



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Six Months Ended September 30, 2021 (Japanese GAAP)

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Supplemental material of quarterly results: None

Convening briefing of quarterly results: Yes

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

1. Consolidated Financial Results for the First Six Months of Fiscal 2021 (April 1, 2021 to September 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	%
6 mos. ended Sep. 30, 2021	324,368	27.1	14,868	—	21,830	—	13,001	—
6 mos. ended Sep. 30, 2020	255,200	(17.2)	(8,612)	—	(8,664)	—	(10,464)	—

Note: Comprehensive income: 18,742 million yen, 304.7% (as of September 30, 2021); 4,631 million yen, -% (as of September 30, 2020)

	Net income per share	Diluted net income per share
	yen	yen
6 mos. ended Sep. 30, 2021	75.17	—
6 mos. ended Sep. 30, 2020	(60.50)	—

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
Sep. 30, 2021	815,627	518,189	57.8	2,725.74
March 31, 2021	803,000	502,114	57.0	2,644.14

Reference: Owner's equity: 471,466 million yen (as of September 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	—	25.00	—	—	—
FY 2021 (Forecast)	—	—	—	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
Full year	673,300	12.9	29,000	100.4	37,500	104.5	20,500	—	118.52

Note: Correction of financial forecast from the most recent financial forecast: Yes

* 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 “2. Consolidated Quarterly Financial Statements and Principal Notes (3) Notes Concerning Consolidated Quarterly Financial Statements (Accounting Treatments Specific to the Preparation of 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)	Sep. 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	Sep. 30, 2021	169,976 shares	Mar. 31, 2021	169,825 shares
iii) Average number of shares (year to date)	6 mos. ended Sep. 30, 2021	172,968,584 shares	6 mos. ended Sep. 30, 2020	172,968,873 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 Six Months Ended September 30, 2021

(1) Explanation of Financial Position and Operating Results

During the first six months of the current consolidated fiscal year, the recovery of the Japanese economy remained uncertain, as social activities and personal spending were sluggish due to repeated state of emergency declarations and priority measures to prevent the spread of the novel coronavirus, despite steady progress in vaccine rollout.

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, production has been constrained as the supply shortage of semiconductors and other components worsened, which coincided with lockdowns as a result of the resurgence of the novel coronavirus in Southeast Asia.

In the electronic equipment industry, demand for smartphones, which had been sluggish due to the impact of the novel coronavirus, 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 the prolonged supply shortage of semiconductors and other components, coupled with the resurgence of the novel coronavirus in Southeast Asia. Sales to manufacturers of general industrial machinery also increased as the markets for construction machinery, machine tools, and robots remained brisk.

As a result, net sales stood at 165,342 million yen (up 34.4% year on year). Operating income was 18,257 million yen (compared to an operating loss of 854 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 for automobile and high-end smartphone applications increased as demand picked up, despite some negative effects of production cuts due to the supply shortage of semiconductors and other components.

As a result, net sales totaled 146,096 million yen (up 19.3% year on year). Operating loss decreased to 3,995 million yen (compared to an operating loss of 7,176 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 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, has been on a recovery trend. Sales of the special lubricant business also increased thanks to a rise in demand for automobile applications.

As a result, net sales totaled 12,930 million yen (up 32.3% year on year). Operating income came to 601 million yen (compared to an operating loss of 609 million yen in the same period of the previous fiscal year).

In summary, the Group posted the following results for the first six months of the current consolidated fiscal year: net sales totaled 324,368 million yen (up 27.1% year on year); operating income was 14,868 million yen (compared to an operating loss of 8,612 million yen in the same period of the previous fiscal year); and ordinary income ended at 21,830 million yen (compared to an ordinary loss of 8,664 million yen in the same period of the previous fiscal year), resulting in 13,001 million yen in profit attributable to owners of parent (compared to a loss attributable to owners of parent of 10,464 million yen in the same period of the previous fiscal year).

Total assets as of September 30, 2021 stood at 815,627 million yen, an increase of 12,626 million yen compared with March 31, 2021. This was mainly attributable to increases in inventories and notes and accounts receivable-trade as well as an increase in investment securities reflecting a rise in the market value of shares held by the Company, despite a decrease in cash and deposits.

Total liabilities as of September 30, 2021 amounted to 297,437 million yen, a decrease of 3,449 million yen compared with March 31, 2021. This was mainly due to a decrease in short-term loans payable, despite an increase in accounts payable-trade.

Net assets totaled 518,189 million yen, an increase of 16,075 million yen compared with March 31, 2021. Consequently, the ratio of shareholders' equity to total assets stood at 57.8%. 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

As a result of a review of the consolidated financial projections for the fiscal year ending March 2022, our projection for net sales has been revised upward and our projections for operating income, ordinary income and profit attributable to owners of parent have been revised downward from the previously announced projections.

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

(million yen)

	FY 2020 (as of March 31, 2021)	2Q FY 2021 (as of September 30, 2021)
Assets		
Current assets		
Cash and deposits	120,421	106,554
Notes and accounts receivable-trade	134,489	140,428
Electronically recorded monetary claims	17,183	18,312
Inventories	83,680	98,110
Other	12,733	12,968
Allowance for doubtful accounts	(145)	(145)
Total current assets	368,362	376,228
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	88,821	86,301
Machinery, equipment and vehicles, net	101,460	100,498
Other, net	49,019	49,540
Total property, plant and equipment	239,301	236,339
Intangible assets	4,044	3,766
Investments and other assets		
Investment securities	163,199	169,084
Other	28,268	30,373
Allowance for doubtful accounts	(176)	(165)
Total investments and other assets	191,291	199,292
Total noncurrent assets	434,637	439,398
Total assets	803,000	815,627

(million yen)

	FY 2020 (as of March 31, 2021)	2Q FY 2021 (as of September 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	48,968	60,616
Short-term loans payable	76,914	59,342
Income taxes payable	3,816	5,032
Provision for bonuses	10,531	13,895
Other	56,900	56,022
Total current liabilities	197,131	194,908
Noncurrent liabilities		
Long-term loans payable	13,161	10,840
Deferred tax liabilities	7,549	9,063
Net defined benefit liabilities	77,980	77,633
Other	5,063	4,991
Total noncurrent liabilities	103,755	102,528
Total liabilities	300,886	297,437
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,288	23,305
Retained earnings	346,531	357,371
Treasury stock	(230)	(230)
Total shareholders' equity	392,925	403,781
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,908	65,367
Foreign currency translation adjustment	14,818	13,525
Remeasurements of defined benefit plans	(12,298)	(11,207)
Total accumulated other comprehensive income	64,427	67,685
Non-controlling interests	44,761	46,723
Total net assets	502,114	518,189
Total liabilities and net assets	803,000	815,627

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Six Months Ended September 30, 2021)

(million yen)

	6 months ended September 30, 2020	6 months ended September 30, 2021
Net sales	255,200	324,368
Cost of sales	225,757	267,598
Gross profit	29,442	56,770
Selling, general and administrative expenses	38,055	41,901
Operating income (loss)	(8,612)	14,868
Non-operating income		
Dividend income	1,090	1,202
Foreign exchange gains	—	2,270
Share of profit of entities accounted for using equity method	—	3,229
Other	1,443	1,428
Total non-operating income	2,533	8,131
Non-operating expenses		
Interest expenses	1,146	883
Share of loss of entities accounted for using equity method	375	—
Foreign exchange losses	557	—
Other	505	286
Total non-operating expenses	2,585	1,169
Ordinary income (loss)	(8,664)	21,830
Extraordinary income		
Gain on sales of noncurrent assets	65	114
Gain on sales of investment securities	0	0
Total extraordinary income	66	115
Extraordinary loss		
Loss on retirement of noncurrent assets	225	210
Loss on valuation of investment securities	193	—
Business restructuring expenses	173	—
Other	113	—
Total extraordinary loss	706	210
Income (loss) before income taxes	(9,304)	21,735
Income taxes	81	6,324
Net income (loss)	(9,385)	15,411
Profit attributable to non-controlling interests	1,078	2,409
Profit (loss) attributable to owners of parent	(10,464)	13,001

(Consolidated Quarterly Comprehensive Income Statement)
 (Six Months Ended September 30, 2021)

(million yen)

	6 months ended September 30, 2020	6 months ended September 30, 2021
Net income (loss)	(9,385)	15,411
Other comprehensive income		
Valuation difference on available-for-sale securities	11,020	3,442
Foreign currency translation adjustment	793	(1,059)
Remeasurements of defined benefit plans, net of tax	1,643	1,023
Share of other comprehensive income of entities accounted for using equity method	559	(75)
Total other comprehensive income	14,017	3,331
Comprehensive income	4,631	18,742
(Detail)		
Comprehensive income attributable to owners of parent	3,201	16,259
Comprehensive income attributable to non-controlling interests	1,430	2,483

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

(Segment Information)

[Segment Information]

I Six Months Ended September 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	122,994	122,434	9,771	255,200	–	255,200
Inter-segment sales/transfers	702	6	198	907	(907)	–
Total	123,696	122,441	9,970	256,108	(907)	255,200
Segment loss	(854)	(7,176)	(609)	(8,640)	27	(8,612)

Notes: 1. The amount of 27 million yen in adjustments of segment loss represents the result of the elimination of inter-segment transactions.

2. Segment loss is adjusted for operating loss stated in the consolidated quarterly income statement.

II Six Months Ended September 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	165,342	146,096	12,930	324,368	–	324,368
Inter-segment sales/transfers	1,121	10	263	1,395	(1,395)	–
Total	166,464	146,106	13,193	325,764	(1,395)	324,368
Segment income (loss)	18,257	(3,995)	601	14,862	5	14,868

Notes: 1. The amount of 5 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, etc.

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 six months ended September 30, 2020 has been disclosed based on the reportable segment classification for the six months ended September 30, 2021.