

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
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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 |