



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Japanese GAAP)

Date: February 1, 2018

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Quarterly securities report filing date (as planned): February 14, 2018
 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 2017 (April 1, 2017 to December 31, 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	%
9 mos. ended Dec. 31, 2017	559,340	4.7	37,074	37.3	47,960	44.1	29,957	47.3
9 mos. ended Dec. 31, 2016	534,419	(9.9)	26,997	(40.8)	33,281	(37.3)	20,331	(39.1)

Note: Comprehensive income: 63,507 million yen, 71.5% (as of December 31, 2017); 37,039 million yen, 52.3% (as of December 31, 2016)

	Net income per share	Diluted net income per share
	yen	yen
9 mos. ended Dec. 31, 2017	173.39	–
9 mos. ended Dec. 31, 2016	117.86	–

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Dec. 31, 2017	821,907	509,911	57.2
March 31, 2017	751,797	455,111	55.7

Reference: Owner's equity: 469,738 million yen (as of December 31, 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: 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)	Dec. 31, 2017	173,138,537 shares	Mar. 31, 2017	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	Dec. 31, 2017	236,525 shares	Mar. 31, 2017	452,309 shares
iii) Average number of shares (year to date)	9 mos. ended Dec. 31, 2017	172,770,348 shares	9 mos. ended Dec. 31, 2016	172,505,417 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 (69,900 shares as of December 31, 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)” (194,871 shares for the nine months ended on December 31, 2017 and 461,276 shares for the nine months ended on December 31, 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 Nine Months Ended December 31, 2017

(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 due to the effects of economic measures including public investments and the increasing trend of capital expenditures. Overseas, the U.S. economy remained robust and the Chinese economy was stable, although it is trending toward a slowdown.

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 continued to slow down in North America, while in China, Japanese companies remained robust as they significantly outperformed the market's growth. The Thai market continued on a gradual recovery trend due to a steady recovery in domestic demand.

In the electronic equipment industry, demand for hard disc drives and tablet PCs declined. Demand for smartphones increased, although growth is weakening.

In the office machinery industry, maturation of the office machine market caused flat demand for multifunction peripherals and a slight decline in demand for printers.

Under these circumstances, the operating results of the Group by business segment were as below.

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 nine 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 due to strong construction machinery markets, mainly in China, as well as robust machine tools and robot markets.

As a result, net sales increased to 251,688 million yen (up 10.0% year on year). Operating income totaled 30,750 million yen (up 15.4% year on year), helped by increased sales.

In the electronic product business, sales went up owing to an increase in sales to automobile applications due to the computerization of cars and robust sales for high performance smartphones, as well as an increase in the share of sales for hard disc drives.

As a result, net sales stood at 283,938 million yen (up 2.1% year on year). Operating income amounted to 5,352 million yen (compared to an operating loss of 1,315 million yen posted for the same period in the previous fiscal year) due to an increase in sales and a reduction in costs.

In the roll business, sales declined due to the inventory adjustment of high performance multifunction peripherals and a drop in fiber-related sales.

As a result, net sales totaled 15,728 million yen (down 9.1% year on year). Operating loss was 13 million yen (compared to an operating income of 741 million yen for the same period in the previous fiscal year) despite efforts to reduce personnel costs and expenses in response to a decline in sales.

In other businesses including specialty lubricants, net sales declined to 7,985 million yen (down 21.4% year on year). Operating income rose to 915 million yen (up 5.9% year on year) due to an improvement in the product lineup.

In summary, the Group posted the following results for the first nine months of the current consolidated fiscal year: Net sales totaled 559,340 million yen (up 4.7% year on year); operating income was 37,074 million yen (up 37.3% year on year); and ordinary income was 47,960 million yen (up 44.1% year on year), resulting in 29,957 million yen in profit attributable to owners of parent (up 47.3% year on year).

(2) Explanation of Financial Position

Total assets as of December 31, 2017, stood at 821,907 million yen, an increase of 70,109 million yen from March 31, 2017. This was mainly attributable to increases in notes and accounts receivable-trade, property, plant and equipment, and investment securities following a rise in share prices.

Total liabilities as of December 31, 2017, amounted to 311,995 million yen, an increase of 15,308 million yen from March 31, 2017, mostly reflecting an increase in accounts payable-trade following an increase in notes and accounts payable-trade, as well as a rise in deferred tax liabilities.

Net assets totaled 509,911 million yen, an increase of 54,800 million yen from March 31, 2017, mainly reflecting an increase in retained earnings as a result of growth in net income, a rise in foreign currency translation adjustments 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 57.2%.

(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, 2017.

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

(million yen)

	FY 2016 (as of March 31, 2017)	3Q FY 2017 (as of December 31, 2017)
Assets		
Current assets		
Cash and deposits	91,726	82,294
Notes and accounts receivable-trade	153,667	175,368
Inventories	76,097	87,760
Other	18,418	19,920
Allowance for doubtful accounts	(253)	(285)
Total current assets	339,655	365,057
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	84,081	88,183
Machinery, equipment and vehicles, net	102,647	110,280
Other, net	57,214	60,677
Total property, plant and equipment	243,943	259,141
Intangible assets	4,337	4,275
Investments and other assets		
Investment securities	134,024	163,582
Other	30,053	30,021
Allowance for doubtful accounts	(215)	(172)
Total investments and other assets	163,861	193,432
Total noncurrent assets	412,142	456,849
Total assets	751,797	821,907

(million yen)

	FY 2016 (as of March 31, 2017)	3Q FY 2017 (as of December 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	60,169	68,518
Short-term loans payable	55,172	55,756
Income taxes payable	6,085	4,033
Provision for bonuses	9,280	5,539
Provision for environmental measures	500	64
Other	52,852	61,109
Total current liabilities	184,060	195,021
Noncurrent liabilities		
Long-term loans payable	17,790	14,762
Deferred tax liabilities	8,887	16,940
Provision for loss on guarantees	400	400
Net defined benefit liabilities	81,570	81,003
Other	3,978	3,866
Total noncurrent liabilities	112,626	116,973
Total liabilities	296,686	311,995
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,759	22,837
Retained earnings	341,188	362,497
Treasury stock	(1,157)	(451)
Total shareholders' equity	386,126	408,220
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,573	64,125
Foreign currency translation adjustment	9,961	19,879
Remeasurements of defined benefit plans	(24,995)	(22,486)
Total accumulated other comprehensive income	32,539	61,518
Non-controlling interests	36,445	40,173
Total net assets	455,111	509,911
Total liabilities and net assets	751,797	821,907

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Nine Months Ended December 31, 2017)

(million yen)

	9 months ended December 31, 2016	9 months ended December 31, 2017
Net sales	534,419	559,340
Cost of sales	447,737	459,071
Gross profit	86,681	100,268
Selling, general and administrative expenses	59,684	63,194
Operating income	26,997	37,074
Non-operating income		
Dividend income	1,874	2,060
Share of profit of entities accounted for using equity method	3,677	5,246
Foreign exchange gains	–	3,072
Other	2,927	2,882
Total non-operating income	8,479	13,262
Non-operating expenses		
Interest expenses	1,531	1,776
Foreign exchange losses	124	–
Other	538	599
Total non-operating expenses	2,195	2,375
Ordinary income	33,281	47,960
Extraordinary income		
Gain on sales of noncurrent assets	89	304
Other	14	13
Total extraordinary income	103	317
Extraordinary loss		
Loss on retirement of noncurrent assets	2,426	2,212
Business structure improvement expenses	673	307
Other	259	440
Total extraordinary loss	3,360	2,961
Income before income taxes	30,024	45,317
Income taxes	7,650	12,185
Net income	22,374	33,131
Profit attributable to non-controlling interests	2,043	3,174
Profit attributable to owners of parent	20,331	29,957

(Consolidated Quarterly Comprehensive Income Statement)
(Nine Months Ended December 31, 2017)

(million yen)

	9 months ended December 31, 2016	9 months ended December 31, 2017
Net income	22,374	33,131
Other comprehensive income		
Valuation difference on available-for-sale securities	11,697	16,515
Foreign currency translation adjustment	432	9,124
Remeasurements of defined benefit plans, net of tax	3,216	2,322
Share of other comprehensive income of entities accounted for using equity method	(681)	2,412
Total other comprehensive income	14,664	30,375
Comprehensive income	37,039	63,507
(Detail)		
Comprehensive income attributable to owners of parent	34,189	58,936
Comprehensive income attributable to non-controlling interests	2,850	4,570

- (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 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, 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	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	10,363	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.

II Nine Months Ended December 31, 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	251,688	283,938	15,728	7,985	559,340	–	559,340
Inter-segment sales/transfers	1,867	12	4	327	2,212	[2,212]	–
Total	253,555	283,951	15,733	8,312	561,553	[2,212]	559,340
Segment income (loss)	30,750	5,352	(13)	915	37,005	68	37,074

Notes: 1. The amount of 68 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 nine months of the previous consolidated fiscal year is also stated under the new name.