

Consolidated Financial Results

For the Second Quarter of the Fiscal Year Ending March 31, 2017 (Japanese GAAP)



November 9, 2016
Tokyo Stock Exchanges in Japan

Company name : NHK SPRING CO., LTD.
 Code number : 5991
 URL : http://www.nhkspg.co.jp/
 Representative : Kazumi Tamamura, President & Chief Executive Officer, Representative Member of the Board
 Contact person : Zen-ichi Nojima, Director, General Affairs Dept, Corporate Planning & Control Division
 TEL +81-45-786-7511

Filing date of quarterly securities report : November 10, 2016
 Payment date of cash dividends : December 5, 2016
 Supplemental materials prepared for financial results : Yes
 Earnings announcement for financial results : Yes(Intended for securities analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated Results for the Second Quarter of Fiscal Year 2017 (April 1, 2016 through September 30, 2016)

(1) Consolidated Financial Results (Percentage indicates change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2017 2nd quarter	299,643	(3.7)	16,766	7.9	14,071	(17.6)	10,218	(9.7)
FY2016 2nd quarter	311,123	8.8	15,541	19.4	17,078	9.9	11,309	6.8

Note: Comprehensive income : FY2017 2nd quarter 98 million yen ((98.7) %) FY2016 2nd quarter 7,641 million yen ((40.1) %)

	Net income per share, Basic		Net income per share, Diluted	
	Yen	Yen	Yen	Yen
FY2017 2nd quarter	42.07		41.29	
FY2016 2nd quarter	46.56		45.70	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of yen	Millions of yen	%
FY2017 2nd quarter	494,864	266,912	51.6
FY2016	509,810	269,837	50.5

Reference: Shareholders' equity (Net assets excluding non-controlling interests)
 : FY2017 2nd quarter 255,240 million yen FY2016 257,243 million yen

2. Dividends

	Cash dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2016	—	11.00	—	11.00	22.00
FY2017	—	11.00	—	—	—
FY2017(Forecast)	—	—	—	11.00	22.00

Note: Revisions to the forecast of dividends since the latest announcement: No

3. Forecast of Consolidated Results for Fiscal Year 2017 (April 1, 2016 through March 31, 2017)

(Percentage indicates change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share, basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	621,000	(3.0)	33,000	(5.8)	34,000	(5.8)	22,000	1.9	90.58

Note: Revisions to the forecast of consolidated results since the latest announcement: No

4. Others

- (1) Changes of significant subsidiaries in the second quarter of fiscal year 2017 : No
(Transfer of subsidiaries resulting in changes in the scope of consolidation)
- (2) Application of specific accounting for preparing the quarterly consolidated financial statements : No
- (3) Changes in accounting policies, procedures and methods of presentation for preparing the consolidated financial statements
- [1] Changes due to revisions of accounting standards : Yes
 - [2] Changes due to other reasons : No
 - [3] Changes of estimation due to accounting issues : No
 - [4] Restatements : No

(4) Number of outstanding shares (Common Stock)

[1] Number of outstanding shares	As of September 30, 2016	244,066,144 shares	As of March 31, 2016	244,066,144 shares
[2] Number of treasury stock	As of September 30, 2016	1,175,301 shares	As of March 31, 2016	1,174,884 shares
[3] Average number of shares	2nd quarter of FY2017	242,891,057 shares	2nd quarter of FY2016	242,892,666 shares

* The status of the implementation of the second quarterly review

This second quarterly review is completed on the basis of the Financial Instruments and Exchange Act on the date for the release of this quarterly report.

In addition, this quarterly report is exempt from quarterly review procedure upon of the Financial Instruments and Exchange Act.

* Explanation about appropriate use of the financial results forecasts, and other noteworthy matters

Statements related to the future, including the forecast of financial results, were based on the information available as of the date when this document was released. Therefore, actual results may differ considerably due to various factors that might occur in the future.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	FY2016 (As of 31 March, 2016)	FY2017 (As of 30 September, 2016)
Assets		
Current assets		
Cash and deposits	72,553	72,932
Notes and accounts receivable - trade	133,422	124,741
Merchandise and finished goods	16,787	15,229
Work in process	7,554	8,620
Raw materials and supplies	14,336	13,077
Partly-finished goods	4,608	4,462
Deferred tax assets	5,135	5,029
Other	22,570	20,415
Allowance for doubtful accounts	(133)	(193)
Total current assets	276,834	264,313
Non-current assets		
Property, plant and equipment		
Buildings and structures	134,343	132,068
Accumulated depreciation	(86,222)	(85,820)
Buildings and structures, net	48,121	46,248
Machinery, equipment and vehicles	223,282	217,166
Accumulated depreciation	(177,281)	(172,872)
Machinery, equipment and vehicles, net	46,000	44,294
Land	31,483	30,769
Leased assets	1,212	1,151
Accumulated depreciation	(718)	(618)
Leased assets, net	494	533
Construction in progress	12,026	9,275
Other	62,578	62,392
Accumulated depreciation	(55,068)	(54,889)
Other, net	7,510	7,503
Total property, plant and equipment	145,636	138,624
Intangible assets	4,307	3,594
Investments and other assets		
Investment securities	61,031	63,786
Long-term loans receivable	8,830	8,722
Deferred tax assets	5,438	3,926
Net defined benefit asset	—	2,391
Other	8,472	10,267
Allowance for doubtful accounts	(740)	(761)
Total investments and other assets	83,032	88,331
Total non-current assets	232,976	230,550
Total assets	509,810	494,864

(Unit: Millions of yen)

	FY2016 (As of 31 March, 2016)	FY2017 (As of 30 September, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	81,660	69,732
Electronically recorded obligations - operating	29,561	35,444
Short-term loans payable	9,145	12,551
Income taxes payable	3,310	2,827
Deferred tax liabilities	576	580
Provision for directors' bonuses	267	152
Notes payable - facilities	2,320	2,604
Other	47,563	40,765
Total current liabilities	174,407	164,657
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	11,268	10,112
Long-term loans payable	16,917	19,768
Lease obligations	481	483
Deferred tax liabilities	7,968	8,967
Net defined benefit liability	24,216	15,339
Provision for directors' retirement benefits	571	524
Provision for officers' retirement benefits	644	704
Other	3,498	7,394
Total non-current liabilities	65,565	63,293
Total liabilities	239,972	227,951
Net assets		
Shareholders' equity		
Capital stock	17,009	17,009
Capital surplus	19,404	19,579
Retained earnings	196,477	204,024
Treasury stock	(801)	(801)
Total shareholders' equity	232,090	239,811
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,513	24,511
Foreign currency translation adjustment	9,442	(4,570)
Remeasurements of defined benefit plans	(5,803)	(4,510)
Total accumulated other comprehensive income	25,152	15,429
Non-controlling interests	12,594	11,671
Total net assets	269,837	266,912
Total liabilities and net assets	509,810	494,864

(2) Quarterly Consolidated Statements of (Comprehensive) Income
(Quarterly Consolidated Statements of Income)
(Six Months Ended September 30, 2016)

(Unit: Millions of yen)

	FY2016 (6 months ended September 30, 2015)	FY2017 (6 months ended September 30, 2016)
Net sales	311,123	299,643
Cost of sales	273,887	261,165
Gross profit	37,236	38,477
Selling, general and administrative expenses	21,694	21,711
Operating income	15,541	16,766
Non-operating income		
Interest income	579	496
Dividend income	607	599
Other	1,325	862
Total non-operating income	2,512	1,958
Non-operating expenses		
Interest expenses	154	77
Foreign exchange losses	260	3,970
Other	561	604
Total non-operating expenses	975	4,653
Ordinary income	17,078	14,071
Extraordinary income		
Gain on revision of retirement benefit plan	—	1,064
Total extraordinary income	—	1,064
Extraordinary losses		
Loss on sales of non-current assets	68	—
Loss on valuation of investment securities	—	359
Total extraordinary losses	68	359
Profit before income taxes	17,009	14,776
income taxes	4,972	3,837
Profit	12,037	10,938
Profit attributable to non-controlling interests	728	720
Profit attributable to owners of parent	11,309	10,218

(Quarterly Consolidated Statements of Comprehensive Income)
(Six Months Ended September 30, 2016)

(Unit: Millions of yen)

	FY2016 (6 months ended September 30, 2015)	FY2017 (6 months ended September 30, 2016)
Profit	12,037	10,938
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,552)	2,993
Foreign currency translation adjustment	(491)	(14,613)
Remeasurements of defined benefit plans, net of tax	(806)	1,314
Share of other comprehensive income of entities accounted for using equity method	(545)	(533)
Total other comprehensive income	(4,396)	(10,839)
Comprehensive income	7,641	98
Comprehensive income attributable to:		
Owners of parent	6,971	495
Non-controlling interests	669	(396)

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2016 (6 months ended September 30, 2015)	FY2017 (6 months ended September 30, 2016)
Cash flows from operating activities		
Profit before income taxes	17,009	14,776
Depreciation	11,298	11,686
Increase (decrease) in net defined benefit liability	12	—
Increase or decrease in net defined benefit asset and liability	—	(535)
Interest and dividend income	(1,186)	(1,096)
Interest expenses	154	77
Foreign exchange losses (gains)	(193)	992
Share of (profit) loss of entities accounted for using equity method	46	(71)
Loss (gain) on sales and retirement of property, plant and equipment	139	42
Loss (gain) on valuation of investment securities	—	359
Decrease (increase) in notes and accounts receivable - trade	4,883	3,438
Decrease (increase) in inventories	(1,537)	(51)
Increase (decrease) in notes and accounts payable - trade	(7,328)	(2,212)
Other, net	978	170
Subtotal	24,276	27,576
Interest and dividend income received	1,539	1,593
Interest expenses paid	(137)	(99)
Income taxes paid	(6,397)	(3,913)
Net cash provided by (used in) operating activities	19,281	25,156
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,584)	(12,321)
Proceeds from sales of property, plant and equipment	96	296
Purchase of intangible assets	(189)	(122)
Purchase of investment securities	(1,701)	(2,471)
Payments of loans receivable	(4,289)	(2,359)
Collection of loans receivable	1,433	2,996
Other, net	412	78
Net cash provided by (used in) investing activities	(16,820)	(13,902)

Cash flows from financing activities		
Proceeds from short-term loans payable	510	117
Repayments of short-term loans payable	(657)	(408)
Proceeds from long-term loans payable	9,200	11,600
Repayments of long-term loans payable	(3,757)	(4,867)
Proceeds from issuance of commercial papers	14,000	27,000
Redemption of commercial papers	(12,000)	(25,000)
Redemption of bonds	—	(10,000)
Purchase of treasury stock	(1)	(0)
Proceeds from sales of treasury stock	0	—
Repayments of lease obligations	(197)	(158)
Cash dividends paid	(2,428)	(2,671)
Dividends paid to non-controlling interests	(178)	(327)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,284)	(8)
Net cash provided by (used in) financing activities	3,205	(4,725)
Effect of exchange rate change on cash and cash equivalents	(1,399)	(6,121)
Net increase (decrease) in cash and cash equivalents	4,267	407
Cash and cash equivalents at beginning of period	83,439	72,238
Cash and cash equivalents at end of period	87,706	72,645