	Company / Elimination	Total
Amortization during the period	51	228	—	—	—	279
Ending balance	—	781	—	—	—	781

FY 2020 (April 1, 2020 to March 31, 2021)

(million yen)

	Seal	Electronic product	Roll	Other	Company / Elimination	Total
Amortization during the period	—	226	—	—	—	226
Ending balance	—	614	—	—	—	614

(Per Share Information)

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Net assets per share	2,353.56 yen	2,644.14 yen
Net loss per share	(12.83) yen	(7.87) yen

Notes: 1. Diluted net income per share is not shown as the Company posted a net loss per share and there are no residual securities.

2. The basis of the computation of net assets per share is as shown below:

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Total net assets (million yen)	447,238	502,114
Deductions from total net assets (million yen)	40,146	44,761
(Non-controlling interests)	[40,146]	[44,761]
Net assets at the end of the period attributable to common stock (million yen)	407,092	457,352
Number of shares at the end of the period (1,000 shares)	172,968	172,968

3. The basis of the computation of net loss per share is as shown below:

	FY 2019 (April 1, 2019 to March 31, 2020)	FY 2020 (April 1, 2020 to March 31, 2021)
Loss attributable to owners of parent (million yen)	(2,218)	(1,361)
Amount not attributable to common stock (million yen)	—	—
Loss attributable to owners of parent attributable to common stock (million yen)	(2,218)	(1,361)
Average number of shares during the period (1,000 shares)	172,970	172,968

(Significant Subsequent Events)
None.