



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for the First Quarter Ended June 30, 2016 (Japanese GAAP)

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 Supplemental material of quarterly results: None
 Convening briefing of quarterly results: None

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

1. Consolidated Financial Results for the First Three Months of Fiscal 2016 (April 1, 2016 to June 30, 2016)

(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 | % |
| 3 mos. ended June 30, 2016 | 147,110 | (16.5) | 377 | (96.8) | (1,479) | – | (1,627) | – |
| 3 mos. ended June 30, 2015 | 176,098 | 18.2 | 11,722 | 6.4 | 15,263 | 21.5 | 9,879 | 32.0 |

Note: Comprehensive income: (28,518) million yen, –% (as of June 30, 2016); 17,507million yen, 258.1% (as of June 30, 2015)

| | Net income per share | Diluted net income per share |
|----------------------------|----------------------|------------------------------|
| | yen | yen |
| 3 mos. ended June 30, 2016 | (9.44) | – |
| 3 mos. ended June 30, 2015 | 57.12 | – |

(2) Consolidated financial positions

| | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|----------------|--------------|-------------|------------------------|----------------------|
| | million yen | million yen | % | yen |
| June 30, 2016 | 668,824 | 399,628 | 54.6 | 2,117.65 |
| March 31, 2016 | 696,989 | 433,404 | 56.7 | 2,293.76 |

Reference: Owner's equity: 365,280 million yen (as of June 30, 2016); 395,444 million yen (as of March 31, 2016)

2. Dividends

| | Dividend per share | | | | |
|--------------------|--------------------|----------------|---------------|-----------------|-------|
| | First quarter | Second quarter | Third quarter | Fiscal year end | Total |
| | yen | yen | yen | yen | yen |
| FY 2015 | – | 25.00 | – | 25.00 | 50.00 |
| FY 2016 | – | | | | |
| FY 2016 (Forecast) | | 25.00 | – | 25.00 | 50.00 |

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

3. Consolidated Forecasts for Fiscal 2016 (April 1, 2016 to March 31, 2017)

(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 |
| Half year | 330,200 | (13.9) | 10,800 | (63.2) | 10,000 | (70.9) | 5,000 | (78.8) | 29.00 |
| Full year | 664,600 | (10.9) | 35,000 | (27.5) | 37,500 | (30.2) | 22,500 | (25.1) | 130.50 |

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

* Notes

(1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from change in subsidiaries): None

(2) Applying of specific accounting of the consolidated quarterly financial statements: Yes

Note: For details, please refer to “2. Summary (Notes) Information” on page 3 of the attached document.

(3) Changes in accounting policies and accounting estimates, retrospective restatement

i) Changes in accounting policies based on revisions of accounting standard: None

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) | June 30, 2016 | 173,138,537 shares | Mar. 31, 2016 | 173,138,537 shares |
| ii) Number of treasury stock at the end of fiscal year | June 30, 2016 | 645,448 shares | Mar. 31, 2016 | 738,448 shares |
| iii) Average number of shares (year to date) | 3 mos. ended June 30, 2016 | 172,417,724 shares | 3 mos. ended June 30, 2015 | 172,956,707 shares |

(Note) The “number of treasury stock at the end of the fiscal year” includes the Company’s stock owned by the Employee Stock Ownership Plan Trust (the “ESOP Trust”) account (473,700 shares as of June 30, 2016 and 566,700 shares as of March 31, 2016). In addition, the Company’s stock owned by the ESOP Trust account is included the number of treasury stock deducted from the calculation of “Average number of shares (year to date)” (549,065 shares for the three months ended on June 30, 2016 and 10,298 shares for the three months ended on June 30, 2015).

* 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 First Quarter of FY 2016

(1) Explanation of Operating Results

During the first three months of the current consolidated fiscal year, the Japanese economy remained on a gradual recovery trend as capital expenditures and economic measures including public investments held steady, although there were concerns over weaker-than-expected consumer spending and the impact of the rapidly appreciating Japanese yen on corporate earnings. Overseas, the U.S. economy remained robust while the Chinese economy continued to slow. The future outlook for the global economy remains uncertain with developments such as the United Kingdom's decision to leave the European Union.

In the automobile industry, domestic vehicle production decreased due to such factors as a decline in demand for light vehicles and the temporary suspension of automobile production in the aftermath of the Kumamoto earthquakes. In the overseas market, demand remained robust in North America, while demand also increased in China and Thailand.

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

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

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

In the seal business, sales to automobile manufacturers grew due to an uptick in overseas demand, especially in North America, although demand in Japan dropped. Sales to manufacturers of general industrial machinery also slightly increased as there were signs of a recovery in demand from construction machinery manufacturers.

As a result, net sales stood at 74,072 million yen (up 1.6% year on year). Operating income totaled 8,163 million yen (up 23.8% year on year) helped by the increased sales.

In the electronic device product business, sales declined due to a drop in orders placed for smartphones and unfavorable exchange rate movements, although sales to automobile manufacturers were strong.

As a result, net sales were 63,388 million yen (down 31.6% year on year). The reduced sales and changes to our product lineup led to the posting of an operating loss of 8,368 million yen (compared to an operating income of 4,397 million yen posted for the same quarter in the previous year).

In the roll business, sales declined due to a drop in demand for printers.

As a result, net sales stood at 6,087 million yen (down 19.2% year on year). Operating income declined to 293 million yen (down 46.0% year on year) due to lower sales.

In other businesses including specialty lubricants, net sales expanded to 3,561 million yen (up 21.0% year on year). Operating income also increased to 269 million yen (up 56.6% year on year).

In summary, the Group posted the following results for the first three months of the current consolidated fiscal year: Net sales totaled 147,110 million yen (down 16.5% year on year). Operating income decreased to 377 million yen (down 96.8% year on year). The Group posted an ordinary loss of 1,479 million yen (compared to an ordinary income of 15,263 million yen posted for the same quarter in the previous year) and 1,627 million yen in loss attributable to owners of parent (compared to 9,879 million yen in profit attributable to owners of parent posted for the same quarter in the previous year).

(2) Explanation of Financial Position

Total assets as of June 30, 2016 stood at 668,824 million yen, a decrease of 28,165 million yen from March 31, 2016. This was mainly attributable to a decrease in cash and deposits as well as in fair value of investment securities following a drop in share prices.

Total liabilities as of June 30, 2016 amounted to 269,195 million yen, an increase of 5,610 million yen from March 31, 2016, mostly reflecting an increase in notes and accounts payable-trade.

Net assets totalled 399,628 million yen, a decrease of 33,775 million yen compared with March 31, 2016, mainly reflecting a decrease in retained earnings following the posting of loss attributable to owners of parent, a decline in valuation difference on available-for-sale securities, and a reduction in foreign currency translation adjustment. Consequently, the ratio of shareholders' equity to total assets stood at 54.6%.

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

There have been no changes to the financial projections that were announced on July 14, 2016.

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

(3) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

We applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26; March 28, 2016) effective the first quarter (April 1 to June 30) of the current consolidated fiscal year.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(million yen)

| | FY 2015 (as of March 31, 2016) | 1Q FY 2016 (as of June 30, 2016) |
|--|-----------------------------------|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 95,881 | 85,105 |
| Notes and accounts receivable-trade | 132,012 | 134,939 |
| Inventories | 74,998 | 72,363 |
| Other | 20,436 | 22,314 |
| Allowance for doubtful accounts | (261) | (259) |
| Total current assets | 323,068 | 314,463 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 80,236 | 76,232 |
| Machinery, equipment and vehicles, net | 91,149 | 87,375 |
| Other, net | 51,046 | 55,623 |
| Total property, plant and equipment | 222,432 | 219,231 |
| Intangible assets | | |
| Goodwill | - | 225 |
| Other | 2,895 | 3,035 |
| Total intangible assets | 2,895 | 3,261 |
| Investments and other assets | | |
| Investments securities | 120,004 | 107,019 |
| Other | 28,802 | 25,059 |
| Allowance for doubtful accounts | (213) | (210) |
| Total investments and other assets | 148,593 | 131,868 |
| Total noncurrent assets | 373,921 | 354,360 |
| Total assets | 696,989 | 668,824 |

(million yen)

| | FY 2015 (as of March 31, 2016) | 1Q FY 2016 (as of June 30, 2016) |
|---|-----------------------------------|-------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 46,958 | 53,307 |
| Short-term loans payable | 47,132 | 48,026 |
| Income taxes payable | 2,676 | 1,734 |
| Provision for bonuses | 8,963 | 6,686 |
| Other | 51,029 | 58,076 |
| Total current liabilities | 156,761 | 167,832 |
| Noncurrent liabilities | | |
| Long-term loans payable | 21,307 | 20,378 |
| Deferred tax liabilities | 8,544 | 4,947 |
| Provision for environmental measures | 1,183 | 1,183 |
| Net defined benefit liabilities | 71,459 | 70,715 |
| Other | 4,328 | 4,139 |
| Total noncurrent liabilities | 106,823 | 101,363 |
| Total liabilities | 263,585 | 269,195 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 23,335 | 23,335 |
| Capital surplus | 22,735 | 22,759 |
| Retained earnings | 322,251 | 316,511 |
| Treasury stock | (2,119) | (1,806) |
| Total shareholders' equity | 366,204 | 360,800 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 37,023 | 31,556 |
| Foreign currency translation adjustment | 11,724 | (8,298) |
| Remeasurements of defined benefit plans | (19,507) | (18,778) |
| Total accumulated other comprehensive income | 29,239 | 4,480 |
| Non-controlling interests | 37,959 | 34,348 |
| Total net assets | 433,404 | 399,628 |
| Total liabilities and net assets | 696,989 | 668,824 |

(2) Consolidated Quarterly Income Statement and Consolidated Quarterly Comprehensive Income Statement
 (Consolidated Quarterly Income Statement)
 (Three Months Ended June 30, 2016)

(million yen)

| | 3 months ended June 30, 2015 | 3 months ended June 30, 2016 |
|---|---------------------------------|---------------------------------|
| Net sales | 176,098 | 147,110 |
| Cost of sales | 143,512 | 126,745 |
| Gross profit | 32,586 | 20,365 |
| Selling, general and administrative expenses | 20,863 | 19,987 |
| Operating income | 11,722 | 377 |
| Non-operating income | | |
| Dividends income | 943 | 931 |
| Share of profit of entities accounted for using equity method | 1,551 | 1,283 |
| Foreign exchange gains | 931 | – |
| Other | 928 | 858 |
| Total non-operating income | 4,354 | 3,073 |
| Non-operating expenses | | |
| Interest expenses | 636 | 528 |
| Foreign exchange losses | – | 4,313 |
| Other | 177 | 89 |
| Total non-operating expenses | 813 | 4,931 |
| Ordinary income (loss) | 15,263 | (1,479) |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 62 | 32 |
| Other | 31 | 3 |
| Total extraordinary income | 94 | 36 |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 116 | 131 |
| Loss on valuation of investment securities | 10 | 34 |
| Other | 30 | 4 |
| Total extraordinary loss | 157 | 170 |
| Income (loss) before income taxes | 15,199 | (1,614) |
| Income taxes | 4,352 | (119) |
| Net income (loss) | 10,846 | (1,494) |
| Profit attributable to non-controlling interests | 967 | 133 |
| Profit (loss) attributable to owners of parent | 9,879 | (1,627) |

(Consolidated Quarterly Comprehensive Income Statement)
(Three Months Ended June 30, 2016)

(million yen)

| | 3 months ended June 30, 2015 | 3 months ended June 30, 2016 |
|--|---------------------------------|---------------------------------|
| Net income (loss) | 10,846 | (1,494) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,219 | (5,422) |
| Foreign currency translation adjustment | 2,350 | (19,747) |
| Remeasurements of defined benefit plans, net of tax | 507 | 1,096 |
| Share of other comprehensive income of entities accounted for using equity method | 584 | (2,950) |
| Total other comprehensive income | 6,660 | (27,023) |
| Comprehensive income | 17,507 | (28,518) |
| (Detail) | | |
| Comprehensive income attributable to owners of parent | 16,260 | (26,387) |
| Comprehensive income attributable to non-controlling interests | 1,246 | (2,130) |

- (3) Notes Concerning Consolidated Quarterly Financial Statements
(Notes Concerning the Going Concern Assumption)
None.

(Notes on Significant Changes in the Amount of Shareholders' Equity)
None.

(Segment Information)

[Segment Information]

I Three Months Ended June 30, 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 statements (Note 2) |
|---------------------------------|---------------------|---------------------------------|--------------|--------------|----------------|-------------------------|---|
| | Seal | Electronic device product | Roll | Other | | | |
| Net sales | | | | | | | |
| Net sales to external customers | 72,892 | 92,729 | 7,533 | 2,943 | 176,098 | – | 176,098 |
| Inter-segment sales/transfers | 851 | 2 | – | 79 | 932 | [932] | – |
| Total | 73,743 | 92,731 | 7,533 | 3,022 | 177,031 | [932] | 176,098 |
| Segment income | 6,593 | 4,397 | 543 | 171 | 11,706 | 16 | 11,722 |

Notes: 1. The amount of 16 million yen in Adjustments of segment income represents the result of the elimination of inter-segment transactions.

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

II Three Months Ended June 30, 2016

1. Information regarding net sales and income (loss) by reportable segment

(million yen)

| | Reportable segments | | | | Total | Adjustments (Note 1) | Amount included in the consolidated quarterly income statements (Note 2) |
|---------------------------------|---------------------|---------------------------------|--------------|--------------|----------------|-------------------------|---|
| | Seal | Electronic device product | Roll | Other | | | |
| Net sales | | | | | | | |
| Net sales to external customers | 74,072 | 63,388 | 6,087 | 3,561 | 147,110 | – | 147,110 |
| Inter-segment sales/transfers | 848 | 6 | – | 71 | 926 | [926] | – |
| Total | 74,921 | 63,395 | 6,087 | 3,632 | 148,036 | [926] | 147,110 |
| Segment income (loss) | 8,163 | (8,368) | 293 | 269 | 358 | 19 | 377 |

Notes: 1. The amount of 19 million yen in Adjustments of segment income (loss) represents the result of the elimination of inter-segment transactions.

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