



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Three Months Ended June 30, 2018 (Japanese GAAP)

Date: August 1, 2018

Company name: NOK Corporation
 Securities code: 7240
 Representative: Kiyoshi Doi
 President
 Inquiries: Kiyoshi Igarashi
 Department Manager
 Corporate Communication Department

Listed on the Tokyo Stock Exchange
 URL <http://www.nok.co.jp>
 Telephone: +81-3-6891-0191

Quarterly securities report filing date (as planned): August 10, 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 Three Months of Fiscal 2018 (April 1, 2018 to June 30, 2018)

(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, 2018	163,657	(0.8)	4,896	(18.9)	8,050	(18.4)	3,860	(21.4)
3 mos. ended June 30, 2017	164,907	12.1	6,037	–	9,869	–	4,910	–

Note: Comprehensive income: 2,173 million yen, (77.4)% (as of June 30, 2018); 9,634 million yen, –% (as of June 30, 2017)

	Net income per share	Diluted net income per share
	yen	yen
3 mos. ended June 30, 2018	22.32	–
3 mos. ended June 30, 2017	28.43	–

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
June 30, 2018	799,648	498,064	57.2	2,643.62
March 31, 2018	793,314	499,894	57.9	2,657.85

Reference: Owner's equity: 457,272 million yen (as of June 30, 2018); 459,655 million yen (as of March 31, 2018)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2017	–	25.00	–	25.00	50.00
FY 2018	–				
FY 2018 (Forecast)		25.00	–	25.00	50.00

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

3. Consolidated Forecasts for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(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	363,000	1.6	19,000	(5.5)	22,000	(17.3)	13,000	(20.0)	75.23
Full year	755,000	3.5	49,000	9.0	55,000	(2.3)	34,000	(3.6)	196.75

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): Yes

New: One company Company name: Mektec Manufacturing Corporation (Suzhou2)

Note: For details, please refer to “2. Consolidated Quarterly Financial Statements and Principal Notes (3) Notes

Concerning Consolidated Quarterly Financial Statements (Material Changes in Subsidiaries during This Period)” on page 7 of the attached document.

(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 each period (including treasury stock)	June 30, 2018	173,138,537 shares	Mar. 31, 2018	173,138,537 shares
ii) Number of treasury stock at the end of each period	June 30, 2018	166,712 shares	Mar. 31, 2018	195,825 shares
iii) Average number of shares (year to date)	3 mos. ended June 30, 2018	172,959,575 shares	3 mos. ended June 30, 2017	172,701,075 shares

(Note) The “Number of treasury stock at the end of each period” includes the Company’s stock owned by the Employee Stock Ownership Plan Trust (the “ESOP Trust”) account (0 shares as of June 30, 2018 and 29,200 shares as of March 31, 2018). 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)” (12,299 shares for the three months ended June 30, 2018 and 265,829 shares for the three months ended June 30, 2017).

* This summary of quarterly financial results is not subject to quarterly review procedures of a certified public accountant or audit firm.

* 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.

Table of Contents of Attached Document

1. Qualitative Information on the Consolidated Operating Results for the Three Months Ended June 30, 2018.....	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Projections and Other Prospects for the Future	2
2. Consolidated Quarterly Financial Statements and Principal Notes	3
(1) Consolidated Quarterly Balance Sheet	3
(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement.....	5
Consolidated Quarterly Income Statement	
Three Months Ended June 30, 2018	5
Consolidated Quarterly Comprehensive Income Statement	
Three Months Ended June 30, 2018	6
(3) Notes Concerning Consolidated Quarterly Financial Statements.....	7
(Notes Concerning the Going Concern Assumption)	7
(Notes on Significant Changes in the Amount of Shareholders' Equity).....	7
(Material Changes in Subsidiaries during This Period)	7
(Accounting Treatments Specific to the Preparation of Consolidated Quarterly Financial Statements)	7
(Segment Information)	8

1. Qualitative Information on the Consolidated Operating Results for the Three Months Ended June 30, 2018

(1) Explanation of Operating Results

During the first three months of the current consolidated fiscal year, the Japanese economy remained on a recovery track due to strong capital expenditures. Overseas, the U.S. and Chinese economies remained robust.

In the automobile industry, domestic demand for light vehicles remained on a recovery track while vehicle demand due to the launch of new models has run its full course. In overseas markets, demand in North America and China was robust. Demand in the Thai market continued to recover.

In the electronic equipment industry, the smartphone market was robust although growth slowed. Demand for HDD applications decreased slightly overall, as demand for PC applications declined while demand for server applications increased.

In the office machine industry, production volume remained flat year on year as a result of a mature market.

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

In the seal business, sales for automobile applications grew due to stable demand in China and Southeast Asia, although demand in Japan had run its full course. Sales to manufacturers of general industrial machinery increased on the back of robust demand from construction machinery manufacturers mainly in China. Sales for machine tool and robot applications also increased.

As a result, net sales increased to 86,464 million yen (up 7.5% year on year). Operating income totaled 9,225 million yen (up 0.9% year on year), helped by increased sales.

In the electronic product business, sales decreased due to a decline in orders placed for high performance smartphones, despite strong sales for automobile applications.

As a result, net sales stood at 69,250 million yen (down 9.2% year on year). Operating loss totaled 4,663 million yen (compared to an operating loss of 3,488 million yen in the same period of the previous fiscal year), due to the decrease in sales.

In the roll business, sales declined due to the effects of foreign exchange fluctuations, although demand for multifunction peripheral and printer applications remained flat and sales for financial and textile machinery applications increased.

As a result, net sales ended at 5,217 million yen (down 1.9% year on year). Operating income increased to 14 million yen (up 129.0% year on year) due in part to changes in the product mix and the reduction of expenses.

In other businesses including special lubricants, net sales declined to 2,724 million yen (down 3.8% year on year). Operating income ended at 317 million yen (down 6.5% year on year).

In summary, the Group posted the following results for the first three months of the current consolidated fiscal year: Net sales totaled 163,657 million yen (down 0.8% year on year); operating income was 4,896 million yen (down 18.9% year on year); and ordinary income amounted to 8,050 million yen (down 18.4% year on year), resulting in 3,860 million yen in profit attributable to owners of parent (down 21.4% year on year).

(2) Explanation of Financial Position

Total assets as of June 30, 2018 stood at 799,648 million yen, an increase of 6,334 million yen from March 31, 2018. This was mainly attributable to an increase in notes and accounts receivable-trade.

Total liabilities as of June 30, 2018 amounted to 301,583 million yen, an increase of 8,163 million yen from March 31, 2018, mostly reflecting an increase in short-term loans payable.

Net assets totaled 498,064 million yen, a decrease of 1,829 million yen from March 31, 2018, mainly reflecting a decrease in foreign currency translation adjustment. 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

There have been no changes to the financial projections that were announced on May 10, 2018.

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

(million yen)

	FY 2017 (as of March 31, 2018)	1Q FY 2018 (as of June 30, 2018)
Assets		
Current assets		
Cash and deposits	89,457	84,668
Notes and accounts receivable-trade	149,422	156,471
Inventories	88,770	91,884
Other	14,968	15,081
Allowance for doubtful accounts	(236)	(177)
Total current assets	342,382	347,928
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	86,318	88,093
Machinery, equipment and vehicles, net	109,905	109,727
Other, net	61,124	63,455
Total property, plant and equipment	257,348	261,277
Intangible assets	4,061	4,147
Investments and other assets		
Investment securities	154,774	152,605
Other	34,917	33,860
Allowance for doubtful accounts	(169)	(169)
Total investments and other assets	189,522	186,296
Total noncurrent assets	450,931	451,720
Total assets	793,314	799,648

(million yen)

	FY 2017 (as of March 31, 2018)	1Q FY 2018 (as of June 30, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	57,571	58,791
Short-term loans payable	58,398	69,251
Income taxes payable	5,084	2,459
Provision for bonuses	9,712	7,188
Provision for loss on guarantees	668	-
Other	54,201	57,315
Total current liabilities	185,636	195,005
Noncurrent liabilities		
Long-term loans payable	9,931	9,083
Deferred tax liabilities	11,707	12,358
Net defined benefit liabilities	82,302	81,289
Other	3,841	3,845
Total noncurrent liabilities	107,783	106,577
Total liabilities	293,419	301,583
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,837	22,837
Retained earnings	367,822	367,358
Treasury stock	(323)	(225)
Total shareholders' equity	413,672	413,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57,490	56,610
Foreign currency translation adjustment	11,909	9,857
Remeasurements of defined benefit plans	(23,416)	(22,501)
Total accumulated other comprehensive income	45,983	43,965
Non-controlling interests	40,238	40,792
Total net assets	499,894	498,064
Total liabilities and net assets	793,314	799,648

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
(Consolidated Quarterly Income Statement)
(Three Months Ended June 30, 2018)

(million yen)

	3 months ended June 30, 2017	3 months ended June 30, 2018
Net sales	164,907	163,657
Cost of sales	138,461	137,231
Gross profit	26,446	26,425
Selling, general and administrative expenses	20,409	21,528
Operating income	6,037	4,896
Non-operating income		
Dividend income	992	1,164
Share of profit of entities accounted for using equity method	1,934	1,243
Foreign exchange gains	853	667
Other	729	855
Total non-operating income	4,509	3,930
Non-operating expenses		
Interest expenses	586	683
Other	91	93
Total non-operating expenses	678	777
Ordinary income (loss)	9,869	8,050
Extraordinary income		
Gain on sales of noncurrent assets	150	17
Gain on sales of investment securities	–	23
Other	3	11
Total extraordinary income	154	52
Extraordinary loss		
Loss on retirement of noncurrent assets	1,026	1,309
Other	133	26
Total extraordinary loss	1,160	1,335
Income (loss) before income taxes	8,862	6,766
Income taxes	3,330	2,118
Net income (loss)	5,532	4,648
Profit attributable to non-controlling interests	621	787
Profit (loss) attributable to owners of parent	4,910	3,860

(Consolidated Quarterly Comprehensive Income Statement)
(Three Months Ended June 30, 2018)

(million yen)

	3 months ended June 30, 2017	3 months ended June 30, 2018
Net income (loss)	5,532	4,648
Other comprehensive income		
Valuation difference on available-for-sale securities	1,391	(854)
Foreign currency translation adjustment	1,313	(1,984)
Remeasurements of defined benefit plans, net of tax	938	871
Share of other comprehensive income of entities accounted for using equity method	458	(507)
Total other comprehensive income	4,102	(2,475)
Comprehensive income	9,634	2,173
(Detail)		
Comprehensive income attributable to owners of parent	8,802	1,842
Comprehensive income attributable to non-controlling interests	832	330

(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.

(Material Changes in Subsidiaries during This Period)

Mektec Manufacturing Corporation (Suzhou2) has been included in the scope of consolidation due to the acquisition of its equity interest during the first-quarter period under review. Mektec Manufacturing Corporation (Suzhou2) falls under specified subsidiary.

At the Board Meeting held on July 12, 2018, it was decided that Mektec Manufacturing Corp. (Suzhou), Ltd., a specified subsidiary of the Company, merge with Mektec Manufacturing Corporation (Suzhou2) by way of an absorption-type merger.

(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, 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.

II Three Months Ended June 30, 2018

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	86,464	69,250	5,217	2,724	163,657	–	163,657
Inter-segment sales/transfers	485	4	–	107	598	[598]	–
Total	86,949	69,255	5,218	2,832	164,256	[598]	163,657
Segment income (loss)	9,225	(4,663)	14	317	4,893	3	4,896

Notes: 1. The amount of 3 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.