NOK CORPORATION and Consolidated Subsidiaries
Consolidated Financial Results for Fiscal Year Ended March 31, 2015 (Japanese GAAP)

Date: May 12, 2015

Company name: NOK Corporation
Securities code: 7240
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Date of general shareholders' meeting (as planned): June 25, 2015
Annual securities report filing date (as planned): June 25, 2015
Dividend payable date (as planned): June 26, 2015
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 2014 (April 1, 2014 to March 31, 2015)

(1) 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 2014	693,689	17.3	67,085	105.9	80,776	90.9	46,813	115.2
FY 2013	591,388	9.3	32,586	22.9	42,313	20.2	21,757	(2.1)

Note: Comprehensive income: 100,919 million yen, 61.0% (as of March 31, 2015); 62,693 million yen, 22.5% (as of March 31, 2014)

	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 2014	271.21	–	12.4	11.4	9.7
FY 2013	126.16	–	7.0	6.7	5.5

Reference: Investment profit on equity method: 5,055 million yen (as of March 31, 2015); 4,272 million yen (as of March 31, 2014)

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2014	755,084	462,754	55.9	2,440.93
FY 2013	663,265	364,411	50.0	1,920.88

Reference: Owner's equity: 421,894 million yen (as of March 31, 2015); 331,547 million yen (as of March 31, 2014)

(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 2014	80,613	(43,196)	(18,061)	102,339
FY 2013	79,426	(46,644)	(26,823)	78,598

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 2013	–	10.00	–	10.00	20.00	3,461	15.9	1.1
FY 2014	–	15.00	–	35.00	50.00	8,653	18.4	2.3
FY 2015 (Forecast)	–	25.00	–	–	–		–	

Note: Although the Company stipulates its dividend record dates as September 30 and March 31 in its Articles of Incorporation, the projected dividend amount for the fiscal year ending March 31, 2016 is not yet determined.

3. Consolidated Forecasts for Fiscal 2015 (April 1, 2015 to March 31, 2016)

(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	386,500	23.1	32,500	27.2	35,500	15.0	23,000	22.8	133.25
Full year	760,000	9.6	62,000	(7.6)	68,000	(15.8)	44,000	(6.0)	254.92

* 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: Yes
- ii) Changes in accounting policies other than ones based on revisions of accounting standard: Yes
- iii) Changes in accounting estimates: Yes
- 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 2014	173,138,537 shares	FY 2013	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	FY 2014	297,055 shares	FY 2013	536,602 shares
iii) Average number of shares	FY 2014	172,605,881 shares	FY 2013	172,457,788 shares

(Reference) Outline of individual financial results

Individual results for the fiscal 2014 (April 1, 2014 to March 31, 2015)

(1) Individual 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 2014	245,546	0.8	17,345	18.1	22,108	26.8	15,294	80.7
FY 2013	243,646	6.7	14,687	28.1	17,438	33.2	8,461	–

	Net income per share	Diluted net income per share
	yen	yen
FY 2014	88.48	–
FY 2013	49.02	–

(2) Individual financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2014	332,429	170,534	51.3	986.12
FY 2013	297,649	144,566	48.6	836.84

(Reference) Owner's equity: 170,534 million yen (as of March 31, 2015); 144,566 million yen (as of March 31, 2014)

* Audit procedures

This summary of the consolidated financial results for FY 2014 is not in conformity with the audit procedures as provided for under the Financial Instruments and Exchange Act. As of the date on which this summary of the consolidated financial results for FY 2014 was released as a flash report, the above-mentioned audit procedures were being implemented.

* Proper use of the projections for financial results, and other important matters:

1. 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 achievement of such projections, etc. Financial results may differ significantly due to various factors.
   For assumptions, etc., used as the basis for the projections for financial results, please see "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results" on page 2 of the attached document.
2. Dividend projections for fiscal 2015 are yet to be determined. We intend to disclose our dividend projections as soon as disclosure is possible.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

i. Fiscal 2014 operating results

With regard to the operating environment surrounding the NOK Group during the current consolidated fiscal year, the U.S. economy remained robust as evidenced by factors such as improvement in the employment situation, while the Chinese economy maintained stability despite a slowdown in growth and the European economy showed signs of improvement. In Japan, the economy remained on a gradual recovery trend as economic measures and capital expenditures including public spending showed robustness.

In the automobile industry, although the decline in vehicle production that was expected to follow the last minute surge in demand prior to the consumption tax hike turned out to be small, recovery was slow, resulting in a drop in demand. Overseas, while demand decreased in Thailand due to the termination of the car purchase subsidy scheme as well as to the impact of political unrest, demand in North America remained robust.

In the electronic equipment industry, although demand dropped for digital cameras and remained weak for tablet terminals and hard disc drives, demand for smartphones was robust.

In the office machine industry, demand for both printers and copiers centered on color devices remained robust in overseas markets such as Europe and the U.S.

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

In the seal business, sales to automobile manufacturers increased on the back of increased demand in North America and China despite a drop in demand in Japan and weak demand in Thailand. Sales to manufacturers of general industrial machinery also rose due to robust demand in North America and Asia despite flat growth in demand in Japan due in part to the impact of the consumption tax hike.

As a result, net sales ended at 296,875 million yen (up 4.2% year on year). Operating income totaled 33,487 million yen (up 20.8% year on year) due to the change in the depreciation method as well as an increase in revenue despite increases in personnel and other costs in emerging nations.

In the electronic device product business, sales increased on the back of strong demand for smartphones and automobiles in addition to the impact of favorable exchange rate fluctuations.

As a result, net sales improved to 354,777 million yen (up 33.2% year on year). Operating income was at 30,285 million yen (compared with an operating income of 2,045 million yen in the same period last year) due to an increase in revenue, improvement in yield, cost reductions and the impact of favorable exchange rate fluctuations.

In the roll business, sales increased owing to favorable exchange rate fluctuations despite a slump in demand for printers and copiers.

As a result, net sales increased to 30,335 million yen (up 5.7% year on year). Operating income was 2,434 million yen (up 21.3% year on year) due to a reduction in costs and favorable exchange rate fluctuations.

In other businesses including specialty lubricants, net sales improved to 11,700 million yen (up 2.9% year on year), while operating income rose to 781 million yen (up 1.6% year on year).

In summary, the Group's operating results for the current consolidated fiscal year were as follows: Net sales totaled 693,689 million yen (up 17.3% year on year); operating income rose to 67,085 million yen (up 105.9% year on year); ordinary income amounted to 80,776 million yen (up 90.9% year on year); and net income increased to 46,813 million yen (up 115.2% year on year).

ii. Projections for fiscal 2015

The future operating environment surrounding the Group is likely to see a gradual recovery in Japan as the employment and income environment continues to improve and negative impact of the consumption tax hike weakens. The overseas environment is likely to continue to be unpredictable due to strong uncertainties such as a slowdown in growth of the Chinese economy and sluggish growth of emerging economies despite continued acceleration in the pace of recovery of the U.S. economy.

In the seal business, we expect vehicle production to increase on the back of expected robust demand for cars in the North American market despite an expected drop in demand in Japan. Since competition from overseas competitors is projected to intensify, we will make efforts across sales, production and technology divisions to increase sales, save and automate personnel, and improve the efficiency of our production system based on the concepts of optimum production location and local production for local consumption, and will continue to make efforts to improve quality.

In the electronic device product business, while a rise in demand for smartphones and wearable devices is expected, issues such as the drop in product selling prices due to intensified competition and increased fluctuation of demand have become more serious. In order to address such concerns, we will expand sales of products for automobiles and other uses.

In the roll business, sales are expected to be sluggish due to changes in the environment such as structural changes in office machinery and shrinkage of the replacement parts market owing to an accelerated rise in durability. We therefore intend to seek increased profitability by making efforts to expand sales in areas other than office machinery 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 760.0 billion yen (up 9.6% year on year); operating income will decrease to 62.0 billion yen (down 7.6% year on year); ordinary income will decline to 68.0 billion yen (down 15.8% year on year); and net income will drop to 44.0 billion yen (down 6.0% 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 both in Japan and abroad, including exchange rate fluctuations.

(2) Analysis of Financial Position

i. Assets, liabilities and net assets

Total assets as of March 31, 2015 equaled 755,084 million yen, an increase of 91,819 million yen compared with the previous fiscal year-end. This mainly reflected an increase in various assets of overseas subsidiaries due to a weaker yen, in addition to the increase in fair value of investment securities following a rise in share prices.

Total liabilities as of March 31, 2015 amounted to 292,330 million yen, a decrease of 6,523 million yen compared with the previous fiscal year-end. This mainly reflected the repayment of short-term loans payable.

Net assets totaled 462,754 million yen as of March 31, 2015, an increase of 98,342 million yen compared with the previous fiscal year-end due to an increase in accumulated other comprehensive income and an increase in retained earnings as a result of growth in net income. As a result, the ratio of shareholders' equity to total assets stood at 55.9%.

ii. Cash flows

Cash and cash equivalents (hereinafter, "cash") as of the end of fiscal 2014 amounted to 102,339 million yen. This represented an increase in cash of 23,741 million yen compared with the previous fiscal year-end. Cash flows during fiscal 2014 are summarized below.

[Cash flows from operating activities]
Net cash provided by operating activities totaled 80,613 million yen, up 1.5% year on year. This was attributable to an increase in income before income taxes and minority interests.

[Cash flows from investment activities]
Net cash used in investment activities, which mainly consisted of acquisitions of property, plant and equipment, amounted to 43,196 million yen (down 7.4% year on year).

[Cash flows from financing activities]
Net cash used in financing activities amounted to 18,061 million yen, down 32.7% year on year. This mainly reflected the repayment of loans payable.

The trend of cash flow indicators is as follows:

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Capital ratio (%)	45.9	47.2	48.8	50.0	55.9
Market capitalization to total assets (%)	48.1	58.5	38.6	43.8	82.9
Interest-bearing liabilities to cash flow (annualized)	2.1	3.5	3.6	1.4	1.2
Interest coverage ratio (multiple)	17.1	11.9	12.9	26.0	29.2

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 2014 and 2015

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 2014, we propose to pay an annual dividend of 50 yen per share for fiscal 2014 (a 15-yen interim dividend plus a 35-yen term-end dividend).

We plan to pay an interim dividend of 25 yen per share for fiscal 2015. Dividend projections for the term-end are yet to be determined. We will disclose our dividend projections as soon as possible, taking into account the trend of the Group's performance.

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 NOK 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 has formulated a new three-year plan (from fiscal 2014 to fiscal 2016), which we will implement in an effort to achieve sustainable growth and development towards the future, by focusing on 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]
"Building Foundations for Sustainable Growth"
― Strengthen existing businesses and develop new products and new businesses ―

[Initiatives]
1. Reviewing MONOZUKURI, the framework of manufacturing
2. Continuing to strive for unrivalled quality
3. Developing new products, new technologies and new businesses
4. Utilizing and fostering our people properly

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

(1) Consolidated Balance Sheet

(million yen)

	FY 2013 (as of March 31, 2014)	FY 2014 (as of March 31, 2015)
Assets		
Current assets		
Cash and deposits	78,633	102,406
Notes and accounts receivable-trade	158,606	160,388
Merchandise and finished goods	26,268	31,975
Work in process	24,885	30,245
Raw materials and supplies	15,747	18,400
Deferred tax assets	8,621	6,924
Other	12,591	12,217
Allowance for doubtful accounts	(570)	(283)
Total current assets	324,784	362,275
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	160,243	173,703
Accumulated depreciation	(81,527)	(87,573)
Buildings and structures, net	78,715	86,130
Machinery, equipment and vehicles	286,556	312,786
Accumulated depreciation	(206,435)	(227,414)
Machinery, equipment and vehicles, net	80,121	85,372
Tools, furniture and fixtures	67,350	71,557
Accumulated depreciation	(52,897)	(53,793)
Tools, furniture and fixtures, net	14,452	17,764
Land	20,853	21,632
Lease assets	1,710	1,749
Accumulated depreciation	(854)	(917)
Lease assets, net	856	832
Construction in progress	5,133	8,073
Total property, plant and equipment	200,132	219,807
Intangible assets		
Goodwill	40	6
Other	2,515	2,771
Total intangible assets	2,556	2,777
Investments and other assets		
Investments securities	108,112	137,447
Long-term loans receivable from employees	5,492	4,881
Deferred tax assets	3,485	3,107
Net defined benefit asset	–	2,284
Other	18,952	22,694
Allowance for doubtful accounts	(251)	(190)
Total investments and other assets	135,791	170,224
Total noncurrent assets	338,480	392,809
Total assets	663,265	755,084

(million yen)

	FY 2013 (as of March 31, 2014)	FY 2014 (as of March 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	67,653	64,332
Short-term loans payable	83,887	55,095
Income taxes payable	6,011	8,352
Provision for bonuses	8,227	8,847
Provision for business structure improvement	1,760	669
Provision for recall loss	300	–
Deposits received from employees	15,849	15,947
Other	34,228	36,103
Total current liabilities	217,918	189,349
Noncurrent liabilities		
Long-term loans payable	14,277	24,162
Deferred tax liabilities	2,821	15,219
Provision for environmental measures	–	400
Net defined benefit liabilities	59,315	58,711
Other	4,521	4,486
Total noncurrent liabilities	80,935	102,980
Total liabilities	298,853	292,330
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,450	22,716
Retained earnings	257,894	302,571
Treasury stock	(642)	(374)
Total shareholders' equity	303,038	348,250
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,181	47,343
Foreign currency translation adjustment	12,920	34,253
Remeasurements of defined benefit plans	(14,594)	(7,952)
Total accumulated other comprehensive income	28,508	73,644
Minority interests	32,864	40,860
Total net assets	364,411	462,754
Total liabilities and net assets	663,265	755,084

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

(million yen)

	FY 2013 (April 1, 2013 to March 31, 2014)	FY 2014 (April 1, 2014 to March 31, 2015)
Net sales	591,388	693,689
Cost of sales	486,808	548,544
Gross profit	104,580	145,144
Selling, general and administrative expenses	71,994	78,058
Operating income	32,586	67,085
Non-operating income		
Interest income	413	498
Dividends income	1,290	1,624
Foreign exchange gains	5,201	7,064
Equity in earnings of affiliates	4,272	5,055
Rent income	907	951
Other	2,175	1,820
Total non-operating income	14,261	17,016
Non-operating expenses		
Interest expenses	3,097	2,826
Other	1,436	500
Total non-operating expenses	4,534	3,326
Ordinary income	42,313	80,776
Extraordinary income		
Gain on sales of noncurrent assets	410	273
Gain on step acquisitions	–	364
Insurance income	1,347	–
Other	194	165
Total extraordinary income	1,951	802
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,256	1,081
Product compensation costs	–	1,000
Provision for environmental measures	–	400
Recall loss contribution	5,207	–
Provision of allowance for recall loss	300	–
Other	1,151	407
Total extraordinary loss	7,915	2,889
Income before income taxes and minority interests	36,349	78,689
Income taxes-current	13,035	19,071
Income taxes-deferred	(1,561)	7,408
Total income taxes	11,474	26,480
Income before minority interests	24,874	52,209
Minority interests in income	3,117	5,395
Net income	21,757	46,813

(Consolidated Comprehensive Income Statement)

(million yen)

	FY 2013 (April 1, 2013 to March 31, 2014)	FY 2014 (April 1, 2014 to March 31, 2015)
Income before minority interests	24,874	52,209
Other comprehensive income		
Valuation difference on available-for-sale securities	7,275	17,038
Foreign currency translation adjustment	26,498	22,983
Remeasurements of defined benefit plans, net of tax	–	6,751
Share of other comprehensive income of associates accounted for using equity method	4,044	1,936
Total other comprehensive income	37,818	48,710
Comprehensive income	62,693	100,919
(Detail)		
Comprehensive income attributable to owners of the parent	55,827	91,948
Comprehensive income attributable to minority interests	6,866	8,970

(3) Consolidated Statement of Changes in Net Assets
FY 2013 (April 1, 2013 to March 31, 2014)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,335	22,450	239,637	(997)	284,425
Cumulative effects of changes in accounting policies					
Restated balance	23,335	22,450	239,637	(997)	284,425
Changes of items during the period					
Increase (decrease) resulting from changes in the fiscal year-end of consolidated subsidiaries					
Dividends from surplus			(3,447)		(3,447)
Net income			21,757		21,757
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock				360	360
Change of scope of equity method affiliates			(51)		(51)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	18,257	355	18,613
Ending balance	23,335	22,450	257,894	(642)	303,038

	Accumulated other comprehensive income				Minority 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	22,865	(13,832)	–	9,032	26,758	320,217
Cumulative effects of changes in accounting policies						
Restated balance	22,865	(13,832)	–	9,032	26,758	320,217
Changes of items during the period						
Increase (decrease) resulting from changes in the fiscal year-end of consolidated subsidiaries						
Dividends from surplus						(3,447)
Net income						21,757
Purchase of treasury stock						(5)
Disposal of treasury stock						360
Change of scope of equity method affiliates						(51)
Net changes of items other than shareholders' equity	7,316	26,753	(14,594)	19,475	6,105	25,581
Total changes of items during the period	7,316	26,753	(14,594)	19,475	6,105	44,194
Ending balance	30,181	12,920	(14,594)	28,508	32,864	364,411

FY 2014 (April 1, 2014 to March 31, 2015)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,335	22,450	257,894	(642)	303,038
Cumulative effects of changes in accounting policies			(3,467)		(3,467)
Restated balance	23,335	22,450	254,427	(642)	299,571
Changes of items during the period					
Increase (decrease) resulting from changes in the fiscal year-end of consolidated subsidiaries			5,643		5,643
Dividends from surplus			(4,316)		(4,316)
Net income			46,813		46,813
Purchase of treasury stock				(74)	(74)
Disposal of treasury stock		266		343	609
Change of scope of equity method affiliates			4		4
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	266	48,144	268	48,678
Ending balance	23,335	22,716	302,571	(374)	348,250

	Accumulated other comprehensive income				Minority 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	30,181	12,920	(14,594)	28,508	32,864	364,411
Cumulative effects of changes in accounting policies					(19)	(3,487)
Restated balance	30,181	12,920	(14,594)	28,508	32,844	360,924
Changes of items during the period						
Increase (decrease) resulting from changes in the fiscal year-end of consolidated subsidiaries						5,643
Dividends from surplus						(4,316)
Net income						46,813
Purchase of treasury stock						(74)
Disposal of treasury stock						609
Change of scope of equity method affiliates						4
Net changes of items other than shareholders' equity	17,162	21,332	6,641	45,135	8,015	53,151
Total changes of items during the period	17,162	21,332	6,641	45,135	8,015	101,829
Ending balance	47,343	34,253	(7,952)	73,644	40,860	462,754

(4) Consolidated Cash Flow Statement

(million yen)

	FY 2013 (April 1, 2013 to March 31, 2014)	FY 2014 (April 1, 2014 to March 31, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	36,349	78,689
Depreciation and amortization	37,431	32,963
Increase (decrease) in allowance for doubtful accounts	(227)	(412)
Increase (decrease) in provision for bonuses	21	315
Increase (decrease) in net defined benefit liabilities	(1,856)	(1,468)
Increase (decrease) in provision for business structure improvement	256	(1,090)
Interest and dividends income	(1,704)	(2,123)
Interest expenses	3,097	2,826
Foreign exchange losses (gains)	(3,623)	(1,711)
Equity in (earnings) losses of affiliates	(4,272)	(5,055)
Insurance income	(1,347)	–
Loss (gain) on sales and retirement of property, plant and equipment	852	844
Decrease (increase) in notes and accounts receivable-trade	29,001	(6,728)
Decrease (increase) in inventories	5,165	(14,742)
Increase (decrease) in notes and accounts payable-trade	(7,529)	11,696
Other, net	2,241	10,988
Subtotal	93,858	104,989
Interest and dividends income received	2,228	3,065
Interest expenses paid	(3,054)	(2,737)
Proceeds from insurance income	1,347	–
Contribution for recall losses paid	–	(5,507)
Product compensation costs paid	–	(1,000)
Payments for extra retirement payment	(1,363)	–
Income taxes paid	(13,589)	(18,196)
Net cash provided by (used in) operating activities	79,426	80,613
Net cash provided by (used in) investment activities		
Purchase of investment securities	(6,729)	(2,762)
Purchase of property, plant and equipment	(40,111)	(41,424)
Proceeds from sales of property, plant and equipment	482	511
Purchase of intangible assets	(1,013)	(351)
Other, net	727	830
Net cash provided by (used in) investment activities	(46,644)	(43,196)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(7,433)	(9,448)
Proceeds from long-tem loans payable	6,328	18,102
Repayment of long-term loans payable	(21,838)	(21,946)
Repayment of finance lease obligations	(414)	(599)
Proceeds from stock issuance to minority shareholders	789	–
Cash dividends paid	(3,449)	(4,316)
Cash dividends paid to minority shareholders	(1,182)	(1,536)
Other, net	377	1,684
Net cash provided by (used in) financing activities	(26,823)	(18,061)
Effect of exchange rate change on cash and cash equivalents	7,373	7,734
Net increase (decrease) in cash and cash equivalents	13,332	27,089
Cash and cash equivalents at beginning of period	65,266	78,598
Net increase (decrease) in cash and cash equivalents from the change in the consolidated subsidiary accounting term	–	(3,348)
Cash and cash equivalents at end of period	78,598	102,339

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

(Significant Matters That Serve as the Basis for Preparing Consolidated Financial Statements)
(Matters on the business year, etc. of consolidated subsidiaries)
NOK has 36 consolidated subsidiaries whose last day of business of the year is December 31, which differs from the consolidated accounting date. Of these subsidiaries, NOK INC. and two others ensure that they make necessary adjustments with regard to important transactions that take place between the last day of their business year and the consolidated accounting date for the purpose of consolidation. In addition, the consolidation methods of 33 companies, including Mektec Manufacturing Corporation (Zhuhai) Ltd., were changed to carry out provisional settlements of accounts based on full-year business results on March 31, the consolidated accounting date, in the fiscal year under review.

Furthermore, the accounting date for 11 overseas consolidated subsidiaries including Thai NOK Co., Ltd., whose accounting date had been December 31, was changed to March 31 in the fiscal year under review.

The profit and loss for the three months following these changes in accounting dates have been reflected as increases and decreases in retained earnings in the “increase (decrease) resulting from changes in the fiscal year-end of consolidated subsidiaries” in the Consolidated Statement of Changes in Net Assets.

(Changes in Accounting Policies)
(Application of the accounting standard for retirement benefits)
We have adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No.26 issued on May 17, 2012; hereinafter, the “Accounting Standard for Retirement Benefits”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 issued on May 17, 2012; hereinafter, the “Guidance on Accounting Standard for Retirement Benefits”) in accordance with the provisions of Article 35 of the Accounting Standard for Retirement Benefits and those of Article 67 of the Guidance on Accounting Standard for Retirement Benefits starting from the consolidated fiscal year under review. We reviewed the calculation methods for retirement benefit obligations and service costs, and changed the method of attributing all contributions over all periods to periods of service based on the benefit formula rather than on a straight-line basis, as well as the method of determining the discount rate from the use of a discount rate based on the number of years similar to that of the average remaining service period of employees to the use of a single weighted average discount rate that reflects the estimated payment period of retirement benefits and the amount per that period.

We adopted this accounting standard and guidance in accordance with the transitional treatment specified in Article 37 of the Accounting Standard for Retirement Benefits. Amounts obtained due to such changes in calculation methods are recognized by adding to or deducting from retained earnings at the beginning of the consolidated fiscal year under review.

As a result, we recorded an increase of 4,919 million yen as net defined benefit liability and a decrease of 3,467 million yen in retained earnings at the beginning of the consolidated fiscal year under review. The impact of the above changes on operating income, ordinary income, and income before income taxes for the consolidated fiscal year under review is immaterial.

(Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts)
We have adopted the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts (ASBJ PITF No.30 released on December 25, 2013) starting from the consolidated fiscal year under review. There will be no impact from the adoption of the PITF on consolidated financial statements since the previously adopted method will be continued for accounting pertaining to trust agreements that were concluded before the beginning of the initial fiscal year in which the PITF in question was adopted.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)
The Company and its domestic consolidated subsidiaries have changed their method of depreciation of property, plant and equipment from the declining-balance method, which was their principle method, to the straight-line method, starting from the consolidated fiscal year under review.

This change is based on the judgment that it is rational to change the depreciation method to the straight-line method because cost allocation by the straight-line method over useful lives will reflect the actual status of use of property, plant and equipment more appropriately since investigation of the actual status of use of property, plant and equipment of the Company and its domestic consolidated subsidiaries that was carried out in view of the rise in the weight of overseas businesses due to the progress of globalization at the NOK Group found no rapid economic deterioration or obsolescence in manufacturing equipment, and stable operation was expected in the future.

As a result, compared to instances based on the previous method, operating income for the consolidated fiscal year under review increased 6,397 million yen, while ordinary income and income before income taxes increased by 6,398 million yen, respectively.

The impact from this change on segment information is stated in the relevant sections.

(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 2013 (April 1, 2013 to March 31, 2014)

(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	284,861	266,444	28,712	11,370	591,388	–	591,388
Inter-segment sales/transfers	3,147	13	–	537	3,699	(3,699)	–
Total	288,009	266,458	28,712	11,908	595,087	(3,699)	591,388
Segment income	27,729	2,045	2,008	768	32,552	33	32,586
Segment assets	278,866	248,614	24,019	8,030	559,531	103,734	663,265
Other items							
Depreciation and amortization	19,546	16,652	1,090	141	37,431	–	37,431
Increase in property, plant and equipment and intangible assets	21,914	18,359	232	109	40,615	–	40,615

Notes:

1. Adjustments are as shown below:
   (1) The amount of 33 million yen in Adjustments of segment income represents the result of elimination in the inter-segment transactions.
   (2) The amount of 103,734 million yen in Adjustments of segment assets includes 110,538 million yen in corporate assets which are not allocated to individual reportable segments and (6,803) million yen in offset elimination of inter-segment claims and debts.
2. Segment income is adjusted with operating income stated in consolidated financial statements.

FY 2014 (April 1, 2014 to March 31, 2015)

(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	296,875	354,777	30,335	11,700	693,689	–	693,689
Inter-segment sales/transfers	2,831	7	–	338	3,178	(3,178)	–
Total	299,707	354,785	30,335	12,038	696,867	(3,178)	693,689
Segment income	33,487	30,285	2,434	781	66,989	96	67,085
Segment assets	317,817	272,910	27,727	8,773	627,228	127,856	755,084
Other items							
Depreciation and amortization	14,314	17,503	1,048	97	32,963	–	32,963
Increase in property, plant and equipment and intangible assets	18,680	20,924	1,691	175	41,470	–	41,470

Notes:

1. Adjustments are as shown below:
   (1) The amount of 96 million yen in Adjustments of segment income represents the result of elimination in the inter-segment transactions.
   (2) The amount of 127,856 million yen in Adjustments of segment assets includes 135,639 million yen in corporate assets which are not allocated to individual reportable segments and (7,783) million yen in offset elimination of inter-segment claims and debts.
2. Segment income is adjusted with operating income stated in consolidated financial statements.
3. Changes to reporting segments
   (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)
   As stated in the Changes in Accounting Policies, the Company and its domestic consolidated subsidiaries have changed their method of depreciation of property, plant and equipment from the declining-balance method, which was their principle method, to the straight-line method, starting from the consolidated fiscal year under review.
   Following this change, segment income for the current consolidated fiscal year increased as follows compared with the conventional method: Seal business: 5,318 million yen; electronic device product business: 922 million yen; roll business: 95 million yen; and other businesses: 62 million yen.

(Per Share Information)

	FY 2013 (April 1, 2013 to March 31, 2014)	FY 2014 (April 1, 2014 to March 31, 2015)
Net assets per share	1,920.88 yen	2,440.93 yen
Net income per share	126.16 yen	271.21 yen

Notes: 1. Diluted net income per share is not shown as there are no residual securities.

2. As stated in "Change in Accounting Policies," the accounting standard for retirement benefits, etc. is applied and the figures conform with the transitional treatment stipulated in Item 37 of the Accounting Standard.
As a result, net assets per share decreased by 20.06 yen in fiscal 2014.

3. The basis of the computation of net assets per share is as shown below:

	FY 2013 (April 1, 2013 to March 31, 2014)	FY 2014 (April 1, 2014 to March 31, 2015)
Total net assets (million yen)	364,411	462,754
Deductions from total net assets (million yen)	32,864	40,860
(Minority interests)	[32,864]	[40,860]
Net assets at the end of current period attributable to common stock (million yen)	331,547	421,894
Number of shares at the end of current period (1,000 shares)	172,601	172,841

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

	FY 2013 (April 1, 2013 to March 31, 2014)	FY 2014 (April 1, 2014 to March 31, 2015)
Net income (million yen)	21,757	46,813
Amount not attributable to common stock (million yen)	–	–
Net income attributable to common stock (million yen)	21,757	46,813
Average number of shares during the period (1,000 shares)	172,457	172,605

5. 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.