



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the First Quarter Ended June 30, 2017 (Japanese GAAP)

Date: August 1, 2017

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Quarterly securities report filing date (as planned): August 10, 2017

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 Three Months of Fiscal 2017 (April 1, 2017 to June 30, 2017)

(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	%
3 mos. ended June 30, 2017	164,907	12.1	6,037	–	9,869	–	4,910	–
3 mos. ended June 30, 2016	147,110	(16.5)	377	(96.8)	(1,479)	–	(1,627)	–

Note: Comprehensive income: 9,634 million yen, –% (as of June 30, 2017); (28,518) million yen, –% (as of June 30, 2016)

	Net income per share	Diluted net income per share
	yen	yen
3 mos. ended June 30, 2017	28.43	–
3 mos. ended June 30, 2016	(9.44)	–

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
June 30, 2017	764,687	460,289	55.4	2,450.76
March 31, 2017	751,797	455,111	55.7	2,424.43

Reference: Owner's equity: 423,400 million yen (as of June 30, 2017); 418,666 million yen (as of March 31, 2017)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2016	–	25.00	–	25.00	50.00
FY 2017	–				
FY 2017 (Forecast)		25.00	–	25.00	50.00

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

3. Consolidated Forecasts for Fiscal 2017 (April 1, 2017 to March 31, 2018)

(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
Half year	354,800	5.9	20,000	76.6	24,000	148.8	14,000	198.2	81.07
Full year	716,800	0.5	44,500	11.9	52,000	13.8	32,000	17.1	185.29

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 “(3) Notes Concerning 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: 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)	June 30, 2017	173,138,537 shares	Mar. 31, 2017	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	June 30, 2017	375,937 shares	Mar. 31, 2017	452,309 shares
iii) Average number of shares (year to date)	3 mos. ended June 30, 2017	172,698,563 shares	3 mos. ended June 30, 2016	172,417,724 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 (204,300 shares as of June 30, 2017 and 280,400 shares as of March 31, 2017). In addition, the Company’s stock owned by the ESOP Trust account is included in the number of treasury stock deducted from the calculation of “Average number of shares (year to date)” (265,829 shares for the three months ended on June 30, 2017 and 549,065 shares for the three months ended on June 30, 2016).

* This summary of quarterly financial results is not subject to quarterly review procedures.

* 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 First Quarter of FY 2017

(1) Explanation of Operating Results

During the first three months of the current consolidated fiscal year, the Japanese economy remained on a gradual recovery trend due to the effects of economic measures including public investments and the increasing trend of capital expenditures. Overseas, the U.S. economy remained robust while the Chinese economy saw a halt in its slowdown and a recovery trend due to the implementation of various economic measures.

In the automobile industry, domestic vehicle demand was strong due to the launch of new models. In the overseas market, new car sales slowed down as replacement demand ran its full course in the North American market. In China, Japanese companies remained robust despite weakness due to the reduction in tax breaks on light vehicles.

In the electronic equipment industry, demand for hard disc drives remained flat, while demand for high performance smartphones was robust, although demand for electronic equipment such as cameras declined.

In the office machine industry, demand remained flat as a result of a mature market.

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

Starting this first three-month period of the current consolidated fiscal year, the “electronic device product business” segment was renamed to the “electronic product business.” This represents a change in the name of the reportable segment only, and will not have any effect on segment information. The segment information for the first three months of the previous consolidated fiscal year is also stated under the new name.

In the seal business, sales to automobile applications grew due to robust demand in Japan as well as strong demand from Japanese car manufacturers in China. Sales to manufacturers of general industrial machinery increased on the back of a recovery in demand from construction machinery manufacturers mainly in China.

As a result, net sales increased to 80,464 million yen (up 8.6% year on year). Operating income totaled 9,145 million yen (up 12.0% year on year), helped by increased sales.

In the electronic product business, sales increased due to strong sales to automobile applications and increased orders placed for high performance smartphones.

As a result, net sales stood at 76,290 million yen (up 20.4% year on year). The increase in sales and improvement in our product lineup led to the posting of an operating loss of 3,488 million yen (compared to an operating loss of 8,368 million yen posted for the same quarter in the previous year).

In the roll business, sales declined due to inventory adjustment of high performance multifunction peripherals.

As a result, net sales ended at 5,321 million yen (down 12.6% year on year). Operating income was 6 million yen (down 97.9% year on year), reflecting the decline in sales.

In other businesses including specialty lubricants, net sales declined to 2,831 million yen (down 20.5% year on year). Operating income rose to 339 million yen (up 26.0% year on year) due to an improvement in our product lineup.

In summary, the Group posted the following results for the first three months of the current consolidated fiscal year: Net sales totaled 164,907 million yen (up 12.1% year on year). Operating income increased to 6,037 million yen (compared to an operating income of 377 million yen posted for the same quarter in the previous year). The Group posted an ordinary income of 9,869 million yen (compared to an ordinary loss of 1,479 million yen for the same quarter in the previous year) and 4,910 million yen in profit attributable to owners of parent (compared to 1,627 million yen in loss attributable to owners of parent posted for the same quarter in the previous year).

(2) Explanation of Financial Position

Total assets as of June 30, 2017 stood at 764,687 million yen, an increase of 12,889 million yen from March 31, 2017. This was mainly attributable to increases in cash and deposits, notes and accounts receivable-trade, and property, plant and equipment, as well as an increase in the fair value of investment securities following a rise in share prices.

Total liabilities as of June 30, 2017 amounted to 304,397 million yen, an increase of 7,711 million yen from March 31, 2017, mostly reflecting an increase in short-term loans payable, and decreases in income taxes payable and long-term loans payable.

Net assets totaled 460,289 million yen, an increase of 5,177 million yen from March 31, 2017, mainly reflecting an increase in retained earnings as a result of growth in profit attributable to owners of parent, a rise in foreign currency translation adjustment, and an increase in valuation difference on available-for-sale securities. Consequently, the ratio of shareholders' equity to total assets stood at 55.4%.

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

There have been no changes to the financial projections that were announced on July 14, 2017.

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

(million yen)

	FY 2016 (as of March 31, 2017)	1Q FY 2017 (as of June 30, 2017)
Assets		
Current assets		
Cash and deposits	91,726	95,694
Notes and accounts receivable-trade	153,667	156,236
Inventories	76,097	76,446
Other	18,418	18,857
Allowance for doubtful accounts	(253)	(255)
Total current assets	339,655	346,979
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	84,081	83,858
Machinery, equipment and vehicles, net	102,647	102,779
Other, net	57,214	59,442
Total property, plant and equipment	243,943	246,080
Intangible assets	4,337	4,284
Investments and other assets		
Investment securities	134,024	138,066
Other	30,053	29,419
Allowance for doubtful accounts	(215)	(143)
Total investments and other assets	163,861	167,342
Total noncurrent assets	412,142	417,707
Total assets	751,797	764,687

(million yen)

	FY 2016 (as of March 31, 2017)	1Q FY 2017 (as of June 30, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	60,169	58,747
Short-term loans payable	55,172	68,933
Income taxes payable	6,085	2,357
Provision for bonuses	9,280	6,562
Provision for environmental measures	500	500
Other	52,852	56,895
Total current liabilities	184,060	193,996
Noncurrent liabilities		
Long-term loans payable	17,790	15,468
Deferred tax liabilities	8,887	9,586
Provision for loss on guarantees	400	400
Net defined benefit liabilities	81,570	80,977
Other	3,978	3,967
Total noncurrent liabilities	112,626	110,400
Total liabilities	296,686	304,397
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,759	22,759
Retained earnings	341,188	341,775
Treasury stock	(1,157)	(901)
Total shareholders' equity	386,126	386,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,573	48,983
Foreign currency translation adjustment	9,961	11,468
Remeasurements of defined benefit plans	(24,995)	(24,021)
Total accumulated other comprehensive income	32,539	36,430
Non-controlling interests	36,445	36,889
Total net assets	455,111	460,289
Total liabilities and net assets	751,797	764,687

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
(Consolidated Quarterly Income Statement)
(Three Months Ended June 30, 2017)

(million yen)

	3 months ended June 30, 2016	3 months ended June 30, 2017
Net sales	147,110	164,907
Cost of sales	126,745	138,461
Gross profit	20,365	26,446
Selling, general and administrative expenses	19,987	20,409
Operating income	377	6,037
Non-operating income		
Dividend income	931	992
Share of profit of entities accounted for using equity method	1,283	1,934
Foreign exchange gains	–	853
Other	858	729
Total non-operating income	3,073	4,509
Non-operating expenses		
Interest expenses	528	586
Foreign exchange losses	4,313	–
Other	89	91
Total non-operating expenses	4,931	678
Ordinary income (loss)	(1,479)	9,869
Extraordinary income		
Gain on sales of noncurrent assets	32	150
Other	3	3
Total extraordinary income	36	154
Extraordinary loss		
Loss on retirement of noncurrent assets	131	1,026
Loss on valuation of investment securities	34	–
Other	4	133
Total extraordinary loss	170	1,160
Income (loss) before income taxes	(1,614)	8,862
Income taxes	(119)	3,330
Net income (loss)	(1,494)	5,532
Profit attributable to non-controlling interests	133	621
Profit (loss) attributable to owners of parent	(1,627)	4,910

(Consolidated Quarterly Comprehensive Income Statement)
(Three Months Ended June 30, 2017)

(million yen)

	3 months ended June 30, 2016	3 months ended June 30, 2017
Net income (loss)	(1,494)	5,532
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,422)	1,391
Foreign currency translation adjustment	(19,747)	1,313
Remeasurements of defined benefit plans, net of tax	1,096	938
Share of other comprehensive income of entities accounted for using equity method	(2,950)	458
Total other comprehensive income	(27,023)	4,102
Comprehensive income	(28,518)	9,634
(Detail)		
Comprehensive income attributable to owners of parent	(26,387)	8,802
Comprehensive income attributable to non-controlling interests	(2,130)	832

- (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.

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

(Segment Information)

[Segment Information]

I Three Months Ended June 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 product	Roll	Other			
Net sales							
Net sales to external customers	74,072	63,388	6,087	3,561	147,110	–	147,110
Inter-segment sales/transfers	848	6	–	71	926	[926]	–
Total	74,921	63,395	6,087	3,632	148,036	[926]	147,110
Segment income (loss)	8,163	(8,368)	293	269	358	19	377

Notes: 1. The amount of 19 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.

II Three Months Ended June 30, 2017

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	80,464	76,290	5,321	2,831	164,907	–	164,907
Inter-segment sales/transfers	638	4	2	95	740	[740]	–
Total	81,102	76,295	5,323	2,927	165,648	[740]	164,907
Segment income (loss)	9,145	(3,488)	6	339	6,003	34	6,037

Notes: 1. The amount of 34 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. Changes to reportable segments

(Change in segment name)

Starting this first three-month period of the current consolidated fiscal year, the “electronic device product business” segment was renamed to the “electronic product business.” This represents a change in the name of the reportable segment only, and will not have any effect on segment information. The segment information for the first three months of the previous consolidated fiscal year is also stated under the new name.