



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Six Months Ended September 30, 2017 (Japanese GAAP)

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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 2017 (April 1, 2017 to September 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	%
6 mos. ended Sep. 30, 2017	357,402	6.7	20,098	77.4	26,598	175.7	16,248	246.1
6 mos. ended Sep. 30, 2016	335,015	(12.7)	11,326	(61.4)	9,647	(71.9)	4,694	(80.1)

Note: Comprehensive income: 34,658 million yen, -% (as of September 30, 2017); (16,775) million yen, -% (as of September 30, 2016)

	Net income per share	Diluted net income per share
	yen	yen
6 mos. ended Sep. 30, 2017	94.06	-
6 mos. ended Sep. 30, 2016	27.22	-

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
Sep. 30, 2017	807,549	485,406	55.3	2,585.64
March 31, 2017	751,797	455,111	55.7	2,424.43

Reference: Owner's equity: 446,833 million yen (as of September 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	-	25.00	-	-	-
FY 2017 (Forecast)	-	-	-	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
Full year	730,400	2.4	47,000	18.2	57,000	24.7	35,000	28.1	202.61

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 “(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
 (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, 2017	173,138,537 shares	Mar. 31, 2017	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	Sep. 30, 2017	324,842 shares	Mar. 31, 2017	452,309 shares
iii) Average number of shares (year to date)	6 mos. ended Sep. 30, 2017	172,743,630 shares	6 mos. ended Sep. 30, 2016	172,470,640 shares

(Note) The “Number of treasury stock at the end of fiscal year” includes the Company’s stock owned by the Employee Stock Ownership Plan Trust (the “ESOP Trust”) account (153,100 shares as of September 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 the “Average number of shares (year to date)” (223,220 shares for the six months ended on September 30, 2017 and 496,113 shares for the six months ended on September 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 Six Months Ended September 30, 2017

(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 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 began to face uncertainties in its outlook, despite a halt in the slow-down of the economy.

In the automobile industry, domestic vehicle demand was strong due to the continued launch of new models and the recovery of demand for light vehicles. In the overseas market, passenger car sales slowed down as replacement demand ran its full course in the North American market. In China, Japanese companies remained robust mainly in SUVs, while Indonesian and Thai markets continued on a gradual recovery trend.

In the electronic equipment industry, demand for smartphones and hard disc drives was robust. Demand for electronic equipment such as cameras was robust, reversing the previous decline.

In the office machinery industry, production of copiers and multifunction peripherals declined slightly due to maturation of the office machine market.

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

Starting the 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 six 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 continued strength in demand from construction machinery manufacturers mainly in China.

As a result, net sales increased to 163,981 million yen (up 10.0% year on year). Operating income totaled 19,122 million yen (up 21.7% year on year), helped by increased sales.

In the electronic product business, sales to automobile applications increased due to the computerization of cars. In addition, sales increased owing to robust sales to hard disc drives and high performance smartphones, as well as to favorable exchange rates.

As a result, net sales stood at 177,579 million yen (up 6.2% year on year). Operating income amounted to 311 million yen (compared to an operating loss of 5,560 million yen posted for the same quarter in the previous year) due to an increase in sales.

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

As a result, net sales ended at 10,483 million yen (down 11.4% year on year). Operating loss was 8 million yen (compared to an operating income of 591 million yen posted for the same quarter in the previous year) due to a decline in sales.

In other businesses including specialty lubricants, net sales declined to 5,358 million yen (down 22.2% year on year). Operating income rose to 624 million yen (up 18.8% year on year) due to an improvement in the product lineup.

In summary, the Group posted the following results for the first six months of the current consolidated fiscal year: Net sales totaled 357,402 million yen (up 6.7% year on year). Operating income increased to 20,098 million yen (up 77.4% year on year). The Group posted an ordinary income of 26,598 million yen (up 175.7% year on year) and 16,248 million yen in profit attributable to owners of parent (up 246.1% year on year).

(2) Explanation of Financial Position

Total assets as of September 30, 2017 stood at 807,549 million yen, an increase of 55,751 million yen from March 31, 2017. This was mainly attributable to increases in notes and accounts receivable-trade, property, plant and equipment, and the fair value of investment securities following a rise in share prices.

Total liabilities as of September 30, 2017 amounted to 322,142 million yen, an increase of 25,456 million yen from March 31, 2017, mostly reflecting an increase in accounts payable-trade.

Net assets totaled 485,406 million yen, an increase of 30,295 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 due to the fluctuation of exchange rates, and an increase in valuation difference on available-for-sale securities. Consequently, the ratio of shareholders' equity to total assets stood at 55.3%.

(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, 2018, the Company has revised upward its previous projections for net sales, operating income, ordinary income and profit attributable to owners of parent as a result of re-examination.

2. Consolidated Quarterly Financial Statements and Principal Notes

(1) Consolidated Quarterly Balance Sheet

(million yen)

	FY 2016 (as of March 31, 2017)	2Q FY 2017 (as of September 30, 2017)
Assets		
Current assets		
Cash and deposits	91,726	89,804
Notes and accounts receivable-trade	153,667	172,560
Inventories	76,097	86,859
Other	18,418	21,470
Allowance for doubtful accounts	(253)	(260)
Total current assets	339,655	370,434
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	84,081	87,811
Machinery, equipment and vehicles, net	102,647	106,209
Other, net	57,214	60,813
Total property, plant and equipment	243,943	254,834
Intangible assets	4,337	4,300
Investments and other assets		
Investment securities	134,024	148,260
Other	30,053	29,890
Allowance for doubtful accounts	(215)	(170)
Total investments and other assets	163,861	177,980
Total noncurrent assets	412,142	437,114
Total assets	751,797	807,549

(million yen)

	FY 2016 (as of March 31, 2017)	2Q FY 2017 (as of September 30, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	60,169	75,665
Short-term loans payable	55,172	57,783
Income taxes payable	6,085	5,542
Provision for bonuses	9,280	11,615
Provision for environmental measures	500	500
Other	52,852	56,518
Total current liabilities	184,060	207,623
Noncurrent liabilities		
Long-term loans payable	17,790	16,708
Deferred tax liabilities	8,887	12,753
Provision for loss on guarantees	400	400
Net defined benefit liabilities	81,570	80,743
Other	3,978	3,912
Total noncurrent liabilities	112,626	114,518
Total liabilities	296,686	322,142
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,759	22,837
Retained earnings	341,188	353,113
Treasury stock	(1,157)	(729)
Total shareholders' equity	386,126	398,556
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,573	55,341
Foreign currency translation adjustment	9,961	15,982
Remeasurements of defined benefit plans	(24,995)	(23,046)
Total accumulated other comprehensive income	32,539	48,276
Non-controlling interests	36,445	38,572
Total net assets	455,111	485,406
Total liabilities and net assets	751,797	807,549

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
(Consolidated Quarterly Income Statement)
(Six Months Ended September 30, 2017)

(million yen)

	6 months ended September 30, 2016	6 months ended September 30, 2017
Net sales	335,015	357,402
Cost of sales	283,761	295,696
Gross profit	51,254	61,705
Selling, general and administrative expenses	39,927	41,607
Operating income	11,326	20,098
Non-operating income		
Dividend income	1,015	1,086
Share of profit of entities accounted for using equity method	2,272	3,004
Foreign exchange gains	–	2,272
Other	1,756	1,701
Total non-operating income	5,044	8,065
Non-operating expenses		
Interest expenses	1,053	1,212
Foreign exchange losses	5,353	–
Other	317	351
Total non-operating expenses	6,724	1,564
Ordinary income	9,647	26,598
Extraordinary income		
Gain on sales of noncurrent assets	61	191
Other	11	8
Total extraordinary income	72	200
Extraordinary loss		
Loss on retirement of noncurrent assets	411	1,559
Business structure improvement expenses	673	–
Other	48	351
Total extraordinary loss	1,133	1,910
Income before income taxes	8,587	24,888
Income taxes	3,245	6,896
Net income	5,341	17,991
Profit attributable to non-controlling interests	646	1,743
Profit attributable to owners of parent	4,694	16,248

(Consolidated Quarterly Comprehensive Income Statement)
(Six Months Ended September 30, 2017)

(million yen)

	6 months ended September 30, 2016	6 months ended September 30, 2017
Net income	5,341	17,991
Other comprehensive income		
Valuation difference on available-for-sale securities	400	7,741
Foreign currency translation adjustment	(21,618)	5,936
Remeasurements of defined benefit plans, net of tax	2,250	1,878
Share of other comprehensive income of entities accounted for using equity method	(3,148)	1,109
Total other comprehensive income	(22,116)	16,666
Comprehensive income	(16,775)	34,658
(Detail)		
Comprehensive income attributable to owners of parent	(15,352)	31,986
Comprehensive income attributable to non-controlling interests	(1,422)	2,672

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

(Segment Information)

[Segment Information]

I 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 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.

II Six Months Ended September 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	163,981	177,579	10,483	5,358	357,402	–	357,402
Inter-segment sales/transfers	1,236	8	3	206	1,454	[1,454]	–
Total	165,217	177,588	10,487	5,564	358,857	[1,454]	357,402
Segment income (loss)	19,122	311	(8)	624	20,049	48	20,098

Notes: 1. The amount of 48 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 the 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 six months of the previous consolidated fiscal year is also stated under the new name.