



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Six Months Ended September 30, 2018 (Japanese GAAP)

Date: November 9, 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): November 14, 2018

Dividend payable date (as planned): December 4, 2018

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 2018 (April 1, 2018 to September 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	%
6 mos. ended Sep. 30, 2018	342,029	(4.3)	14,040	(30.1)	18,036	(32.2)	9,650	(40.6)
6 mos. ended Sep. 30, 2017	357,402	6.7	20,098	77.4	26,598	175.7	16,248	246.1

Note: Comprehensive income: 18,023 million yen, (48.0)% (as of September 30, 2018); 34,658 million yen, -% (as of September 30, 2017)

	Net income per share	Diluted net income per share
	yen	yen
6 mos. ended Sep. 30, 2018	55.79	-
6 mos. ended Sep. 30, 2017	94.06	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
Sep. 30, 2018	831,028	513,385	56.8	2,728.02
March 31, 2018	793,314	499,894	57.9	2,657.85

Reference: Owner's equity: 471,871 million yen (as of September 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	-	25.00	-	25.00	50.00
FY 2018 (Forecast)	-	-	-	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
Full year	699,000	(4.2)	34,500	(23.2)	41,000	(27.2)	23,700	(32.8)	137.02

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): 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 “2. Consolidated Quarterly Financial Statements and Principal Notes (3) Notes Concerning Consolidated Quarterly Financial Statements (Accounting Treatments Specific to the Preparation of 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)	Sep. 30, 2018	173,138,537 shares	Mar. 31, 2018	173,138,537 shares
ii) Number of treasury stock at the end of each period	Sep. 30, 2018	166,750 shares	Mar. 31, 2018	195,825 shares
iii) Average number of shares (year to date)	6 mos. ended Sep. 30, 2018	172,965,722 shares	6 mos. ended Sep. 30, 2017	172,743,630 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 September 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)” (6,116 shares for the six months ended on September 30, 2018 and 223,220 shares for the six months ended on September 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 Six Months Ended September 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	5
Six Months Ended September 30, 2018	5
Consolidated Quarterly Comprehensive Income Statement	6
Six Months Ended September 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 Six Months Ended September 30, 2018

(1) Explanation of Operating Results

During the first six months of the current consolidated fiscal year, the Japanese economy remained on a moderate recovery track due to an increase in capital expenditures, despite the effects of natural disasters such as the floods in West Japan. Looking overseas, the U.S. economy remained robust. In China, signs of a slowdown started to be seen as a result of the effects of the trade dispute with the U.S.

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, while demand in North America was robust, demand in China started to decelerate. Meanwhile, demand remained brisk in Thailand reflecting the rebound of the economy.

In the electronic equipment industry, overall production of HDDs declined due to a decrease in production for PC applications despite an increased production for server applications. The smartphone market remained robust.

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 as demand for light vehicles recovered in Japan and demand remained resilient in Southeast Asia. Sales to manufacturers of general industrial machinery increased on the back of robust demand from manufacturers of construction machinery, machine tools and robots.

As a result, net sales increased to 171,873 million yen (up 4.8% year on year). Operating income totaled 18,363 million yen (down 4.0% year on year) due partially to increases in personnel and other costs as well as a rise in raw materials costs.

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 154,283 million yen (down 13.1% year on year). Operating loss totaled 5,088 million yen (compared to an operating income of 311 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 office machinery remained flat. Meanwhile, although sales for financial and textile machinery applications increased, overall sales diminished.

As a result, net sales ended at 10,398 million yen (down 0.8% year on year). Operating income came to 52 million yen (compared to an operating loss of 8 million yen in the same period of the previous fiscal year), due in part to the reduction of expenses.

In other businesses including special lubricants, net sales increased to 5,474 million yen (up 2.2% year on year). Operating income ended at 708 million yen (up 13.5% year on year).

In summary, the Group posted the following results for the first six months of the current consolidated fiscal year: Net sales totaled 342,029 million yen (down 4.3% year on year); operating income was 14,040 million yen (down 30.1% year on year); and ordinary income amounted to 18,036 million yen (down 32.2% year on year), resulting in 9,650 million yen in profit attributable to owners of parent (down 40.6% year on year).

(2) Explanation of Financial Position

Total assets as of September 30, 2018 stood at 831,028 million yen, an increase of 37,714 million yen from March 31, 2018. This was mainly attributable to increases in notes and accounts receivable-trade and property, plant and equipment despite a decrease in cash and deposits.

Total liabilities as of September 30, 2018 amounted to 317,642 million yen, an increase of 24,222 million yen from March 31, 2018, mostly reflecting increases in short-term loans payable and accounts payable-trade.

Net assets totaled 513,385 million yen, an increase of 13,491 million yen from March 31, 2018, mainly reflecting increases in retained earnings due to the posting of profit attributable to owners of parent and foreign currency translation adjustment in line with foreign exchange rate fluctuations. Consequently, the ratio of shareholders' equity to total assets stood at 56.8%.

(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, 2019, the Company has revised downward its 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 2017 (as of March 31, 2018)	2Q FY 2018 (as of September 30, 2018)
Assets		
Current assets		
Cash and deposits	89,457	81,401
Notes and accounts receivable-trade	149,422	168,361
Inventories	88,770	94,689
Other	14,968	18,719
Allowance for doubtful accounts	(236)	(175)
Total current assets	342,382	362,996
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	86,318	90,230
Machinery, equipment and vehicles, net	109,905	117,396
Other, net	61,124	62,826
Total property, plant and equipment	257,348	270,453
Intangible assets	4,061	5,341
Investments and other assets		
Investment securities	154,774	157,842
Other	34,917	34,566
Allowance for doubtful accounts	(169)	(172)
Total investments and other assets	189,522	192,236
Total noncurrent assets	450,931	468,031
Total assets	793,314	831,028

(million yen)

	FY 2017 (as of March 31, 2018)	2Q FY 2018 (as of September 30, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	57,571	61,838
Short-term loans payable	58,398	76,454
Income taxes payable	5,084	4,792
Provision for bonuses	9,712	11,970
Provision for loss on guarantees	668	—
Other	54,201	57,465
Total current liabilities	185,636	212,522
Noncurrent liabilities		
Long-term loans payable	9,931	7,073
Deferred tax liabilities	11,707	12,784
Net defined benefit liabilities	82,302	81,438
Other	3,841	3,823
Total noncurrent liabilities	107,783	105,119
Total liabilities	293,419	317,642
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,837	22,842
Retained earnings	367,822	373,160
Treasury stock	(323)	(225)
Total shareholders' equity	413,672	419,112
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57,490	59,089
Foreign currency translation adjustment	11,909	15,258
Remeasurements of defined benefit plans	(23,416)	(21,589)
Total accumulated other comprehensive income	45,983	52,758
Non-controlling interests	40,238	41,514
Total net assets	499,894	513,385
Total liabilities and net assets	793,314	831,028

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Six Months Ended September 30, 2018)

(million yen)

	6 months ended September 30, 2017	6 months ended September 30, 2018
Net sales	357,402	342,029
Cost of sales	295,696	284,656
Gross profit	61,705	57,373
Selling, general and administrative expenses	41,607	43,332
Operating income	20,098	14,040
Non-operating income		
Dividend income	1,086	1,272
Share of profit of entities accounted for using equity method	3,004	2,320
Foreign exchange gains	2,272	222
Other	1,701	1,758
Total non-operating income	8,065	5,573
Non-operating expenses		
Interest expenses	1,212	1,380
Other	351	197
Total non-operating expenses	1,564	1,577
Ordinary income	26,598	18,036
Extraordinary income		
Gain on sales of noncurrent assets	191	115
Other	8	47
Total extraordinary income	200	162
Extraordinary loss		
Loss on retirement of noncurrent assets	1,559	1,943
Other	351	66
Total extraordinary loss	1,910	2,009
Income before income taxes	24,888	16,189
Income taxes	6,896	4,879
Net income	17,991	11,309
Profit attributable to non-controlling interests	1,743	1,659
Profit attributable to owners of parent	16,248	9,650

(Consolidated Quarterly Comprehensive Income Statement)
(Six Months Ended September 30, 2018)

(million yen)

	6 months ended September 30, 2017	6 months ended September 30, 2018
Net income	17,991	11,309
Other comprehensive income		
Valuation difference on available-for-sale securities	7,741	1,629
Foreign currency translation adjustment	5,936	3,054
Remeasurements of defined benefit plans, net of tax	1,878	1,747
Share of other comprehensive income of entities accounted for using equity method	1,109	282
Total other comprehensive income	16,666	6,713
Comprehensive income	34,658	18,023
(Detail)		
Comprehensive income attributable to owners of parent	31,986	16,425
Comprehensive income attributable to non-controlling interests	2,672	1,598

- (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)

Nitto Denko (Suzhou) Co., Ltd. was included in the scope of consolidation due to the acquisition of its equity interest during the first-quarter period under review. Nitto Denko (Suzhou) Co., Ltd. was renamed Mektec Manufacturing Corporation (Suzhou2) as a result of the acquisition. Mektec Manufacturing Corporation (Suzhou2) fell under specified subsidiary.

At the Board of Directors 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. The two companies merged as of October 1, 2018.

(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, 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.

II Six Months Ended September 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	171,873	154,283	10,398	5,474	342,029	–	342,029
Inter-segment sales/transfers	989	24	0	219	1,234	[1,234]	–
Total	172,863	154,307	10,398	5,694	343,263	[1,234]	342,029
Segment income (loss)	18,363	(5,088)	52	708	14,036	4	14,040

Notes: 1. The amount of 4 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. Information regarding impairment losses of noncurrent assets or goodwill, etc. by reportable segment
(Significant changes in the amount of goodwill)

While the Company had adopted a provisional accounting treatment for the business combination with Nitto Denko (Suzhou) Co., Ltd. on May 9, 2018 during the first-quarter period under review, the accounting treatment was finalized during the second-quarter period under review. As a result, the amount of goodwill increased by 1,338 million yen in the electronic product business segment.