



NOK CORPORATION

**The 104th Fiscal Term
Business Report**

Year ended March 31, 2010

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TO OUR SHAREHOLDERS

We are pleased to report our business results for the 104th term (April 1, 2009 to March 31, 2010). I would like to express my sincere gratitude for your unwavering support again during this term.

The NOK Group has been implementing a business management plan with which it hopes to become a strong business group with high profitability, under its management policy of producing low-cost original products—backed by technology—which are useful to society, and selling them at reasonable prices all over the world.

In the term, the Group's net sales amounted to ¥414,753 million, down 11.1% compared with the previous term. Operating income came to ¥12,655 million, up 70.1%, ordinary income came to ¥10,363 million, up 67.8% and net income totaled ¥1,279 million, up 96.1%.

During the term, the Japanese economy, along with other nations throughout the world, was slowed by the recession which occurred in the previous term. The first half saw a continued large-scale cut to production and adjustment of inventory in industries such as the automobile and electronic equipment industries—our major customers—which, in turn, prompted us to reduce production. During the second half, however, the government's successful economic stimulus packages led to a partial recovery in the automobile and electronic equipment industries, and as a result, we increased its sales.

In this environment, the NOK Group started a two-year structural reform plan in the term, aiming to fundamentally reform and change its business structure. Aiming for a business performance recovery, the Group will make efforts to quickly improve its profitability by continuing to implement the plan in a steady way.

For details, please refer to the "BUSINESS REPORT" below.

We anticipate that the NOK Group will face some difficult and unpredictable circumstances, and we ask for your understanding of our management direction, as well as our commitment. The NOK Group greatly appreciates your continued support and guidance.

June 2010

Chairman of the Board and President of NOK Corporation

Masato Tsuru

1. Current Status of the NOK Group

(1) Business Overview

(i) Business conditions and results

The Japanese economy in the current fiscal year was still under the influence of the worldwide recession that occurred in the previous fiscal year, remaining sluggish due to slowing corporate capital expenditure and worsened labor market. While some signs of recovery could be seen reflecting the economic stimulus measures implemented by the government, business environment remained tough with the prolonged economic downturn, impacts of rapid fluctuations of foreign exchange on corporate revenues, mounting deflationary pressure with no signs of improvement in employment and income situations, etc.

In the automobile industry, while demand for new vehicles remained weak at the beginning of the current fiscal year as in the previous fiscal year, car production gradually increased with the support of the new car purchase subsidy programs and the recovery of demand in China and Southeast Asia.

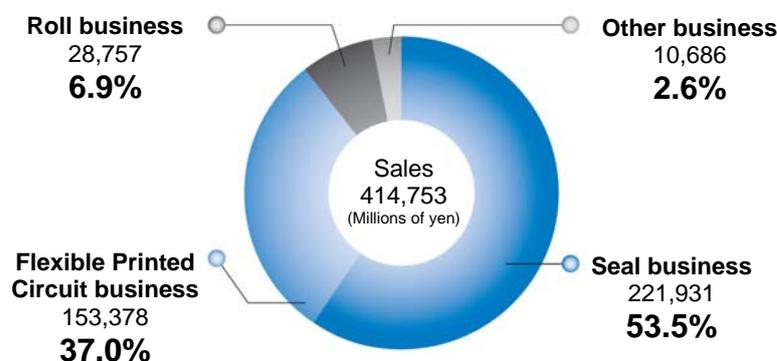
In the electronic equipment industry, previously sluggish demand improved from the second half of the year, mainly driven by customers outside Japan. In particular, production of personal computers, mobile phones, digital still cameras, etc. picked up.

In the office equipment industry, demand remained stagnant in general reflecting the continued weak capital expenditure in the economic downturn. Furthermore, intensified competition prompted erosion of unit prices of components; the market for replacement parts also shrank on the back of a trend toward enhanced durability.

Although the NOK Group still faces the severe environment described above, the Group has achieved a growth in profits, despite a fall in sales, by steadily carrying out its two-year structural reform plan during the course of the current fiscal year.

The following is the NOK Group's business results by business segment for the current fiscal year.

Weighting of business in overall consolidated sales



■ Results of the Business Activities by Business Segment

Seal business

In contrast to the beginning of the fiscal year in which sales were slow, sales to automobile manufacturers recovered due to a growth in demand for new cars mainly in the emerging countries notably China. Also in the second half, sales to manufacturers of general industrial machinery increased reflecting a growth in the production output of construction machinery due to the recovery of infrastructure projects in the emerging countries, such as China. Nevertheless, sales on the full-year basis declined compared with the previous fiscal year, overwhelmed by the decrease in sales in the first half.

As a result, the segment sales fell by 10.0% year on year to ¥221,931 million. Operating income reached ¥8,285 million (up 94.1% year on year), with the effects of cost-cutting measures such as a reduction of fixed cost.

Flexible Printed Circuit (FPC) business

While sales decreased in the first half due to the production adjustments by the manufacturers of mobile phones and hard disc drives (HDD), etc., production of manufacturers of electronic equipment recovered in the second half with the strong performance of digital still cameras and digital audio equipment, etc., resulting in higher sales by NOK. However, the impact of the decrease in sales and other factors in the first half overwhelmed the full-year performance, resulting in a decrease on a year-on-year basis.

As a result, sales fell by 9.7% year on year to ¥153,378 million. Operating income amounted to ¥6,498 million (up 60.0% year on year), with the effect of the cost-cutting measures such as a reduction of fixed cost.

Roll business

Demand for business machine fell worldwide amid worsening economic conditions as businesses reduced capital spending. Furthermore, fiercer competition brought erosion of unit prices of components. Shrinkage of the market for replacement parts associated with rising durability was another factor of lower sales.

As a result, sales dropped by 22.3% year on year to ¥28,757 million. Operating loss was ¥2,439 million (operating loss in the previous fiscal year was ¥1,159 million) due to a significant decrease in sales.

Other businesses

This segment, which includes specialty lubricants, recorded sales of ¥10,686 million (down 19.2% year on year). Operating income amounted to ¥319 million (up 17.5% year on year), with the effect of cost-cutting measures such as a reduction of fixed costs.

Under these circumstances, consolidated net sales of the Group ended up with ¥414,753 million (down 11.1% year on year). Operating income and ordinary income were ¥12,655 million (up 70.1% year on year) and ¥10,363 million (up 67.8% year on year), respectively. Net income amounted to ¥1,279 million (up 96.1% year on year).

(ii) Capital investment and fund procurement

For the current fiscal year, the Group made capital investment of ¥18,232 million in total (down 68.3% from the previous fiscal year) mainly in regard to construction of an oil seal manufacturing plant at the Fukushima Plant as well as restructuring production systems in Japan and overseas designed to enhance the Group's business structure.

The funds for these investments were partly self-financed and partly financed through borrowing.

(2) Issues to be Addressed by the NOK Group

Future business conditions for the NOK Group are uncertain. Any recovery of the global economy could be prolonged or the downturn could intensify further. Currency fluctuations pose additional risks.

In the automobile industry, although demand is recovering in emerging countries, nations such as Japan have dispensed with measures to promote purchase of new cars and sales of automobiles remained unpredictable, therefore uncertainty is expected to remain unchanged. It is also anticipated that the demand for quality will escalate and that the Group will need to respond to this.

In the electronic equipment industry, although demand for highly functional mobile phones and HDDs is expected to grow, the major concerns is a decline in sales price due to intensifying competition.

In the office equipment industry, the Group has received increasing orders on the rebound of inventory adjustment. It is expected, however, that the replacement parts market will continue to shrink due to a decrease in the price of parts and a trend toward enhanced durability.

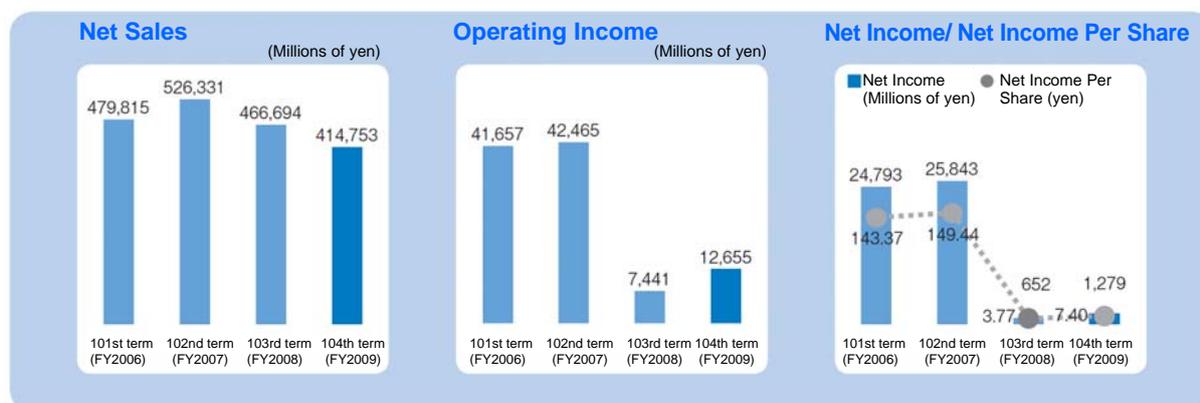
In anticipation of the business circumstances awaiting the NOK Group remaining severe, the Group started a two-year structural reform plan in the current fiscal year in an aim to boost revenue through fundamental reforming and changing its business structure.

Basic policies of two-year structural reform plan

1. To significantly lower the break-even point
2. To improve cash flow (to restrict expenditure)
3. To enhance the promotion of new products and development of new markets
4. To ensure safety, superior quality, and environmental preservation

During the current fiscal year, the Group reviewed unprofitable operations, started restructuring production sites in Japan and overseas, promoted cost-effective procurement, squeezed the cost base, restricted new capital investment, reduced fixed costs, and made efforts to enhance the promotion of new products and development of new markets. So as to achieve the two-year structural reform plan, the Group will steadily carry out these measures over the course of the following fiscal year, giving priority to safety, superior quality, and environmental preservation.

Through revisions to salaries and remuneration offered to employee and officers, the whole Group will go forward to achieve this target.



(3) Financial and Operational Results

(i) Trends in consolidated assets and business results of the NOK Group

(Millions of yen, except for per share figures)

| Classification | 101st term (FY2006) | 102nd term (FY2007) | 103rd term (FY2008) | 104th term (FY2009) |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| Net Sales | 479,815 | 526,331 | 466,694 | 414,753 |
| Operating Income | 41,657 | 42,465 | 7,441 | 12,655 |
| Ordinary Income | 45,399 | 44,812 | 6,174 | 10,363 |
| Net Income | 24,793 | 25,843 | 652 | 1,279 |
| Net Income Per Share (Yen) | 143.37 | 149.44 | 3.77 | 7.40 |
| Total Assets | 508,021 | 532,759 | 509,772 | 547,255 |
| Net Assets | 279,650 | 298,247 | 246,130 | 256,503 |

- In the 101st term (FY2006), sales increased mainly thanks to brisk overseas sales in the automobile industry and the electronic equipment industry. Profits decreased primarily due to fluctuation in prices of flexible printed circuit products.
- In the 102nd term (FY2007), sales increased mainly thanks to an increase in global sales by Japanese automakers and the expansion of production volume of construction machines manufacturers reflecting higher global demand for construction equipment. Profits increased slightly due to favorable operating income in seal business reflecting the strong sales, partially offset by a decline of profits in flexible printed circuit business negatively affected by price erosion.
- In the 103rd term (FY2008), sales decreased owing to a reduction in output in automobile and other industries throughout the world in a reaction to the global financial crisis that originated in the United States. In addition to the significant decrease in sales, the Group recorded a significant drop in profits due to a steep rise in raw material costs and increased depreciation expenses.
- As for the business performance in the 104th term (FY2009), please refer to the aforementioned (1) Business Overview.

(Reference) Consolidated cash flows

(Millions of yen)

| From operating activities | From investing activities | From financing activities | Cash and cash equivalents at the end of period |
|---------------------------|---------------------------|---------------------------|--|
| 35,100 | (22,630) | (2,839) | 92,829 |

(ii) Trends in assets and business results of the Company

(Millions of yen, except for per share figures)

| Classification | 101st term (FY2006) | 102nd term (FY2007) | 103rd term (FY2008) | 104th term (FY2009) |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| Net Sales | 254,348 | 241,178 | 202,591 | 190,846 |
| Operating Income | 12,814 | 15,558 | 690 | 2,248 |
| Ordinary Income | 14,733 | 18,051 | 2,098 | 1,762 |
| Net Income | 10,018 | 11,447 | (2,546) | (237) |
| Net Income Per Share (Yen) | 57.89 | 66.15 | (14.71) | (1.37) |
| Total Assets | 254,552 | 254,261 | 294,746 | 321,533 |
| Net Assets | 134,994 | 132,401 | 118,320 | 120,266 |

- In the 101st term (FY2006), although sales to the automobile industry performed well, overall sales decreased due to a sharp downturn in sales to the electronic equipment industry, as the sales division of flexible printed circuit for electronic equipment was absorbed by Nippon Mektron, Ltd. Profits decreased due to declines in both sales and dividends income and an increase in loss on disposal of noncurrent assets.
- In the 102nd term (FY2007), although sales to the electronic equipment industry decreased, as the sales division of flexible printed circuits for electronic equipment was absorbed by Nippon Mektron, Ltd. in the 101st term, profits increased thanks to an increase in dividends income as well as brisk sales in the automobile industry.
- In the 103rd term (FY2008), the global financial crisis that has its origins in the United States produced a severely negative impact in real economic term, causing a drastic cut of production on a global scale by automobile manufacturers, NOK's major customers. As a result, sales for the full term of FY2008 showed a significant decrease. The Company barely posted operating income reflected by undertaking a series of pressing measures including cut of expenditures and restraint of capital investment. However, the Company recorded a net loss due to deterioration of financial results of subsidiaries and evaluation losses on securities held along with posting allowances related to measures for reinforcing corporate earning structure which is to be implemented from 104th term over two years.
- In the first half of the 104th term (FY2009), sluggish sales in automobile and other industries remained, as they were tainted with the negative effects of the worldwide recession. Sales for the full term of FY2009 showed a decrease despite a recovery in the second half. The Company continued measures to reduce costs and restrain investments from the previous term and, as a result, recorded an increase in operating income. Although the Company recorded a net loss for the term under review owing to an increase in provisions for business structure improvement, this deficit marked a shrink by a significant margin.

(4) Status of Corporate Affiliations

(i) Condition of major subsidiaries and affiliates

| | Company | Capital stock | Investment ratio | Main business |
|-----------------------------------|---|------------------|------------------|---|
| Seal business | Thai NOK Co., Ltd. (Thailand) | THB1,200 million | 100.0% | Manufacture and sale of seal products |
| | Wuxi NOK-Freudenberg Oilseal Co., Ltd. (China) | RMB152,749,000 | - % (50.0) | Manufacture and sale of seal products |
| | NOK Inc. (U.S.A.) | US\$7,200,000 | 100.0% | Equity investment in Freudenberg-NOK General Partnership which produces and sells seal products, etc. |
| | Unimatec Co., Ltd. | ¥400 million | 100.0% | Manufacture and sale of synthetic chemical products |
| | Eagle Industry Co., Ltd. | ¥10,490 million | 28.6% (1.2) | Manufacture and sale of mechanical seals, etc. |
| Flexible Printed Circuit business | Nippon Mektron, Ltd. | ¥5,000 million | 100.0% | Manufacture and sale of electronic parts |
| | Mektec Corporation (Taiwan) | NT\$367,312,000 | - % (85.0) | Manufacture and sale of electronic parts |
| | Mektec Manufacturing Corporation (Thailand) Ltd. (Thailand) | THB200 million | - % (75.0) | Manufacture and sale of electronic parts |
| | Mektec Manufacturing Corporation (Zhuhai) Ltd. (China) | RMB236,810,000 | - % (97.0) | Manufacture and sale of electronic parts |
| | Mektec Manufacturing Corporation (Suzhou) Ltd. (China) | RMB195,555,000 | - % (93.0) | Manufacture and sale of electronic parts |
| Roll business | SYNZTEC Co., Ltd. | ¥700 million | 100.0% | Manufacture and sale of roll products for office equipment, etc. |
| Other businesses | NOK Klüber Co., Ltd. | ¥100 million | 51.0% | Manufacture and sale of special lubricants |

Note: The numbers in parentheses in the column "Investment ratio" show the capital ratio which the Company's subsidiaries hold.

(ii) Status of major business combination, etc.

- Nippon Mektron, Ltd. increased the capital of Mektec Corporation (Taiwan) in November 2009. As a result, its capital increased to NT\$367,312,000.
- There are 95 consolidated subsidiaries and 31 companies accounted for by the equity method (including the aforementioned 12 major subsidiaries and affiliates).

(iii) Important partners

The Company maintains a partnership with Freudenberg & Co., of the Federal Republic of Germany that encompasses all business aspects including capital and technology.

(5) Main Businesses (as of March 31, 2010)

The major businesses of the NOK Group consist of production and sales of the following products.

| Segment | Major products |
|-----------------------------------|--|
| Seal business | Oil seals, O-rings, vibration-control rubber, plastic products, gaskets, synthetic chemical products, mechanical seals |
| Flexible Printed Circuit business | Flexible circuits |
| Roll business | Roll products for office equipment |
| Other businesses | Special lubricants and others |

(6) Major Business Offices and Factories (as of March 31, 2010)

(i) The Company

| Name | Location | Name | Location |
|-------------------|--------------------------------|--|----------------------------------|
| Head Office | Minato Ward, Tokyo | Osaka Branch 2 | Osaka City, Osaka |
| Utsunomiya Branch | Utsunomiya City, Tochigi Pref. | Hiroshima Branch | Hiroshima City, Hiroshima Pref. |
| Kumagaya Branch | Kumagaya City, Saitama Pref. | Fukuoka Branch | Fukuoka City, Fukuoka Pref. |
| Tokyo Branch | Minato Ward, Tokyo | Fukushima Plant | Fukushima City, Fukushima Pref. |
| Tama Branch | Kawasaki City, Kanagawa Pref. | Nihonmatsu Plant | Nihonmatsu City, Fukushima Pref. |
| Kanagawa Branch | Atsugi City, Kanagawa Pref. | Shizuoka Plant | Makinohara City, Shizuoka Pref. |
| Hamamatsu Branch | Hamamatsu City, Shizuoka Pref. | Tokai Plant | Kikugawa City, Shizuoka Pref. |
| Anjo Branch 1 | Anjo City, Aichi Pref. | Tottori Plant | Saihaku-gun, Tottori Pref. |
| Anjo Branch 2 | Anjo City, Aichi Pref. | Kumamoto Plant | Aso City, Kumamoto Pref. |
| Nagoya Branch | Nagoya City, Aichi Pref. | Shonan Development Center (Fujisawa Factory) | Fujisawa City, Kanagawa Pref. |
| Osaka Branch 1 | Osaka City, Osaka | | |

Note: We opened Kita Ibaraki Plant (Kita Ibaraki City, Ibaraki Pref.) on April 1, 2010.

(ii) Subsidiaries

| | Company | Business place | Location |
|-----------------------------------|--|--|--|
| Seal business | Thai NOK Co., Ltd. | Head office and factory | Chonburi Pref., Thailand |
| | NOK Asia Co., Pte. Ltd. | Head office and factory | Singapore |
| | Wuxi NOK-Freudenberg Oilseal Co., Ltd. (China) | Head office and factory | Wuxi City, Jiangsu, China |
| | Saga Seal Industry Co., Ltd. | Head office and factory | Ureshino City, Saga Pref. |
| | Unimatec Co., Ltd. | Kita Ibaraki Plant | Kita Ibaraki City, Ibaraki Pref. |
| | NOK Elastomers Processing Co., Ltd. | Head office and factory | Kama City, Fukuoka Pref. |
| | Fugaku Koki Co., Ltd. | Head office and factory | Kikugawa City, Shizuoka Pref. |
| | Kansai NOK Hanbai Co., Ltd. | Head office and sales office | Osaka City, Osaka |
| | NOK-Freudenberg Group Sales (China) Co., Ltd. | Head office and sales office | Shanghai City, China |
| Flexible Printed Circuit business | Nippon Mektron, Ltd. | Head office Tokyo Dai-ichi Branch Osaka Branch Minami Ibaraki Plant Okubara Plant Kashima Plant | Minato Ward, Tokyo Minato Ward, Tokyo Osaka City, Osaka Tsukuba City, Ibaraki Pref. Ushiku City, Ibaraki Pref. Kamisu City, Ibaraki Pref. |
| | Mektec Corporation (Taiwan) | Head office and factory | Kaohsiung City, Taiwan |
| | Mektec Manufacturing Corporation (Thailand) Ltd. | Head office and factory | Ayutthaya Pref., Thailand |
| | Mektec Manufacturing Corporation (Zhuhai) Ltd. | Head office and factory | Zhuhai City, Guangdong, China |
| | Mektec Manufacturing Corporation (Suzhou) Ltd. | Head office and factory | Suzhou City, Jiangsu, China |
| | Mektec Corporation (Hong Kong) Ltd. | Head office and sales office | Hong Kong, China |
| Roll business | SYNZTEC Co., Ltd. | Head office Yokosuka Plant Kuki Plant | Shinagawa Ward, Tokyo Yokosuka City, Kanagawa Pref. Kuki City, Saitama Pref. |
| | SYNZTEC (Malaysia) Sdn. Bhd. | Head office and factory | Selangor Darul Ehsan, Malaysia |
| | SYNZTEC (Hong Kong) Co., Ltd. | Head office and sales office | Hong Kong, China |
| Other businesses | NOK Klüber Co., Ltd. | Kita Ibaraki Plant | Kita Ibaraki City, Ibaraki Pref. |

(7) Employee Status (as of March 31, 2010)

(i) Employment of the NOK Group

| Number of employees | Change from the end of previous term |
|---------------------|--------------------------------------|
| 36,802 (3,000) | + 1,833 (+136) |

Note: The number of employees refers to the number of people employed by the NOK Group, excluding part-time workers and temporary workers. Figures in parentheses are the average number of part-time workers and temporary workers on an annual basis.

(ii) Employment of the Company

| Number of employees | Change from the end of previous term | Average age | Average length of service |
|---------------------|--------------------------------------|----------------|---------------------------|
| 3,452 (365) | + 33 (- 53) | 39.5 years old | 18.2 years |

Note: The number of employees refers to the number of people employed by the Company, excluding part-time workers and temporary workers. Figures in parentheses are the average number of part-time workers and temporary workers on an annual basis.

(8) Major Lenders to the Company (as of March 31, 2010)

| Lenders | Borrowings (Millions of yen) |
|---|---------------------------------|
| Sumitomo Mitsui Banking Corp. | 45,122 |
| Mizuho Corporate Bank, Ltd. | 22,987 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 18,255 |
| The Sumitomo Trust and Banking Co., Ltd. | 10,619 |
| Development Bank of Japan Inc. | 10,113 |
| Nipponkoa Insurance Co., Ltd. | 6,825 |
| The Dai-ichi Mutual Life Insurance Co. | 4,900 |
| The Chuo Mitsui Trust and Banking Co., Ltd. | 4,103 |
| The Norinchukin Bank | 3,652 |
| Mitsubishi UFJ Trust and Banking Corp. | 2,000 |

2. Outline of the Company

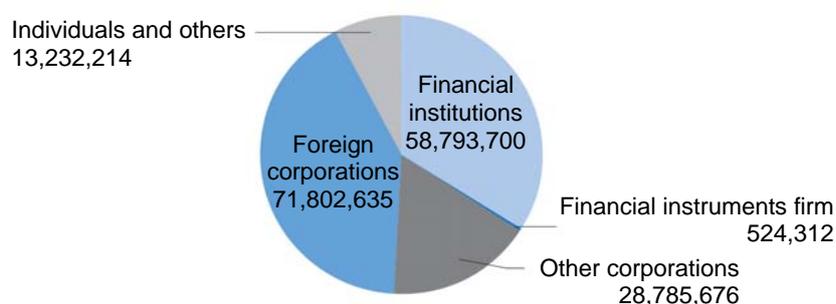
(1) Status of Stock (as of March 31, 2010)

- (i) Total number of shares authorized to be issued: 600,000,000 shares
- (ii) Total number of shares issued: 173,138,537 shares
- (iii) Number of shareholders: 11,077 (a decrease of 479 year on year)
- (iv) Major shareholders

| Shareholder | Number of shares held (thousands) | % of shares outstanding |
|---|-----------------------------------|-------------------------|
| Freudenberg Beteiligungs GmbH | 43,457 | 25.1 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 12,268 | 7.1 |
| Seiwa Jisho Co., Ltd. | 8,773 | 5.1 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 8,587 | 5.0 |
| The Dai-ichi Mutual Life Insurance Co. | 8,000 | 4.6 |
| Toyota Motor Corp. | 6,809 | 3.9 |
| Nipponkoa Insurance Co., Ltd. | 4,500 | 2.6 |
| Sumitomo Mitsui Banking Corp. | 4,270 | 2.5 |
| Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corp. retirement benefit trust account re-entrusted by The Sumitomo Trust and Banking Co., Ltd.) | 3,000 | 1.7 |
| Honda Motor Co., Ltd. | 1,717 | 1.0 |

Note: For the basis of the calculation of “% of shares outstanding” above, the Companies' treasury stock (76,128) is excluded from the total number of shares issued

Share Ownership by Shareholder Category



(2) Board Members of the Company

(i) Directors and Corporate Auditors (as of March 31, 2010)

| Position | Name | Positions, responsibilities or significant concurrent positions |
|-------------------------------------|-----------------------|---|
| Chairman of the Board and President | Masato Tsuru | |
| Senior Managing Director | Hideo Hatsuzawa | Overall responsibility for Seal business, General Manager, Corporate Technology Office and Manufacturing Technology Office |
| Senior Managing Director | Shigekazu Kokai | General Manager, Corporate Quality Control Office |
| Senior Managing Director | Takahito Yokouchi | Overall responsibility for procurement, General Manager, Corporate Administration Office and Corporate Risk Management Office |
| Senior Managing Director | Kiyoshi Doi | Division Manager, Corporate Sales & Marketing Division |
| Director | Tetsuji Tsuru | Representative Director & President Eagle Industry Co., Ltd. |
| Director | * Toshifumi Kobayashi | Representative Director & President, Nippon Mektron, Ltd. |
| Director | Toshio Kawai | Representative Director & President, SYNZTEC Co., Ltd. |
| Standing Corporate Auditor | Kazuaki Motozato | |
| Standing Corporate Auditor | Kiyoshi Shiga | |
| Corporate Auditor | Yasunari Unemura | Senior Operating Officer, Eagle Industry Co., Ltd. |
| Corporate Auditor | Fumiaki Aono | Senior Operating Officer, Eagle Industry Co., Ltd. |
| Corporate Auditor | Gen Kajitani | Lawyer |

Notes:

1. Mr. Masato Tsuru and Mr. Hideo Hatsuzawa are Representative Directors.
2. Mr. Toshifumi Kobayashi, marked with an asterisk, was newly elected and assumed as Director at the 103rd Annual Shareholders' Meeting held on June 25, 2009.
3. Mr. Yoshiro Takashima, Mr. Kunihiko Soga, Mr. Shuji Ando, Mr. Soichiro Uchida, Mr. Sumitaka Kasai, Mr. Kazuhiko Seki, Mr. Jiro Iida, Mr. Masaaki Amano, Mr. Yuichi Kuroki, Mr. Masaru Yasukage, Mr. Yasuhiko Kuroki and Mr. Akira Watanabe retired as Directors at the conclusion of the 103rd Annual Shareholders' Meeting held on June 25, 2009 following the end of tenure of office.

4. Changes in Directors' positions and major responsibilities during this term are as follows:

| Name | New position | Old position | Effective date |
|-------------------|---|--|----------------|
| Hideo Hatsuzawa | Senior Managing Director with overall responsibility for Seal business, General Manager, Corporate Technology Office and Manufacturing Technology Office | Senior Managing Director, General Manager, Corporate Technology Office and Manufacturing Technology Office | April 1, 2009 |
| Shigekazu Kokai | Senior Managing Director, General Manager, Corporate Quality Control Office | Managing Director, General Manager, Corporate Production Control Office | June 25, 2009 |
| Takahito Yokouchi | Senior Managing Director with overall responsibility for procurement, General Manager, Corporate Administration Office and Corporate Risk Management Office | Managing Director, General Manager, Corporate Administration Office and Corporate Risk Management Office | June 25, 2009 |
| Kiyoshi Doi | Senior Managing Director, Division Manager, Corporate Sales & Marketing Division | Managing Director, Division Manager, Corporate Sales & Marketing Division | June 25, 2009 |

5. Mr. Yasunari Unemura, Mr. Fumiaki Aono and Mr. Gen Kajitani serve as Outside Corporate Auditors.

The Company designates each Outside Corporate Auditor as independent auditors as stipulated in the regulations of the Tokyo Stock Exchange, and submits as such accordingly.

6. In addition to the above, significant concurrent positions held by Directors and Corporate Auditors are as follows.

| Name | Significant concurrent positions |
|-------------------|--|
| Masato Tsuru | Chairman of the Board & Representative Director, Nippon Mektron, Ltd. Chairman of the Board & Representative Director, SYNZTEC Co., Ltd. Chairman of the Board & Representative Director, NOK Klüber Co., Ltd. Chairman of the Board & Representative Director, Unimatec Co., Ltd. Chairman of the Board & Representative Director, Seiwa Jisho Co., Ltd. Chairman of the Board, Representative Director & President, NOK Technical Research and Development Co., Ltd. Chairman of the Board, Director & President, NOK Inc. Chairman of the Board & Director, Eagle Industry Co., Ltd. Outside Director, Sumida Corporation |
| Takahito Yokouchi | Representative Director & President, NOK Group Service Corporation |
| Kiyoshi Doi | Chairman of the Board & Director, NOK-Freudenberg Group Sales (China) Co., Ltd. Chairman of the Board & Director, NOK-Freudenberg Group Trading (China) Co., Ltd. Chairman of the Board & Director, NOK-Freudenberg Hong Kong Ltd. |
| Kazuaki Motozato | Outside Corporate Auditor, Eagle Industry Co., Ltd. |
| Kiyoshi Shiga | Outside Corporate Auditor, Eagle Industry Co., Ltd. |

(ii) Total sum of remuneration paid to Directors and Corporate Auditors

(a) Total sum of remuneration paid during this business year

| Classification | Number of officer | Total amount paid (Millions of yen) |
|---|-------------------|--|
| Director | 20 | 216 |
| Corporate Auditor | 5 | 40 |
| (Outside Corporate Auditors from among the above) | (3) | (4) |
| Total | 25 | 257 |

Notes:

1. The amount paid to Directors does not include employee salaries for those serving as Directors.
2. The number of officers and total amount paid in the "Director" column of the above table include the number and amounts paid during their terms of office for twelve (12) Directors who retired at the conclusion of the 103rd Annual Shareholders' Meeting held on June 25, 2009.
3. The maximum amount of remuneration to Directors was set at ¥450 million per year (excluding employee salaries) at the 103rd Annual Shareholders' Meeting held on June 25, 2009.
4. The maximum amount of remuneration to Corporate Auditors was set at ¥96 million per year at the 103rd Annual Shareholders' Meeting held on June 25, 2009.

(b) Retirement benefits to Directors and Corporate Auditors paid, or of which amount be disclosed to be paid during this business year

According to the resolution of the 103rd Annual Shareholders' Meeting held on June 25, 2009, the retirement benefits already paid or of which amount be disclosed to be paid to Directors and Standing Corporate Auditors are as follows.

The following amounts include the amounts payable upon termination of the system of directors' retirement benefits.

- ¥611 million for nineteen (19) Directors
- ¥4 million for two (2) Standing Corporate Auditors
(Included amount for provision for retirement benefits to Directors of ¥213 million and Standing Corporate Auditors of ¥3 million that is included in "Total sum of remuneration paid to Directors and Corporate Auditors" in Business Report of the previous year.)

(iii) Matters concerning Outside Directors and Corporate Auditors

(a) Significant concurrent positions Outside Directors and Corporate Auditors are engaged in at other organizations, and relationships between the Company and said other organizations

- Corporate Auditor Yasunari Unemura and Fumiaki Aono also serve as Senior Operating Officers for Eagle Industry Co., Ltd., a trade partner of the Company.

(b) Major activities during the term

| Position | Name | Major activities |
|-------------------|------------------|---|
| Corporate Auditor | Yasunari Unemura | Has attended 13 out of 14 Board of Directors meetings, and 6 out of 7 Board of Corporate Auditors meetings held during the term, where he made necessary remarks on Items for Resolution. |
| Corporate Auditor | Fumiaki Aono | Has attended 14 out of 14 Board of Directors meetings and 7 out of 7 Board of Corporate Auditors meetings held during the term, where he made necessary remarks on Items for Resolution. |
| Corporate Auditor | Gen Kajitani | Has attended 14 out of 14 Board of Directors meetings and 7 out of 7 Board of Corporate Auditors meetings held during the term, where he made necessary remarks for Items for Resolution. |

Note: In addition to the Board of Directors meetings the number of times given in the above table, there was one written resolution which is deemed to be a resolution at a Board of Directors meeting pursuant to the provisions of Article 370 of the Corporation Law and Article 29 of the Articles of Incorporation of the Company.

(c) Summary of limited liability contract

Under the provisions of Article 427, Paragraph 1 of the Corporation Law, the Company entered into a contract with each Outside Corporate Auditor so as to limit their liability for damage as provided for in Article 423, Paragraph 1 of the Corporation Law. The limit of liability for damage under this contract is the amount set forth by the laws and regulations.

(3) Independent Auditor

(i) Name: Nihombashi Corporation Certified Public Accountants

(ii) Amount of remuneration

(Millions of yen)

| | Amount of payment |
|--|-------------------|
| Amount to be paid by the Company as remuneration for duties stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law | 30 |
| Amount to be paid by the Company and its subsidiaries to Independent Auditors as financial benefit, such as monetary reward, etc. | 65 |

Notes:

1. In the audit contracts between the Company and its Independent Auditor, the fees for audits conducted under the Corporation Law and under the Financial Instruments and Exchange Law are not clearly differentiated. As they cannot be effectively separated, the accounting audit fees for the year under review show the total.
2. The Company entrusts the Independent Auditors with operations to investigate financial status, which are not duties as stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law.
3. Nihombashi Corporation Certified Public Accountants also serves as Independent Auditor for the Company's major domestic subsidiaries.

(iii) Policy concerning decision regarding dismissal and non- reappointment on Independent Auditor

Where there is anything that obstructs the fulfillment of Independent Auditors' duties, or where the Board of Directors considers it necessary, the Board of Directors, by way of an agreement by the Board of Corporate Auditors or based on a request from the Board of Corporate Auditors, will bring up at a shareholders' meeting the item concerning the dismissal and non-reappointment of the Independent Auditor.

The Board of Corporate Auditors, based on an agreement by all Corporate Auditors, will dismiss the Independent Auditor in any case where the Independent Auditor is deemed as having fallen under the provisions of Article 340, Paragraph 1 of the Corporation Law. In such cases, one Corporate Auditor appointed by the Board of Corporate Auditors will report the execution of dismissal and the reasons at the first shareholders' meeting following the dismissal.

(4) System for Ensuring Properness of Operations

Following are the details of the decisions made in order to firmly implement a system for ensuring the compliance of Directors' execution of their duties in line with the laws and regulations as well as with the Articles of Incorporation and a system for ensuring the properness of the Company business operations.

(i) System for storing and managing of information regarding Directors' execution of duties

In accordance with the relevant laws and regulations, the Articles of Incorporation and other rules established by the Company, departments in charge shall record and file minutes of meetings, including Annual Shareholders' Meetings and Board of Directors meetings, and also file approval documents and other authorizations. Directors and Corporate Auditors shall ensure an environment that allows to inspect such documents.

(ii) Rules concerning loss risk management

In accordance with the Risk Management Rules established by the Company, the Corporate Risk Management Office shall take the initiative in identifying and analyzing underlying risks and establishing and promoting a cross-organizational risk management system. The Corporate Risk Management Office shall report to Directors regarding the implementation status of said system on a regular basis and revise the system as necessary.

(iii) System for securing efficiency of Directors' execution of duties

Directors shall hold Board of Directors meetings in accordance with Board of Directors Regulations. At these meetings, they shall determine allocation of their duties and important matters such as business strategies and management policy and elect Operating Officers responsible for implementation of operations at individual divisions. Directors shall authorize them to execute operations at individual divisions, encourage them to execute operations quickly and meet objectives, and supervise them. The Directors shall clarify operational authorities and rules on decision-making in the Rules concerning the Operational Authorities of Upper Management. They shall ensure an environment that allows them to execute their respective duties in an appropriate and efficient manner by monitoring the progress of business plans, managerial policies, and operational implementation plans at regular management meetings and through management reviews.

In order to ensure the efficiency in the execution of duties by Directors, the Directors shall hold committee meetings including meetings of the Central Labor-Management Council consisting of the representatives of both the management team and employees, and explain and discuss business plans, important changes to organizational structures, and managerial policies.

(iv) System for ensuring compliance in execution of duties by Directors and employees with the relevant laws and regulations and the Articles of Incorporation

Pursuant to the NOK Charter of Corporate Behavior, the Company shall clearly state that it places priority on compliance in its business activities. In accordance with compliance rules and Behavioral Guidelines Concerning Employee Compliance, the Company shall also provide training programs for its employees, thereby establishing and promoting a framework for compliance that conforms with the relevant laws and regulations, the Articles of Incorporation, and other rules established by the Company.

(v) System for ensuring properness of operations of the Group consisting of the Company and its subsidiaries

The management teams and managers of the NOK Group companies shall hold joint management meetings on a semiannual basis to share information and promote managerial transparency. At these meetings, attendees shall report on and discuss the progress of their managerial policies and business plans, thereby ensuring efficiency in the management of the Group as a whole.

In accordance with the provisions of the Internal Control Rules for Subsidiaries, each of the Group's companies shall maintain a supervising division designed to inspect the financial condition of their companies, and each department and division shall provide their companies with necessary instructions and support in relation to the business operations in which they are engaged, and review the progress in their managerial policies and business plans.

In addition, under the provisions of the Internal Control Rules regarding Financial Reporting the supervising divisions shall monitor the properness of operations based on Directors' instructions to ensure the credibility of the financial statements of the Company and its group companies.

(vi) Matters concerning assistant employees in cases where Corporate Auditors request the Company to assign employees to assist them with their duties

Regarding the employees who are required to assist Corporate Auditors with their duties, the Company shall assign personnel with expertise of laws and regulations who are capable of providing assistance to Corporate Auditors, upon discussions with the Corporate Auditors on the selection of assistant employees and the operational authorities thereof.

(vii) Independence of the aforementioned assistant employees from Directors

If the Company assigns employees to assist Corporate Auditors with their duties, said personnel shall follow the directions and orders of the Corporate Auditors in their duties, and it shall discuss with the Corporate Auditors about the changes to the employment status of assistant employees.

(viii) Systems for reporting to Corporate Auditors by Directors and employees, etc.

In order to accelerate managerial streamlining and efficiency and to promote appropriate performance of operations, the Company shall conduct internal audits in accordance with the Internal Auditing Rules and Internal Operational Auditing Rules, and where necessary report the results thereof to the Board of Corporate Auditors.

Also, the Auditing Committee for Internal Controls, an advisory body to the Board of Directors, shall, in accordance with the Managerial Rules for Auditing Committee for Internal Control, conduct periodical internal audits on the state of the system to ensure appropriateness of the Company's and its group companies' operations, and where necessary report the results thereof to the Board of Corporate Auditors.

(ix) Other systems for securing effective audits by Corporate Auditors

In order to supervise the Directors' execution of their duties, in accordance with the audit policy and audit plan formulated at the Board of Corporate Auditors meetings pursuant to the Board of Corporate Auditors Regulations, the Company shall maintain a system that allows Corporate Auditors to attend the Board of Directors meetings and other important meetings and to investigate the Company's operational and financial conditions.

The Independent Auditor and Corporate Auditors shall exchange opinions on a regular basis.

In addition, joint meetings named "the meeting of Representative Directors and Corporate Auditors" with the participation of Representative Directors and Corporate Auditors shall be held on a regular basis with a view to facilitating exchanges of opinions.

All amounts are rounded down to the nearest million yen, and the number of shares is rounded down to the nearest 1,000 shares. Percentages are rounded to the nearest whole unit.

CONSOLIDATED FINANCIAL DATA

CONSOLIDATED BALANCE SHEET

(As of March 31, 2010)

(Millions of yen)

| Item | FY2009 | FY2008 (Reference) | Item | FY2009 | FY2008 (Reference) |
|---|----------------|-----------------------|--|-----------------|-----------------------|
| ASSETS | 547,255 | 509,772 | LIABILITIES | 290,752 | 263,641 |
| CURRENT ASSETS | 279,801 | 233,118 | CURRENT LIABILITIES | 162,919 | 138,300 |
| Cash and deposits | 93,104 | 82,600 | Notes and accounts payable - trade | 50,872 | 34,235 |
| Notes and accounts receivable - trade | 123,789 | 87,863 | Short-term loans payable | 63,793 | 61,890 |
| Merchandise and finished goods | 17,262 | 21,432 | Income taxes payable | 1,815 | - |
| Work in process | 22,450 | 13,079 | Provision for bonuses | 5,337 | 4,726 |
| Raw materials and supplies | 10,303 | 14,616 | Provision for business structure improvement | 3,715 | 1,959 |
| Deferred tax assets | 4,565 | 4,239 | Deposits received from employees | 15,893 | 15,920 |
| Other | 9,910 | 10,370 | Other | 21,492 | 19,568 |
| Allowance for doubtful accounts | (1,584) | (1,084) | NONCURRENT LIABILITIES | 127,832 | 125,340 |
| NONCURRENT ASSETS | 267,454 | 276,653 | Long-term loans payable | 78,414 | 75,184 |
| Property, plant and equipment | 173,739 | 193,439 | Provision for retirement benefits | 45,854 | 46,340 |
| Buildings and structures | 72,523 | 73,132 | Provision for directors' retirement benefits | - | 1,504 |
| Machinery, equipment and vehicles | 69,646 | 79,487 | Other | 3,564 | 2,311 |
| Tools, furniture and fixtures | 10,117 | 12,717 | NET ASSETS | 256,503 | 246,130 |
| Land | 18,463 | 18,945 | SHAREHOLDERS' EQUITY | 235,992 | 238,406 |
| Lease assets | 1,438 | 914 | CAPITAL STOCK | 23,335 | 23,335 |
| Construction in progress | 1,550 | 8,242 | CAPITAL SURPLUS | 22,450 | 22,450 |
| Intangible assets | 1,450 | 2,594 | RETAINED EARNINGS | 192,427 | 192,861 |
| Goodwill | 210 | 1,237 | TREASURY STOCK | (2,221) | (241) |
| Other | 1,240 | 1,357 | VALUATION AND TRANSLATION ADJUSTMENTS | (698) | (12,076) |
| Investments and other assets | 92,263 | 80,619 | VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES | 15,613 | 9,580 |
| Investment securities | 58,829 | 42,692 | FOREIGN CURRENCY TRANSLATION ADJUSTMENT | (16,311) | (21,656) |
| Long-term loans receivable from employees | 7,443 | 7,791 | MINORITY INTERESTS | 21,209 | 19,801 |
| Deferred tax assets | 8,889 | 12,433 | | | |
| Other | 17,384 | 18,010 | | | |
| Allowance for doubtful accounts | (284) | (308) | | | |
| TOTAL | 547,255 | 509,772 | TOTAL | 547,255 | 509,772 |

Note: Figures are rounded down to the nearest million yen.

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2009 to March 31, 2010)

(Millions of yen)

| Item | FY2009 | | FY2008 (Reference) | |
|--|---------|---------------|-----------------------|---------------|
| | | | | |
| Net Sales | | 414,753 | | 466,694 |
| Cost of Sales | | 347,232 | | 394,994 |
| Gross Profit | | 67,521 | | 71,700 |
| Selling, General and Administrative Expenses | | 54,865 | | 64,258 |
| Operating Income | | 12,655 | | 7,441 |
| Non-operating Income | | | | |
| Interest income | 446 | | 706 | |
| Dividends income | 551 | | 1,007 | |
| Equity in earnings of affiliates | - | | 2,073 | |
| Rent income | 916 | | 977 | |
| Other | 1,325 | 3,241 | 1,548 | 6,314 |
| Non-operating Expenses | | | | |
| Interest expenses | 3,968 | | 2,825 | |
| Foreign exchange losses | - | | 3,688 | |
| Equity in losses of affiliates | 158 | | - | |
| Other | 1,406 | 5,533 | 1,067 | 7,581 |
| Ordinary Income | | 10,363 | | 6,174 |
| Extraordinary Income | | | | |
| Gain on sales of noncurrent assets | 195 | | 339 | |
| Gain on sales of investment securities | 200 | | 101 | |
| Reversal of provision for retirement benefits | 100 | | 166 | |
| Other | 49 | 546 | 135 | 743 |
| Extraordinary Loss | | | | |
| Loss on retirement of noncurrent assets | 2,118 | | 1,945 | |
| Loss on valuation of investment securities | - | | 1,146 | |
| Provision for business structure improvement | 3,933 | | 1,966 | |
| Other | 127 | 6,178 | 739 | 5,797 |
| Income before Income Taxes and Minority Interests | | 4,730 | | 1,121 |
| Income taxes - current | 2,073 | | 2,438 | |
| Income taxes - deferred | (1,095) | 977 | (3,210) | (772) |
| Minority interests in income | | 2,473 | | 1,240 |
| Net Income | | 1,279 | | 652 |

Note: Figures are rounded down to the nearest million yen.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2009 to March 31, 2010)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the end of previous period | 23,335 | 22,450 | 192,861 | (241) | 238,406 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (1,728) | | (1,728) |
| Net income | | | 1,279 | | 1,279 |
| Purchase of treasury stock | | | | (2,001) | (2,001) |
| Disposal of treasury stock | | | | 21 | 21 |
| Change of fiscal year etc. of equity method affiliates | | | 15 | | 15 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during the period | - | - | (434) | (1,979) | (2,413) |
| Balance at the end of current period | 23,335 | 22,450 | 192,427 | (2,221) | 235,992 |

| | Valuation and translation adjustments | | | Minority interests | Total net assets |
|--|---|---|---|--------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total valuation and translation adjustments | | |
| Balance at the end of previous period | 9,580 | (21,656) | (12,076) | 19,801 | 246,130 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | | | (1,728) |
| Net income | | | | | 1,279 |
| Purchase of treasury stock | | | | | (2,001) |
| Disposal of treasury stock | | | | | 21 |
| Change of fiscal year etc. of equity method affiliates | | | | | 15 |
| Net changes of items other than shareholders' equity | 6,032 | 5,345 | 11,378 | 1,408 | 12,786 |
| Total changes during the period | 6,032 | 5,345 | 11,378 | 1,408 | 10,372 |
| Balance at the end of current period | 15,613 | (16,311) | (698) | 21,209 | 256,503 |

Note: Figures are rounded down to the nearest million yen.

Notes to Consolidated Financial Statements

1. Basis for preparing consolidated financial statements

- (1) Scope of consolidation
 - (i) Consolidated subsidiaries
 - (a) Number of consolidated subsidiaries: 95
 - (b) Names of major consolidated subsidiaries: Thai NOK Co., Ltd.
Unimatec Co., Ltd.
Nippon Mektron, Ltd.
Mektec Corporation (Taiwan)
SYNZTEC Co., Ltd.
 - (ii) Unconsolidated subsidiaries
 - (a) Name of major unconsolidated subsidiary: Mektec Corp. (Taiwan) Pte. Ltd. (Jianyi)
 - (b) Reasons for exclusion from scope of consolidation
The subsidiary is excluded from the scope of consolidation because its business scale is small and its total assets, net sales, net income/loss (corresponding to equity shares) and retained earnings (corresponding to equity shares) have no major impact on the consolidated financial statements.
- (2) Application of the equity method of accounting
 - (i) Unconsolidated subsidiaries and affiliates accounted for by the equity method
 - (a) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method: 31
 - (b) Names of major unconsolidated subsidiaries and affiliates: Eagle Industry Co., Ltd.
Pyung-Hwa Oilseal Industry Co., Ltd.
Freudenberg-NOK General Partnership
 - (ii) Unconsolidated subsidiaries not accounted for by the equity method
Names of major unconsolidated subsidiaries: Not applicable
 - (iii) Special notes regarding the procedures for applying the equity method
If there are any companies whose closing dates adopted by the companies accounted for by the equity method are different from the consolidated closing date, the financial statements thereof, compiled as of their own closing dates, are used to produce consolidated financial statements.
- (3) Notes regarding changes of scope of consolidation and equity method affiliates
 - (i) Change of scope of consolidation
 - (a) Newly consolidated subsidiaries (3) MYK Corporation and other two companies
 - (b) Companies excluded from the scope of consolidation (3) Miyaki Seal Industry Co., Ltd. and other two companies
 - (ii) Change of scope of the equity method
Company newly accounted for by the equity method (1)
Tongfang NOK (Wuxi) Membrane Technology Co., Ltd.
- (4) Matters concerning the business term of consolidated subsidiaries
The closing date for overseas subsidiaries (50) is December 31.
Important deals made between said closing date and the consolidated closing date have been adjusted to the extent necessary for consolidation.
- (5) Matters concerning accounting criteria
 - (i) Valuation criteria and methods for principal assets
 - (a) Other securities
 - Those with market quotations
They are stated at market price based on the market price, etc. on the closing date (variance of the estimate is incorporated into the capital and the costs of products sold are determined by the moving average method).
 - Those without market quotations
They are stated at cost with the cost being determined by the moving average method.
 - (b) Valuation criteria and methods for derivatives
They are stated at market price.
 - (c) Valuation criteria and methods for inventories
 - Finished goods and work in process
They are primarily stated at cost with the cost being determined by the selling price reduction method (The book values in the balance sheet are calculated by the write-down method to reflect the decline of profitability).
 - Raw materials and supplies
They are primarily stated at cost with the cost being determined by the gross average method (The book values in the balance sheet are calculated by the write-down method to reflect the decline of profitability).
 - (ii) Method of depreciation of principal noncurrent assets
 - (a) Property, plant and equipment (excluding lease assets)
Depreciation is computed primarily by the declining balance method.
However, in some of the domestic consolidated subsidiaries, depreciation on buildings (excluding fixtures) acquired on and after April 1, 1998 is computed by the straight-line method.
 - (b) Intangible assets (excluding lease assets)
Amortization is computed primarily by the straight-line method.

- (c) Lease assets
 - Lease assets related to finance leases other than those deemed to transfer ownership of leased property to the lessee by the Company
 - Depreciation is calculated on the straight-line method over the lease period as the useful life and assuming no residual value.
 - Finance lease transactions not transferring ownership that commenced on or before March 31, 2008 are accounted for using the same accounting method as that applied to ordinary operating leases.
- (iii) Accounting policies for principal allowances
 - (a) Allowance for doubtful accounts
 - To prepare for losses on bad debt, general claims are accounted using the loan loss ratio and doubtful claims are accounted as the expected unrecoverable amount taking into consideration of the recoverability of individual claims.
 - As for overseas subsidiaries, estimated amount of allowance for doubtful accounts has been recorded depending primarily on the condition of receivables.
 - (b) Provision for bonuses
 - In order to prepare for the payment of employee bonuses, accrued bonuses based primarily on estimated payment amounts have been entered into the accounts.
 - (c) Provision for retirement benefits
 - To provide for accrued employees' retirement benefits, the Company and its domestic consolidated subsidiaries provide an allowance in the amount deemed to have accrued at the end of the current fiscal year mainly based on estimated retirement benefits and pension assets. Prior service liabilities are treated as expenses in equal installments over a prescribed period of time (10 years) that is less than the average remaining period of employment for the employees in question. Differences arising from actuarial calculations are treated as expenses in equal installments over a prescribed period of time (10 years) that is less than the average remaining period of employment for the employees in question, beginning in the year following the fiscal year in which such calculations are made.
 - (Changes in accounting policy)
 - Effective from the current fiscal year, the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008) is applied.
 - As differences arising from actuarial calculations will be amortized from the following fiscal year there was no effect of this change on income for the current fiscal year.
 - The unamortized outstanding difference of retirement benefits obligation which accrued as a result of application of this accounting standard was ¥8,850 million.
 - (d) Provision for business structure improvement
 - To prepare for expenses and losses for restructuring the production system in order to particularly enhance the business structure, a necessary allowance has been recorded.
- (iv) Method of hedge accounting
 - (a) Method of hedge accounting
 - Special treatment applies to the interest rate swap because it meets the requirements for it.
 - (b) Hedging instrument and hedged item

| | |
|-----------------------|------------------------|
| (Hedging instrument): | Interest rate swap |
| (Hedged item): | Interest rate of loans |
 - (c) Hedging policy
 - Finance and Accounting Department of the Company carries out interest rate swap transactions for the purpose of hedging the risk of interest rate fluctuation of loans.
 - (d) Method of assessing hedge effectiveness
 - The interest rate swap meets the requirements for special treatment. The judgment applies as judgment of effectiveness.
- (v) Accounting for consumption tax and other taxes
 - All amounts stated exclude consumption tax and other taxes.
- (6) Valuation of assets and liabilities of consolidated subsidiaries
 - Assets and liabilities of the consolidated subsidiaries are wholly valued at market.

(7) Additional information

(Abolishment of the retirement benefits system for Directors and Corporate Auditors)

The Company and some of its consolidated subsidiaries, which had recorded a necessary allowance in the amount based on internal regulations as “provision for directors’ retirement benefits” in preparation for the payment of retirement benefits for Directors and Corporate Auditors, adopted a resolution to abolish the retirement benefits system for Directors and Corporate Auditors at the Board of Directors meeting held on May 25, 2009. At the Annual Shareholders’ Meeting held in June 2009, the Company also adopted a resolution to pay retirement benefits for the term of office expiring at the conclusion of the meeting upon abolishment of the system. The unpaid amount of ¥948 million is included in “Other” of noncurrent liabilities because the amount payable upon abolishment of the system shall be paid upon retirement of individual directors.

(Accounting for the employees incentive plan “Employee Stock Ownership Plan Trust”)

The Company introduced “Employee Stock Ownership Plan Trust” (hereinafter referred to as “ESOP Trust”), an incentive plan intended to further promote implementation of business for better business performance and to improve corporate value in the medium and long-term by raising NOK Group employees’ awareness of the business performance and stock price of the Company in these severe business conditions.

ESOP Trust is a trust-type employee incentive plan established by implementing the scheme of the employee stock ownership association based upon the ESOP system in the U.S., and intends to promote employees’ asset formation with shares of the Company and to enhance their benefits package.

The Company established the trust for the NOK Group employees, who were members of “NOK Stock Ownership Association” and satisfied certain requirements, as beneficiaries. Within the prescribed acquisition period, the trust will acquire the number of shares of the Company, which NOK Stock Ownership Association would expect to acquire over five years from now, and thereafter sell the shares to NOK Stock Ownership Association on a certain day of each month.

The Company guarantees the obligations of ESOP Trust. Considering the conservative point of view based on the economic reality, the Company integrates accounting for acquisition and disposition of its shares of ESOP Trust with that of the Company. Therefore, the Company’s share held by ESOP Trust as well as assets, liabilities, expenses, and earnings of ESOP Trust are also included in the consolidated balance sheet, consolidated statement of income, and consolidated statement of changes in net assets. The number and amount of Company’s shares held by ESOP Trust as of the end of the current fiscal year was 1,554,500 shares and ¥1,978 million, respectively.

2. Notes regarding the consolidated balance sheet

(1) Pledged assets

(i) Assets pledged as security

Land ¥1,283 million

Buildings and structures etc. ¥2,958 million

Total ¥4,242 million

(ii) Secured liabilities corresponding to the above

Short-term loans payable ¥725 million

Long-term loans payable ¥1,781 million

Total ¥2,507 million

(2) Accumulated depreciation of property, plant and equipment ¥273,824 million

(3) Notes receivable - trade transferred by endorsement ¥194 million

3. Notes regarding the consolidated statement of changes in net assets

(1) Matters concerning the total number of shares issued

| Type of shares | Number of shares at the end of the previous fiscal year | Increase in number of shares during the current fiscal year | Decrease in number of shares during the current fiscal year | Number of shares at the end of the current fiscal year |
|----------------|---|---|---|--|
| Common shares | 173,138,537 | - | - | 173,138,537 |

(2) Matters concerning the number of treasury stock shares

| Type of shares | Number of shares at the end of the previous fiscal year | Increase in number of shares during the current fiscal year | Decrease in number of shares during the current fiscal year | Number of shares at the end of the current fiscal year |
|----------------|---|---|---|--|
| Common shares | 222,203 | 1,572,024 | 16,600 | 1,777,627 |

Notes:

- The increase in the number of treasury shares consists of 924 shares obtained through purchase of shares constituting less than one share-trading unit and 1,571,100 shares of the Company obtained by Employee Stock Ownership Plan Trust.
- The decrease in the number of treasury shares is equal to the number of shares of the Company which the Employee Stock Ownership Plan Trust has sold to NOK Stock Ownership Association.

(3) Matters concerning dividends

(i) Payment of dividends

(a) Matters concerning dividends resolved at the 103rd Annual Shareholders' Meeting held on June 25, 2009

- Total amount of dividends ¥865 million
- Dividends per share ¥5
- Record date March 31, 2009
- Effective date June 26, 2009

(b) Matters concerning dividends resolved at the Board of Directors meeting held on October 19, 2009

- Total amount of dividends ¥865 million
- Dividends per share ¥5
- Record date September 30, 2009
- Effective date December 4, 2009

(ii) Dividends for which the effective date will fall after the end of the current fiscal year among those whose record date is within the current fiscal year

This will be discussed at the 104th Annual Shareholders' Meeting to be held on June 25, 2010 as follows:

- Total amount of dividends ¥865 million
- Dividends per share ¥5
- Record date March 31, 2010
- Effective date June 28, 2010

4. Notes regarding financial instruments

(1) Matters regarding the situation of financial instruments

(i) Policy for handling financial instruments

The NOK Group has a policy of managing funds by investing in safe and secure targets and raising funds mainly by means of loan from financial institutions. For derivatives, the Group uses forward exchange contracts based on actual demand and interest rate swap for avoiding interest rate fluctuation risk of loans and does not carry out speculative transactions of any kind.

(ii) Details and risks of financial instruments and risk management system

Notes and accounts receivable - trade are operating receivables that are exposed to credit risk of customers. With regard to this risk, the Group adopts a system to manage due dates and balance of individual business partners and ascertain the credit status of principal business partners semiannually in accordance with the credit management regulations of the NOK Group.

Shares are investment securities and exposed to the market price fluctuation risk. The shares possessed by the Group are mainly those of the companies with which the Group has business relations, the fair values of which are ascertained periodically and reported to executive officers in charge of finance.

Employees who receive loans from the Company are obligated to provide collateral. In addition, there are regulations that the balance of the loan upon retirement shall be offset by the retirement allowance.

Notes and accounts payable - trade are trade liabilities and become due within one year.

Short-term loans payable are mainly for raising funds pertaining to business transactions, while long-term loans payable (to be payable within five years in principle) are for raising funds for capital investment and unexpected events such as worldwide recession. Floating interest rate loans are exposed to interest rate fluctuation risk. For part of long-term floating interest rate loans, the Group uses derivative transactions (interest rate swap transactions) as a means for hedging individual contracts in order to avoid the fluctuation risk of interest paid and fix interest expenses. Because the hedge meets the requirements of special treatment of interest rate swaps, assessment of hedge effectiveness has been omitted and replaced with the judgment thereof.

The Group carries out and manages derivative transactions in accordance with internal regulations which stipulate the authorities to carry out transactions. The Group carries out derivative transactions only with financial institutions with high credit ratings in order to reduce the credit risk.

Trade liabilities and loans are exposed to liquidity risk. Individual companies of the NOK Group manage them by means such as planning monthly cash flow management.

Deposits received from employees yield fixed interest rate and are not exposed to interest rate fluctuation risk.

(iii) Supplementary explanation about matters regarding fair value etc. of financial instruments

With regard to the contract amounts of derivative transactions described in "(2) Matters regarding fair value etc. of financial instruments," the amounts themselves do not indicate the market risk of derivative transactions.

(2) Matters regarding fair value etc. of financial instruments

As of March 31, 2010 (the consolidated account settlement date of the current fiscal year), the amount recorded in the consolidated balance sheet, fair value, and difference between them are as shown in the table below.

Any item whose fair value is deemed extremely difficult to ascertain is excluded from the following table.

(Millions of yen)

| | Amount recorded in consolidated balance sheet | Fair value | Difference |
|---|---|------------|------------|
| (1) Cash and deposits | 93,104 | 93,104 | - |
| (2) Notes and accounts receivable - trade | 123,789 | 123,789 | - |
| (3) Investment securities | 41,570 | 41,570 | - |
| (4) Long-term loans receivable from employees | 7,443 | 7,697 | 254 |
| Total assets | 265,907 | 266,161 | 254 |
| (1) Notes and accounts payable - trade | 50,872 | 50,872 | - |
| (2) Short-term loans payable | 63,793 | 63,793 | - |
| (3) Deposits received from employees | 15,893 | 15,893 | - |
| (4) Long-term loans payable | 78,414 | 80,519 | 2,105 |
| Total liabilities | 208,973 | 211,078 | 2,105 |
| Total derivative transactions (*) | (1) | (1) | - |

(*) Amounts of claims and liabilities derived from derivative transactions are shown in net amount. Amounts in parentheses show that those are net liabilities.

Notes:

- Matters regarding the measurement of fair values of financial instruments as well as securities and derivative transactions

Assets

- Cash and deposits and (2) notes and accounts receivable - trade

Book values of above items are described in the above table because they are settled in a short term and their fair values are almost the same as the book values.

- Investment securities

(Millions of yen)

| | Type | Acquisition cost | Amount recorded in the consolidated balance sheet | Difference |
|--|--------|------------------|---|------------|
| Investment securities whose amounts recorded in the consolidated balance sheet exceed their acquisition costs | Shares | 14,026 | 40,306 | 26,280 |
| Investment securities whose amounts recorded in the consolidated balance sheet do not exceed their acquisition costs | Shares | 1,569 | 1,263 | (306) |

- Long-term loans receivable from employees

For fair value of long-term loans receivable from employees, the NOK Group uses the present value calculated by discounting their future cash flow by using the interest rate based on the yield of government bonds.

Liabilities

- Notes and accounts payable - trade and (2) short-term loans payable

Book values of above items are described in the above table because they are settled in a short term and their fair values are almost the same as the book values.

- Deposits received from employees

The book value of deposits received from employees is described in the above table because the period is not longer than one year and they yield fixed interest rate.

- Long-term loans payable

Fair values of long-term loans payable are calculated by discounting the total amount of the interest and principal by using the interest rate which is assumed for new loans of the same amount. Special treatment of interest rate swap applies to floating-rate long-term loans. (See “Derivative transactions (ii)” below.) Fair values of such long-term loans are calculated by discounting the total amount of the interest and principal, which are treated together with the interest rate swap, by using the reasonably estimated interest rate which would be applied to new loans of the same amount.

Derivative transactions

(i) Derivative transactions to which hedge accounting does not apply

For derivative transactions to which the hedge accounting does not apply, the contract amounts by type of traded item as of the date of consolidated financial statements or the amount equivalent to the principal, fair value, and unrealized profit or loss thereof specified in contracts as well as the measurement of the fair value are as follows. Currency-related transactions (The measurement of fair value is based on forward exchange rate.)

(Millions of yen)

| Category | Type of derivative transaction | Contract amount | Transactions due | Fair value | Unrealized profit or loss |
|---|------------------------------------|-----------------|------------------|------------|---------------------------|
| | | | after one year | | |
| Transactions other than market transactions | Foreign exchange forward contracts | | | | |
| | Short commitment | | | | |
| | US dollar | 169 | - | (6) | (6) |
| | Euro | 236 | - | 5 | 5 |
| Total | | 405 | - | (1) | (1) |

(ii) Derivative transactions to which hedge accounting applies

For derivative transactions to which the hedge accounting applies, the contract amounts by type of traded item as of the date of consolidated financial statements or the amount equivalent to the principal, fair value, and unrealized profit or loss thereof specified in contracts as well as the measurement of the fair value are as follows.

(Millions of yen)

| Method of hedge accounting | Type of derivative transaction | Main hedged item | Contract amount | Transactions due | Fair value | Measurement of fair value |
|---|---|-------------------------|-----------------|------------------|------------|---------------------------|
| | | | | after one year | | |
| Method of interest rate swap Special treatment | Interest rate swap transaction Fixed rate payable / floating rate receivable | Long-term loans payable | 6,388 | 5,108 | (*) | (*) |

(*) Since derivative transactions to which special treatment of interest rate swap applies are treated together with the long-term loans payable to be hedged, their fair values are included in the fair values of such long-term loans payable. (See “Liabilities (4)” above.)

2. Matters regarding unlisted shares

Unlisted shares (¥83 million on the consolidated balance sheet) are not included in “(3) Investment securities.” It is deemed extremely difficult to ascertain their fair values because they have no market value and it is impossible to appropriately estimate future cash flow.

3. The redemption schedule for monetary claims and securities with maturity dates after closing the date of consolidated financial statements.

(Millions of yen)

| | Within one year | One to five years | Five to ten years | Over ten years |
|---|-----------------|-------------------|-------------------|----------------|
| Cash and deposits | 93,104 | - | - | - |
| Notes and accounts receivable - trade | 123,789 | - | - | - |
| Investment securities | | | | |
| Other securities with maturity dates | - | 500 | - | - |
| Long-term loans receivable from employees | 743 | 2,327 | 1,982 | 2,389 |
| Total | 217,637 | 2,833 | 1,982 | 2,389 |

4. Amount of future payment of long-term loans payable

(Millions of yen)

| | Within one year | One to five years | Five to ten years | Over ten years |
|-------------------------|-----------------|-------------------|-------------------|----------------|
| Long-term loans payable | 20,530 | 76,143 | 2,271 | - |

5. Notes regarding per-share information

| | |
|--------------------------|-----------|
| (1) Net assets per share | ¥1,373.09 |
| (2) Net income per share | ¥7.40 |

NON-CONSOLIDATED FINANCIAL DATA

BALANCE SHEET

(As of March 31, 2010)

(Millions of yen)

| Item | FY2009 | FY2008 (Ref) | Item | FY2009 | FY2008 (Ref) |
|--|----------------|-----------------|--|----------------|-----------------|
| ASSETS | 321,533 | 294,746 | LIABILITIES | 201,266 | 176,426 |
| CURRENT ASSETS | 150,686 | 127,430 | CURRENT LIABILITIES | 97,780 | 75,216 |
| Cash and deposits | 60,720 | 60,060 | Accounts payable - trade | 25,262 | 14,616 |
| Notes receivable - trade | 19,478 | 12,732 | Short-term loans payable | 35,184 | 29,023 |
| Accounts receivable - trade | 41,665 | 26,265 | Accounts payable - other | 3,062 | 3,910 |
| Finished goods | 7,529 | 6,550 | Accrued expenses | 1,281 | 1,101 |
| Work in process | 798 | 742 | Deposits received from employees | 12,090 | 12,107 |
| Raw materials and supplies | 2,048 | 2,147 | CMS deposits received | 16,481 | 11,061 |
| Deferred tax assets | 2,448 | 2,201 | Provision for bonuses | 2,193 | 2,240 |
| Short-term loans receivable | 9,729 | 10,529 | Provision for business structure improvement | 1,656 | 877 |
| Accounts receivables - other | 5,533 | 3,241 | Other | 567 | 277 |
| Other | 1,418 | 3,362 | | | |
| Allowance for doubtful accounts | (683) | (402) | | | |
| NONCURRENT ASSETS | 170,846 | 167,315 | NONCURRENT LIABILITIES | 103,486 | 101,210 |
| Property, plant and equipment | 47,783 | 55,371 | Long-term loans payable | 72,510 | 69,013 |
| Buildings | 18,387 | 16,681 | Provision for retirement benefits | 29,203 | 30,272 |
| Structures | 1,828 | 1,764 | Provision for directors' retirement benefits | - | 623 |
| Machinery and equipment | 17,894 | 22,420 | Other | 1,772 | 1,301 |
| Vehicles | 168 | 212 | | | |
| Tools, furniture and fixtures | 2,789 | 3,650 | NET ASSETS | 120,266 | 118,320 |
| Land | 6,111 | 6,138 | SHAREHOLDERS' EQUITY | 104,503 | 108,451 |
| Lease assets | 21 | 29 | CAPITAL STOCK | 23,335 | 23,335 |
| Construction in progress | 582 | 4,473 | CAPITAL SURPLUS | 20,397 | 20,397 |
| Intangible assets | 53 | 54 | Legal capital surplus | 20,397 | 20,397 |
| Investments and other assets | 123,009 | 111,890 | RETAINED EARNINGS | 62,891 | 64,859 |
| Investment securities | 41,433 | 26,654 | Legal retained earnings | 2,983 | 2,983 |
| Stocks of subsidiaries and affiliates | 49,988 | 49,612 | Other retained earnings | 59,908 | 61,876 |
| Investment in capital of subsidiaries and affiliates | 11,690 | 11,258 | Reserve for special depreciation | 113 | 189 |
| Long-term loans receivable | 16,422 | 18,203 | Reserve for advanced depreciation of noncurrent assets | 1,070 | 1,070 |
| Deferred tax assets | 6,919 | 10,596 | General reserve | - | 54,100 |
| Guarantee deposits | 1,110 | 1,100 | Retained earnings brought forward | 58,724 | 6,516 |
| Other | 1,217 | 1,163 | TREASURY STOCK | (2,121) | (141) |
| Allowance for investment loss | (4,457) | (4,627) | VALUATION AND TRANSLATION ADJUSTMENTS | 15,762 | 9,868 |
| Allowance for doubtful accounts | (1,315) | (2,071) | VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES | 15,762 | 9,868 |
| TOTAL | 321,533 | 294,746 | TOTAL | 321,533 | 294,746 |

Note: Figures are rounded down to the nearest million yen.

STATEMENT OF INCOME

(From April 1, 2009 to March 31, 2010)

(Millions of yen)

| Item | FY2009 | | FY2008 (Reference) | |
|--|--------|---------------|-----------------------|----------------|
| | | | | |
| Net Sales | | 190,846 | | 202,591 |
| Cost of Sales | | 163,203 | | 173,120 |
| Gross Profit | | 27,642 | | 29,471 |
| Selling, General and Administrative Expenses | | 25,393 | | 28,781 |
| Operating Income | | 2,248 | | 690 |
| Non-operating Income | | | | |
| Interest and dividends income | 1,406 | | 3,491 | |
| Rent income | 859 | | 842 | |
| Other | 473 | 2,739 | 493 | 4,827 |
| Non-operating Expenses | | | | |
| Interest expenses | 2,624 | | 1,288 | |
| Foreign exchange losses | - | | 364 | |
| Provision of allowance for doubtful accounts | - | | 1,446 | |
| Other | 601 | 3,225 | 320 | 3,419 |
| Ordinary Income | | 1,762 | | 2,098 |
| Extraordinary Income | | | | |
| Gain on sales of noncurrent assets | 26 | | 35 | |
| Gain on sales of investment securities | - | | 27 | |
| Reversal of allowance for investment loss | 170 | 196 | - | 62 |
| Extraordinary Loss | | | | |
| Loss on retirement of noncurrent assets | 647 | | 618 | |
| Loss on valuation of investment securities | - | | 906 | |
| Provision of allowance for investment loss | - | | 4,432 | |
| Provision for business structure improvement | 1,542 | | 877 | |
| Other | 32 | 2,223 | 145 | 6,980 |
| Loss before Income Taxes | | (263) | | (4,819) |
| Income taxes - current | 259 | | 60 | |
| Income taxes - deferred | (286) | (26) | (2,333) | (2,273) |
| Net Loss | | (237) | | (2,546) |

Note: Figures are rounded down to the nearest million yen.

STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2009 to March 31, 2010)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|----------------------------------|--|-----------------|-----------------------------------|-------------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | | Legal retained earnings | Retained earnings | | | | | Treasury stock | Total Shareholders' equity |
| | | Legal capital surplus | Total capital surplus | | Other retained earnings | | | | Total retained earnings | | |
| | | | | | Reserve for special depreciation | Reserve for advanced depreciation of noncurrent assets | General reserve | Retained earnings brought forward | | | |
| Balance at the end of previous period | 23,335 | 20,397 | 20,397 | 2,983 | 189 | 1,070 | 54,100 | 6,516 | 64,859 | (141) | 108,451 |
| Changes of items during the period | | | | | | | | | | | |
| Dividends from surplus | | | | | | | | (1,730) | (1,730) | | (1,730) |
| Provision of reserve for special depreciation | | | | | 3 | | | (3) | - | | - |
| Reversal of reserve for special depreciation | | | | | (80) | | | 80 | - | | - |
| Reversal of general reserve | | | | | | | (54,100) | 54,100 | - | | - |
| Net loss | | | | | | | | (237) | (237) | | (237) |
| Purchase of treasury stock | | | | | | | | | | (2,001) | (2,001) |
| Disposal of treasury stock | | | | | | | | | | 21 | 21 |
| Net changes of items other than shareholders' equity | | | | | | | | | | | |
| Total changes during the period | - | - | - | - | (76) | - | (54,100) | 52,208 | (1,967) | (1,979) | (3,947) |
| Balance at the end of current period | 23,335 | 20,397 | 20,397 | 2,983 | 113 | 1,070 | - | 58,724 | 62,891 | (2,121) | 104,503 |

| | Valuation and translation adjustments | | Total net assets |
|--|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at the end of previous period | 9,868 | 9,868 | 118,320 |
| Changes of items during the period | | | |
| Dividends from surplus | | | (1,730) |
| Provision of reserve for special depreciation | | | - |
| Reversal of reserve for special depreciation | | | - |
| Reversal of general reserve | | | - |
| Net loss | | | (237) |
| Purchase of treasury stock | | | (2,001) |
| Disposal of treasury stock | | | 21 |
| Net changes of items other than shareholders' equity | 5,893 | 5,893 | 5,893 |
| Total changes during the period | 5,893 | 5,893 | 1,946 |
| Balance at the end of current period | 15,762 | 15,762 | 120,266 |

Note: Figures are rounded down to the nearest million yen.

Notes to Financial Statements

1. Significant accounting policies

- (1) Valuation criteria and methods for assets
 - (i) Valuation criteria and methods for securities that have been traded on the exchange and other investments
 - (a) Stocks and investments in subsidiaries and affiliates have been valued at cost based on the moving average method.
 - (b) Other securities
 - Those with market quotations
They are stated at market price based on the market price, etc. on the closing date (variance of the estimate is incorporated into the capital and the costs of products sold are determined by the moving average method).
 - Those without market quotations
They are stated at cost with the cost being determined by the moving average method.
 - (ii) Valuation criteria and methods for derivatives
They are stated at market price.
 - (iii) Valuation criteria and methods for inventories
 - (a) Finished goods and work in process
They are stated at cost with the cost being determined by the selling price reduction method (The book values in the balance sheet are calculated by the write-down method to reflect the decline of profitability).
 - (b) Raw materials and supplies
They are stated at cost with the cost being determined by the gross average method (The book values in the balance sheet are calculated by the write-down method to reflect the decline of profitability).
- (2) Method of depreciation of noncurrent assets
 - (i) Property, plant and equipment (excluding lease assets)
Depreciation is computed by the declining balance method.
 - (ii) Intangible assets (excluding lease assets)
Amortization is computed by the straight-line method.
 - (iii) Lease assets
Lease assets related to finance leases other than those deemed to transfer ownership of leased property to the lessee by the Company
Depreciation is calculated on the straight-line method over the lease period as the useful life and assuming no residual value.
Finance lease transactions not transferring ownership that commenced on or before March 31, 2008 are accounted for using the same accounting method as that applied to ordinary operating leases.
- (3) Accounting policies for allowances
 - (i) Allowance for doubtful accounts
To prepare for losses on bad debt, general claims are accounted using the loan loss ratio and doubtful claims are accounted as the expected unrecoverable amount taking into consideration of the recoverability of individual claims.
 - (ii) Allowance for investment loss
To prepare for losses due to significant drop in stocks in subsidiaries and affiliates, the necessary amounts are recorded in consideration of actual amounts as of the end of the current fiscal year.
 - (iii) Provision for bonuses
In order to prepare for the payment of employee bonuses, accrued bonuses based on the estimated amount of payment have been entered in the accounts.
 - (iv) Provision for retirement benefits
To provide for accrued employees' retirement benefits, the Company provides an allowance in the amount deemed to have accrued at the end of the current fiscal year based on estimated retirement benefits and pension assets. Prior service liabilities are treated as expenses in equal installments over a prescribed period of time (10 years) that is less than the average remaining period of employment for the employees in question. Differences arising from actuarial calculations are treated as expenses in equal installments over a prescribed period of time (10 years) that is less than the average remaining period of employment for the employees in question, beginning in the year following the fiscal year in which such calculations are made.

(Changes in accounting policy)
Effective from the current fiscal year, the "Partial Amendments Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008) is applied.
As differences arising from actuarial calculations will be amortized from the following fiscal year there was no effect of this change on income for the current fiscal year.
The unamortized outstanding difference of retirement benefits obligation which accrued as a result of application of this accounting standard was ¥5,744 million.

 - (vi) Provision for business structure improvement
To prepare for expenses and losses for restructuring the production system in order to particularly enhance the business structure, a necessary allowance has been recorded.

- (4) Method of hedge accounting
- (i) Method of hedge accounting
Special treatment applies to the interest rate swap because it meets the requirements for it.
 - (ii) Hedging instrument and hedged item
(Hedging instrument): Interest rate swap
(Hedged item): Interest rate of loans
 - (iii) Hedging policy
Finance and Accounting Department of the Company carries out interest rate swap transactions for the purpose of hedging the risk of interest rate fluctuation of loans.
 - (iv) Method of assessing hedge effectiveness
The interest rate swap meets the requirements for special treatment. The judgment applies as judgment of effectiveness.
- (5) Accounting for consumption tax and other taxes
All amounts stated exclude consumption tax and other taxes.
- (6) Additional information
(Abolishment of the retirement benefits system for Directors and Corporate Auditors)
The Company which had recorded a necessary allowance in amount based on internal regulations as “provision for directors’ retirement benefits” in preparation for the payment of retirement benefits for Directors and Corporate Auditors, adopted a resolution to abolish the retirement benefits system for Directors and Corporate Auditors at the Board of Directors meeting held on May 25, 2009. At the Annual Shareholders’ Meeting held on June 25, 2009, the Company also adopted a resolution to pay retirement benefits for the term of office expiring at the conclusion of the meeting upon abolishment of the system. The unpaid amount of ¥458 million is included in “Other” of noncurrent liabilities because the amount payable upon abolishment of the system shall be paid upon retirement of individual directors.
(Accounting for the employees incentive plan “Employee Stock Ownership Plan Trust”)
The Company introduced “Employee Stock Ownership Plan Trust” (hereinafter referred to as “ESOP Trust”), an incentive plan intended to further promote implementation of business for better business performance and to improve corporate value in the medium and long-term by raising NOK Group employees’ awareness of the business performance and stock price of the Company in these severe business conditions.
ESOP Trust is a trust-type employee incentive plan established by implementing the scheme of the employee stock ownership association based upon the ESOP system in the U.S., and intends to promote employees’ asset formation with shares of the Company and to enhance their benefits package.
The Company established the trust for the NOK Group employees, who were members of “NOK Stock Ownership Association” and satisfied certain requirements, as beneficiaries. Within the prescribed acquisition period, the trust will acquire the number of shares of the Company, which NOK Stock Ownership Association would expect to acquire over five years from now, and thereafter sell the shares to NOK Stock Ownership Association on a certain day of each month.
The Company guarantees the obligations of ESOP Trust. Considering the conservative point of view based on the economic reality, the Company integrates accounting for acquisition and disposition of its shares of ESOP Trust with that of the Company. Therefore, the Company’s share held by ESOP Trust as well as assets, liabilities, expenses, and earnings of ESOP Trust are also included in the balance sheet, statement of income, and statement of changes in net assets. The number and amount of Company’s shares held by ESOP Trust as of the end of the current fiscal year was 1,554,500 shares and ¥1,978 million, respectively.

2. Notes regarding the balance sheet

- | | |
|--|---------------------|
| (1) Accumulated depreciation of property, plant and equipment | ¥101,642 million |
| (2) Liabilities for guarantees | |
| The Company has offered to guarantee borrowings of subsidiaries and affiliates from financial institutions as follows. | |
| Vietnam NOK Co., Ltd. | ¥2,405 million |
| Unimatec Singapore Pte., Ltd. | ¥100 million |
| Unimatec Singapore Pte., Ltd. | ¥2,451 million |
| (Foreign currency) | S\$36,880 thousand) |
| (3) Notes receivable - trade transferred by endorsement | ¥11 million |
| (4) Monetary claims or liabilities to subsidiaries and affiliates | |
| Short-term claims | ¥23,478 million |
| Long-term claims | ¥10,640 million |
| Short-term liabilities | ¥31,841 million |
| Long-term liabilities | ¥95 million |

3. Notes regarding the statement of income

| | |
|--|------------------|
| Transactions with subsidiaries and affiliates | |
| Sales to subsidiaries and affiliates | ¥27,383 million |
| Purchases from subsidiaries and affiliates | ¥115,805 million |
| Transactions with subsidiaries and affiliates other than business transactions | ¥34,093 million |

4. Notes regarding the statement of changes in net assets

Matters concerning the number of treasury stock shares

| Type of shares | Number of shares at the end of the previous fiscal year | Increase in number of shares during the current fiscal year | Decrease in number of shares during the current fiscal year | Number of shares at the end of the current fiscal year |
|----------------|---|---|---|--|
| Common shares | 75,204 | 1,572,024 | 16,600 | 1,630,628 |

Notes:

- The increase in the number of treasury shares consists of 924 shares obtained through purchase of shares constituting less than one share-trading unit and 1,571,100 shares of the Company obtained by Employee Stock Ownership Plan Trust.
- The decrease in the number of treasury shares is equal to the number of shares of the Company which the Employee Stock Ownership Plan Trust has sold to NOK Stock Ownership Association.

5. Tax effect accounting

(1) Breakdown of deferred tax assets/liabilities by cause

Deferred tax assets

| | | |
|--|-----------------|-----------------|
| Allowance for doubtful accounts | ¥797 million | |
| Provision for bonuses | ¥879 million | |
| Excess amount of depreciation | ¥1,190 million | |
| Investment securities | ¥971 million | |
| Allowance for investment loss | ¥1,787 million | |
| Provision for retirement benefits | ¥11,710 million | |
| Long-term accounts payable-other | ¥183 million | |
| Provision for business structure improvement | ¥664 million | |
| Amounts of loss carried forward | ¥2,560 million | |
| Other | ¥314 million | ¥21,060 million |
| Valuation allowance | | ¥(888) million |
| Total deferred tax assets | | ¥20,171 million |

Deferred tax liabilities

| | | |
|--|-------------------|-----------------------|
| Reserve for special depreciation | ¥(75) million | |
| Reserve for advanced depreciation of noncurrent assets | ¥(421) million | |
| Valuation difference on available-for-sale securities | ¥(10,306) million | ¥(10,803) million |
| Net amount of deferred tax assets | | ¥9,368 million |

- (2) Breakdown of major adjustments that have caused differences between the prevailing statutory tax rate and the effective rate of income taxes after tax effect accounting is applied
As the Company posted a loss before income taxes for the current fiscal year, the explanation regarding this matter is omitted.

6. Notes regarding noncurrent assets used under lease contracts

Finance leases other than those deemed to transfer ownership of leased property to the lessee that commenced on or before March 31, 2008 are accounted for using the same accounting method as that applied to ordinary operating leases.

Finance leases other than those deemed to transfer ownership of leased property to the lessee

(1) Acquisition cost equivalent, cumulative depreciation equivalent, and term-end balance equivalent of leased property

(Millions of yen)

| | Acquisition cost equivalent | Cumulative depreciation equivalent | Term-end balance equivalent |
|-------------------------------|-----------------------------|------------------------------------|-----------------------------|
| Tools, furniture and fixtures | 326 | 275 | 51 |
| Other | 28 | 16 | 11 |
| Total | 354 | 292 | 62 |

Note: The acquisition cost equivalent is calculated by way of the interest-inclusive method since outstanding lease payments make up only a small percentage of the balance of property, plant and equipment at the term-end.

(2) Equivalent balance of outstanding lease payments at the term-end

| | |
|-----------------|-------------|
| Within one year | ¥39 million |
| Over one year | ¥22 million |
| <hr/> | |
| Total | ¥62 million |

Note: The equivalent balance of outstanding lease payments at the term-end is calculated by way of the interest-inclusive method since outstanding lease payments make up only a small percentage of property, plant and equipment at the term-end.

(3) Lease payment, depreciation cost equivalent, and interest paid equivalent

| | |
|------------------------------|-------------|
| Lease payment | ¥83 million |
| Depreciation cost equivalent | ¥83 million |

(4) Method of calculating depreciation cost equivalent

The equivalent is calculated on the straight-line method over the lease period as the useful life and assuming no residual value.

7. Notes regarding transactions with related parties

(1) Subsidiaries and affiliates

| Category | Subsidiary |
|--------------------------------------|---|
| Name | Nippon Mektron, Ltd. |
| Location | Minato Ward, Tokyo |
| Capital or investment amount (¥ mil) | 5,000 |
| Type of business or occupation | Manufacture and sale of electronic parts |
| Percentage of voting rights | Direct; 100% |
| Relationship with the Company | The Company sells a part of products manufactured by the subsidiary |
| Transaction details | Receiving of capital |
| Transaction amount (¥ mil) | - |
| Item | CMS deposits received |
| End-of-term balance (¥ mil) | 4,956 |

| Category | Subsidiary |
|--------------------------------------|--|
| Name | SYNZTEC Co., Ltd. |
| Location | Shinagawa Ward, Tokyo |
| Capital or investment amount (¥ mil) | 700 |
| Type of business or occupation | Manufacture and sale of roll products for office equipment |
| Percentage of voting rights | Direct; 100% |
| Relationship with the Company | The subsidiary purchases a part of raw materials from the Company. |
| Transaction details | Loans |
| Transaction amount (¥ mil) | 1,892 |
| Item | Short-term loans receivable |
| End-of-term balance (¥ mil) | 4,035 |

| Category | Affiliate |
|--------------------------------------|--|
| Name | Eagle Industry Co., Ltd. |
| Location | Minato Ward, Tokyo |
| Capital or investment amount (¥ mil) | 10,490 |
| Type of business or occupation | Manufacture and sale of mechanical seals, etc. |
| Percentage of voting rights | Direct; 29.5%, Indirect; 1.2% |
| Relationship with the Company | The Company purchases products manufactured by Eagle Industry Co., Ltd. and sells products manufactured by the Company to Eagle Industry Co., Ltd. |
| Transaction details | Purchase of products, etc. |
| Transaction amount (¥ mil) | 19,423 |
| Item | Accounts payable-trade |
| End-of-term balance (¥ mil) | 2,018 |

(2) Board members and major individual shareholders

| | |
|--------------------------------------|---|
| Category | The company whose board members, or their family members and other close relatives, own a majority of its voting rights |
| Name | Seiwa Jisho Co., Ltd. |
| Location | Minato Ward, Tokyo |
| Capital or investment amount (¥ mil) | 120 |
| Type of business or occupation | Real estate leasing |
| Percentage of voting rights | Direct ownership of NOK shares; 5.1% |
| Relationship with the Company | - |
| Transaction details | Rental of buildings, etc. |
| Transaction amount (¥ mil) | 489 |
| Item | - |
| End-of-term balance (¥ mil) | - |

Notes: Terms and conditions of transactions and the decision-making policy therefor.

1. Regarding the receiving of capital and loans, rates are determined based on market interest rates.
2. Rental of buildings, etc. and purchase of products, etc. are determined based on current market prices.

8. Notes regarding per-share information

| | |
|--------------------------|---------|
| (1) Net assets per share | ¥701.23 |
| (2) Net loss per share | ¥1.37 |

AUDIT REPORT

May 17, 2010

To: The Board of Directors
NOK CORPORATION

Nihombashi Corporation
Masahiko Kinoshita

Hitoshi Watanabe

Certified Public Accountants
Certified Public Accountant, Designated Partner,
Managing Partner (Seal)
Certified Public Accountant, Designated Partner,
Managing Partner (Seal)

We have examined the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets, and Notes to Consolidated Financial Statements of NOK Corporation for the consolidated fiscal year from April 1, 2009 to March 31, 2010, under the provisions of Article 444, Paragraph 4 of the Corporation Law. The Company is responsible for preparing the consolidated financial statements above, and we are responsible for presenting comments on them as an organization independent of the Company.

Our examinations were made in accordance with generally accepted auditing standards in Japan, which require us to provide the rational assurance that there are no important fallacies for the consolidated financial statements above. The audit, which is carried out based on a testing audit, includes the examination of total indication of consolidated financial statements, including the estimated evaluation conducted by the Company, accounting policies and their application method adopted by the Company. As a result of auditing, we established the rational basis for the presentation of our comments.

Following the implementation of examinations, we found that the above-mentioned consolidated financial statements present fairly all significant points of financial condition and operating results of the Corporate Group, consisting of NOK Corporation and its consolidated subsidiaries, for the fiscal year, in accordance with generally accepted financial accounting standards.

There is no conflict of interest between the Company and this incorporated accounting firm or its designated managing partners that requires mention here in accordance with provisions of the Certified Public Accountants Law.

AUDIT REPORT

May 17, 2010

To: The Board of Directors
NOK CORPORATION

| | |
|------------------------|---|
| Nihombashi Corporation | Certified Public Accountants |
| Masahiko Kinoshita | Certified Public Accountant, Designated Partner, Managing Partner (Seal) |
| Hitoshi Watanabe | Certified Public Accountant, Designated Partner, Managing Partner (Seal) |

We have examined the Balance Sheet, Statement of Income, Statement of Changes in Net Assets, Notes to Financial Statements, and supplementary statements by NOK Corporation for the 104th term from April 1, 2009 to March 31, 2010, under the provisions of Article 436, Paragraph 2, Item 1 of the Corporation Law. The Company is responsible for preparing the aforementioned financial statements and supplementary statements, and we are responsible for presenting comments on them as an organization independent of the Company.

Our examinations were made in accordance with generally accepted auditing standards in Japan, which require us to provide the rational assurance that there are no important fallacies for the aforementioned financial statements and supplementary statements. The audit, which is carried out based on a testing audit, includes the examination of total indication of financial statements and supplementary statements, including the estimated evaluation conducted by the Company, accounting policies and their application method adopted by the Company. As a result of auditing, we established the rational basis for the presentation of our comments.

Following the implementation of examinations, we found that the above-mentioned financial statements and supplementary statements present fairly all significant points of financial condition and operating results of the Company for the term, in accordance with generally accepted financial accounting standards.

There is no conflict of interest between the Company and this incorporated accounting firm or its designated managing partners that requires mention here in accordance with provisions of the Certified Public Accountants Law.

Audit Report

This Board of Corporate Auditors deliberated on the execution of duties by Directors during the 104th term from April 1, 2009 to March 31, 2010, based on reports prepared by each of the Corporate Auditors, and pursuant to deliberation prepared this Audit Report. The Board reports as follows:

1. Method and Details of Auditing by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors established an audit policy and a responsibility-sharing policy, and obtained reports from each of the Corporate Auditors on the state of auditing and its results. In addition, the Board of Corporate Auditors obtained reports and, where necessary, sought explanations from Directors and independent auditors on the execution of their duties.

The Corporate Auditors have been engaged in communication with Directors, the internal audit department and other employees, collecting information and the promotion of improvement of the Company's auditing environment in accordance with the audit and responsibility-sharing policies in compliance with the auditing standards established by the Board of Corporate Auditors. The Corporate Auditors have also been attending Board of Directors meetings and other important meetings, obtaining reports from the Directors and employees on the execution of their duties, examining important authorization papers and related documents, and inspecting the state of business affairs and assets at the Company's head office and other major business locations. They have also been involved in inspecting and verifying the state of systems designed to ensure Directors' compliance in the execution of their duties with laws and regulations or with the Articles of Incorporation and the state of the system (internal control system) established based on resolutions decided by the Board of Directors under the provisions of Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Corporation Law so as to ensure the appropriateness of corporate business activities. As for subsidiaries, Corporate Auditors have been promoting communication and information exchange among Directors and Corporate Auditors within the Company's subsidiaries, and have been receiving periodic reports on the state of their business activities. Based on the above method, the Board of Corporate Auditors has reviewed the Company's business report and accompanying statements.

Moreover, the Board of Corporate Auditors has been inspecting and verifying whether independent auditors are maintaining their independence and implementing proper auditing procedures. The Board of Corporate Auditors has also been receiving reports and, where necessary, explanations from them concerning their audits. The Board of Corporate Auditors has also been receiving notices from independent auditors to the effect that they have established "systems to ensure proper execution of duties" (those listed in each item of Article 131 of the Corporate Calculation Regulations), in accordance with "Quality Control Standards concerning Audit (October 28, 2005, Financial Accounting Standards Board)" and, where necessary, has been obtaining explanations from them. Based on the above method, the Board of Corporate Auditors has reviewed the financial statements for the term under review (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements), supplementary statements, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, and consolidated statement of changes in net assets, and notes to consolidated financial statements).

2. Results of Audit

(1) Results of audit of business report

Board of Corporate Auditors finds:

- (i) That the business report and the accompanying statements present in a fair manner the conditions of the Company in compliance with the laws and regulations and the Articles of Incorporation of the Company.
- (ii) That there are no unfair practices in the Directors' execution of their duties or any serious conditions that conflict with the laws and regulations or the Articles of Incorporation of the Company.
- (iii) That the Board of Director's decisions in regards to the internal control system are appropriate and that nothing in the Directors' execution of their duties related thereto needs to be addressed herein.

(2) Results of audit of the financial statements and the supplementary statements

Board of Corporate Auditors finds that the auditing methods of the independent auditors, Nihombashi Corporation, an incorporated accounting firm, and the results of their audit are appropriate.

(3) Results of audit of the consolidated financial statements

Board of Corporate Auditors finds that the auditing methods of the independent auditors, Nihombashi Corporation, an incorporated accounting firm, and the results of their audit are appropriate.

May 19, 2010

Board of Corporate Auditors, NOK CORPORATION

| | | |
|------------------|----------------------------|--------|
| Kazuaki Motozato | Standing Corporate Auditor | (Seal) |
| Kiyoshi Shiga | Standing Corporate Auditor | (Seal) |
| Yasunari Unemura | Outside Corporate Auditor | (Seal) |
| Fumiaki Aono | Outside Corporate Auditor | (Seal) |
| Gen Kajitani | Outside Corporate Auditor | (Seal) |

High Heat Dissipation Flexible Printed Circuits

Nippon Mektron, Ltd. has developed a highly emissive "High Heat Dissipation Flexible Printed Circuits (or High Heat Dissipation FPCs)." Without compromising a flexibility of FPC, Nippon Mektron, Ltd. has succeeded in adding a high heat dissipation feature*.

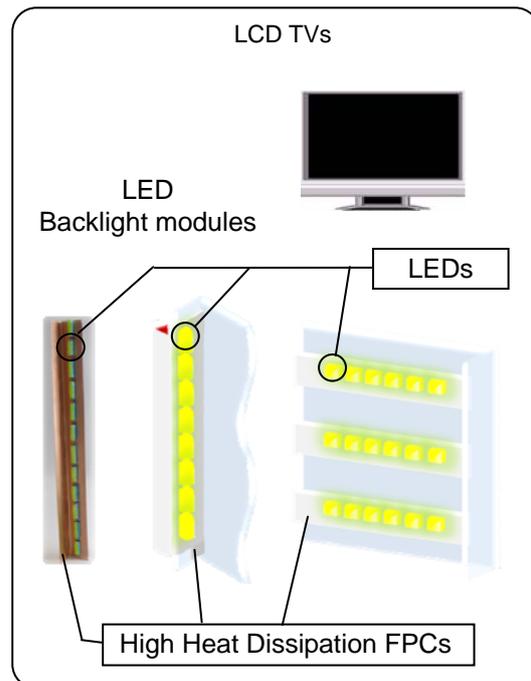
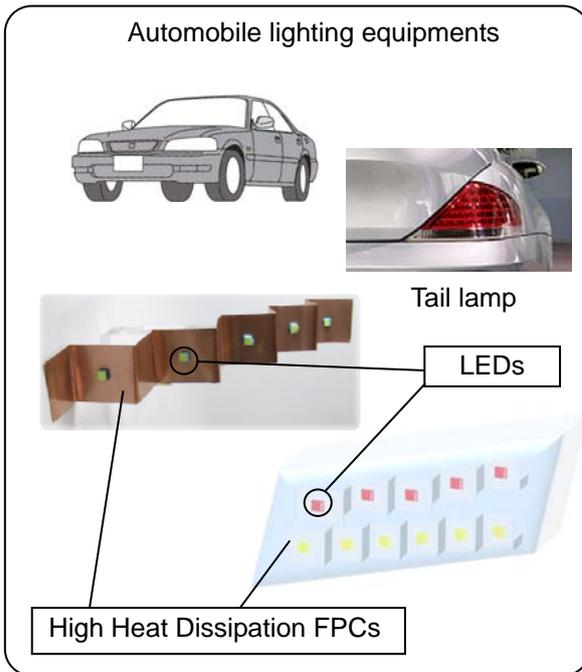
This newly developed product is capable of preventing performance degradation and electric breakdown due to heat by releasing generated heat to chassis or to the atmosphere from semiconductor devices such as integrated circuits (ICs) and light-emitting diodes (LEDs) which are mounted onto FPCs.

It is possible to process this product into complex shapes that would be incompatible with a heat dissipation circuit board using aluminum, and maintain such shapes, therefore allowing in compact area applications and multiple shape designs.

The product is anticipated to be adopted by various products in the high growth potential market of LED light-emitting devices that require heat dissipation, such as automobile lighting equipments, LCD TV backlightings, compact projector illuminants, and fashionable lighting equipments.

* It is possible to lower the temperature of the FPC part mounting region by 30 °C (30°K) or more, comparing to a general polyimide based FPC, and by 10 °C (10°K) or more, comparing to a heat dissipation circuit board using aluminum stiffeners.

[Applications of High Heat Dissipation FPCs]



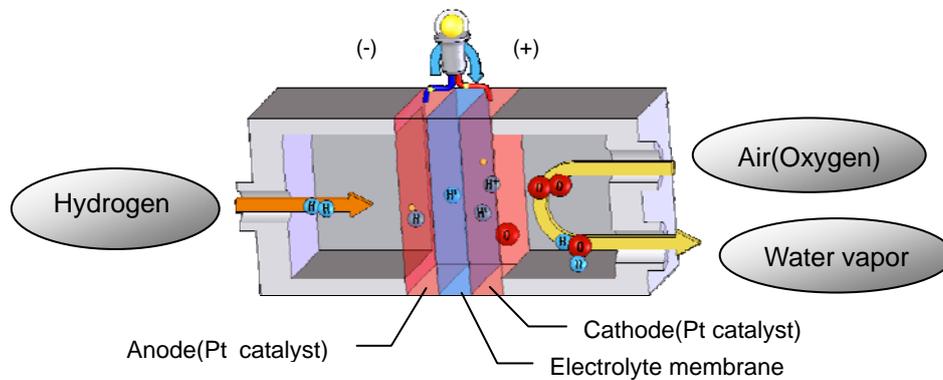
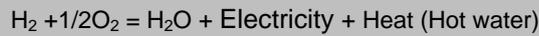
Components used in the household-use fuel cell “ENE FARM”

In order to prevent global warming, the reduction of green house gas emissions has been addressed by both the public and private sectors in Japan and in other countries around the world. The rapid diffusion of “ENE FARM” household-use fuel cells is considered to be a key component in the reduction of emissions.

ENE FARM is a cogeneration system* capable of generating electricity and heat through a chemical reaction of hydrogen extracted from utility gas and oxygen in the atmosphere. NOK supplies numerous products such as seals, valves, and hollow fiber modules, which are all critical features of ENE FARM.

As a general parts manufacturer, NOK is contributing to the conservation of the global environment by supplying these various components.

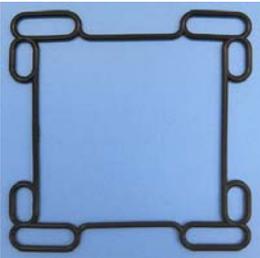
[The principle of fuel cells]



With conventional power generation and power transmission systems, only 35% to 40% of generated energy can be used due to waste heat and electric transmission losses that occur along the way from power plants to households. In contrast, ENE FARM is a highly efficient and eco-friendly system that utilizes 70% to 80% of total energy. ENE FARM does not suffer from electric transmission losses as power is generated at the household while the heat generated during power generation is used in supplying hot water.

[NOK products used in ENE-FARM]

CELL SEAL



A seal component within the fuel cell for sealing hydrogen, air, and water
A few hundred of them are used in one ENE FARM unit.

O-rings



Plumbing seals
Various types are used in large quantities in accordance with usage environments such as fuel, hydrogen, air, and water.

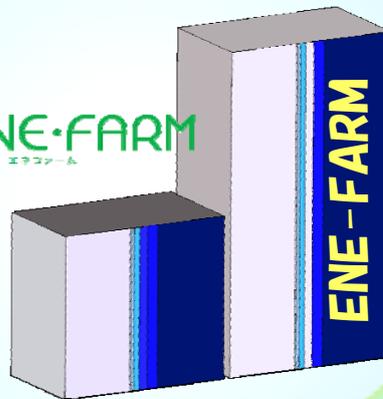
Solenoid valves



A fluid-controlling valve
Used in large quantities for fuel, hydrogen, air, and water



ENE-FARM
エネファーム



Carbon fiber Non-Woven type Gas diffusion layer



An element comprising a fuel cell
A functional component for evenly diffusing gases such as hydrogen and air

* Developed and manufactured by Freudenberg FCCT KG in Germany

Fluorinated lubricants



Grease for assembling pipes
Used in clean environments that require clean pipework

Membrane Humidifier



A device for supplying the water vapor necessary for power generation within a fuel cell

Memorandum for Shareholders (reference)

| | |
|---|--|
| Fiscal term | April 1 to March 31 |
| Ordinary general meeting of shareholders | June |
| Record dates | For term-end dividend: March 31 For interim dividend: September 30 |
| Transfer agent | Mitsubishi UFJ Trust and Banking Corporation |
| Account management institution of special accounts | |
| Contact | Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department 7-10-11 Higashisuna, Koto-ku Tokyo 137-8081 Telephone: 0120-232-711 (toll-free) |
| Public notice | Public notices of the Company shall be given electronically on its website (http://www.nok.co.jp); provided, however, that when electronic public notice cannot be made due to accidents or other unavoidable reasons, public notices of the Company shall be given by publication in the Nihon Keizai Shimbun. |
| Trading unit | 100 shares |
| Stock listing | Tokyo Stock Exchange 1st Section Abbreviation: NOK (Code 7240) |

(Notes)

1. Registration of change of address, etc.

- (1) Shareholders are required to process changes of address and other matters concerning shareholding in the Company through the account management institutions (securities companies, etc.) at which their accounts are held. For inquiries and information regarding these changes, please ask your account management institution. Please note that the transfer agent (Mitsubishi UFJ Trust and Banking Corporation) will not process these matters.
- (2) The account management institution for shares recorded in special accounts is Mitsubishi UFJ Trust and Banking Corporation. Please contact Mitsubishi UFJ Trust and Banking Corporation using the above contact information regarding the processing of matters concerning such shares. The branches of Mitsubishi UFJ Trust and Banking Corporation in Japan serve as liaison offices for the head office.

2. Request for repurchase of fractional shares

Fractional shares (shares constituting less than one trading unit of 100 shares) are subject to restrictions, including the restriction against their being traded on security markets. Shareholders can sell such shares to the Company at market value by making a request for repurchase of fractional shares by doing either of the following:

- (1) Contact your account management institution as to the procedure, commission, etc. for making a request for repurchase of fractional shares other than those recorded in special accounts.
- (2) Fractional shares recorded in special accounts will be repurchased at market value (without commission) through the procedure determined by the Company. Please contact Mitsubishi UFJ Trust and Banking Corporation for details.

3. Unpaid dividends

The head office and branches of Mitsubishi UFJ Trust and Banking Corporation will process requests for the payment of unpaid dividends.

NOK CORPORATION

1-12-15 Shiba Daimon, Minato-ku, Tokyo 105-8585

TEL: +81 (3) 3432 4211

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