



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Japanese GAAP)

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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 2016 (April 1, 2016 to December 31, 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	%
9 mos. ended Dec. 31, 2016	534,419	(9.9)	26,997	(40.8)	33,281	(37.3)	20,331	(39.1)
9 mos. ended Dec. 31, 2015	593,239	15.5	45,602	(8.8)	53,113	(16.2)	33,370	(15.7)

Note: Comprehensive income: 37,039 million yen, 52.3% (as of December 31, 2016); 24,324 million yen, (70.2)% (as of December 31, 2015)

	Net income per share	Diluted net income per share
	yen	yen
9 mos. ended Dec. 31, 2016	117.86	–
9 mos. ended Dec. 31, 2015	193.03	–

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Dec. 31, 2016	762,337	458,069	55.4
March 31, 2016	696,989	433,404	56.7

Reference: Owner's equity: 422,056 million yen (as of December 31, 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: 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. 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

(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)	Dec. 31, 2016	173,138,537 shares	Mar. 31, 2016	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	Dec. 31, 2016	489,609 shares	Mar. 31, 2016	738,448 shares
iii) Average number of shares (year to date)	9 mos. ended Dec. 31, 2016	172,505,417 shares	9 mos. ended Dec. 31, 2015	172,879,844 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 (317,700 shares as of December 31, 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)” (461,276 shares for the nine months ended on December 31, 2016 and 87,123 shares for the nine months ended on December 31, 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 Nine Months Ended December 31, 2016

(1) Explanation of Operating Results

During the first nine 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. In the overseas market, the U.S. economy remained robust while the Chinese economy continued to slow.

In the automobile industry, domestic demand was observed to be on a recovery trend due to the launch of new models, despite 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, digital cameras, and tablet terminals decreased, whereas smartphones faced deceleration in growth despite increased demand.

In the office machine industry, demand for printers decreased and 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 a recovery in demand in Japan as well as an uptick in overseas demand, including in North America and China. Sales to manufacturers of general industrial machinery increased on the back of a recovery in demand from construction machinery manufacturers. As a result, net sales were 228,870 million yen (up 3.3% year on year). Operating income totaled 26,637 million yen (up 15.7% 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 278,074 million yen (down 18.4% year on year). The reduced sales, changes to our product lineup, and increased depreciation costs and unfavorable exchange rate movements led to the posting of an operating loss of 1,315 million yen (compared to an operating income of 20,689 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 17,310 million yen (down 19.5% year on year). Operating income declined to 741 million yen (down 36.4% year on year) due to lower sales.

In other businesses including specialty lubricants, net sales expanded to 10,163 million yen (up 9.4% year on year). Operating income also increased to 864 million yen (up 30.3% year on year).

In summary, the Group posted the following results for the first nine months of the current consolidated fiscal year: Net sales totaled 534,419 million yen (down 9.9% year on year); Operating income was 26,997 million yen (down 40.8% year on year); Ordinary income was 33,281 million yen (down 37.3% year on year) resulting in 20,331 million yen in profit attributable to owners of parent (down 39.1% year on year).

(2) Explanation of Financial Position

Total assets as of December 31, 2016, stood at 762,337 million yen, an increase of 65,347 million yen from March 31, 2016. This was mainly attributable to increases in notes and accounts receivable-trade as well as property, plant and equipment, and an increase in investment securities on the back of a rise in share price.

Total liabilities as of December 31, 2016, amounted to 304,268 million yen, an increase of 40,682 million yen from March 31, 2016, mostly reflecting increases in accounts payable-trade owing to an increase in notes and accounts payable-trade, and short-term loans payable.

Net assets totaled 458,069 million yen, an increase of 24,665 million yen from March 31, 2016, reflecting increases in retained earnings arising from net income, and valuation difference on available-for-sale securities. As a result, the ratio of shareholders' equity to total assets stood at 55.4%.

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

In view of uncertain conditions in the business environment and other circumstances surrounding the Company, no changes have been made to the financial projections that were announced on November 9, 2016.

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 third-quarter period, and multiplying income before income taxes for the current third-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)	3Q FY 2016 (as of December 31, 2016)
Assets		
Current assets		
Cash and deposits	95,881	84,103
Notes and accounts receivable-trade	132,012	176,315
Inventories	74,998	75,838
Other	20,436	17,538
Allowance for doubtful accounts	(261)	(358)
Total current assets	323,068	353,437
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	80,236	83,026
Machinery, equipment and vehicles, net	91,149	102,027
Other, net	51,046	55,939
Total property, plant and equipment	222,432	240,993
Intangible assets	2,895	3,449
Investments and other assets		
Investments securities	120,004	135,279
Other	28,802	29,393
Allowance for doubtful accounts	(213)	(215)
Total investments and other assets	148,593	164,456
Total noncurrent assets	373,921	408,900
Total assets	696,989	762,337

(million yen)

	FY 2015 (as of March 31, 2016)	3Q FY 2016 (as of December 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	46,958	68,779
Short-term loans payable	47,132	60,415
Income taxes payable	2,676	3,696
Provision for bonuses	8,963	5,364
Other	51,029	58,786
Total current liabilities	156,761	197,042
Noncurrent liabilities		
Long-term loans payable	21,307	20,130
Deferred tax liabilities	8,544	11,443
Provision for environmental measures	1,183	730
Net defined benefit liabilities	71,459	70,806
Other	4,328	4,115
Total noncurrent liabilities	106,823	107,226
Total liabilities	263,585	304,268
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,735	22,759
Retained earnings	322,251	334,146
Treasury stock	(2,119)	(1,282)
Total shareholders' equity	366,204	378,959
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,023	48,731
Foreign currency translation adjustment	11,724	11,750
Remeasurements of defined benefit plans	(19,507)	(17,384)
Total accumulated other comprehensive income	29,239	43,097
Non-controlling interests	37,959	36,012
Total net assets	433,404	458,069
Total liabilities and net assets	696,989	762,337

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
(Consolidated Quarterly Income Statement)
(Nine Months Ended December 31, 2016)

(million yen)

	9 months ended December 31, 2015	9 months ended December 31, 2016
Net sales	593,239	534,419
Cost of sales	486,270	447,737
Gross profit	106,969	86,681
Selling, general and administrative expenses	61,366	59,684
Operating income	45,602	26,997
Non-operating income		
Dividends income	1,839	1,874
Share of profit of entities accounted for using equity method	4,917	3,677
Foreign exchange gains	390	–
Other	2,696	2,927
Total non-operating income	9,843	8,479
Non-operating expenses		
Interest expenses	1,766	1,531
Foreign exchange losses	–	124
Other	566	538
Total non-operating expenses	2,332	2,195
Ordinary income	53,113	33,281
Extraordinary income		
Gain on sales of noncurrent assets	151	89
Gain on step acquisitions	150	–
Settlement received	149	–
Other	86	14
Total extraordinary income	537	103
Extraordinary loss		
Loss on retirement of noncurrent assets	570	2,426
Business structure improvement expenses	–	673
Loss on sale of investments in capital	824	–
Other	1,656	259
Total extraordinary loss	3,050	3,360
Income before income taxes	50,600	30,024
Income taxes	13,792	7,650
Net income	36,807	22,374
Profit attributable to non-controlling interests	3,436	2,043
Profit attributable to owners of parent	33,370	20,331

(Consolidated Quarterly Comprehensive Income Statement)
(Nine Months Ended December 31, 2016)

(million yen)

	9 months ended December 31, 2015	9 months ended December 31, 2016
Net income	36,807	22,374
Other comprehensive income		
Valuation difference on available-for-sale securities	(577)	11,697
Foreign currency translation adjustment	(12,299)	432
Remeasurements of defined benefit plans, net of tax	1,681	3,216
Share of other comprehensive income of entities accounted for using equity method	(1,287)	(681)
Total other comprehensive income	(12,483)	14,664
Comprehensive income	24,324	37,039
(Detail)		
Comprehensive income attributable to owners of parent	22,925	34,189
Comprehensive income attributable to non-controlling interests	1,398	2,850

- (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 Nine Months Ended December 31, 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	221,569	340,867	21,515	9,286	593,239	–	593,239
Inter-segment sales/transfers	2,325	38	–	216	2,579	[2,579]	–
Total	223,895	340,905	21,515	9,502	595,819	[2,579]	593,239
Segment income	23,015	20,689	1,164	663	45,533	69	45,602

Notes: 1. The amount of 69 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 Nine Months Ended December 31, 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	228,870	278,074	17,310	10,163	534,419	–	534,419
Inter-segment sales/transfers	2,218	12	0	200	2,432	[2,432]	–
Total	231,089	278,086	17,311	109,363	536,851	[2,432]	534,419
Segment income (loss)	26,637	(1,315)	741	864	26,928	69	26,997

Notes: 1. The amount of 69 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.