

Consolidated Financial Results

For the Second Quarter of the Fiscal Year Ending March 31, 2020 (Japanese GAAP)



November 6, 2019
Tokyo Stock Exchanges in Japan

Company name : NHK SPRING CO., LTD.
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Filing date of quarterly securities report : November 7, 2019
Payment date of cash dividends : December 4, 2019
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 2020 (April 1, 2019 through September 30, 2019)

(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	%
FY2020 2nd quarter	323,712	(3.6)	6,058	(60.5)	5,411	(70.8)	(149)	—
FY2019 2nd quarter	335,685	5.6	15,322	(8.0)	18,505	(1.1)	12,705	0.1

Note: Comprehensive income: FY2020 2nd quarter (865) million yen (— %) FY2019 2nd quarter 11,258 million yen (20.0) %

	Net income per share, Basic	Net income per share, Diluted
	Yen	Yen
FY2020 2nd quarter	(0.63)	—
FY2019 2nd quarter	53.59	52.57

Note: Diluted earnings per share for FY2020 Second Quarter are not presented because of the current net loss and no dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of yen	Millions of yen	%
FY2020 2nd quarter	545,882	292,155	50.8
FY2019	573,198	296,061	49.0

Reference: Shareholders' equity (Net assets excluding non-controlling interests)
: FY2020 2nd quarter 277,080 million yen FY2019 281,134 million yen

2. Dividends

	Cash dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2019	—	12.00	—	12.00	24.00
FY2020	—	12.00	—	—	—
FY2020 (Forecast)	—	—	—	—	—

Notes 1. Revisions to the forecast of dividends since the latest announcement: Yes
2. Forecasts of year-end dividend for FY2020 are currently undecided.

3. Forecast of Consolidated Results for Fiscal Year 2020 (April 1, 2019 through March 31, 2020)

(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	670,000	(1.6)	19,000	(28.7)	19,000	(39.6)	9,000	26.7	37.96

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 2020 : 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, 2019	244,066,144 shares	As of March 31, 2019	244,066,144 shares
[2] Number of treasury stock	As of September 30, 2019	6,975,377 shares	As of March 31, 2019	6,975,024 shares
[3] Average number of shares	2nd quarter of FY2020	237,090,995 shares	2nd quarter of FY2019	237,091,629 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)

	FY2019 (As of 31 March, 2019)	FY2020 (As of 30 September, 2019)
Assets		
Current assets		
Cash and deposits	98,573	83,538
Notes and accounts receivable - trade	139,689	128,362
Merchandise and finished goods	19,959	19,016
Work in process	9,888	10,586
Raw materials and supplies	18,785	17,817
Partly-finished goods	6,058	6,344
Other	25,417	21,443
Allowance for doubtful accounts	(117)	(116)
Total current assets	318,254	286,992
Non-current assets		
Property, plant and equipment		
Buildings and structures	148,399	151,553
Accumulated depreciation	(95,447)	(95,541)
Buildings and structures, net	52,952	56,011
Machinery, equipment and vehicles	249,525	255,927
Accumulated depreciation	(196,022)	(196,500)
Machinery, equipment and vehicles, net	53,502	59,426
Land	31,006	31,048
Leased assets	1,373	1,376
Accumulated depreciation	(714)	(723)
Leased assets, net	658	652
Construction in progress	25,088	22,946
Other	73,319	76,548
Accumulated depreciation	(63,689)	(65,643)
Other, net	9,630	10,904
Total property, plant and equipment	172,839	180,990
Intangible assets	2,902	2,899
Investments and other assets		
Investment securities	55,214	51,286
Long-term loans receivable	3,995	3,339
Deferred tax assets	8,161	7,919
Net defined benefit asset	4,669	5,090
Other	7,936	8,147
Allowance for doubtful accounts	(775)	(783)
Total investments and other assets	79,201	74,999
Total non-current assets	254,944	258,890
Total assets	573,198	545,882

(Unit: Millions of yen)

	FY2019 (As of 31 March, 2019)	FY2020 (As of 30 September, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	84,003	77,905
Electronically recorded obligations - operating	43,301	37,664
Short-term loans payable	18,418	17,431
Income taxes payable	2,933	2,069
Provision for directors' bonuses	269	144
Notes payable - facilities	7,308	3,437
Current position of convertible bond-type bonds with subscription rights to shares	11,099	-
Other	43,899	45,441
Total current liabilities	211,234	184,093
Non-current liabilities		
Long-term loans payable	32,697	35,536
Lease obligations	537	555
Deferred tax liabilities	7,356	6,677
Net defined benefit liability	19,394	20,279
Provision for directors' retirement benefits	586	560
Provision for officers' retirement benefits	779	814
Other	4,550	5,209
Total non-current liabilities	65,902	69,633
Total liabilities	277,137	253,726
Net assets		
Shareholders' equity		
Capital stock	17,009	17,009
Capital surplus	19,579	19,579
Retained earnings	228,016	225,145
Treasury stock	(7,517)	(7,518)
Total shareholders' equity	257,087	254,216
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,349	19,755
Foreign currency translation adjustment	5,625	5,889
Remeasurements of defined benefit plans	(2,927)	(2,781)
Total accumulated other comprehensive income	24,047	22,864
Non-controlling interests	14,926	15,075
Total net assets	296,061	292,155
Total liabilities and net assets	573,198	545,882

(2) Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Six Months Ended September 30, 2019)

(Unit: Millions of yen)

	FY2019 (6 months ended September 30, 2018)	FY2020 (6 months ended September 30, 2019)
Net sales	335,685	323,712
Cost of sales	297,462	294,306
Gross profit	38,223	29,406
Selling, general and administrative expenses	22,900	23,347
Operating income	15,322	6,058
Non-operating income		
Interest income	489	461
Dividend income	864	864
Foreign exchanges gains	1,844	—
Other	1,052	1,463
Total non-operating income	4,250	2,789
Non-operating expenses		
Interest expenses	136	148
Foreign exchanges losses	—	2,555
Other	931	732
Total non-operating expenses	1,068	3,436
Ordinary income	18,505	5,411
Extraordinary losses		
Provision for loss on anti-monopoly act	—	3,134
Total extraordinary losses	—	3,134
Profit before income taxes	18,505	2,276
Income taxes	4,796	1,918
Profit	13,708	358
Profit attributable to non-controlling interests	1,003	508
Profit(loss) attributable to owners of parent	12,705	(149)

(Quarterly Consolidated Statements of Comprehensive Income)
(Six Months Ended September 30, 2019)

	(Unit: Millions of yen)	
	FY2019 (3 months ended September 30, 2018)	FY2020 (3 months ended September 30, 2019)
Profit	13,708	358
Other comprehensive income		
Valuation difference on available-for-sale securities	(138)	(1,596)
Foreign currency translation adjustment	(2,297)	461
Remeasurements of defined benefit plans, net of tax	101	148
Share of other comprehensive income of entities accounted for using equity method	(115)	(238)
Total other comprehensive income	(2,449)	(1,224)
Comprehensive income	11,258	(865)
Comprehensive income attributable to:		
Owners of parent	10,567	(1,332)
Non-controlling interests	691	466

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2019 (6 months ended September 30, 2018)	FY2020 (6 months ended September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	18,505	2,276
Depreciation	11,828	12,343
Provision for loss on anti-monopoly act	—	3,134
Increase or decrease in net defined benefit asset and liability	(1,795)	(1,505)
Interest and dividend income	(1,353)	(1,325)
Interest expenses	136	148
Foreign exchange losses (gains)	(1,106)	904
Share of (profit) loss of entities accounted for using equity method	(117)	(404)
Loss (gain) on sales and retirement of property, plant and equipment	(3)	87
Decrease (increase) in notes and accounts receivable - trade	2,594	16,527
Decrease (increase) in inventories	(2,734)	1,064
Increase (decrease) in notes and accounts payable - trade	293	(14,349)
Other, net	545	2,811
Subtotal	26,793	21,712
Interest and dividend income received	1,372	1,666
Interest expenses paid	(128)	(172)
Income taxes paid	(6,633)	(2,991)
Net cash provided by (used in) operating activities	21,403	20,215
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,849)	(27,796)
Proceeds from sales of property, plant and equipment	128	126
Purchase of intangible assets	(178)	(157)
Purchase of investment securities	(2,563)	(10)
Payments of loans receivable	(1,960)	(174)
Collection of loans receivable	148	117
Other, net	131	48
Net cash provided by (used in) investing activities	(23,144)	(27,846)

Cash flows from financing activities		
Proceeds from short-term loans payable	1,360	1,180
Repayments of short-term loans payable	(3,054)	(47)
Proceeds from long-term loans payable	25,000	11,500
Repayments of long-term loans payable	(4,123)	(9,567)
Proceeds from issuance of commercial papers	12,000	16,000
Redemption of commercial papers	(12,000)	(14,000)
Redemption of convertible bond-type bonds with subscription rights to shares	—	(10,646)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(140)	(203)
Cash dividends paid	(2,845)	(2,845)
Dividends paid to non-controlling interests	(641)	(318)
Net cash provided by (used in) financing activities	15,554	(8,947)
Effect of exchange rate change on cash and cash equivalents	(1,336)	372
Net increase (decrease) in cash and cash equivalents	12,476	(16,205)
Cash and cash equivalents at beginning of period	95,007	98,407
Increase in cash and cash equivalents resulting from subsidiaries newly included in consolidation	—	844
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	212
Cash and cash equivalents at end of period	107,483	83,259