



**The 105th Fiscal Term  
Business Report**  
Year ended March 31, 2011

**NOK CORPORATION**

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## TO OUR SHAREHOLDERS

First of all, I would like to take this opportunity to offer our heartfelt condolences to all those who have been affected by the Great East Japan Earthquake and extend our wishes for a speedy recovery.

We would like to report our business results for the 105th term (April 1, 2010 to March 31, 2011). 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 ¥498,932 million, up 20.3% compared with the previous term. Operating income came to ¥35,134 million, up 177.6%, ordinary income came to ¥32,426 million, up 212.9%, and net income totaled ¥16,685 million, up 1,204.3%.

During the term, we saw a mild recovery trend in our business thanks to a favorable turn of the domestic economy resulting from the Japanese government's successful economic stimulus measures as well as strong economic growth in emerging countries. Increased production by manufacturers in the automobile and electronic equipment industries (the Group's primary customers) contributed to our sales increase. In the second half of the term, however, Japan's economic growth slowed due to the repercussion of the termination of economic stimulus measures and the exchange market trend of a rising yen against other currencies. Furthermore, the Great East Japan Earthquake that occurred on March 11 has suddenly created some uncertainty with respect to Japan's economy.

The NOK Group designed and implemented a two-year structural reform plan from April 2009 to March 2011, aiming to fundamentally reform and change its business structure. The basic policies of the plan were (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, and (4) to ensure safety, superior quality, and environmental preservation. We have generally accomplished these goals and, thanks to the improved profitability, we successfully recorded an increase in revenue and profits when compared with the previous term.

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

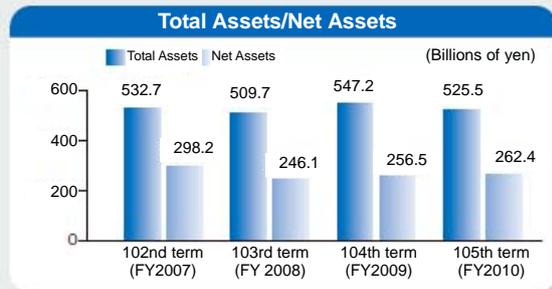
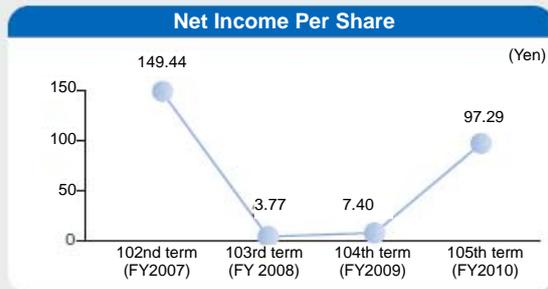
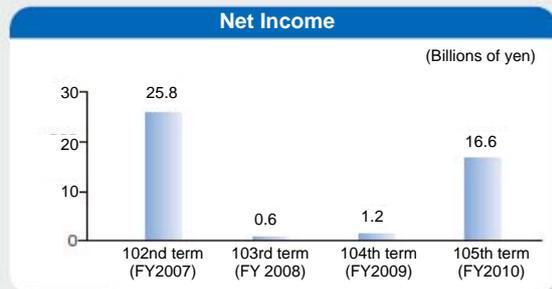
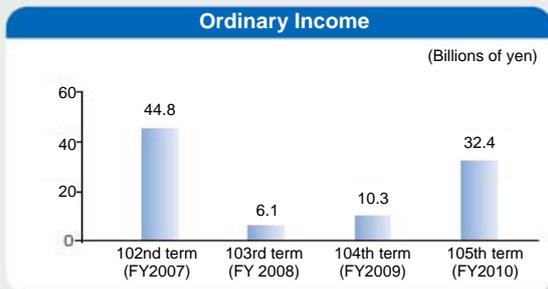
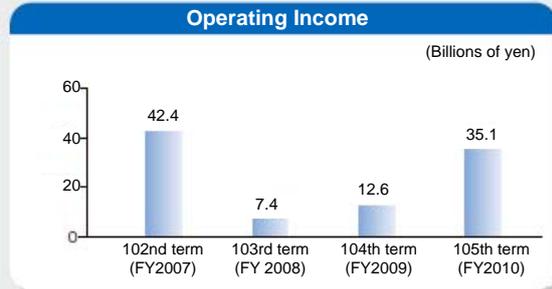
We anticipate that the NOK Group will face some difficult and unpredictable circumstances, and we ask for your understanding of our management direction, as well as our commitment. The NOK Group greatly appreciates your continued support and guidance.

June 2011

Chairman of the Board and President of NOK Corporation

**Masato Tsuru**

# FINANCIAL HIGHLIGHT (CONSOLIDATED)



## 1. Current Status of the NOK Group

### (1) Business Overview

#### (i) Business conditions and results

The Japanese economy in the current consolidated financial year maintained a modest recovery trend backed by strong demand mainly from emerging countries such as China as well as economic stimulus measures by the government among other factors. However, the economy slowed down in the second half of the fiscal year due to the contraction of domestic demand resulting from the termination of economic stimulus measures and unfavorable exchange rates from the continuing appreciation of the yen. On top of these, the Great East Japan Earthquake which occurred on March 11 plunged the economy into a state of uncertainty.

In the automobile industry, while domestic sales remained strong supported by the positive effect of the government subsidy for eco-friendly car purchases in the first half of the fiscal year, sales decreased in the second half due to the termination of the subsidy. Domestic vehicle production increased compared to the previous fiscal year on a full-year basis, despite a sharp decline in domestic production toward the end of the fiscal year as a result of the impact of the Great East Japan Earthquake. Meanwhile, overseas production and exports increased reflecting strong automobile sales in the U.S., China and Southeast Asia.

In the electronic equipment industry, demand for mobile phones (primarily, smart phones) and tablet PC increased. Sales of flat-screen televisions also grew on the back of last-minute purchases before the "eco-point" subsidy program was reduced.

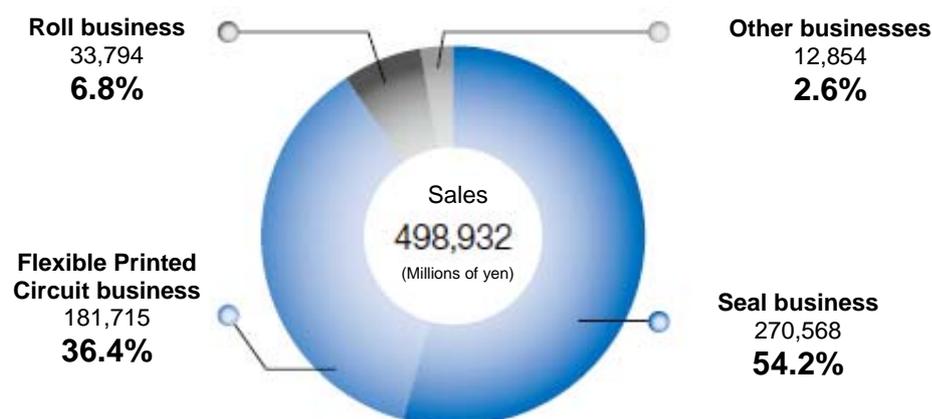
In the office equipment industry, with the modest recovery trend of the economy, demand for office equipment recovered in developed countries and Asian countries including China as well as other emerging nations and sales of copiers and other office equipment increased.

In such a business environment, the Group improved its profit structure and increased both sales and profits as a result of the two-year structural reform plan which started in the fiscal year ended March 31, 2010.

The Group has branches in Miyagi, Fukushima and Ibaraki prefectures which were hit by the Great East Japan Earthquake. Fortunately, however, the Group's employees came to no harm. There was little damage to the Group's major facilities, despite partial damage to buildings and damage to work in process and inventories that fell down. The Group was nearly ready to resume normal operations about three weeks after the disaster.

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 the seal business, although sales to domestic automobile manufacturers remained strong on the back of the government's measures to promote new car purchases in the first half of the fiscal year, sales were negatively affected in the second half by the decline in automobile sales due to the backlash as the measures were terminated. In addition, sales were also hit by the suspension of vehicle production by domestic automobile manufacturers due to the Great East Japan Earthquake. Meanwhile, overseas sales expanded steadily reflecting the recovery of demand in the U.S. automobile market as well as strong demand for automobiles in China, India, Thailand, etc. As a result, sales to automobile manufacturers increased on a full-year basis.

Furthermore, sales to manufacturers of general industrial machinery expanded further on the back of a consistent growth in demand for construction machinery in emerging countries which continued from the previous fiscal year, among other factors.

As a result, sales rose to ¥270,568 million (up 21.9% year on year). Operating income jumped to ¥27,200 million (up 228.3% year on year) due to increased sales and cost-cutting efforts, etc.

### Flexible Printed Circuit (FPC) business

In the flexible printed circuit (FPC) business, sales increased to electronic equipment manufacturers reflecting a steady growth in production of smart phones and digital cameras, and to manufacturers of personal computers as a result of the rapid expansion of demand for tablet PCs.

As a result, sales reached ¥181,715 million (up 18.5% year on year). Operating income rose to ¥7,647 million (up 17.7% year on year) owing to increased sales and the effect of cost-cutting efforts, etc.

### Roll business

In the roll business, sales increased as a result of an upswing in capital expenditures for offices in the developed countries, as well as a strong demand for copiers in Asian countries such as China and other emerging nations, in line with the recovery of the global economy.

As a result, sales increased to ¥33,794 million (up 17.5% year on year). The operating loss of ¥573 million (an improvement of ¥1,866 million compared to the previous fiscal year) was a significant improvement over the previous year, which reflected factors including stronger sales and cost-cutting efforts.

### Other businesses

In other businesses including special lubricants, sales rose to ¥12,854 million (up 20.3% year on year) on the back of the recovery of automobile production and capital expenditures. Operating income surged to ¥862 million (up 169.7% year on year), reflecting the increased sales and the effects of cost-reduction measures, etc.

Under these circumstances, consolidated net sales of the Group totaled ¥498,932 million (up 20.3% year on year). Operating income and ordinary income were ¥35,134 million (up 177.6% year on year) and ¥32,426 million (up 212.9% year on year), respectively. Net income amounted to ¥16,685 million (up 1,204.3% year on year).

## (ii) Capital investment and fund procurement

The Group made capital investments of ¥23,480 million in total (up 28.8% from the previous fiscal year) mainly in reorganizing production systems to enhance its business structure and increasing production capacities in Japan, China and Southeast Asian countries.

These investments were self-financed.

## (2) Issues to be Addressed by the NOK Group

Future business conditions for the NOK Group are uncertain. Problems with the supply of electricity due to the Great East Japan Earthquake, our concerns about being able to stably procure raw materials from materials manufacturers after the Earthquake and uncertainty about when customers' operations will return to normal have left question marks about the future of the economy. Exchange rate fluctuations pose additional risks.

In the automobile industry, although demand is likely to remain in emerging countries, the production of automobiles remains unpredictable both in Japan and abroad due to the Great East Japan Earthquake. Therefore, this uncertainty seems set to remain.

In the electronic equipment industry, demand for smart phones and tablet PCs is expected to grow. Increasing competition, however, may drive down the selling prices.

In the office equipment industry, demand for office equipment is on the way to recovery, supported by the economic upturn. However, the replacement parts market is expected to continue shrinking due to decreases in the prices of parts and a trend toward ruggedization.

Although the NOK Group's business environment is thus assumed to remain uncertain and difficult, the Group has decided to develop and work on a new three-year plan (FY2011 through FY2013) for further sustainable growth.

The whole Group will move forward with the plan based on the following policies.

[Key Corporate Objective]

### **“Building Foundations for Sustainable Growth”**

-Ensuring Success in the Next Decade-

[Initiatives]

1. Improving global management capability
2. Developing our people
3. Enhancing manufacturing competence
4. Achieving unrivalled quality
5. Sowing the seeds of new products to blossom in the next decade

### (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	102nd term (FY2007)	103rd term (FY2008)	104th term (FY2009)	105th term (FY2010)
Net Sales	526,331	466,694	414,753	498,932
Operating Income	42,465	7,441	12,655	35,134
Ordinary Income	44,812	6,174	10,363	32,426
Net Income	25,843	652	1,279	16,685
Net Income Per Share (Yen)	149.44	3.77	7.40	97.29
Total Assets	532,759	509,772	547,255	525,553
Net Assets	298,247	246,130	256,503	262,484

- 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.
- In the 104th term (FY2009), sales declined due to the continuing economic downturn attributable to the global recession which began in the 103rd term. Despite the negative effects of declining sales, profits increased owing to the positive effects of cost-cutting measures including reducing fixed costs.
- As for the business performance in the 105th term (FY2010), please refer to the aforementioned (1) Business Overview.

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

(Millions of yen, except for per share figures)

Classification	102nd term (FY2007)	103rd term (FY2008)	104th term (FY2009)	105th term (FY2010)
Net Sales	241,178	202,591	190,846	228,828
Operating Income	15,558	690	2,248	12,030
Ordinary Income	18,051	2,098	1,762	13,129
Net Income	11,447	(2,546)	(237)	8,143
Net Income Per Share (Yen)	66.15	(14.71)	(1.37)	47.44
Total Assets	254,261	294,746	321,533	308,554
Net Assets	132,401	118,320	120,266	125,340

- 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 were 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 owing to an increase in provisions for business structure improvement, this deficit marked a shrink by a significant margin.
- In the 105th term (FY2010), sales were robust mainly for the automobile industry, but inevitably lost momentum at the end of the term due to the Great East Japan Earthquake that occurred on March 11, 2011. Nevertheless, sales for the full term increased substantially from the previous fiscal year. Despite disaster-related losses from the Great East Japan Earthquake, profits grew significantly supported by increased sales and continuing cost-reduction effects.

#### (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)	RMB305,092,000	- % (97.0)	Manufacture and sale of electronic parts
	Mektec Manufacturing Corporation (Suzhou) Ltd. (China)	RMB263,464,000	- % (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

Notes:

1. The numbers in parentheses in the column "Investment ratio" show the capital ratio which the Company's subsidiaries hold.
2. There are 90 consolidated subsidiaries and 30 equity method affiliates (including the aforementioned 12 major subsidiaries and affiliates).

##### (ii) 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, 2011)

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

Note: The Company split its production and sales business of precision components for hard disk drives and mobile devices (hereinafter called "Precision Components") to be absorbed by its wholly owned subsidiary, Nippon Mektron, Ltd., under the provisions of Article 784, Paragraph 3 of the Corporation Law (Simplified Absorption-type Split) on April 1, 2011. Accordingly, the name of the business segment will be changed from the "Flexible Printed Circuit business" to the "Electronic Device Product (EDP) business" from the 106th term (FY2011) and Precision Components, which were included in the Seal business until the 105th term (FY2010), will be transferred to the EDP business.

## (6) Major Business Offices and Factories (as of March 31, 2011)

### (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.	Kita Ibaraki Plant	Kita Ibaraki City, Ibaraki Pref.
Hamamatsu Branch	Hamamatsu City, Shizuoka Pref.	Shizuoka Plant	Makinohara City, Shizuoka Pref.
Anjo Branch 1	Anjo City, Aichi Pref.	Tokai Plant	Kikugawa City, Shizuoka Pref.
Anjo Branch 2	Anjo City, Aichi Pref.	Tottori Plant	Saihaku-gun, Tottori Pref.
Nagoya Branch	Nagoya City, Aichi Pref.	Kumamoto Plant	Aso City, Kumamoto Pref.
Osaka Branch 1	Osaka City, Osaka	Shonan Development Center (Fujisawa Factory)	Fujisawa City, Kanagawa Pref.

(ii) Subsidiaries

	Company	Business place	Location
Seal business	Thai NOK Co., Ltd.	Head office and factory	Chonburi, 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 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, 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, 2011)

### (i) Employment of the NOK Group

Number of employees	Change from the end of previous term
41,210 (3,264)	+ 4,408 (+ 264)

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
3,400 (375)	- 52 (+ 10)	39.5 years old	18.5 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, 2011)

Lenders	Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corp.	32,443
Mizuho Corporate Bank, Ltd.	17,203
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,784
The Sumitomo Trust and Banking Co., Ltd.	8,397
Development Bank of Japan Inc.	7,910
Nipponkoa Insurance Co., Ltd.	5,415
The Dai-ichi Life Insurance Company, Ltd.	4,520
The Chuo Mitsui Trust and Banking Co., Ltd.	3,271
The Norinchukin Bank	2,890
Mitsubishi UFJ Trust and Banking Corp.	1,800

## 2. Outline of the Company

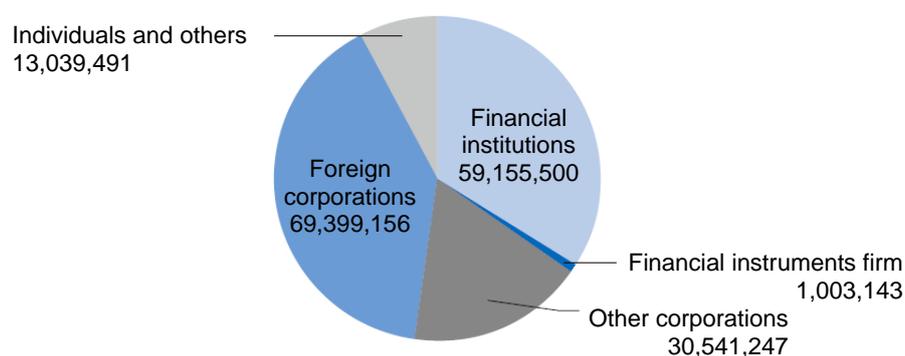
### (1) Status of Stock (as of March 31, 2011)

- (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: 11,280 (an increase of 203 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)	9,201	5.3
Seiwa Jisho Co., Ltd.	8,773	5.1
The Dai-ichi Life Insurance Company, Ltd.	8,000	4.6
The Master Trust Bank of Japan, Ltd. (Trust account)	7,339	4.2
Toyota Motor Corp.	6,809	3.9
Nipponkoa Insurance Co., Ltd.	4,500	2.6
National Mutual Insurance Federation of Agricultural Cooperatives	4,400	2.5
Sumitomo Mitsui Banking Corp.	4,270	2.5
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,100	1.8

Note: For the basis of the calculation of “% of shares outstanding” above, the Companies’ treasury stock (76,719 shares) 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, 2011)

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	* Soichiro Uchida	Representative Director & President, SYNZTEC Co., Ltd.
Standing Corporate Auditor	Kazuaki Motozato	
Standing Corporate Auditor	Kiyoshi Shiga	
Corporate Auditor	Yasunari Unemura	Senior Managing Director, Eagle Industry Co., Ltd.
Corporate Auditor	Fumiaki Aono	Senior Managing Director, Eagle Industry Co., Ltd.
Corporate Auditor	Gen Kajitani	Lawyer

#### Notes:

- Mr. Masato Tsuru and Mr. Hideo Hatsuzawa are Representative Directors.
- Mr. Soichiro Uchida, marked with an asterisk, was newly elected and assumed as Director at the 104th Annual Shareholders' Meeting held on June 25, 2010.
- Mr. Toshio Kawai retired as Director at the conclusion of the 104th Annual Shareholders' Meeting held on June 25, 2010 following the end of tenure of office.
- 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.
- 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.
Tetsuji Tsuru	Chairman of the Board & Representative Director, EagleBurgmann Japan Co., Ltd.
Kazuaki Motozato	Outside Corporate Auditor, Eagle Industry Co., Ltd.
Kiyoshi Shiga	Outside Corporate Auditor, Eagle Industry Co., Ltd.
Gen Kajitani	Outside Corporate Auditor, Eagle Industry Co., Ltd.

(ii) Matters concerning remuneration to Directors and Corporate Auditors

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

Classification	Number of officers	Total amount paid (Millions of yen)
Directors	9	265
Corporate Auditors	5	51
(Outside Corporate Auditors among the above)	(3)	(7)
Total	14	316

Notes:

1. The number of officers and total amount paid in the "Directors" column of the above table includes the number of one (1) Director who retired at the conclusion of the 104th Annual Shareholders' Meeting held on June 25, 2010 and amount paid to him for his term of office.
2. 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.
3. 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) Policies to determine details of remuneration

The Company established a policy to determine remuneration to Directors and Corporate Auditors as follows:

- Basic policies  
Remuneration to Directors and Corporate Auditors is designed to be determined in consideration of the level necessary to secure and keep talented human resources while raising their motivation to improve business results and increase the corporate value of the Group.
- Policies on Directors' remuneration  
Directors' remuneration is classified into (1) basic remuneration, which consists of fixed compensation and compensation for long-term expected individual achievements, and (2) business result-linked remuneration with consideration given to Directors' responsibilities to improve business results each fiscal year and to increase the corporate value from medium- and long-term perspectives.  
Compensation for long-term expected individual achievements is offered in the form of a certain amount of the Company's shares to be purchased by Directors every month through the Director Stock Ownership Association and to be held throughout their term.  
The level of remuneration is determined totally in view of business results, dividends to shareholders, working conditions of employees and concurrent positions at consolidated subsidiaries and by referring to the average level of such remuneration at listed companies by position and job title.
- Policies on Corporate Auditors' remuneration  
Remuneration to Corporate Auditors is grouped into (1) basic remuneration for job title as they assume responsibilities of auditing the Group-wide performance of duties, and (2) business result-linked remuneration to Standing Corporate Auditors as they are responsible for contributing to improved business results from viewpoints different from Directors.

**(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 Uemura and Fumiaki Aono also serve as Senior Managing Directors, and Corporate Auditor Gen Kajitani also serves as Outside Corporate Auditor for Eagle Industry Co., Ltd., a trade partner of the Company.

**(b) Major activities during the term**

Position	Name	Major activities
Corporate Auditor	Yasunari Uemura	Has attended 13 out of 14 Board of Directors meetings, and 8 out of 8 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 8 out of 8 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 8 out of 8 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 counted in 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	31
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 duties stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law for the year under review show the total.
2. 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.

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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, 2011)

(Millions of yen)

Item	FY2010	FY2009 (Reference)	Item	FY2010	FY2009 (Reference)
<b><u>ASSETS</u></b>	<b>525,553</b>	<b>547,255</b>	<b><u>LIABILITIES</u></b>	<b>263,069</b>	<b>290,752</b>
<b>CURRENT ASSETS</b>	<b>281,426</b>	<b>279,801</b>	<b>CURRENT LIABILITIES</b>	<b>154,185</b>	<b>162,919</b>
Cash and deposits	86,703	93,104	Notes and accounts payable - trade	50,552	50,872
Notes and accounts receivable - trade	124,623	123,789	Short-term loans payable	46,659	63,793
Merchandise and finished goods	18,654	17,262	Income taxes payable	5,339	1,815
Work in process	21,769	22,450	Provision for bonuses	8,522	5,337
Raw materials and supplies	12,799	10,303	Deposits received from employees	16,046	15,893
Deferred tax assets	5,705	4,565	Provision for business structure improvement	346	3,715
Other	12,118	9,910	Provision for loss on disaster	1,463	-
Allowance for doubtful accounts	(948)	(1,584)	Other	25,255	21,492
<b>NONCURRENT ASSETS</b>	<b>244,127</b>	<b>267,454</b>	<b>NONCURRENT LIABILITIES</b>	<b>108,883</b>	<b>127,832</b>
<b>Property, plant and equipment</b>	<b>157,127</b>	<b>173,739</b>	Long-term loans payable	58,885	78,414
Buildings and structures	66,465	72,523	Provision for retirement benefits	45,496	45,854
Machinery, equipment and vehicles	61,020	69,646	Other	4,501	3,564
Tools, furniture and fixtures	8,746	10,117	<b><u>NET ASSETS</u></b>	<b>262,484</b>	<b>256,503</b>
Land	18,133	18,463	<b>SHAREHOLDERS' EQUITY</b>	<b>250,897</b>	<b>235,992</b>
Lease assets	1,397	1,438	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
Construction in progress	1,363	1,550	<b>CAPITAL SURPLUS</b>	<b>22,450</b>	<b>22,450</b>
<b>Intangible assets</b>	<b>1,314</b>	<b>1,450</b>	<b>RETAINED EARNINGS</b>	<b>206,956</b>	<b>192,427</b>
Goodwill	206	210	<b>TREASURY STOCK</b>	<b>(1,845)</b>	<b>(2,221)</b>
Other	1,108	1,240	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>(9,784)</b>	<b>(698)</b>
<b>Investments and other assets</b>	<b>85,685</b>	<b>92,263</b>	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>14,228</b>	<b>15,613</b>
Investment securities	59,089	58,829	<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>	<b>(24,012)</b>	<b>(16,311)</b>
Long-term loans receivable from employees	7,116	7,443	<b>MINORITY INTERESTS</b>	<b>21,371</b>	<b>21,209</b>
Deferred tax assets	5,679	8,889	<b>TOTAL</b>	<b>525,553</b>	<b>547,255</b>
Other	14,020	17,384			
Allowance for doubtful accounts	(220)	(284)			
<b>TOTAL</b>	<b>525,553</b>	<b>547,255</b>			

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

## CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2010 to March 31, 2011)

(Millions of yen)

Item	FY2010		FY2009 (Reference)	
Net Sales		498,932		414,753
Cost of Sales		403,829		347,232
<b>Gross Profit</b>		<b>95,103</b>		<b>67,521</b>
Selling, General and Administrative Expenses		59,968		54,865
<b>Operating Income</b>		<b>35,134</b>		<b>12,655</b>
Non-operating Income				
Interest income	395		446	
Dividends income	660		551	
Equity in earnings of affiliates	3,321		-	
Rent income	933		916	
Other	1,357	6,669	1,325	3,241
Non-operating Expenses				
Interest expenses	3,417		3,968	
Foreign exchange losses	5,229		495	
Equity in losses of affiliates	-		158	
Other	730	9,377	910	5,533
<b>Ordinary Income</b>		<b>32,426</b>		<b>10,363</b>
Extraordinary Income				
Gain on sales of noncurrent assets	1,657		195	
Other	244	1,901	351	546
Extraordinary Loss				
Loss on retirement of noncurrent assets	719		2,118	
Provision for business structure improvement	-		3,933	
Loss on disaster	2,083		-	
Other	583	3,386	127	6,178
<b>Income before Income Taxes and Minority Interests</b>		<b>30,942</b>		<b>4,730</b>
Income taxes - current	8,055		2,073	
Income taxes - deferred	3,187	11,243	(1,095)	977
<b>Income before Minority Interests</b>		<b>19,698</b>		-
Minority interests in income		3,012		2,473
<b>Net Income</b>		<b>16,685</b>		<b>1,279</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2010 to March 31, 2011)

(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	192,427	(2,221)	235,992
Changes of items during the period					
Dividends from surplus			(2,143)		(2,143)
Net income			16,685		16,685
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				376	376
Change of scope of equity method affiliates			(13)		(13)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	14,529	375	14,904
Balance at the end of current period	23,335	22,450	206,956	(1,845)	250,897

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the end of previous period	15,613	(16,311)	(698)	21,209	256,503
Changes of items during the period					
Dividends from surplus					(2,143)
Net income					16,685
Purchase of treasury stock					(0)
Disposal of treasury stock					376
Change of scope of equity method affiliates					(13)
Net changes of items other than shareholders' equity	(1,384)	(7,701)	(9,085)	162	(8,923)
Total changes of items during the period	(1,384)	(7,701)	(9,085)	162	5,981
Balance at the end of current period	14,228	(24,012)	(9,784)	21,371	262,484

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

"Notes to Consolidated Financial Statements" are posted on our website (<http://www.nok.co.jp>) under the provisions of laws and regulations and Article 14 of the Articles of Incorporation of the Company.

**Reference: Consolidated Cash Flows** (From April 1, 2010 to March 31, 2011)

(Millions of yen)

From operating activities	From investing activities	From financing activities	Cash and cash equivalent at the end of period
58,587	(24,231)	(39,358)	86,205

# NON-CONSOLIDATED FINANCIAL DATA

## BALANCE SHEET

(As of March 31, 2011)

(Millions of yen)

Item	FY2010	FY2009 (Ref)	Item	FY2010	FY2009 (Ref)
<b>ASSETS</b>	<b>308,554</b>	<b>321,533</b>	<b>LIABILITIES</b>	<b>183,214</b>	<b>201,266</b>
<b>CURRENT ASSETS</b>	<b>142,447</b>	<b>150,686</b>	<b>CURRENT LIABILITIES</b>	<b>97,108</b>	<b>97,780</b>
Cash and deposits	49,272	60,720	Accounts payable - trade	25,355	25,262
Notes receivable - trade	20,206	19,478	Short-term loans payable	25,149	35,184
Accounts receivable - trade	42,958	41,665	Accounts payable - other	2,730	3,062
Finished goods	8,622	7,529	Income taxes payable	2,252	-
Work in process	780	798	Accrued expenses	1,531	1,281
Raw materials and supplies	2,559	2,048	Deposits received from employees	12,161	12,090
Deferred tax assets	3,027	2,448	CMS deposits received	21,249	16,481
Short-term loans receivable	8,668	9,729	Provision for bonuses	3,996	2,193
Accounts receivables - other	6,084	5,533	Provision for business structure improvement	877	1,656
Other	1,003	1,418	Provision for loss on disaster	900	-
Allowance for doubtful accounts	(735)	(683)	Other	903	567
<b>NONCURRENT ASSETS</b>	<b>166,106</b>	<b>170,846</b>	<b>NONCURRENT LIABILITIES</b>	<b>86,105</b>	<b>103,486</b>
<b>Property, plant and equipment</b>	<b>45,999</b>	<b>47,783</b>	Long-term loans payable	54,615	72,510
Buildings	18,652	18,387	Provision for retirement benefits	29,694	29,203
Structures	1,723	1,828	Other	1,795	1,772
Machinery and equipment	15,626	17,894			
Vehicles	152	168			
Tools, furniture and fixtures	2,655	2,789			
Land	6,858	6,111			
Lease assets	20	21			
Construction in progress	309	582			
<b>Intangible assets</b>	<b>55</b>	<b>53</b>			
<b>Investments and other assets</b>	<b>120,051</b>	<b>123,009</b>			
Investment securities	41,607	41,433			
Stocks of subsidiaries and affiliates	49,790	49,988			
Investment in capital of subsidiaries and affiliates	11,270	11,690			
Long-term loans receivable	14,261	16,422			
Deferred tax assets	5,525	6,919			
Guarantee deposits	1,130	1,110			
Other	1,253	1,217			
Allowance for investment loss	(3,730)	(4,457)			
Allowance for doubtful accounts	(1,057)	(1,315)			
<b>TOTAL</b>	<b>308,554</b>	<b>321,533</b>	<b>NET ASSETS</b>	<b>125,340</b>	<b>120,266</b>
			<b>SHAREHOLDERS' EQUITY</b>	<b>110,877</b>	<b>104,503</b>
			<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
			<b>CAPITAL SURPLUS</b>	<b>20,397</b>	<b>20,397</b>
			Legal capital surplus	20,397	20,397
			<b>RETAINED EARNINGS</b>	<b>68,890</b>	<b>62,891</b>
			Legal retained earnings	2,983	2,983
			Other retained earnings	65,906	59,908
			Reserve for special depreciation	63	113
			Reserve for advanced depreciation of noncurrent assets	1,069	1,070
			Retained earnings brought forward	64,774	58,724
			<b>TREASURY STOCK</b>	<b>(1,745)</b>	<b>(2,121)</b>
			<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b>14,462</b>	<b>15,762</b>
			<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>14,462</b>	<b>15,762</b>
			<b>TOTAL</b>	<b>308,554</b>	<b>321,533</b>

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

## STATEMENT OF INCOME

(From April 1, 2010 to March 31, 2011)

(Millions of yen)

Item	FY2010		FY2009 (Reference)	
Net Sales		228,828		190,846
Cost of Sales		188,819		163,203
<b>Gross Profit</b>		<b>40,009</b>		<b>27,642</b>
Selling, General and Administrative Expenses		27,979		25,393
<b>Operating Income</b>		<b>12,030</b>		<b>2,248</b>
Non-operating Income				
Interest and dividends income	2,629		1,406	
Rent income	870		859	
Other	352	3,853	473	2,739
Non-operating Expenses				
Interest expenses	2,415		2,624	
Other	339	2,754	601	3,225
<b>Ordinary Income</b>		<b>13,129</b>		<b>1,762</b>
Extraordinary Income				
Gain on sales of noncurrent assets	14		26	
Gain on liquidation of subsidiaries and affiliates	173		-	
Reversal of allowance for doubtful accounts	206		-	
Reversal of allowance for investment loss	727		170	
Other	0	1,121	-	196
Extraordinary Loss				
Loss on retirement of noncurrent assets	207		647	
Loss on valuation of stocks of subsidiaries and affiliates	301		-	
Provision for business structure improvement	-		1,542	
Loss on disaster	1,081		-	
Other	77	1,667	32	2,223
<b>Income (Loss) before Income Taxes</b>		<b>12,582</b>		<b>(263)</b>
Income taxes - current	2,710		259	
Income taxes - deferred	1,728	4,438	(286)	(26)
<b>Net Income (Loss)</b>		<b>8,143</b>		<b>(237)</b>

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

## STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2010 to March 31, 2011)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings					Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings		
					Reserve for special depreciation	Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward			
Balance at the end of previous period	23,335	20,397	20,397	2,983	113	1,070	58,724	62,891	(2,121)	104,503
Changes of items during the period										
Dividends from surplus							(2,144)	(2,144)		(2,144)
Provision of reserve for special depreciation					3		(3)	-		-
Reversal of reserve for special depreciation					(53)		53	-		-
Reversal of reserve for advanced depreciation of noncurrent assets						(1)	1	-		-
Net income							8,143	8,143		8,143
Purchase of treasury stock									(0)	(0)
Disposal of treasury stock									376	376
Net changes of items other than shareholders' equity										
Total changes of items during the period	-	-	-	-	(49)	(1)	6,049	5,998	375	6,374
Balance at the end of current period	23,335	20,397	20,397	2,983	63	1,069	64,774	68,890	(1,745)	110,877

	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	15,762	15,762	120,266
Changes of items during the period			
Dividends from surplus			(2,144)
Provision of reserve for special depreciation			-
Reversal of reserve for special depreciation			-
Reversal of reserve for advanced depreciation of noncurrent assets			-
Net income			8,143
Purchase of treasury stock			(0)
Disposal of treasury stock			376
Net changes of items other than shareholders' equity	(1,300)	(1,300)	(1,300)
Total changes of items during the period	(1,300)	(1,300)	5,074
Balance at the end of current period	14,462	14,462	125,340

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

"Notes to Financial Statements" are posted on our website (<http://www.nok.co.jp>) under the provisions of laws and regulations and Article 14 of the Articles of Incorporation of the Company.

**AUDIT REPORT**

May 17, 2011

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, 2010 to March 31, 2011, 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, 2011

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 Balance Sheet, Statement of Income, Statement of Changes in Net Assets, Notes to Financial Statements, and supplementary statements by NOK Corporation for the 105th term from April 1, 2010 to March 31, 2011, 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 105th term from April 1, 2010 to March 31, 2011, 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, and where necessary, seeking explanations 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 periodically received reports and required explanation when necessary from Directors and employees, among others, and made opinions to them, regarding the establishment and management of the systems designed to ensure Directors' compliance in the execution of their duties described in the Business Report 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 details described in the Business Report, or 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 18, 2011

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)

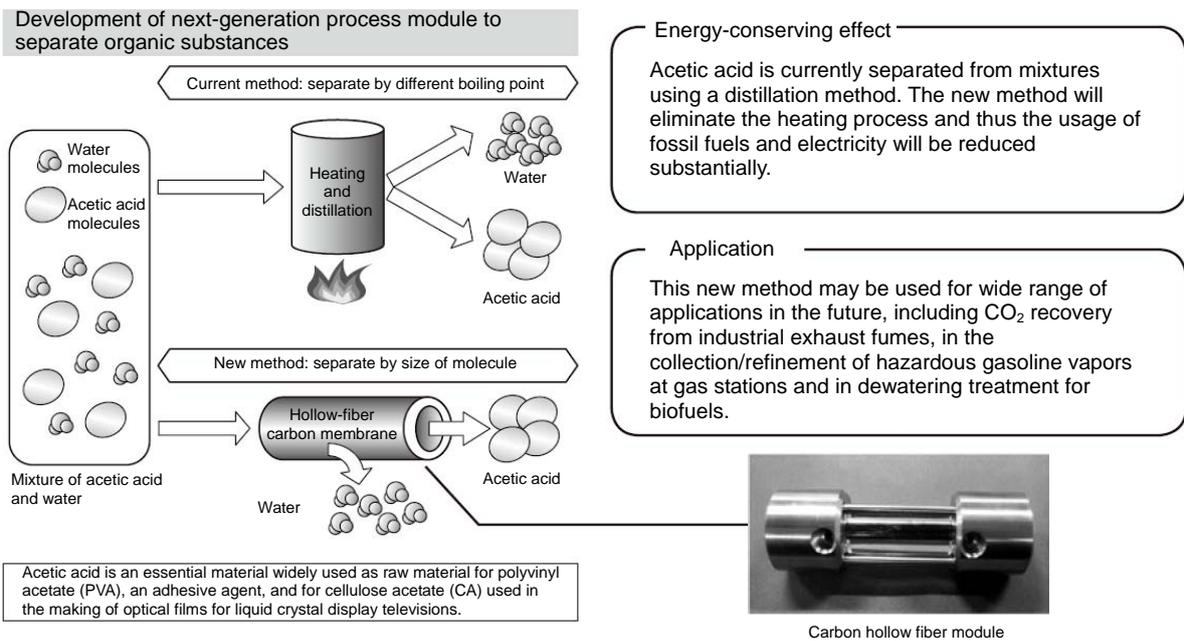
## Carbon Hollow Fiber Module

NOK is striving to develop technology for a carbon hollow fiber module that makes it possible to separate certain gases from mixture.

NOK has been manufacturing and selling polymeric hollow fiber modules that are used for water filters and fuel cell humidifiers mainly for water treatment (filtration).

Carbon hollow fiber membranes have smaller holes (less than 1 nanometer\*) than polymeric hollow fiber membranes and can separate hydrogen, carbon dioxide and water on the molecular level. Carbon fiber has better heat resistance and solvent resistance than polymeric fiber and thus is expected to be applied for separation and refinement under high-temperature or in an organic solvent environment whereas before it was not possible to apply it in those environments.

\*1 nanometer = One billionth of a meter



In collaboration with the National Institute of Advanced Industrial Science and Technology (AIST), NOK has been conducting research for modularization and commercialization of the carbon hollow fiber membrane that was developed by AIST. This research is supported by the New Energy and Industrial Technology Development Organization (NEDO).

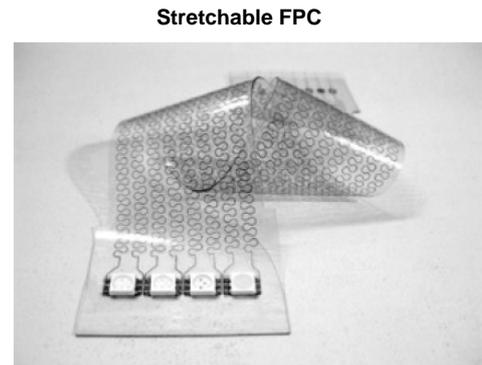
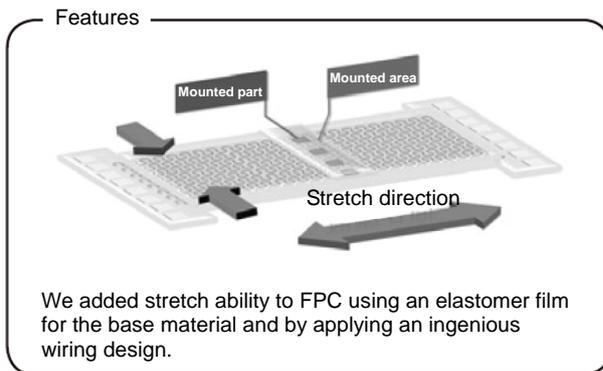
## Stretchable Flexible Printed Circuit (Stretchable FPC)

Nippon Mektron, Ltd. has developed a stretchable flexible printed circuit (Stretchable FPC).

Conventional FPCs are folded up and used to place traces in limited spaces or in bending locations such as the hinge of a mobile telephone which uses a hinge mechanism.

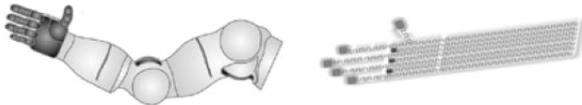
Stretchable FPC adds flexibility to bear tension (expansion and contraction).

With its ability to sustain bending, stretching, expanding, contracting and twisting forces, Stretchable FPC is a suitable solution for the robotic field (for complicated, human-like moving parts such as limbs and joints) and will also have applications within the medical field (such as for sensors to stick on the human body).



### Robotics

- Home assistant robots (such as a vacuum cleaning robots)
- Care-support robots (such as a power assist suits)
- Surgical robots
- Underwater robots
- Inspection robots, among others



- ◇ Wiring around joints
- ◇ Pressure/temperature sensors to function as skin and nerves

### Medical/healthcare

- Health monitoring equipment
  - To monitor elderly persons who are bedridden or live alone
  - To watch for lifestyle-related diseases, among others



- ◇ Always-on biological sensor (to monitor heart rate, body temperature, electrocardiograph, body motion and other biological data) in the form of adhesive tape that can be stuck on to the body
- ◇ Accessible with wireless equipment that enable doctors to monitor patient conditions remotely