



February 3, 2006

# Consolidated Operating Results and Financial Position for the 3rd Quarter of Fiscal Year 2005 ending March 31, 2006

Name of Listed Company: NOK Corporation  
( URL <http://www.nok.co.jp> )

Securities Code Number: 7240  
Shares Listing: Tokyo (1st Section)

Representative: President, Masato Tsuru  
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## 1. Notes on the preparation of the quarterly financial statements

- 1) Application of simplified accounting method: Yes  
Accounting for income taxes is based on the projected annual tax rates, which are calculated from the normal effective statutory tax rates.
- 2) Changes in accounting principles (consolidated): No
- 3) Change in scope of consolidation and application of the equity method: Yes  
Consolidation      Companies added: 4  
Equity Method      Companies removed: 2

## 2. Summary of Consolidated Operating Results and Financial Position

for the 3rd Quarter of Fiscal Year 2005 ending March 31, 2006 ( April 1, 2005 to December 31, 2005 )

### (1) Consolidated Operating Results

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

	Sales		Operating Income		Ordinary Profit	
	million yen	%	million yen	%	million yen	%
3rd Quarter of FY 2005	331,896	8.9	32,772	(17.1)	36,191	(12.9)
3rd Quarter of FY 2004	304,645	16.1	39,524	21.3	41,545	22.3
(Reference) FY 2004	407,041		48,770		51,389	

	Net Income		Net Income per Share		Diluted Net Income per Share	
	million yen	%	yen		yen	
3rd Quarter of FY 2005	21,107	(32.5)	122.07		-	
3rd Quarter of FY 2004	31,267	58.1	180.81		-	
(Reference) FY 2004	37,414		214.94		-	

Note: Percentage figures shown for sales, operating income and ordinary profit represent changes from the corresponding period in the previous fiscal year.

### (2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	million yen	million yen	%	yen
3rd Quarter of FY 2005	453,262	214,253	47.3	1,239.04
3rd Quarter of FY 2004	396,546	177,129	44.7	1,024.29
(Reference) FY 2004	417,617	181,277	43.4	1,046.90

### Consolidated Cash Flow Status

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of the Term
	million yen	million yen	million yen	million yen
3rd Quarter of FY 2005	39,743	-31,692	-6,109	45,607
3rd Quarter of FY 2004	33,165	-32,293	968	31,365
(Reference) FY 2004	56,561	-48,142	4,042	41,519

### (Reference) Projections of Consolidated Business Performance for FY 2005 ( April 1, 2005 to March 31, 2006 )

\* Currently, there is no revision to the earnings forecast released on November 15, 2005.

## **Consolidated Operating Results and Financial Position** **for the 1st through 3rd Quarters of Fiscal Year 2005, ending March 31, 2006**

### **Operating Results**

For the first through third quarters of fiscal year 2005, consolidated sales amounted to 331,896 million yen (an increase of 8.9% y/y), operating income was 32,772 million yen (a decrease of 17.1% y/y), ordinary profit was 36,191 million yen (a decrease of 12.9%), and net income reached 21,107 million yen (a decrease of 32.5% y/y).

#### **Business segment performance**

Sales and operating income in the seal products business amounted to 147,619 million yen (an increase of 4.8% y/y) and 11,411 million yen (a decrease of 16.7% y/y), respectively. Strong car production pushed up sales of core products, such as oil seals; however, the steep rise in the cost of raw materials and the increase in cost incurred due to quality requirements had an adverse impact on operating income.

Sales and operating income of flexible boards amounted to 112,592 million yen (an increase of 2.7% y/y) and 18,344 million yen (a decrease of 17.7% y/y), respectively. A robust market for PC-related equipment led to the increase in overseas sales of flexible boards used in hard-disk drives (HDD), which more than offset the decrease in domestic sales of flexible boards used in cellular phones, digital cameras, etc. The decrease in operating income was attributable to a fall in domestic sales.

Sales and operating income in the other products business amounted to 71,684 million yen (an increase of 32.3% y/y) and 3,059 million yen (a decrease of 12.6% y/y), respectively. The main factors driving this sales increase were the inclusion of NITTO KOGYO CORPORATION as a consolidated subsidiary and an increase in sales, particularly in the automobile industry. The decrease in operating income was primarily attributable to the rise in the cost of raw materials.

### **Financial Position**

During the third quarter, total assets reached 453,262 million yen, an increase of 35,644 million yen from the previous fiscal year-end. This was primarily attributed to an appreciation in the market value of investment and other assets as well as a rise in tangible fixed assets resulting from aggressive equipment investment, especially in the seal and flexible board business categories. Total shareholders' equity amounted to 214,253 million yen, an increase of 32,976 million yen, and shareholders' equity ratio was up 3.9 percentage points, to 47.3%, from the previous fiscal year-end.

With regard to cash flow conditions, net cash flows from operating activities reached 39,743 million yen, which was primarily attributable to a decrease in income taxes paid but partially offset by a decrease in net income before taxes and an increase in accounts receivable. Cash flows from investing activities ended up a negative 31,692 million yen owing to some payments that included the purchase of tangible fixed assets. Cash flows from financing activities amounted to a negative 6,109 million yen largely due to the reduction in interest-bearing debts, primarily in short-term borrowings, but partially offset by the new drawdown of long-term borrowings.

As a consequence, cash and cash equivalents at end of the term increased 4,087 million yen from the previous fiscal year-end, to 45,607 million yen.

Attachment

1. Consolidated Balance Sheets (Summary)

(in million yen)

Item	Term	3rd Quarter of FY 2005 (as of December 31, 2005)		FY 2004 (as of March 31, 2005)		Increase/ (decrease) Amount	(Reference) 3rd Q of FY 2004 (as of December 31, 2004)	
		Amount	%	Amount	%		Amount	%
<b>(Assets)</b>			%		%			%
<u>Current assets</u>		205,465	45.3	194,437	46.6	11,027	183,801	46.4
Cash and deposits		49,324		44,563		4,760	34,798	
Notes and accounts receivable		100,497		94,097		6,399	95,604	
Inventories		37,503		35,088		2,414	33,020	
Others		18,139		20,687		(2,547)	20,379	
<u>Fixed assets</u>		247,796	54.7	223,179	53.4	24,616	212,744	53.6
Tangible fixed assets		145,365		131,179		14,186	124,279	
Intangible fixed assets		7,519		8,496		(976)	3,156	
Investment and other assets		94,911		83,504		11,407	85,307	
<b>Total Assets</b>		<b>453,262</b>	<b>100.0</b>	<b>417,617</b>	<b>100.0</b>	<b>35,644</b>	<b>396,546</b>	<b>100.0</b>
<b>(Liabilities)</b>								
<u>Current liabilities</u>		143,715	31.7	145,935	34.9	(2,220)	138,133	34.8
Note payable and accounts payable		53,434		51,651		1,782	46,636	
Short-term borrowings		35,170		38,220		(3,050)	35,451	
Others		55,110		56,063		(952)	56,045	
<u>Fixed liabilities</u>		78,126	17.2	75,478	18.1	2,647	67,057	16.9
Long-term borrowings		18,450		17,331		1,119	10,580	
Reserve for retirement benefit		52,833		54,289		(1,455)	53,059	
Others		6,841		3,858		2,983	3,417	
<b>Total Liabilities</b>		<b>221,841</b>	<b>48.9</b>	<b>221,414</b>	<b>53.0</b>	<b>427</b>	<b>205,191</b>	<b>51.7</b>
<b>Minority Interests</b>		<b>17,167</b>	<b>3.8</b>	<b>14,926</b>	<b>3.6</b>	<b>2,240</b>	<b>14,225</b>	<b>3.6</b>
<b>(Shareholders' Equity)</b>								
Common stock		23,335	5.2	23,335	5.6	-	23,335	5.9
Additional paid-in capital		22,393	4.9	22,393	5.4	-	22,393	5.6
Earned surplus		145,835	32.2	127,809	30.6	18,025	121,614	30.7
Net unrealized gain on other securities		26,182	5.8	16,062	3.8	10,119	16,246	4.1
Valuation variance of foreign exchange		(3,265)	(0.7)	(8,099)	(1.9)	4,833	(6,270)	(1.6)
Treasury stock		(227)	(0.1)	(225)	(0.1)	(1)	(191)	(0.0)
<b>Total Shareholders' Equity</b>		<b>214,253</b>	<b>47.3</b>	<b>181,277</b>	<b>43.4</b>	<b>32,976</b>	<b>177,129</b>	<b>44.7</b>
<b>Total Liabilities, Minority Shareholders' Interest and Shareholders' Equity</b>		<b>453,262</b>	<b>100.0</b>	<b>417,617</b>	<b>100.0</b>	<b>35,644</b>	<b>396,546</b>	<b>100.0</b>

## 2. Consolidated Profit and Loss Statements (Summary)

( in million yen )

Item	Term	1st through 3rd Quarters of FY 2005 (April 1, 2005 to December 31, 2005)		1st through 3rd Quarters of FY 2004 (April 1, 2004 to December 31, 2004)		Change Amount	(Reference) FY 2004 (April 1, 2004 to March 31, 2005)	
		Amount	% on Sales	Amount	% on Sales		Amount	% on Sales
( Ordinary profit/loss )			%		%			%
<u>Operating profit/loss</u>								
Sales		331,896	100.0	304,645	100.0	27,250	407,041	100.0
Cost of sales		252,817	76.2	224,191	73.6	28,625	303,535	74.6
Selling, general and administrative expenses		46,306	13.9	40,929	13.4	5,377	54,734	13.4
Operating income		32,772	9.9	39,524	13.0	(6,752)	48,770	12.0
<u>Non-operating profit/loss</u>								
<u>Non-operating profit</u>		5,423		3,886		1,536	5,505	
Interests and dividends received		841		660		181	808	
Investment gains on equity method		2,244		2,120		123	2,867	
Others		2,337		1,105		1,232	1,829	
<u>Non-operating expenses</u>		2,004		1,865		138	2,886	
Interests paid		1,226		1,060		165	1,413	
Others		778		805		(26)	1,472	
Ordinary profit		36,191	10.9	41,545	13.6	(5,354)	51,389	12.6
(Extraordinary profit/loss)								
Extraordinary profit		1,147		10,955		(9,808)	11,328	
Gain on sales of fixed assets		559		45		514	323	
Gain on return of proxy portion of employees' pension fund		-		10,811		(10,811)	10,811	
Others		588		99		488	193	
Extraordinary loss		802		5,958		(5,155)	6,380	
Loss on disposal of fixed assets		661		809		(147)	1,843	
Provisions for reserve for reorganization of production systems		-		3,600		(3,600)	2,550	
Depreciation of software		-		863		(863)	864	
Loss on impairment		10		298		(288)	320	
Others		131		386		(255)	801	
Current net income and before income taxes (quarterly)		36,536	11.0	46,543	15.3	(10,006)	56,337	13.8
Income taxes-current		12,940		12,960		(20)	15,942	
Minority interests		2,488		2,315		173	2,980	
Net income		21,107	6.4	31,267	10.3	(10,159)	37,414	9.2

### 3. Consolidated Statements of Cash Flows (Summary)

Item	Term	1st through 3rd Quarters of FY 2005 (April 1, 2005 to December 31, 2005)	1st through 3rd Quarters of FY 2004 (April 1, 2004 to December 31, 2004)	( in million yen ) (Reference) FY 2004 (April 1, 2004 to March 31, 2005)
		Amount	Amount	Amount
<b>I. Cash flows from operating activities:</b>				
Current net income and brief income taxes (quarterly)		36,536	46,543	56,337
Depreciation expense		17,987	16,160	22,529
Increase (decrease) in accounts receivable		(6,115)	(3,758)	3,570
Increase in inventories		(1,499)	(2,069)	(2,472)
Decrease in accounts payable		(2,232)	(1,565)	(3,084)
Others		(1,782)	(2,362)	4,208
Subtotal		42,893	52,948	81,088
Income taxes paid		(2,787)	(19,252)	(23,839)
Others		(362)	(530)	(687)
<b>Net cash flows from operating activities</b>		<b>39,743</b>	<b>33,165</b>	<b>56,561</b>
<b>II. Cash flows from investing activities:</b>				
Purchase of investment securities		(728)	(952)	(1,037)
Payments for tangible fixed assets		(33,246)	(29,768)	(41,221)
Proceeds from sale of tangible fixed assets		2,376	771	1,772
Others		(93)	(2,344)	(7,654)
<b>Net cash flows from investing activities</b>		<b>(31,692)</b>	<b>(32,293)</b>	<b>(48,142)</b>
<b>III. Cash flows from financing activities:</b>				
Proceeds from short-term borrowings		11,817	28,446	33,090
Repayment of short-term borrowings		(15,664)	(18,778)	(28,676)
Proceeds from long-term borrowings		10,045	2,321	12,839
Repayment of long-term borrowings		(9,179)	(7,833)	(9,997)
Dividends paid by the Company		(2,684)	2,766	(2,766)
Others		(444)	(422)	(447)
<b>Net cash flows from financing activities</b>		<b>(6,109)</b>	<b>968</b>	<b>4,042</b>
<b>IV. Adjustment on foreign currency translation of cash and cash equivalents</b>		<b>967</b>	<b>227</b>	<b>(239)</b>
<b>V. Net change in cash and cash equivalents</b>		<b>2,909</b>	<b>2,067</b>	<b>12,222</b>
<b>VI. Cash and cash equivalents at beginning of the term</b>		<b>41,519</b>	<b>28,545</b>	<b>28,545</b>
<b>VII. Increase in cash and cash equivalents due to change in the scope of consolidation</b>		<b>1,178</b>	<b>751</b>	<b>751</b>
<b>VIII. Cash and cash equivalents at end of the term</b>		<b>45,607</b>	<b>31,365</b>	<b>41,519</b>

Note: Cash and cash equivalents at end of the term as listed above and the balance listed on the consolidated balance sheets (summary)

Item	3rd Quarter of FY 2005	3rd Quarter of FY 2004	( in million yen ) FY 2004
Cash and deposits	49,324	34,798	44,563
Time deposits more than three months	(3,716)	(3,433)	(3,043)
Total	45,607	31,365	41,519

## 4. Segment Information

### (1) Segment information by business category

1st through 3rd Quarters of FY 2005 (April 1, 2005 to December 31, 2005)

(in million yen)

	Seal products	Flexible boards	Other products	Total	Eliminations/Corporate	Consolidated
Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	147,619	112,592	71,684	331,896	-	331,896
(2) Intersegment sales/transfer	701	19	4,753	5,474	(5,474)	-
Total	148,321	112,611	76,437	337,371	(5,474)	331,896
Operating expenses	136,909	94,267	73,378	304,556	(5,432)	299,123
Operating income	11,411	18,344	3,059	32,815	(42)	32,772

1st through 3rd Quarters of FY 2004 (April 1, 2004 to December 31, 2004)

(in million yen)

	Seal products	Flexible boards	Other products	Total	Eliminations/Corporate	Consolidated
Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	140,794	109,653	54,197	304,645	-	304,645
(2) Intersegment sales/transfer	98	4	4,334	4,437	(4,437)	-
Total	140,892	109,658	58,532	309,083	(4,437)	304,645
Operating expenses	127,190	87,380	55,033	269,603	(4,482)	265,121
Operating income	13,702	22,278	3,499	39,479	44	39,524

Fiscal 2004 (April 1, 2004 to March 31, 2005)

(in million yen)

	Seal products	Flexible boards	Other products	Total	Eliminations/Corporate	Consolidated
Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	189,166	145,265	72,609	407,041	-	407,041
(2) Intersegment sales/transfer	132	7	5,803	5,943	(5,943)	-
Total	189,299	145,272	78,413	412,985	(5,943)	407,041
Operating expenses	172,627	117,083	74,484	364,195	(5,924)	358,270
Operating income	16,671	28,189	3,928	48,789	(18)	48,770

Notes: Main products of respective business categories

Business category	Main products
Seal products	Oil seals, O-rings, vibration controls, resin products and gaskets
Flexible boards	Flexible printed circuits
Other products	Rubber products for office machines and equipment, chemical products, special lubricants and mechanical face seals

**(2) Segment information by location**

1st through 3rd Quarters of FY 2005 (April 1, 2005 to December 31, 2005)

(in million yen)

	Japan	Asia	Other areas	Total	Eliminations/ Corporate	Consolidated
Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	227,817	91,888	12,189	331,896	-	331,896
(2) Intersegment sales/transfer	23,030	10,439	410	33,881	(33,881)	-
Total	250,848	102,328	12,600	365,777	(33,881)	331,896
Operating expenses	233,211	87,881	12,470	333,563	(34,439)	299,123
Operating income	17,636	14,447	129	32,213	558	32,772

1st through 3rd Quarters of FY 2004 (April 1, 2004 to December 31, 2004)

(in million yen)

	Japan	Asia	Other areas	Total	Eliminations/ Corporate	Consolidated
Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	223,581	71,955	9,108	304,645	-	304,645
(2) Intersegment sales/transfer	19,777	8,729	555	29,063	(29,063)	-
Total	243,359	80,685	9,663	333,709	(29,063)	304,645
Operating expenses	215,490	69,465	9,752	294,708	(29,587)	265,121
Operating income (loss)	27,869	11,219	(88)	39,000	524	39,524

Fiscal 2004 (April 1, 2004 to March 31, 2005)

(in million yen)

	Japan	Asia	Other areas	Total	Eliminations/ Corporate	Consolidated
Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	295,037	99,568	12,435	407,041	-	407,041
(2) Intersegment sales/transfer	26,774	11,591	685	39,050	(39,050)	-
Total	321,811	111,159	13,120	446,091	(39,050)	407,041
Operating expenses	289,539	95,070	13,267	397,877	(39,606)	358,270
Operating income (loss)	32,272	16,089	(147)	48,214	556	48,770

Notes:

1. Countries and areas are grouped by geographical proximity.
2. Principal countries and areas belonging to the above segments except Japan are as follows:
  - 1) Asia: Singapore, Thailand, Taiwan and China
  - 2) Other areas: The United States and Germany

**(3) Overseas sales**

(in million yen)

Term		Asia	Other areas	Total
1st through 3rd Quarters of FY 2005 (April 1, 2005 to December 31, 2005)	I. Overseas sales	93,587	18,505	112,092
	II. Consolidated sales			331,896
	III. Percentage of overseas sales in consolidated sales	28.2%	5.6%	33.8%

(in million yen)

Term		Asia	Other areas	Total
1st through 3rd Quarters of FY 2004 (April 1, 2004 to December 31, 2004)	I. Overseas sales	73,305	15,792	89,097
	II. Consolidated sales			304,645
	III. Percentage of overseas sales in consolidated sales	24.0%	5.2%	29.2%

(in million yen)

Term		Asia	Other areas	Total
Fiscal 2004 (April 1, 2004 to March 31, 2005)	I. Overseas sales	102,275	21,998	124,273
	II. Consolidated sales			407,041
	III. Percentage of overseas sales in consolidated sales	25.1%	5.4%	30.5%

Notes:

1. Countries and areas are grouped by geographical proximity.
2. Principal countries and areas belonging to the above segments except Japan are as follows:
  - 1) Asia: Singapore, Thailand, Taiwan and China
  - 2) Other areas: The United States and Germany
3. Overseas sales represent sales by the Company and its consolidated subsidiaries in countries or areas other than Japan.