



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Three Months Ended June 30, 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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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 Three Months of Fiscal 2021 (April 1, 2021 to June 30, 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	%
3 mos. ended June 30, 2021	156,735	38.5	6,882	–	10,875	–	6,846	–
3 mos. ended June 30, 2020	113,129	(18.1)	(8,744)	–	(8,239)	–	(7,860)	–

Note: Comprehensive income: 9,471 million yen, 250.7% (as of June 30, 2021); 2,700 million yen, –% (as of June 30, 2020)

	Net income per share	Diluted net income per share
	yen	yen
3 mos. ended June 30, 2021	39.58	–
3 mos. ended June 30, 2020	(45.44)	–

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
June 30, 2021	806,260	508,919	57.5	2,678.52
March 31, 2021	803,000	502,114	57.0	2,644.14

Reference: Owner's equity: 463,299 million yen (as of June 30, 2021); 457,352 million yen (as of March 31, 2021)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2020	–	12.50	–	12.50	25.00
FY 2021	–				
FY 2021 (Forecast)		25.00	–	25.00	50.00

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

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	326,100	27.8	16,200	–	21,000	–	13,300	–	76.89
Full year	660,000	10.7	33,000	128.1	40,000	118.1	24,000	–	138.75

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, 2021	173,138,537 shares	Mar. 31, 2021	173,138,537 shares
ii) Number of shares of treasury stock at the end of each period	June 30, 2021	169,976 shares	Mar. 31, 2021	169,825 shares
iii) Average number of shares (year to date)	3 mos. ended June 30, 2021	172,968,606 shares	3 mos. ended June 30, 2020	172,968,881 shares

* This summary of quarterly financial results is not subject to quarterly review procedures of a certified public accountant or audit firm.

* Proper use of the projections for financial results, and other important matters:

Forward-looking statements such as projections of future financial results and other descriptions concerning our future business included in this document are based on currently available information and certain assumptions that we consider to be reasonable, and no representation or warranty is given with regard to the realization of such projections, etc. Actual financial results may differ significantly due to various factors.

For assumptions, etc., used as the basis for the projections for financial results, please see “Explanation of Consolidated Financial Projections and Other Prospects for the Future” on page 2 of the attached document.

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1. Qualitative Information on the Consolidated Operating Results for the Three Months Ended June 30, 2021

(1) Explanation of Operating Results

During the first three months of the current consolidated fiscal year, the Japanese economy showed signs of recovery mainly in the manufacturing industry as the economy picked up both in Japan and overseas. While social activities are expected to be normalized as a result of the progress in the novel coronavirus vaccine rollout, the declarations of a state of emergency and priority measures to prevent the spread of disease have been issued in some regions due to the resurgence of the novel coronavirus pandemic, heightening uncertainty about the future outlook.

In the automobile industry, while demand declined both in Japan and overseas during the previous year due to the impact of the novel coronavirus pandemic, demand has been on a recovery trend. On the other hand, concerns about the supply of semiconductor components and resin raw materials have become apparent, and production has been constrained both in Japan and overseas, due particularly to the shortage of semiconductor components.

In the electronic equipment industry, demand for smartphones, which had been sluggish due to the impact of the novel coronavirus pandemic, increased. Demand for HDDs also remained brisk.

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

The classification of reportable segments has been changed starting from the first quarter of the current consolidated fiscal year, and the following comparisons with the same period of the previous fiscal year are analyzed by reclassifying the figures for the same period of the previous fiscal year into the new segment classification.

In the seal business, sales for automobile applications increased reflecting a significant recovery in demand, despite some negative effects from reduced production due to the shortage of semiconductor and other components. Sales to manufacturers of general industrial machinery also increased on the back of a rise in demand from manufacturers of construction machinery, machine tools, and robots, as a result of the economic recovery of overseas countries that have moved out of the impact of the novel coronavirus pandemic.

As a result, net sales stood at 84,032 million yen (up 61.0% year on year). Operating income was 9,913 million yen (compared to an operating loss of 3,569 million yen in the same period of the previous fiscal year) due to the effect of increased sales, despite an increase in personnel costs and expenses.

In the electronic product business, sales to manufacturers of automobiles and smartphone increased as demand picked up, despite the negative effects of the supply shortage of semiconductor and other components.

As a result, net sales totaled 66,347 million yen (up 19.2% year on year). Operating loss decreased to 3,369 million yen (compared to an operating loss of 4,960 million yen in the same period of the previous fiscal year) due to the effect of a decline in depreciation and amortization costs in addition to an increase in sales.

In other businesses, including the roll business, sales of the roll business increased as demand for multifunction peripherals and repair parts, which had been sluggish due to the impact of the novel coronavirus pandemic, has been on a recovery trend. Sales of the special lubricant business also increased thanks to the rebound in automobile production.

As a result, net sales totaled 6,354 million yen (up 20.3% year on year). Operating income came to 333 million yen (compared to an operating loss of 231 million yen in the same period of the previous fiscal year).

In summary, the Group posted the following results for the first three months of the current consolidated fiscal year: Net sales totaled 156,735 million yen (up 38.5% year on year); operating income was 6,882 million yen (compared to an operating loss of 8,744 million yen in the same period of the previous fiscal year); and ordinary income ended at 10,875 million yen (compared to an ordinary loss of 8,239 million yen in the same period of the previous fiscal year), resulting in 6,846 million yen in profit attributable to owners of parent (compared to a loss attributable to owners of parent of 7,860 million yen in the same period of the previous fiscal year).

Total assets as of June 30, 2021 stood at 806,260 million yen, an increase of 3,260 million yen compared with March 31, 2021. This was mainly attributable to an increase in inventories as well as an increase in investment securities reflecting a rise in the market value of shares held by the Company.

Total liabilities as of June 30, 2021 amounted to 297,341 million yen, a decrease of 3,544 million yen compared with March 31, 2021. This was mainly due to decreases in short-term loans payable and provision for bonuses, despite an increase in accounts payable-trade.

Net assets totaled 508,919 million yen, an increase of 6,805 million yen compared with March 31, 2021. Consequently, the ratio of shareholders' equity to total assets stood at 57.5%. This mainly reflected the recognition of profit attributable to owners of parent for the period and an increase in valuation difference on available-for-sale securities.

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

There are no changes to the consolidated financial projections announced on July 20, 2021.

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

(million yen)

	FY 2020 (as of March 31, 2021)	1Q FY 2021 (as of June 30, 2021)
Assets		
Current assets		
Cash and deposits	120,421	120,940
Notes and accounts receivable-trade	134,489	133,540
Electronically recorded monetary claims	17,183	18,286
Inventories	83,680	85,487
Other	12,733	12,607
Allowance for doubtful accounts	(145)	(148)
Total current assets	368,362	370,713
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	88,821	87,586
Machinery, equipment and vehicles, net	101,460	101,038
Other, net	49,019	48,779
Total property, plant and equipment	239,301	237,404
Intangible assets	4,044	3,858
Investments and other assets		
Investment securities	163,199	164,766
Other	28,268	29,685
Allowance for doubtful accounts	(176)	(167)
Total investments and other assets	191,291	194,284
Total noncurrent assets	434,637	435,547
Total assets	803,000	806,260

(million yen)

	FY 2020 (as of March 31, 2021)	1Q FY 2021 (as of June 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	48,968	50,910
Short-term loans payable	76,914	74,772
Income taxes payable	3,816	3,112
Provision for bonuses	10,531	8,465
Other	56,900	56,909
Total current liabilities	197,131	194,170
Noncurrent liabilities		
Long-term loans payable	13,161	12,132
Deferred tax liabilities	7,549	8,201
Net defined benefit liabilities	77,980	77,846
Other	5,063	4,991
Total noncurrent liabilities	103,755	103,171
Total liabilities	300,886	297,341
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,288	23,305
Retained earnings	346,531	351,215
Treasury stock	(230)	(230)
Total shareholders' equity	392,925	397,626
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,908	62,633
Foreign currency translation adjustment	14,818	14,692
Remeasurements of defined benefit plans	(12,298)	(11,652)
Total accumulated other comprehensive income	64,427	65,673
Non-controlling interests	44,761	45,620
Total net assets	502,114	508,919
Total liabilities and net assets	803,000	806,260

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Three Months Ended June 30, 2021)

(million yen)

	3 months ended June 30, 2020	3 months ended June 30, 2021
Net sales	113,129	156,735
Cost of sales	102,842	128,960
Gross profit	10,287	27,774
Selling, general and administrative expenses	19,031	20,892
Operating income (loss)	(8,744)	6,882
Non-operating income		
Dividend income	1,019	1,159
Foreign exchange gains	—	804
Share of profit of entities accounted for using equity method	247	1,856
Other	631	774
Total non-operating income	1,898	4,596
Non-operating expenses		
Interest expenses	598	452
Foreign exchange losses	669	—
Other	125	150
Total non-operating expenses	1,393	602
Ordinary income (loss)	(8,239)	10,875
Extraordinary income		
Gain on sales of noncurrent assets	24	70
Other	—	0
Total extraordinary income	24	70
Extraordinary loss		
Loss on retirement of noncurrent assets	146	124
Other	13	0
Total extraordinary loss	160	124
Income (loss) before income taxes	(8,375)	10,822
Income taxes	(666)	2,758
Net income (loss)	(7,709)	8,063
Profit attributable to non-controlling interests	151	1,217
Profit (loss) attributable to owners of parent	(7,860)	6,846

(Consolidated Quarterly Comprehensive Income Statement)
(Three Months Ended June 30, 2021)

(million yen)

	3 months ended June 30, 2020	3 months ended June 30, 2021
Net income (loss)	(7,709)	8,063
Other comprehensive income		
Valuation difference on available-for-sale securities	7,254	733
Foreign currency translation adjustment	1,994	(140)
Remeasurements of defined benefit plans, net of tax	820	619
Share of other comprehensive income of entities accounted for using equity method	339	196
Total other comprehensive income	10,409	1,408
Comprehensive income	2,700	9,471
(Detail)		
Comprehensive income attributable to owners of parent	2,230	8,091
Comprehensive income attributable to non-controlling interests	470	1,379

(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)

Application of Accounting Standards for Fair Value Measurement, etc.

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) (hereinafter, "Accounting Standard for Fair Value Measurement"), etc. have been applied since the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of the "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. from now on. These changes had no impact on the Company's quarterly consolidated financial statements.

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

(Segment Information)

[Segment Information]

I Three Months Ended June 30, 2020

1. Information regarding net sales and income (loss) by reportable segment

(million yen)

	Reportable segments			Total	Adjustments (Note 1)	Amount included in the consolidated quarterly income statement (Note 2)
	Seal	Electronic product	Other			
Net sales						
Net sales to external customers	52,196	55,650	5,282	113,129	–	113,129
Inter-segment sales/transfers	379	4	96	480	[480]	–
Total	52,576	55,654	5,378	113,609	[480]	113,129
Segment income (loss)	(3,569)	(4,960)	(231)	(8,761)	17	(8,744)

Notes: 1. The amount of 17 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.

II Three Months Ended June 30, 2021

1. Information regarding net sales and income (loss) by reportable segment

(million yen)

	Reportable segments			Total	Adjustments (Note 1)	Amount included in the consolidated quarterly income statement (Note 2)
	Seal	Electronic product	Other			
Net sales						
Net sales to external customers	84,032	66,347	6,354	156,735	–	156,735
Inter-segment sales/transfers	575	6	123	706	[706]	–
Total	84,608	66,353	6,478	157,441	[706]	156,735
Segment income (loss)	9,913	(3,369)	333	6,877	4	6,882

Notes: 1. The amount of 4 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. Matters Regarding the Changes in Reportable Segment

Since the roll segment has been reclassified into the other business segment starting from the first quarter of the current consolidated fiscal year due to a change in the Company's business management classification, the classification of reportable segments has been changed from the previous classification based on four segments, including the seal segment, electronic product segment, roll segment, and other business segment, to the new classification based on three segments, including the seal segment, electronic product segment, and other business segment.

Segment information for the three months ended June 30, 2020 has been disclosed based on the reportable segment classification for the three months ended June 30, 2021.