

Reference Materials attached to Notice of the  
108th Annual Shareholders' Meeting

**NOK CORPORATION**

Business Report for the **108<sup>th</sup>** Term  
From April 1, 2013 to March 31, 2014

**NOK**  
**NOK**

## 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 108th term of the NOK Group (from April 1, 2013 to March 31, 2014).

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, 2014, net sales were ¥591,388 million (up 9.3% from the previous fiscal year)

In profit and loss, operating income was ¥32,586 million (up 22.9% from the previous fiscal year) and ordinary income was ¥42,313 million (up 20.2% from the previous fiscal year). Net income was ¥21,757 million (down 2.1% from the previous fiscal year).

The current fiscal year saw the economy recovering moderately with exports picking up and domestic production on the increase because of the monetary and economic measures taken by the government.

Under these circumstances, the NOK Group marked record-high sales and increased operating income from the previous fiscal year, partly supported by favorable changes in the business environment.

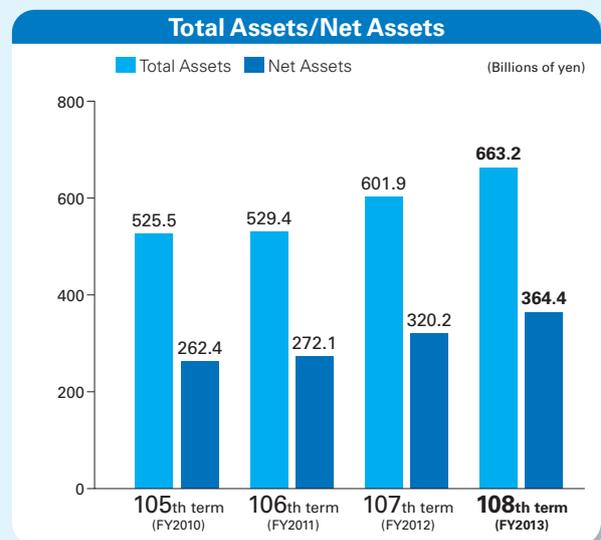
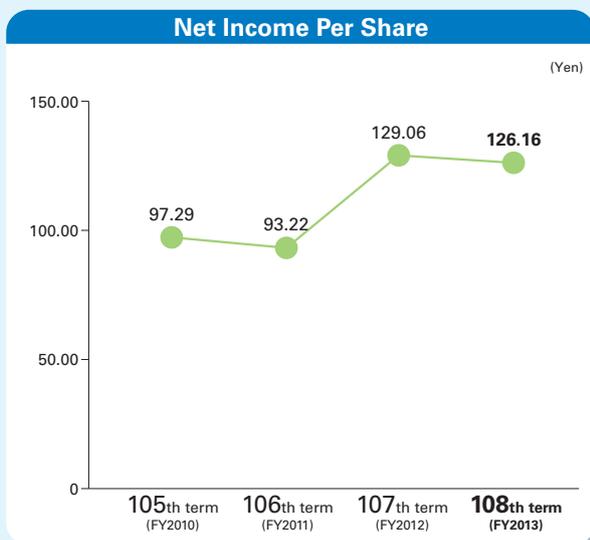
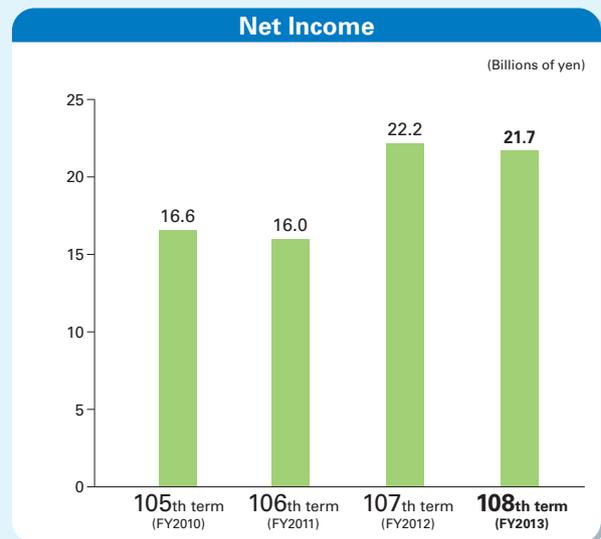
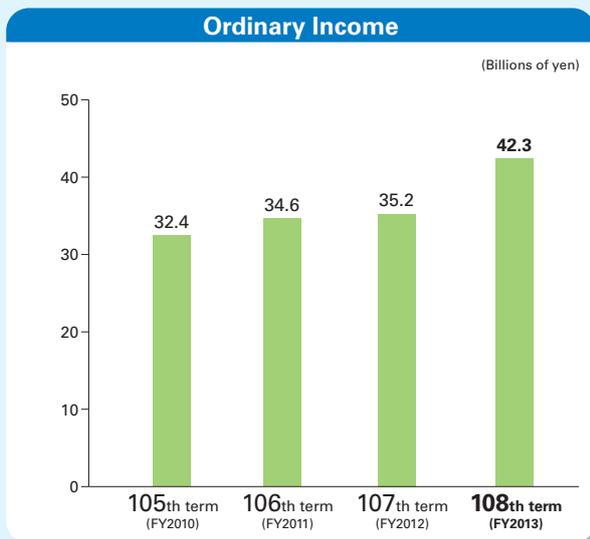
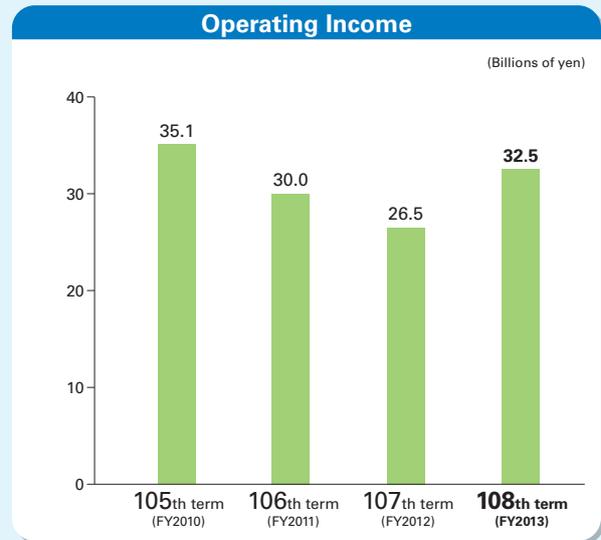
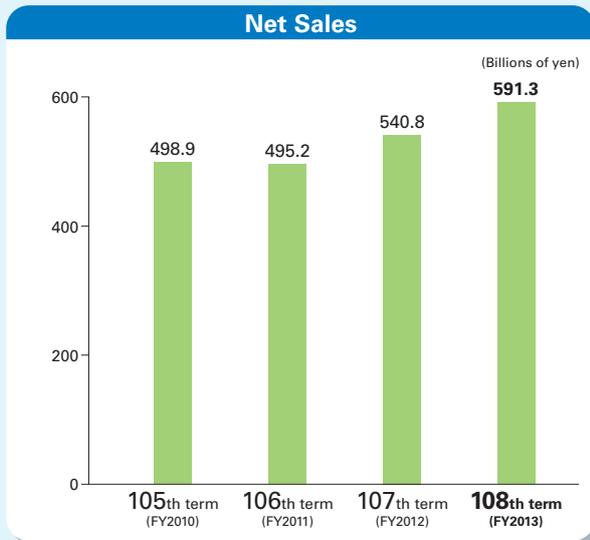
The Group formulated and has implemented a three-year business plan for the three years from April 2011 to March 2014 with the aim of realizing sustainable growth. During this period, while the Group faced severe external business conditions such as the occurrence of massive natural disasters in Japan and overseas, we executed measures steadily and were able to move into the next three-year business plan.

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 2014

# Financial Highlights (Consolidated)



## 1. Current Status of the NOK Group

### (1) Business Overview

#### (i) Business conditions and results

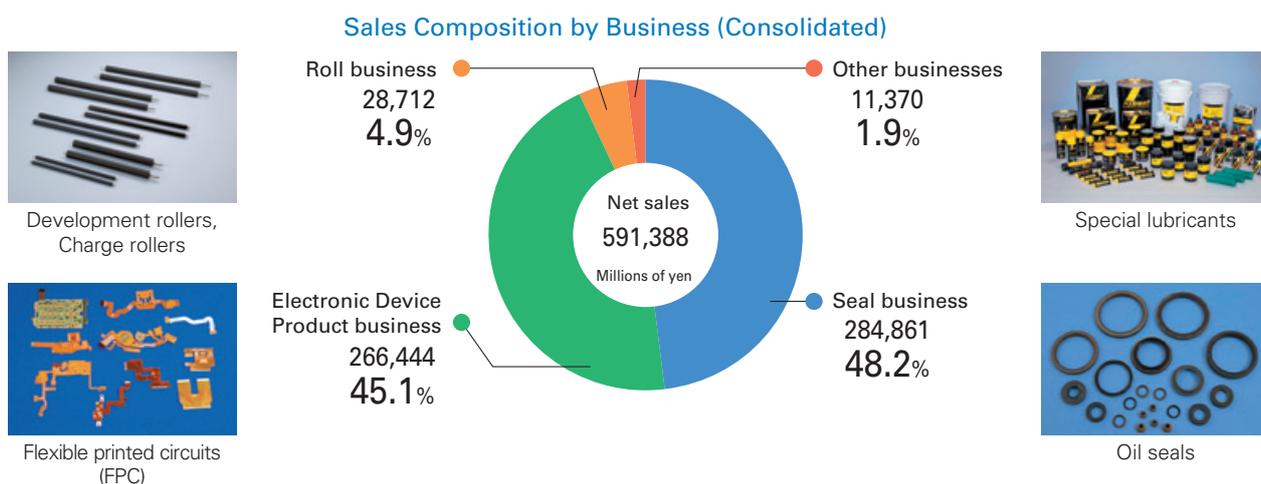
With regard to the operating environment surrounding the NOK Group during the current consolidated fiscal year, the U.S. economy remained robust while the European economy showed signs of recovery. The Chinese economy has been expanding gradually despite some weak developments, and Southeast Asia also showed a mild recovery. In Japan, exports picked up on the back of the government's financial and economic policies, which led to an increase in production and a mild recovery trend overall.

In the automobile industry, demand remained robust in Japan as the negative drop after the termination of the eco-car subsidies turned out to be short-lived, and due to positive effects seen from introducing new cars on the back of a rise in popularity of mini vehicles cars in addition to a last minute surge in demand prior to the rise in consumption tax, among other factors. Overseas, while demand decreased in Thailand due to the termination of the car purchase subsidy scheme as well as the impact of political unrest, demand in countries including China and the U.S. rose.

In the electronic equipment industry, although demand for smartphones and tablet terminals was robust, demand for digital cameras and PCs remained weak due to the shift in demand to such devices.

In the office equipment industry, demand for color printers and copiers recovered in Japan as well as Europe and the U.S. market, and remained robust along with demand for monochrome machines.

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

Sales to automobile manufacturers increased on the back of robust vehicle production overseas due to a recovery in demand for Japanese cars in China, where demand had dropped owing to the deterioration of Japan-China relations, among other factors, and due to positive effects from the launch of new cars as well as a last minute surge in demand prior to the rise in consumption tax in Japan, among other factors. Sales to manufacturers of general industrial machinery also climbed due to an increase in demand for construction machinery in Japan on the back of a rise in order intake for public works as well as a recovery in demand for construction machinery in China.

As a result, net sales ended at ¥284,861 million (up 10.4% year on year). Operating income totaled ¥27,729 million (up 31.3% year on year) due to increased revenue despite increases in personnel and other costs in emerging nations.

### Electronic Device Product business

Sales volumes decreased due to sluggish sales for digital cameras and PCs despite strong demand for products for smartphones and automobiles. However, sales increased on the back of the impact of favorable exchange rate fluctuations.

As a result, net sales improved to ¥266,444 million (up 9.0% year on year). Operating income was at ¥2,045 million (down 57.6% year on year) due to the impact of a temporary but sharp decline in production volume, among other factors, despite efforts to contain personnel and other costs.

### Roll business

Sales increased owing to favorable exchange rate fluctuations despite a slump in demand for printers and copiers as well as replacement parts for copiers.

As a result, net sales increased to ¥28,712 million (up 7.4% year on year). Operating income was ¥2,008 million (compared with an operating loss of ¥12 million for the previous consolidated fiscal year) owing to a reduction in personnel and other costs due to the implementation of drastic business structure reforms, as well as favorable exchange rate fluctuations, among other factors.

### Other businesses

In other businesses including specialty lubricants, net sales dropped to ¥11,370 million (down 3.0% year on year). Operating income rose to ¥768 million (up 37.5% year on year) due to an improved mix of items sold.

In summary, the Group's operating results for the current consolidated fiscal year were as follows: Net sales totaled ¥591,388 million (up 9.3% year on year); operating income rose to ¥32,586 million (up 22.9% year on year); ordinary income amounted to ¥42,313 million (up 20.2% year on year); and net income decreased to ¥21,757 million (down 2.1% year on year) due to an extraordinary loss of ¥5,507 million as an expected contribution by the Company following a recall by a client.

## **(ii) Capital investment and fund procurement**

The Group made capital investments of ¥40,615 million in total (down 23.1% 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 Group is likely to continue to be unpredictable. Factors causing uncertainty include the recovery pace of the U.S. economy, the sustainability of economic growth in China and developments in emerging economies, although a gradual recovery trend is expected to continue in Japan despite the negative drop likely to occur after the last minute surge in demand prior to the rise in consumption tax.

In the seal business, despite an increase in production at overseas production bases on the back of a rise in demand for automobiles in emerging nations such as China and Southeast Asia, etc, the Group is facing issues such as a rise in local personnel costs and intensified competition from overseas competitors. In order to address these challenges, we will continue to make efforts in personnel saving and automation as well as improving the efficiency of our production system based on the concepts of optimum production location and 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 increased fluctuation in demand have become more serious. In order to address such concerns, we will strive to improve and strengthen our profitability by further raising competitiveness through quality improvement and personnel savings, as well as by expanding usage to automobiles and medical equipment, among others.

In the roll business, sales have been sluggish due to changes in the environment such as advances made in office machinery technology and shrinkage of the replacement parts market owing to a rise in durability. We therefore intend to seek increased profitability by making efforts across the sales, production and technology divisions to expand sales and further promoting management efficiency.

While addressing such challenges, the NOK Group has formulated a new three-year plan (from fiscal 2014 to fiscal 2016), which we will implement in an effort to achieve sustainable growth and development towards the future, by focusing on appropriate management of the ever-expanding overseas business, further improvement in quality, development of new products and the fostering of personnel involved in these endeavors.

The NOK Group intends to make efforts across the group based on the following initiatives:

### **[Slogan]**

## **"Building Foundations for Sustainable Growth"**

**— Strengthen existing businesses and develop new products and new businesses —**

### **[Initiatives]**

1. Reviewing MONOZUKURI, the framework of manufacturing
2. Continuing to strive for unrivalled quality
3. Developing new products, new technologies and new businesses
4. Utilizing and fostering our people properly

### (3) 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	105th term (FY2010)	106th term (FY2011)	107th term (FY2012)	108th term (FY2013)
Net Sales	498,932	495,251	540,859	591,388
Operating Income	35,134	30,012	26,519	32,586
Ordinary Income	32,426	34,694	35,202	42,313
Net Income	16,685	16,016	22,216	21,757
Net Income Per Share (Yen)	97.29	93.22	129.06	126.16
Total Assets	525,553	529,431	601,958	663,265
Net Assets	262,484	272,174	320,217	364,411

- 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.
- In the 107th term (FY2012), net sales increased thanks to strong demand for smartphones and tablet terminals, etc. Profits declined due to increases in personnel and other costs in emerging countries.
- As for the business performance in the 108th term (FY2013), 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	105th term (FY2010)	106th term (FY2011)	107th term (FY2012)	108th term (FY2013)
Net Sales	228,828	227,822	228,327	243,646
Operating Income	12,030	15,171	11,468	14,687
Ordinary Income	13,129	16,987	13,088	17,438
Net Income	8,143	9,586	(6,650)	8,461
Net Income Per Share (Yen)	47.44	55.74	(38.60)	49.02
Total Assets	308,554	301,946	283,215	297,649
Net Assets	125,340	134,872	132,049	144,566

- 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.
- In the 108th term (FY2013), owing to increased demand based on gradual economic recovery, sales for the automobile industry and sales to manufacturers of general industrial machinery were firm, leading to increased revenue. In terms of profits, the effect of increased revenues together with efforts to constrain fixed costs enabled profit growth. An extraordinary loss was recorded for the Company's expected contribution following a recall by a client.

#### (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)	RMB420,334,000	- % (93.0)	Manufacture and sale of electronic parts
Roll business	SYNZTEC Co., Ltd.	¥350 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 87 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, 2014)

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, 2014)

### (i) The Company

Name	Location	Name	Location
Head Office	Minato Ward, Tokyo	Nagoya Branch	Nagoya City, Aichi Pref.
Sendai Branch	Sendai City, Miyagi Pref.	Osaka Branch 1	Osaka City, Osaka
Mito Branch	Mito City, Ibaraki Pref.	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.
Matsumoto Branch	Matsumoto City, Nagano Pref.	Nihonmatsu Plant	Nihonmatsu City, Fukushima Pref.
Tama Branch	Kawasaki City, Kanagawa Pref.	Kita Ibaraki Plant	Kita Ibaraki City, Ibaraki Pref.
Kanagawa Branch	Atsugi City, Kanagawa Pref.	Shizuoka Plant	Makinohara City, Shizuoka Pref.
Fuji Branch	Fuji City, Shizuoka Pref.	Tottori Plant	Saihaku-gun, Tottori Pref.
Hamamatsu Branch	Hamamatsu City, Shizuoka Pref.	Kumamoto Plant	Aso City, Kumamoto Pref.
Anjo Branch 1	Anjo City, Aichi Pref.	Shonan Development Center (Fujisawa Plant)	Fujisawa City, Kanagawa Pref.
Anjo Branch 2	Anjo City, Aichi Pref.	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.	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 office	Yokosuka City, Kanagawa Pref.
	Kuki Roll Industrial Co., Ltd.	Head office and factory	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, 2014)

### (i) Employment of the NOK Group

Number of employees	Change from the end of previous term
44,272 (3,789)	- 6,425 (+ 437)

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
3,035 (405)	- 118 (+ 66)	40.1 years old	18.3 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, 2014)

Lenders	Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corp.	36,559
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	25,759
Mizuho Bank, Ltd.	16,630
Bank of Communications Co., Ltd.	5,814
Sumitomo Mitsui Trust Bank, Ltd.	2,590
The Dai-ichi Life Insurance Company, Ltd.	2,380
Development Bank of Japan Inc.	2,150
Nipponkoa Insurance Co., Ltd.	1,223
The Toho Bank, Ltd.	1,147

## 2. Outline of the Company

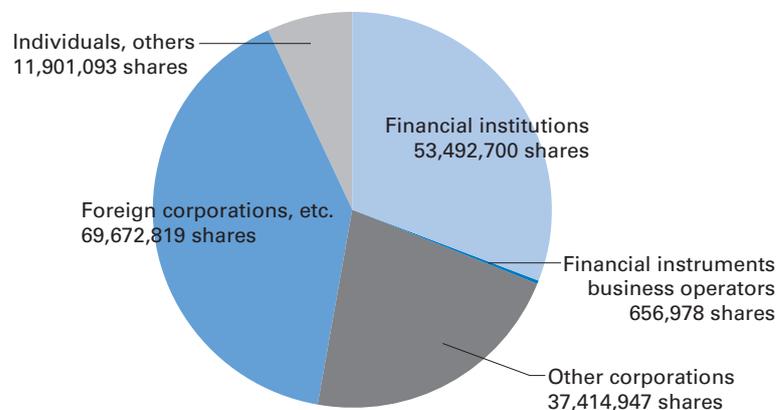
### (1) Status of Stock (as of March 31, 2014)

- (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: **9,075 (a decrease of 2,012 year on year)**
- (iv) Major shareholders

Shareholder	Number of shares held (thousands)	Ratio of shares held (%)
Freudenberg SE	43,457	25.1
Seiwa Jisho Co., Ltd.	8,773	5.1
The Dai-ichi Life Insurance Company, Ltd.	8,000	4.6
Japan Trustee Services Bank, Ltd. (Trust account)	6,880	4.0
Toyota Motor Corp.	6,809	3.9
National Mutual Insurance Federation of Agricultural Cooperatives	5,190	3.0
The Master Trust Bank of Japan, Ltd. (Trust account)	4,722	2.7
Sumitomo Mitsui Banking Corp.	4,270	2.5
Nipponkoa Insurance Co., Ltd.	3,571	2.1
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account re-entrusted by Sumitomo Mitsui Trust Bank, Ltd.)	3,000	1.7

Note: For the basis of the calculation of "ratio of shares held" above, the Company's treasury stock (77,708 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, 2014)

Position	Name	Positions, responsibilities or significant concurrent positions
Chairman of the Board and President	Masato Tsuru	
Senior Managing Director	Takahito Yokouchi	Assistant to the President, Overall responsibility for procurement, General Manager, Corporate Administration Office and Corporate Risk Management Office
Senior Managing Director	Kiyoshi Doi	Assistant to the President, Overall responsibility for Seal business
Senior Managing Director	*Jiro Iida	General Manager, Corporate Planning Office
Senior Managing Director	*Yasuhiko Kuroki	Division Manager, Corporate Sales & Marketing Division
Senior Managing Director	*Akira Watanabe	General Manager, Corporate Finance & Accounting Office
Director	Tetsuji Tsuru	Representative Director & President, Eagle Industry Co., Ltd.
Director	Toshifumi Kobayashi	Representative Director & President, Nippon Mektron, Ltd.
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, Mr. Takahito Yokouchi and Mr. Kiyoshi Doi are Representative Directors.
- Each of the members marked with an asterisk was newly appointed and assumed the position of Director at the 107th Annual Shareholders' Meeting held on June 26, 2013.
- Mr. Hideo Hatsuzawa retired from the position of Director due to the expiration of his term of office at the conclusion of the 107th Annual Shareholders' Meeting held on June 26, 2013.
- Changes in Directors' positions and major responsibilities during this term are as follows:

Name	New position	Old position	Effective date
Takahito Yokouchi	Senior Managing Director, Assistant to the President, Overall responsibility for procurement, General Manager, Corporate Administration Office and Corporate Risk Management Office	Senior Managing Director, Overall responsibility for procurement, General Manager, Corporate Administration Office and Corporate Risk Management Office	June 26, 2013
Kiyoshi Doi	Senior Managing Director, Assistant to the President, Overall responsibility for Seal business	Senior Managing Director, Division Manager, Corporate Sales & Marketing Division	June 26, 2013

- 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.
Yasuhiko Kuroki	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.

- The following changes in Director responsibilities took effect on April 1, 2014.

Name	New	Old
Kiyoshi Doi	Senior Managing Director, Assistant to the President, Overall responsibility for Seal Business General Manager, Corporate Production Control Office	Senior Managing Director, Assistant to the President, Overall responsibility for Seal Business

## (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	264
Corporate Auditors (Outside Corporate Auditors among the above)	5 (3)	61 (18)
Total	14	326

Notes:

1. Number of Directors and the total amount paid include one (1) Director who retired at the conclusion of the 107th Annual Shareholders' Meeting held on June 26, 2013 and remuneration and such like paid to the officer during his term 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 15 out of 15 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.
Corporate Auditor	Eizou Kwarada	Has attended 14 out of 15 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	Osamu Kobayashi	Has attended 15 out of 15 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.

Note: 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.

### (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 Propriety 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, 2014)

(Millions of yen)

Item	FY2013	FY2012 (Reference)	Item	FY2013	FY2012 (Reference)
<b>ASSETS</b>	<b>663,265</b>	<b>601,958</b>	<b>LIABILITIES</b>	<b>298,853</b>	<b>281,740</b>
<b>CURRENT ASSETS</b>	<b>324,784</b>	<b>309,451</b>	<b>CURRENT LIABILITIES</b>	<b>217,918</b>	<b>201,982</b>
Cash and deposits	78,633	65,342	Notes and accounts payable - trade	67,653	61,251
Notes and accounts receivable - trade	158,606	163,807	Short-term loans payable	83,887	81,541
Merchandise and finished goods	26,268	21,657	Income taxes payable	6,011	3,605
Work in process	24,885	25,470	Provision for bonuses	8,227	8,150
Raw materials and supplies	15,747	17,397	Provision for business structure improvement	1,760	1,503
Deferred tax assets	8,621	4,850	Provision for loss on recall product	300	-
Other	12,591	11,676	Deposits received from employees	15,849	16,023
Allowance for doubtful accounts	(570)	(751)	Other	34,228	29,906
<b>NONCURRENT ASSETS</b>	<b>338,480</b>	<b>292,507</b>	<b>NONCURRENT LIABILITIES</b>	<b>80,935</b>	<b>79,758</b>
<b>Property, plant and equipment</b>	<b>200,132</b>	<b>180,469</b>	Long-term loans payable	14,277	29,304
Buildings and structures	78,715	66,438	Provision for retirement benefits	-	43,362
Machinery, equipment and vehicles	80,121	70,347	Net defined benefit liability	59,315	-
Tools, furniture and fixtures	14,452	12,029	Other	7,342	7,091
Land	20,853	18,238	<b>NET ASSETS</b>	<b>364,411</b>	<b>320,217</b>
Lease assets	856	1,076	<b>SHAREHOLDERS' EQUITY</b>	<b>303,038</b>	<b>284,425</b>
Construction in progress	5,133	12,338	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
<b>Intangible assets</b>	<b>2,556</b>	<b>1,477</b>	<b>CAPITAL SURPLUS</b>	<b>22,450</b>	<b>22,450</b>
Goodwill	40	73	<b>RETAINED EARNINGS</b>	<b>257,894</b>	<b>239,637</b>
Other	2,515	1,403	<b>TREASURY STOCK</b>	<b>(642)</b>	<b>(997)</b>
<b>Investments and other assets</b>	<b>135,791</b>	<b>110,560</b>	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>28,508</b>	<b>9,032</b>
Investment securities	108,112	85,144	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>30,181</b>	<b>22,865</b>
Long-term loans receivable from employees	5,492	5,987	<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>	<b>12,920</b>	<b>(13,832)</b>
Deferred tax assets	3,485	2,849	<b>Remeasurements of defined benefit plans</b>	<b>(14,594)</b>	<b>-</b>
Other	18,952	16,868	<b>MINORITY INTERESTS</b>	<b>32,864</b>	<b>26,758</b>
Allowance for doubtful accounts	(251)	(289)	<b>TOTAL</b>	<b>663,265</b>	<b>601,958</b>
<b>TOTAL</b>	<b>663,265</b>	<b>601,958</b>	<b>TOTAL</b>	<b>663,265</b>	<b>601,958</b>

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

## CONSOLIDATED STATEMENT OF INCOME (From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	FY2013		FY2012 (Reference)	
Net Sales		591,388		540,859
Cost of Sales		486,808		449,525
<b>Gross Profit</b>		<b>104,580</b>		<b>91,333</b>
Selling, General and Administrative Expenses		71,994		64,814
<b>Operating Income</b>		<b>32,586</b>		<b>26,519</b>
Non-operating Income				
Interest income	413		347	
Dividends income	1,290		962	
Foreign exchange gains	5,201		5,025	
Equity in earnings of affiliates	4,272		3,146	
Rent income	907		944	
Other	2,175	14,261	1,447	11,874
Non-operating Expenses				
Interest expenses	3,097		2,729	
Other	1,436	4,534	462	3,191
<b>Ordinary Income</b>		<b>42,313</b>		<b>35,202</b>
Extraordinary Income				
Gain on sales of noncurrent assets	410		637	
Insurance income	1,347		2,541	
Other	194	1,951	386	3,565
Extraordinary Loss				
Loss on sales and retirement of noncurrent assets	1,256		963	
Business structure improvement expenses	437		4,052	
Loss on recall products	5,207		-	
Provision for loss on recall products	300		-	
Other	714	7,915	886	5,902
<b>Income before Income Taxes and Minority Interests</b>		<b>36,349</b>		<b>32,865</b>
Income taxes - current	13,035		10,177	
Income taxes - deferred	(1,561)	11,474	(2,272)	7,905
<b>Income before Minority Interests</b>		<b>24,874</b>		<b>24,959</b>
Minority interests in income		3,117		2,743
<b>Net Income</b>		<b>21,757</b>		<b>22,216</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (From April 1, 2013 to March 31, 2014)

(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	239,637	(997)	284,425
Changes of items during the period					
Dividends from surplus			(3,447)		(3,447)
Net income			21,757		21,757
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock				360	360
Change of scope of equity method affiliates			(51)		(51)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	18,257	355	18,613
Balance at the end of current period	23,335	22,450	257,894	(642)	303,038

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	22,865	(13,832)	-	9,032	26,758	320,217
Changes of items during the period						
Dividends from surplus						(3,447)
Net income						21,757
Purchase of treasury stock						(5)
Disposal of treasury stock						360
Change of scope of equity method affiliates						(51)
Net changes of items other than shareholders' equity	7,316	26,753	(14,594)	19,475	6,105	25,581
Total changes of items during the period	7,316	26,753	(14,594)	19,475	6,105	44,194
Balance at the end of current period	30,181	12,920	(14,594)	28,508	32,864	364,411

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

## Reference: Consolidated Cash Flows (From April 1, 2013 to March 31, 2014)

(Millions of yen)

From operating activities	From investing activities	From financing activities	Cash and cash equivalent at the end of period
79,426	(46,644)	(26,823)	78,598

"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, 2014)

(Millions of yen)

Item	FY2013	FY2012 (Ref)	Item	FY2013	FY2012 (Ref)
<b>ASSETS</b>	<b>297,649</b>	<b>283,215</b>	<b>LIABILITIES</b>	<b>153,083</b>	<b>151,165</b>
<b>CURRENT ASSETS</b>	<b>121,140</b>	<b>119,402</b>	<b>CURRENT LIABILITIES</b>	<b>118,991</b>	<b>105,549</b>
Cash and deposits	25,585	29,349	Accounts payable - trade	28,264	27,414
Notes receivable - trade	18,619	18,966	Short-term loans payable	25,923	28,677
Accounts receivable - trade	49,712	47,474	Accounts payable - other	8,822	4,950
Finished goods	8,024	7,985	Income taxes payable	3,744	1,702
Work in process	596	622	Accrued expenses	1,692	1,673
Raw materials and supplies	2,294	2,553	CMS deposits received	34,261	25,239
Deferred tax assets	3,955	2,030	Provision for bonuses	3,604	3,660
Short-term loans receivable	3,025	2,899	Provision for loss on recall product	300	-
Accounts receivables - other	8,355	7,239	Deposits received from employees	11,418	11,673
Other	1,538	1,025	Other	959	557
Allowance for doubtful accounts	(566)	(744)	<b>NONCURRENT LIABILITIES</b>	<b>34,091</b>	<b>45,616</b>
<b>NONCURRENT ASSETS</b>	<b>176,509</b>	<b>163,812</b>	Long-term loans payable	2,117	17,750
<b>Property, plant and equipment</b>	<b>40,564</b>	<b>42,414</b>	Provision for retirement benefits	25,773	25,987
Buildings	18,050	17,471	Deferred tax liabilities	4,497	-
Structures	1,586	1,432	Other	1,704	1,878
Machinery and equipment	10,692	12,161	<b>NET ASSETS</b>	<b>144,566</b>	<b>132,049</b>
Vehicles	154	166	<b>SHAREHOLDERS' EQUITY</b>	<b>114,439</b>	<b>109,069</b>
Tools, furniture and fixtures	2,541	2,536	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
Land	6,245	6,130	<b>CAPITAL SURPLUS</b>	<b>20,397</b>	<b>20,397</b>
Lease assets	70	41	Legal capital surplus	20,397	20,397
Construction in progress	1,223	2,472	<b>RETAINED EARNINGS</b>	<b>71,245</b>	<b>66,234</b>
<b>Intangible assets</b>	<b>49</b>	<b>51</b>	Legal retained earnings	2,983	2,983
<b>Investments and other assets</b>	<b>135,894</b>	<b>121,346</b>	Other retained earnings	68,261	63,250
Investment securities	73,043	59,768	Reserve for special depreciation	18	31
Stocks of subsidiaries and affiliates	38,933	38,927	Reserve for advanced depreciation of noncurrent assets	990	990
Investment in capital of subsidiaries and affiliates	11,270	11,270	Retained earnings brought forward	67,252	62,228
Long-term loans receivable	10,749	12,286	<b>TREASURY STOCK</b>	<b>(538)</b>	<b>(897)</b>
Prepaid pension cost	1,760	-	<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b>30,126</b>	<b>22,979</b>
Guarantee deposits	1,061	1,058	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>30,126</b>	<b>22,979</b>
Other	1,303	1,314	<b>TOTAL</b>	<b>297,649</b>	<b>283,215</b>
Allowance for investment loss	(2,032)	(3,048)			
Allowance for doubtful accounts	(197)	(231)			
<b>TOTAL</b>	<b>297,649</b>	<b>283,215</b>			

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

## STATEMENT OF INCOME (From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	FY2013		FY2012 (Reference)	
Net Sales		243,646		228,327
Cost of Sales		197,290		186,748
<b>Gross Profit</b>		<b>46,356</b>		<b>41,579</b>
Selling, General and Administrative Expenses		31,668		30,110
<b>Operating Income</b>		<b>14,687</b>		<b>11,468</b>
Non-operating Income				
Interest and dividends income	2,462		1,822	
Rent income	858		868	
Other	874	4,195	691	3,382
Non-operating Expenses				
Interest expenses	1,376		1,652	
Other	67	1,443	110	1,762
<b>Ordinary Income</b>		<b>17,438</b>		<b>13,088</b>
Extraordinary Income				
Gain on sales of noncurrent assets	48		59	
Gain on liquidation of subsidiaries and affiliates	182		-	
Reversal of allowance for investment loss	1,016		161	
Other	23	1,271	27	248
Extraordinary Loss				
Loss on sales and retirement of noncurrent assets	328		516	
Loss on valuation of stocks of subsidiaries and affiliates	-		14,171	
Loss on recall products	5,207		-	
Provision for loss on recall products	300		-	
Other	0	5,837	681	15,368
<b>Income (loss) before income taxes</b>		<b>12,873</b>		<b>(2,031)</b>
Income taxes - current	5,594		4,195	
Income taxes - deferred	(1,182)	4,411	423	4,618
<b>Net income (loss)</b>		<b>8,461</b>		<b>(6,650)</b>

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

## STATEMENT OF CHANGES IN NET ASSETS (From April 1, 2013 to March 31, 2014)

(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	31	990	62,228	66,234	(897)	109,069
Changes of items during the period										
Dividends from surplus							(3,450)	(3,450)		(3,450)
Provision of reserve for special depreciation					2		(2)	-		-
Reversal of reserve for special depreciation					(15)		15	-		-
Net income							8,461	8,461		8,461
Purchase of treasury stock									(1)	(1)
Disposal of treasury stock									360	360
Net changes of items other than shareholders' equity										
Total changes of items during the period	-	-	-	-	(12)	-	5,023	5,010	359	5,370
Balance at the end of current period	23,335	20,397	20,397	2,983	18	990	67,252	71,245	(538)	114,439

	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	22,979	22,979	132,049
Changes of items during the period			
Dividends from surplus			(3,450)
Provision of reserve for special depreciation			-
Reversal of reserve for special depreciation			-
Net income			8,461
Purchase of treasury stock			(1)
Disposal of treasury stock			360
Net changes of items other than shareholders' equity	7,146	7,146	7,146
Total changes of items during the period	7,146	7,146	12,516
Balance at the end of current period	30,126	30,126	144,566

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, 2014

To: The Board of Directors  
NOK CORPORATION

Nihombashi Corporation	Certified Public Accountants
Shigehiro Chiba	Certified Public Accountant, Designated Partner, Managing Partner (Seal)
Kenichi Yajima	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, 2013 through March 31, 2014.

***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 and applied 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, 2014 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, 2014

To: The Board of Directors  
NOK CORPORATION

Nihombashi Corporation	Certified Public Accountants
Shigehiro Chiba	Certified Public Accountant, Designated Partner, Managing Partner (Seal)
Kenichi Yajima	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 108th fiscal term from April 1, 2013 through March 31, 2014.

***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 and applied 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 108th fiscal term ended March 31, 2014 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 108th term from April 1, 2013 to March 31, 2014, 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 19, 2014

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)

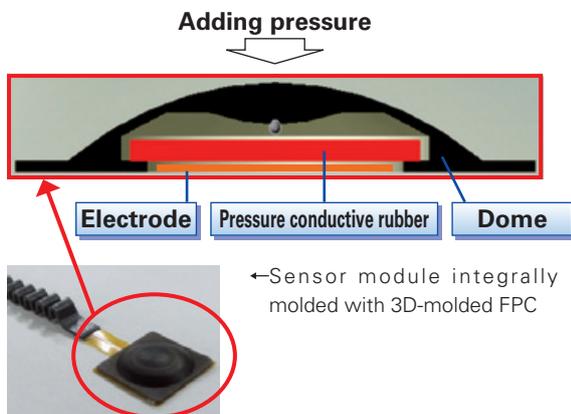
## Pressure Conductive Rubber

NOK developed a pressure conductive rubber that is capable of detecting applied pressure from the strength of electrical resistance. Keeping the flexibility and high elasticity of conventional rubber parts, we made accurate pressure sensing possible by adding electrical conductivity function.

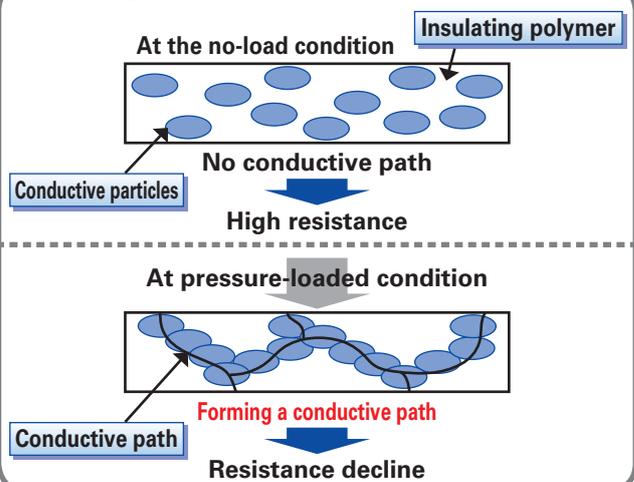
By applying a sensor module with pressure conductive rubber parts to a robot, it becomes possible for the robot to detect information close to the human tactile sense. With this, for instance, we will be able to make the robot conduct more complicated works such as supporting nursing care and rescue activities, and to control the movement of the robot so that it will not damage the things around it. Also, application of this rubber in power-assisted suits is expected. We are going to meet new demand for rubber parts.

### Outline

- ◆ Adding conducting particles to insulating polymer



### Principle and mechanism



### Application examples

- ◆ Application of sensor module to robot hands



- ◆ Application to power-assisted suits



← By applying pressure conductive rubber to the sole, the distribution of strength over the sole can be measured. For instance, the balance of a person who has difficulty in walking can be controlled more accurately by a power-assisted suit.

## Flexible Tactile Sensor

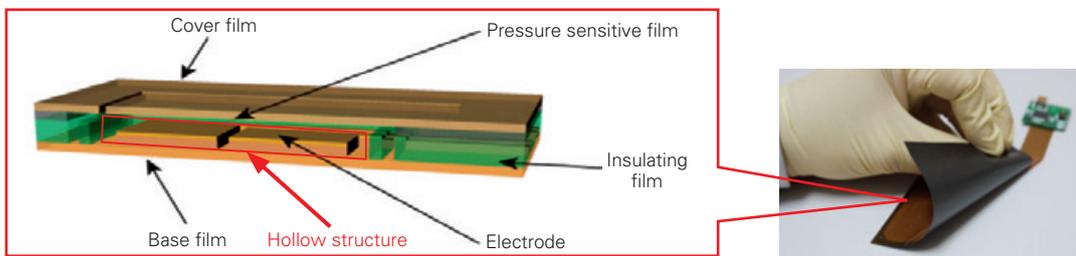
Nippon Mektron, Ltd. developed a flexible tactile sensor with a pressure sensor built into a flexible printed circuit (FPC). In addition to FPC's thin, light and flexible features, the hollow space inside the FPC allows for accurate pressure detection on curved surfaces and movable parts moving materials. Application to next-generation wearable devices and robot hands is expected.

With the existing FPC manufacturing process, it is possible to produce flexible tactile sensors larger in surface size, equipped with multiple elements, and mass-produced, opening the door to meeting a variety of needs.



Wearable devices

### Tactile sensor structure



### Introduction to NOK Group New Factory Buildings



Conceptual image of New Factory Buildings of Thai NOK Co., Ltd.

### Thai NOK Co., Ltd.

We are constructing Thai NOK new factory buildings to meet demand as an expansion of the automobile industry is expected to continue in future as well in the ASEAN area. (Official operation start is scheduled for August 2014.)

The total floor space of the new factory buildings is 21,000 sq. meters. Combined with the existing factories, its total factory floor space will be 109,000 sq. meters, making this factory complex the biggest manufacturing base in the NOK Group.

We aim to further enhance productivity through putting together production of seal items, which consist of rubber only, in the new factory buildings.

# 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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