



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Japanese GAAP)

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Company name: NOK Corporation
 Securities code: 7240
 Representative: Masao Tsuru
 Representative Director and 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 Nine Months of Fiscal 2021 (April 1, 2021 to December 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	%
9 mos. ended Dec. 31, 2021	506,252	16.2	23,240	348.6	34,132	388.4	18,879	–
9 mos. ended Dec. 31, 2020	435,608	(9.6)	5,180	(45.3)	6,989	(50.4)	(1,446)	–

Note: Comprehensive income: 33,637 million yen, 20.2% (as of December 31, 2021); 27,987 million yen, 266.1% (as of December 31, 2020)

	Net income per share	Diluted net income per share
	yen	yen
9 mos. ended Dec. 31, 2021	109.15	–
9 mos. ended Dec. 31, 2020	(8.36)	–

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Dec. 31, 2021	830,426	528,760	57.7
March 31, 2021	803,000	502,114	57.0

Reference: Owner's equity: 479,540 million yen (as of December 31, 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: 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 “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)	Dec. 31, 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	Dec. 31, 2021	169,991 shares	Mar. 31, 2021	169,825 shares
iii) Average number of shares (year to date)	9 mos. ended Dec. 31, 2021	172,968,572 shares	9 mos. ended Dec. 31, 2020	172,968,852 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 Nine Months Ended December 31, 2021

(1) Explanation of Financial Position and Operating Results

As for the Japanese economy during the first nine months of the current consolidated fiscal year, economic activities resumed gradually and there were signs of economic recovery on the back of the full-fledged rollout of novel coronavirus vaccines. On the other hand, as the supply shortage of semiconductors and other components and soaring raw material and transportation costs put downward pressure on economic activities, the situation has remained unpredictable.

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

In the electronic equipment industry, demand for smartphones remained virtually unchanged, although the semiconductor shortage affected the industry in some areas. Demand for HDDs 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 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 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 249,097 million yen (up 19.9% year on year). Operating income amounted to 26,258 million yen (up 128.6% year on year) on the back of increased sales, despite the adverse effects of an increase in personnel costs and expenses as well as soaring material prices.

In the electronic product business, sales for high-end smartphone and automobile applications increased as demand picked up, despite some negative effects of production cuts due to the supply shortage of semiconductors and other components. In addition, sales for HDD applications rose reflecting the solid growth in demand.

As a result, net sales totaled 237,905 million yen (up 12.1% year on year). Operating loss decreased to 3,928 million yen (compared to an operating loss of 5,891 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 general industrial machinery applications. As a result, net sales totaled 19,250 million yen (up 23.4% year on year). Operating income came to 910 million yen (compared to an operating loss of 432 million yen in the same period of the previous fiscal year).

In summary, the Group posted the following results for the first nine months of the current consolidated fiscal year: net sales totaled 506,252 million yen (up 16.2% year on year); operating income was 23,240 million yen (up 348.6% year on year); and ordinary income ended at 34,132 million yen (up 388.4% year on year), resulting in 18,879 million yen in profit attributable to owners of parent (compared to a loss attributable to owners of parent of 1,446 million yen in the same period of the previous fiscal year).

Total assets as of December 31, 2021 stood at 830,426 million yen, an increase of 27,426 million yen compared with March 31, 2021. This was mainly attributable to increases in notes and accounts receivable-trade and inventories 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 December 31, 2021 amounted to 301,665 million yen, an increase of 779 million yen compared with March 31, 2021. This was mainly due to increases in accounts payable-trade and deferred tax liabilities, despite decreases in short-term loans payable and long-term loans payable.

Net assets totaled 528,760 million yen, an increase of 26,646 million yen compared with March 31, 2021. Consequently, the ratio of shareholders' equity to total assets stood at 57.7%. This mainly reflected an increase in retained earnings as a result of the recognition of profit attributable to owners of parent for the period, among other factors, and an increase in foreign currency translation adjustment due to exchange rate fluctuations, despite the payment of dividends.

(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 November 10, 2021.

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

(million yen)

	FY 2020 (as of March 31, 2021)	3Q FY 2021 (as of December 31, 2021)
Assets		
Current assets		
Cash and deposits	120,421	103,889
Notes and accounts receivable-trade	134,489	150,823
Electronically recorded monetary claims	17,183	19,652
Inventories	83,680	100,686
Other	12,733	11,794
Allowance for doubtful accounts	(145)	(148)
Total current assets	368,362	386,697
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	88,821	86,426
Machinery, equipment and vehicles, net	101,460	101,746
Other, net	49,019	53,062
Total property, plant and equipment	239,301	241,236
Intangible assets	4,044	3,797
Investments and other assets		
Investment securities	163,199	168,180
Other	28,268	30,680
Allowance for doubtful accounts	(176)	(165)
Total investments and other assets	191,291	198,695
Total noncurrent assets	434,637	443,729
Total assets	803,000	830,426

(million yen)

	FY 2020 (as of March 31, 2021)	3Q FY 2021 (as of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	48,968	62,397
Short-term loans payable	76,914	62,304
Income taxes payable	3,816	3,547
Provision for bonuses	10,531	8,386
Other	56,900	60,386
Total current liabilities	197,131	197,022
Noncurrent liabilities		
Long-term loans payable	13,161	11,111
Deferred tax liabilities	7,549	10,568
Net defined benefit liabilities	77,980	77,748
Other	5,063	5,215
Total noncurrent liabilities	103,755	104,643
Total liabilities	300,886	301,665
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,288	23,305
Retained earnings	346,531	358,924
Treasury stock	(230)	(230)
Total shareholders' equity	392,925	405,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,908	64,382
Foreign currency translation adjustment	14,818	20,441
Remeasurements of defined benefit plans	(12,298)	(10,617)
Total accumulated other comprehensive income	64,427	74,205
Non-controlling interests	44,761	49,219
Total net assets	502,114	528,760
Total liabilities and net assets	803,000	830,426

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Nine Months Ended December 31, 2021)

(million yen)

	9 months ended December 31, 2020	9 months ended December 31, 2021
Net sales	435,608	506,252
Cost of sales	373,512	420,105
Gross profit	62,096	86,147
Selling, general and administrative expenses	56,915	62,907
Operating income	5,180	23,240
Non-operating income		
Dividend income	1,936	2,342
Foreign exchange gains	—	3,809
Share of profit of entities accounted for using equity method	1,015	3,630
Other	2,419	2,822
Total non-operating income	5,371	12,605
Non-operating expenses		
Interest expenses	1,692	1,294
Foreign exchange losses	1,166	—
Other	702	417
Total non-operating expenses	3,562	1,712
Ordinary income	6,989	34,132
Extraordinary income		
Gain on sales of noncurrent assets	141	201
Gain on sales of investment securities	457	0
Total extraordinary income	598	201
Extraordinary loss		
Loss on retirement of noncurrent assets	380	562
Business restructuring expenses	1,966	—
Other	275	77
Total extraordinary loss	2,622	639
Income before income taxes	4,965	33,695
Income taxes	4,531	11,120
Net income	434	22,574
Profit attributable to non-controlling interests	1,880	3,695
Profit (loss) attributable to owners of parent	(1,446)	18,879

(Consolidated Quarterly Comprehensive Income Statement)
(Nine Months Ended December 31, 2021)

(million yen)

	9 months ended December 31, 2020	9 months ended December 31, 2021
Net income	434	22,574
Other comprehensive income		
Valuation difference on available-for-sale securities	20,446	2,464
Foreign currency translation adjustment	3,379	6,213
Remeasurements of defined benefit plans, net of tax	2,420	1,520
Share of other comprehensive income of entities accounted for using equity method	1,307	863
Total other comprehensive income	27,553	11,062
Comprehensive income	27,987	33,637
(Detail)		
Comprehensive income attributable to owners of parent	25,186	28,657
Comprehensive income attributable to non-controlling interests	2,801	4,979

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

(Segment Information)

I Nine Months Ended December 31, 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	207,832	212,176	15,600	435,608	–	435,608
Inter-segment sales/transfers	1,336	10	330	1,677	(1,677)	–
Total	209,168	212,187	15,930	437,286	(1,677)	435,608
Segment income (loss)	11,488	(5,891)	(432)	5,164	16	5,180

Notes: 1. The amount of 16 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 181 million yen during the nine months ended December 31, 2020.

II Nine Months Ended December 31, 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	249,097	237,905	19,250	506,252	–	506,252
Inter-segment sales/transfers	1,712	14	395	2,122	(2,122)	–
Total	250,810	237,919	19,645	508,375	(2,122)	506,252
Segment income (loss)	26,258	(3,928)	910	23,241	(1)	23,240

Notes: 1. The amount of (1) 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, consisting of the seal segment, electronic product segment, roll segment, and other business segment, to the new classification based on three segments, consisting of the seal segment, electronic product segment, and other business segment.

Segment information for the nine months ended December 31, 2020 has been disclosed based on the reportable segment classification for the nine months ended December 31, 2021.