

Consolidated Financial Summary for Fiscal Year 2005 ended March 31, 2006

May 12, 2006

Name of Listed Company: NOK Corporation

Securities Code Number: 7240

Share Listing: Tokyo, Nagoya

(URL <http://www.nok.co.jp>)

Location of Head Office: Tokyo

Representative: President, Masato Tsuru

Contact Person: Department Manager, Corporate Planning Dept., Kazuhiko Nakano
Telephone (03) 3434-1736

Date of Board Meeting Approving Fiscal 2005 Business Results: May 12, 2006

Whether or not US GAAP has been adopted: No

1. Consolidated Business Results for Fiscal 2005 (April 1, 2005 to March 31, 2006)

(1) Consolidated operating results (Fractions are rounded down to the nearest million yen.)

	Sales		Operating income		Ordinary profit	
	million yen	%	million yen	%	million yen	%
FY 2005	450,630	10.7	45,258	(7.2)	49,956	(2.8)
FY 2004	407,041	14.1	48,770	9.7	51,389	11.5

	Net income		Net income per share	Diluted net income per share	Net income ratio to shareholders' equity	Ordinary profit ratio to total assets	Ordinary profit ratio to sales
	million yen	%	yen	yen	%	%	%
FY 2005	29,445	(21.3)	168.37	-	14.4	11.2	11.1
FY 2004	37,414	38.8	214.94	-	22.8	13.1	12.6

Notes: 1. Equity method investment profit: Fiscal 2005: 2,994 million yen Fiscal 2004: 2,867 million yen

2. Average number of shares outstanding (consolidated): Fiscal 2005: 172,920,031 shares
Fiscal 2004: 172,921,230 shares

3. Change in accounting method: No

4. Percentage figures shown for sales, operating income, ordinary profit and net income represent changes from the previous accounting term.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
FY 2005	471,015	228,297	48.5	1,318.35
FY 2004	417,617	181,277	43.4	1,046.90

Note: Number of shares issued and outstanding at end of the term (consolidated): Fiscal 2005: 172,917,798 shares
Fiscal 2004: 172,920,410 shares

(3) Consolidated cash flow status

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the term
	million yen	million yen	million yen	million yen
FY 2005	52,610	(43,170)	(10,270)	44,081
FY 2004	56,561	(48,142)	4,042	41,519

(4) Scope of consolidation and equity method

Number of consolidated subsidiaries: 91
Number of non-consolidated equity method subsidiaries: 6
Number of affiliates accounted for under equity method: 20

(5) Change in scope of consolidation and equity method

Number of companies newly consolidated: 4
Number of companies newly accounted for under equity method: 2
Number of companies excluded from the list of equity method companies: 2

2. Projections of Consolidated Fiscal 2006 (April 1, 2006 to March 31, 2007)

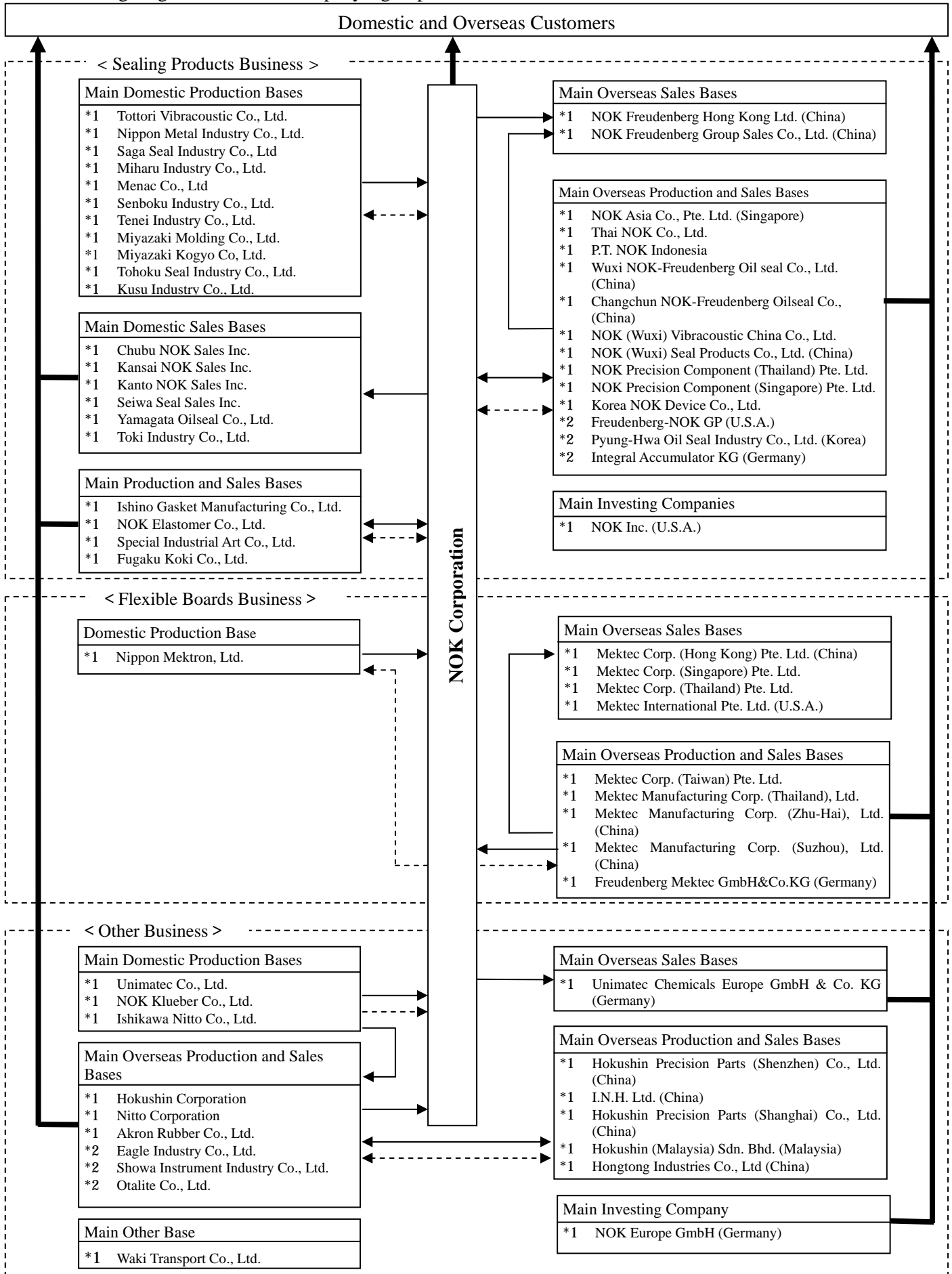
	Sales	Ordinary profit	Net income
	million yen	million yen	million yen
Interim	228,000	22,800	13,100
Full-year	473,000	53,000	31,000

(Reference) Estimated net income per share (full year): 179.28 yen

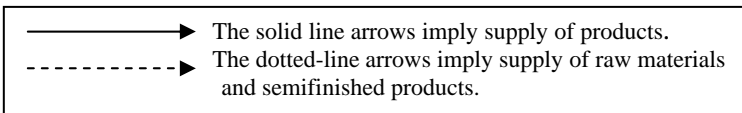
* Projections shown above are calculated on the basis of the latest data available. Actual business results may differ significantly from these projections depending on various unforeseen factors. For further information about the fiscal 2006 projections, refer to page 8 of the attached information sheets.

Group Relationship Diagram

The following diagram shows our company's group structure.



Notes:1



2. *1: Consolidated subsidiary

*2: Equity method applied affiliate

Management Policy

1. Principal Management Policy

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

2. Principal Policy on the Profit Sharing

Our basic policy on profit sharing to the shareholders is to maintain stable dividend payments at appropriate levels in concert with mid- to long-term corporate performance. On the other hand, however, internal reserves are also important factors to be considered for future business development and reinforcement of financial health. We will determine the dividends taking into consideration all those factors.

3. Mid- to Long-Term Management Strategies and Challenges

Since fiscal 2004, we have been promoting our New Management Plan for mid- to long-term growth and a stable earnings basis. The outline of the plan is as follows:

- (1) The slogan: “Global & GI”
- (2) Period covered by the plan: From fiscal 2004 (ending March 2005) to fiscal 2006 (ending March 2007)
- (3) Basic policies:

- 1) Achieving global operations mainly by reorganizing Production Structures
- 2) Realization of global management by applying new management indicators
- 3) Development and optimization of human resources by streamlining back-office sections
- 4) Product development of “GI”, next to AI, EI, seal products and FPC*

*AI: Automotive industry. This represents our sales to the automotive industry.

EI: Electronic equipment industry. This represents our sales of FPC (flexible printed circuits) to the electronic equipment industry.

Seal products: Oil seals, O-rings, etc.

FPC: Flexible printed circuit

GI: A general term for industries other than automotive and electronic equipment. In this document this refers mainly to general industrial machinery industry. This represents our sales to such industries.

- (4) Principal items for managerial efforts
 - 1) Establishment of global manufacturing system through reorganization of domestic operating locations and expanding overseas manufacturing bases.
 - 2) Enhancement of sale and marketing system for further global operation.
 - 3) Expansion of the third core business (GI) to stabilize the management.
 - 4) Clarifying assets and profits by business category in Japan, China and Southeast Asia, using the profit ratio to business assets.
- (5) Target indicators (Goals for the final fiscal year of the plan)

[Item]	[Consolidated results]
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Sales	¥480 billion
Operating income	¥62 billion
Net income	¥38 billion
ROA	8.7%
Capital expenditure (3-year total)	¥106 billion

4. Policy on Lowering the Minimum Trading Unit of Shares

One of our most critical challenges in capital policies is to promote long-term and stable shareholding by our shareholders, along with expanding the investor base. In accordance with this policy, we reduced the minimum number of shares of one trading unit from 1,000 to 100, effective February 1, 2004. Currently, we have no plans to change the number of shares in one trading unit.

5. Information on the Parent Company of the Concern

There is no corresponding matter.

6. Risk Factors in Business

The NOK group's business performance and financial position are exposed to various risks at present and in the future. The following is a discussion of assumed main risks that the NOK group may face in its business activities. In addition, the future events contained in these items are envisioned as of the end of this fiscal term (March 31, 2006).

(1) Risk in Seal Products Business

The core products of the seal products business include oil seals, O-rings, and vibration-controls. While these products are mainly sold as automotive parts to domestic automotive manufacturers etc., they are also supplied to construction machinery manufacturers, farm machinery manufacturers, and electrical home appliance manufacturers, etc.

The automotive industry is our biggest buyer, which accounts for about 70 percent of sales in this product line, and sales performance is subject to the trends in production and sales activities in this industry. The automobile industry, including the automotive parts industry, has experienced a further shift towards global production, intensified sales competition, alliances, and resulting restructuring on a global basis, and efforts to reduce procurement costs. In addition, domestic automotive manufacturers have accelerated the shift to overseas production.

Under these circumstances, automotive parts suppliers, including the NOK group, have increasingly received requests from automotive industry, including for drastic cost reduction, technological innovation, and global response, not to mention improvements in quality and strict observance of delivery times. Consequently, the NOK group may be adversely affected by these trends in the future.

Moreover, while oil seal products, one of the core products, are used for the internal-combustion engine, battery-driven electric vehicles are being developed in recent years. Although it seems unlikely that electric-powered vehicles will become widespread in the near future, the NOK group is undertaking research and development efforts on new products to equip electric-powered vehicles on the chance that they will become more common in the future. However, at this time, it is difficult to foresee the influence of battery-driven electric vehicles on the future business results of the NOK group.

(2) Risks in Flexible Printed Circuit Business

The core products of this business are circuit boards, called flexible printed circuits (FPC),

which have excellent flexibility and are used in various electronic devices, such as cellular phones, hard disc drives (HDD) and optical pickups. In the NOK group, Nippon Mektron Co., Ltd., a production subsidiary, plays a central role in performing this business, both in domestic and overseas markets.

In recent years, the business volume of this area has been expanding due to brisk demand for various types of electronic devices, reflecting the introduction of new information technologies and the spread and upgrade of digital equipment on a global basis. In such a business climate, the NOK group has a policy to make timely investments as required. We believe that this business will continue to contribute to our business performance.

However, given that the products in this business are characterized by short lifecycles and rapid technical innovation, and business performance tends to fluctuate significantly subject to trends in the supply-demand relationship, this field may produce an adverse effect on the business performance of the NOK group. Under these circumstances, the NOK group has decided to transfer the current NOK's sales division of FPC for the electronic equipment industry to Nippon Mektron, Ltd. with effect from October 1, 2006 with the aim of providing prompt service and quality products. In addition, as South Korean and Taiwan manufacturers are gaining market shares in this business field through the improvement of technical levels and the expansion of production capacity, such tough competition may have a major impact on the business results of the NOK group.

(3) Risks in Other Business

The NOK group has been engaged in the production and sales of special lubricants, chemical products, and mechanical face seals as another business category. We believe it important to develop the third core business next to seal products and flexible printed circuit businesses with an eye to ensuring a stable business base.

In the meantime, we acquired HOKUSHIN CORPORATION in March 2004 and NITTO KOGYO CORPORATION in March 2005, both of which have a business base centering on the production of rubber products for business equipment market. We also plan to merge the two subsidiaries into one unit on April 1, 2007 in order to strengthen the competitiveness. While we will make efforts to take advantage of both subsidiaries' base in the market to achieve synergy, there is no guarantee that such new business will develop as scheduled.

(4) Risk in Production Structure

As a parts manufacturing company, the NOK group has established a production structure in line with our basic policy of keeping pace with domestic customers' shift to overseas production.

In the seal products business, approximately 90% is domestically manufactured by NOK, its production subsidiaries and non-invested business partners, while the remaining portions are manufactured in Southeast Asia, China, and other overseas regions. In addition, production activities in Europe and the U.S. are made by joint venture corporations, which are affiliated companies accounted for by the equity method.

In flexible printed circuit business, approximately 40% is manufactured in the three domestic factories of Nippon Mektron Co., Ltd., and the remaining 60% is produced at five overseas subsidiaries (located in Thailand, Taiwan, China, and Germany).

In recent years, the overseas production ratio of the NOK group has shown a tendency to go up in accordance with customers' shift to overseas production. In the future, we plan to raise overseas production ratio further with a focus on production expansion in the Asian area in line with domestic automotive manufacturers' shift to overseas production in the seal business. A further expansion of overseas production is also expected in the flexible printed circuit business. In light of this, the business results of the NOK group will become vulnerable to foreign

exchange fluctuations and business situations of each country where NOK deploys its production facilities.

(5) Risk in business relationship with Freudenberg & Co.

NOK has maintained capital and technical alliances with Freudenberg & Co. (“Freudenberg”) since 1960. Freudenberg has its main office in Weinheim, Germany, and engages in the manufacture and sale of seal products, vibration-controls, non-woven fabrics, special lubricants, and other products. NOK entered into an alliance with Freudenberg in 1960, as at that time NOK was convinced of the need to introduce the advanced technology held by Freudenberg when sealing agents were changing from natural rubber to synthetic rubber in the Japanese market. Up to the present time, NOK has built up an equal collaborative relationship with Freudenberg to promote technology exchanges.

The NOK group and Freudenberg (including its group companies) are also cooperating with a focus on seal products business in the form of several joint venture companies, such as Freudenberg-NOK GP and Freudenberg Technical Products LP. Moreover, the NOK group and Freudenberg have a joint global production and sales structure in order to respond to the accelerated shifts in global production by automotive manufacturers. Based on the joint venture agreements, the NOK group demonstrates its initiative in Japan and Southeast Asia regions, Freudenberg exercises leadership in Europe and U.S. regions, and both groups are making mutually concerted efforts in the China and India regions. In this way, Freudenberg (including its group companies) plays an important role as a partner for the NOK group’s business activities.

Currently, Freudenberg is the largest stockholder, holding 22.3% of outstanding and issued shares of NOK through Freudenberg Beteiligings GmbH, Freudenberg’s investment company, continuing the NOK group’s relationship with Freudenberg begun with the first alliance agreement concluded in 1960. We believe that both groups will continue to develop their stable relationship in the future. However, any change in business alliances or any strategic shift of Freudenberg may have a significant impact on the business results of the NOK group.

Operating Results and Financial Conditions

1. Operating Results for FY 2005

During fiscal year 2005, the Japanese economy recovered strongly in the second half following signs of moderate recovery in the first half. Likewise, overseas economies also showed solid growth, especially in the U.S. Under these circumstances, the domestic automobile manufacturers, which are the main customers of our group, continued to increase the production of finished cars reflecting the increased market shares of Japanese cars in overseas markets. However, production in the electronic equipment industry continued to slow down due to the bringing forward of inventory adjustment and a decline in product prices. Therefore, in order to strengthen its foundations for stable growth on a mid- to long-term basis, the NOK group implemented several measures and policies in the second year of the 3-year management plan which commenced at the beginning of the last fiscal year (for details, please see “Management Policy” – 3. “Mid- to Long-Term Management Strategies and Challenges”).

We adhere to the slogan of the 3-year management plan, Building up “Global & GI.”

“Global” means an effort to expand overseas production and operating bases in response to customers’ needs for shift in global production.

“GI” represents General Industry (general industrial machinery industry), and our purpose of expanding sales to such industry and strengthening the “Other Business” category to secure stable business performance.

The overseas sales ratio in fiscal year 2005 improved by 4.1% to 34.6% from the preceding fiscal year, and the percentage of GI products (mainly rubber products for office machinery and equipment) in overseas sales increased by 2.3% to 25.9% from the preceding fiscal year.

We consider that we successfully advanced to achieve the goal of building up “Global & GI.” in the second year.

Performance by business category

[Seal Products Business]

Sales and operating income of the seal products business amounted to 198,299 million yen (an increase of 4.8% y/y) and 16,026 million yen (a decrease of 3.9% y/y), respectively. While the sales increase was due primarily to strong exports driven by the growing market shares of Japanese cars in overseas markets, the steep rise in the cost of primary materials undermined operating income.

[FPC Business]

Sales and operating income of the FPC business amounted to 155,035 million yen (an increase of 6.7% y/y) and 25,356 million yen (a decrease of 10.1% y/y), respectively. In the domestic market, sales slowed down due to continuing saturated demand for FPC for core products including mobile phones and digital cameras as well as ongoing changes to product specifications. On the other hand, in overseas market, sales of FPC for hard disc drives (HDD) increased in line with growing demand for PCs. In sales, the overseas positive factors more than offset the negative factors. However, these drastic changes in product portfolio decreased operating income in the FPC business.

[Other Business]

Sales and operating income of other business amounted to 97,294 million yen (an increase of 34.0% y/y) and 3,814 million yen (a decrease of 2.9% y/y), respectively. The main drivers of the sales increase were the inclusion of Nitto Kogyo Corporation in the scope of application of the consolidated subsidiaries and an increase in sales in particular for GI, thanks to generally active

capital investment promoted by the robust automotive industry. The decrease in operating income was attributable to the higher cost of raw materials.

Performance by location

Operations in Japan showed mixed performance due to decreased sales of FPC for electronic equipment industry, which was offset by increases sales of seal products for automotive industry. Sales and operating income in Japan amounted to 305,371 million yen (an increase of 3.5% y/y) and 24,596 million yen (a decrease of 23.8% y/y), respectively.

Sales and operating income in Asia also surged to 128,948 million yen (an increase of 29.5% y/y) and 19,934 million yen (an increase of 23.9% y/y), respectively, resulting mainly from an increase in sales of FPC in Thailand, China and Taiwan as well as an increase in sales of seal products due to expanded local production by Japanese automotive companies in Thailand.

Overall Profit and Loss

In the fiscal year ended March 31, 2006, there were no temporary factors influencing the profit increase, including an extraordinary profit due to the return of a substitutable portion of the Welfare Pension Fund and a reduction of tax expenses due to the repurchasing of our own shares by subsidiaries, as recorded in the preceding fiscal year.

As a result of the business activities mentioned above, consolidated sales in fiscal year 2005 totaled 450,630 million yen (an increase of 10.7% y/y) and consolidated operating income was 45,258 million yen (a decrease of 7.2% y/y). Accordingly, the consolidated ordinary profit and net income were 49,956 million yen (a decrease of 2.8% y/y) and 29,445 million yen (a decrease of 21.3% y/y), respectively.

2. Dividends for FY 2005

Proposed annual dividends for fiscal 2005 will increase by 4 yen per share from the previous year to 20 yen per share (8 yen for the interim dividend plus 12 yen for the term-end dividend).

3. Cash Flows

The balance of cash and cash equivalents (hereinafter, "fund") as of the end of fiscal 2005 increased by 2,562 million yen from the end of the previous fiscal year. Cash flow status for the consolidated fiscal 2005 is stated below:

[Cash flows from operating activities]

The fund generated from operating activities was 52,610 million yen (a decrease of 7.0% y/y). This is attributable to a decrease in notes discounted, an increase in accounts receivable and an increase in inventories in connection with business expansion, while partially offset by a decrease in income tax paid.

[Cash flows from investing activities]

The fund used in investing activities for fiscal 2005 amounted to 43,170 million yen (a decrease of 10.3% y/y). This reflects active investments in new production facilities and physical distribution bases with the objective of strengthening production capacity both at home and abroad.

[Cash flows from financing activities]

The fund generated from financing activities was a negative 10,270 million yen (a decrease of

14,313 million yen y/y). This is mainly attributable to repayment of short-term borrowings.

The trend of cash flow indicators is as follows:

	FY 2002	FY 2003	FY 2004	FY 2005
Capital ratio (%)	34.8	40.0	43.4	48.5
Capital ratio on market value (%)	89.6	181.1	105.8	116.4
Years to redemption of debts (years)	2.7	1.3	1.3	1.2
Interest coverage ratio	14.7	29.6	37.6	37.5

Capital ratio = Shareholders' equity / Total assets

Capital ratio on market value = Total market capitalization / Total assets

Years to redemption of debts = Interest-bearing liabilities / Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities / Interest paid

1. All indices above are calculated based on consolidated financial statements.
2. Total market capitalization is calculated on the following formula: the closing stock price on the last day of the fiscal year multiplied by the number of issued and outstanding shares as of the end of the fiscal year.
3. Cash flows are calculated with operating cash flows. Interest-bearing liabilities represent the liabilities on the consolidated balance sheet to which we pay interest.

4. Outlook for fiscal 2006

We expect that domestic production by the automotive industry will remain at a high level, driven by strong exports, and that overseas production by the Japanese automotive manufacturers will continue to increase. On the other hand, steel product prices are likely to remain high and the surging oil price will drive up costs for raw materials such as rubber materials. Moreover, the NOK group is facing tough competition both in the domestic and overseas markets due to a further shift in global production, together with the automotive and electronic equipment industries.

Under these circumstances, the NOK group will steadily implement several measures and policies (e.g., transferring the NOK's sales division of FPC to a subsidiary and merging two subsidiaries of rubber products for business equipment market) to establish our goal of "Global & GI" in fiscal 2006, which is the third and final year of the 3-year management plan, in order to make a smooth transition to a new management policy that will commence in fiscal year 2007.

Furthermore, we will continuously implement group-wide measures to improve profitability and our corporate structure by vigorously promoting sales expansion, quality improvement, and cost reduction.

The forecast for consolidated sales and ordinary profit for fiscal 2006 are 473 billion yen (an increase of 5.0% y/y) and 53,000 million yen (an increase of 6.1% y/y), respectively. We expect that net income will be 31 billion yen (an increase of 5.3% y/y).

The above projections include prospects calculated on the basis of the latest data available. Actual business results may differ from these projections depending on future operations and other domestic and overseas situations such as fluctuations in foreign exchange rates.

Comparative Consolidated Balance Sheet

(in million yen)

Item	Term	FY 2005 (as of March 31, 2006)		FY 2004 (as of March 31, 2005)		Increase/ (decrease)
		Amount	%	Amount	%	Amount
			%		%	
(Assets)						
<u>Current assets</u>		<u>213,009</u>	45.2	<u>194,437</u>	46.6	<u>18,571</u>
Cash and deposits		47,870		44,563		3,306
Notes receivable		109,888		94,097		15,790
Inventories		40,817		35,088		5,728
Corporation taxes receivable		85		4,518		(4,433)
Deferred tax assets		7,178		7,992		(813)
Others		9,004		9,717		(713)
Reserve for doubtful debts		(1,835)		(1,541)		(293)
<u>Noncurrent assets</u>		<u>258,006</u>	54.8	<u>223,179</u>	53.4	<u>34,826</u>
<u>Tangible noncurrent assets</u>		<u>148,152</u>		<u>131,179</u>		<u>16,972</u>
Buildings and structures		54,595		45,207		9,388
Machinery and transport equipment		58,737		49,607		9,129
Others		34,818		36,363		(1,545)
<u>Intangible noncurrent assets</u>		<u>7,282</u>		<u>8,496</u>		<u>(1,213)</u>
Goodwill		5,710		6,985		(1,275)
Others		1,572		1,511		61
<u>Investment and other assets</u>		<u>102,571</u>		<u>83,504</u>		<u>19,067</u>
Investment securities		71,136		47,515		23,621
Long-term loans		9,335		10,771		(1,435)
Deferred tax assets		3,017		8,659		(5,641)
Others		19,603		17,323		2,280
Reserve for doubtful debts		(521)		(764)		242
Total Assets		471,015	100.0	417,617	100.0	53,398

Comparative Consolidated Balance Sheet

(in million yen)

Item	Term	FY 2005 (as of March 31, 2006)		FY 2004 (as of March 31, 2005)		Increase/ (decrease)
		Amount	%	Amount	%	Amount
			%		%	
(Liabilities)						
<u>Current liabilities</u>		<u>144,414</u>	30.7	<u>145,935</u>	34.9	<u>(1,521)</u>
Notes and accounts payable		55,536		51,651		3,885
Short-term borrowings		32,491		38,220		(5,729)
Accrued income taxes		9,940		5,885		4,055
Employees' deposits		15,498		15,621		(123)
Reserve for bonus payments		7,920		7,670		249
Reserve for restructuring of production facilities		-		2,550		(2,550)
Others		23,026		24,336		(1,309)
<u>Fixed liabilities</u>		<u>78,924</u>	16.7	<u>75,478</u>	18.1	<u>3,445</u>
Long-term borrowings		17,111		17,331		(219)
Long-term deferred tax liabilities		6,384		1,051		5,333
Reserve for retirement benefits		52,144		54,289		(2,144)
Reserve for retirement lump sum grant for directors		1,449		1,421		27
Others		1,833		1,384		448
Total Liabilities		223,338	47.4	221,414	53.0	1,924
Minority Interests		19,379	4.1	14,926	3.6	4,453
(Shareholders' Equity)						
Common stock		23,335	5.0	23,335	5.6	-
Additional paid-in capital		22,393	4.7	22,393	5.4	-
Earned surplus		154,168	32.7	127,809	30.6	26,358
Net unrealized gain on other securities		28,159	6.0	16,062	3.8	12,096
Valuation variance of foreign exchange		441	0.1	(8,099)	(1.9)	8,541
Treasury stock		(201)	(0.0)	(225)	(0.1)	23
Total Shareholders' Equity		228,297	48.5	181,277	43.4	47,020
Total Liabilities, Minority Shareholders' Interest and Shareholders' Equity		471,015	100.0	417,617	100.0	53,398

Comparative Consolidated Profit and Loss Statement

(in million yen)

Item	Term	FY 2005 (April 1, 2005 to March 31, 2006)		FY 2004 (April 1, 2004 to March 31, 2005)		Changes
		Amount	% on Sales	Amount	% on Sales	Amount
(Ordinary profit/loss)			%		%	
<u>Operating profit/loss</u>						
Sales		450,630	100.0	407,041	100.0	43,588
Cost of sales		343,159	76.2	303,535	74.6	39,624
Selling, general and administrative expenses		62,212	13.8	54,734	13.4	7,477
Operating income		45,258	10.0	48,770	12.0	(3,512)
<u>Non-operating profit/loss</u>						
<u>Non-operating profit</u>		<u>7,234</u>		<u>5,505</u>		<u>1,728</u>
Interests and dividends received		1,081		808		272
Investment gains on equity method		2,994		2,867		127
Foreign exchange gain		1,164		-		1,164
Others		1,993		1,829		163
<u>Non-operating expenses</u>		<u>2,535</u>		<u>2,886</u>		(350)
Interests paid		1,633		1,413		219
Others		902		1,472		(570)
Ordinary profit		49,956	11.1	51,389	12.6	(1,432)
(Extraordinary profit/loss)						
<u>Extraordinary profit</u>		<u>1,519</u>		<u>11,328</u>		<u>(9,808)</u>
Gain on sale of noncurrent assets		597		323		274
Gain on sale of investments in securities		470		1		468
Gain on return of substitutable portion of welfare pension fund		-		10,811		(10,811)
Others		451		191		260
<u>Extraordinary loss</u>		<u>1,555</u>		<u>6,380</u>		<u>(4,824)</u>
Loss on disposal of noncurrent assets		1,092		1,843		(751)
Devaluation loss on investment securities		2		131		(128)
Provision for reserve for restructuring of production facilities		-		2,550		(2,550)
Software depreciation expense		-		864		(864)
Loss on impairment of noncurrent assets		11		320		(309)
Others		448		669		(221)
Income before income taxes		49,921	11.1	56,337	13.8	(6,416)
Income taxes - current		13,489		12,888		600
Income taxes - deferred		3,470		3,054		416
Minority interests		3,515		2,980		534
Net income		29,445	6.5	37,414	9.2	(7,968)

Comparative Statement of Consolidated Retained Earnings

(in million yen)

Term Item	FY 2005 (April 1, 2005 to March 31, 2006)	FY 2004 (April 1, 2004 to March 31, 2005)	Increase/ (Decrease)
(Additional paid-in capital)			
<u>Additional paid-in capital at beginning of term</u>	<u>22,393</u>	<u>22,393</u>	<u>—</u>
<u>Additional paid-in capital at end of term</u>	<u>22,393</u>	<u>22,393</u>	<u>—</u>
(Retained earnings)			
<u>Retained earnings at beginning of term</u>	<u>127,809</u>	<u>93,642</u>	<u>34,167</u>
<u>Increase in retained earnings</u>	<u>29,445</u>	<u>37,490</u>	<u>(8,044)</u>
Net income	29,445	37,414	(7,968)
Increase due to addition of consolidated subsidiaries	—	18	(18)
Increase due to addition of companies accounted for by the equity method	—	39	(39)
Increase due to changes in the scope of consolidation of equity method-applied companies	—	17	(17)
<u>Decrease in retained earnings</u>	<u>3,087</u>	<u>3,322</u>	<u>(235)</u>
Dividends paid	2,766	2,766	0
Bonuses paid to directors	316	320	(4)
Decrease due to changes in the scope of consolidation of equity method-applied companies	4	—	4
Decrease due to changes in accounting policy for foreign consolidated subsidiaries	—	236	(236)
<u>Consolidated retained earnings at end of term</u>	<u>154,168</u>	<u>127,809</u>	<u>26,358</u>

Consolidated Statement of Cash Flows

(in million yen)

Item	Term	FY 2005 (April 1, 2005 to March 31, 2006)	FY 2004 (April 1, 2004 to March 31, 2005)	Increase/ (Decrease)
		Amount	Amount	Amount
. Cash flows from operating activities:				
Net income before income taxes		49,921	56,337	(6,416)
Depreciation and amortization		25,051	22,529	2,522
Increase (decrease) in reserve for doubtful debts		27	413	(385)
Increase (decrease) in reserve for bonus payments		246	31	215
Increase (decrease) in reserve for retirement benefits		(2,151)	(9,118)	6,967
Interest and dividend income		(1,081)	(808)	(272)
Interests expense		1,633	1,413	219
Equity in gain (loss) of affiliated companies		(2,994)	(2,867)	(127)
Amortization of goodwill		1,456	458	997
Gain on sale of investment securities		(470)	(2)	(467)
Gain on sale of noncurrent assets		(597)	(323)	(274)
Loss on disposal of noncurrent assets		1,092	1,843	(751)
Software depreciation expense		-	864	(864)
Loss on impairment of noncurrent assets		11	320	(309)
Devaluation loss on investment securities		2	131	(129)
Reserve for restructuring of production facilities		(2,550)	2,550	(5,100)
Increase (decrease) in accounts receivable		(4,704)	3,570	(8,275)
Increase in inventories		(4,146)	(2,472)	(1,674)
Increase (decrease) in accounts payable		(1,152)	(3,084)	1,931
Increase (decrease) in notes discounted		(4,735)	8,930	(13,666)
Others		2,834	690	2,143
Bonus paid to directors		(316)	(320)	4
Sub Total		57,376	81,088	(23,712)
Interest and dividend received		1,727	816	910
Interest paid		(1,473)	(1,504)	30
Income taxes paid		(5,019)	(23,839)	18,820
Net cash flows from operating activities		52,610	56,561	(3,950)
. Cash flows from investing activities:				
Net amount of increase (decrease) in time deposits		(597)	(341)	(256)
Expenditure resulting from loans		(22)	(651)	628
Proceeds from collection of loans		54	196	(141)
Purchase of investment securities		(2,533)	(1,037)	(1,495)
Proceeds from sale of investment securities		1,407	1	1,406
Purchase of additional shares in consolidated subsidiaries		(122)	(8)	(114)
Payments for share capital		(332)	(615)	282
Proceeds from refund of share capital		1,003	429	573
Payments for purchase of tangible noncurrent assets		(44,986)	(41,221)	(3,765)
Proceeds from sale of tangible noncurrent assets		3,393	1,772	1,621
Payments for purchase of shares in subsidiaries		-	(5,856)	5,856
Payments for purchase of intangible noncurrent assets		(428)	(812)	383
Others		(6)	2	(8)
Net cash flows from investing activities		(43,170)	(48,142)	4,971
. Cash flows from financing activities:				
Net amount of increase (decrease) in short-term borrowings		(5,898)	4,413	(10,312)
Repayment of long-term borrowings		10,319	12,839	(2,519)
Proceeds from issuance of new shares		(11,976)	(9,997)	(1,979)
Income from issuing corporate shares to minority shareholders		908	-	908
Dividends paid by the Company		(2,765)	(2,766)	1
Dividends paid to minority shareholders		(855)	(410)	(444)
Others		(3)	(36)	33
Net cash flows from financing activities		(10,270)	4,042	(14,313)
. Adjustment on foreign currency translation of cash and cash equivalents		2,213	(239)	2,453
V. Net increase in cash and cash equivalents		1,383	12,222	(10,838)
. Cash and cash equivalents at beginning of the term		41,519	28,545	12,973
. Increase in cash and cash equivalents due to change in the scope of consolidation		1,178	751	426
. Cash and cash equivalents at end of the term		44,081	41,519	2,562

Note: Cash and cash equivalents at the term-end as listed above and the balance listed on the consolidated balance sheet (in million yen)

Item	Consolidated FY 2005	Consolidated FY 2004	Increase/ (Decrease)
Cash and deposits	47,870	44,563	3,306
Time deposits more than three months	(3,788)	(3,043)	(744)
Total	44,081	41,519	2,562

Important Accounting Guidelines for the Preparation of Consolidated Financial Statements

1. Scope of Consolidation

Consolidated subsidiaries and companies to which the equity method applies are as follows:

- (1) Consolidated subsidiaries (91 companies):
Major companies: Nippon Mektron, Co., Ltd. and 90 other companies
- (2) Equity method-applied companies (6 companies) among non-consolidated subsidiaries (12 companies):
Major companies: Mektec Corp. Taiwan Pte. Ltd. (Jian Yi) and 5 other companies
- (3) Equity method-applied companies (20 companies) among affiliated companies (23 companies)
Major companies: Eagle Industry Co., Ltd. and other 19 companies

2. Notes concerning Changes in the Scope of Consolidated and Application of Equity Method

- (1) Newly consolidated subsidiaries (4 companies):
Mektec Manufacturing Corp. (Suzhou), Ltd. and other 3 companies
- (2) Affiliates to which the equity method was newly applied (2 companies):
Merkel NOK Freudenberg Co., Ltd. and one other company

(Exclusion)

- 1) A company excluded from the scope of non-consolidated subsidiaries accounted for under equity method (1 company):
Mektec Manufacturing Corp. (Suzhou), Ltd.
- 2) A company excluded from the list of equity method-applied affiliates (1 company):
NOK Eagle Korea Co., Ltd.

3. Fiscal Year End of Consolidated Subsidiaries

Fiscal year end of 47 overseas consolidated subsidiaries is December 31.

Accordingly, any important transactions carried out during such period that falls in between the overseas closing date and the closing date for consolidation shall be subject to adjustment.

4. Matters concerning Accounting Criteria

- (1) Valuation and computation of securities
Other securities:
 - 1) Securities with market value: Market value as determined by the quoted price at the end of the fiscal year (The difference between the carrying value and the market value is included in equity, and cost of securities sold is computed using the moving average method.).
 - 2) Securities with no market value: Stated at moving average cost.
- (2) Valuation and computation of derivative transactions: Stated at market value.
- (3) Valuation and computation of inventories:
 - 1) Finished goods and goods in process: Primarily stated at cost using retail inventory method.
 - 2) Materials and supplies: Primarily stated at cost using weighted-average cost method.
- (4) Depreciation of tangible noncurrent assets: Primarily declining-balance method was applied.
- (5) Depreciation of intangible noncurrent assets:
Primarily straight-line method was applied.

(6) Accounting policies for principal allowances:

1) Reserve for doubtful debts: In providing for bad debts, reserve for ordinary doubtful debts are stated based on the historical rate of default. For debts where recovery is doubtful, the amount regarded as irrecoverable are stated taking into consideration the likelihood of recovery on an individual basis.

2) Reserve for bonus payments: To provide for the employee bonus payments, estimated bonuses are mainly stated based on prescribed calculation methods.

3) Reserve for retirement benefits: NOK and its consolidated domestic subsidiaries make provisions for retirement benefits, primarily based on projected retirement obligations and pension fund asset at the consolidated balance sheet date.

Past service liabilities are stated as expenses in the fiscal year when such liabilities are identified, and have been recognized evenly in 10 years, a period not exceeding the expected average remaining working lives of the employees.

Actuarial losses are stated as expenses following the consolidated fiscal years when such losses are identified, and have been recognized evenly in 10 years, a period not exceeding the expected average remaining working lives of the employees.

4) Reserve for retirement lump sum grant for directors:

To provide for the payment of retirement lump sum grant for directors, NOK and some of its consolidated domestic subsidiaries make allowances for the necessary amount based on the internal rules.

(7) Finance lease transactions other than those where the ownership of the leased assets are transferred to the lessee are treated according to the method used for ordinary transactions.

(8) Amounts shown on the financial statements are stated net of consumption tax and local consumption tax.

5. Scope of Cash Fund in the Consolidated Statement of Cash Flows

Cash and cash equivalents in consolidated statement of cash flows include cash in hand, highly liquid deposits at banks and short-term investments with negligible risk of fluctuation in value and maturities of three months or less.

[Notes to consolidated financial statements]

(Consolidated balance sheet)

	(in million yen)	
	FY 2005	FY 2004
Accumulative depreciation of tangible noncurrent assets	215,556	203,876
Assets pledged as security (buildings, etc.)	8,048	12,305
Secured liabilities corresponding to the above	4,058	7,112
Balance of loan guarantee	10	14
Amount discounted on notes receivable	15,067	19,802
Notes endorsed for payment	385	380
Unsettled transferred receivables	3,658	2,305
Total number of shares in issue: common stock	173,138,537 shares	173,138,537 shares
Number of treasury stock: common stock	220,739 shares	218,127 shares

(Lease transactions)

1. Finance lease transactions other than those where the ownership of the leased assets are transferred to the lessee

Equivalent of acquisition cost, accumulated depreciation and residual value of the leased assets

(in million yen)

	FY 2005	FY 2004
Equivalent of acquisition cost	8,683	9,096
Equivalent of accumulated depreciation	5,512	5,336
Equivalent of residual value at end of the term	3,170	3,759

Note: The principal component of the above amount is tools and furniture.

Equivalent of balance of the unaccrued lease fees end of the term

(in million yen)

	FY 2005	FY 2004
Within one year	1,829	1,933
More than one year	1,340	1,826
Total	3,170	3,759

Note: As the percentages of equivalent of acquisition cost and residual value of unaccrued lease fees in the balance of tangible noncurrent assets at end of the terms are immaterial, the equivalent of acquisition cost and residual value of unaccrued lease fees are calculated including the interest payable.

Lease fees payable (equivalent of depreciation)

(in million yen)

	FY 2005	FY 2004
Lease fees payable (equivalent of depreciation)	2,066	2,489

Note: Method of calculating equivalent of depreciation:

Equivalent of depreciation is calculated by using the straight-line method, assuming that the lease corresponds to the useful life of the asset and the residual value is zero.

2. Payments under operating lease transactions

Unaccrued lease fees

(in million yen)

	FY 2005	FY 2004
Within one year	205	74
More than one year	728	372
Total	934	447

(Securities)

1. Other securities with market value (in million yen)

Type of securities	FY 2005			FY 2004		
	Acquisition cost	Consolidated balance sheet amount	Unrealized gains	Acquisition cost	Consolidated balance sheet amount	Unrealized gains
Stocks	7,942	54,906	46,964	7,638	34,530	26,892
Total	7,942	54,906	46,964	7,638	34,530	26,892

2. Principal securities with no market value (in million yen)

Type of securities	FY 2005	FY 2004
(1) Securities held to maturity		
Unlisted bonds	71	30
(2) Other securities:		
Unlisted stocks	105	93
Preferred subscription certificates	500	500

(Derivatives)

(in million yen)

Type		FY 2005			FY 2004		
Category	Transaction	Contract amount	Market value	Valuation gain/loss	Contract amount	Market value	Valuation gain/loss
Currency	Forward foreign exchange						
	Sell	328	334	(5)	954	969	(14)
	Buy	–	–	–	106	107	0
Total		328	334	(5)	1,061	1,076	(13)

(Retirement Benefits)

1. Outline of the retirement benefit plans

NOK and its domestic consolidated subsidiaries have three types of defined-benefits retirement plans: NOK No.1 Corporate Pension Fund Plan, NOK No.2 Corporate Pension Fund Plan and lump-sum severance payment plan.

2. Retirement benefit liabilities (in million yen)

	FY 2005	FY 2004
1) Retirement benefit liabilities	(97,973)	(85,822)
2) Pension assets	35,586	27,364
3) Unfunded retirement benefit liabilities (1) + 2)	(62,386)	(58,458)
4) Unallocated difference at the change in accounting standards	–	–
5) Unrecognized actuarial difference	13,408	7,712
6) Unrecognized past service liabilities	(3,166)	(3,543)
7) Reserve for retirement benefits (3) + 4) + 5) + 6)	(52,144)	(54,289)

Note: Some consolidated subsidiaries employ a simplified method in calculating their retirement benefit liabilities.

3. Retirement benefit expenses (in million yen)

	FY 2005	FY 2004
1) Service expenses (excluding employees' contribution)	4,386	5,306
2) Interest expenses	2,012	2,365
3) Expected investment income	(655)	(450)
4) Recognized past service liabilities (deducted in liabilities)	(376)	(321)
5) Recognition of actuarial losses	1,120	1,634
6) Difference from change in accounting standards	–	–
7) Retirement benefit expenses (1) + 2) + 3) + 4) + 5) + 6)	6,486	8,534

Note: Retirement benefit expenses of consolidated subsidiaries using the simplified method are added up in Service expenses.

4. Assumptions in calculating retirement benefit liabilities

	FY 2005	FY 2004
1) Discount rate (%)	2.5	2.5
2) Expected rate of return on investment (%)		
NOK No.1 Corporate Pension Fund Plan	2.5	0.4
NOK No.2 Corporate Pension Fund Plan	2.5	2.5
3) Allocation of projected benefit liabilities	Straight-line method	Straight-line method
4) Years for amortizing past service liabilities (Years)	10	10
5) Years for amortizing actuarial losses (Years)	10	10
6) Years for amortizing difference from change in accounting standards (Years)	–	–

(Tax-Effect Accounting)

1. The tax effects of temporary differences which give rise to a significant portion of the deferred tax assets and liabilities:

(in million yen)

	FY 2005	FY 2004
Reserve for doubtful debts	818	714
Accrued enterprise tax	662	223
Reserve for bonus payments	3,183	3,049
Reserve for restructuring of production facilities	–	1,022
Amount exceeding the tax limit for depreciation	3,431	3,067
Loss on valuation of investment securities	91	127
Reserve for retirement benefits	20,663	21,223
Reserve for retirement lump sum grants for directors	633	515
Others	2,372	3,082
Sub total deferred tax assets	31,857	33,026
Valuation reserve	(748)	(660)
Total deferred tax assets	31,108	32,365
Special tax purpose reserve	291	109
Deferred gains on sale of noncurrent assets	530	394
Retained earnings of overseas affiliates	7,247	5,094
Net of devaluation gains and loss of other securities	19,250	11,194
Total deferred tax liabilities	27,319	16,793
Net deferred tax assets	3,788	15,572

2. Reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes is as follows:

	(%)	
	FY 2004	FY 2003
Statutory effective tax rate	40.1	40.1
(Reconciliation items)		
Permanent differences arising from nondeductible expenses such as entertainment expenses	1.1	(8.7)
Per capita portion of inhabitant's tax	0.2	0.1
Different tax rates applied to foreign subsidiaries	(5.4)	(3.7)
Equity in net gains (losses) of affiliates	(1.5)	(1.3)
Valuation reserve	0.2	1.2
Others	(0.7)	0.6
Effective tax rate after adopting tax-effect accounting	34.0	28.3

(Segment Information)

1. Segment information by business category

[Fiscal 2005] (April 1, 2005 to March 31, 2006)

(in million yen)

	Seal products	FPC	Other products	Total	Eliminations/ Corporate	Consolidated
. Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	198,299	155,035	97,294	450,630	–	450,630
(2) Inter-segment sales/ transfer	973	30	6,039	7,043	(7,043)	–
Total	199,272	155,066	103,334	457,674	(7,043)	450,630
Operating expenses	183,246	129,710	99,520	412,477	(7,104)	405,372
Operating income	16,026	25,356	3,814	45,196	61	45,258
. Assets, depreciation and capital expenditure						
Assets	193,921	127,558	84,889	406,369	64,646	471,015
Depreciation	13,615	8,408	3,028	25,051	–	25,051
Capital expenditure	26,333	9,159	6,721	42,215	–	42,215

[Fiscal 2004] (April 1, 2004 to March 31, 2005)

(in million yen)

	Seal products	FPC	Other products	Total	Eliminations/ Corporate	Consolidated
. Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	189,166	145,265	72,609	407,041	–	407,041
(2) Inter-segment sales/ transfer	132	7	5,803	5,943	(5,943)	–
Total	189,299	145,272	78,413	412,985	(5,943)	407,041
Operating expenses	172,627	117,083	74,484	364,195	(5,924)	358,270
Operating income	16,671	28,189	3,928	48,789	(18)	48,770
. Assets, depreciation and capital expenditure						
Assets	162,830	114,211	85,831	362,874	54,743	417,617
Depreciation	11,593	8,795	2,294	22,684	(155)	22,529
Capital expenditure	26,516	13,605	4,442	44,565	(215)	44,349

Notes:

1. Main products of respective business categories

Business category	Main products
Seal products	Oil seals, o-rings, vibration controls, resin products and gaskets
FPC	Flexible printed circuits
Other products	Special lubricants, chemical products, mechanical face seals and rubber products for office machines and equipment

2. The amount of corporate-wide assets included in the Eliminations/corporate.

(in million yen)

Term	Amount
Fiscal 2005 (April 1, 2005 to March 31, 2006)	67,626
Fiscal 2004 (April 1, 2004 to March 31, 2005)	56,182

2. Segment information by location

[Fiscal 2005] (April 1, 2005 to March 31, 2006) (in million yen)

	Japan	Asia	Other areas	Total	Eliminations/ corporate	Consolidated
. Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	305,371	128,948	16,310	450,630	–	450,630
(2) Inter-segment sales/ transfer	31,379	14,391	541	46,313	(46,313)	–
Total	336,750	143,340	16,852	496,943	(46,313)	450,630
Operating expenses	312,154	123,405	16,751	452,311	(46,938)	405,372
Operating income	24,596	19,934	101	44,632	625	45,258
. Assets	288,394	128,765	23,919	441,078	29,937	471,015

[Fiscal 2004] (April 1, 2004 to March 31, 2005) (in million yen)

	Japan	Asia	Other areas	Total	Eliminations/ corporate	Consolidated
. Sales and operating profit/loss						
Sales:						
(1) Sales to external customers	295,037	99,568	12,435	407,041	–	407,041
(2) Inter-segment sales/ transfer	26,774	11,591	685	39,050	(39,050)	–
Total	321,811	111,159	13,120	446,091	(39,050)	407,041
Operating expenses	289,539	95,070	13,267	397,877	(39,606)	358,270
Operating income	32,272	16,089	(147)	48,214	556	48,770
. Assets	281,899	87,946	21,008	390,854	26,762	417,617

Notes:

1. Countries and areas are classified by geographical closeness.
2. Principal countries and areas belonging to above segments except Japan are as follows:
 - 1) Asia -----Singapore, Thailand, Taiwan and China
 - 2) Other areas-----The United States and Germany
3. The amount of corporate-wide assets included in the Eliminations/corporate.

(in million yen)

Term	Amount
Fiscal 2005 (April 1, 2005 to March 31, 2006)	67,626
Fiscal 2004 (April 1, 2004 to March 31, 2005)	56,182

3. Overseas sales

(in million yen)

Term		Asia	Other areas	Total
[Fiscal 2005] (April 1, 2005 to March 31, 2006)	. Overseas sales	131,112	24,941	156,053
	. Consolidated sales			450,630
	. Percentage of overseas sales in the consolidated sales	29.1%	5.5%	34.6%

(in million yen)

Term		Asia	Other areas	Total
[Fiscal 2004] (April 1, 2004 to March 31, 2005)	. Overseas sales	102,275	21,998	124,273
	. Consolidated sales			407,041
	. Percentage of overseas sales in the consolidated sales	25.1%	5.4%	30.5%

Notes:

1. Countries and areas are classified by geographical closeness.
2. Principal countries and areas belonging to above segments except Japan are as follows:
 - 1) Asia-----Singapore, Thailand, Taiwan and China
 - 2) Other areas-----The United States and Germany
3. Overseas sales represent the sales in countries or areas other than Japan of NOK and its consolidated subsidiaries.

Non-Consolidated Financial Summary for Fiscal 2005 Ended March 31, 2006

May 12, 2006

Name of Listed Company: NOK Corporation
 Securities Code Number: 7240
 (URL <http://www.nok.co.jp>)
 Representative: President, Masato Tsuru
 Contact Person: Department Manager, Corporate Planning Dept., Kazuhiko Nakano
 Telephone (03) 3434-1736

Share Listing: Tokyo, Nagoya
 Location of Head Office: Tokyo

Date of Board Meeting Approving Fiscal 2005 Business Results: May 12, 2006
 Commencement of term-end dividend payment: June 30, 2006
 Date of Annual General Shareholders' Meeting: June 29, 2006
 Whether Interim Dividend Scheme is Available: Yes
 Whether Minimum Trading Unit is adopted: Yes (100 Shares)

1. Results for Fiscal 2005 (April 1, 2005 to March 31, 2006)

(1) Business results (Fractions are rounded down to nearest million yen.)

	Sales		Operating income		Ordinary profit	
	million yen	%	million yen	%	million yen	%
FY 2005	273,813	(0.6)	12,653	(14.9)	15,186	(1.2)
FY 2004	275,360	3.1	14,864	11.8	15,374	12.2

	Net income		Net income per share	Diluted net income per share	Net income ratio to Stockholders' equity	Ordinary profit ratio to total assets	Ordinary profit ratio to sales
	million yen	%	yen	yen	%	%	%
FY 2005	10,426	(35.9)	59.78	–	8.8	6.2	5.5
FY 2004	16,276	117.7	93.54	–	16.0	6.7	5.6

Notes: 1. Average number of shares outstanding: Fiscal 2005: 173,068,298 shares Fiscal 2004: 173,069,498 shares

2. Change in accounting method: No

3. Percentage figures shown for sales, operating income, ordinary profit and net income represent changes from the previous accounting term.

(2) Dividend situation

	Full-year dividend per share			Dividend paid (Annual)	Dividend pay-out ratio	Dividend ratio to shareholders' equity
	Interim	Year-end	Year-end			
FY 2005	20.00	8.00	12.00	3,461	33.5	2.9
FY 2004	16.00	8.00	8.00	2,769	17.1	2.7

Note: Breakdown of dividends for fiscal 2005: Memorial dividend: Nil Special dividend: Nil

(3) Financial condition

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
FY 2005	259,352	127,836	49.3	738.19
FY 2004	230,928	108,744	47.1	627.83

Notes: 1. Number of shares outstanding at the year-end: Fiscal 2005: 173,067,565 shares Fiscal 2004: 173,068,677 shares

2. Number of treasury stock at the year-end: Fiscal 2005: 70,972 shares Fiscal 2004: 69,860 shares

2. Projections for Fiscal 2006 (April 1, 2006 to March 31, 2007)

	Sales	Ordinary profit	Net income	Full-year dividend per share		
				Year-end	Interim	Year-end
Interim	million yen	million yen	million yen	yen	yen	yen
Full-year	136,600	6,700	4,000	10.00	–	–
	252,000	16,100	9,500	–	10.00	20.00

(For reference) Estimated net income per share (full year): 54.89 yen

* Projections shown above are calculated on the basis of the latest data available. Actual business results may differ significantly from these projections depending on various unforeseen factors. For further information about the fiscal 2006 projections, refer to page 8 of the attached information sheets.

Comparative Balance Sheet

(in million yen)

Item	Term	FY 2005 (as of March 31, 2006)		FY 2004 (as of March 31, 2005)		Increase/ (decrease)
		Amount	%	Amount	%	Amount
	(Assets)	<u>259,352</u>	%	<u>230,928</u>	%	<u>28,423</u>
	<u>Current assets</u>	<u>94,381</u>	36.4	<u>864,701</u>	37.5	<u>7,679</u>
	Cash and deposits	3,295		2,342		953
	Notes receivable	15,667		11,389		4,278
	Accounts receivable	53,291		48,378		4,913
	Inventories	9,515		9,007		508
	Corporation taxes receivable	-		4,509		(4,509)
	Deferred tax assets	2,743		3,527		(783)
	Others	10,740		8,529		2,211
	Reserve for doubtful debts	(873)		(981)		108
	<u>Fixed assets</u>	<u>164,970</u>	63.6	<u>144,226</u>	62.5	<u>20,744</u>
	<u>Tangible fixed assets</u>	<u>42,912</u>		<u>43,380</u>		<u>(467)</u>
	Buildings and structures	14,909		11,890		3,018
	Machinery and equipment	16,036		14,847		1,189
	Others	11,966		16,642		(4,675)
	<u>Intangible fixed assets</u>	<u>66</u>		<u>73</u>		<u>(7)</u>
	<u>Investments and other assets</u>	<u>121,991</u>		<u>100,771</u>		<u>21,219</u>
	Investment securities	101,558		75,062		26,495
	Long-term loans	11,611		12,185		(573)
	Deferred tax assets	-		6,217		(6,217)
	Others	10,414		9,320		1,093
	Allowance for losses on investment	(986)		(1,183)		197
	Reserve for doubtful debts	(607)		(831)		224
	Total Assets	259,352	100.0	230,928	100.0	28,423

(in million yen)

Item	Term	FY 2005 (as of March 31, 2006)		FY 2004 (as of March 31, 2005)		Increase/ (decrease)
		Amount	%	Amount	%	Amount
	(Liabilities)	<u>131,515</u>	50.7%	<u>122,183</u>	52.9%	<u>(9,332)</u>
	<u>Current liabilities</u>	<u>79,432</u>	30.6	<u>72,546</u>	31.4	<u>(6,886)</u>
	Accounts payable	29,670		27,867		1,802
	Short-term borrowings	18,690		16,388		2,301
	Other accounts payable and accrued expenses	7,977		8,883		(906)
	Accrued income taxes	4,732		–		4,732
	Employees' deposits	12,508		12,697		(188)
	Reserves for bonus payments	3,895		3,849		46
	Reserve for restructuring of production facilities	–		2,550		(2,550)
	Others	1,957		309		1,648
	<u>Fixed liabilities</u>	<u>52,082</u>	20.1	<u>49,637</u>	21.5	<u>2,445</u>
	Long-term borrowings	10,892		9,510		1,381
	Long-term deferred tax liabilities	1,932		–		1,932
	Reserve for retirement benefits	37,185		38,459		(1,274)
	Reserve for retirement lump sum grant for directors	437		446		(8)
	Others	1,634		1,220		413
	(Shareholders' Equity)	127,836	49.3	108,744	47.1	19,091
	<u>Common stock</u>	<u>23,335</u>	9.0	<u>23,335</u>	10.1	—
	<u>Capital surplus</u>	<u>20,397</u>	7.9	<u>20,397</u>	8.8	—
	Additional paid-in capital	20,397		20,397		—
	<u>Earned surplus</u>	<u>56,749</u>	21.9	<u>49,179</u>	21.3	<u>7,569</u>
	Retained earnings	2,983		2,983		–
	Voluntary reserve	38,568		27,015		11,553
	Special depreciation reserve	125		125		0
	Deferred gains on sale of fixed assets	843		790		53
	General reserve	37,600		26,100		11,500
	Unappropriated retained earnings	15,196		19,179		(3,983)
	<u>Net unrealized gain on investment securities</u>	<u>27,487</u>	10.6	<u>15,962</u>	6.9	<u>11,525</u>
	<u>Treasury stock</u>	<u>(133)</u>	(0.1)	<u>(129)</u>	(0.0)	(3)
	Total Liabilities and Shareholders' Equity	259,352	100.0	230,928	100.0	28,423

Comparative Profit and Loss Statement

(in million yen)

Item	FY 2005 (April 1, 2005 to March 31, 2006)		FY 2004 (April 1, 2004 to March 31, 2005)		Increase/ (decrease)
	Amount	% on Sales	Amount	% on Sales	Amount
(Ordinary profit/loss)		%		%	
<u>Operating profit/loss:</u>					
Sales	273,813	100.0	275,360	100.0	(1,547)
Cost of sales	229,469	83.8	229,357	83.3	111
Selling, general and administrative expenses	31,690	11.6	31,138	11.3	551
Operating income	15,186	5.5	15,374	5.6	(188)
<u>Ordinary profit</u>					
(Extraordinary profit/loss)					
<u>Extraordinary profit:</u>	<u>2,041</u>		<u>8,421</u>		<u>(6,379)</u>
Gain on sale of fixed assets	477		118		358
Gain on sale of investment securities	1,035		2		1,033
Gain on reversal of reserve for doubtful debts	331		-		331
Gain on reversal of reserve for loss on investments in unconsolidated subsidiaries and affiliates	197		-		197
Gain on return of substitutable portion of welfare pension fund	-		8,300		(8,300)
<u>Extraordinary loss:</u>	<u>373</u>		<u>4,634</u>		<u>(4,261)</u>
Loss on disposal of fixed assets	341		1,048		(706)
Provision for reserve for restructuring of production facilities	-		2,550		(2,550)
Devaluation loss on investment securities	-		115		(115)
Provision for allowance for losses on investment	-		180		(180)
Software depreciation expense	-		489		(489)
Loss on impairment of fixed assets	3		213		(209)
Others	28		38		(10)
<u>Income before income taxes</u>	<u>16,854</u>	6.2	<u>19,160</u>	7.0	<u>(2,306)</u>
Income taxes - current	5,210		1,910		3,300
Income taxes - deferred	1,218		974		243
Net income	10,426	3.8	16,276	5.9	(5,850)
Unappropriated retained earnings carried forward from the previous term	6,154		4,288		1,866
Interim dividends	1,384		1,384		(0)
<u>Unappropriated retained earnings</u>	<u>15,196</u>		<u>19,179</u>		<u>(3,983)</u>
Unappropriated retained earnings	15,196		19,179		(3,983)

Statement of Appropriation of Retained Earnings

(in million yen)

Item	Term	FY 2005 (April 1, 2005 to March 31, 2006)	FY 2004 (April 1, 2004 to March 31, 2005)	Increase/ (decrease)
		Amount	Amount	Amount
Unappropriated retained earnings		15,196	19,179	(3,983)
Reversal of special tax purpose reserve		35	42	(7)
Total		15,231	19,222	(3,990)
Appropriation of retained earnings				
Dividends		2,076	1,384	692
Directors' bonuses		79	87	(7)
<of which paid to auditors>		<9>	<9>	<(0)>
Special tax purpose reserve		2	42	(40)
Deferred gains on sale of fixed assets		216	53	163
Transfer to general reserve		5,500	11,500	(6,000)
Unappropriated retained earnings carried forward to the next term		7,356	6,154	1,201

Significant accounting policy

1. Valuation and computation of securities
 1. Shares of subsidiaries and affiliates: Stated at moving average cost.
 2. Other securities:
 - Securities with market value: Market value as determined by the quoted price at the end of the fiscal year. (The difference between the carrying value and the market value is included in equity, and cost of securities sold is computed using the moving average method.)
 - Securities with no market value: Stated at moving average cost.
2. Valuation and computation of derivative transactions: Stated at market value.
3. Valuation and computation of inventories:
 1. Finished goods and goods in process: Stated at cost using retail inventory method.
 2. Materials and supplies: Stated at cost using weighted-average cost method.
4. Depreciation of tangible fixed assets: Declining balance method was applied.
5. Depreciation of intangible fixed assets: Straight-line method was applied.
6. Accounting policies for allowances:
 - 1) Reserve for doubtful debts: In providing for bad debts, reserve for ordinary doubtful debts is stated based on the historical rate of default. For debts where recovery is doubtful, the amount regarded as irrecoverable are stated taking into consideration the likelihood of recovery on an individual basis.
 - 2) Allowance for losses on investment: In providing for losses arising from significant decline in the share prices of subsidiaries, the allowance is stated based on the real value at the end of the term.
 - 3) Reserve for bonus payments: To provide for the employee bonus payments, estimated bonuses are stated based on prescribed calculation methods.
 - 4) Reserve for retirement benefits: NOK makes provisions for retirement benefits based on projected retirement obligations and pension fund asset at the balance sheet date. Provisions are stated at the value as considered to have arisen as of the end of this fiscal year. Past service liabilities are stated as expenses in the fiscal year when such liabilities are identified, and have been recognized evenly in 10 years, a period not exceeding the expected average remaining working lives of the employees. Actuarial losses are stated as expenses in the following fiscal year of the year when such losses are identified, and have been recognized evenly in 10 years, a period not exceeding the expected average remaining working lives of the employees.
 - 5) Reserve for retirement lump sum grant for directors: To provide for the payment of retirement lump sum grant for directors, NOK makes allowances for the necessary amount based on internal rules.
7. Finance lease transactions other than those where the ownership of the leased assets are transferred to the lessee are treated according to the method used for ordinary loan transactions.
8. Amounts shown on the financial statements are stated net of consumption tax and local consumption tax.

[Notes]

(Balance sheets)

	(in million yen)	
	FY 2005	FY 2004
Accumulated depreciation of tangible fixed assets	82,632	85,628
Balance of loan guarantee	10	229
Amount discounted on notes receivable	13,143	15,983
Notes endorsed for payment	1,233	3,787
Unsettled transferred receivables	749	2,305
Number of treasury stock: common stock	70,972 shares	69,860 shares

(Lease transactions)

1. Finance lease transactions other than those where the ownership of the leased assets are transferred to the lessee:

Equivalent of acquisition cost, accumulated depreciation, and residual value of the leased assets

(in million yen)

	FY 2005	FY 2004
Equivalent of acquisition cost	1,469	1,464
Equivalent of accumulated depreciation	1,092	988
Equivalent of residual value at end of the term	377	475

Equivalent balance of the unaccrued lease fees at end of the term

(in million yen)

	FY 2005	FY 2004
Within 1 year	163	265
More than 1 year	214	209
Total	377	475

Note: As the percentages of equivalent of acquisition cost and residual value of unaccrued lease fees in the balance of tangible fixed assets at end of the terms are immaterial, the equivalent of acquisition cost and residual value of unaccrued lease fees are calculated including the interest payable.

Lease fees payable (equivalent of depreciation)

(in million yen)

	FY 2005	FY 2004
Lease fees payable (equivalent of depreciation)	270	332

Note: Method of calculating equivalent of depreciation

Equivalent of depreciation is calculated by using the straight-line method, assuming that the lease period corresponds to the useful life of the asset and the residual value is zero.

2. Operating lease transactions

Unaccrued lease fees

(in million yen)

	FY 2005	FY 2004
Within 1 year	59	59
More than 1 year	295	355
Total	355	415

(Securities)

Shares of subsidiaries and affiliates with market value

(in million yen)

Category		FY 2005	FY 2004
Shares of affiliates	Non-consolidated balance sheet amount	4,511	2,875
	Market value	16,390	9,432
	Unrealized gains	11,878	6,557

(Tax effect accounting)

1. The tax effects of temporary differences which give rise to a significant portion of the deferred tax assets and liabilities:

(in million yen)

	FY 2005	FY 2004
Reserve for doubtful debts	589	623
Accrued corporate taxes	336	–
Reserve for bonus payments	1,562	1,543
Excess of depreciation over the deductible limit	1,480	1,369
Investment securities	494	494
Allowance for losses on investment	395	474
Reserve for retirement benefits	14,911	15,139
Reserve for retirement lump sum grant for directors	175	179
Reserve for restructuring of production facilities	–	1,022
Others	446	639
Sub-total deferred tax assets	20,390	21,485
Valuation reserve	(647)	(518)
Total deferred tax assets	19,742	20,967
Corporation taxes receivable	–	114
Special tax purpose reserve	62	84
Deferred profit on fixed assets	468	337
Net unrealized gain on investment securities	18,401	10,685
Total deferred tax liabilities	18,932	11,222
Balance of deferred tax assets	810	9,744

2. Reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes is as follows:

(%)

	FY 2005	FY 2004
Statutory effective tax rate	40.1	40.1
(Reconciliation items)		
Permanent nondeductible expenses, such as entertainment expenses	1.8	1.3
Dividend income and others, which are permanently excluded from taxable income	(2.0)	(27.3)
Per capita inhabitant's tax	0.1	0.1
Valuation reserve	0.8	0.4
Others	(2.7)	0.5
Effective tax rate after adopting tax-effect accounting	38.1	15.1

Important Subsequent Event

NOK Corporation, by a resolution of the Board of Directors meeting held on May 12, 2006, decided to divest its sales division of flexible printed circuits (FPC) for the electronic equipment industry to Nippon Mektron, Ltd., a wholly-owned subsidiary of NOK Corporation, as of October 1, 2006, pursuant to the provision of Article 784, Paragraph 3 of the Company Law regarding simplified divestiture through an absorbing company. Following the resolution, NOK Corporation entered into a divestiture agreement with Nippon Mektron, Ltd. on May 12, 2006.