



## NOK CORPORATION and Consolidated Subsidiaries

### Consolidated Financial Results for the Nine Months Ended December 31, 2020 (Japanese GAAP)

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 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 2020 (April 1, 2020 to December 31, 2020)

##### (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, 2020	435,608	(9.6)	5,180	(45.3)	6,989	(50.4)	(1,446)	–
9 mos. ended Dec. 31, 2019	481,744	(7.7)	9,468	(64.3)	14,099	(55.7)	4,598	(75.7)

Note: Comprehensive income: 27,987 million yen, 266.1% (as of December 31, 2020); 7,644 million yen, (18.3)% (as of December 31, 2019)

	Net income per share	Diluted net income per share
	yen	yen
9 mos. ended Dec. 31, 2020	(8.36)	–
9 mos. ended Dec. 31, 2019	26.59	–

##### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Dec. 31, 2020	809,098	471,192	53.0
March 31, 2020	728,695	447,238	55.9

Reference: Owner's equity: 428,548 million yen (as of December 31, 2020); 407,092 million yen (as of March 31, 2020)

#### 2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2019	–	25.00	–	12.50	37.50
FY 2020	–	12.50	–		
FY 2020 (Forecast)				12.50	25.00

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

#### 3. Consolidated Forecasts for Fiscal 2020 (April 1, 2020 to March 31, 2021)

(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	590,200	(5.8)	11,000	(8.6)	11,800	(32.1)	(7,400)	–	(42.78)

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 8 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: 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

(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, 2020	173,138,537 shares	Mar. 31, 2020	173,138,537 shares
ii) Number of treasury stock at the end of each period	Dec. 31, 2020	169,825 shares	Mar. 31, 2020	169,654 shares
iii) Average number of shares (year to date)	9 mos. ended Dec. 31, 2020	172,968,852 shares	9 mos. ended Dec. 31, 2019	172,971,564 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 3 of the attached document.

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## 1. Qualitative Information on the Consolidated Operating Results for the Nine Months Ended December 31, 2020

### (1) Explanation of Financial Position and Operating Results

During the first nine months of the current consolidated fiscal year, the Japanese economy showed signs of gradual recovery thanks to various measures taken by the government and local authorities, whilst the impact of the spread of the novel coronavirus continued to linger.

The economic outlook, however, remains uncertain, with the unpredictable situation ongoing, as evidenced by the fact that the spread of the virus has started to accelerate again.

In the automobile industry, since the second quarter of the current consolidated fiscal year, demand in Japan has been recovering from the significant decline that was temporarily caused by the novel coronavirus. In overseas markets where demand also decreased significantly, demand in China and North America is also recovering.

In the electronic equipment industry, demand for smartphones and HDDs is recovering from the decline driven by the novel coronavirus.

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

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

In the seal business, sales for automobile applications declined because demand in Japan and abroad was down year on year for the first nine months of the current consolidated fiscal year, although demand has picked up from the second quarter of the current consolidated fiscal year. Sales to manufacturers of general industrial machinery also decreased despite an upswing in demand from manufacturers of construction machinery, machine tools, and robots.

As a result, net sales stood at 207,832 million yen (down 14.0% year on year). Operating income was 11,488 million yen (down 37.3% year on year) due to a decrease in sales despite efforts to reduce personnel and other expenses.

In the electronic product business, sales for certain high-function smartphone applications decreased although current demand is on the rise. Sales to automotive manufacturers recovered to the level of the first nine months of the previous consolidated fiscal year, driven by a rebound in demand in the third quarter of the current consolidated year.

As a result, net sales totaled 212,176 million yen (down 3.1% year on year). Operating loss came to 5,891 million yen (compared to an operating loss of 9,374 million yen in the same period of the previous fiscal year) due to a reduction in personnel and other expenses as well as in depreciation and amortization costs, despite the impact of the drop in sales.

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

As a result, net sales totaled 10,383 million yen (down 26.2% year on year). Operating loss increased to 1,159 million yen (compared to an operating loss of 296 million yen in the same period of 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 dropped to 5,217 million yen (down 23.5% year on year). Operating income ended at 726 million yen (down 6.1% year on year).

In summary, the Group posted the following operating results for the first nine months of the current consolidated fiscal year: Net sales totaled 435,608 million yen (down 9.6% year on year); operating income was 5,180 million yen (down 45.3% year on year); and ordinary income ended at 6,989 million yen (down 50.4% year on year), resulting in 1,446 million yen in loss attributable to owners of parent (compared to a profit attributable to owners of parent of 4,598 million yen in the same period of the previous fiscal year).

Total assets as of December 31, 2020 stood at 809,098 million yen, an increase of 80,402 million yen compared with March 31, 2020. This was mainly attributable to an increase in investment securities due to increases in cash and deposits, notes and accounts receivable-trade, and the market value of shares held by the Company, despite a decrease in property, plant and equipment.

Total liabilities as of December 31, 2020 amounted to 337,906 million yen, an increase of 56,448 million yen compared with March 31, 2020, mostly reflecting increases in short-term loans payable and accounts payable-trade.

Net assets totaled 471,192 million yen, an increase of 23,954 million yen compared with March 31, 2020. Consequently, the ratio of shareholders' equity to total assets stood at 53.0%. This was mainly due to 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.

The "Accounting Standard for Revenue Recognition, etc." (ASBJ Statement No. 29, March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020) have been applied since the beginning of the first three months of the current consolidated fiscal year. For details, please refer to "2 Consolidated Quarterly Financial Statements and Principal Notes, (3) Notes Concerning Consolidated Quarterly Financial Statements, (Change in Accounting Policy).

(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 January 27, 2021.

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

(million yen)

	FY 2019 (as of March 31, 2020)	3Q FY 2020 (as of December 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	82,400	128,684
Notes and accounts receivable-trade	122,157	140,547
Electronically recorded monetary claims	14,254	17,044
Inventories	80,814	79,934
Other	13,449	14,289
Allowance for doubtful accounts	(124)	(138)
Total current assets	312,952	380,362
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	93,903	87,427
Machinery, equipment and vehicles, net	105,123	102,484
Other, net	52,049	48,156
Total property, plant and equipment	251,076	238,068
Intangible assets	4,181	3,960
Investments and other assets		
Investment securities	123,118	152,769
Other	37,537	34,131
Allowance for doubtful accounts	(170)	(194)
Total investments and other assets	160,484	186,706
Total noncurrent assets	415,742	428,736
Total assets	728,695	809,098

(million yen)

	FY 2019 (as of March 31, 2020)	3Q FY 2020 (as of December 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	44,915	56,879
Short-term loans payable	59,617	96,320
Income taxes payable	2,121	2,089
Provision for bonuses	10,483	8,015
Other	48,800	53,449
Total current liabilities	165,938	216,755
Noncurrent liabilities		
Long-term loans payable	17,441	14,828
Deferred tax liabilities	772	9,075
Net defined benefit liabilities	92,536	92,498
Other	4,768	4,748
Total noncurrent liabilities	115,518	121,150
Total liabilities	281,457	337,906
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	23,288	23,288
Retained earnings	351,622	346,446
Treasury stock	(230)	(230)
Total shareholders' equity	398,016	392,839
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,230	54,673
Foreign currency translation adjustment	919	4,625
Remeasurements of defined benefit plans	(26,074)	(23,590)
Total accumulated other comprehensive income	9,075	35,708
Non-controlling interests	40,146	42,644
Total net assets	447,238	471,192
Total liabilities and net assets	728,695	809,098

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement  
 (Consolidated Quarterly Income Statement)  
 (Nine Months Ended December 31, 2020)

(million yen)

	9 months ended December 31, 2019	9 months ended December 31, 2020
Net sales	481,744	435,608
Cost of sales	408,229	373,512
Gross profit	73,515	62,096
Selling, general and administrative expenses	64,046	56,915
Operating income	9,468	5,180
Non-operating income		
Dividend income	2,366	1,936
Share of profit of entities accounted for using equity method	2,591	1,015
Subsidy income	2,756	776
Other	1,749	1,643
Total non-operating income	9,464	5,371
Non-operating expenses		
Interest expenses	2,133	1,692
Foreign exchange losses	1,706	1,166
Other	994	702
Total non-operating expenses	4,833	3,562
Ordinary income	14,099	6,989
Extraordinary income		
Gain on sales of noncurrent assets	146	141
Gain on sales of investment securities	383	457
Total extraordinary income	529	598
Extraordinary loss		
Loss on retirement of noncurrent assets	773	380
Impairment loss	919	181
Business restructuring expenses	354	1,966
Other	299	94
Total extraordinary loss	2,347	2,622
Income before income taxes	12,282	4,965
Income taxes	7,042	4,531
Net income	5,240	434
Profit attributable to non-controlling interests	641	1,880
Profit (loss) attributable to owners of parent	4,598	(1,446)



(Consolidated Quarterly Comprehensive Income Statement)  
(Nine Months Ended December 31, 2020)

(million yen)

	9 months ended December 31, 2019	9 months ended December 31, 2020
Net income	5,240	434
Other comprehensive income		
Valuation difference on available-for-sale securities	2,192	20,446
Foreign currency translation adjustment	(1,080)	3,379
Remeasurements of defined benefit plans, net of tax	2,180	2,420
Share of other comprehensive income of entities accounted for using equity method	(888)	1,307
Total other comprehensive income	2,404	27,553
Comprehensive income	7,644	27,987
(Detail)		
Comprehensive income attributable to owners of parent	7,223	25,186
Comprehensive income attributable to non-controlling interests	420	2,801

(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 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 first three months of the current consolidated fiscal year. In accordance with this 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 first three months of the current consolidated fiscal year is added to or subtracted from the retained earnings at the beginning of the first three months of the current consolidated fiscal year 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 first three months of the current consolidated fiscal year 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 first three months of the current consolidated fiscal year 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 first three months of the current consolidated fiscal year.

As a result, net sales and cost of sales for the first nine months of the current consolidated fiscal year decreased by 1,849 million yen and 1,837 million yen, respectively, compared with the previous accounting method. Operating income, ordinary income and income before income taxes decreased by 11 million yen each. Inventories and current liabilities-other increased by 279 million yen, respectively. Furthermore, beginning-of-year retained earnings increased by 594 million yen.

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

(Segment Information)

[Segment Information]

## I Nine Months Ended December 31, 2019

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

(million yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount included in the consolidated quarterly income statement (Note 2)
	Seal	Electronic product	Roll	Other			
Net sales							
Net sales to external customers	241,797	219,046	14,077	6,822	481,744	–	481,744
Inter-segment sales/transfers	1,332	19	–	356	1,708	[1,708]	–
Total	243,130	219,065	14,077	7,178	483,453	[1,708]	481,744
Segment income (loss)	18,324	(9,374)	(296)	773	9,426	41	9,468

- Notes:
1. The amount of 41 million yen in adjustments of segment income (loss) represents the result of the elimination of inter-segment transactions
  2. Segment income (loss) is adjusted for operating income stated in the consolidated quarterly income statement.

## 2. Information regarding impairment losses of noncurrent assets or goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

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

## II 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	Roll	Other			
Net sales							
Net sales to external customers	207,832	212,176	10,383	5,217	435,608	–	435,608
Inter-segment sales/transfers	1,336	10	0	337	1,685	[1,685]	–
Total	209,168	212,187	10,383	5,554	437,294	[1,685]	435,608
Segment income (loss)	11,488	(5,891)	(1,159)	726	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.
  3. 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 first quarter of the current consolidated fiscal year, 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 1,287 million yen and segment income decreased by 11 million yen; in the electronic product segment, net sales decreased by 27 million yen and segment loss increased by 0 million yen; and in the “other” segment, net sales decreased by 534 million yen.

## 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.