

Reference Materials attached to Notice of the  
107th Annual Shareholders' Meeting

# NOK



Business Report for the **107<sup>th</sup>** Term

From April 1, 2012 to March 31, 2013

**NOK CORPORATION**

## To Our Shareholders



Chairman of the Board  
and President

### Masato Tsuru

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The following is available on our website at <http://www.nok.co.jp> posted under the provisions of laws and regulations and Article 14 of the Articles of Incorporation of the Company.

- (i) "System for Ensuring Properness of Operations" in Business Report
- (ii) Notes to Consolidated Financial Statements
- (iii) Notes to Financial Statements

We would like to express our sincere thanks for your loyal patronage.

We would appreciate it if you could confirm the business report on the operations and results for the 107th term of the NOK Group (from April 1, 2012 to March 31, 2013).

Recognizing the importance of achieving the basic management policy of establishing a highly profitable and strong corporate group by "producing low-cost original products—backed by technology—which are useful to society, and selling them at reasonable prices all over the world," the Group develops business management based on this policy.

In the consolidated business results for the fiscal year ended March 31, 2013, net sales were ¥540,859 million (up 9.2% from the previous fiscal year)

In profit and loss, operating income was ¥26,519 million (down 11.6% from the previous fiscal year) and ordinary income was ¥35,202 million (up 1.5% from the previous fiscal year). Net income was ¥22,216 million (up 38.7% from the previous fiscal year).

The business conditions surrounding the NOK Group were favorable at the beginning of the fiscal year, but became tough on the back of several factors including the longstanding appreciation of the yen and the deterioration of Japan-China relations.

However, positive signs began to show towards the end of the fiscal year including the depreciation of the yen and an improvement in business confidence.

Under these circumstances, the Group experienced a rapid boost in sales of electronic device products driven by the increased demand for smartphones and tablet terminals. The relevant sales have grown to the level of the seal business and remain on an upward trend.

On the other hand, sales continued to slide in the roll business, and we launched fundamental reform measures.

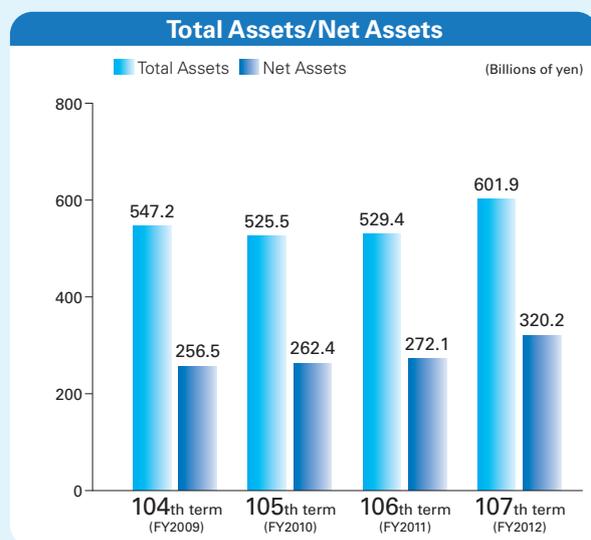
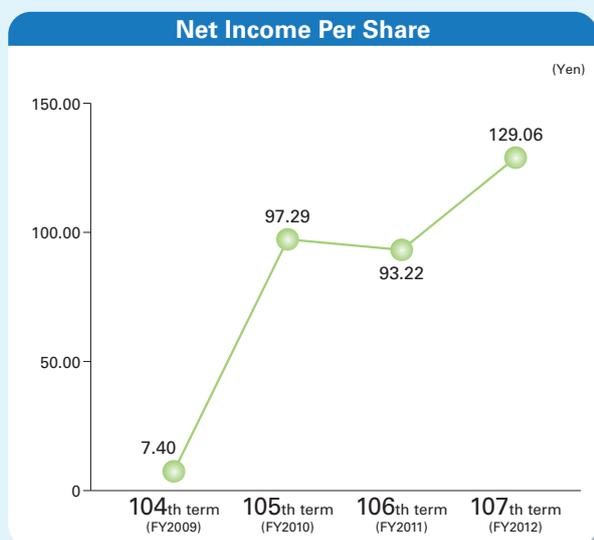
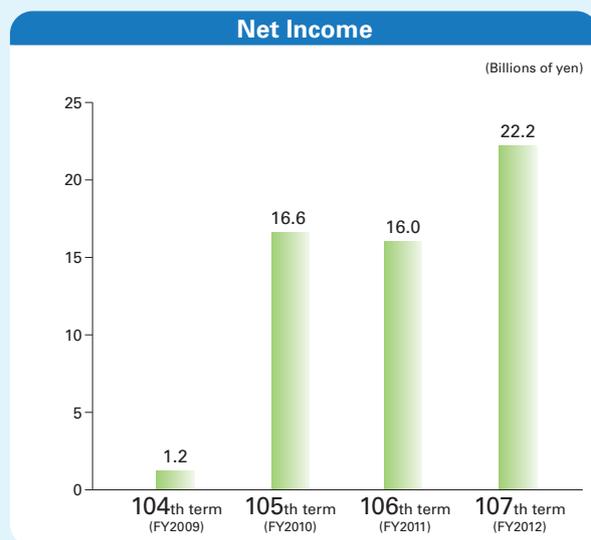
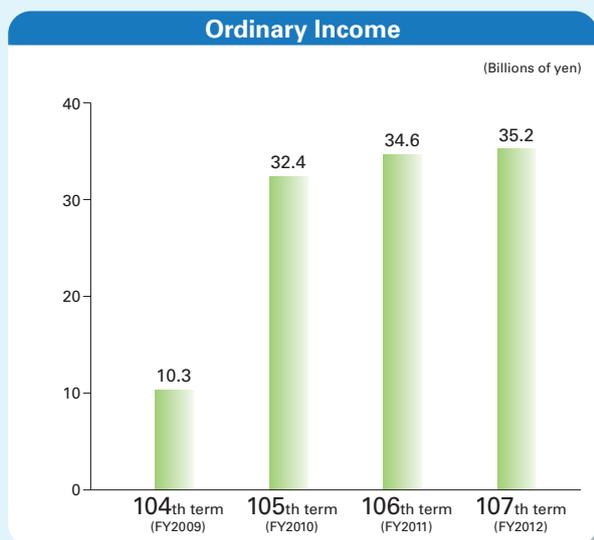
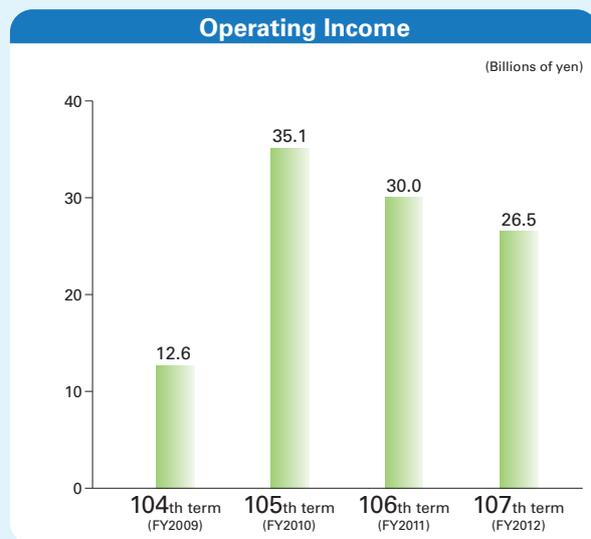
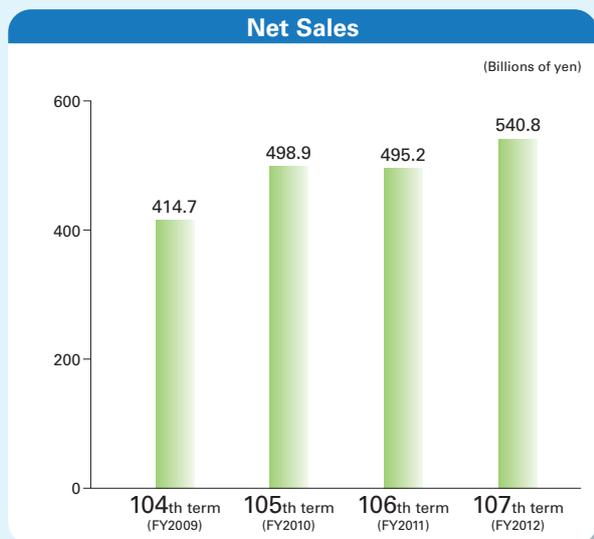
Meanwhile, the Group has been focusing on the development of new products and new applications and proactively taking other initiatives in an aim to ensure further sustainable growth.

For details, please refer to the "Business Report" mentioned below.

We would like to ask a favor of each shareholder to have a deep understanding of the business environment surrounding the Group, management direction and our determination. We also ask you for your further support and cooperation.

June 2013

# Financial Highlights (Consolidated)



## 1. Current Status of the NOK Group

### (1) Business Overview

#### (i) Business conditions and results

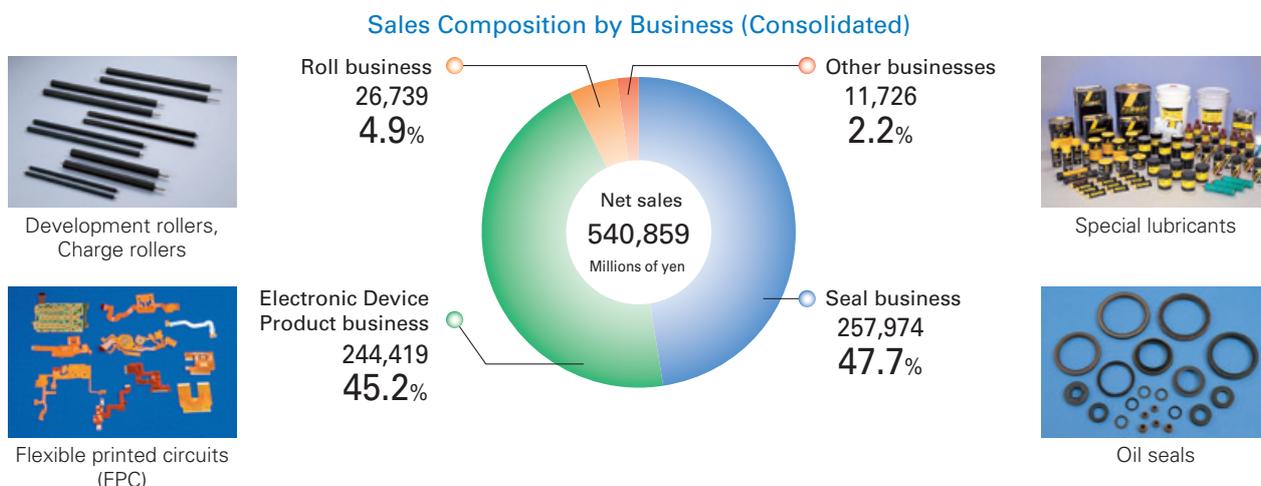
The operating environment surrounding the NOK Group during the current consolidated fiscal year was impacted by various factors including the stagnancy of European economies and an economic slowdown in China, although conditions in North America were favorable. The Japanese economy was robust due to demand from restoration activities for the Great East Japan Earthquake and the positive effects from government policies including the eco-car subsidies but receded on the back of several factors including a decline in exports due to the longstanding appreciation of the yen and the deterioration of Japan-China relations. However, there have also been recent positive signs in the economy including the rapid depreciation of the yen and an improvement in business confidence on the back of expectations toward government economic stimulus measures.

In the automobile industry, the first half of the fiscal year was robust due to measures to stimulate car sales with the eco-car subsidies as well as the positive effects from the launch of new models. However, the second half of the fiscal year saw a decline in domestic new car demand owing to the termination of the eco-car subsidies as well as a drop in demand for Japanese cars in China on the back of the deterioration of Japan-China relations among other factors. At the same time, demand in North America and Southeast Asia remained robust throughout the fiscal year.

In the electronic equipment industry, while shipments of smartphones and tablet terminals were strong, demand for PCs, hard disc drives, and compact digital cameras dropped due to the shift in demand towards smartphones and tablet terminals.

In the office equipment industry, demand for both printers and copiers slowed in Japan and in overseas markets.

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



## ■ Results of the Business Activities by Business Segment

### Seal business

While sales to automobile manufacturers were strong in the first half of the current fiscal year, sales to Japanese automobile manufacturers in China dropped due to the deterioration of Japan-China relations. Domestic sales also decreased on the back of a decline in new car demand following the termination of the eco-car subsidies. Meanwhile, sales increased throughout the fiscal year due to strong vehicle production in North America and Southeast Asia. Sales to manufacturers of general industrial machinery fell owing to an ongoing heavy slump in demand for construction machinery mainly in the Chinese market.

As a result, net sales decreased to ¥257,974 million (down 0.5% year on year). Operating income declined to ¥21,119 million (down 19.7% year on year) due to an increase in expenses such as personnel costs in emerging nations.

### Electronic Device Product business

Sales increased owing to strong demand for smartphones and tablet terminals as well as robust demand for digital single-lens reflex (DSLR) cameras.

As a result, net sales rose to ¥244,419 million (up 25.9% year on year). Due to a delayed yield improvement in new mass production lines and a rise in administrative expenses and other factors, operating income ended at ¥4,825 million (up 32.8% year on year), despite earnings improvement factors such as an increase in sales and favorable exchange rate fluctuations.

### Roll business

Sales dropped on the back of a decline in demand for both printers and copiers in the domestic market and in overseas markets as well as for replacement parts due to a rise in durability.

As a result, net sales declined to ¥26,739 million (down 8.1% year on year). Operating loss improved to ¥12 million (compared to an operating loss of ¥775 million for the previous consolidated fiscal year) owing to a reduction in expenses, etc.

In order to revive the business, the Group is accepting applications for voluntary retirement at subsidiaries and is making efforts to fundamentally improve management as well as to ensure an early recovery of business results.

### Other businesses

In other businesses including specialty lubricants, net sales declined to ¥11,726 million (down 9.0% year on year). Operating income plunged to ¥559 million (down 35.6% year on year).

In summary, the Group's operating results for the current consolidated fiscal year were as follows: Net sales totaled ¥540,859 million (up 9.2% year on year); operating income dropped to ¥26,519 million (down 11.6% year on year); ordinary income was ¥35,202 million (up 1.5% year on year); and net income rose to ¥22,216 million (up 38.7% year on year).

## (ii) Capital investment and fund procurement

The Group made capital investments of ¥52,802 million in total (up 94.4% from the previous fiscal year) mainly for increasing production capacities in Japan, China and Southeast Asian countries.

These investments were financed by our own funds and loans payable.

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

The future operating environment surrounding the NOK Group is likely to continue to be unpredictable. Factors causing uncertainty include the possible effects of the government's economic measures, the longstanding fiscal problems in European countries, and the sustainability of growth of the Chinese economy, among others.

In the seal business, the Group has been aggressively expanding overseas operations to address the increased overseas production of our customers. However, matters such as the rise in personnel costs in China and Southeast Asia, the hollowing out of domestic production, and intensified competition from overseas competitors have become issues. In order to address these challenges, we will take manpower saving measures and automate our production system, and improve its efficiency based on the concepts of having optimum production locations and carrying out local production for local consumption.

In the electronic device product business, matters such as the drop in product selling prices due to intensified competition and the rise in the fluctuation of demand have become issues. In order to address such issues, we will make further efforts in matters such as improving the yield of new mass production lines and expanding usage in tablet terminals in addition to smartphones, which had been the driver for business expansion.

The roll business, which was established in 2007, is seeing a slowdown in sales due to changes in the environment including the advance of office machinery technology and the shrinkage of the replacement parts market owing to a rise in durability. In order to overcome this challenge, the Group seeks to revive the roll business by making efforts across the sales, production and technology divisions by further promoting the streamlining and efficiency of the organization.

While addressing such challenges, the NOK Group also intends to make efforts across the group with the aim of achieving sustainable growth over the next 10 years by focusing on the development of new products and new uses.

### (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	104th term (FY2009)	105th term (FY2010)	106th term (FY2011)	107th term (FY2012)
Net Sales	414,753	498,932	495,251	540,859
Operating Income	12,655	35,134	30,012	26,519
Ordinary Income	10,363	32,426	34,694	35,202
Net Income	1,279	16,685	16,016	22,216
Net Income Per Share (Yen)	7.40	97.29	93.22	129.06
Total Assets	547,255	525,553	529,431	601,958
Net Assets	256,503	262,484	272,174	320,217

- In the 104th term (FY2009), net 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.
- In the 105th term (FY2010), net sales increased thanks to strong demand mainly from emerging countries and economic stimulus policies by the government. Profits increased owing to the positive effects of increased sales and cost-cutting measures.
- In the 106th term (FY2011), net sales decreased mainly due to the further appreciation of the yen and the floods in Thailand. Profits declined as a result of lower sales, costs incurred in relation to production damaged by the floods in Thailand, and other factors.
- As for the business performance in the 107th term (FY2012), 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	104th term (FY2009)	105th term (FY2010)	106th term (FY2011)	107th term (FY2012)
Net Sales	190,846	228,828	227,822	228,327
Operating Income	2,248	12,030	15,171	11,468
Ordinary Income	1,762	13,129	16,987	13,088
Net Income	(237)	8,143	9,586	(6,650)
Net Income Per Share (Yen)	(1.37)	47.44	55.74	(38.60)
Total Assets	321,533	308,554	301,946	283,215
Net Assets	120,266	125,340	134,872	132,049

- 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.
- In the 106th term (FY2011), sales for the automobile industry increased in response to the recovery of demand after the Great East Japan Earthquake, while revenue decreased due to transfer of the production and sales businesses of precision components to Nippon Mektron, Ltd. Profits increased as cost reduction efforts generally continued and no loss on disaster was recorded in this fiscal year.
- In the 107th term (FY2012), sales for the automobile industry increased particularly in the first half of the fiscal year, owing to robust demand stimulated by the eco-car subsidies and the positive effects from the launch of new models. On the other hand, sales to manufacturers of general industrial machinery slumped considerably. As a result, sales were only slightly higher year on year. In term of profits, operating income decreased, due primarily to the fall in sales to manufacturers of general industrial machinery. In addition, a loss on valuation of stock of a subsidiary was posted among other factors. As a result, a net loss was recorded for the fiscal year.

#### (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)	RMB238,071,000	- % (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.
Electronic Device Product 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)	RMB431,678,000	- % (97.0)	Manufacture and sale of electronic parts
	Mektec Manufacturing Corporation (Suzhou) Ltd. (China)	RMB357,645,000	- % (93.0)	Manufacture and sale of electronic parts
Roll business	SYNZTEC Co., Ltd.	¥2,700 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 86 consolidated subsidiaries and 28 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, 2013)

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
Electronic Device Product business	Flexible circuits and precision components
Roll business	Roll products for office equipment
Other businesses	Special lubricants and others

## (6) Major Business Offices and Factories (as of March 31, 2013)

### (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.	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 Plant)	Fujisawa City, Kanagawa Pref.
Osaka Branch 1	Osaka City, Osaka	Tokai R&D Center for Membrane Technology (Tokai Plant)	Kikugawa City, Shizuoka 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	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
Electronic Device Product 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
	NOK Precision Component (Thailand) Ltd.	Head office and factory	Ayutthaya, Thailand
	Mektec Corporation (Hong Kong) Ltd.	Head office and sales office	Hong Kong, China
Roll business	SYNZTEC Co., Ltd.	Yokosuka Plant Kuki Plant	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, 2013)

### **(i) Employment of the NOK Group**

Number of employees	Change from the end of previous term
50,697 (3,352)	+ 7,642 (+ 45)

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
3,153 (339)	- 186 (- 75)	40.3 years old	18.6 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, 2013)

Lenders	Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corp.	40,803
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	25,703
Mizuho Corporate Bank, Ltd.	13,715
Sumitomo Mitsui Trust Bank, Ltd.	5,561
Bank of Communications Co., Ltd.	5,556
Development Bank of Japan Inc.	4,030
The Dai-ichi Life Insurance Company, Ltd.	3,760
Nipponkoa Insurance Co., Ltd.	2,595
China Everbright Bank Co., Ltd.	1,389
The Norinchukin Bank	1,366

## 2. Outline of the Company

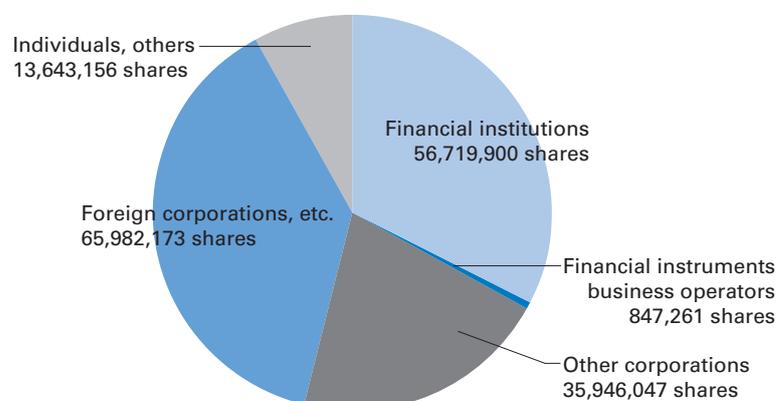
### (1) Status of Stock (as of March 31, 2013)

- (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: **11,087 (an increase of 1,285 year on year)**
- (iv) Major shareholders

Shareholder	Number of shares held (thousands)	Ratio of shares held (%)
Freudenberg SE	43,457	25.1
Japan Trustee Services Bank, Ltd. (Trust account)	8,776	5.1
Seiwa Jisho Co., Ltd.	8,773	5.1
The Dai-ichi Life Insurance Company, Ltd.	8,000	4.6
Toyota Motor Corp.	6,809	3.9
The Master Trust Bank of Japan, Ltd. (Trust account)	5,674	3.3
National Mutual Insurance Federation of Agricultural Cooperatives	5,190	3.0
Sumitomo Mitsui Banking Corp.	4,270	2.5
Nipponkoa Insurance Co., Ltd.	3,780	2.2
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,039	1.8

Note: For the basis of the calculation of "ratio of shares held" above, the Company's treasury stock (77,022 shares) is excluded from the total number of shares issued.

### (Reference) Number of Shares by Shareholder



## (2) Board Members of the Company

### (i) Directors and Corporate Auditors (as of March 31, 2013)

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	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	
Standing Corporate Auditor	Kazuaki Motozato	
Standing Corporate Auditor	Kiyoshi Shiga	
Corporate Auditor	Gen Kajitani	Lawyer
Corporate Auditor	*Eizou Kawarada	
Corporate Auditor	*Osamu Kobayashi	Certified public accountant, certified tax accountant

#### Notes:

- Mr. Masato Tsuru and Mr. Hideo Hatsuzawa are Representative Directors.
- Each of the members marked with an asterisk was newly appointed and assumed the position of Corporate Auditor at the 106th Annual Shareholders' Meeting held on June 27, 2012.
- Mr. Shigekazu Kokai retired from the position of Director due to the expiration of his term of office at the conclusion of the 106th Annual Shareholders' Meeting held on June 27, 2012.
- Mr. Soichiro Uchida resigned from the position of Director on March 31, 2013.
- Mr. Yasunari Unemura and Mr. Fumiaki Aono retired from the position of Corporate Auditor due to the expiration of their term of office at the conclusion of the 106th Annual Shareholders' Meeting held on June 27, 2012.
- Mr. Gen Kajitani, Mr. Eizou Kawarada and Mr. Osamu Kobayashi serve as Outside Corporate Auditors.  
The Company designates each Outside Corporate Auditor as an independent auditor as stipulated in the regulations of the Tokyo Stock Exchange, and submits as such accordingly.
- Mr. Osamu Kobayashi is a certified public accountant and certified tax accountant, and he has a considerable degree of expertise in finance and accounting.
- 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.
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.
Osamu Kobayashi	Outside Corporate Auditor, NICHIREKI 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	8	230
Corporate Auditors (Outside Corporate Auditors among the above)	7 (5)	59 (15)
Total	15	289

Notes:

1. Number of Directors and Corporate Auditors and the total amount paid include one (1) Director and two (2) Corporate Auditors (both Outside Corporate Auditors) who retired at the conclusion of the 106th Annual Shareholders' Meeting held on June 27, 2012 and remuneration and such like paid to these officers during their terms of office respectively.
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) Relationships between the Company and firms at which directors hold significant concurrent positions

Eagle Industry Co., Ltd., where Corporate Auditor Mr. Gen Kajitani holds a concurrent position, is the Company's trade partner.

### (b) Major activities during the term

Position	Name	Major activities
Corporate Auditor	Gen Kajitani	Has attended 13 out of 13 Board of Directors meetings and 6 out of 7 Board of Corporate Auditors meetings held during the term, where he made necessary remarks for Items for Resolution.
Corporate Auditor	Eizou Kawarada	Has attended 9 out of 9 Board of Directors meetings, and 6 out of 6 Board of Corporate Auditors meetings held during the term, where he made necessary remarks on Items for Resolution.
Corporate Auditor	Osamu Kobayashi	Has attended 9 out of 9 Board of Directors meetings and 6 out of 6 Board of Corporate Auditors meetings held during the term, where he made necessary remarks on Items for Resolution.

Notes:

1. In addition to the number of Board of Directors meetings indicated above, there was one written resolution, which is recognized as a resolution reached by the Board of Directors as per the provisions of Article 370 of the Corporation Law and of Article 29 of the Company's Articles of Incorporation.
2. Since Mr. Eizou Kawarada and Mr. Osamu Kobayashi were elected as Corporate Auditors at the 106th Annual Shareholders' Meeting held on June 27, 2012, their number of Board of Directors meetings and of Board of Corporate Auditors meetings differs from those of the other Outside Corporate Auditor.

### (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	33
Amount to be paid by the Company and its subsidiaries to the Independent Auditor as financial benefit, such as monetary reward, etc.	66

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 Auditor's 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.

"System for Ensuring Properness of Operations" is 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.

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 BALANCE SHEET (As of March 31, 2013)

(Millions of yen)

Item	FY2012	FY2011 (Reference)	Item	FY2012	FY2011 (Reference)
<b>ASSETS</b>	<b>601,958</b>	<b>529,431</b>	<b>LIABILITIES</b>	<b>281,740</b>	<b>257,256</b>
<b>CURRENT ASSETS</b>	<b>309,451</b>	<b>288,798</b>	<b>CURRENT LIABILITIES</b>	<b>201,982</b>	<b>168,723</b>
Cash and deposits	65,342	75,545	Notes and accounts payable - trade	61,251	51,847
Notes and accounts receivable - trade	163,807	137,023	Short-term loans payable	81,541	56,061
Merchandise and finished goods	21,657	21,096	Income taxes payable	3,605	6,019
Work in process	25,470	24,964	Provision for bonuses	8,150	8,192
Raw materials and supplies	17,397	12,761	Deposits received from employees	16,023	16,173
Deferred tax assets	4,850	4,575	Provision for business structure improvement	1,503	-
Other	11,676	13,631	Provision for loss on disaster	-	1,138
Allowance for doubtful accounts	(751)	(800)	Other	29,906	29,291
<b>NONCURRENT ASSETS</b>	<b>292,507</b>	<b>240,633</b>	<b>NONCURRENT LIABILITIES</b>	<b>79,758</b>	<b>88,532</b>
<b>Property, plant and equipment</b>	<b>180,469</b>	<b>149,410</b>	Long-term loans payable	29,304	39,920
Buildings and structures	66,438	61,324	Provision for retirement benefits	43,362	44,023
Machinery, equipment and vehicles	70,347	56,871	Other	7,091	4,588
Tools, furniture and fixtures	12,029	8,014			
Land	18,238	17,745			
Lease assets	1,076	1,272			
Construction in progress	12,338	4,181			
<b>Intangible assets</b>	<b>1,477</b>	<b>1,645</b>	<b>NET ASSETS</b>	<b>320,217</b>	<b>272,174</b>
Goodwill	73	102	<b>SHAREHOLDERS' EQUITY</b>	<b>284,425</b>	<b>264,801</b>
Other	1,403	1,543	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
<b>Investments and other assets</b>	<b>110,560</b>	<b>89,576</b>	<b>CAPITAL SURPLUS</b>	<b>22,450</b>	<b>22,450</b>
Investment securities	85,144	66,534	<b>RETAINED EARNINGS</b>	<b>239,637</b>	<b>220,432</b>
Long-term loans receivable from employees	5,987	6,683	<b>TREASURY STOCK</b>	<b>(997)</b>	<b>(1,417)</b>
Deferred tax assets	2,849	1,787	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>9,032</b>	<b>(14,831)</b>
Other	16,868	14,889	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>22,865</b>	<b>16,332</b>
Allowance for doubtful accounts	(289)	(319)	<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>	<b>(13,832)</b>	<b>(31,164)</b>
<b>TOTAL</b>	<b>601,958</b>	<b>529,431</b>	<b>MINORITY INTERESTS</b>	<b>26,758</b>	<b>22,205</b>
			<b>TOTAL</b>	<b>601,958</b>	<b>529,431</b>

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

## CONSOLIDATED STATEMENT OF INCOME (From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	FY2012		FY2011 (Reference)	
Net Sales		540,859		495,251
Cost of Sales		449,525		402,607
<b>Gross Profit</b>		<b>91,333</b>		<b>92,643</b>
Selling, General and Administrative Expenses		64,814		62,630
<b>Operating Income</b>		<b>26,519</b>		<b>30,012</b>
Non-operating Income				
Interest income	347		487	
Dividends income	962		744	
Equity in earnings of affiliates	3,146		3,336	
Rent income	944		971	
Foreign exchange gains	5,025		924	
Other	1,447	11,874	1,586	8,051
Non-operating Expenses				
Interest expenses	2,729		2,743	
Other	462	3,191	626	3,369
<b>Ordinary Income</b>		<b>35,202</b>		<b>34,694</b>
Extraordinary Income				
Gain on sales of noncurrent assets	637		740	
Insurance income	2,541		1,500	
Other	386	3,565	397	2,637
Extraordinary Loss				
Loss on retirement of noncurrent assets	963		536	
Business structure improvement expenses	4,052		-	
Other	886	5,902	3,002	3,538
<b>Income before Income Taxes and Minority Interests</b>		<b>32,865</b>		<b>33,793</b>
Income taxes - current	10,177		9,989	
Income taxes - deferred	(2,272)	7,905	5,223	15,212
<b>Income before Minority Interests</b>		<b>24,959</b>		<b>18,580</b>
Minority interests in income		2,743		2,564
<b>Net Income</b>		<b>22,216</b>		<b>16,016</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,335	22,450	220,432	(1,417)	264,801
Changes of items during the period					
Dividends from surplus			(3,011)		(3,011)
Net income			22,216		22,216
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				419	419
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	19,204	419	19,624
Balance at the end of current period	23,335	22,450	239,637	(997)	284,425

	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 beginning of current period	16,332	(31,164)	(14,831)	22,205	272,174
Changes of items during the period					
Dividends from surplus					(3,011)
Net income					22,216
Purchase of treasury stock					(0)
Disposal of treasury stock					419
Net changes of items other than shareholders' equity	6,532	17,332	23,864	4,553	28,418
Total changes of items during the period	6,532	17,332	23,864	4,553	48,042
Balance at the end of current period	22,865	(13,832)	9,032	26,758	320,217

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

## Reference: Consolidated Cash Flows (From April 1, 2012 to March 31, 2013)

(Millions of yen)

From operating activities	From investing activities	From financing activities	Cash and cash equivalent at the end of period
35,740	(53,395)	4,644	65,266

"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.

## BALANCE SHEET (As of March 31, 2013)

(Millions of yen)

Item	FY2012	FY2011 (Ref)	Item	FY2012	FY2011 (Ref)
<b>ASSETS</b>	<b>283,215</b>	<b>301,946</b>	<b>LIABILITIES</b>	<b>151,165</b>	<b>167,073</b>
<b>CURRENT ASSETS</b>	<b>119,402</b>	<b>135,321</b>	<b>CURRENT LIABILITIES</b>	<b>105,549</b>	<b>100,952</b>
Cash and deposits	29,349	38,105	Accounts payable - trade	27,414	28,321
Notes receivable - trade	18,966	21,119	Short-term loans payable	28,677	25,407
Accounts receivable - trade	47,474	47,913	Accounts payable - other	4,950	4,046
Finished goods	7,985	9,393	Income taxes payable	1,702	3,960
Work in process	622	793	Accrued expenses	1,673	1,606
Raw materials and supplies	2,553	3,102	Deposits received from employees	11,673	11,828
Deferred tax assets	2,030	2,169	CMS deposits received	25,239	20,876
Short-term loans receivable	2,899	5,066	Provision for bonuses	3,660	3,833
Accounts receivables - other	7,239	7,491	Provision for loss on disaster	-	159
Other	1,025	966	Other	557	911
Allowance for doubtful accounts	(744)	(799)	<b>NONCURRENT LIABILITIES</b>	<b>45,616</b>	<b>66,121</b>
<b>NONCURRENT ASSETS</b>	<b>163,812</b>	<b>166,624</b>	Long-term loans payable	17,750	36,458
<b>Property, plant and equipment</b>	<b>42,414</b>	<b>42,089</b>	Provision for retirement benefits	25,987	27,851
Buildings	17,471	17,449	Other	1,878	1,811
Structures	1,432	1,593	<b>NET ASSETS</b>	<b>132,049</b>	<b>134,872</b>
Machinery and equipment	12,161	13,214	<b>SHAREHOLDERS' EQUITY</b>	<b>109,069</b>	<b>118,314</b>
Vehicles	166	175	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
Tools, furniture and fixtures	2,536	2,432	<b>CAPITAL SURPLUS</b>	<b>20,397</b>	<b>20,397</b>
Land	6,130	6,594	Legal capital surplus	20,397	20,397
Lease assets	41	14	<b>RETAINED EARNINGS</b>	<b>66,234</b>	<b>75,898</b>
Construction in progress	2,472	613	Legal retained earnings	2,983	2,983
<b>Intangible assets</b>	<b>51</b>	<b>53</b>	Other retained earnings	63,250	72,914
<b>Investments and other assets</b>	<b>121,346</b>	<b>124,482</b>	Reserve for special depreciation	31	44
Investment securities	59,768	47,377	Reserve for advanced depreciation of noncurrent assets	990	1,032
Stocks of subsidiaries and affiliates	38,927	52,059	Retained earnings brought forward	62,228	71,837
Investment in capital of subsidiaries and affiliates	11,270	11,270	<b>TREASURY STOCK</b>	<b>(897)</b>	<b>(1,317)</b>
Long-term loans receivable	12,286	11,287	<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b>22,979</b>	<b>16,558</b>
Deferred tax assets	-	3,616	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>22,979</b>	<b>16,558</b>
Guarantee deposits	1,058	1,076	<b>TOTAL</b>	<b>283,215</b>	<b>301,946</b>
Other	1,314	1,258			
Allowance for investment loss	(3,048)	(3,209)			
Allowance for doubtful accounts	(231)	(253)			
<b>TOTAL</b>	<b>283,215</b>	<b>301,946</b>			

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

## STATEMENT OF INCOME (From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	FY2012		FY2011 (Reference)	
Net Sales		228,327		227,822
Cost of Sales		186,748		183,588
<b>Gross Profit</b>		<b>41,579</b>		<b>44,234</b>
Selling, General and Administrative Expenses		30,110		29,062
<b>Operating Income</b>		<b>11,468</b>		<b>15,171</b>
Non-operating Income				
Interest and dividends income	1,822		2,175	
Rent income	868		861	
Other	691	3,382	875	3,912
Non-operating Expenses				
Interest expenses	1,652		1,982	
Other	110	1,762	114	2,097
<b>Ordinary Income</b>		<b>13,088</b>		<b>16,987</b>
Extraordinary Income				
Gain on sales of noncurrent assets	59		95	
Insurance income	-		564	
Reversal of allowance for investment loss	161		521	
Other	27	248	0	1,180
Extraordinary Loss				
Loss on retirement of noncurrent assets	516		299	
Loss on valuation of stocks of subsidiaries and affiliates	14,171		-	
Other	681	15,368	27	326
<b>Income (loss) before income taxes</b>		<b>(2,031)</b>		<b>17,841</b>
Income taxes - current	4,195		5,160	
Income taxes - deferred	423	4,618	3,095	8,255
<b>Net income (loss)</b>		<b>(6,650)</b>		<b>9,586</b>

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

## STATEMENT OF CHANGES IN NET ASSETS (From April 1, 2012 to March 31, 2013)

(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 beginning of current period	23,335	20,397	20,397	2,983	44	1,032	71,837	75,898	(1,317)	118,314
Changes of items during the period										
Dividends from surplus							(3,013)	(3,013)		(3,013)
Provision of reserve for special depreciation					10		(10)	-		-
Reversal of reserve for special depreciation					(24)		24	-		-
Reversal of reserve for advanced depreciation of noncurrent assets						(41)	41	-		-
Net income							(6,650)	(6,650)		(6,650)
Purchase of treasury stock									(0)	(0)
Disposal of treasury stock									419	419
Net changes of items other than shareholders' equity										
Total changes of items during the period	-	-	-	-	(13)	(41)	(9,609)	(9,664)	419	(9,244)
Balance at the end of current period	23,335	20,397	20,397	2,983	31	990	62,228	66,234	(897)	109,069

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	16,558	16,558	134,872
Changes of items during the period			
Dividends from surplus			(3,013)
Provision of reserve for special depreciation			-
Reversal of reserve for special depreciation			-
Reversal of reserve for advanced depreciation of noncurrent assets			-
Net income			(6,650)
Purchase of treasury stock			(0)
Disposal of treasury stock			419
Net changes of items other than shareholders' equity	6,421	6,421	6,421
Total changes of items during the period	6,421	6,421	(2,823)
Balance at the end of current period	22,979	22,979	132,049

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 16, 2013

To: The Board of Directors  
NOK CORPORATION

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

Pursuant to Article 444, Paragraph 4 of the Corporation Law, we have audited the accompanying Consolidated Financial Statements, which comprise the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets and the Notes to the Consolidated Financial Statements of NOK CORPORATION (the "Company") applicable to the consolidated fiscal year from April 1, 2012 through March 31, 2013.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Corporate Group, which consisted of the Company and its consolidated subsidiaries, applicable to the consolidated fiscal year ended March 31, 2013 in conformity with accounting principles generally accepted in Japan.

***Conflicts of Interest***

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

**AUDIT REPORT**

May 16, 2013

To: The Board of Directors  
NOK CORPORATION

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

Pursuant to Article 436, Paragraph 2, Item 1 of the Corporation Law, we have audited the accompanying Financial Statements, which comprise the Balance Sheet, the Statement of Income, the Statement of Changes in Net Assets, the Notes to the Financial Statements and the supplementary statements of NOK CORPORATION (the "Company") applicable to the 107th fiscal term from April 1, 2012 through March 31, 2013.

***Management's Responsibility for the Financial Statements and the Related Supplementary Schedules***

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the supplementary statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements and the supplementary statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements and the supplementary statements referred to above present fairly, in all material respects, the financial position and results of operations of NOK CORPORATION applicable to the 107th fiscal term ended March 31, 2013 in conformity with accounting principles generally accepted in Japan.

***Conflicts of Interest***

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## Audit Report

This Board of Corporate Auditors deliberated on the execution of duties by Directors during the 107th term from April 1, 2012 to March 31, 2013, 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, seeking 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.

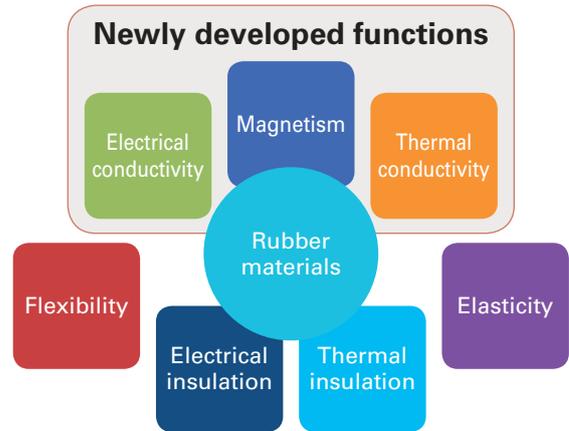
May 20, 2013

Board of Corporate Auditors, NOK CORPORATION

Kazuaki Motozato	Standing Corporate Auditor	(Seal)
Kiyoshi Shiga	Standing Corporate Auditor	(Seal)
Gen Kajitani	Outside Corporate Auditor	(Seal)
Eizou Kawarada	Outside Corporate Auditor	(Seal)
Osamu Kobayashi	Outside Corporate Auditor	(Seal)

## Functional Rubber Parts

NOK is actively developing rubber that possesses new functions on top of the conventional functions (flexibility, high elasticity) available with rubber parts. For example, with the expansion of electronic devices installed in vehicles, there has been a growing need for rubber parts to be magnetized and to have electrical and thermal conductive functions. Using rubber parts with such functions reduces the number of automobile parts, saves space, and allows for more compact designs.

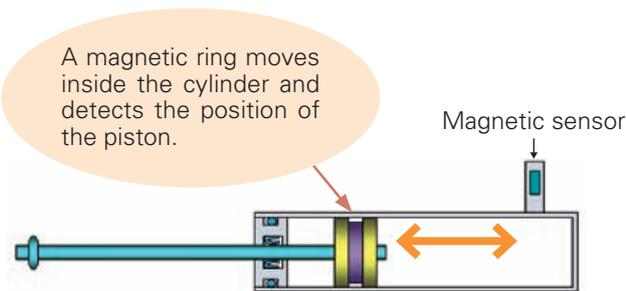


### Magnetic rubber

Magnetizing rubber and combining it with a magnetic sensor makes it possible to detect the position of the piston.



- Applications
- Magnetic sensor
  - Magnetic encoder
  - Position detection

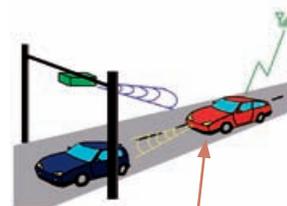


### Electrically conductive rubber

More electronic devices today generate electromagnetic waves that can have adverse effects on other devices. As a protection against such electromagnetic interference, NOK gives rubber an electric conductivity to offer a gasket with an electromagnetic shielding effectiveness.



- Applications
- Electromagnetic interference shield
  - Signal transfer



LED lights up with the use of electrically conductive rubber.

Gaskets with an electromagnetic interference shield are used to prevent in-vehicle electronic devices from malfunctioning when they encounter the electromagnetic waves produced by an inverter.

# Flexible Tactile Sensor

Nippon Mektron, Ltd. developed a flexible printed circuit (FPC) with a flexible built-in pressure sensor that fits well even on a curved surface.

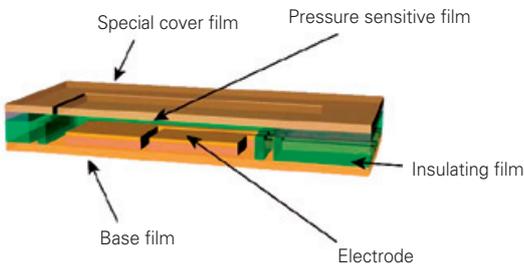
Traditional FPCs were primarily used for signal wiring in a narrow space or bent sections. With the Flexible Tactile Sensor, it has become possible to create a thin, ultra-compact pressure sensor structure anywhere inside the FPC, thereby enabling a flexible, free-shaped design.

Moreover, the built-in sensor has minimal sensing error when bent and can be applied on a curved or movable surface.

Use of Flexible Tactile Sensor in robotic hands, medical fields (e.g., sensors placed on the human body), new input interfaces and other applications are expected.

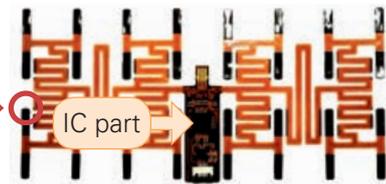
## Pressure sensor structure

- Pressure sensing based on changes in electrical resistance
- Realization of the stable detection with hollow structure which is hard to transform and flexible



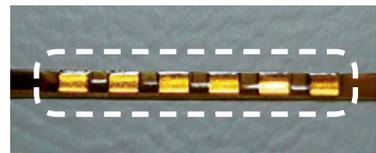
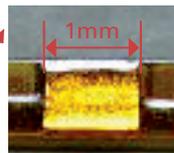
## Example of component assembly on FPC

Example of pressure sensor assembled on an IC-mounted module (Read-Out by IC)



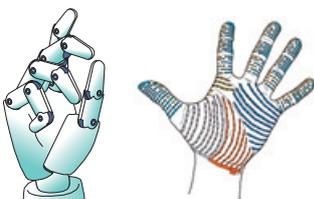
Large amounts of sensor information can be obtained through several wires

## Example of production of tactile sensor

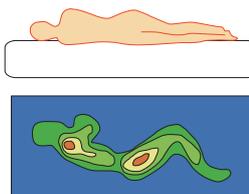


## Application examples

### Robotic hands, human body analysis



### Pressure sensing mattress (nursing care and welfare field)



### Input interface



# Information for Shareholders

<b>Fiscal year</b>	From April 1 to March 31 of the following year
<b>Annual shareholders' meeting</b>	June
<b>Dividend payment record date</b>	Term-end dividend March 31 Interim dividend September 30
<b>Transfer agent</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Contact information</b>	7-10-11 Higashisuna, Koto Ward, Tokyo, Japan 137-8081 Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation Tel: 0120-232-711 (toll-free number available in Japan only)
<b>Method of public notice</b>	An electronic public notice is applied. URL for public notice <a href="http://www.nok.co.jp">http://www.nok.co.jp</a> (If it becomes impossible for us to make an electronic public notice due to an accident or any other unavoidable reason, we will post it in the <i>Nikkei</i> .)
<b>Share unit</b>	100 shares
<b>Public listing</b>	Tokyo Stock Exchange Listed Name on the First Section: NOK (Securities Code: 7240)

## NOK CORPORATION

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