



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Six Months Ended September 30, 2014 (Japanese GAAP)

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Dividend payable date (as planned): December 4, 2014

Supplemental material of quarterly results: None

Convening briefing of quarterly results: Yes

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

1. Consolidated Financial Results for the First Six Months of Fiscal 2014 (April 1, 2014 to September 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	%
6 mos. ended Sep. 30, 2014	313,951	14.0	25,549	186.7	30,879	112.7	18,727	155.2
6 mos. ended Sep. 30, 2013	275,297	5.5	8,910	(37.0)	14,515	1.7	7,337	(10.4)

Note: Comprehensive income: 37,443 million yen, 8.4% (as of September 30, 2014); 34,537 million yen, 433.2 % (as of September 30, 2013)

	Net income per share	Diluted net income per share
	yen	yen
6 mos. ended Sep. 30, 2014	108.47	—
6 mos. ended Sep. 30, 2013	42.57	—

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Sep. 30, 2014	703,978	402,858	52.1
March 31, 2014	663,265	364,411	50.0

Reference: Owner's equity: 366,497 million yen (as of September 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	—	15.00	—	—	—
FY 2014 (Forecast)	—	—	—	—	—

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
Full year	638,000	7.9	52,500	61.1	59,900	41.6	34,200	57.2	198.08

Note: Correction of financial forecast from the most recent financial forecast: Yes

* 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

(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)	Sep. 30, 2014	173,138,537 shares	Mar. 31, 2014	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	Sep. 30, 2014	424,185 shares	Mar. 31, 2014	536,602 shares
iii) Average number of shares (year to date)	6 mos. ended Sep. 30, 2014	172,654,481 shares	6 mos. ended Sep. 30, 2013	172,387,870 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:

- 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.

- 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 Six Months Ended September 30, 2014

(1) Explanation of Operating Results

During the first six 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 vehicle production, which was feared would be significant due to a backlash from the last minute surge in demand prior to the rise in consumption tax, remained small, owing to the handling of backlog of orders from before the tax hike, among other factors. In overseas markets, while demand decreased in Thailand due to the termination of the car purchase subsidy scheme, demand in China and North America remained robust.

In the electronic equipment industry, although demand for digital cameras decreased, demand for smartphones increased, while also remaining robust for hard disk drives, tablet terminals and others.

In the office machine industry, demand for both printers and copiers remained strong in overseas markets such as Europe and the U.S.

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 and North America, 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 and overseas markets.

As a result, net sales reached 146,315 million yen (up 4.6% year on year). Operating income ended at 15,725 million yen (up 21.2% year on year) due to increased revenue among other factors despite increases in personnel and other costs in emerging nations.

In the electronic device product business, sales increased for smartphones, hard disk drives, tablet terminals and automobiles, while sales of digital cameras were sluggish.

As a result, net sales improved to 147,039 million yen (up 26.9% year on year). An operating income of 8,152 million yen was posted (compared with an operating loss of 5,179 million yen in the same period last year) due to increased revenues and improvement in yield owing to the injection of new models for smartphones.

In the roll business, sales increased owing to a rise in demand mainly for color printers and copiers in overseas markets such as Europe and the U.S. despite negative impact from a slump in order intake for copier replacement parts due to a rise in durability.

As a result, net sales increased to 14,820 million yen (up 6.5% year on year). Operating income rose to 1,232 million yen (up 65.8% year on year) owing to a reduction in costs, among other factors.

In other businesses including specialty lubricants, net sales increased to 5,775 million yen (up 3.8% year on year). Operating income rose to 430 million yen (up 28.9% year on year) due to an improved mix of items sold.

In summary, operating results for the first six months of the current consolidated fiscal year were as follows: Net sales totaled 313,951 million yen (up 14.0% year on year); operating income rose to 25,549 million yen (up 186.7% year on year); ordinary income increased to 30,879 million yen (up 112.7% year on year); and net income amounted to 18,727 million yen (up 155.2% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the first six months of the current consolidated fiscal year stood at 703,978 million yen, an increase of 40,713 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase in the assets of overseas subsidiaries due to the weakening of the yen, as well as an increase in the market value of investment securities following the rise in share prices.

Total liabilities rose 2,266 million yen from March 31, 2013, to 301,120 million yen.

Net assets totaled 402,858 million yen, an increase of 38,446 million yen compared with the end of the previous consolidated fiscal year, reflecting an increase in foreign currency translation adjustment due to exchange rate fluctuations and an increase in retained earnings as a result of growth in net income for the first six-month period of the current consolidated fiscal year. Consequently, the ratio of shareholders' equity to total assets at the end of the second quarter stood at 52.1%.

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

Regarding projections for full-year business performance on a consolidated basis for fiscal 2014, the Company has revised the previous projections for net sales, operating income, ordinary income and net income as a result of careful examination of the results for the first six months of the current consolidated fiscal year.

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 ten overseas consolidated subsidiaries including Thai NOK Co., Ltd., whose accounting date had been December 31, was changed to March 31 in the first quarter of the current consolidated fiscal year. In addition, the consolidation methods of 35 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 second-quarter period, and multiplying income before income taxes for the current second-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 six-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 six-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 first six months 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 consolidated quarterly 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 through even 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 of the first six months of the current fiscal year increased by 2,749 million yen, while ordinary income and income before income taxes each increased by 2,750 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)	2Q FY 2014 (as of September 30, 2014)
Assets		
Current assets		
Cash and deposits	78,633	88,283
Notes and accounts receivable-trade	158,606	164,900
Inventories	66,901	73,389
Other	21,213	20,665
Allowance for doubtful accounts	(570)	(273)
Total current assets	324,784	346,965
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	78,715	82,761
Machinery, equipment and vehicles, net	80,121	79,196
Other, net	41,295	44,003
Total property, plant and equipment	200,132	205,961
Intangible assets		
Goodwill	40	21
Other	2,515	2,541
Total intangible assets	2,556	2,563
Investments and other assets		
Investments securities	108,112	119,292
Other	27,930	29,429
Allowance for doubtful accounts	(251)	(233)
Total investments and other assets	135,791	148,488
Total noncurrent assets	338,480	357,012
Total assets	663,265	703,978

(million yen)

	FY 2013 (as of March 31, 2014)	2Q FY 2014 (as of September 30, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	67,653	73,952
Short-term loans payable	83,887	65,773
Income taxes payable	6,011	3,987
Provision for bonuses	8,227	10,428
Provision for business structure improvement	1,760	1,382
Provision for recall loss	300	—
Other	50,077	46,214
Total current liabilities	217,918	201,738
Noncurrent liabilities		
Long-term loans payable	14,277	25,178
Net defined benefit liabilities	59,315	63,152
Other	7,342	11,049
Total noncurrent liabilities	80,935	99,381
Total liabilities	298,853	301,120
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,450	22,450
Retained earnings	257,894	277,071
Treasury stock	(642)	(499)
Total shareholders' equity	303,038	322,358
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,181	36,805
Foreign currency translation adjustment	12,920	20,702
Remeasurements of defined benefit plans	(14,594)	(13,369)
Total accumulated other comprehensive income	28,508	44,139
Minority interests	32,864	36,360
Total net assets	364,411	402,858
Total liabilities and net assets	663,265	703,978

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Six Months Ended September 30, 2014)

(million yen)

	6 months ended September 30, 2013	6 months ended September 30, 2014
Net sales	275,297	313,951
Cost of sales	230,548	250,433
Gross profit	44,748	63,517
Selling, general and administrative expenses	35,837	37,968
Operating income	8,910	25,549
Non-operating income		
Dividends income	599	847
Equity in earnings of affiliates	2,216	2,568
Foreign exchange gains	3,100	1,723
Other	1,680	1,697
Total non-operating income	7,596	6,836
Non-operating expenses		
Interest expenses	1,489	1,353
Other	501	153
Total non-operating expenses	1,991	1,506
Ordinary income	14,515	30,879
Extraordinary income		
Gain on sales of noncurrent assets	288	126
Gain on sales of investment securities	—	42
Insurance income	944	—
Other	67	19
Total extraordinary income	1,300	188
Extraordinary loss		
Loss on retirement of noncurrent assets	571	161
Product compensation costs	—	815
Other	76	157
Total extraordinary loss	648	1,134
Income before income taxes and minority interests	15,168	29,933
Income taxes	7,037	9,027
Income before minority interests	8,130	20,905
Minority interests in income	792	2,178
Net income	7,337	18,727

(Consolidated Quarterly Comprehensive Income Statement)
 (Six Months Ended September 30, 2014)

(million yen)

	6 months ended September 30, 2013	6 months ended September 30, 2014
Income before minority interests	8,130	20,905
Other comprehensive income		
Valuation difference on available-for-sale securities	8,480	6,545
Foreign currency translation adjustment	16,209	8,167
Remeasurements of defined benefit plans	–	1,214
Share of other comprehensive income of associates accounted for using equity method	1,716	609
Total other comprehensive income	26,406	16,537
Comprehensive income	34,537	37,443
(Detail)		
Comprehensive income attributable to owners of the parent	32,097	34,357
Comprehensive income attributable to minority interests	2,440	3,085

- (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 Six Months Ended September 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 statement (Note 2)
	Seal	Electronic device product	Roll	Other			
Net sales							
Net sales to external customers	139,923	115,898	13,910	5,564	275,297	–	275,297
Inter-segment sales/transfers	1,753	9	–	309	2,072	[2,072]	–
Total	141,677	115,908	13,910	5,873	277,370	[2,072]	275,297
Segment income (loss)	12,979	(5,179)	742	334	8,876	34	8,910

Notes: 1. The amount of 34 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 Six Months Ended September 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 statement (Note 2)
	Seal	Electronic device product	Roll	Other			
Net sales							
Net sales to external customers	146,315	147,039	14,820	5,775	313,951	–	313,951
Inter-segment sales/transfers	1,493	4	–	166	1,663	[1,663]	–
Total	147,809	147,043	14,820	5,941	315,615	[1,663]	313,951
Segment income	15,725	8,152	1,232	430	25,540	9	25,549

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 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.

Following this change, segment profits of the first six-month period of the current consolidated fiscal year increased as follows compared with the conventional method: Seal business: 2,258 million yen; electronic device product business: 416 million yen; roll business: 46 million yen; and other businesses: 29 million yen.