



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the First Quarter Ended June 30, 2014 (Japanese GAAP)

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Company name: NOK Corporation
 Securities code: 7240
 Representative: Masato Tsuru
 Chairman of the Board and President
 Inquiries: Takashi Kamata
 Department Manager
 Corporate Planning Department

Listed on the Tokyo Stock Exchange
 URL <http://www.nok.co.jp>
 Telephone: +81-3-3434-1736

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Supplemental material of quarterly results: None

Convening briefing of quarterly results: None

(Fractions are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Three Months of Fiscal 2014 (April 1, 2014 to June 30, 2014)

(1) Consolidated operating results

(Percentage figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
3 mos. ended June 30, 2014	149,002	13.8	11,017	208.5	12,559	71.0	7,484	66.4
3 mos. ended June 30, 2013	130,884	1.8	3,570	(54.7)	7,343	1.4	4,499	28.6

Note: Comprehensive income: 4,889 million yen, (80.8)% (as of June 30, 2014); 25,458 million yen, 137.1% (as of June 30, 2013)

	Net income per share	Diluted net income per share
	yen	yen
3 mos. ended June 30, 2014	43.36	—
3 mos. ended June 30, 2013	26.11	—

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
June 30, 2014	635,101	370,254	53.1
March 31, 2014	663,265	364,411	50.0

Reference: Owner's equity: 337,055 million yen (as of June 30, 2014); 331,547 million yen (as of March 31, 2014)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2013	—	10.00	—	10.00	20.00
FY 2014	—	—	—	—	—
FY 2014 (Projection)	—	10.00	—	—	—

Notes: Correction of dividend forecast from the most recent dividend forecast: None

Although the Company stipulates its dividend record dates as September 30 and March 31 in its Articles of Incorporation, the projected dividend amount for the fiscal year ending March 31, 2015 is not yet determined.

3. Consolidated Forecasts for Fiscal 2014 (April 1, 2014 to March 31, 2015)

(Percentage figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Half year	310,900	12.9	17,100	91.9	19,400	33.6	11,600	58.1	67.26
Full year	634,600	7.3	42,000	28.9	46,800	10.6	27,400	25.9	158.88

Note: Correction of financial forecast from the most recent financial forecast: None

* Notes

- (1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from change in subsidiaries): None
- (2) Applying of specific accounting of the consolidated quarterly financial statements: Yes
Note: For details, please refer to “2. Summary (Notes) Information” on page 3 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: Yes
 - ii) Changes in accounting policies other than ones based on revisions of accounting standard: Yes
 - iii) Changes in accounting estimates: Yes
 - iv) Retrospective restatement: None
- (Note) These correspond to Article 10-2 and Article 10-5 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements, etc.” For details, please refer to p.3 of attached material “2. Summary (Notes) Information
- (3) Changes in Accounting Policies, Accounting Estimates and Retrospective Restatement.”

(4) Number of issued and outstanding shares (common stock)

i) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)	June 30, 2014	173,138,537 shares	Mar. 31, 2014	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	June 30, 2014	463,652 shares	Mar. 31, 2014	536,602 shares
iii) Average number of shares (year to date)	3 mos. ended June 30, 2014	172,616,528 shares	3 mos. ended June 30, 2013	172,340,427 shares

* Quarterly review procedures:

As this summary of quarterly financial results is not subject to quarterly review procedures as provided for under the Financial Instruments and Exchange Act, such review procedures have not been completed as of the date of the release of this summary of consolidated quarterly financial results.

* Proper use of the projections for financial results, and other important matters:

1. 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.
2. Dividend projections for fiscal 2014 are yet to be determined. We intend to disclose our dividend projections as soon as disclosure is possible.

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1. Qualitative Information on the Consolidated Operating Results for the First Quarter of FY 2014

(1) Explanation of Operating Results

During the first three months of the current consolidated fiscal year, the Japanese economy staged a mild recovery as capital expenditures and public spending were robust, despite a backlash from the last minute surge in demand prior to the rise in consumption tax.

In the automobile industry, the drop in demand in Japan, which was feared due to a backlash from the last minute surge in demand prior to the rise in consumption tax, remained small, owing to the rise in popularity of mini vehicles and the decrease in the automobile acquisition tax, among other factors. In overseas markets, while demand decreased in Thailand due to the termination of the car purchase subsidy scheme, demand in China rose.

In the electronic equipment industry, although demand for digital cameras decreased, demand for smartphones remained robust.

In the office machine industry, demand for both printers and copiers remained strong.

Under these circumstances, the operating results of the Group by business segment were as follows:

In the seal business, sales to automobile manufacturers increased on the back of robust vehicle production in Japan and robust demand in China, despite the negative impact of a drop in demand in Thailand. Sales to manufacturers of general industrial machinery also climbed due to robust demand in Japan as well as overseas markets such as China.

As a result, net sales ended at 73,349 million yen (up 7.6% year on year). Operating income totaled 7,726 million yen (up 33.7% year on year) due to increased revenue despite increases in personnel and other costs in emerging nations.

In the electronic device product business, sales increased due to a rise in demand for smartphones and automobiles despite sluggish sales for digital cameras.

As a result, net sales improved to 65,313 million yen (up 23.0% year on year). Operating income was at 2,455 million yen (compared with an operating loss of 2,582 million yen in the same period of the previous year) owing to increased revenues, among other factors.

In the roll business, sales increased owing to a rise in demand mainly for color printers and copiers despite negative impact from the slump in order intake for replacement parts for copiers due to the rise in durability.

As a result, net sales increased to 7,456 million yen (up 11.2% year on year). Operating income was 651 million yen (up 260.1% year on year) due to an increase in revenues and a reduction in personnel costs, among other factors.

In other businesses including specialty lubricants, net sales dropped to 2,883 million yen (down 0.5% year on year). Operating income rose to 193 million yen (up 15.0% year on year) due to an improved mix of items sold.

In summary, operating results for the first three months of the current consolidated fiscal year were as follows: Net sales totaled 149,002 million yen (up 13.8% year on year); operating income jumped to 11,017 million yen (up 208.5% year on year); ordinary income amounted to 12,559 million yen (up 71.0% year on year); and net income increased to 7,484 million yen (up 66.4% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the first three months of the current consolidated fiscal year stood at 635,101 million yen, a decrease of 28,163 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to decreases in cash and deposits and notes and accounts receivable-trade, as well as a drop in assets of overseas subsidiaries due to the decline of the yen.

Liabilities dropped 34,006 million yen from March 31, 2014 to 264,847 million yen, mostly reflecting decreases in accounts payable and short-term loans payable compared with the fourth quarter of the previous consolidated fiscal year.

Net assets totaled 370,254 million yen, an increase of 5,842 million yen compared with the end of the previous consolidated fiscal year, reflecting an increase in retained earnings as a result of the posting of net income for the first three-month period of the current consolidated fiscal year. Consequently, the ratio of shareholders' equity to total assets at the end of the first quarter stood at 53.1%.

(3) Explanation of Consolidated Financial Projections and Other Prospects for the Future

There have been no changes to the financial projections that were announced on May 9, 2014.

2. Summary (Notes) Information

(1) Material Changes in Subsidiaries during This Period

None.

In order to seek more appropriate disclosure of consolidated financial information, the accounting date for nine overseas consolidated subsidiaries including Thai NOK Co., Ltd., whose accounting date had been December 31, was changed to March 31. In addition, the consolidation methods of 34 companies, including Mektec Manufacturing Corporation (Zhuhai) Ltd., were changed to carry out provisional settlements of accounts based on full-year business results on March 31, the consolidated accounting date.

The profit and loss for the three months following these changes in accounting dates have been adjusted as increases and decreases in retained earnings.

(2) Accounting Treatments Specific to the Preparation of Consolidated Quarterly Financial Statements

As to 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 first-quarter period, and multiplying income before income taxes for the current first-quarter period by the estimated effective tax rate.

(3) Changes in Accounting Policies, Accounting Estimates and Retrospective Restatement

(Application of accounting standard for retirement benefits)

Starting with the first three-month period of the fiscal year ending March 31, 2015, NOK has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012. Hereinafter referred to as the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012. Hereinafter referred to as the "Guidance") with regard to the provisions prescribed in the main text of Section 35 of the Accounting Standard and Section 67 of the Guidance. As a result, the calculation methods for retirement benefit obligations and service costs were reviewed, the period attribution method of the expected amount of retirement benefits was changed from straight-line attribution to a benefit calculation standard, and the decision method of the discount rate was changed from a discount rate based on the number of years equal to approximately the average remaining period of employees to a single weighted average discount rate that reflects the expected payment period of retirement benefits and the amount for each expected payment period.

For application of the above Accounting Standard and the Guidance, in accordance with the transitional handling prescribed in Section 37 of the Accounting Standard, at the beginning of the first three-month period of the current fiscal year the effect of the changes in the calculation methods of retirement benefit obligations and service costs were adjusted in retained earnings.

As a result, liabilities pertaining to retirement benefits at the beginning of the first three-month period of the fiscal year under review increased by 4,919 million yen and retained earnings decreased by 3,467 million yen. The application of the Accounting Standard did not have a material effect on operating income, ordinary income and income before income taxes of the consolidated cumulative first quarter of the current fiscal year.

(Application of practical treatment concerning transactions that issue own shares to employees, etc. through trust)

Starting with the first three-month period of the fiscal year ending March 31, 2015, NOK has applied the Practical Treatment Concerning Transactions that Issue Own Shares to Employees, etc. through Trust (Practical Issues Task Force No. 30, December 25, 2013). Since accounting treatment pertaining to trust agreements concluded before the beginning of the term of the first year in which the said Practical Issues Task Force was applied will continue using the conventional method, the application of the said Practical Issues Task Force will have no impact on quarterly consolidated financial statements.

(Change in accounting principles that is difficult to distinguish from the change in accounting estimations)

The depreciation method for property, plant and equipment of NOK and its domestic consolidated subsidiaries, which was previously a fixed-rate method, has been changed to a straight-line method starting with the first three-month period of the current consolidated fiscal year.

This change was made based on the judgment that it is rational to change the depreciation method to a straight-line method since cost allocation even through depreciation over the useful lives of assets can reflect the actual state of usage of property, plant and equipment more appropriately, since the continued current usage of property, plant and equipment of NOK and its domestic consolidated subsidiaries is not expected to lead to rapid economic degradation and obsolescence of manufacturing equipment but rather is expected to lead to long-term stable utilization, according to a study of the state of the related usage following the rise in the percentage of overseas business due to the progress of globalization within the NOK Group. As a result, operating income, ordinary income and income before income taxes of the consolidated cumulative first three months of the current fiscal year each increased by 1,331 million yen.

The impact of this change on segment information has been stated in the relevant sections.

3. Consolidated Quarterly Financial Statements**(1) Consolidated Quarterly Balance Sheet**

(million yen)

	FY 2013 (as of March 31, 2014)	1Q FY 2014 (as of June 30, 2014)
Assets		
Current assets		
Cash and deposits	78,633	71,742
Notes and accounts receivable-trade	158,606	144,189
Inventories	66,901	62,810
Other	21,213	19,980
Allowance for doubtful accounts	(570)	(279)
Total current assets	324,784	298,443
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	78,715	79,037
Machinery, equipment and vehicles, net	80,121	73,665
Other, net	41,295	41,610
Total property, plant and equipment	200,132	194,313
Intangible assets		
Goodwill	40	28
Other	2,515	2,464
Total intangible assets	2,556	2,493
Investments and other assets		
Investments securities	108,112	112,636
Other	27,930	27,448
Allowance for doubtful accounts	(251)	(232)
Total investments and other assets	135,791	139,851
Total noncurrent assets	338,480	336,658
Total assets	663,265	635,101

(million yen)

	FY 2013 (as of March 31, 2014)	1Q FY 2014 (as of June 30, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	67,653	57,855
Short-term loans payable	83,887	67,401
Income taxes payable	6,011	1,883
Provision for bonuses	8,227	6,231
Provision for business structure improvement	1,760	1,711
Provision for recall loss	300	—
Other	50,077	43,779
Total current liabilities	217,918	178,864
Noncurrent liabilities		
Long-term loans payable	14,277	14,546
Net defined benefit liabilities	59,315	63,396
Other	7,342	8,040
Total noncurrent liabilities	80,935	85,983
Total liabilities	298,853	264,847
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,450	22,450
Retained earnings	257,894	265,829
Treasury stock	(642)	(549)
Total shareholders' equity	303,038	311,066
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,181	33,244
Foreign currency translation adjustment	12,920	6,665
Remeasurements of defined benefit plans	(14,594)	(13,921)
Total accumulated other comprehensive income	28,508	25,989
Minority interests	32,864	33,199
Total net assets	364,411	370,254
Total liabilities and net assets	663,265	635,101

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Three Months Ended June 30, 2014)

(million yen)

	3 months ended June 30, 2013	3 months ended June 30, 2014
Net sales	130,884	149,002
Cost of sales	108,428	119,044
Gross profit	22,455	29,957
Selling, general and administrative expenses	18,884	18,939
Operating income	3,570	11,017
Non-operating income		
Dividends income	527	770
Equity in earnings of affiliates	1,224	1,395
Foreign exchange gains	2,105	–
Other	730	1,200
Total non-operating income	4,587	3,365
Non-operating expenses		
Interest expenses	691	706
Foreign exchange losses	–	1,047
Other	122	70
Total non-operating expenses	814	1,823
Ordinary income	7,343	12,559
Extraordinary income		
Gain on sales of noncurrent assets	236	78
Insurance income	894	–
Other	6	19
Total extraordinary income	1,137	98
Extraordinary loss		
Loss on retirement of noncurrent assets	411	76
Loss on valuation of investment securities	223	151
Other	4	29
Total extraordinary loss	639	257
Income before income taxes and minority interests	7,841	12,400
Income taxes	3,105	3,984
Income before minority interests	4,735	8,416
Minority interests in income	236	932
Net income	4,499	7,484

(Consolidated Quarterly Comprehensive Income Statement)
 (Three Months Ended June 30, 2014)

(million yen)

	3 months ended June 30, 2013	3 months ended June 30, 2014
Income before minority interests	4,735	8,416
Other comprehensive income		
Valuation difference on available-for-sale securities	5,387	3,037
Foreign currency translation adjustment	14,014	(6,846)
Remeasurements of defined benefit plans	—	665
Share of other comprehensive income of associates accounted for using equity method	1,320	(383)
Total other comprehensive income	20,722	(3,527)
Comprehensive income	25,458	4,889
(Detail)		
Comprehensive income attributable to owners of the parent	23,360	4,965
Comprehensive income attributable to minority interests	2,098	(75)

(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.

(Segment Information)

[Segment Information]

I Three Months Ended June 30, 2013

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 statements (Note 2)
	Seal	Electronic device product	Roll	Other			
Net sales							
Net sales to external customers	68,165	53,117	6,704	2,897	130,884	–	130,884
Inter-segment sales/transfers	890	8	–	192	1,091	[1,091]	–
Total	69,056	53,125	6,704	3,089	131,976	[1,091]	130,884
Segment income (loss)	5,777	(2,582)	180	168	3,543	27	3,570

Notes: 1. The amount of 27 million yen in Adjustments of segment income (loss) represents the result of elimination in the inter-segment transactions.

2. Segment income (loss) is adjusted with operating income stated in the consolidated quarterly income statement.

II Three Months Ended June 30, 2014

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 statements (Note 2)
	Seal	Electronic device product	Roll	Other			
Net sales							
Net sales to external customers	73,349	65,313	7,456	2,883	149,002	–	149,002
Inter-segment sales/transfers	726	0	–	76	803	[803]	–
Total	74,075	65,314	7,456	2,959	149,805	[803]	149,002
Segment income	7,726	2,455	651	193	11,027	(9)	11,017

Notes: 1. The amount of (9) million yen in Adjustments of segment income represents the result of elimination in the inter-segment transactions.

2. Segment income is adjusted with operating income stated in the consolidated quarterly income statement.

2. Changes to Reporting Segments

(Change in accounting principles that is difficult to distinguish from the change in accounting estimations)

As stated in the Change in Accounting Principles, etc., the depreciation method for property, plant and equipment of NOK and domestic consolidated subsidiaries, which principally had been a fixed-rate method, was changed to a straight-line method starting with the first three-month period of the current consolidated fiscal year.

Following this change, segment profits of the first three-month period of the current consolidated fiscal year increased as follows compared with the conventional method: Seal business: 1,037 million yen; electronic device product business: 255 million yen; roll business: 25 million yen; and other businesses: 14 million yen.