



NOK CORPORATION and Consolidated Subsidiaries

Consolidated Financial Results for Fiscal Year Ended March 31, 2016 (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 2015 (April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2015	746,147	7.6	48,258	(28.1)	53,727	(33.5)	30,053	(35.8)
FY 2014	693,689	17.3	67,085	105.9	80,776	90.9	46,813	115.2

Note: Comprehensive income: (13,777) million yen, -% (as of March 31, 2016); 100,919 million yen, 61.0% (as of March 31, 2015)

	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 2015	173.97	-	7.4	7.4	6.5
FY 2014	271.21	-	12.4	11.4	9.7

Reference: Investment profit on equity method: 5,343 million yen (as of March 31, 2016); 5,055 million yen (as of March 31, 2015)

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2015	696,989	433,404	56.7	2,293.76
FY 2014	755,084	462,754	55.9	2,440.93

Reference: Owner's equity: 395,444 million yen (as of March 31, 2016); 421,894 million yen (as of March 31, 2015)

(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 2015	88,503	(65,682)	(24,008)	94,032
FY 2014	80,613	(43,196)	(18,061)	102,339

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 2014	-	15.00	-	35.00	50.00	8,653	18.4	2.3
FY 2015	-	25.00	-	25.00	50.00	8,653	28.7	2.1
FY 2016 (Forecast)	-	25.00	-	25.00	50.00		27.0	

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Half year	357,000	(6.9)	18,500	(36.9)	22,000	(35.9)	14,000	(40.6)	81.04
Full year	710,000	(4.8)	44,000	(8.8)	51,000	(5.1)	32,000	6.5	185.24

* 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: 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 2015	173,138,537 shares	FY 2014	173,138,537 shares
ii) Number of treasury stock at the end of fiscal year	FY 2015	738,448 shares	FY 2014	297,055 shares
iii) Average number of shares	FY 2015	172,753,242 shares	FY 2014	172,605,881 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 (566,700 shares as of March 31, 2016 and 125,600 shares as of March 31, 2015). 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” (213,680 shares in the fiscal year ended March 31, 2016 and 207,818 shares in the fiscal year ended March 31, 2015).

(Reference) Outline of individual financial results

Individual results for the fiscal 2015 (April 1, 2015 to March 31, 2016)

(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 2015	239,329	(2.5)	15,243	(12.1)	25,043	13.3	21,239	38.9
FY 2014	245,546	0.8	17,345	18.1	22,108	26.8	15,294	80.7

	Net income per share	Diluted net income per share
	yen	yen
FY 2015	122.88	—
FY 2014	88.48	—

(2) Individual financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2015	323,284	169,600	52.5	983.23
FY 2014	332,429	170,534	51.3	986.12

(Reference) Owner’s equity: 169,600 million yen (as of March 31, 2016); 170,534 million yen (as of March 31, 2015)

* Audit procedures

This summary of the consolidated financial results for FY 2015 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 2015 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:

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 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.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

i. Fiscal 2015 operating results

During the current consolidated fiscal year, the Japanese economy remained on a gradual recovery trend as economic measures and capital expenditures including public investment held steady while consumer spending remained flat. Overseas, the Chinese economy continued to slow down while the U.S. economy remained robust.

In the automobile industry, recovery from the drop in demand due to the impact of the light vehicle tax hike was slow, and vehicle production decreased. In the overseas market, while demand was weak in Southeast Asian countries such as Thailand, it remained robust in North America.

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

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

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

In the seal business, sales to automobile manufacturers increased due to increased demand in North America, the impact of favorable exchange rate fluctuations, etc., although demand in Japan dropped due to the impact of the light vehicle tax hike. However, sales to manufacturers of general industrial machinery decreased due to a drop in demand for construction machinery in Japan and the slowdown of the Chinese economy.

As a result, net sales ended at 296,189 million yen (down 0.2% year on year). Operating income totaled 32,531 million yen (down 2.9% year on year) due to increases in personnel costs in emerging countries and in depreciation and other costs.

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

As a result, net sales improved to 409,726 million yen (up 15.5% year on year). Operating income dropped to 13,618 million yen (down 55.0% year on year) due to changes in the composition of items and increases in personnel and other costs as well as increases in depreciation, etc.

In the roll business, sales decreased due to reasons such as a drop in demand for printers.

As a result, net sales decreased to 27,575 million yen (down 9.1% year on year). Operating income was 1,210 million yen (down 50.3% year on year) due to a slump in sales and others.

In other businesses including specialty lubricants, net sales improved to 12,656 million yen (up 8.2% year on year), while operating income dropped to 755 million yen (down 3.3% year on year).

In summary, the Group's operating results for the current consolidated fiscal year were as follows: Net sales totaled 746,147 million yen (up 7.6% year on year); operating income dropped to 48,258 million yen (down 28.1% year on year); ordinary income amounted to 53,727 million yen (down 33.5% year on year); and profit attributable to owners of parent decreased to 30,053 million yen (down 35.8% year on year).

ii. Projections for fiscal 2016

The future operating environment surrounding the Group is likely to continue to see a gradual recovery in Japan as economic measures and capital expenditures including public investment remain strong, despite consumer spending remaining flat. The overseas environment is likely to continue to be unpredictable due to a slowdown trend in the growth of the Chinese economy despite continued robustness of the U.S. economy.

In the seal business, we expect vehicle production to be sluggish due to concerns of a slowdown in growth demand in China and weakness in Southeast Asia, although demand for cars is expected to remain robust in the U.S. Since competition from overseas competitors is projected to intensify, we will make efforts across sales, production and technology divisions to increase sales, reduce personnel, 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, 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 710.0 billion yen (down 4.8% year on year); operating income will decrease to 44.0 billion yen (down 8.8% year on year); ordinary income will decline to 51.0 billion yen (down 5.1% year on year); and profit attributable to owners of parent will increase to 32.0 billion yen (up 6.5% 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 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, 2016 stood at 696,989 million yen, a decrease of 58,094 million yen compared with the previous fiscal year-end. This was mainly attributable to the decrease in notes and accounts receivable-trade, as well as in fair value of investment securities following a drop in share prices.

Total liabilities as of March 31, 2016 amounted to 263,585 million yen, a decrease of 28,744 million yen compared with the previous fiscal year-end, mostly reflecting a decrease in accounts payable-trade, in addition to the repayment of short-term loans payable.

Net assets totaled 433,404 million yen, a decrease of 29,350 million yen compared with the previous fiscal year-end, reflecting a decrease in accumulated other comprehensive income, and an increase 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 56.7%.

ii. Cash flows

Cash and cash equivalents (hereinafter, "cash") as of the end of fiscal 2015 amounted to 94,032 million yen. This represented a decrease in cash of 8,307 million yen compared with the previous fiscal year-end. Cash flows during fiscal 2015 are summarized below.

[Cash flows from operating activities]

Net cash provided by operating activities totaled 88,503 million yen, up 9.8% year on year. This was attributable to an increase in cash due to the recording of income before income taxes and a decrease in notes and accounts receivable-trade.

[Cash flows from investment activities]

Net cash used in investment activities, which mainly consisted of acquisitions of property, plant and equipment, amounted to 65,682 million yen (up 52.1% year on year).

[Cash flows from financing activities]

Net cash used in financing activities amounted to 24,008 million yen, up 32.9% year on year. This mainly reflected an increase in the payment of dividends.

The trend of cash flow indicators is as follows:

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Capital ratio (%)	47.2	48.8	50.0	55.9	56.7
Market capitalization to total assets (%)	58.5	38.6	43.8	82.9	47.5
Interest-bearing liabilities to cash flow (annualized)	3.5	3.6	1.4	1.2	1.0
Interest coverage ratio (multiple)	11.9	12.9	26.0	29.2	38.0

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 2015 and 2016

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 2015, we propose to pay an annual dividend of 50 yen per share for fiscal 2015 (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 2016 (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 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 formulated a three-year plan (from fiscal 2014 to fiscal 2016), which we are implementing 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 2014 (as of March 31, 2015)	FY 2015 (as of March 31, 2016)
Assets		
Current assets		
Cash and deposits	102,406	95,881
Notes and accounts receivable-trade	160,388	132,012
Merchandise and finished goods	31,975	30,500
Work in process	30,245	28,485
Raw materials and supplies	18,400	16,012
Deferred tax assets	6,924	6,882
Other	12,217	13,554
Allowance for doubtful accounts	(283)	(261)
Total current assets	362,275	323,068
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	173,703	170,557
Accumulated depreciation	(87,573)	(90,321)
Buildings and structures, net	86,130	80,236
Machinery, equipment and vehicles	312,786	320,068
Accumulated depreciation	(227,414)	(228,918)
Machinery, equipment and vehicles, net	85,372	91,149
Tools, furniture and fixtures	71,557	71,296
Accumulated depreciation	(53,793)	(53,258)
Tools, furniture and fixtures, net	17,764	18,037
Land	21,632	20,695
Lease assets	1,749	1,969
Accumulated depreciation	(917)	(1,137)
Lease assets, net	832	831
Construction in progress	8,073	11,482
Total property, plant and equipment	219,807	222,432
Intangible assets		
Goodwill	6	-
Other	2,771	2,895
Total intangible assets	2,777	2,895
Investments and other assets		
Investments securities	137,447	120,004
Long-term loans receivable from employees	4,881	4,257
Deferred tax assets	3,107	3,919
Net defined benefit asset	2,284	35
Other	22,694	20,589
Allowance for doubtful accounts	(190)	(213)
Total investments and other assets	170,224	148,593
Total noncurrent assets	392,809	373,921
Total assets	755,084	696,989

(million yen)

	FY 2014 (as of March 31, 2015)	FY 2015 (as of March 31, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	64,332	46,958
Short-term loans payable	55,095	47,132
Income taxes payable	8,352	2,676
Provision for bonuses	8,847	8,963
Provision for business structure improvement	669	–
Deposits received from employees	15,947	15,943
Other	36,103	35,086
Total current liabilities	189,349	156,761
Noncurrent liabilities		
Long-term loans payable	24,162	21,307
Deferred tax liabilities	15,219	8,544
Provision for environmental measures	400	1,183
Net defined benefit liabilities	58,711	71,459
Other	4,486	4,328
Total noncurrent liabilities	102,980	106,823
Total liabilities	292,330	263,585
Net assets		
Shareholders' equity		
Capital stock	23,335	23,335
Capital surplus	22,716	22,735
Retained earnings	302,571	322,251
Treasury stock	(374)	(2,119)
Total shareholders' equity	348,250	366,204
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,343	37,023
Foreign currency translation adjustment	34,253	11,724
Remeasurements of defined benefit plans	(7,952)	(19,507)
Total accumulated other comprehensive income	73,644	29,239
Non-controlling interests	40,860	37,959
Total net assets	462,754	433,404
Total liabilities and net assets	755,084	696,989

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

(million yen)

	FY 2014 (April 1, 2014 to March 31, 2015)	FY 2015 (April 1, 2015 to March 31, 2016)
Net sales	693,689	746,147
Cost of sales	548,544	616,730
Gross profit	145,144	129,416
Selling, general and administrative expenses	78,058	81,158
Operating income	67,085	48,258
Non-operating income		
Interest income	498	558
Dividends income	1,624	2,002
Foreign exchange gains	7,064	–
Share of profit of entities accounted for using equity method	5,055	5,343
Rent income	951	1,060
Other	1,820	2,213
Total non-operating income	17,016	11,178
Non-operating expenses		
Interest expenses	2,826	2,289
Foreign exchange losses	–	2,551
Other	500	868
Total non-operating expenses	3,326	5,709
Ordinary income	80,776	53,727
Extraordinary income		
Gain on sales of noncurrent assets	273	199
Gain on step acquisitions	364	346
Settlement received	–	149
Other	165	229
Total extraordinary income	802	924
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,081	2,508
Loss on valuation of investment securities	–	675
Product compensation costs	1,000	1,033
Loss on sale of investments in capital	–	824
Provision for environmental measures	400	800
Other	407	970
Total extraordinary loss	2,889	6,812
Income before income taxes and minority interests	78,689	47,839
Income taxes-current	19,071	11,039
Income taxes-deferred	7,408	2,977
Total income taxes	26,480	14,017
Net income	52,209	33,822
Profit attributable to non-controlling interests	5,395	3,768
Profit attributable to owners of parent	46,813	30,053

(Consolidated Comprehensive Income Statement)

(million yen)

	FY 2014 (April 1, 2014 to March 31, 2015)	FY 2015 (April 1, 2015 to March 31, 2016)
Net income	52,209	33,822
Other comprehensive income		
Valuation difference on available-for-sale securities	17,038	(10,160)
Foreign currency translation adjustment	22,983	(23,303)
Remeasurements of defined benefit plans, net of tax	6,751	(10,574)
Share of other comprehensive income of associates accounted for using equity method	1,936	(3,562)
Total other comprehensive income	48,710	(47,600)
Comprehensive income	100,919	(13,777)
(Detail)		
Comprehensive income attributable to owners of parent	91,948	(14,350)
Comprehensive income attributable to non-controlling interests	8,970	572

(3) Consolidated Statement of Changes in Equity
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)
Profit attributable to owners of parent			46,813		46,813
Purchase of treasury stock				(74)	(74)
Disposal of treasury stock		266		343	609
Change in treasury shares of parent arising from transactions with non-controlling shareholders					–
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				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	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)
Profit attributable to owners of parent						46,813
Purchase of treasury stock						(74)
Disposal of treasury stock						609
Change in treasury shares of parent arising from transactions with non-controlling shareholders						–
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

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
Cumulative effects of changes in accounting policies					–
Restated balance					–
Changes of items during the period					
Increase (decrease) resulting from changes in the fiscal year-end of consolidated 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
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
Cumulative effects of changes in accounting policies						–
Restated balance						–
Changes of items during the period						
Increase (decrease) resulting from changes in the fiscal year-end of consolidated 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
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

(4) Consolidated Cash Flow Statement

(million yen)

	FY 2014 (April 1, 2014 to March 31, 2015)	FY 2015 (April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	78,689	47,839
Depreciation and amortization	32,963	40,156
Increase (decrease) in allowance for doubtful accounts	(412)	4
Increase (decrease) in provision for bonuses	315	276
Increase (decrease) in net defined benefit asset or liability	(1,468)	48
Increase (decrease) in provision for business structure improvement	(1,090)	(669)
Interest and dividends income	(2,123)	(2,560)
Interest expenses	2,826	2,289
Foreign exchange losses (gains)	(1,711)	3,344
Share of (profit) loss of entities accounted for using equity method	(5,055)	(5,343)
Loss (gain) on sales and retirement of property, plant and equipment	844	2,356
Decrease (increase) in notes and accounts receivable-trade	(6,728)	14,463
Decrease (increase) in inventories	(14,742)	(565)
Increase (decrease) in notes and accounts payable-trade	11,696	(3,096)
Other, net	10,988	787
Subtotal	104,989	99,330
Interest and dividends income received	3,065	9,379
Interest expenses paid	(2,737)	(2,330)
Contribution for recall losses paid	(5,507)	–
Product compensation costs paid	(1,000)	–
Income taxes paid	(18,196)	(17,876)
Cash flows from operating activities	80,613	88,503
Cash flows from investment activities		
Decrease (increase) in time deposits	70	(1,939)
Payments of long-term loans receivable	–	(2,141)
Purchase of investment securities	(2,762)	(780)
Purchase of property, plant and equipment	(41,424)	(60,099)
Proceeds from sales of property, plant and equipment	511	692
Purchase of intangible assets	(351)	(586)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(201)
Other, net	760	(625)
Cash flows from investment activities	(43,196)	(65,682)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(9,448)	1,386
Proceeds from long-term loans payable	18,102	7,051
Repayment of long-term loans payable	(21,946)	(16,241)
Repayment of finance lease obligations	(599)	(681)
Net decrease (increase) in treasury shares	534	(1,745)
Cash dividends paid	(4,316)	(10,373)
Dividends paid to non-controlling interests	(1,536)	(2,889)
Other, net	1,150	(515)
Cash flows from financing activities	(18,061)	(24,008)
Effect of exchange rate change on cash and cash equivalents	7,734	(7,119)
Net increase (decrease) in cash and cash equivalents	27,089	(8,307)
Cash and cash equivalents at beginning of period	78,598	102,339
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	102,339	94,032

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

(Changes in Accounting Policies)

(Application of Revised Accounting Standard for Business Combinations and other standards)

Starting with the fiscal year ended March 31, 2016, NOK has applied the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013, hereinafter “Consolidation Accounting Standard”), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”) and other standards. Accordingly, the accounting method was changed to record the difference arising from changes in equity in subsidiaries that NOK continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which they occurred. In addition, regarding business combinations that became or will become effective on or after April 1, 2015, the accounting method was changed to retroactively reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the relevant business combinations became or will become effective. In addition, the Company has changed its expression of net income, etc., and changed “minority interests” to “non-controlling interests.” Financial statements for the previous fiscal year have been reclassified to reflect these changes.

The Business Combinations Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard, and have been applied from the beginning of the consolidated fiscal year under review up to the future.

In the consolidated statements of cash flows for the fiscal year under review, cash flows pertaining to changes in ownership interests in subsidiaries that do not result in a change in scope of consolidation are stated in the “cash flows from financing activities” segment, and cash flows pertaining to costs related to the purchase of shares of subsidiaries resulting in a change in scope of consolidation or costs incurred in relation to changes in ownership interests in subsidiaries that do not result in a change in scope of consolidation are stated in the “cash flows from operating activities” segment.

There is no significant impact on consolidated financial statements for the current fiscal year.

(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 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 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 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 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.

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:

1. Adjustments are as shown below:
 - (1) The amount of 142 million yen in Adjustments of segment income represents the result of elimination in the inter-segment transactions.
 - (2) 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.
2. Segment income is adjusted with operating income stated in consolidated financial statements.

(Per Share Information)

	FY 2014 (April 1, 2014 to March 31, 2015)	FY 2015 (April 1, 2015 to March 31, 2016)
Net assets per share	2,440.93 yen	2,293.76 yen
Net income per share	271.21 yen	173.97 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." (125 thousand shares in FY 2014; 566 thousand shares in FY 2015)
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." (207 thousand shares in FY 2014; 213 thousand shares in FY 2015)
4. The basis of the computation of net assets per share is as shown below:

	FY 2014 (April 1, 2014 to March 31, 2015)	FY 2015 (April 1, 2015 to March 31, 2016)
Total net assets (million yen)	462,754	433,404
Deductions from total net assets (million yen)	40,860	37,959
(Non-controlling interests)	[40,860]	[37,959]
Net assets at the end of current period attributable to common stock (million yen)	421,894	395,444
Number of shares at the end of current period (1,000 shares)	172,841	172,400

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

	FY 2014 (April 1, 2014 to March 31, 2015)	FY 2015 (April 1, 2015 to March 31, 2016)
Profit attributable to owners of parent (million yen)	46,813	30,053
Amount not attributable to common stock (million yen)	—	—
Profit attributable to owners of parent attributable to common stock (million yen)	46,813	30,053
Average number of shares during the period (1,000 shares)	172,605	172,753

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.