



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for Fiscal Year Ended March 31, 2017 (Japanese GAAP)

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Supplemental material of annual results: None

Convening briefing of annual results: Yes

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

1. Consolidated Financial Results for Fiscal 2016 (April 1, 2016 to March 31, 2017)

(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	%
FY 2016	713,138	(4.4)	39,776	(17.6)	45,709	(14.9)	27,328	(9.1)
FY 2015	746,147	7.6	48,258	(28.1)	53,727	(33.5)	30,053	(35.8)

Note: Comprehensive income: 32,695 million yen, -% (as of March 31, 2017); (13,777) million yen, -% (as of March 31, 2016)

	Net income per share	Diluted net income per share	Net income to shareholders' equity ratio	Ordinary income to total assets ratio	Operating income to net sales ratio
	yen	yen	%	%	%
FY 2016	158.39	-	6.7	6.3	5.6
FY 2015	173.97	-	7.4	7.4	6.5

Reference: Investment profit on equity method: 5,068 million yen (as of March 31, 2017); 5,343 million yen (as of March 31, 2016)

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2016	751,797	455,111	55.7	2,424.43
FY 2015	696,989	433,404	56.7	2,293.76

Reference: Owner's equity: 418,666 million yen (as of March 31, 2017); 395,444 million yen (as of March 31, 2016)

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents, end of period
	million yen	million yen	million yen	million yen
FY 2016	68,038	(62,035)	(7,327)	90,629
FY 2015	88,503	(65,682)	(24,008)	94,032

2. Dividends

	Dividend per share					Total dividend paid	Payout ratio (Consolidated)	Ratio of total amount of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY 2015	-	25.00	-	25.00	50.00	8,653	28.7	2.1
FY 2016	-	25.00	-	25.00	50.00	8,653	31.6	2.1
FY 2017 (Forecast)	-	25.00	-	25.00	50.00		30.8	

3. Consolidated Forecasts for Fiscal 2017 (April 1, 2017 to March 31, 2018)

(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	343,000	2.4	15,500	36.8	18,000	86.6	10,000	113.0	57.96
Full year	705,000	(1.1)	40,000	0.6	46,000	0.6	28,000	2.5	162.28

* Notes

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

(2) 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

(3) Number of issued and outstanding shares (common stock)

- i) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)
- ii) Number of treasury stock at the end of fiscal year
- iii) Average number of shares

FY 2016	173,138,537 shares	FY 2015	173,138,537 shares
FY 2016	452,309 shares	FY 2015	738,448 shares
FY 2016	172,544,136 shares	FY 2015	172,753,242 shares

Note: The “Number of treasury stock at the end of fiscal year” includes the Company’s stock owned by the Employee Stock Ownership Plan Trust (the “ESOP Trust”) account (280,400 shares as of March 31, 2017 and 566,700 shares as of March 31, 2016). In addition, the Company’s stock owned by the ESOP Trust account is included in the number of treasury stock deducted from the calculation of “Average number of shares” (422,541 shares in the fiscal year ended March 31, 2017 and 213,680 shares in the fiscal year ended March 31, 2016).

* This summary of consolidated financial results is not subject to audit procedures.

* 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. Financial results may differ significantly due to various factors.

For assumptions, etc. used as the basis for the projections of financial results, please see “1. Overview of Operating Results (1) Analysis of Operating Results” on page 2 of the attached document.

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1. Overview of Operating Results

(1) Analysis of Operating Results

i. Fiscal 2016 operating results

During the current consolidated fiscal year, the Japanese economy remained on a gradual recovery trend as capital expenditures and economic measures, including public investments, increased. In the overseas market, the slowdown of the Chinese economy paused, while the U.S. economy similarly remained robust.

In the automobile industry, domestic demand recovered due to the launch of new models, despite the temporary suspension of automobile production in the aftermath of the Kumamoto earthquakes. In the overseas market, demand remained robust in North America, while China also saw growth in demand, reflecting the favorable impact of tax breaks on light vehicles.

In the electronic equipment industry, demand for hard disc drives, digital cameras, and tablet terminals decreased. Smartphones faced deceleration in growth despite increased demand.

In the office machine industry, demand for printers decreased and demand for multifunction copiers/printers remained flat.

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

In the seal business, sales to automobile applications grew due to a recovery in demand in Japan as well as an uptick in overseas demand, including in North America and China. Sales to manufacturers of general industrial machinery increased on the back of a recovery in demand from construction machinery manufacturers.

As a result, net sales were 310,569 million yen (up 4.9% year on year). Operating income totaled 37,132 million yen (up 14.1% year on year) due to increased sales.

In the electronic device product business, sales declined due to a drop in sales to smartphone applications and unfavorable exchange rate movements, although sales to automobile applications were strong.

As a result, net sales were 366,800 million yen (down 10.5% year on year). Operating income was 631 million yen (down 95.4% year on year) due to reduced sales, changes to our product lineup, increased depreciation costs and unfavorable exchange rate movements.

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

As a result, net sales stood at 22,586 million yen (down 18.1% year on year). Operating income declined to 818 million yen (down 32.4% year on year) due to lower sales.

In other businesses including specialty lubricants, net sales expanded to 13,182 million yen (up 4.2% year on year). Operating income also increased to 1,103 million yen (up 46.1% year on year).

In summary, the Group's operating results for the current consolidated fiscal year were as follows: Net sales totaled 713,138 million yen (down 4.4% year on year); operating income amounted to 39,776 million yen (down 17.6% year on year); ordinary income ended at 45,709 million yen (down 14.9% year on year); and profit attributable to owners of parent resulted in 27,328 million yen (down 9.1% year on year).

ii. Projections for fiscal 2017

The future operating environment surrounding the Group is likely to see a slow recovery in Japan as consumer spending enters a gradual recovery trend and economic measures and capital expenditures, including public investment, remain strong. The overseas environment is likely to be increasingly uncertain due to concerns over the outlook of the Chinese economy, despite a pause in its slowdown, as well as the U.K.'s exit from the E.U. and protectionist diplomatic policies of the U.S., despite continued robustness of the U.S. economy.

In the seal business, we expect vehicle demand to see a minor decrease in Japan and the U.S., while there is concern of slowed growth in China due to a reaction to the last-minute demand prior to the reduction of small car tax cuts. Since competition from Japanese and overseas competitors is projected to intensify, we will make efforts across sales, production and technology divisions to increase sales and improve the efficiency of our production system based on the concepts of optimum production location, and will continue to make efforts to improve quality.

In the electronic device product business, issues such as stagnant demand due to a slowdown in the growth of smartphones and a drop in the number of units of hard disc drives, a drop in product selling prices on the back of intensified competition and increased seasonal fluctuation of demand have become more serious. In order to address such concerns, we will expand sales of products for automobiles and for new usages, as well as make efforts to improve the efficiency of our production system through automation of production processes.

In the roll business, sales are expected to decline due to a slowdown in growth in the office machinery market and a drop in product prices on the back of intensified competition. We therefore intend to seek increased profitability by making efforts across sales and technology divisions to improve competitiveness and expand sales, and by further promoting management efficiency.

In summary, we expect consolidated operating results for the next term to be as follows: Net sales will total 705.0 billion yen (down 1.1% year on year); operating income will end at 40.0 billion yen (up 0.6% year on year); ordinary income will amount to 46.0 billion yen (up 0.6% year on year); and profit attributable to owners of parent will end at 28.0 billion yen (up 2.5% year on year).

The above forecasts include projections of the future based on currently available information. Actual results may differ from the stated forecast figures due to future business operations and changes such as exchange rate fluctuations.

(2) Analysis of Financial Position

i. Assets, liabilities and net assets

Total assets as of March 31, 2017 stood at 751,797 million yen, an increase of 54,807 million yen compared with March 31, 2016. This was mainly attributable to increases in notes and accounts receivable-trade, and property, plant and equipment, as well as an increase in fair value of investment securities following a rise in share prices.

Total liabilities as of March 31, 2017 amounted to 296,686 million yen, an increase of 33,100 million yen compared with March 31, 2016, mostly reflecting increases in accounts payable-trade and short-term loans payable, as well as an increase in net defined benefit liabilities due to changes in discount rates.

Net assets totaled 455,111 million yen, an increase of 21,706 million yen compared with March 31, 2016, reflecting increases in valuation difference on available-for-sale securities and in retained earnings as a result of growth in profit attributable to owners of parent. Consequently, the ratio of shareholders' equity to total assets stood at 55.7%.

ii. Cash flows

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2017 amounted to 90,629 million yen. This represented a decrease in cash of 3,403 million yen compared with March 31, 2016. Cash flows during fiscal 2016 are summarized below.

[Cash flows from operating activities]

Net cash provided by operating activities totaled 68,038 million yen, down 23.1% year on year. This was attributable to recordings of income before income taxes, as well as depreciation and amortization (non-cash items).

[Cash flows from investment activities]

Net cash used in investment activities, which mainly consisted of acquisitions of property, plant and equipment, amounted to 62,035 million yen (down 5.6% year on year).

[Cash flows from financing activities]

Net cash used in financing activities amounted to 7,327 million yen, down 69.5% year on year. This mainly reflected dividend payments.

The trend of cash flow indicators is as follows:

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Capital ratio (%)	48.8	50.0	55.9	56.7	55.7
Market capitalization to total assets (%)	38.6	43.8	82.9	47.5	59.4
Interest-bearing liabilities to cash flow (annualized)	3.6	1.4	1.2	1.0	1.3
Interest coverage ratio (multiple)	12.9	26.0	29.2	38.0	33.2

Capital ratio = Shareholders' equity / Total assets

Market capitalization to total assets = Market capitalization / Total assets

Interest-bearing liabilities to cash flow = Interest-bearing liabilities / Cash flow

Interest coverage ratio = Cash flows / Interest payments

Notes:

1. All indices above are calculated based on consolidated financial statements.
2. Market capitalization is calculated on the basis of the number of issued and outstanding shares excluding treasury stock.
3. Operating cash flow is used as "cash flow" in the above calculation.
4. Interest-bearing liabilities represent all liabilities on the consolidated balance sheet on which we pay interest.

(3) Principal Policy on Dividends and Dividend Distribution for Fiscal 2016 and 2017

As to dividend payment to our shareholders, it is our basic policy to continue a certain stable level of dividend corresponding to the medium- to long-term business performance. Meanwhile, saving a reasonable portion for internal reserve is also critical in preparation for our future business development and reinforcement of financial position. We will, therefore, determine the dividend by taking all these factors into consideration.

Taking into full consideration the aforementioned basic dividend distribution policy along with the level of net income for fiscal 2016, we propose to pay an annual dividend of 50 yen per share for fiscal 2016 (a 25-yen interim dividend plus a 25-yen term-end dividend).

We plan to pay an interim dividend of 50 yen per share for fiscal 2017 (a 25-yen interim dividend plus a 25-yen term-end dividend).

2. Management Policy

(1) Principal Management Policy

It is our basic philosophy that a firm is the common asset of its shareholders, employees, and society. At the same time, the goal of the NOK Group is to become an entity in which all of its stakeholders including customers, suppliers, and financial institutions can take pride. For such purposes, we concentrate our efforts to create a vigorous, highly profitable corporate group through “manufacturing and distributing unique and useful products with high technical capabilities throughout the world and at appropriate prices.” This is the main policy under which NOK conducts its business.

(2) Medium- to Long-Term Management Strategies and Challenges

The NOK Group formulated a new three-year plan (from fiscal 2017 to fiscal 2019), which we are implementing in an effort to achieve sustainable growth and development towards the future, by focusing on establishing business continuity management (BCM) in response to the damage inflicted by last year’s Kumamoto earthquakes, appropriate management of the ever-expanding overseas business, further improvement in quality, development of new products and the fostering of personnel involved in these endeavors.

The NOK Group intends to make efforts across the group based on the following initiatives:

Slogan [Key Corporate Objective]

“Reinforcing Business Structure for Sustainable Growth”

Initiatives

- (1) Building well-balanced customer mix
 - Targeting sales expansion and new business creation
- (2) Achieving sustainable unrivalled quality
- (3) Establishing practical and effective BCM
- (4) Implementing management spirit that respects human dignity
 - Fostering vibrant people and workplace

3. Basic Concept on the Choice of Accounting Standards

The NOK Group intends to prepare consolidated financial statements based on the Japanese standard for the time being in consideration of the possibility of period comparison of consolidated financial statements as well as the possibility of comparison between companies.

For reference, we intend to appropriately respond to the application of IFRS in view of situations both in Japan and abroad.

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheet

(million yen)

	FY 2015 (as of March 31, 2016)	FY 2016 (as of March 31, 2017)
Assets		
Current assets		
Cash and deposits	95,881	91,726
Notes and accounts receivable-trade	132,012	153,667
Merchandise and finished goods	30,500	30,175
Work in process	28,485	29,096
Raw materials and supplies	16,012	16,824
Deferred tax assets	6,882	5,803
Other	13,554	12,614
Allowance for doubtful accounts	(261)	(253)
Total current assets	323,068	339,655
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	170,557	176,971
Accumulated depreciation	(90,321)	(92,890)
Buildings and structures, net	80,236	84,081
Machinery, equipment and vehicles	320,068	345,213
Accumulated depreciation	(228,918)	(242,565)
Machinery, equipment and vehicles, net	91,149	102,647
Tools, furniture and fixtures	71,296	73,907
Accumulated depreciation	(53,258)	(54,902)
Tools, furniture and fixtures, net	18,037	19,004
Land	20,695	21,142
Lease assets	1,969	2,581
Accumulated depreciation	(1,137)	(1,886)
Lease assets, net	831	695
Construction in progress	11,482	16,372
Total property, plant and equipment	222,432	243,943
Intangible assets	2,895	4,337
Investments and other assets		
Investments securities	120,004	134,024
Long-term loans receivable from employees	4,257	3,791
Deferred tax assets	3,919	6,121
Net defined benefit asset	35	365
Other	20,589	19,773
Allowance for doubtful accounts	(213)	(215)
Total investments and other assets	148,593	163,861
Total noncurrent assets	373,921	412,142
Total assets	696,989	751,797

(million yen)

	FY 2015 (as of March 31, 2016)	FY 2016 (as of March 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	46,958	60,169
Short-term loans payable	47,132	55,172
Income taxes payable	2,676	6,085
Provision for bonuses	8,963	9,280
Provision for environmental measures	–	500
Deposits received from employees	15,943	16,119
Other	35,086	36,732
Total current liabilities	156,761	184,060
Noncurrent liabilities		
Long-term loans payable	21,307	17,790
Deferred tax liabilities	8,544	8,887
Provision for loss on guarantees	–	400
Provision for environmental measures	1,183	–
Net defined benefit liabilities	71,459	81,570
Other	4,328	3,978
Total noncurrent liabilities	106,823	112,626
Total liabilities	263,585	296,686
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,735	22,759
Retained earnings	322,251	341,188
Treasury stock	(2,119)	(1,157)
Total shareholders' equity	366,204	386,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,023	47,573
Foreign currency translation adjustment	11,724	9,961
Remeasurements of defined benefit plans	(19,507)	(24,995)
Total accumulated other comprehensive income	29,239	32,539
Non-controlling interests	37,959	36,445
Total net assets	433,404	455,111
Total liabilities and net assets	696,989	751,797

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

(million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Net sales	746,147	713,138
Cost of sales	616,730	592,799
Gross profit	129,416	120,339
Selling, general and administrative expenses	81,158	80,562
Operating income	48,258	39,776
Non-operating income		
Interest income	558	466
Dividends income	2,002	2,020
Share of profit of entities accounted for using equity method	5,343	5,068
Rent income	1,060	995
Other	2,213	2,478
Total non-operating income	11,178	11,030
Non-operating expenses		
Interest expenses	2,289	2,130
Foreign exchange losses	2,551	2,246
Other	868	719
Total non-operating expenses	5,709	5,097
Ordinary income	53,727	45,709
Extraordinary income		
Gain on sales of noncurrent assets	199	193
Reversal of provision for environmental measures	–	225
Gain on step acquisitions	346	–
Settlement received	149	–
Other	229	24
Total extraordinary income	924	443
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,508	2,662
Business structure improvement expenses	–	673
Provision for loss on guarantees	–	400
Loss on valuation of investment securities	675	–
Loss on sale of investments in capital	824	–
Other	2,804	592
Total extraordinary loss	6,812	4,328
Income before income taxes and minority interests	47,839	41,824
Income taxes-current	11,039	12,898
Income taxes-deferred	2,977	(1,263)
Total income taxes	14,017	11,635
Net income	33,822	30,188
Profit attributable to non-controlling interests	3,768	2,860
Profit attributable to owners of parent	30,053	27,328

(Consolidated Comprehensive Income Statement)

(million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Net income	33,822	30,188
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,160)	10,540
Foreign currency translation adjustment	(23,303)	(1,795)
Remeasurements of defined benefit plans, net of tax	(10,574)	(5,350)
Share of other comprehensive income of associates accounted for using equity method	(3,562)	(887)
Total other comprehensive income	(47,600)	2,507
Comprehensive income	(13,777)	32,695
(Detail)		
Comprehensive income attributable to owners of parent	(14,350)	30,627
Comprehensive income attributable to non-controlling interests	572	2,067

(3) Consolidated Statement of Changes in Equity
FY 2015 (April 1, 2015 to March 31, 2016)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,335	22,716	302,571	(374)	348,250
Changes of items during the period					
Increase (decrease) resulting from changes in accounting policies applied to overseas subsidiaries			-		-
Dividends from surplus			(10,373)		(10,373)
Profit attributable to owners of parent			30,053		30,053
Purchase of treasury stock				(2,200)	(2,200)
Disposal of treasury stock				455	455
Increase (decrease) due to merger of consolidated subsidiaries					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		19			19
Change of scope of equity method affiliates					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	19	19,680	(1,745)	17,954
Ending balance	23,335	22,735	322,251	(2,119)	366,204

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	47,343	34,253	(7,952)	73,644	40,860	462,754
Changes of items during the period						
Increase (decrease) resulting from changes in accounting policies applied to overseas subsidiaries						-
Dividends from surplus						(10,373)
Profit attributable to owners of parent						30,053
Purchase of treasury stock						(2,200)
Disposal of treasury stock						455
Increase (decrease) due to merger of consolidated subsidiaries						-
Change in treasury shares of parent arising from transactions with non-controlling shareholders						19
Change of scope of equity method affiliates						-
Net changes of items other than shareholders' equity	(10,320)	(22,528)	(11,554)	(44,404)	(2,900)	(47,304)
Total changes of items during the period	(10,320)	(22,528)	(11,554)	(44,404)	(2,900)	(29,350)
Ending balance	37,023	11,724	(19,507)	29,239	37,959	433,404

FY 2016 (April 1, 2016 to March 31, 2017)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,335	22,735	322,251	(2,119)	366,204
Changes of items during the period					
Increase (decrease) resulting from changes in accounting policies applied to overseas subsidiaries			211		211
Dividends from surplus			(8,648)		(8,648)
Profit attributable to owners of parent			27,328		27,328
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				961	961
Increase (decrease) due to merger of consolidated subsidiaries		23			23
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-
Change of scope of equity method affiliates			45		45
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	23	18,936	961	19,922
Ending balance	23,335	22,759	341,188	(1,157)	386,126

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	37,023	11,724	(19,507)	29,239	37,959	433,404
Changes of items during the period						
Increase (decrease) resulting from changes in accounting policies applied to overseas subsidiaries						211
Dividends from surplus						(8,648)
Profit attributable to owners of parent						27,328
Purchase of treasury stock						(0)
Disposal of treasury stock						961
Increase (decrease) due to merger of consolidated subsidiaries						23
Change in treasury shares of parent arising from transactions with non-controlling shareholders						-
Change of scope of equity method affiliates						45
Net changes of items other than shareholders' equity	10,550	(1,763)	(5,487)	3,299	(1,514)	1,784
Total changes of items during the period	10,550	(1,763)	(5,487)	3,299	(1,514)	21,706
Ending balance	47,573	9,961	(24,995)	32,539	36,445	455,111

(4) Consolidated Cash Flow Statement

(million yen)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Income before income taxes and minority interests	47,839	41,824
Depreciation and amortization	40,156	40,391
Increase (decrease) in provision for bonuses	276	309
Increase (decrease) in net defined benefit asset or liability	48	3,799
Increase (decrease) in provision for business structure improvement	(669)	–
Interest and dividends income	(2,560)	(2,487)
Interest expenses	2,289	2,130
Foreign exchange losses (gains)	3,344	3,504
Share of (profit) loss of entities accounted for using equity method	(5,343)	(5,068)
Loss (gain) on sales and retirement of property, plant and equipment	2,356	2,490
Decrease (increase) in notes and accounts receivable-trade	14,463	(15,446)
Decrease (increase) in inventories	(565)	(584)
Increase (decrease) in notes and accounts payable-trade	(3,096)	7,868
Other, net	791	(3,854)
Subtotal	99,330	74,877
Interest and dividends income received	9,379	3,490
Interest expenses paid	(2,330)	(2,052)
Income taxes paid	(17,876)	(8,277)
Cash flows from operating activities	88,503	68,038
Cash flows from investment activities		
Decrease (increase) in time deposits	(1,939)	682
Payments of long-term loans receivable	(2,141)	(438)
Purchase of investment securities	(780)	(78)
Purchase of property, plant and equipment	(60,099)	(61,503)
Proceeds from sales of property, plant and equipment	692	361
Purchase of intangible assets	(586)	(1,599)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(201)	–
Other, net	(625)	540
Cash flows from investment activities	(65,682)	(62,035)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,386	6,093
Proceeds from long-term loans payable	7,051	7,668
Repayment of long-term loans payable	(16,241)	(9,989)
Repayment of finance lease obligations	(681)	(803)
Net decrease (increase) in treasury shares	(1,745)	961
Cash dividends paid	(10,373)	(8,648)
Dividends paid to non-controlling interests	(2,889)	(3,068)
Other, net	(515)	458
Cash flows from financing activities	(24,008)	(7,327)
Effect of exchange rate change on cash and cash equivalents	(7,119)	(2,265)
Net increase (decrease) in cash and cash equivalents	(8,307)	(3,589)
Cash and cash equivalents at beginning of period	102,339	94,032
Increase in cash and cash equivalents from newly consolidated subsidiary	–	185
Cash and cash equivalents at end of period	94,032	90,629

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

(Additional Information)

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

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

(i) Outline of the ESOP Trust

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

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

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

NOK stock that remains in the trust has been posted as treasury stock under net assets based on its book value (excluding the amount of incidental expenses) in the trust. Book value and number of said treasury stock were 1,904 million yen and 566 thousand shares, respectively, in the previous consolidated fiscal year, and 942 million yen and 280 thousand shares, respectively, in the current consolidated fiscal year.

(iii) Book value of loans payable posted due to the application of the gross method

2,200 million yen in the previous consolidated fiscal year and 1,760 million yen in the current consolidated fiscal year.

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

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the consolidated fiscal year under review.

(Segment Information)

[Segment Information]

1. Outline of reportable segments

NOK’s reportable segments are constituents of NOK for which separate financial information is available, and that are reviewed by the Board of Directors on a regular basis in order to evaluate business results and determine the best distribution of management resources.

The NOK Group classifies business segments by taking into consideration the product series and similarities between the markets. Each department controlling the relevant segments establishes comprehensive business strategies concerning the products and services to develop respective business activities.

The businesses of the NOK Group consist of four reportable segments: the “seal business,” “electronic device product business,” “roll business” and “other businesses.”

In the “seal business,” NOK is the main company of the Group to manufacture and sell seal products for manufacturers of automobile, construction machinery and general industrial machinery. In the “electronic device product business,” Nippon Mektron, Ltd. is the Group’s leader in the manufacture and sale of electronic parts, etc., mainly for the electronic equipment industry. In the “roll business,” NOK and Synztec Co., Ltd. play a central role in the manufacture and sale of roll products, etc., mainly for the office machine industry. And in “other businesses,” NOK and NOK Klueber Co., Ltd. are Group leaders in the manufacture and sale of specialty lubricants, etc.

2. Calculation method for net sales, income (loss), assets and other items by reportable segment

The principles and procedures of the accounting method for reportable business segments are the same as those used in the preparation of consolidated financial statements.

Reportable segment income represents the amount of operating income.

Inter-segment sales and transfers are based on current market prices.

3. Information regarding net sales, income (loss), assets, liabilities and other items by reportable segment

FY 2015 (April 1, 2015 to March 31, 2016)

(million yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount included in the consolidated financial statement (Note 2)
	Seal	Electronic device product	Roll	Other			
Net sales							
Net sales to external customers	296,189	409,726	27,575	12,656	746,147	–	746,147
Inter-segment sales/transfers	2,931	39	–	290	3,262	(3,262)	–
Total	299,121	409,766	27,575	12,947	749,410	(3,262)	746,147
Segment income	32,531	13,618	1,210	755	48,116	142	48,258
Segment assets	305,975	241,181	24,523	9,168	580,848	116,141	696,989
Other items							
Depreciation and amortization	16,940	21,927	1,134	154	40,156	–	40,156
Increase in property, plant and equipment and intangible assets	21,996	37,593	728	1,082	61,399	–	61,399

Notes:

- Adjustments are as shown below:
 - The amount of 142 million yen in Adjustments of segment income represents the result of elimination in the inter-segment transactions.
 - The amount of 116,141 million yen in Adjustments of segment assets includes 126,623 million yen in corporate assets which are not allocated to individual reportable segments and (10,482) million yen in offset elimination of inter-segment claims and debts.
- Segment income is adjusted with operating income stated in consolidated financial statements.

FY 2016 (April 1, 2016 to March 31, 2017)

(million yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount included in the consolidated financial statement (Note 2)
	Seal	Electronic device product	Roll	Other			
Net sales							
Net sales to external customers	310,569	366,800	22,586	13,182	713,138	–	713,138
Inter-segment sales/transfers	2,845	60	0	299	3,205	(3,205)	–
Total	313,414	366,860	22,587	13,481	716,344	(3,205)	713,138
Segment income	37,132	631	818	1,103	39,686	90	39,776
Segment assets	313,789	261,710	36,450	10,292	622,242	129,554	751,797
Other items							
Depreciation and amortization	16,859	22,361	1,006	163	40,391	–	40,391
Increase in property, plant and equipment and intangible assets	31,221	32,839	961	113	65,135	–	65,135

Notes:

- Adjustments are as shown below:
 - The amount of 90 million yen in Adjustments of segment income represents the result of elimination in the inter-segment transactions.
 - The amount of 129,554 million yen in Adjustments of segment assets includes 139,169 million yen in corporate assets which are not allocated to individual reportable segments and (9,614) million yen in offset elimination of inter-segment claims and debts.
- Segment income is adjusted with operating income stated in consolidated financial statements.

(Per Share Information)

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Net assets per share	2,293.76 yen	2,424.43 yen
Net income per share	173.97 yen	158.39 yen

- Notes: 1. Diluted net income per share is not shown as there are no residual securities.
2. Shares of the Company held by the Employee Stock Ownership Plan Trust (ESOP Trust) account have been included in the treasury stock that is deducted from the total number of issued and outstanding shares at the end of fiscal year, upon the calculation of "Net assets per share." (566 thousand shares in FY 2015; 280 thousand shares in FY 2016)
3. Shares of the Company held by the Employee Stock Ownership Plan Trust (ESOP Trust) account are included in the treasury stock deducted from the average number of shares upon the calculation of "Net income per share." (213 thousand shares in FY 2015; 422 thousand shares in FY 2016)
4. The basis of the computation of net assets per share is as shown below:

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Total net assets (million yen)	433,404	455,111
Deductions from total net assets (million yen)	37,959	36,445
(Non-controlling interests)	[37,959]	[36,445]
Net assets at the end of current period attributable to common stock (million yen)	395,444	418,666
Number of shares at the end of current period (1,000 shares)	172,400	172,686

5. The basis of the computation of net income per share is as shown below:

	FY 2015 (April 1, 2015 to March 31, 2016)	FY 2016 (April 1, 2016 to March 31, 2017)
Profit attributable to owners of parent (million yen)	30,053	27,328
Amount not attributable to common stock (million yen)	—	—
Profit attributable to owners of parent attributable to common stock (million yen)	30,053	27,328
Average number of shares during the period (1,000 shares)	172,753	172,544

6. Shares of the Company held by the Employee Stock Ownership Plan Trust (ESOP Trust) account have been deducted from the "Number of shares at the end of current period" and the "Average number of shares during the period."

(Significant Subsequent Events)

None.