

## Consolidated Financial Summary For the Six Months Ended September 30, 2006

November 14, 2006

Name of Listed Company: NOK Corporation

Stock Code Number: 7240

(URL <http://www.nok.co.jp>)

Representative: Masato Tsuru, President

Contact Person: Toshio Tominaga, General Manager, Planning Dept. TEL (03) 3434-1736

Listed exchanges: Tokyo

Location of Head Office: Tokyo

Date of Board Meeting approving financial results for the first-half of FY 2006: November 14, 2006

Adoption of U.S. Accounting Standards: Not applicable

### 1. Consolidated financial results for the first half of FY 2006 (April 1, 2006 to September 30, 2006)

#### (1) Consolidated Operating Results (Fractions rounded down to the nearest million yen)

	Sales		Operating Income		Ordinary Profit	
	million yen	%	million yen	%	million yen	%
1st half of FY 2006	231,972	6.9	20,913	(4.2)	23,139	(2.4)
1st half of FY 2005	216,978	7.1	21,830	(19.4)	23,712	(17.2)
FY 2005	450,630		45,258		51,389	

	Net Income		Net Income per Share	Diluted Net Income per Share
	million yen	%	yen	yen
1st half of FY 2006	13,079	(3.8)	75.63	–
1st half of FY 2005	13,597	(28.9)	78.64	–
FY 2005	29,445		168.37	–

Notes: 1. Equity in earnings of affiliated companies: ¥1,705 million in 1st half of FY 2006; ¥1,602 million in 1st half of FY 2005; ¥2,994 million in FY 2005

2. Average outstanding shares (consolidated): 172,932,283 in 1st half of FY 2006; 172,920,294 in 1st half of FY 2005; 172,920,031 in FY 2005

3. Change in accounting policies: No

4. Percentages shown in sales, operating income, ordinary profit and net income in tables above are percentages of change from comparable term of previous year.

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share
	million yen	million yen	%	yen
1st half of FY 2006	479,520	259,463	50.0	1,387.32
1st half of FY 2005	438,005	202,697	46.3	1,172.20
March 31, 2006	471,015	228,297	48.5	1,318.35

Note: Outstanding shares (consolidated): 172,945,269 in 1st half of FY 2006; 172,920,033 in 1st half of FY 2005; 172,917,798 in 1st half of FY 2006

#### (3) Consolidated Cash Flow Status

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of the term
	million yen	million yen	million yen	million yen
1st half of FY 2006	21,060	(18,875)	(4,613)	42,303
1st half of FY 2005	23,178	(21,079)	(2,934)	42,614
FY 2005	52,610	(43,170)	10,270	44,081

#### (4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 90

Number of non-consolidated subsidiaries accounted for under equity method: 6

Number of affiliates accounted for under equity method: 21

#### (5) Change in Scope of Consolidation and Equity Method

Consolidated subsidiaries: (addition) 2, (exclusion) 3

Affiliates accounted for under equity method: (addition) 1

### 2. Projection for Consolidated FY 2006 (April 1, 2006 to March 31, 2007)

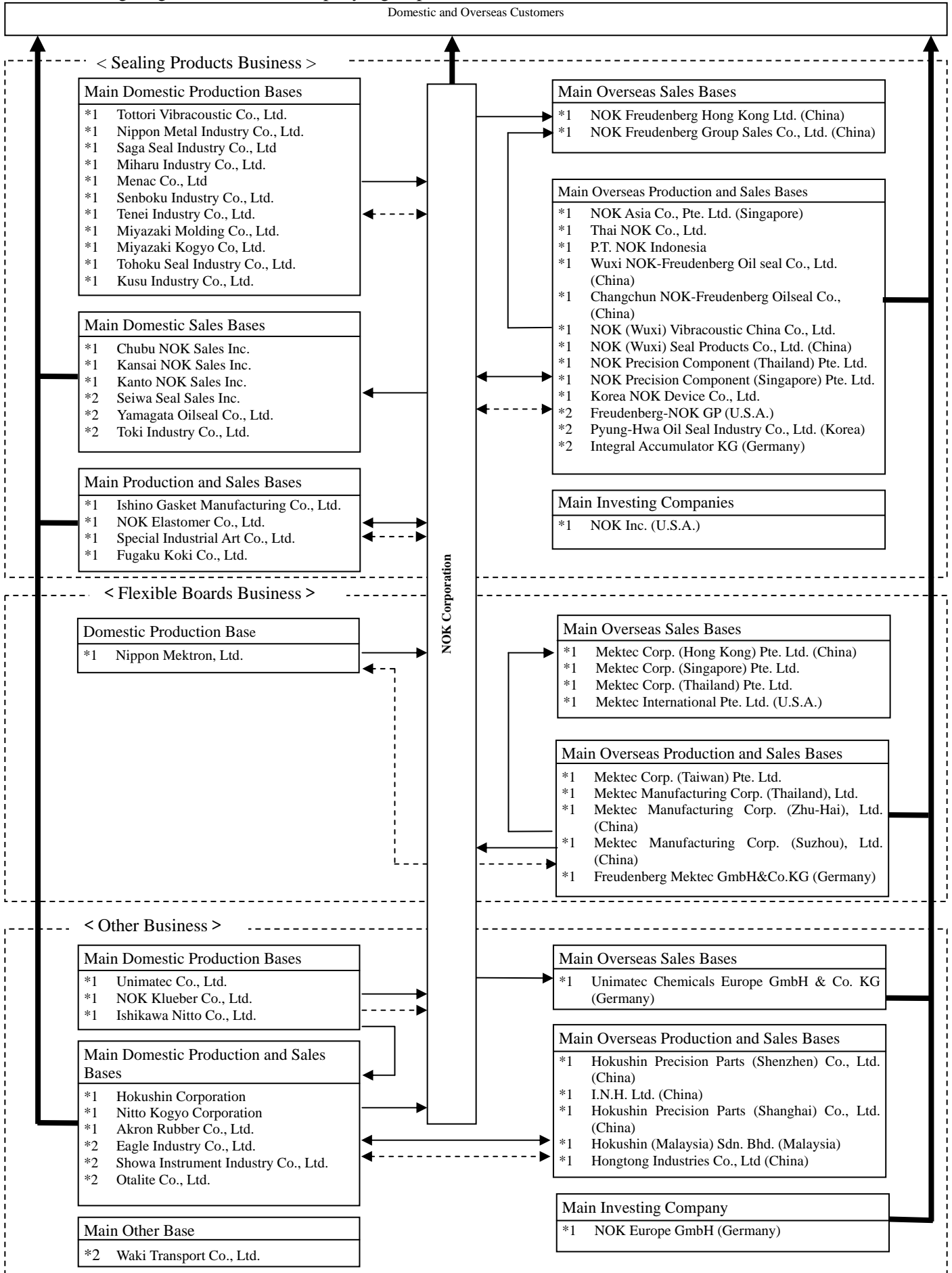
	Sales	Ordinary Profit	Net Income
	million yen	million yen	million yen
Annual	477,000	46,500	26,500

(Reference) Forecasted net income per share (annual): 153.23 yen

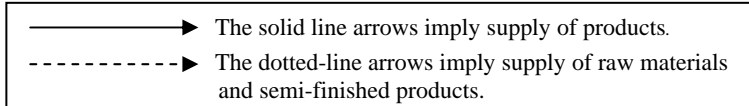
\* Projections shown above are calculated based on the latest data available. Actual business results may differ significantly from those projections depending on various unforeseen factors. For further information about FY 2006 projections, please see page 8 of the attached information sheets.

# Group Relationship Diagram

The following diagram shows our company's group structure.



Notes:1



2. \*1: Consolidated subsidiary  
\*2: Equity method applied affiliate

# **Management Policy**

## **1. Principal Management Policy**

It is our basic concept that a firm is a common asset of its shareholders, employees, and society at large. At the same time, the goal of NOK is to become an entity in which all its stakeholders, including customers, suppliers, and financial institutions can take pride. With this aim, we are concentrating our efforts to create a vigorous corporate group of high profitability through “manufacturing and distributing unique and useful products with high technical capabilities across the world and at appropriate prices.” That is the main policy under which NOK conducts its business.

## **2. Principal Policy on Profit Sharing**

Our basic policy on profit sharing to shareholders is to maintain stable dividend payments at appropriate levels in concert with mid- to long-term corporate performance. On the other hand, internal reserves are also important factors to be considered for future business development and reinforcement of financial health. We will determine our dividends taking into consideration all such factors.

## **3. Mid- to Long-Term Management Strategies and Challenges**

Since fiscal 2004, we have been promoting our New Management Plan for mid- to long-term growth and a stable earnings basis. An outline of the plan is as follows:

- (1) The slogan: “Global & GI”
- (2) Period covered by the plan: From fiscal 2004 (ending March 2005) to fiscal 2006 (ending March 2007)
- (3) Basic policies:
  - 1) Achieving global operations, mainly by reorganizing Production Structures
  - 2) Realization of global management by applying new management indicators
  - 3) Development and optimization of human resources by streamlining back-office sections
  - 4) Product development of “GI,” next to AI, EI, seal products and FPC\*
- (4) Principal items for managerial efforts
  - 1) Establishment of global manufacturing system through reorganization of domestic operating locations and expanding overseas manufacturing bases.
  - 2) Enhancement of sales and marketing system for further global operations.
  - 3) Expansion of the third core business (GI) to stabilize management.
  - 4) Clarifying assets and profits by business category in Japan, China, and Southeast Asia, using the profit ratio to business assets.

\*AI: Automotive industry. This represents our sales to the automotive industry.

EI: Electronic equipment industry. This represents our sales of FPC (flexible printed circuits) to the electronic equipment industry.

Seal products: Oil seals, O-rings, etc.

FPC: Flexible printed circuit

GI: A general term for industries other than automotive and electronic equipment. In this document this refers mainly to the general industrial machinery industry. This represents our sales to such industries

#### **4. Policy on Lowering the Minimum Trading Unit of Shares**

One of our most critical challenges in capital policies is to promote long-term and stable shareholding by our shareholders, along with expanding the investor base. In accordance with this policy, we reduced the minimum number of shares for one trading unit from 1,000 to 100, effective February 1, 2004. Currently, we have no plans to change the number of shares in one trading unit.

#### **5. Information on the Parent Company of the Concern**

There are no corresponding matters.

#### **6. Risk Factors in Business**

NOK group's business performance and financial position are exposed to various risks at present and in the future. The following is a discussion of the main assumed risks that the NOK group may face in its business activities. In addition, the future events contained in these items are envisioned as of the end of the first half of this fiscal term (September 30, 2006).

##### **(1) Risk in Seal Products Business**

The core products of the seal products business include oil seals, O-rings, and vibration-controls. While these products are mainly sold as automotive parts to domestic automotive manufacturers etc., they are also supplied to construction machinery manufacturers, farm machinery manufacturers, and electrical home appliance manufacturers, and so forth.

The automotive industry is our biggest buyer, accounting for about 70 percent of sales in this product line, and sales performance is subject to the trends in production and sales activities in this industry. The automobile industry, including the automotive parts industry, has experienced a further shift towards global production, intensified sales competition, alliances, the resulting restructuring on a global basis, and efforts to reduce procurement costs. In addition, domestic automotive manufacturers have accelerated the shift to overseas production.

Under these circumstances, automotive parts suppliers, including the NOK group, have increasingly received requests from the automotive industry, seeking drastic cost reduction, technological innovation, and global response, not to mention improvements in quality and strict observance of delivery times. Consequently, the NOK group may be adversely affected by these trends in the future.

Moreover, while oil seal products, one of our core products, are used for the internal-combustion engines, battery-driven electric vehicles are being developed in recent years. Although it seems unlikely that electric-powered vehicles will become widespread in the near future, the NOK group is undertaking research and development efforts on new products to equip electric-powered vehicles on the assumption that they will become more common in the future. However, at this time, it is difficult to foresee the influence of battery-driven electric vehicles on the future business results of the NOK group.

##### **(2) Risks in Flexible Printed Circuit Business**

The core products of this business are circuit boards, known as flexible printed circuits (FPC), which have excellent flexibility and are used in various electronic devices, such as cellular phones, hard disc drives (HDD), and optical pickups. The NOK group is undertaking this business, both in domestic and overseas markets, through our manufacturing subsidiary, Nippon Mektron, Ltd.

In recent years, the business volume of this area has been expanding due to brisk demand for various types of electronic devices, reflecting the introduction of new information technologies and the spread and upgrade of digital equipment on a global basis. In such a business climate, the NOK group has a policy to make timely investments as required. We believe that this business

will continue to contribute to our business performance.

However, given that the products in this business are characterized by short lifecycles and rapid technical innovation, and business performance tends to fluctuate significantly subject to trends in the supply-demand relationship, this field could also incur an adverse effect on the business performance of the NOK group. For the purpose of providing more flexible services and higher quality products, the FPC sales division for electronics equipment, currently under our organization, will be succeeded by Nippon Mektron, Ltd. on October 1, 2006. In addition, as South Korean and Taiwan manufacturers are gaining market shares in this business field through the improvement of technical levels and the expansion of production capacity, such tough competition may have a major impact on the business results of the NOK group.

### (3) Risks in Other Business

The NOK group has been engaged in the production and sales of special lubricants, chemical products, and mechanical face seals as another business category. We believe it important to develop the third core business next to seal products and flexible printed circuit businesses with an eye to ensuring a stable business base.

In the meantime, we acquired HOKUSHIN CORPORATION in March 2004, which have a business base centering on the production of rubber products for the office equipment market, and NITTO KOGYO CORPORATION in March 2005. Those two companies will merge on April 1, 2007, to further strengthen their competitive edge. While we will make efforts to take advantage of both subsidiaries' business base in the market to achieve synergy effects, there is no guarantee that such new business will develop as scheduled.

### (4) Risk in Production Structure

As a parts manufacturing company, the NOK group has established a production structure in line with our basic policy of keeping pace with domestic customers' shift to overseas production.

In the seal products business, approximately 90% is domestically manufactured by NOK, our manufacturing subsidiaries and business partners without capital ties while the remaining portions are manufactured in Southeast Asia, China, and other overseas regions. In addition, production activities in Europe and the United States are made by joint venture corporations, which are affiliated companies accounted for by the equity method.

In flexible printed circuit business, approximately 40% is domestically manufactured at three plants of Nippon Mektron, Ltd., and the remaining 60% is produced at overseas subsidiaries (located in Thailand, Taiwan, China, and Germany).

In recent years, the overseas production ratio of the NOK group has shown a tendency to go up in accordance with customers' shift to overseas production. In the future, we plan to raise the overseas production ratio further with a focus on production expansion in the seal business in the Asian area, in line with domestic automotive manufacturers' shift to overseas production. A further expansion of overseas production is also expected in the flexible printed circuit business. In light of this, the business results of the NOK group will become vulnerable to foreign exchange fluctuations and business situations of each country where NOK deploys its production facilities.

### (5) Risk in business relationship with Freudenberg & Co.

NOK has maintained capital and technical alliances with Freudenberg & Co. ("Freudenberg") since 1960. Freudenberg has its main office in Weinheim, Germany, and engages in the manufacture and sale of seal products, vibration-controls, non-woven fabrics, special lubricants, and other products. NOK entered into an alliance with Freudenberg in 1960, as at that time NOK was convinced of the need to introduce the advanced technology held by Freudenberg when sealing

agents were changing from natural rubber to synthetic rubber in the Japanese market. Up to the present time, NOK has built up an equal and collaborative relationship with Freudenberg to promote technology exchanges.

The NOK group and Freudenberg (including its group companies) are also cooperating with a focus on seal products business in the form of several joint venture companies, such as Freudenberg-NOK GP and Freudenberg Technical Products LP. Moreover, the NOK group and Freudenberg have a joint global production and sales structure in order to respond to the accelerated shifts in global production by automotive manufacturers. Based on the joint venture agreements, the NOK group demonstrates its initiative in Japan and Southeast Asia regions, Freudenberg exercises leadership in Europe and U.S. regions, and both groups are making concerted efforts in the China and India regions. In this way, Freudenberg (including its group companies) plays an important role as a partner for the NOK group's business activities.

Currently, Freudenberg is the largest stockholder, holding 22.3% of outstanding and issued shares of NOK through Freudenberg Beteiligungs GmbH, Freudenberg's investment company, continuing the NOK group's relationship with Freudenberg begun with the first alliance agreement concluded in 1960. We believe that both groups will continue to develop their stable relationship in the future. However, any change in business alliances or any strategic shift by Freudenberg may have a significant impact on the business results of the NOK group.

## **Operating Results and Financial Conditions**

### **1. Summary of Operating Results for the First Half of FY 2006**

During the first half of fiscal year 2006, the Japanese economy continued its upward trend favored by the weak yen, especially in increased private capital investments and personal consumption. On the other hand, overseas economies also showed consistent growth, especially in the U.S.

Under these circumstances, domestic automobile manufacturers, the main customers of our group, witnessed increased production for exports, reflecting the strong growth in sales of Japanese cars in the overseas market, while the growth in production for domestic market decelerated.

In the electronics industry, PC-related equipment including hard disk drives developed favorably, especially in overseas sales. In the domestic market, cellular phone manufacturers increased sales of new products in preparation for the introduction of mobile number portability services.

We have now ended the first half of the final year of our 3-Year Management Plan. (For details, see section 3 in the aforementioned "Management Plan," above.) This plan was started with the aim of building a base for mid- to long-term stable growth for our Group, under the slogan of establishing "GLOBAL & GI."

"GLOBAL" represents the expansion of overseas production and operation bases in response to our customers' needs that are growing globally.

"GI" stands for "general industry (general industrial machinery industry)." We focus on stabilization of our management by expanding sales to this industry and reinforcing other businesses.

Overseas sales for the first half of fiscal 2006 accounted for 38.0% of total sales, an increase of 4.5 points on a year-on-year basis.

Sales for GI, mainly the rubber products for office equipment stood at 59,568 million yen (an increase of 4.0% y/y).

As a result of the business activities mentioned above, consolidated sales in the first half of fiscal 2006 totaled 231,972 million yen (an increase of 6.9% y/y). Accordingly, consolidated ordinary profit and net income were 23,139 million yen (a decrease of 2.4% y/y), and 13,079 million yen (a decrease of 3.8% y/y), respectively.

### **Performance by business category**

#### **[Seal Products Business]**

Sales of seal products business amounted to 103,131 million yen (an increase of 6.8% y/y), reflecting the expansion of sales of core products including oil seals, especially for automobile and general industrial machinery manufactures. Operating income was 7,996 million yen (a decrease of 4.7% y/y) due mainly to the cost of primary materials remaining at a high level and increased expenses for quality control.

#### **[FPC Business]**

Sales of FPC business amounted to 80,191 million yen (an increase of 9.7% y/y) reflecting an increase in sales of PC-related equipment, especially for both hard disc drives and cellular phones. Operating income reduced to 11,095 million yen (a decrease of 3.5% y/y) due to the fall in product prices from intensified competition and increased expenses for quality control in Taiwan.

#### **[Other Business]**

Sales in other business amounted to 48,649 million yen (an increase of 2.9% y/y), mainly as a result of growth of products for the automotive industry while operating income was 1,805 million yen (a decrease of 10.8% y/y) on the back of the consistently high cost of primary materials.

### Performance by location

Sales and operating income in Japan amounted to 150,773 million yen (an increase of 0.5% y/y) and 12,384 million yen (an increase of 1.8% y/y), respectively, as operation results for both seal products and FPC products remained almost the same on a year-on-year basis.

Sales and operating income in Asia amounted to 72,183 million yen (an increase of 23.9% y/y) and 8,212 million yen (a decrease of 10.7% y/y), respectively. The main drivers were the increase in sales of FPC in Thailand and China, as well as an increase in the sales of seal products.

### 2. Interim Dividends

Interim dividends for the first half of fiscal 2006 were 10 yen per share.

### 3. Cash Flows

The balance of cash and cash equivalents (hereinafter, “fund”) as of the end of the first half of fiscal 2006 decreased by 1,778 million yen from the end of the previous fiscal year. Cash flow status for the first half of the consolidated fiscal 2006 is stated below:

#### [Cash flows from operating activities]

The fund generated from operating activities was 21,060 million yen (a decrease of 9.1% y/y). This is attributable to increases in income tax paid and inventories that were partially offset by an increase in notes discounted.

#### [Cash flows from investing activities]

The fund used in investing activities for the first half of fiscal 2006 amounted to 18,875 million yen (a decrease of 10.5% y/y). This was due to acquisition of tangible fixed assets, particularly investments for expansion of domestic and overseas production.

#### [Cash flows from financing activities]

The fund used in financing activities was 4,613 million yen (an increase of 57.2% y/y). While raising money through short-term borrowings for payment of income taxes, we made efforts to reduce interest-bearing debts by utilizing funds held within the Group.

The trend of cash flow indicators is as follows:

	FY 2004		FY 2005		FY 2006
	As of September 30, 2004	As of March 31, 2005	As of September 30, 2005	As of March 31, 2006	As of September 30, 2006
Capital ratio (%)	43.5	43.4	46.3	48.5	50.0
Capital ratio on market value (%)	154.3	105.8	133.4	116.4	105.1
Years to redemption of debts (years)	1.2	1.3	1.5	1.2	1.5
Interest coverage ratio	22.9	37.6	24.9	37.5	20.9

Capital ratio = Shareholders' equity / Total assets

Capital ratio on market value = Total market capitalization / Total assets

Years to redemption of debts = Interest-bearing liabilities / Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities / Interest paid

1. All indices above are calculated based on consolidated financial statements.
2. Total market capitalization is calculated on the following formula: the closing stock price on the last day of the fiscal year multiplied by the number of issued and outstanding shares as of the end of the fiscal year.
3. Cash flows are calculated from operating cash flows. Interest-bearing liabilities represent the liabilities on the consolidated balance sheet to which we pay interest.

#### **4. Outlook for the full year of fiscal 2006**

We forecast that there will be concerns that the global economy will slow down led by the decelerating U.S. economy. Reflecting such an economic environment, the recovery of the Japanese economy might lose its momentum, allowing us no premature conclusions.

Moreover, the business environment surrounding the NOK group has been increasingly tough together with accelerating market globalization as seen in the stubbornly high costs of materials and customers' demands for quality and prices.

Under these circumstances, in the final year of our current 3-year Management Plan, the NOK group will steadily advance several measures and policies to achieve our goal of "Global & GI," starting with the next mid-term Management Plan from fiscal 2007. We will continuously implement group-wide measures to improve profitability and our corporate structure by vigorously promoting sales expansion, quality improvements, and cost reduction.

The forecast for consolidated sales and ordinary profit for fiscal 2006 is 477,000 million yen (an increase of 5.9% y/y) and 46,500 million yen (a decrease of 6.9% y/y), respectively. However, we expect that net income will be 26,500 million yen (a decrease of 10.0% y/y).

The above projections include prospects calculated on the basis of the latest data available. Actual business results may differ from these projections depending on future operations and other domestic and overseas conditions, such as fluctuations in foreign exchange rates.

## Comparative Balance Sheet

(million yen)

Item	Term	1st half of this consolidated fiscal year (As of September 30, 2006)		Previous consolidated fiscal year (As of March 31, 2006)		Increase/ decrease (from March 31, 2006)	1st half of previous consolidated fiscal year (As of September 30, 2005)	
		Amount	%	Amount	%		Amount	%
<b>Assets</b>								
<b><u>Current assets:</u></b>		<b><u>213,864</u></b>	<b>44.6</b>	<b><u>213,009</u></b>	<b>45.2</b>	<b><u>854</u></b>	<b><u>200,124</u></b>	<b>45.7</b>
Cash and deposits		46,263		47,870		(1,607)	46,067	
Notes and accounts receivable		106,304		109,888		(3,584)	102,094	
Inventories		45,331		40,817		4,513	36,942	
Deferred tax assets		6,954		7,178		(224)	7,107	
Others		10,208		9,089		1,119	9,647	
Reserve for doubtful debts		(1,198)		(1,835)		636	(1,735)	
<b><u>Fixed assets:</u></b>		<b><u>265,656</u></b>	<b>55.4</b>	<b><u>258,006</u></b>	<b>54.8</b>	<b><u>7,649</u></b>	<b><u>237,880</u></b>	<b>54.3</b>
<b><u>Tangible fixed assets:</u></b>		<b><u>154,757</u></b>		<b><u>148,152</u></b>		<b><u>6,604</u></b>	<b><u>140,490</u></b>	
Buildings and structures		54,854		54,595		258	47,975	
Machinery and equipment		61,883		58,737		3,145	52,045	
Others		38,019		34,818		3,201	40,469	
<b><u>Intangible fixed assets:</u></b>		<b><u>6,857</u></b>		<b><u>7,282</u></b>		<b><u>(425)</u></b>	<b><u>7,851</u></b>	
Consolidated adjustment account		-		5,710		(5,710)	6,402	
Goodwill		4,982		-		4,982	-	
Others		1,875		1,572		302	1,448	
<b><u>Investments and other assets:</u></b>		<b><u>104,041</u></b>		<b><u>102,571</u></b>		<b><u>1,469</u></b>	<b><u>89,538</u></b>	
Investment securities		72,738		71,136		1,601	59,566	
Long-term loans		9,369		9,335		34	9,561	
Deferred tax assets		2,791		3,017		(225)	3,786	
Others		19,671		19,603		67	17,372	
Reserve for doubtful debts		(530)		(521)		(8)	(748)	
<b>Total Assets</b>		<b>479,520</b>	<b>100.0</b>	<b>471,015</b>	<b>100.0</b>	<b>8,504</b>	<b>438,005</b>	<b>100.0</b>

(million yen)

Item	Term	1st half of this consolidated fiscal year (As of September 30, 2006)		Previous consolidated fiscal year (As of March 31, 2006)		Increase/ decrease (from March 31, 2006)	1st half of previous consolidated fiscal year (As of September 30, 2005)	
		Amount	%	Amount	%		Amount	%
<b>Liabilities</b>								
<b>Current liabilities:</b>		<b>145,416</b>	<b>30.3</b>	<b>144,414</b>	<b>30.7</b>	<b>1,002</b>	<b>141,839</b>	<b>32.4</b>
Notes and accounts payable		53,525		55,536		(2,011)	51,159	
Short-term borrowings		33,797		32,491		1,306	34,921	
Accrued income taxes		9,096		9,940		(844)	7,476	
Employees' deposits		15,510		15,498		12	15,479	
Reserve for bonus payments		8,734		7,920		814	8,449	
Others		24,752		23,026		1,725	24,353	
<b>Fixed liabilities:</b>		<b>74,639</b>	<b>15.6</b>	<b>78,924</b>	<b>16.7</b>	<b>(4,284)</b>	<b>77,473</b>	<b>17.7</b>
Long-term borrowings		14,327		17,111		(2,784)	20,138	
Reserve for retirement benefits		50,971		52,144		(1,173)	53,182	
Reserve for retirement lump sum grant for directors		1,466		1,449		16	1,274	
Others		7,874		8,218		(343)	2,877	
<b>Total liabilities</b>		<b>220,056</b>	<b>45.9</b>	<b>223,338</b>	<b>47.4</b>	<b>(3,282)</b>	<b>219,313</b>	<b>50.1</b>
<b>Minority interests</b>		-	-	<b>19,379</b>	<b>4.1</b>	-	<b>15,994</b>	<b>3.6</b>
<b>Shareholders' equity</b>								
Common stock		-	-	23,335	5.0	-	23,335	5.3
Additional paid-in capital		-	-	22,393	4.7	-	22,393	5.1
Retained earnings		-	-	154,168	32.7	-	139,708	31.9
Net unrealized gain on other securities		-	-	28,159	6.0	-	22,271	5.1
Net gain on foreign exchange translation		-	-	441	0.1	-	(4,785)	(1.1)
Treasury stock		-	-	(201)	(0.0)	-	(226)	(0.0)
<b>Total shareholders' equity</b>		-	-	<b>228,297</b>	<b>48.5</b>	-	<b>202,697</b>	<b>46.3</b>
<b>Total liabilities, minority interests and shareholders' equity</b>		-	-	<b>471,015</b>	<b>100.0</b>	-	<b>438,005</b>	<b>100.0</b>
<b>(Net assets)</b>								
<b>Shareholders' equity</b>		<b>210,596</b>	<b>43.9</b>	-	-	-	-	-
Common stock		23,335		-		-	-	
Additional paid-in capital		22,451		-		-	-	
Retained earnings		165,001		-		-	-	
Treasury stock		(192)		-		-	-	
<b>Valuation and translation adjustments</b>		<b>29,333</b>	<b>6.1</b>	-	-	-	-	-
Net unrealized gain on other securities		27,575		-		-	-	
Net gain on foreign exchange translation		1,758		-		-	-	
<b>Minority interests</b>		<b>19,533</b>	<b>4.1</b>	-	-	-	-	-
<b>Total Net Assets</b>		<b>259,463</b>	<b>54.1</b>	-	-	-	-	-
<b>Total Liabilities and Net Assets</b>		<b>479,520</b>	<b>100.0</b>	-	-	-	-	-

## Comparative Profit and Loss Statement

(million yen)

Item	Term	1st half of this consolidated fiscal year (April 1, 2006 to September 30, 2006)		1st half of previous consolidated fiscal year (April 1, 2005 to September 30, 2005)		Increase/ decrease from previous consolidated interim fiscal year	Previous consolidated fiscal year (April 1, 2005 to March 31, 2006)	
		Amount	% of sales	Amount	% of sales		Amount	% of sales
Sales		231,972	100.0	216,978	100.0	14,993	450,630	100.0
Cost of sales		180,183	77.7	164,499	75.8	15,684	343,159	76.2
Selling, general and administrative expenses		30,875	13.3	30,648	14.1	226	62,212	13.8
Operating income		20,913	9.0	21,830	10.1	(916)	45,258	10.0
<b>Non-operating profit:</b>		<u>3,736</u>		<u>2,942</u>		<u>793</u>	<u>7,234</u>	
Interest and dividends received		792		264		528	1,081	
Investment gains on equity method		1,705		1,602		102	2,994	
Others		1,237		1,074		162	3,157	
<b>Non-operating expenses:</b>		<u>1,510</u>		<u>1,060</u>		<u>450</u>	<u>2,535</u>	
Interest paid		903		816		86	1,633	
Others		607		243		364	902	
Ordinary profit		23,139	10.0	23,712	10.9	(573)	49,956	11.1
<b>Extraordinary profit:</b>		<u>1,057</u>		<u>602</u>		<u>455</u>	<u>1,519</u>	
Gain on sale of fixed assets		80		543		(462)	597	
Gain on sale of investment securities		265		-		265	470	
Reversal of reserve for doubtful debts		555		-		555	144	
Others		155		58		96	307	
<b>Extraordinary loss:</b>		<u>363</u>		<u>558</u>		<u>(194)</u>	<u>1,555</u>	
Loss on disposal of fixed assets		270		432		(161)	1,092	
Others		93		126		(32)	463	
Income before income taxes		23,832	10.3	23,756	10.9	76	49,921	11.1
Income taxes - current		8,704		6,700		2,004	13,489	
Income taxes - deferred		514		1,963		(1,449)	3,470	
Minority interests		1,534		1,494		39	3,515	
<b>Net income</b>		<b>13,079</b>	<b>5.6</b>	<b>13,597</b>	<b>6.3</b>	<b>(518)</b>	<b>29,445</b>	<b>6.5</b>

## Comparative Retained Surplus Statement

(million yen)

Item	Term	1st half of previous consolidated fiscal year (April 1, 2005 to September 30, 2005)	Previous consolidated fiscal year (April 1, 2005 to March 31, 2006)
<b>Additional paid-in capital</b>			
<b>Additional paid-in capital at beginning of term</b>		<b>22,393</b>	<b>22,393</b>
<b>Additional paid-in capital at end of term</b>		<b>22,393</b>	<b>22,393</b>
<b>Retained earnings</b>			
<b>Retained earnings at beginning of term</b>		<b>127,809</b>	<b>127,809</b>
Increase in retained earnings		13,597	29,445
Net income		13,597	29,445
Decrease in retained earnings		1,698	3,087
Dividends paid		1,383	2,766
Bonuses paid to directors		315	316
Decrease due to change in the scope of consolidation of the companies accounted for under equity method		-	4
<b>Consolidated retained earnings at end of term</b>		<b>139,708</b>	<b>154,168</b>

## Consolidated Statement of Changes in Net Assets

1st half of FY 2006 (April 1, 2006 to September 30, 2006)

(million yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance at beginning of the term	23,335	22,393	154,168	(201)	199,695
Changes during the term					
Dividends from retained earnings			(2,074)		(2,074)
Bonus paid to directors from retained earnings			(269)		(269)
Net income			13,079		13,079
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		57		12	70
Increase due to change in the scope of consolidation			23		23
Increase due to change in the scope of application of equity method			86	(0)	85
Increase due to change in the scope of consolidation of companies accounted for under equity method			(11)		(11)
Net changes in Net Assets other than Shareholders' equity					
Total changes during the term	-	57	10,833	9	10,900
Balance at end of the term	23,335	22,451	165,001	(192)	210,596

	Valuation and translation adjustments			Minority interests	Total Net Assets
	Net unrealized gain on other securities	Net gain on foreign exchange translation	Total		
Balance at beginning of the term	28,159	441	28,601	19,379	247,677
Changes during the term					
Dividends from retained earnings					(2,074)
Bonus paid to directors from retained earnings					(269)
Net income					13,079
Purchase of treasury stock					(2)
Disposal of treasury stock					70
Increase due to change in the scope of consolidation					23
Increase due to change in the scope of application of equity method					85
Increase due to change in the scope of consolidation of companies accounted for under equity method					(11)
Net changes in Net Assets other than Shareholders' equity	(584)	1,316	732	154	886
Total changes during the term	(584)	1,316	732	154	11,786
Balance at end of the term	27,575	1,758	29,333	19,533	259,463

## Consolidated Cash Flow Statement

(million yen)

Item	1st half of this consolidated fiscal year (April 1, 2006 to September 30, 2006)	1st half of previous consolidated fiscal year (April 1, 2005 to September 30, 2005)	Previous consolidated fiscal year (April 1, 2005 to March 31, 2006)
	Amount	Amount	Amount
<b>[I. Cash flows from operating activities]</b>			
Income before income taxes	23,832	23,756	49,921
Depreciation and amortization	12,699	11,525	25,051
Increase (decrease) in reserve for doubtful debts	(625)	170	27
Increase in reserve for bonus payments	838	777	246
Decrease in reserve for reorganization of production systems	-	(2,550)	(2,550)
Decrease in reserve for retirement benefits	(1,153)	(1,099)	(2,151)
Interests and dividends received	(792)	(264)	(1,081)
Interest expense	903	816	1,633
Investment gains on equity method	(1,705)	(1,602)	(2,994)
Amortization of consolidated adjustment account	-	727	1,456
Amortization of goodwill	796	-	-
Gain on sale of investment securities	(265)	-	(470)
Gain on sale of fixed assets	(80)	(543)	(597)
Loss on disposal of fixed assets	270	432	1,092
Increase (decrease) in accounts receivable	(1,200)	2,031	(4,704)
Increase in inventories	(4,356)	(1,244)	(4,146)
Decrease in accounts payable	(3,784)	(3,942)	(1,152)
Increase (decrease) in notes discounted	4,902	(6,929)	(4,735)
Others	(1,273)	2,902	2,848
Bonus paid to directors	(269)	(315)	(316)
Sub Total	28,734	24,648	57,376
Interest and dividends received	1,503	473	1,727
Interest paid	(1,008)	(931)	(1,473)
Income taxes paid	(8,168)	(1,011)	(5,019)
<b>Net cash flows from operating activities</b>	<b>21,060</b>	<b>23,178</b>	<b>52,610</b>
<b>[II. Cash flows from investing activities]</b>			
Net increase (decrease) in time deposits	(202)	(360)	(597)
Net increase (decrease) in securities	-	(1,075)	(6)
Expenditure resulting from loans	(410)	(17)	(22)
Purchase of investment securities	(1,866)	(1,205)	(2,533)
Purchase of additional shares of consolidated subsidiaries	(158)	(83)	(122)
Proceeds from sale of shares of subsidiaries	1,456	-	-
Payments for acquisition of share capital	(163)	-	(322)
Proceeds from refund of share capital	-	890	1,003
Payments for purchase of tangible fixed assets	(18,306)	(21,370)	(44,986)
Proceeds from sale of tangible fixed assets	1,074	2,263	3,393
Payments for purchase of intangible fixed assets	(318)	(211)	(428)
Others	20	90	1,462
<b>Net cash flows from investing activities</b>	<b>(18,875)</b>	<b>(21,079)</b>	<b>(43,170)</b>
<b>[III. Cash flows from financing activities]</b>			
Net increase (decrease) in short-term borrowings	2,927	(4,177)	(5,898)
Proceeds from long-term borrowings	1,659	9,258	10,319
Payments for repayment of long-term borrowings	(5,788)	(6,096)	(11,976)
Proceeds from issuance of shares	-	295	908
Net of purchase and sale of treasury stock	214	(1)	(3)
Dividends paid by the Company	(2,073)	(1,383)	(2,765)
Payments of dividends to minority shareholders	(1,552)	(829)	(855)
<b>Net cash flows from financing activities</b>	<b>(4,613)</b>	<b>(2,934)</b>	<b>(10,270)</b>
<b>IV. Adjustment on foreign currency translation of cash and cash equivalents</b>	<b>582</b>	<b>750</b>	<b>2,213</b>
<b>V. Net change in cash and cash equivalents</b>	<b>(1,845)</b>	<b>(84)</b>	<b>1,383</b>
<b>VI. Cash and cash equivalents at beginning of the term</b>	<b>44,081</b>	<b>41,519</b>	<b>41,519</b>
<b>VII. Increase in cash and cash equivalents due to change in the scope of consolidation</b>	<b>67</b>	<b>1,178</b>	<b>1,178</b>
<b>VIII. Cash and cash equivalents at end of the term</b>	<b>42,303</b>	<b>42,614</b>	<b>44,081</b>

(Note) Breakdown of cash and cash equivalents at end of the respective terms

Item	1st half of this consolidated fiscal year (As of September 30, 2006)	1st half of previous consolidated fiscal year (As of September 30, 2005)	Previous consolidated fiscal year (As of March 31, 2006)
Cash and deposits	46,263	46,067	47,870
Time deposits of more than three months	(3,959)	(3,453)	(3,788)
Cash and cash equivalents at end of the term	42,303	42,614	44,081

## **Basis of Consolidated Interim Financial Statements**

### **1. Scope of consolidation**

Consolidated subsidiaries and equity method-applied companies are as follows:

- (1) Consolidated subsidiaries (90 companies)  
Nippon Mektron, Ltd. and 89 other companies
- (2) Equity method-applied non-consolidated subsidiaries (6 companies) among all non-consolidated subsidiaries (14 companies)  
Mektec Corp. Taiwan Pte. Ltd. (Jian Yi) and 5 other companies
- (3) Equity method-applied affiliates (21 companies) among all affiliates (22 companies)  
Eagle Industry Co., Ltd. and 20 other companies

### **2. Changes in the scope of consolidation and equity method**

- (1) Addition to consolidated subsidiaries: 2 companies  
NOK Group Services, Co., Ltd. and 1 other company
- (2) Exclusion of consolidated subsidiaries : 3 companies  
Valcom Co., Ltd. and 2 other companies
- (3) Addition to equity method-applied affiliates: 1 company  
Ushio Bussan Co., Ltd.

### **3. Interim closing dates of consolidated subsidiaries**

Interim closing date of 48 consolidated overseas subsidiaries is June 30.

Significant matters that occurred between the said interim closing date and the consolidated interim closing date are subject to adjustment necessary for consolidation.

### **4. Accounting policies**

- (1) Valuation and computation of securities

Other securities

- 1) Securities with market value: Market value as determined by the quoted price at the end of the interim consolidated fiscal year.  
(The difference between the carrying value and the market value is included in equity, and cost of securities sold is computed using the moving average method.)

- 2) Securities with no market value: Stated at moving average cost.

- (2) Valuation and computation of derivative transactions:

Stated at market value.

- (3) Valuation and computation of inventories

- 1) Finished goods and goods in process: Stated at cost using retail inventory method.

- 2) Materials and supplies: Stated at cost using weighted-average cost method.

- (4) Depreciation of tangible fixed assets: Declining balance method.

- (5) Depreciation of intangible fixed assets: Principally stated by straight-line method.

- (6) Accounting policies for principal allowances:

- 1) Reserve for doubtful debts: In providing mainly for bad debts, the reserve for ordinary doubtful debts is stated based on the historical rate of default. For debts where recovery is doubtful, the amount regarded as irrecoverable is stated, taking into consideration the likelihood of recovery on an individual basis.

- 2) Reserve for bonus payments: To provide for employee bonus payments, estimated bonuses are provided based on prescribed calculation methods.

- 3) Reserve for bonus payments for directors: To provide for bonus payments for directors, estimated bonuses are provided based on prescribed calculation methods.

- 4) Reserve for retirement benefits: The Company and its consolidated domestic subsidiaries make provisions for retirement benefits mainly based on projected retirement obligations and pension fund asset at the consolidated balance sheet date, and interim provisions are stated at the value as considered to be appropriate as of the end of the 1st half of this consolidated fiscal year.

Past service liabilities are stated as expenses in the fiscal year when such liabilities are identified, and have been recognized by the straight-line method evenly over 10 years, a period not exceeding the expected average remaining working lives of the employees.

Actuarial losses are stated as expenses in the year following the consolidated fiscal year when such losses are identified, and have been recognized by the straight-line method evenly over 10 years, a period not exceeding the expected average remaining working lives of the employees.

- 5) Reserve for retirement lump sum grant for directors:

To provide for the payment of retirement lump sum grant for directors, the Company and some of its consolidated domestic subsidiaries make allowances for the necessary amount based on internal rules.

- (7) Finance lease transactions other than those where the ownership of the leased assets are transferred to the lessee are treated according to the method used for ordinary loan transactions.

- (8) Amounts shown on the financial statements are stated net of consumption tax and local consumption tax.

### **5. Scope of cash and cash equivalents in consolidated interim statements of cash flow**

Cash and cash equivalents in consolidated interim cash flow statements include cash in hand, highly liquid deposits at banks, and short-term investments with negligible risk of fluctuation in value and maturities of three months or less.

## **Changes to Significant Accounting Policy for Preparation of Consolidated Interim Financial Statements**

1. Accounting standard relating to bonus payments for directors

From this consolidated interim fiscal term, “Accounting Standard relating to Bonus Payments for Directors” (Corporate Accounting Standard No. 4, November 29, 2005) is applied. As a result of this change, operating income, ordinary profit and income before income taxes have each decreased by 149 million yen.

2. Accounting standard relating presentation of Net Assets on the Balance Sheet

From this consolidated interim fiscal term, “Accounting Standard relating to Presentation of Net Assets on the Balance Sheet” (Corporate Accounting Standard No. 5, December 9, 2005) and “Application Guidelines for Application of Accounting Standard, etc., relating to Presentation of Net Assets on the Balance Sheet” (Application Guidelines of Accounting Standard No.8, December 9, 2005) are applied.

As a consequence, the amount equivalent to the total of the former Shareholders’ equity is 239,930 million yen.

The figure for Net Assets shown in the interim balance sheet for this consolidated interim fiscal term was prepared based on the amended Financial Statement Standards for Consolidated Interim Financial Statements in line with the amendment to the Financial Statement Standard for Consolidated Interim Financial Statements.

## [Notes to Consolidated Interim Financial Statements]

### (Consolidated Interim Balance Sheets)

(million yen)

	1st half of this consolidated fiscal year (As of September 30, 2006)	1st half of previous consolidated fiscal year (As of September 30, 2005)	Previous consolidated fiscal year (As of March 31, 2006)
Accumulated depreciation of tangible fixed assets	221,965	205,860	215,556
Assets pledged as security (buildings, etc.)	7,220	10,998	8,048
Corresponding secured liabilities	4,227	6,531	4,058
Balance of loan guarantee	10	10	10
Amount discounted on notes receivable	19,985	12,973	15,067
Notes endorsed for payment	307	614	385
Unsettled transferred receivables	3,963	729	3,658

### Notes matured at the end of the term

Notes receivable	270	–	–
Amount discounted on notes	2,175	–	–
Notes endorsed for payment	4	–	–

Note: Accounting of notes matured at the end of the term is recorded as of the clearing date.

### (Notes to Consolidated statement of Changes in Net Assets)

#### 1. Matters relating to class and total number of the shares in issue and class and number of treasury stock

(in shares)

	Number of shares as of March 31, 2006	Number of shares increased during the term	Number of shares decreased during the term	Number of shares as of September 30, 2006
Shares in issue: common stock	173,138,537	–	–	173,138,537
Treasury stock: common stock	220,739	5,029	32,500	193,268

Notes: 1. The increase of 5,029 treasury stocks of common stock is attributable to an increase of 769 treasury stocks through the purchase of stocks constituting less than one trading unit and addition of 4,260 treasury stocks (of NOK) held by the newly added equity method-applied companies but recognized as property of NOK.

2. The decrease of 32,500 treasury stocks of common stock is attributable to the sale of treasury stock (of NOK) held by consolidated subsidiaries.

#### 3. Matters relating to dividend payment

##### Dividend paid

Resolution	Class of shares	Aggregate amount of dividend paid (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders held on June 29, 2006	Common stock	2,074	12	March 31, 2006	June 30, 2006

### (Lease transactions)

Presentation of lease transactions is omitted as they are disclosed via EDINET (Electronic Disclosure for Investors' Network).

**(Securities)****1. Other securities with market value** (million yen)

Type of securities	1st half of this consolidated fiscal year (As of September 30, 2006)			1st half of previous consolidated fiscal year (As of September 30, 2005)			Previous consolidated fiscal year (As of March 31, 2006)		
	Acquisition cost	Consolidated balance sheet amount	Unrealized gains	Acquisition cost	Consolidated balance sheet amount	Unrealized gains	Acquisition cost	Consolidated balance sheet amount	Unrealized gains
Stocks	7,970	53,909	45,938	7,666	44,862	37,196	7,942	54,906	46,964
Bonds	–	–	–	10	9	(0)	–	–	–
Others	–	–	–	1,115	1,118	3	–	–	–
Total	7,970	53,909	45,938	8,791	45,990	37,199	7,942	54,906	46,964

**2. Principal securities with no market value** (million yen)

Type of securities	1st half of this consolidated fiscal year (As of September 30, 2006)	1st half of previous consolidated fiscal year (As of September 30, 2005)	Previous consolidated fiscal year (As of March 31, 2006)
(1) Securities held to maturity			
Unlisted foreign bonds	71	121	71
(2) Other securities			
Unlisted stocks	117	93	105
Preferred subscription certificates	500	500	500

**(Derivative transactions)**

Presentation of derivative transactions is omitted as they are disclosed via EDINET (Electronic Disclosure for Investors' Network).

## (Segment Information)

### 1. Segment information by business category

1st half of this consolidated fiscal year (April 1, 2006 to September 30, 2006) (million yen)

	Sealing product business	Flexible board business	Other product business	Total	Eliminations/Corporate	Consolidated
Sales						
(1) Sales to external customers	103,131	80,191	48,649	231,972	–	231,972
(2) Inter-segment sales	819	27	3,571	4,418	(4,418)	–
Total	103,950	80,219	52,221	236,391	(4,418)	231,972
Operating expenses	95,954	69,123	50,415	215,493	(4,434)	211,058
Operating income	7,996	11,095	1,805	20,897	16	20,913

1st half of previous consolidated fiscal year (April 1, 2005 to September 30, 2005) (million yen)

	Sealing product business	Flexible board business	Other product business	Total	Eliminations/Corporate	Consolidated
Sales						
(1) Sales to external customers	96,581	73,117	47,280	216,978	–	216,978
(2) Inter-segment sales	452	–	3,103	3,555	(3,555)	–
Total	97,033	73,117	50,383	220,534	(3,555)	216,978
Operating expenses	88,639	61,620	48,357	198,618	(3,469)	195,148
Operating income	8,394	11,496	2,025	21,916	(86)	21,830

Previous consolidated fiscal year (April 1, 2005 to March 31, 2006) (million yen)

	Sealing product business	Flexible board business	Other product business	Total	Eliminations/Corporate	Consolidated
Sales						
(1) Sales to external customers	198,299	155,035	97,294	450,630	–	450,630
(2) Inter-segment sales	973	30	6,039	7,043	(7,043)	–
Total	199,272	155,066	103,334	457,674	(7,043)	450,630
Operating expenses	183,246	129,710	99,520	412,477	(7,104)	405,372
Operating income	16,026	25,356	3,814	45,196	61	45,258

Note:

Principal products included in each business category

Business category	Principal products
Sealing product business	Oil seals, O-rings, vibration controls, resin products and gaskets
Flexible board business	Flexible printed circuits
Other product business	Rubber products for office machines and equipment, chemical products, special lubricants, and mechanical seals

## 2. Segment information on operations by geographic area

### 1st half of this consolidated fiscal year (April 1, 2006 to September 30, 2006)

(million yen)

	Japan	Asia	Other areas	Total	Eliminations/ Corporate	Consolidated
Sales						
(1) Sales to external customers	150,773	72,183	9,016	231,972	–	231,972
(2) Inter-segment sales	24,885	9,738	174	34,797	(34,797)	–
Total	175,658	81,921	9,190	266,770	(34,797)	231,972
Operating expenses	163,273	73,708	9,232	246,215	35,156	211,058
Operating income (loss)	12,384	8,212	(42)	20,555	358	20,913

### 1st half of previous consolidated fiscal year (April 1, 2005 to September 30, 2005)

(million yen)

	Japan	Asia	Other areas	Total	Eliminations/ Corporate	Consolidated
Sales						
(1) Sales to external customers	150,040	58,270	8,667	216,978	–	216,978
(2) Inter-segment sales	14,839	6,993	43	21,875	(21,875)	–
Total	164,879	65,263	8,710	238,854	(21,875)	216,978
Operating expenses	152,713	56,070	8,738	217,522	(22,373)	195,148
Operating income (loss)	12,166	9,193	(28)	21,332	498	21,830

### Previous consolidated fiscal year (April 1, 2005 to March 31, 2006)

(million yen)

	Japan	Asia	Other areas	Total	Eliminations/ Corporate	Consolidated
Sales						
(1) Sales to external customers	305,371	128,948	16,310	450,630	–	450,630
(2) Inter-segment sales	31,379	14,391	541	46,313	(46,313)	–
Total	336,750	143,340	16,852	496,943	(46,313)	450,630
Operating expenses	312,154	123,405	16,751	452,311	(46,938)	405,372
Operating income	24,596	19,934	101	44,632	625	45,258

Notes:

- Countries and areas are classified by geographical proximity.
- Principal countries and areas belonging to each segment above (except Japan) are as follows:
  - Asia.....Singapore, Thailand, Taiwan, and China
  - Other areas .....United States and Germany

### 3. Overseas sales

		Asia	Other areas	Total
<b>1st half of this consolidated fiscal year</b> (April 1, 2006 to September 30, 2006)	I Overseas sales	75,198	12,962	88,160
	II Consolidated sales			231,972
	III Percentage of overseas sales in consolidated sales	32.4%	5.6%	38.0%

(million yen)

		Asia	Other areas	Total
<b>1st half of previous consolidated fiscal year</b> (April 1, 2005 to September 30, 2005)	I Overseas sales	60,085	12,693	72,778
	II Consolidated sales			216,978
	III Percentage of overseas sales in consolidated sales	27.7%	5.8%	33.5%

(million yen)

		Asia	Other areas	Total
<b>Previous consolidated fiscal year</b> (April 1, 2005 to March 31, 2006)	I Overseas sales	131,112	24,941	156,053
	II Consolidated sales			450,630
	III Percentage of overseas sales in consolidated sales	29.1%	5.5%	34.6%

Notes:

1. Countries and areas are classified by geographical proximity.
2. Principal countries and areas belonging to each segment above (except Japan) are as follows:
  - (1) Asia.....Singapore, Thailand, Taiwan, and China
  - (2) Other areas .....United States and Germany
3. Overseas sales represent sales of the Company and its consolidated subsidiaries in countries and areas outside Japan.