



111th Fiscal Term
Interim Business Report
April 1, 2016 to September 30, 2016

NOK CORPORATION

(Securities Code 7240)





Masato Tsuru
Chairman of the Board and
President of NOK Corporation

We are pleased to report our business results for the interim period of the 111th term (April 1, 2016 to September 30, 2016). I would like to express my sincere gratitude for your unwavering support again during this term.

The NOK Group has been implementing a business management plan with which it hopes to become a strong business group with high

profitability, under its management basis of producing low-cost original products—backed by technology—which are useful to society, and selling them at reasonable prices all over the world.

During the first six months of the current consolidated fiscal year, the business environment for the Group 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 appreciating Japanese yen on corporate earnings. Overseas, the U.S. economy remained robust while the Chinese economy continued to slow down.

Under these circumstances, the Group has promoted various measures with the aim of achieving sustainable growth with an eye toward the future.

In this six-month period, the Group's net sales amounted to 335,015 million yen, down 12.7% year on year. The Group recorded an operating income of 11,326 million yen, down 61.4% year on year; ordinary income of 9,647 million yen, down 71.9% year on year; and profit attributable to owners of parent of 4,694 million yen, down 80.1% year on year.

The domestic business environment for the Group is expected to continue its modest recovery in and after the third quarter. However, the future of the global economy is still unpredictable with the slowdown of growth in the Chinese economy and the uncertainties arising from the U.K. exit from the EU.

In the seal business, the production of automobiles will stagnate due to the decreasing demand for automobiles within Japan and the impact of the discontinuance of the preferential taxation system for small cars in China. Under such circumstances, as the competition with foreign competitors is expected to intensify, we will make unified efforts involving the sales, production and engineering departments in implementing sales promotion and labor saving and optimizing production to achieve an efficient production system. We will also continue our effort for quality improvement.

In the electronic device product business, the demand is expected to stagnate due to the slowdown of the growth of the smartphone market and the decreasing production of hard disk drives. There are also problems of falling product prices as a result of the intensifying competition and the expanding seasonal fluctuation of demand. To cope with these problems, we will implement sales promotion targeting the automobile market while working on improving the efficiency of the production system by promoting automation of the production process.

In the roll business, sales are expected to decrease due to the slowdown of growth of the office appliance market and the falling of product prices as a result of intensifying competition. To cope with this situation, the sales and engineering departments will work together to improve the business's competitiveness and expand sales. We will also further enhance management efficiency to improve our earning power.

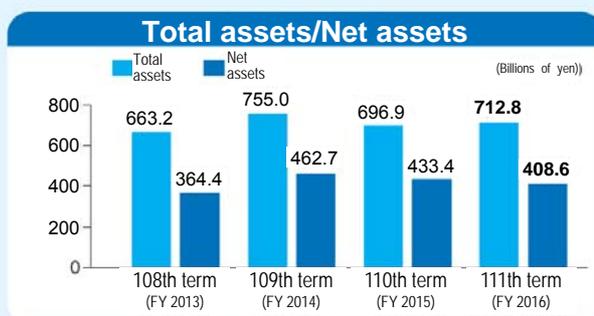
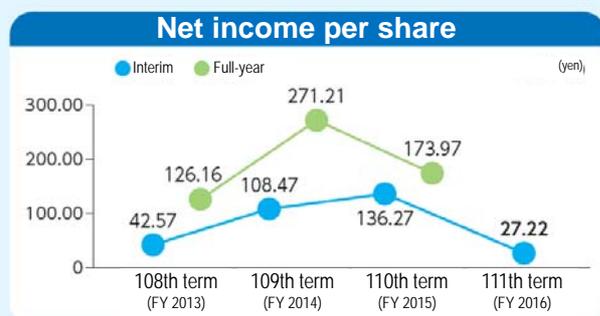
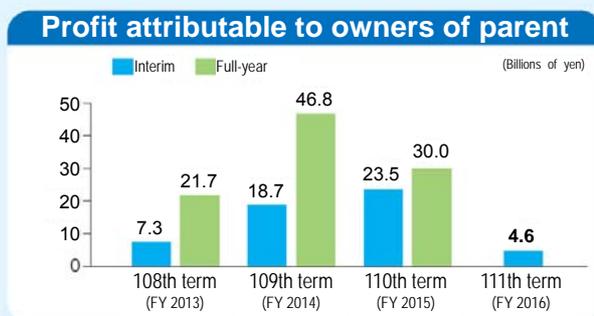
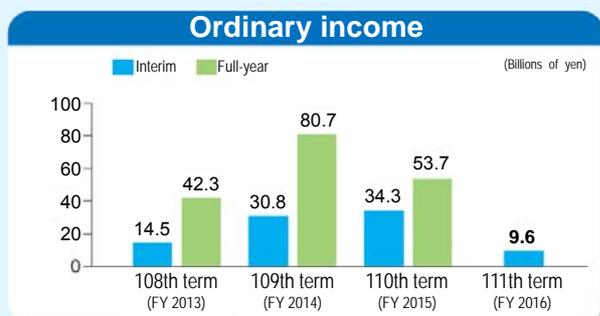
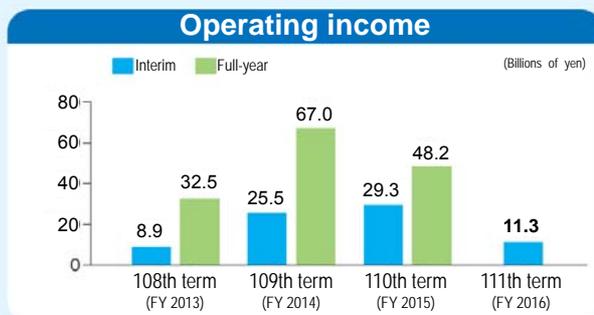
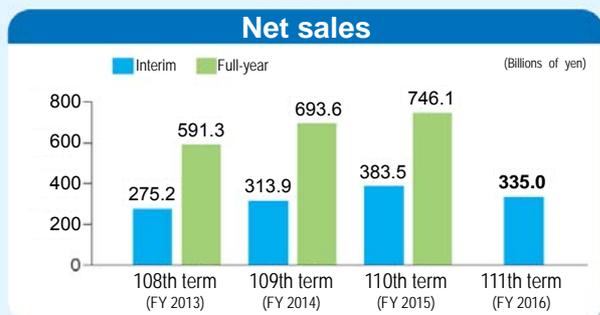
By steadily promoting these measures, the entire Group will work together in order to achieve sustainable growth.

With regard to the interim dividend for this six-month period, we have decided to set it at 25 yen per share.

We are earnest in our determination to endeavor to meet the expectations of our shareholders. We ask for your understanding of the current business climate and our management direction, as well as our commitment. The NOK Group greatly appreciates your continued support and guidance.

December 2016

FINANCIAL HIGHLIGHT (CONSOLIDATED)



Values and share figures shown in this interim report are rounded off by omitting fractional numbers less than the minimum unit indicated in each table or chart. Percentages are rounded up or down to the decimal places indicated in each table or chart.

BUSINESS OVERVIEW



| | |
|--|--|
| <div data-bbox="167 425 359 616"> <p>Breakdown of net sales 44.5%</p> </div> <div data-bbox="391 425 774 481"> <h3>Seal business</h3> </div> <div data-bbox="391 492 774 638"> <p>Net sales 149,040 million yen Year on year growth rate 1.7% ↗</p> <p>Operating income 15,717 million yen Year on year growth rate 10.1% ↗</p> </div> <div data-bbox="159 660 406 1052"> <p>In the automobile market, although demand in Japan decreased, sales increased supported by the increased demand in the international market, mainly in North America. Sales to manufacturers of general industrial machinery increased, with signs of recovery seen in the demand for construction machines.</p> <p>As a result, net sales increased to 149,040 million yen (up 1.7% year on year). Operating income increased to 15,717 million yen (up 10.1% year on year).</p> </div> <div data-bbox="422 660 774 884"> <p>Oil seals</p> </div> | <div data-bbox="805 425 997 616"> <p>Breakdown of net sales 3.5%</p> </div> <div data-bbox="1029 425 1412 481"> <h3>Roll business</h3> </div> <div data-bbox="1029 492 1412 638"> <p>Net sales 11,837 million yen Year on year growth rate 19.9% ↘</p> <p>Operating income 591 million yen Year on year growth rate 35.7% ↘</p> </div> <div data-bbox="798 660 1053 929"> <p>Sales decreased due to the decline in the demand for printers.</p> <p>As a result, net sales decreased to 11,837 million yen (down 19.9% year on year). Operating income decreased to 591 million yen (down 35.7% year on year) affected by the decrease in sales.</p> </div> <div data-bbox="1077 660 1428 918"> <p>Development rollers, charge rollers</p> </div> |
| <div data-bbox="167 1086 359 1276"> <p>Breakdown of net sales 49.9%</p> </div> <div data-bbox="391 1086 774 1131"> <h3>Electronic device product business</h3> </div> <div data-bbox="391 1153 774 1310"> <p>Net sales 167,253 million yen Year on year growth rate 22.6% ↘</p> <p>Operating income 5,560 million yen Operating income of 13,749 million yen in the same period of the previous year</p> </div> <div data-bbox="159 1332 406 1758"> <p>Although sales in the automobile market were strong, the sales amount decreased affected by the decrease in orders from the smartphone market and the impact of foreign exchange rates.</p> <p>As a result, net sales decreased to 167,253 million yen (down 22.6% year on year). The electronic device product business reported an operating loss of 5,560 million yen (compared to an operating income of 13,749 million yen in the same period of the previous year) mainly as a result of decreased sales, the change in product composition, increased depreciation cost and the effect of foreign exchange.</p> </div> <div data-bbox="422 1332 774 1568"> <p>Flexible printed circuits (FPC)</p> </div> | <div data-bbox="805 1086 997 1276"> <p>Breakdown of net sales 2.1%</p> </div> <div data-bbox="1029 1086 1412 1131"> <h3>Other businesses</h3> </div> <div data-bbox="1029 1153 1412 1299"> <p>Net sales 6,885 million yen Year on year growth rate 13.9% ↗</p> <p>Operating income 525 million yen Year on year growth rate 60.0% ↗</p> </div> <div data-bbox="798 1332 1053 1568"> <p>In other businesses, including specialty lubricants, net sales improved to 6,885 million yen (up 13.9% year on year), while operating income improved to 525 million yen (up 60.0% year on year).</p> </div> <div data-bbox="1077 1332 1428 1590"> <p>Specialty lubricants</p> </div> |



Hollow Fiber Membrane Modules

NOK's membrane modules meet extensive needs

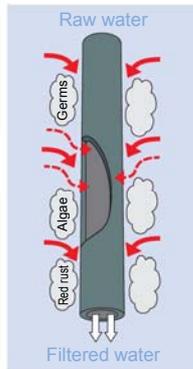
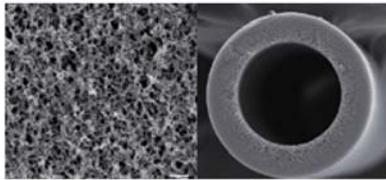
NOK hollow fiber membranes meet extensive needs, from home use to industrial, public facility and environmental applications.

We expect that sales will expand beyond Japan to the U.S., Europe and China in the future. We are working to develop new technologies and new materials that will support the future hydrogen energy economy.

Mechanism of Hollow Fiber Membranes

Hollow fiber membranes filter water. Pores on the surface of the membranes allow water to pass through but block the passage of any foreign materials present in the water.

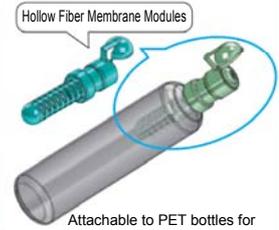
- ▼ Magnified surface (left) and section of a hollow fiber membrane (right)
- ▶ Mechanism of Hollow Fiber Membranes



Membrane Modules for Water Purifiers

Our membrane modules are used in various fields, from modules for home water purifiers to modules attachable to PET bottles, serving to provide safe and clean water.

- ▼ Membrane modules for water purifiers
- ▼ PET bottle water purifier



Attachable to PET bottles for beverages sold in the market

Industrial UF Membrane Modules

These modules are used mainly in the collection and purification of industrial water. They can be applied under various filtering conditions and water treatment environments.

- ▼ Industrial UF Membrane Modules



High-Strength Braid PVDF^(*) Membranes

High-strength braids and highly chemical-resistant fluorine-based PVDF membranes are combined into a single element. These membranes provide stable filtering capacity in wastewater treatment facilities and other facilities where water must be sucked upward.

- ▼ High-strength braid PVDF membranes and the model



* PVDF: Polyvinylidene fluoride

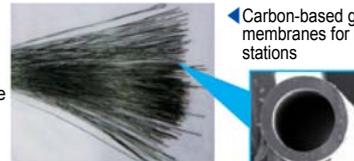
Development of New Technologies and New Materials for the Hydrogen Energy Economy

To support the coming hydrogen energy economy, we work to develop new technologies and new materials, including carbon-based gas separation membranes and humidifying membranes for fuel cells.

- ▼ Humidifying membranes for fuel cells



- ▶ Carbon-based gas separation membranes for hydrogen stations



CORPORATE DATA



Company Profile

(As of September 30, 2016)

| | | | | | | | |
|---------------------|--|----------|---|--------|---|------------------|--|
| Corporate Name | NOK CORPORATION | | | | | | |
| Head Office | 1-12-15 Shiba Daimon, Minato-ku, Tokyo 105-8585, Japan Telephone: 03-3432-4211 Website: http://www.nok.co.jp | | | | | | |
| Established | December 2, 1939 | | | | | | |
| Capital Stock | 23,335 million yen | | | | | | |
| Number of Employees | 3,176 (Group: 47,401) | | | | | | |
| Main Offices | <table> <tr> <td>Branches</td> <td>Sendai, Mito, Utsunomiya, Kumagaya, Tokyo, Matsumoto, Tama, Kanagawa, Fuji, Hamamatsu, Anjo Daiichi, Anjo Daini, Nagoya, Osaka Daiichi, Osaka Daini, Hiroshima, Fukuoka</td> </tr> <tr> <td>Plants</td> <td>Fukushima, Nihonmatsu, Kitaibaraki, Shizuoka, Tottori, Kumamoto</td> </tr> <tr> <td>Research Centers</td> <td>Shonan Development Center (Fujisawa) NOK Tokai R&D Center for Membrane Technology (Tokai)</td> </tr> </table> | Branches | Sendai, Mito, Utsunomiya, Kumagaya, Tokyo, Matsumoto, Tama, Kanagawa, Fuji, Hamamatsu, Anjo Daiichi, Anjo Daini, Nagoya, Osaka Daiichi, Osaka Daini, Hiroshima, Fukuoka | Plants | Fukushima, Nihonmatsu, Kitaibaraki, Shizuoka, Tottori, Kumamoto | Research Centers | Shonan Development Center (Fujisawa) NOK Tokai R&D Center for Membrane Technology (Tokai) |
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| Research Centers | Shonan Development Center (Fujisawa) NOK Tokai R&D Center for Membrane Technology (Tokai) | | | | | | |

Directors, Corporate Auditors and Operating Officers

(As of September 30, 2016)

| | |
|--------------------|---|
| Directors | Masato Tsuru, Chairman of the Board and President Kiyoshi Doi, Senior Managing Director Jiro Iida, Senior Managing Director Yasuhiko Kuroki, Senior Managing Director Akira Watanabe, Senior Managing Director Shinji Nagasawa, Senior Managing Director Tetsuji Tsuru, Director Toshifumi Kobayashi, Director Kensaku Hogen, Director (outside) Makoto Fujioka, Director (outside) |
| Corporate Auditors | Masanobu Fujii, Standing Auditor Yoshitsugu Mori, Standing Auditor Osamu Kobayashi, Auditor (outside) Hideki Ogawa, Auditor (outside) Atsushi Kajitani, Auditor (outside) |
| Operating Officers | Shinichi Sawaki, Senior Operating Officer Takeomi Yano, Senior Operating Officer Tetsuya Nakamura, Senior Operating Officer Yuichi Kuroki, Senior Operating Officer Kazuhiko Fujimoto, Senior Operating Officer Yoshihiro Sugaya, Senior Operating Officer Atsunobu Tsuchiya, Operating Officer Yoshindo Masumoto, Operating Officer Yukio Yamazaki, Operating Officer Kazuhiro Ohashi, Operating Officer Hiroshi Yamashita, Operating Officer Tsuyoshi Yanagimoto, Operating Officer Nobuyuki Kobayashi, Operating Officer Noriyuki Takahashi, Operating Officer Shoji Hinomoto, Operating Officer Masanobu Kobayashi, Operating Officer Tomio Nakayama, Operating Officer |

Major Group Companies

Seal business

Main products:

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|--------------------|--|
| Oil seals | Unimatec Co., Ltd. (Kitaibaraki City, Ibaraki Pref.) |
| O-rings | NOK Elastomers Processing Co., Ltd. (Kama City, Fukuoka Pref.) |
| Vibration controls | Fugaku Koki Co., Ltd. (Kikugawa City, Shizuoka Pref.) |
| Resin products | Saga Seal Industry Co., Ltd. (Ureshino City, Saga Pref.) |
| Gaskets | Thai NOK Co., Ltd. (Chonburi, Thailand) |
| Chemical products | Wuxi NOK-Freudenberg Oilseal Co., Ltd. (Wuxi, Jiangsu, China) |
| Mechanical seals | NOK Asia Co., Pte. Ltd. (Singapore) |
| | Kansai NOK Hanbai Co., Ltd. (Osaka City, Osaka Pref.) |
| | NOK-Freudenberg Group Sales (China) Co., Ltd. (Shanghai, China) |

EDP business

Main products:

Flexible printed circuits
Precision components

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|---|
| Nippon Mektron, Ltd. (Minato-ku, Tokyo) |
| Mektec Corporation (Taiwan) (Kaohsiung, Taiwan) |
| Mektec Manufacturing Corporation (Thailand) Ltd. (Ayutthaya, Thailand) |
| Mektec Manufacturing Corporation (Zhuhai) Ltd. (Zhuhai, Guangdong, China) |
| Mektec Manufacturing Corporation (Suzhou) Ltd. (Suzhou, Jiangsu, China) |
| Mektec Precision Component (Thailand) Ltd. (Ayuttaya, Thailand) |
| Mektec Corporation (Hong Kong) Ltd. (Hong Kong, China) |

Roll business

Main products:

Rubber rolls for office equipment

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|---|
| SYNZTEC Co., Ltd. (Yokosuka City, Kanagawa Pref.) |
| Kuki Roll Industry Co., Ltd. (Kuki City, Saitama Pref.) |
| SYNZTEC VIETNAM CO., LTD. (Haiphong City, Vietnam) |
| SYNZTEC (Hong Kong) Co., Ltd. (Hong Kong, China) |

Other businesses

Main products:

Specialty lubricants etc.

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| NOK Klueber Co., Ltd. (Kitaibaraki City, Ibaraki Pref.) |
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STOCK INFORMATION



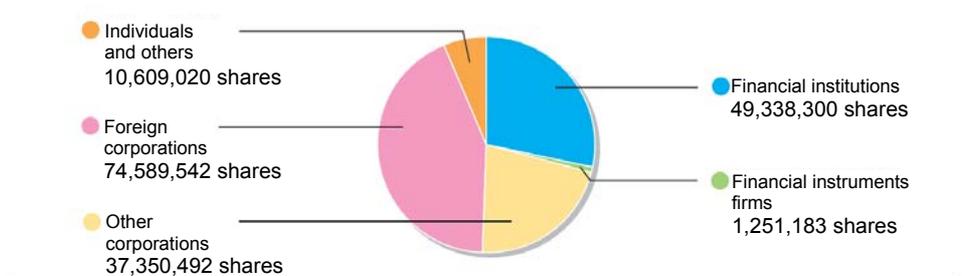
Stock

(As of September 30, 2016)

- Total number of shares authorized to be issued600,000,000 shares
- Total number of shares in issue173,138,537 shares
- Number of shareholders9,033
- Major shareholders

| Shareholder | Number of shares held (thousands) | % of shares outstanding |
|---|-----------------------------------|-------------------------|
| Freudenberg S.E. | 43,457 | 25.1 |
| Seiwa Jisho Co., Ltd. | 8,773 | 5.1 |
| The Dai-ichi Life Insurance Company, Ltd. | 8,000 | 4.6 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 7,227 | 4.2 |
| Toyota Motor Corp. | 6,809 | 3.9 |
| National Mutual Insurance Federation of Agricultural Cooperatives | 4,910 | 2.8 |
| Sumitomo Mitsui Banking Corp. | 4,270 | 2.5 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 3,753 | 2.2 |
| NORTHERN TRUST CO.(AVFC) RE THE KILTEARN GLOBAL EQUITY FUND | 3,664 | 2.1 |
| Sompo Japan Nipponkoa Insurance Inc. | 3,571 | 2.1 |

Share ownership by shareholder category



SHAREHOLDER INFORMATION



| | |
|--|--|
| Fiscal term | April 1 to March 31 |
| Ordinary general meeting of shareholders | June |
| Record dates | For term-end dividend: March 31 For interim dividend: September 30 |
| Transfer agent | |
| Administrator of special accounts | Mitsubishi UFJ Trust and Banking Corporation |
| Contact | Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Telephone: 0120-232-711 (toll-free) |
| Public notice | Public notices of the Company shall be given electronically on its website (http://www.nok.co.jp); provided, however, that when electronic public notice cannot be made due to accidents or other unavoidable reasons, public notices of the Company shall be given by publication in the Nihon Keizai Shimbun. |
| Trading unit | 100 shares |
| Stock listing | Tokyo Stock Exchange 1st Section Abbreviation: NOK (Code 7240) |

(Notes)

- Change of address, etc.
 - Shareholders are required to process changes of address and other matters concerning their shareholding in the Company through the account management institutions (securities companies, etc.) at which their accounts are held. Please contact your account management institution for details. The transfer agent will not process these matters.
 - The account management institution for shares recorded in special accounts is Mitsubishi UFJ Trust and Banking Corporation. For the details about the processing of matters concerning such shares, please contact Mitsubishi UFJ Trust and Banking Corporation. Branches of Mitsubishi UFJ Trust and Banking Corporation in Japan serve as liaison offices for the head office.
- Unpaid dividends
The head office and branches of Mitsubishi UFJ Trust and Banking Corporation will process requests for the payment of unpaid dividends.

NOK website

Our website includes financial results and various other information to facilitate the further understanding of NOK.

<http://www.nok.co.jp/ir/>

NOK IR Search



Information on the request for purchase of fractional shares—investors who hold fractional shares constituting less than one trading unit (100 shares)—

Fractional shares constituting less than one trading unit (100 shares) are subject to restrictions such as not being tradable on securities markets. However, shareholders may sell such shares to the Company at market value by making a request for repurchase. The details are as follows:

- For details of the procedure and fee concerning request for repurchase of fractional shares recorded in your accounts at securities companies, etc., please contact the relevant company.
- Fractional shares recorded in special accounts may be sold at market value and without fee, subject to the procedure established by the Company. Please contact Mitsubishi UFJ Trust and Banking Corporation for details of the procedure.

NOK CORPORATION



This document adopts a universal design font that is easy to read and reduces the risk of misreading.