



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the Nine Months Ended December 31, 2015 (Japanese GAAP)

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Dividend payable date (as planned): –

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 Nine Months of Fiscal 2015 (April 1, 2015 to December 31, 2015)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
9 mos. ended Dec. 31, 2015	593,239	15.5	45,602	(8.8)	53,113	(16.2)	33,370	(15.7)
9 mos. ended Dec. 31, 2014	513,511	18.5	49,988	143.4	63,361	114.2	39,575	134.1

Note: Comprehensive income: 24,324 million yen, (70.2)% (as of December 31, 2015); 81,701 million yen, 64.8 % (as of December 31, 2014)

	Net income per share	Diluted net income per share
	yen	yen
9 mos. ended Dec. 31, 2015	193.03	–
9 mos. ended Dec. 31, 2014	229.19	–

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	million yen	million yen	%
Dec. 31, 2015	753,022	471,799	57.4
March 31, 2015	755,084	462,754	55.9

Reference: Owner's equity: 432,573 million yen (as of December 31, 2015); 421,894 million yen (as of March 31, 2015)

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2014	–	15.00	–	35.00	50.00
FY 2015	–	25.00	–		
FY 2015 (Forecast)				25.00	50.00

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

3. Consolidated Forecasts for Fiscal 2015 (April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	758,100	9.3	49,800	(25.8)	58,000	(28.2)	33,600	(28.2)	194.35

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: None

iii) Changes in accounting estimates: None

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)	Dec. 31, 2015	173,138,537 shares	Mar. 31, 2015	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	Dec. 31, 2015	762,144 shares	Mar. 31, 2015	297,055 shares
iii) Average number of shares (year to date)	9 mos. ended Dec. 31, 2015	172,879,844 shares	9 mos. ended Dec. 31, 2014	172,678,090 shares

Note: The “Number of treasury stock at the end of fiscal year” includes the Company’s stock owned by the Employee Stock Ownership Plan Trust (the “ESOP Trust”) account (610,400 shares as of December 31, 2015 and 140,200 shares as of December 31, 2014). In addition, the Company’s stock owned by the ESOP Trust account is included in the number of treasury stock deducted from the calculation of “Average number of shares (year to date)” (87,123 shares in the first nine months ended December 31, 2015 and 232,428 shares in the first nine months ended December 31, 2014).

* 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.

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1. Qualitative Information on the Consolidated Operating Results for the Nine Months Ended December 31, 2015

(1) Explanation of Operating Results

During the first nine months of the current consolidated fiscal year, the Japanese economy remained on a gradual recovery trend as capital expenditure such as public investment held steady while consumer spending remained flat. Overseas, the Chinese economy continued to slow down while the U.S. economy remained robust.

In the automobile industry, recovery from the drop in sales due to the impact of the light vehicle tax hike was slow, and vehicle production decreased. In the overseas market, while demand was weak in Southeast Asian countries such as Thailand as well as emerging countries, it remained robust in North America.

In the electronic equipment industry, although demand for hard disc drives, tablet terminals and digital cameras decreased, demand for smartphones increased.

In the office machine industry, demand for printers decreased, but was robust for copiers.

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

In the seal business, sales to automobile manufacturers increased due to increased demand in North America, the impact of favorable exchange rate fluctuations, etc., although the recovery from the drop in demand due to the impact of the light vehicle tax hike in Japan was slow. However, sales to manufacturers of general industrial machinery decreased due to a drop in demand for construction machinery in Japan and the slowdown of the Chinese economy. As a result, net sales ended at 221,569 million yen (up 0.1% year on year). Operating income totaled 23,015 million yen (down 7.0% year on year) due to increases in personnel costs overseas and in depreciation and other costs.

In the electronic device product business, sales rose on the back of increased demand for smartphones and automobiles in addition to the impact of favorable exchange rate fluctuations. As a result, net sales improved to 340,867 million yen (up 30.7% year on year). Operating income dropped to 20,689 million yen (down 9.0% year on year) due to changes in the composition of items and increases in personnel and other costs.

In the roll business, sales decreased due to a drop in demand for printers. As a result, net sales decreased to 21,515 million yen (down 5.3% year on year). Operating income was 1,164 million yen (down 36.0% year on year) due to the slump in sales and others.

In other businesses including specialty lubricants, net sales improved to 9,286 million yen (up 6.7% year on year), while operating income dropped to 663 million yen (down 1.8% year on year).

In summary, operating results for the first nine months of the current consolidated fiscal year were as follows: Net sales totaled 593,239 million yen (up 15.5% year on year); operating income dropped to 45,602 million yen (down 8.8% year on year); ordinary income decreased to 53,113 million yen (down 16.2% year on year); and profit attributable to owners of parent amounted to 33,370 million yen (down 15.7% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the first nine months of the current consolidated fiscal year stood at 753,022 million yen, a decrease of 2,062 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to the significant decrease in cash and deposits in spite of increases in inventories and property, plant and equipment.

Total liabilities decreased 11,106 million yen from March 31, 2015, to 281,223 million yen, mostly reflecting a decrease in accounts payable due to a drop in notes and accounts payable, as well as repayments of long-term loans payable.

Net assets totaled 471,799 million yen, an increase of 9,044 million yen compared with the end of the previous consolidated fiscal year, reflecting an increase in retained earnings as a result of growth in net income for the first nine-month period of the current consolidated fiscal year, as well as a decrease in foreign currency translation adjustment due to exchange rate fluctuations. Consequently, the ratio of shareholders' equity to total assets at the end of the third quarter stood at 57.4%

(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 2015, the Company has revised downward its previous forecasts for net sales due to expectations of a decrease in sales on the back of a drop in demand for smartphones, etc. since the latter half of the current third quarter. In addition, operating income, ordinary income and profit attributable to owners of parent have also been revised downward as a result of a decrease in net sales, changes in the composition of items, etc.

2. Summary (Notes) Information

- (1) Material Changes in Subsidiaries during This Period
None.

- (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 third-quarter period, and multiplying income before income taxes for the current third-quarter period by the estimated effective tax rate.

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

(Application of Revised Accounting Standard for Business Combinations and other standards)

Starting with the first three-month period of the fiscal year ending March 31, 2016, NOK has applied the “Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), the “Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013, hereinafter “Consolidation Accounting Standard”), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”) and other standards. Accordingly, the accounting method was changed to record the difference arising from changes in equity in subsidiaries that NOK continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which they occurred. In addition, regarding business combinations that became or will become effective on or after April 1, 2015, the accounting method was changed to retroactively reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated quarterly financial statements of the quarterly fiscal period in which the relevant business combinations became or will become effective. In addition, the Company has changed its expression of net income, etc., and changed “minority interests” to “non-controlling interests.” Financial statements for the first nine-month period of the previous fiscal year, as well as the entire previous fiscal year, have been reclassified to reflect these changes.

The Business Combinations Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard, and have been applied from the beginning of the first quarter of the consolidated fiscal year under review up to the future.

There is no significant impact on consolidated financial statements for the first nine-month period of the current fiscal year.

- (4) Additional Information

(Transactions that issue own shares to employees, etc. through trust)

NOK has decided to introduce an incentive plan in the form of the Employee Stock Ownership Plan Trust (the “ESOP Trust”) via resolution of the Board of Directors held on November 10, 2015. With the ESOP Trust, employee benefits are linked to financial results and stock prices so as to enhance employee motivation to further promote business execution that aims for the increase in financial results as well as to increase corporate value over the medium to long term.

- (i) Outline of the ESOP Trust

The ESOP Trust is an incentive plan designed with reference to the ESOP system in the US. Its purpose is to promote the asset formation of employees and enhance employee benefits using NOK stock.

The beneficiaries of the NOK Corporation’s ESOP Trust are members of the ESOP who satisfy certain conditions. The ESOP Trust shall, within a predefined period of time, acquire the stock scheduled for acquisition by the ESOP over the next five years from the stock market. The ESOP Trust will then sell the stock to the ESOP at a set date each month. Upon the expiration of the ESOP Trust, any profits gained by an increase in the stock price shall be distributed to the beneficiaries in proportion to their contributions. Any debts resulting from a decrease in the stock price shall be paid by NOK Corporation pursuant to the warranty clause in the loan agreement.

- (ii) The Company’s own stock that remains in the trust

NOK stock that remains in the trust has been posted as treasury stock under net assets based on its book value (excluding the amount of incidental expenses) in the trust. Book value and number of said treasury stock were 2,050 million yen and 610 thousand shares, respectively, in the third quarter of the current consolidated fiscal year.

- (iii) Book value of loans payable posted due to the application of the gross method
2,200 million yen in the third quarter of the current consolidated fiscal year.

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

(million yen)

	FY 2014 (as of March 31, 2015)	3Q FY 2015 (as of December 31, 2015)
Assets		
Current assets		
Cash and deposits	102,406	92,275
Notes and accounts receivable-trade	160,388	157,014
Inventories	80,621	89,149
Other	19,141	16,869
Allowance for doubtful accounts	(283)	(263)
Total current assets	362,275	355,044
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	86,130	82,644
Machinery, equipment and vehicles, net	85,372	95,760
Other, net	48,303	48,660
Total property, plant and equipment	219,807	227,066
Intangible assets		
Goodwill	6	—
Other	2,771	2,967
Total intangible assets	2,777	2,967
Investments and other assets		
Investments securities	137,447	137,519
Other	32,967	30,597
Allowance for doubtful accounts	(190)	(172)
Total investments and other assets	170,224	167,944
Total noncurrent assets	392,809	397,978
Total assets	755,084	753,022

(million yen)

	FY 2014 (as of March 31, 2015)	3Q FY 2015 (as of December 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	64,332	58,718
Short-term loans payable	55,095	53,903
Income taxes payable	8,352	5,464
Provision for bonuses	8,847	5,000
Provision for business structure improvement	669	62
Other	52,050	59,476
Total current liabilities	189,349	182,625
Noncurrent liabilities		
Long-term loans payable	24,162	20,856
Deferred tax liabilities	15,219	16,664
Provision for environmental measures	400	400
Net defined benefit liabilities	58,711	56,391
Other	4,486	4,284
Total noncurrent liabilities	102,980	98,598
Total liabilities	292,330	281,223
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,716	22,735
Retained earnings	302,571	325,568
Treasury stock	(374)	(2,266)
Total shareholders' equity	348,250	369,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,343	46,729
Foreign currency translation adjustment	34,253	22,681
Remeasurements of defined benefit plans	(7,952)	(6,211)
Total accumulated other comprehensive income	73,644	63,199
Non-controlling interests	40,860	39,225
Total net assets	462,754	471,799
Total liabilities and net assets	755,084	753,022

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement

(Consolidated Quarterly Income Statement)

(Nine Months Ended December 31, 2015)

(million yen)

	9 months ended December 31, 2014	9 months ended December 31, 2015
Net sales	513,511	593,239
Cost of sales	405,371	486,270
Gross profit	108,139	106,969
Selling, general and administrative expenses	58,151	61,366
Operating income	49,988	45,602
Non-operating income		
Dividends income	1,529	1,839
Equity in earnings of affiliates	4,259	4,917
Foreign exchange gains	7,702	390
Other	2,403	2,696
Total non-operating income	15,894	9,843
Non-operating expenses		
Interest expenses	2,180	1,766
Other	341	566
Total non-operating expenses	2,522	2,332
Ordinary income	63,361	53,113
Extraordinary income		
Gain on sales of noncurrent assets	223	151
Gain on step acquisitions	364	150
Settlement received	–	149
Other	132	86
Total extraordinary income	720	537
Extraordinary loss		
Loss on retirement of noncurrent assets	567	570
Product compensation costs	1,000	1,033
Loss on sale of investments in capital	–	824
Other	86	622
Total extraordinary loss	1,654	3,050
Income before income taxes and minority interests	62,427	50,600
Income taxes	18,692	13,792
Net income	43,735	36,807
Profit attributable to non-controlling interests	4,159	3,436
Profit attributable to owners of parent	39,575	33,370

(Consolidated Quarterly Comprehensive Income Statement)
(Nine Months Ended December 31, 2015)

(million yen)

	9 months ended December 31, 2014	9 months ended December 31, 2015
Net income	43,735	36,807
Other comprehensive income		
Valuation difference on available-for-sale securities	10,793	(577)
Foreign currency translation adjustment	23,256	(12,299)
Remeasurements of defined benefit plans	1,643	1,681
Share of other comprehensive income of associates accounted for using equity method	2,272	(1,287)
Total other comprehensive income	37,966	(12,483)
Comprehensive income	81,701	24,324
(Detail)		
Comprehensive income attributable to owners of parent	74,424	22,925
Comprehensive income attributable to non-controlling interests	7,276	1,398

- (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 Nine Months Ended December 31, 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	221,241	260,844	22,719	8,707	513,511	–	513,511
Inter-segment sales/transfers	2,162	5	–	256	2,424	[2,424]	–
Total	223,403	260,849	22,719	8,963	515,936	[2,424]	513,511
Segment income	24,740	22,747	1,820	675	49,984	4	49,988

Notes: 1. The amount of 4 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.

II Nine Months Ended December 31, 2015

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	221,569	340,867	21,515	9,286	593,239	–	593,239
Inter-segment sales/transfers	2,325	38	–	216	2,579	[2,579]	–
Total	223,895	340,905	21,515	9,502	595,819	[2,579]	593,239
Segment income	23,015	20,689	1,164	663	45,533	69	45,602

Notes: 1. The amount of 69 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.