

Consolidated Financial Results

For the Second Quarter of the Fiscal Year Ending March 31, 2018 (Japanese GAAP)



November 8, 2017
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 9, 2017
 Payment date of cash dividends : December 5, 2017
 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 2018 (April 1, 2017 through September 30, 2017)

(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	%
FY2018 2nd quarter	317,827	6.1	16,651	(0.7)	18,706	32.9	12,698	24.3
FY2017 2nd quarter	299,643	(3.7)	16,766	7.9	14,071	(17.6)	10,218	(9.7)

Note: Comprehensive income : FY2018 2nd quarter 14,069 million yen (- %) FY2017 2nd quarter 98 million yen ((98.7) %)

	Net income per share, Basic	Net income per share, Diluted
	Yen	Yen
FY2018 2nd quarter	53.56	52.54
FY2017 2nd quarter	42.07	41.29

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of yen	Millions of yen	%
FY2018 2nd quarter	554,900	301,479	51.9
FY2017	541,741	292,777	51.6

Reference: Shareholders' equity (Net assets excluding non-controlling interests)
 : FY2018 2nd quarter 287,791 million yen FY2017 279,699 million yen

2. Dividends

	Cash dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2017	—	11.00	—	12.00	23.00
FY2018	—	11.00	—	12.00	23.00
FY2018(Forecast)	—	—	—	12.00	23.00

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

3. Forecast of Consolidated Results for Fiscal Year 2018 (April 1, 2017 through March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit 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	658,000	5.0	37,000	(8.9)	39,000	(6.3)	26,000	3.6	109.66

Note: Revisions to the forecast of consolidated results since the latest announcement: Yes

4. Others

- (1) Changes of significant subsidiaries in the second quarter of fiscal year 2018 : Yes
(Transfer of subsidiaries resulting in changes in the scope of consolidation)
Newly consolidated companies: NHK SPRING MEXICO, S.A.DE C.V.
Excluded companies: None
- (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 : No
 - [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, 2017	244,066,144 shares	As of March 31, 2017	244,066,144 shares
[2] Number of treasury stock	As of September 30, 2017	6,973,741 shares	As of March 31, 2017	6,973,371 shares
[3] Average number of shares	2nd quarter of FY2018	237,092,640 shares	2nd quarter of FY2017	242,891,057 shares

* This quarterly report is out of the scope of the quarterly review.

* 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)

	FY2017 (As of 31 March, 2017)	FY2018 (As of 30 September, 2017)
Assets		
Current assets		
Cash and deposits	82,575	93,500
Notes and accounts receivable - trade	140,342	136,328
Merchandise and finished goods	16,402	16,578
Work in process	8,609	9,637
Raw materials and supplies	14,079	15,121
Partly-finished goods	4,945	5,551
Deferred tax assets	5,304	5,086
Other	22,548	21,405
Allowance for doubtful accounts	(56)	(71)
Total current assets	294,751	303,139
Non-current assets		
Property, plant and equipment		
Buildings and structures	137,065	141,490
Accumulated depreciation	(88,893)	(90,181)
Buildings and structures, net	48,172	51,309
Machinery, equipment and vehicles	231,875	237,885
Accumulated depreciation	(181,605)	(184,115)
Machinery, equipment and vehicles, net	50,269	53,770
Land	30,699	30,257
Leased assets	1,188	1,127
Accumulated depreciation	(612)	(552)
Leased assets, net	576	575
Construction in progress	5,989	10,071
Other	66,434	67,994
Accumulated depreciation	(58,325)	(60,127)
Other, net	8,109	7,866
Total property, plant and equipment	143,817	153,850
Intangible assets	3,312	3,057
Investments and other assets		
Investment securities	72,086	70,232
Long-term loans receivable	10,383	8,407
Deferred tax assets	5,532	3,798
Net defined benefit asset	2,825	3,178
Other	10,116	10,201
Allowance for doubtful accounts	(1,084)	(964)
Total investments and other assets	99,858	94,853
Total non-current assets	246,989	251,761
Total assets	541,741	554,900

(Unit: Millions of yen)

	FY2017 (As of 31 March, 2017)	FY2018 (As of 30 September, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	76,911	79,711
Electronically recorded obligations - operating	38,992	41,989
Short-term loans payable	13,996	12,183
Income taxes payable	7,245	3,115
Deferred tax liabilities	812	825
Provision for directors' bonuses	278	152
Notes payable - facilities	2,904	4,004
Other	39,384	35,270
Total current liabilities	180,525	177,252
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	11,219	11,273
Long-term loans payable	20,176	29,806
Lease obligations	519	517
Deferred tax liabilities	12,978	13,162
Net defined benefit liability	13,926	14,506
Provision for directors' retirement benefits	579	452
Provision for officers' retirement benefits	746	770
Other	8,293	5,679
Total non-current liabilities	68,438	76,168
Total liabilities	248,963	253,421
Net assets		
Shareholders' equity		
Capital stock	17,009	17,009
Capital surplus	19,579	19,579
Retained earnings	216,232	223,974
Treasury stock	(7,515)	(7,516)
Total shareholders' equity	245,305	253,047
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,176	32,196
Foreign currency translation adjustment	6,570	4,515
Remeasurements of defined benefit plans	(2,353)	(1,967)
Total accumulated other comprehensive income	34,394	34,744
Non-controlling interests	13,077	13,688
Total net assets	292,777	301,479
Total liabilities and net assets	541,741	554,900

(2) Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Six Months Ended September 30, 2017)

	(Unit: Millions of yen)	
	FY2017 (6 months ended September 30, 2016)	FY2018 (6 months ended September 30, 2017)
Net sales	299,643	317,827
Cost of sales	261,165	278,907
Gross profit	38,477	38,920
Selling, general and administrative expenses	21,711	22,269
Operating income	16,766	16,651
Non-operating income		
Interest income	496	412
Dividend income	599	910
Foreign exchange gains	—	402
Other	862	1,364
Total non-operating income	1,958	3,089
Non-operating expenses		
Interest expenses	77	68
Foreign exchange losses	3,970	—
Other	604	966
Total non-operating expenses	4,653	1,034
Ordinary income	14,071	18,706
Extraordinary income		
Gain on revision of retirement benefit plan	1,064	—
Total extraordinary income	1,064	—
Extraordinary losses		
Loss on valuation of investment securities	359	—
Total extraordinary losses	359	—
Profit before income taxes	14,776	18,706
income taxes	3,837	4,954
Profit	10,938	13,751
Profit attributable to non-controlling interests	720	1,052
Profit attributable to owners of parent	10,218	12,698

(Quarterly Consolidated Statements of Comprehensive Income)
(Six Months Ended September 30, 2017)

	(Unit: Millions of yen)	
	FY2017 (6 months ended September 30, 2016)	FY2018 (6 months ended September 30, 2017)
Profit	10,938	13,751
Other comprehensive income		
Valuation difference on available-for-sale securities	2,993	2,028
Foreign currency translation adjustment	(14,613)	(2,094)
Remeasurements of defined benefit plans, net of tax	1,314	389
Share of other comprehensive income of entities accounted for using equity method	(533)	(5)
Total other comprehensive income	(10,839)	318
Comprehensive income	98	14,069
Comprehensive income attributable to:		
Owners of parent	495	13,020
Non-controlling interests	(396)	1,049

(3) Quarterly Consolidated Statements of Cash Flows

	(Unit: Millions of yen)	
	FY2017 (6 months ended September 30, 2016)	FY2018 (6 months ended September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	14,776	18,706
Depreciation	11,686	11,536
Increase or decrease in net defined benefit asset and liability	(535)	(1,711)
Interest and dividend income	(1,096)	(1,323)
Interest expenses	77	68
Foreign exchange losses (gains)	992	321
Share of (profit) loss of entities accounted for using equity method	(71)	(263)
Loss (gain) on sales and retirement of property, plant and equipment	42	90
Loss (gain) on valuation of investment securities	359	—
Decrease (increase) in notes and accounts receivable - trade	3,438	4,402
Decrease (increase) in inventories	(51)	(2,521)
Increase (decrease) in notes and accounts payable - trade	(2,212)	4,936
Other, net	170	(618)
Subtotal	27,576	33,624
Interest and dividend income received	1,593	1,683
Interest expenses paid	(99)	(98)
Income taxes paid	(3,913)	(7,954)
Net cash provided by (used in) operating activities	25,156	27,254
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,321)	(13,469)
Proceeds from sales of property, plant and equipment	296	1,220
Purchase of intangible assets	(122)	(135)
Purchase of investment securities	(2,471)	(1,802)
Payments of loans receivable	(2,359)	(3,609)
Collection of loans receivable	2,996	1,607
Other, net	78	197
Net cash provided by (used in) investing activities	(13,902)	(15,991)

Cash flows from financing activities		
Proceeds from short-term loans payable	117	1,677
Repayments of short-term loans payable	(408)	(740)
Proceeds from long-term loans payable	11,600	15,024
Repayments of long-term loans payable	(4,867)	(8,188)
Proceeds from issuance of commercial papers	27,000	12,000
Redemption of commercial papers	(25,000)	(16,000)
Redemption of bonds	(10,000)	—
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(158)	(158)
Cash dividends paid	(2,671)	(2,845)
Dividends paid to non-controlling interests	(327)	(438)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(8)	—
Net cash provided by (used in) financing activities	(4,725)	329
Effect of exchange rate change on cash and cash equivalents	(6,121)	(2,151)
Net increase (decrease) in cash and cash equivalents	407	9,441
Cash and cash equivalents at beginning of period	72,238	82,493
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,400
Cash and cash equivalents at end of period	72,645	93,335