



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Six Months Ended September 30, 2016 (Japanese GAAP)

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Company name: NOK Corporation
 Securities code: 7240
 Representative: Masato Tsuru
 Chairman of the Board and President
 Inquiries: Yoshihisa Okawa
 Department Manager
 Corporate Communication Department

Listed on the Tokyo Stock Exchange
 URL <http://www.nok.co.jp>
 Telephone: +81-3-3434-1736

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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 2016 (April 1, 2016 to September 30, 2016)

(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, 2016	335,015	(12.7)	11,326	(61.4)	9,647	(71.9)	4,694	(80.1)
6 mos. ended Sep. 30, 2015	383,590	22.2	29,317	14.7	34,325	11.2	23,569	25.9

Note: Comprehensive income: (16,775) million yen, -% (as of September 30, 2016); 6,614 million yen, (82.3)% (as of September 30, 2015)

	Net income per share	Diluted net income per share
	yen	yen
6 mos. ended Sep. 30, 2016	27.22	-
6 mos. ended Sep. 30, 2015	136.27	-

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
Sep. 30, 2016	712,837	408,699	52.8	2,182.07
March 31, 2016	696,989	433,404	56.7	2,293.76

Reference: Owner's equity: 376,532 million yen (as of September 30, 2016); 395,444 million yen (as of March 31, 2016)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2015	-	25.00	-	25.00	50.00
FY 2016	-	25.00	-	-	-
FY 2016 (Forecast)	-	-	-	25.00	50.00

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

3. Consolidated Forecasts for Fiscal 2016 (April 1, 2016 to March 31, 2017)

(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	664,000	(11.0)	30,300	(37.2)	31,100	(42.1)	21,200	(29.5)	122.92

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. Summary (Notes) Information” on page 3 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: None
 - iii) Changes in accounting estimates: None
 - iv) Retrospective restatement: None
- (Note) These correspond to Article 10-5 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements, etc.”

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

i) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)	Sep. 30, 2016	173,138,537 shares	Mar. 31, 2016	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	Sep. 30, 2016	580,882 shares	Mar. 31, 2016	738,448 shares
iii) Average number of shares (year to date)	6 mos. ended Sep. 30, 2016	172,470,640 shares	6 mos. ended Sep. 30, 2015	172,961,868 shares

(Note) The “number of treasury stock at the end of the fiscal year” includes the Company’s stock owned by the Employee Stock Ownership Plan Trust (the “ESOP Trust”) account (409,000 shares as of September 30, 2016 and 566,700 shares as of March 31, 2016). In addition, the Company’s stock owned by the ESOP Trust account is included the number of treasury stock deducted from the calculation of “Average number of shares (year to date)” (496,113 shares for the six months ended on September 30, 2016 and 5,121 shares for the six months ended on September 30, 2015).

* Quarterly review procedures:

As this summary of quarterly financial results is not subject to quarterly review procedures as provided for under the Financial Instruments and Exchange Act, such review procedures have not been completed as of the date of the release of this summary of consolidated quarterly financial results.

* 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, 2016

(1) Explanation of Operating Results

During the first six months of the current consolidated fiscal year, the Japanese economy remained on a gradual recovery trend as capital expenditures and economic measures, including public investments, held steady, although there were concerns over weaker-than-expected consumer spending and the impact of the appreciating Japanese yen on corporate earnings. Overseas, the U.S. economy remained robust while the Chinese economy continued to slow.

In the automobile industry, domestic vehicle production decreased due to factors such as a decline in demand for light vehicles and the temporary suspension of automobile production in the aftermath of the Kumamoto earthquakes. In the overseas market, demand remained robust in North America, while China also saw growth in demand, reflecting the favorable impact of tax breaks on light vehicles.

In the electronic equipment industry, demand for hard disc drives and digital cameras continued to decrease, whereas smartphones faced deceleration in growth despite increased demand.

In the office machine industry, demand for printers decreased while demand for multifunction copiers/printers remained flat.

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

In the seal business, sales to automobile applications grew due to an uptick in overseas demand, especially in North America, although demand in Japan dropped. Sales to manufacturers of general industrial machinery increased on the back of signs of a recovery in demand from construction machinery manufacturers.

As a result, net sales stood at 149,040 million yen (up 1.7% year on year). Operating income totaled 15,717 million yen (up 10.1% year on year) due to increased sales.

In the electronic device product business, sales declined due to a drop in orders placed for smartphones and unfavorable exchange rate movements, although sales to automobile applications were strong.

As a result, net sales were 167,253 million yen (down 22.6% year on year). The reduced sales, changes to our product lineup, as well as increased depreciation costs and unfavorable exchange rate movements led to the posting of an operating loss of 5,560 million yen (compared to an operating income of 13,749 million yen posted for the same period last year).

In the roll business, sales declined due to a drop in demand for printers.

As a result, net sales stood at 11,837 million yen (down 19.9% year on year). Operating income declined to 591 million yen (down 35.7% year on year) due to lower sales.

In other businesses including specialty lubricants, net sales expanded to 6,885 million yen (up 13.9% year on year). Operating income also increased to 525 million yen (up 60.0% year on year).

In summary, the Group posted the following results for the first six months of the current consolidated fiscal year: Net sales totaled 335,015 million yen (down 12.7% year on year); Operating income was 11,326 million yen (down 61.4% year on year); Ordinary income was 9,647 million yen (down 71.9% year on year) resulting in 4,694 million yen in profit attributable to owners of parent (down 80.1% year on year).

(2) Explanation of Financial Position

Total assets as of September 30, 2016, stood at 712,837 million yen, an increase of 15,847 million yen from March 31, 2016. This was mainly attributable to an increase in accounts receivable.

Total liabilities as of September 30, 2016, amounted to 304,137 million yen, an increase of 40,552 million yen from March 31, 2016, mostly reflecting increases in notes and accounts payable-trade and short-term loans payable.

Net assets totaled 408,699 million yen, a decrease of 24,705 million yen from March 31, 2016, reflecting a decrease in foreign currency translation adjustments due to fluctuations in the foreign exchange rate, and an increase in retained earnings arising from profit attributable to owners of parent. As a result, the ratio of shareholders' equity to total assets stood at 52.8%.

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

Regarding projections for full-year business performance for the consolidated fiscal year ending March 31, 2017, the Company has revised downward its previous projections for net sales, operating income, ordinary income and profit attributable to owners of parent as a result of re-examination.

2. Summary (Notes) Information

- (1) Material Changes in Subsidiaries during This Period
None.

- (2) Accounting Treatments Specific to the Preparation of Consolidated Quarterly Financial Statements

As to 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 second-quarter period, and multiplying income before income taxes for the current second-quarter period by the estimated effective tax rate.

- (3) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

We applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26; March 28, 2016) effective the first quarter (April 1 to June 30) of the current consolidated fiscal year.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(million yen)

	FY 2015 (as of March 31, 2016)	2Q FY 2016 (as of September 30, 2016)
Assets		
Current assets		
Cash and deposits	95,881	81,012
Notes and accounts receivable-trade	132,012	163,105
Inventories	74,998	77,530
Other	20,436	22,617
Allowance for doubtful accounts	(261)	(282)
Total current assets	323,068	343,983
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	80,236	77,420
Machinery, equipment and vehicles, net	91,149	93,236
Other, net	51,046	54,524
Total property, plant and equipment	222,432	225,180
Intangible assets	2,895	3,213
Investments and other assets		
Investments securities	120,004	115,400
Other	28,802	25,271
Allowance for doubtful accounts	(213)	(211)
Total investments and other assets	148,593	140,460
Total noncurrent assets	373,921	368,853
Total assets	696,989	712,837

(million yen)

	FY 2015 (as of March 31, 2016)	2Q FY 2016 (as of September 30, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	46,958	73,208
Short-term loans payable	47,132	58,343
Income taxes payable	2,676	2,568
Provision for bonuses	8,963	10,863
Other	51,029	55,490
Total current liabilities	156,761	200,473
Noncurrent liabilities		
Long-term loans payable	21,307	20,587
Deferred tax liabilities	8,544	7,532
Provision for environmental measures	1,183	1,182
Net defined benefit liabilities	71,459	70,322
Other	4,328	4,038
Total noncurrent liabilities	106,823	103,663
Total liabilities	263,585	304,137
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,735	22,759
Retained earnings	322,251	322,833
Treasury stock	(2,119)	(1,589)
Total shareholders' equity	366,204	367,339
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,023	37,392
Foreign currency translation adjustment	11,724	(10,207)
Remeasurements of defined benefit plans	(19,507)	(17,992)
Total accumulated other comprehensive income	29,239	9,192
Non-controlling interests	37,959	32,166
Total net assets	433,404	408,699
Total liabilities and net assets	696,989	712,837

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
(Consolidated Quarterly Income Statement)
(Six Months Ended September 30, 2016)

(million yen)

	6 months ended September 30, 2015	6 months ended September 30, 2016
Net sales	383,590	335,015
Cost of sales	313,324	283,761
Gross profit	70,266	51,254
Selling, general and administrative expenses	40,948	39,927
Operating income	29,317	11,326
Non-operating income		
Dividends income	1,027	1,015
Share of profit of entities accounted for using equity method	3,313	2,272
Foreign exchange gains	328	–
Other	1,812	1,756
Total non-operating income	6,481	5,044
Non-operating expenses		
Interest expenses	1,205	1,053
Foreign exchange losses	–	5,353
Other	267	317
Total non-operating expenses	1,473	6,724
Ordinary income	34,325	9,647
Extraordinary income		
Gain on sales of noncurrent assets	95	61
Gain on step acquisitions	150	–
Other	42	11
Total extraordinary income	288	72
Extraordinary loss		
Loss on retirement of noncurrent assets	197	411
Business structure improvement expenses	–	673
Other	412	48
Total extraordinary loss	609	1,133
Income before income taxes	34,005	8,587
Income taxes	8,136	3,245
Net income	25,868	5,341
Profit attributable to non-controlling interests	2,299	646
Profit attributable to owners of parent	23,569	4,694

(Consolidated Quarterly Comprehensive Income Statement)
(Six Months Ended September 30, 2016)

(million yen)

	6 months ended September 30, 2015	6 months ended September 30, 2016
Net income	25,868	5,341
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,898)	400
Foreign currency translation adjustment	(10,964)	(21,618)
Remeasurements of defined benefit plans, net of tax	911	2,250
Share of other comprehensive income of entities accounted for using equity method	(1,302)	(3,148)
Total other comprehensive income	(19,254)	(22,116)
Comprehensive income	6,614	(16,775)
(Detail)		
Comprehensive income attributable to owners of parent	5,954	(15,352)
Comprehensive income attributable to non-controlling interests	660	(1,422)

(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.

(Segment Information)

[Segment Information]

I Six Months Ended September 30, 2015

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 device product	Roll	Other			
Net sales							
Net sales to external customers	146,594	216,167	14,782	6,046	383,590	–	383,590
Inter-segment sales/transfers	1,733	4	–	140	1,878	[1,878]	–
Total	148,328	216,172	14,782	6,186	385,468	[1,878]	383,590
Segment income	14,278	13,749	919	328	29,275	42	29,317

Notes: 1. The amount of 42 million yen in Adjustments of segment income represents the result of the elimination of inter-segment transactions.

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

II Six Months Ended September 30, 2016

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 device product	Roll	Other			
Net sales							
Net sales to external customers	149,040	167,253	11,837	6,885	335,015	–	335,015
Inter-segment sales/transfers	1,566	8	–	131	1,706	[1,706]	–
Total	150,607	167,261	11,837	7,016	336,721	[1,706]	335,015
Segment income (loss)	15,717	(5,560)	591	525	11,274	52	11,326

Notes: 1. The amount of 52 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.