



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for Fiscal Year Ended March 31, 2018 (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 2017 (April 1, 2017 to March 31, 2018)

(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 2017	729,341	2.3	44,934	13.0	56,291	23.2	35,281	29.1
FY 2016	713,138	(4.4)	39,776	(17.6)	45,709	(14.9)	27,328	(9.1)

Note: Comprehensive income: 53,362 million yen, 63.2% (as of March 31, 2018); 32,695 million yen, -% (as of March 31, 2017)

	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 2017	204.17	-	8.0	7.3	6.2
FY 2016	158.39	-	6.7	6.3	5.6

Reference: Investment profit on equity method: 6,510 million yen (as of March 31, 2018); 5,068 million yen (as of March 31, 2017)

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2017	795,497	499,894	57.8	2,657.85
FY 2016	751,797	455,111	55.7	2,424.43

Reference: Owner's equity: 459,655 million yen (as of March 31, 2018); 418,666 million yen (as of March 31, 2017)

(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 2017	69,526	(58,681)	(13,010)	89,420
FY 2016	68,038	(62,035)	(7,327)	90,629

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 2016	-	25.00	-	25.00	50.00	8,653	31.6	2.1
FY 2017	-	25.00	-	25.00	50.00	8,653	24.5	2.0
FY 2018 (Forecast)	-	25.00	-	25.00	50.00		25.4	

3. Consolidated Forecasts for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(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	363,000	1.6	19,000	(5.5)	22,000	(17.3)	13,000	(20.0)	75.23
Full year	755,000	3.5	49,000	9.0	55,000	(2.3)	34,000	(3.6)	196.75

* 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)	FY 2017	173,138,537 shares	FY 2016	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	FY 2017	195,825 shares	FY 2016	452,309 shares
iii) Average number of shares	FY 2017	172,806,000 shares	FY 2016	172,544,136 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 (29,200 shares as of March 31, 2018 and 280,400 shares as of March 31, 2017). 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 the “Average number of shares” (160,685 shares for the fiscal year ended March 31, 2018 and 422,541 shares for the fiscal year ended March 31, 2017).

(Reference) Overview of non-consolidated results

1. Non-consolidated financial results for Fiscal 2017 (April 1, 2017 to March 31, 2018)

(1) Non-consolidated operating results

(Percentage figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2017	254,010	(0.9)	19,805	17.5	33,216	25.9	26,144	32.0
FY 2016	256,404	7.1	16,857	10.6	26,386	5.4	19,813	(6.7)

	Net income per share	Diluted net income per share
	yen	yen
FY 2017	151.21	—
FY 2016	114.77	—

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2017	370,976	220,385	59.4	1,273.68
FY 2016	348,588	192,174	55.1	1,112.25

Reference: Owner’s equity: 220,385 million yen (as of March 31, 2018); 192,174 million yen (as of March 31, 2017)

* This summary of consolidated financial results is not subject to audit by a certified public accountant or an audit firm.

* 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 2017 operating results

During the current consolidated fiscal year, the Japanese economy remained on a gradual recovery trend due to the effects of economic measures including public investments and the increasing trend of capital expenditures. Overseas, the U.S. economy remained robust and the Chinese economy was stable.

In the automobile industry, domestic vehicle demand was strong due to the launch of new models and the recovery of demand for light vehicles. In overseas markets, North America was stable, while in China, Japanese companies remained robust as they significantly outperformed the market's growth. The Thai market continued on a gradual recovery trend due to a steady recovery in domestic demand.

In the electronic equipment industry, demand for smartphones remained robust. Demand for hard disc drives was flat, as demand for PCs declined while demand for servers increased.

In the office machinery industry, maturation of the office machine market caused a slight increase in demand for multifunction peripherals and a slight decrease in demand for printers.

Under these circumstances, the operating results of the Group by business segment were as below.

Starting the current consolidated fiscal year, the "electronic device product business" segment was renamed to the "electronic product business." This represents a change in the name of the reportable segment only, and will not have any effect on segment information. The segment information for the previous consolidated fiscal year is also stated under the new name.

In the seal business, sales for automobile applications grew due to robust demand in Japan as well as strong demand from Japanese car manufacturers in China. Sales to manufacturers of general industrial machinery increased due to the recovery of construction machinery markets, mainly in China, as well as robust machine tools and robot markets.

As a result, net sales increased to 336,866 million yen (up 8.5% year on year). Operating income totaled 40,808 million yen (up 9.9% year on year), helped by increased sales.

In the electronic product business, demand was robust due to the computerization of cars. However, sales for high performance smartphones decreased.

As a result, net sales stood at 361,101 million yen (down 1.6% year on year). Operating income amounted to 2,963 million yen (up 2,331 million yen year on year) owing to automation (automation that involves human supervisory functions), yield improvement and favorable exchange rate movements.

In the roll business, sales declined due to the inventory adjustment of printers, although demand for multifunction peripherals remained flat.

As a result, net sales totaled 20,831 million yen (down 7.8% year on year). Operating loss was 49 million yen (compared to an operating income of 818 million yen in the previous fiscal year) due to the decrease in sales, despite efforts to reduce personnel costs and expenses.

In other businesses including specialty lubricants, net sales declined to 10,542 million yen (down 20.0% year on year). Operating income dropped to 1,100 million yen (down 0.4% year on year).

In summary, the Group posted the following results for the current consolidated fiscal year: Net sales totaled 729,341 million yen (up 2.3% year on year); operating income was 44,934 million yen (up 13.0% year on year); and ordinary income amounted to 56,291 million yen (up 23.2% year on year), resulting in 35,281 million yen in profit attributable to owners of parent (up 29.1% year on year).

ii. Projections for fiscal 2018

The future operating environment surrounding the Group is likely to see a continued economic recovery as consumer spending enters a gradual recovery trend and economic measures including public investments and capital expenditures remain strong. The overseas environment is likely to see a continued recovery in the U.S. economy, while economic growth in China may become sluggish. However, the outlook is increasingly uncertain due to the risk of a slowdown in the global economy on the back of geopolitical risks and political turmoil.

In the seal business, we expect vehicle demand to see a minor decrease in Japan as the launch of new models and the recovery in demand for light vehicles run their course. In overseas markets, we expect demand in North America to see a minor increase, while the growth in demand in China is expected to slow down. For manufacturers of general industrial machinery, demand for construction machinery in Japan is expected to remain robust. Overseas, we expect strong demand for construction machinery in China and continued robustness in the machine tools and robot markets. 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 product business, issues such as stagnant demand due to a slowdown in the growth of high performance smartphones and a drop in the number of units of hard disc drives 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 continue to exert efforts company-wide to make the company resilient to change and further improve quality.

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 price competition. We therefore intend to seek increased profitability by making efforts across sales and technology divisions to further expand sales by improving competitiveness in quality and cost and developing new products, as well as by further promoting management efficiency.

In summary, we expect consolidated operating results for the next term to be as follows: Net sales will total 755.0 billion yen (up 3.5% year on year); operating income will end at 49.0 billion yen (up 9.0% year on year); ordinary income will amount to 55.0 billion yen (down 2.3% year on year); and profit attributable to owners of parent will end at 34.0 billion yen (down 3.6% 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, 2018 stood at 795,497 million yen, an increase of 43,700 million yen compared with March 31, 2017. This was mainly attributable to increases in merchandise and finished goods, 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, 2018 amounted to 295,603 million yen, a decrease of 1,083 million yen compared with March 31, 2017, reflecting a decrease in long-term loans payable, despite an increase in deferred tax liabilities.

Net assets totaled 499,894 million yen, an increase of 44,783 million yen compared with March 31, 2017, 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 57.8%.

ii. Cash flows

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2018 amounted to 89,420 million yen. This represented a decrease in cash of 1,209 million yen compared with March 31, 2017. Cash flows during fiscal 2017 are summarized below.

[Cash flows from operating activities]

Net cash provided by operating activities totaled 69,526 million yen, up 2.2% year on year. This was attributable to recording of income before income taxes, as well as depreciation and amortization (non-cash items).

[Cash flows from investing activities]

Net cash used in investing activities, which mainly consisted of acquisitions of property, plant and equipment, amounted to 58,681 million yen (down 5.4% year on year).

[Cash flows from financing activities]

Net cash used in financing activities amounted to 13,010 million yen, up 77.6% year on year. This mainly reflected repayment of long-term loans payable and dividend payments.

The trend of cash flow indicators is as follows:

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Capital ratio (%)	50.0	55.9	56.7	55.7	57.8
Market capitalization to total assets (%)	43.8	82.9	47.5	59.4	44.9
Interest-bearing liabilities to cash flow (annualized)	1.4	1.2	1.0	1.3	1.2
Interest coverage ratio (multiple)	26.0	29.2	38.0	33.2	29.6

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:

- All indices above are calculated based on consolidated financial statements.
- Market capitalization is calculated on the basis of the number of issued and outstanding shares excluding treasury stock.
- Operating cash flow is used as "cash flow" in the above calculation.
- 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 2017 and 2018

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 2017, we propose to pay an annual dividend of 50 yen per share for fiscal 2017 (a 25-yen interim dividend plus a 25-yen term-end dividend).

We plan to pay an annual dividend of 50 yen per share for fiscal 2018 (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 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 preparation for natural disasters, 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 2016 (as of March 31, 2017)	FY 2017 (as of March 31, 2018)
Assets		
Current assets		
Cash and deposits	91,726	89,457
Notes and accounts receivable-trade	153,667	149,422
Merchandise and finished goods	30,175	38,611
Work in process	29,096	29,812
Raw materials and supplies	16,824	20,347
Deferred tax assets	5,803	6,026
Other	12,614	14,968
Allowance for doubtful accounts	(253)	(236)
Total current assets	339,655	348,409
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	176,971	185,679
Accumulated depreciation	(92,890)	(99,361)
Buildings and structures, net	84,081	86,318
Machinery, equipment and vehicles	345,213	369,485
Accumulated depreciation	(242,565)	(259,579)
Machinery, equipment and vehicles, net	102,647	109,905
Tools, furniture and fixtures	73,907	77,142
Accumulated depreciation	(54,902)	(56,900)
Tools, furniture and fixtures, net	19,004	20,241
Land	21,142	21,874
Lease assets	2,581	2,588
Accumulated depreciation	(1,886)	(2,314)
Lease assets, net	695	273
Construction in progress	16,372	18,734
Total property, plant and equipment	243,943	257,348
Intangible assets	4,337	4,061
Investments and other assets		
Investment securities	134,024	154,774
Long-term loans receivable from employees	3,791	3,444
Deferred tax assets	6,121	4,802
Net defined benefit asset	365	210
Other	19,773	22,615
Allowance for doubtful accounts	(215)	(169)
Total investments and other assets	163,861	185,678
Total noncurrent assets	412,142	447,088
Total assets	751,797	795,497

(million yen)

	FY 2016 (as of March 31, 2017)	FY 2017 (as of March 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	60,169	57,571
Short-term loans payable	55,172	58,398
Income taxes payable	6,085	5,084
Provision for bonuses	9,280	9,712
Provision for loss on guarantees	–	668
Provision for environmental measures	500	–
Deposits received from employees	16,119	16,210
Other	36,732	38,006
Total current liabilities	184,060	185,652
Noncurrent liabilities		
Long-term loans payable	17,790	9,931
Deferred tax liabilities	8,887	13,874
Provision for loss on guarantees	400	–
Net defined benefit liabilities	81,570	82,302
Other	3,978	3,841
Total noncurrent liabilities	112,626	109,950
Total liabilities	296,686	295,603
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,759	22,837
Retained earnings	341,188	367,822
Treasury stock	(1,157)	(323)
Total shareholders' equity	386,126	413,672
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,573	57,490
Foreign currency translation adjustment	9,961	11,909
Remeasurements of defined benefit plans	(24,995)	(23,416)
Total accumulated other comprehensive income	32,539	45,983
Non-controlling interests	36,445	40,238
Total net assets	455,111	499,894
Total liabilities and net assets	751,797	795,497

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

(million yen)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Net sales	713,138	729,341
Cost of sales	592,799	600,098
Gross profit	120,339	129,242
Selling, general and administrative expenses	80,562	84,308
Operating income	39,776	44,934
Non-operating income		
Interest income	466	528
Dividend income	2,020	2,208
Foreign exchange gains	–	1,203
Share of profit of entities accounted for using equity method	5,068	6,510
Rent income	995	965
Other	2,478	3,024
Total non-operating income	11,030	14,441
Non-operating expenses		
Interest expenses	2,130	2,335
Foreign exchange losses	2,246	–
Other	719	748
Total non-operating expenses	5,097	3,084
Ordinary income	45,709	56,291
Extraordinary income		
Gain on sales of noncurrent assets	193	450
Reversal of provision for environmental measures	225	–
Gain on sales of investment securities	0	162
Other	23	12
Total extraordinary income	443	625
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,662	3,002
Business structure improvement expenses	673	322
Provision for loss on guarantees	400	268
Other	592	458
Total extraordinary loss	4,328	4,051
Income before income taxes	41,824	52,866
Income taxes-current	12,898	13,148
Income taxes-deferred	(1,263)	528
Total income taxes	11,635	13,676
Net income	30,188	39,189
Profit attributable to non-controlling interests	2,860	3,908
Profit attributable to owners of parent	27,328	35,281

(Consolidated Comprehensive Income Statement)

(million yen)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Net income	30,188	39,189
Other comprehensive income		
Valuation difference on available-for-sale securities	10,540	9,926
Foreign currency translation adjustment	(1,795)	2,200
Remeasurements of defined benefit plans, net of tax	(5,350)	1,340
Share of other comprehensive income of entities accounted for using equity method	(887)	704
Total other comprehensive income	2,507	14,172
Comprehensive income	32,695	53,362
(Detail)		
Comprehensive income attributable to owners of parent	30,627	48,726
Comprehensive income attributable to non-controlling interests	2,067	4,636

(3) Consolidated Statement of Changes in Equity
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

FY 2017 (April 1, 2017 to March 31, 2018)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,335	22,759	341,188	(1,157)	386,126
Changes of items during the period					
Increase (decrease) resulting from changes in accounting policies applied to overseas subsidiaries					
Dividends from surplus			(8,648)		(8,648)
Profit attributable to owners of parent			35,281		35,281
Purchase of treasury stock				(16)	(16)
Disposal of treasury stock				850	850
Increase (decrease) due to merger of consolidated subsidiaries					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		77			77
Change of scope of equity method affiliates					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	77	26,633	834	27,545
Ending balance	23,335	22,837	367,822	(323)	413,672

	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	47,573	9,961	(24,995)	32,539	36,445	455,111
Changes of items during the period						
Increase (decrease) resulting from changes in accounting policies applied to overseas subsidiaries						
Dividends from surplus						(8,648)
Profit attributable to owners of parent						35,281
Purchase of treasury stock						(16)
Disposal of treasury stock						850
Increase (decrease) due to merger of consolidated subsidiaries						
Change in treasury shares of parent arising from transactions with non-controlling shareholders						77
Change of scope of equity method affiliates						-
Net changes of items other than shareholders' equity	9,916	1,948	1,579	13,444	3,793	17,237
Total changes of items during the period	9,916	1,948	1,579	13,444	3,793	44,783
Ending balance	57,490	11,909	(23,416)	45,983	40,238	499,894

(4) Consolidated Cash Flow Statement

(million yen)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes	41,824	52,866
Depreciation and amortization	40,391	43,970
Increase (decrease) in provision for bonuses	309	355
Increase (decrease) in net defined benefit asset or liability	3,799	2,138
Interest and dividend income	(2,487)	(2,737)
Interest expenses	2,130	2,335
Foreign exchange losses (gains)	3,504	(3,011)
Share of (profit) loss of entities accounted for using equity method	(5,068)	(6,510)
Loss (gain) on sales and retirement of property, plant and equipment	2,490	2,570
Decrease (increase) in notes and accounts receivable-trade	(15,446)	6,248
Decrease (increase) in inventories	(584)	(11,883)
Increase (decrease) in notes and accounts payable-trade	7,868	(4,722)
Other, net	(3,854)	1,049
Subtotal	74,877	82,667
Interest and dividend income received	3,490	3,759
Interest expenses paid	(2,052)	(2,348)
Income taxes paid	(8,277)	(14,551)
Cash flows from operating activities	68,038	69,526
Cash flows from investing activities		
Decrease (increase) in time deposits	682	1,064
Payments of long-term loans receivable	(438)	(1,934)
Purchase of investment securities	(78)	(330)
Purchase of property, plant and equipment	(61,503)	(58,293)
Proceeds from sales of property, plant and equipment	361	1,587
Purchase of intangible assets	(1,599)	(258)
Other, net	540	(517)
Cash flows from investing activities	(62,035)	(58,681)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,093	3,433
Proceeds from long-term loans payable	7,668	4,000
Repayment of long-term loans payable	(9,989)	(10,924)
Repayment of finance lease obligations	(803)	(483)
Net decrease (increase) in treasury shares	961	834
Cash dividends paid	(8,648)	(8,648)
Dividends paid to non-controlling interests	(3,068)	(614)
Other, net	458	(607)
Cash flows from financing activities	(7,327)	(13,010)
Effect of exchange rate change on cash and cash equivalents	(2,265)	955
Net increase (decrease) in cash and cash equivalents	(3,589)	(1,209)
Cash and cash equivalents at beginning of period	94,032	90,629
Increase in cash and cash equivalents from newly consolidated subsidiary	185	—
Cash and cash equivalents at end of period	90,629	89,420

- (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 942 million yen and 280 thousand shares, respectively, in the previous consolidated fiscal year, and 98 million yen and 29 thousand shares, respectively, in the current consolidated fiscal year.

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

1,760 million yen in the previous consolidated fiscal year and 1,320 million yen in the current consolidated fiscal year.

(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 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 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.

Starting the current consolidated fiscal year, the "electronic device product business" segment was renamed to the "electronic product business." This represents a change in the name of the reportable segment only, and will not have any effect on segment information. The segment information for the previous consolidated fiscal year is also stated under the new name.

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

(million yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount included in the consolidated financial statements (Note 2)
	Seal	Electronic 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:

1. Adjustments are as shown below:

- (1) The amount of 90 million yen in Adjustments of segment income represents the result of the elimination of inter-segment transactions.
- (2) 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.

2. Segment income is adjusted for operating income stated in the consolidated financial statements.

FY 2017 (April 1, 2017 to March 31, 2018)

(million yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount included in the consolidated financial statements (Note 2)
	Seal	Electronic product	Roll	Other			
Net sales							
Net sales to external customers	336,866	361,101	20,831	10,542	729,341	–	729,341
Inter-segment sales/transfers	2,335	17	5	431	2,789	(2,789)	–
Total	339,201	361,118	20,836	10,974	732,130	(2,789)	729,341
Segment income (loss)	40,808	2,963	(49)	1,100	44,822	111	44,934
Segment assets	340,083	267,945	33,641	9,173	650,844	144,653	795,497
Other items							
Depreciation and amortization	18,881	23,884	1,013	192	43,970	–	43,970
Increase in property, plant and equipment and intangible assets	32,101	25,004	697	585	58,388	–	58,388

Notes:

1. Adjustments are as shown below:

- (1) The amount of 111 million yen in Adjustments of segment income (loss) represents the result of the elimination of inter-segment transactions.
- (2) The amount of 144,653 million yen in Adjustments of segment assets includes 155,316 million yen in corporate assets which are not allocated to individual reportable segments and (10,663) million yen in offset elimination of inter-segment claims and debts.

2. Segment income (loss) is adjusted for operating income stated in the consolidated financial statements.

(Per Share Information)

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Net assets per share	2,424.43 yen	2,657.85 yen
Net income per share	158.39 yen	204.17 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." (280 thousand shares in FY 2016; 29 thousand shares in FY 2017)
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." (422 thousand shares in FY 2016; 160 thousand shares in FY 2017)
4. The basis of the computation of net assets per share is as shown below:

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Total net assets (million yen)	455,111	499,894
Deductions from total net assets (million yen)	36,445	40,238
(Non-controlling interests)	[36,445]	[40,238]
Net assets at the end of current period attributable to common stock (million yen)	418,666	459,655
Number of shares at the end of current period (1,000 shares)	172,686	172,942

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

	FY 2016 (April 1, 2016 to March 31, 2017)	FY 2017 (April 1, 2017 to March 31, 2018)
Profit attributable to owners of parent (million yen)	27,328	35,281
Amount not attributable to common stock (million yen)	–	–
Profit attributable to owners of parent attributable to common stock (million yen)	27,328	35,281
Average number of shares during the period (1,000 shares)	172,544	172,806

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.