

Reference Materials attached to Notice of the  
110th Annual Shareholders' Meeting



**Business Report for the 110<sup>th</sup> Term**

From April 1, 2015 to March 31, 2016

**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 Propriety of Operations" in Business Report
- (ii) "Consolidated Statement of Changes in Net Assets" and "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements
- (iii) "Statement of Changes in Net Assets" and "Notes to Financial Statements" in the Financial Statements

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

We would like to express our deepest condolences on those who lost their lives in the 2016 Kumamoto Earthquake and extend our heartfelt sympathy to those affected by the disaster. We sincerely hope for the earliest possible recovery of the disaster-affected areas.

We would appreciate it if you could confirm the business report on the operations and results for the 110th term of the NOK Group (April 1, 2015 to March 31, 2016).

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, 2016, net sales were ¥746,147 million (up 7.6% from the previous fiscal year).

In profit and loss, operating income was ¥48,258 million (down 28.1% from the previous fiscal year) and ordinary income was ¥53,727 million (down 33.5% from the previous fiscal year). Profit attributable to owners of parent was ¥30,053 million (down 35.8% from the previous fiscal year).

During the fiscal year under review, the economic conditions in emerging economies were uncertain. However, the Japanese economy was on a moderate recovery path due to the implementation of stimulus monetary and economic measures by the government, and, combined with the robust U.S. economy, corporate earnings showed signs of improvement.

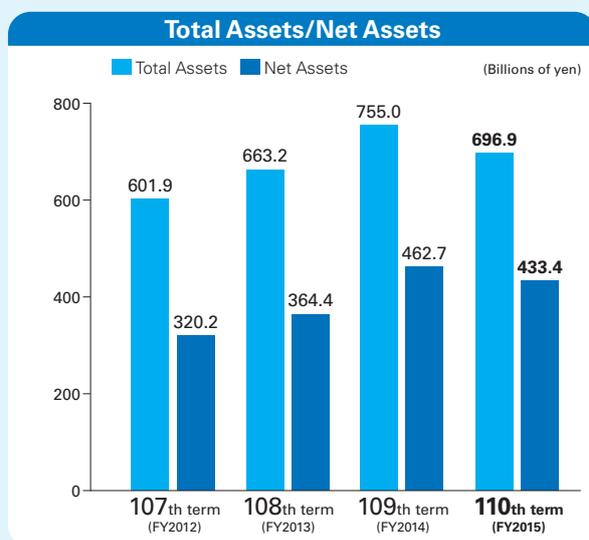
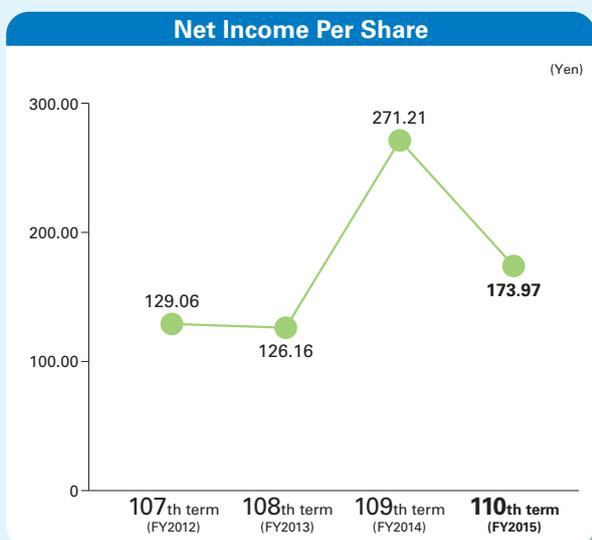
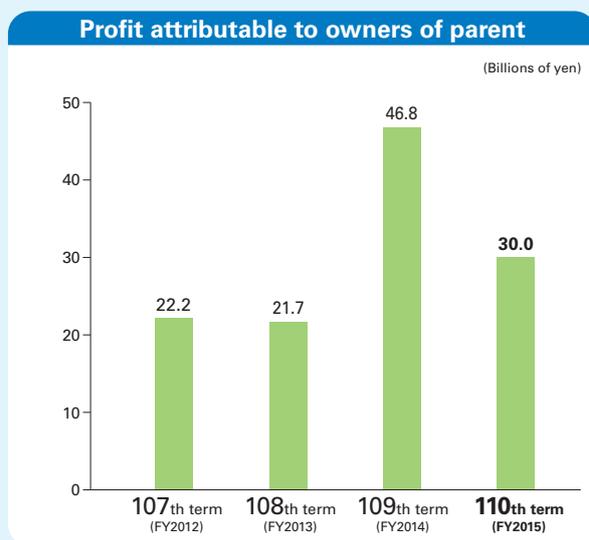
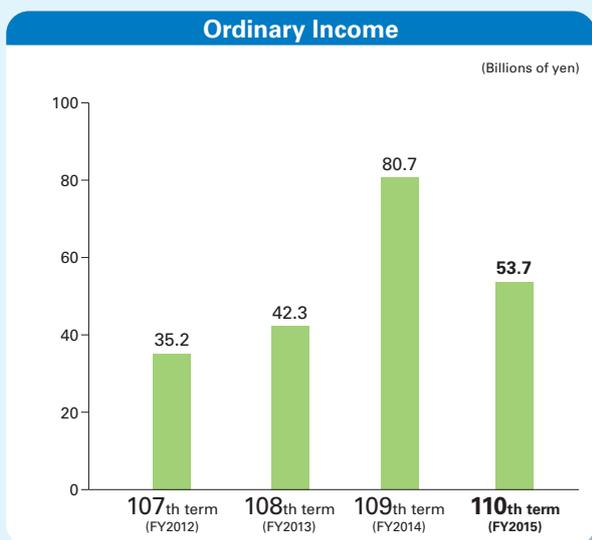
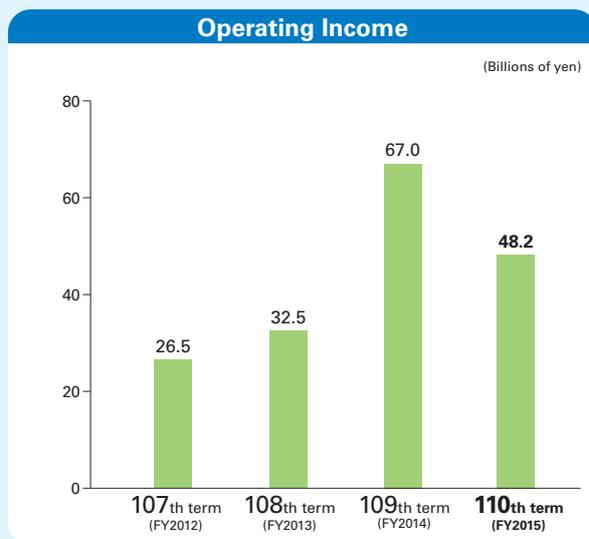
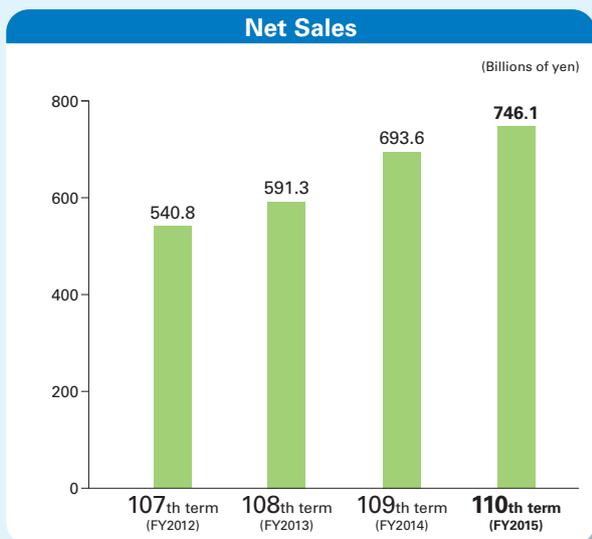
Under these circumstances, net sales of the NOK Group increased from the previous fiscal year due to an increase in sales in the electronic device product business. On the other hand, the Group was faced with the issue of increasing profitability, and has resolutely promoted various measures.

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 2016

# Financial Highlights (Consolidated)



## 1. Current Status of the NOK Group

### (1) Business Overview

#### (i) Business conditions and results

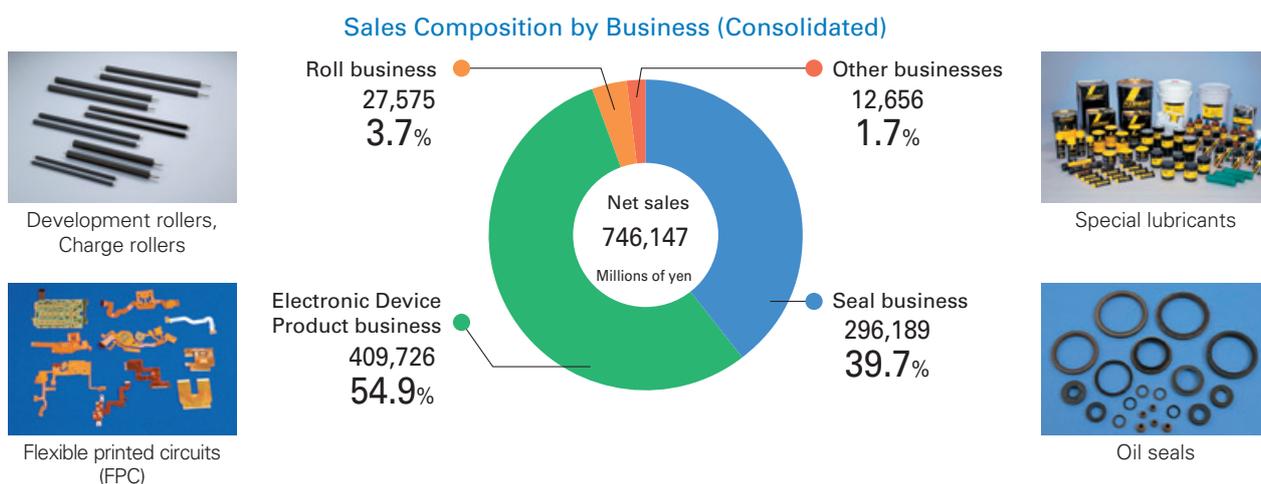
With regard to the operating environment surrounding the NOK Group during the current consolidated fiscal year, the Japanese economy remained on a gradual recovery trend as economic measures including public investment and capital expenditures held steady while consumer spending lacked strength. Overseas, the Chinese economy continued to slow down while the U.S. economy remained robust.

In the automobile industry, recovery from the drop in demand due to the impact of the light vehicle tax hike was slow, and vehicle production decreased. In the overseas market, while demand was weak in Southeast Asian countries such as Thailand, it remained robust in North America.

In the electronic equipment industry, although demand for hard disc drives and digital cameras decreased, demand for smartphones increased.

In the office machine industry, demand for printers decreased, but was robust for multifunction copiers/printers.

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 due to increased demand in North America, the impact of favorable exchange rate fluctuations, etc., although demand in Japan dropped due to the impact of the light vehicle tax hike. However, sales to manufacturers of general industrial machinery decreased due to a drop in demand for construction machinery in Japan and the slowdown of the Chinese economy.

As a result, net sales ended at 296,189 million yen (down 0.2% year on year). Operating income totaled 32,531 million yen (down 2.9% year on year) due to increases in personnel costs in emerging countries and in depreciation and other costs.

### Electronic Device Product business

Sales rose on the back of increased demand for smartphones and automobiles in addition to the impact of favorable exchange rate fluctuations.

As a result, net sales improved to 409,726 million yen (up 15.5% year on year). Operating income dropped to 13,618 million yen (down 55.0% year on year) due to changes in the composition of items and increases in personnel and other costs as well as increases in depreciation, etc.

### Roll business

Sales decreased due to reasons such as a drop in demand for printers.

As a result, net sales decreased to 27,575 million yen (down 9.1% year on year). Operating income was 1,210 million yen (down 50.3% year on year) due to a slump in sales and others.

### Other businesses

In other businesses including special lubricants, net sales improved to 12,656 million yen (up 8.2% year on year), while operating income was 755 million yen (down 3.3% year on year).

In summary, the Group's operating results for the current consolidated fiscal year were as follows: Net sales totaled 746,147 million yen (up 7.6% year on year); operating income dropped to 48,258 million yen (down 28.1% year on year); ordinary income amounted to 53,727 million yen (down 33.5% year on year); and profit attributable to owners of parent decreased to 30,053 million yen (down 35.8% year on year).

## (ii) Capital investment and fund procurement

The Group made capital investments of ¥61,399 million in total (up 48.1% 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.

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

The future operating environment surrounding the Group is likely to continue to see a gradual recovery in Japan as economic measures including public investment and capital expenditures remain strong, despite consumer spending remaining flat. The overseas environment is likely to continue to be unpredictable due to a slowdown trend in the growth of the Chinese economy despite continued robustness of the U.S. economy.

In the seal business, we expect vehicle production to be sluggish due to concerns of a slowdown in growth demand in China and weakness in Southeast Asia, although demand for cars is expected to remain robust in the U.S. Since competition with overseas competitors is projected to intensify, we will make efforts across sales, production and technology divisions to increase sales, reduce personnel, and improve the efficiency of our production system based on the concepts of optimum production location, and will continue to make efforts to improve quality.

In the electronic device product business, issues such as stagnant demand due to a slowdown in the growth of smartphones and a drop in the number of units of hard disc drives, a drop in product selling prices on the back of intensified competition and increased seasonal fluctuation of demand have become more serious. In order to address such concerns, we will expand sales of products for automobiles, as well as make efforts to improve the efficiency of our production system through automation of production processes.

In the roll business, sales are expected to decline due to a slowdown in growth in the office machinery market and a drop in product prices on the back of intensified competition. We therefore intend to seek increased profitability by making efforts across sales and technology divisions to improve competitiveness and expand sales, and by further promoting management efficiency.

While addressing such challenges, the NOK Group will work on the three-year plan (from fiscal 2014 to fiscal 2016) based on the initiatives described below and make Group-wide efforts toward achieving sustainable growth and development into the future, by focusing on appropriately managing the continuously expanding overseas business, further improving quality, developing new products, and fostering personnel involved in these activities.

### [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

\*The NOK Group has a plant in Kumamoto, an area affected by the 2016 Kumamoto Earthquake. Fortunately, there was no severe damage to the buildings and production facilities, and the Kumamoto Plant was restored to almost normal operation about two weeks after the earthquake occurred.

### (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	107th term (FY2012)	108th term (FY2013)	109th term (FY2014)	110th term (FY2015)
Net Sales	540,859	591,388	693,689	746,147
Operating Income	26,519	32,586	67,085	48,258
Ordinary Income	35,202	42,313	80,776	53,727
Profit attributable to owners of parent	22,216	21,757	46,813	30,053
Net Income Per Share (Yen)	129.06	126.16	271.21	173.97
Total Assets	601,958	663,265	755,084	696,989
Net Assets	320,217	364,411	462,754	433,404

- 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.
- In the 108th term (FY2013), net sales increased, due mainly to strong overseas production of automobiles and robust demand for smartphones. Regarding profit and loss, operating income and ordinary income increased due to the positive effects of increased sales. However, profit attributable to owners of parent decreased due to the recording of an extraordinary loss for the Company's expected contribution following a recall by a client.
- In the 109th term (FY2014), net sales increased, due mainly to strong demand for smartphones and increased demand for automobiles in North America and China. Profits increased due to the increase in net sales and cost reduction.
- As for the business performance in the 110th term (FY2015), 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	107th term (FY2012)	108th term (FY2013)	109th term (FY2014)	110th term (FY2015)
Net Sales	228,327	243,646	245,546	239,329
Operating Income	11,468	14,687	17,345	15,243
Ordinary Income	13,088	17,438	22,108	25,043
Net Income	(6,650)	8,461	15,294	21,239
Net Income Per Share (Yen)	(38.60)	49.02	88.48	122.88
Total Assets	283,215	297,649	332,429	323,284
Net Assets	132,049	144,566	170,534	169,600

- 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.
- In the 109th term (FY2014), net sales increased slightly due to strong sales to customers in the automobile industry as consumption fell only to a limited degree as a result of the consumption tax hike. Regarding profit and loss, we achieved profit increases due to our efforts to cut fixed costs and a decline in depreciation resulting from a change in the depreciation method implemented from the 109th term (FY2014). The Company's operating income and ordinary income marked record highs.
- In the 110th term (FY2015), net sales decreased, due to the impact of a slow recovery from the drop in demand in Japan following the light vehicle tax hike, as well as the effects of a decrease in demand for construction machinery in Japan and slowdown of the Chinese economy. Profits increased as a result of a substantial increase in dividends income from subsidiaries. In addition, both ordinary income and net income marked record highs.

#### (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% (1.3)	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 91 consolidated subsidiaries and 26 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, 2016)

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, 2016)

### (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	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.
	Saga Seal Industry Co., Ltd.	Head office and factory	Ureshino City, Saga Pref.
	Thai NOK Co., Ltd.	Head office and factory	Chonburi, Thailand
	Wuxi NOK-Freudenberg Oilseal Co., Ltd.	Head office and factory	Wuxi City, Jiangsu, China
	NOK Asia Co., Pte. Ltd.	Head office	Singapore
	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 Ushiku Plant Kashima Plant	Minato Ward, Tokyo Minato Ward, Tokyo Osaka City, Osaka Tsukuba City, Ibaraki Pref. Ushiku City, Ibaraki Pref. Kamisu City, Ibaraki Pref.
	Mektec Corporation (Taiwan)	Head office and factory	Kaohsiung City, Taiwan
	Mektec Manufacturing Corporation (Thailand) Ltd.	Head office and factory	Ayutthaya, Thailand
	Mektec Manufacturing Corporation (Zhuhai) Ltd.	Head office and factory	Zhuhai City, Guangdong, China
	Mektec Manufacturing Corporation (Suzhou) Ltd.	Head office and factory	Suzhou City, Jiangsu, China
	Mektec 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 Industry Co., Ltd.	Head office and factory	Kuki City, Saitama Pref.
	SYNZTEC (Vietnam) Co., Ltd.	Head office and factory	Haiphong City, Vietnam
	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, 2016)

### (i) Employment of the NOK Group

Number of employees	Change from the end of previous term
46,869 (5,531)	-2,163 (+1,500)

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
3,085 (424)	+34 (-8)	39.9 years old	17.8 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, 2016)

Lenders	Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corp.	28,584
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,064
Mizuho Bank, Ltd.	11,891
Bank of Communications Co., Ltd.	2,805
Mitsubishi UFJ Trust and Banking Corporation	2,200
The Dai-ichi Life Insurance Company, Ltd.	1,839
Sumitomo Mitsui Trust Bank, Ltd.	1,820

## 2. Outline of the Company

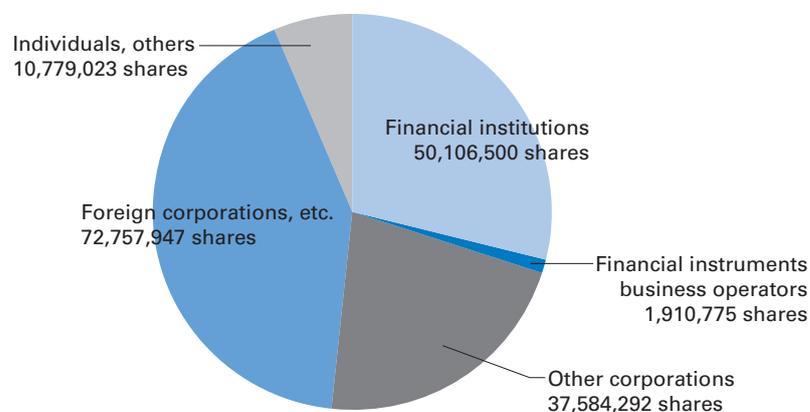
### (1) Status of Stock (as of March 31, 2016)

- (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: **9,890 (an increase of 1,752 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)	7,296	4.2
Toyota Motor Corp.	6,809	3.9
National Mutual Insurance Federation of Agricultural Cooperatives	5,190	3.0
Sumitomo Mitsui Banking Corp.	4,270	2.5
The Master Trust Bank of Japan, Ltd. (Trust account)	3,745	2.2
Sompo Japan Nipponkoa Insurance Inc.	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 (78,371 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, 2016)

Position	Name	Positions, responsibilities or significant concurrent positions
Chairman of the Board and President	Masato Tsuru	
Senior Managing Director	Kiyoshi Doi	Assistant to the President, Overall responsibility for Seal business, General Manager, Corporate Production Control Office
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.
Director	*Kensaku Hogen	
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. Kiyoshi Doi are Representative Directors.
- Mr. Kensaku Hogen (indicated with an asterisk) was newly elected as Director at the 109th Annual Shareholders' Meeting held on June 25, 2015 and assumed the office.
- Mr. Kensaku Hogen serves as Outside Director.
- Mr. Gen Kajitani, Mr. Eizou Kawarada and Mr. Osamu Kobayashi serve as Outside Corporate Auditors.
- The Company designates Outside Directors and Outside Corporate Auditors as independent directors/auditors 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, Thai NOK Co., Ltd. Chairman of the Board & Director, NOK-Freudenberg Asia Holding Co., Pte. Ltd. Chairman of the Board & Director, Wuxi NOK-Freudenberg Oilseal Co., Ltd. Chairman of the Board & Director, Changchun NOK-Freudenberg Oilseal 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.
Kensaku Hogen	Outside Director, 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 Director, 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 (Outside Directors among the above)	8 (1)	251 (5)
Corporate Auditors (Outside Corporate Auditors among the above)	5 (3)	63 (18)
Total	13	315

Notes:

1. 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.
2. 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) Summary of limited liability contract

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

#### (iv) 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 Director Mr. Kensaku Hogen and Corporate Auditor Mr. Gen Kajitani hold concurrent positions, is a trade partner of the Company.

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

Position	Name	Major activities
Director	Kensaku Hogen	Has attended 10 out of 10 Board of Directors meetings during the term, where he made necessary remarks for Items for Resolution.
Corporate Auditor	Gen Kajitani	Has attended 13 out of 14 Board of Directors meetings and 8 out of 8 Board of Corporate Auditors meetings held during the term, where he made necessary remarks for Items for Resolution.
Corporate Auditor	Eizou Kawarada	Has attended 14 out of 14 Board of Directors meetings, and 8 out of 8 Board of Corporate Auditors meetings held during the term, where he made necessary remarks on Items for Resolution.
Corporate Auditor	Osamu Kobayashi	Has attended 14 out of 14 Board of Directors meetings and 8 out of 8 Board of Corporate Auditors meetings held during the term, where he made necessary remarks on Items for Resolution.

Note: Director Mr. Kensaku Hogen was elected in the 109th Annual Shareholders' Meeting held on June 25, 2015. Accordingly, the number of the Board of Directors meetings he was required to attend during the 109th term is different from that for other Outside Directors/Corporate Auditors.

### (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 Act	36
Amount to be paid by the Company and its subsidiaries to the Independent Auditor as financial benefit, such as monetary reward, etc.	70

Notes:

- In the audit contracts between the Company and its Independent Auditor, the fees for audits conducted under the Companies Act and under the Financial Instruments and Exchange Act 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 Act for the year under review show the total.
- Among the Company's major subsidiaries, those located outside Japan are audited by Independent Auditors other than Nihombashi Corporation Certified Public Accountant.
- In accordance with the Practical Guidelines for Cooperation with Independent Auditors published by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors checked on and examined the audit plans of the Independent Auditor, the status of implementation of audits and the basis for calculation of the remuneration estimate, etc. and consented to the remuneration, etc. of the Independent Auditor.

##### (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 Corporate Auditors considers it necessary, the Board of Corporate Auditors will decide details of a proposal on the dismissal or non-reappointment of the Independent Auditor to be presented to a shareholders' meeting.

The Board of Corporate Auditors will dismiss the Independent Auditor with the unanimous consent of all Corporate Auditors in cases where the Independent Auditor is deemed as having fallen under the provisions of each item of Article 340, Paragraph 1 of the Companies Act. 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, 2016)

(Millions of yen)

Item	FY2015	FY2014 (Reference)	Item	FY2015	FY2014 (Reference)
<b>ASSETS</b>	<b>696,989</b>	<b>755,084</b>	<b>LIABILITIES</b>	<b>263,585</b>	<b>292,330</b>
<b>CURRENT ASSETS</b>	<b>323,068</b>	<b>362,275</b>	<b>CURRENT LIABILITIES</b>	<b>156,761</b>	<b>189,349</b>
Cash and deposits	95,881	102,406	Accounts payable - trade	46,958	64,332
Notes and accounts receivable - trade	132,012	160,388	Short-term loans payable	47,132	55,095
Merchandise and finished goods	30,500	31,975	Income taxes payable	2,676	8,352
Work in process	28,485	30,245	Provision for bonuses	8,963	8,847
Raw materials and supplies	16,012	18,400	Provision for business structure improvement	-	669
Deferred tax assets	6,882	6,924	Deposits received from employees	15,943	15,947
Other	13,554	12,217	Other	35,086	36,103
Allowance for doubtful accounts	(261)	(283)	<b>NONCURRENT LIABILITIES</b>	<b>106,823</b>	<b>102,980</b>
<b>NONCURRENT ASSETS</b>	<b>373,921</b>	<b>392,809</b>	Long-term loans payable	21,307	24,162
<b>Property, plant and equipment</b>	<b>222,432</b>	<b>219,807</b>	Deferred tax liabilities	8,544	15,219
Buildings and structures	80,236	86,130	Provision for environmental measures	1,183	400
Machinery, equipment and vehicles	91,149	85,372	Net defined benefit liability	71,459	58,711
Tools, furniture and fixtures	18,037	17,764	Other	4,328	4,486
Land	20,695	21,632	<b>NET ASSETS</b>	<b>433,404</b>	<b>462,754</b>
Lease assets	831	832	<b>SHAREHOLDERS' EQUITY</b>	<b>366,204</b>	<b>348,250</b>
Construction in progress	11,482	8,073	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
<b>Intangible assets</b>	<b>2,895</b>	<b>2,777</b>	<b>CAPITAL SURPLUS</b>	<b>22,735</b>	<b>22,716</b>
Goodwill	-	6	<b>RETAINED EARNINGS</b>	<b>322,251</b>	<b>302,571</b>
Other	2,895	2,771	<b>TREASURY STOCK</b>	<b>(2,119)</b>	<b>(374)</b>
<b>Investments and other assets</b>	<b>148,593</b>	<b>170,224</b>	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>29,239</b>	<b>73,644</b>
Investment securities	120,004	137,447	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>37,023</b>	<b>47,343</b>
Long-term loans receivable from employees	4,257	4,881	<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>	<b>11,724</b>	<b>34,253</b>
Deferred tax assets	3,919	3,107	<b>REMEASUREMENTS OF DEFINED BENEFIT PLANS</b>	<b>(19,507)</b>	<b>(7,952)</b>
Net defined benefit asset	35	2,284	<b>NON-CONTROLLING INTERESTS</b>	<b>37,959</b>	<b>40,860</b>
Other	20,589	22,694	<b>TOTAL</b>	<b>696,989</b>	<b>755,084</b>
Allowance for doubtful accounts	(213)	(190)			
<b>TOTAL</b>	<b>696,989</b>	<b>755,084</b>			

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

## CONSOLIDATED STATEMENT OF INCOME (From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	FY2015		FY2014 (Reference)	
Net Sales		746,147		693,689
Cost of Sales		616,730		548,544
<b>Gross Profit</b>		<b>129,416</b>		<b>145,144</b>
Selling, General and Administrative Expenses		81,158		78,058
<b>Operating Income</b>		<b>48,258</b>		<b>67,085</b>
Non-operating Income				
Interest income	558		498	
Dividends income	2,002		1,624	
Foreign exchange gains	-		7,064	
Equity in earnings of affiliates	5,343		5,055	
Rent income	1,060		951	
Other	2,213	11,178	1,820	17,016
Non-operating Expenses				
Interest expenses	2,289		2,826	
Foreign exchange losses	2,551		-	
Other	868	5,709	500	3,326
<b>Ordinary Income</b>		<b>53,727</b>		<b>80,776</b>
Extraordinary Income				
Gain on sales of noncurrent assets	199		273	
Gain on step acquisitions	346		364	
Settlement money received	149		-	
Other	229	924	165	802
Extraordinary Loss				
Loss on sales and retirement of noncurrent assets	2,508		1,081	
Loss on valuation of investment securities	675		-	
Product compensation costs	1,033		1,000	
Loss on sale of investments in capital	824		-	
Provision for environmental measures	800		400	
Other	970	6,812	407	2,889
<b>Income before Income Taxes and Minority Interests</b>		<b>47,839</b>		<b>78,689</b>
Income taxes - current	11,039		19,071	
Income taxes - deferred	2,977	14,017	7,408	26,480
<b>Net Income</b>		<b>33,822</b>		<b>52,209</b>
Profit attributable to non-controlling interests		3,768		5,395
<b>Profit attributable to owners of parent</b>		<b>30,053</b>		<b>46,813</b>

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

"Consolidated Statement of Changes in Net Assets" and "Notes to Consolidated Financial Statements" are posted on the Company's Internet website at <http://www.nok.co.jp>, pursuant to the laws and regulations and provisions set forth in Article 14 of the Company's Articles of Incorporation.

## BALANCE SHEET (As of March 31, 2016)

(Millions of yen)

Item	FY2015	FY2014 (Ref)	Item	FY2015	FY2014 (Ref)
<b>ASSETS</b>	<b>323,284</b>	<b>332,429</b>	<b>LIABILITIES</b>	<b>153,684</b>	<b>161,895</b>
<b>CURRENT ASSETS</b>	<b>132,326</b>	<b>128,243</b>	<b>CURRENT LIABILITIES</b>	<b>108,849</b>	<b>109,995</b>
Cash and deposits	36,869	32,181	Accounts payable - trade	24,387	24,552
Notes receivable - trade	18,912	18,668	Short-term loans payable	15,222	18,899
Accounts receivable - trade	48,869	51,326	Accounts payable - other	4,346	3,309
Finished goods	8,175	7,986	Income taxes payable	226	2,544
Work in process	606	711	Accrued expenses	1,592	1,741
Raw materials and supplies	1,860	2,303	CMS deposits received	41,091	37,797
Deferred tax assets	1,603	1,662	Provision for bonuses	3,776	3,699
Short-term loans receivable	4,456	3,169	Deposits received from employees	11,413	11,436
Accounts receivables - other	9,544	8,972	Other	6,794	6,014
Other	1,615	1,484	<b>NONCURRENT LIABILITIES</b>	<b>44,834</b>	<b>51,900</b>
Allowance for doubtful accounts	(187)	(224)	Long-term loans payable	9,595	10,967
<b>NONCURRENT ASSETS</b>	<b>190,958</b>	<b>204,186</b>	Provision for retirement benefits	28,021	28,827
<b>Property, plant and equipment</b>	<b>48,714</b>	<b>44,323</b>	Deferred tax liabilities	5,494	10,406
Buildings	16,727	17,546	Other	1,723	1,698
Structures	1,882	1,695	<b>NET ASSETS</b>	<b>169,600</b>	<b>170,534</b>
Machinery and equipment	15,991	12,687	<b>SHAREHOLDERS' EQUITY</b>	<b>132,627</b>	<b>123,512</b>
Vehicles	210	193	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
Tools, furniture and fixtures	4,627	4,084	<b>CAPITAL SURPLUS</b>	<b>20,397</b>	<b>20,397</b>
Land	5,798	6,083	Legal capital surplus	20,397	20,397
Lease assets	62	81	<b>RETAINED EARNINGS</b>	<b>90,945</b>	<b>80,085</b>
Construction in progress	3,414	1,949	Legal retained earnings	2,983	2,983
<b>Intangible assets</b>	<b>46</b>	<b>48</b>	Other retained earnings	87,962	77,102
<b>Investments and other assets</b>	<b>142,196</b>	<b>159,814</b>	Reserve for special depreciation	27	29
Investment securities	79,499	96,062	Reserve for advanced depreciation of noncurrent assets	1,149	1,028
Stocks of subsidiaries and affiliates	40,489	40,470	Retained earnings brought forward	86,785	76,044
Investment in capital of subsidiaries and affiliates	11,875	11,270	<b>TREASURY STOCK</b>	<b>(2,051)</b>	<b>(306)</b>
Long-term loans receivable	6,739	9,266	<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b>36,973</b>	<b>47,021</b>
Prepaid pension cost	1,794	1,764	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>36,973</b>	<b>47,021</b>
Guarantee deposits	1,105	1,076	<b>TOTAL</b>	<b>323,284</b>	<b>332,429</b>
Other	1,508	1,173			
Allowance for investment loss	(715)	(1,155)			
Allowance for doubtful accounts	(101)	(115)			
<b>TOTAL</b>	<b>323,284</b>	<b>332,429</b>			

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

## STATEMENT OF INCOME (From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	FY2015		FY2014 (Reference)	
Net Sales		239,329		245,546
Cost of Sales		192,629		195,504
<b>Gross Profit</b>		<b>46,700</b>		<b>50,042</b>
Selling, General and Administrative Expenses		31,456		32,697
<b>Operating Income</b>		<b>15,243</b>		<b>17,345</b>
Non-operating Income				
Interest and dividends income	9,574		3,965	
Rent income	862		851	
Other	548	10,985	1,162	5,979
Non-operating Expenses				
Interest expenses	924		1,087	
Other	260	1,185	129	1,216
<b>Ordinary Income</b>		<b>25,043</b>		<b>22,108</b>
Extraordinary Income				
Gain on sales of noncurrent assets	7		72	
Reversal of allowance for investment loss	-		877	
Other	2	9	8	957
Extraordinary Loss				
Loss on sales and retirement of noncurrent assets	286		140	
Impairment loss	-		91	
Loss on valuation of investment securities	663		-	
Other	75	1,025	5	236
<b>Income before income taxes</b>		<b>24,027</b>		<b>22,829</b>
Income taxes - current	1,773		3,798	
Income taxes - deferred	1,015	2,788	3,737	7,535
<b>Net Income</b>		<b>21,239</b>		<b>15,294</b>

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

"Statement of Changes in Net Assets" and "Notes to Financial Statements" are posted on the Company's Internet website at <http://www.nok.co.jp>, pursuant to the laws and regulations and provisions set forth in Article 14 of the Company's Articles of Incorporation.

**AUDIT REPORT**

May 16, 2016

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 Companies Act, 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, 2015 through March 31, 2016.

***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, 2016 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, 2016

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 Companies Act, 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 110th fiscal term from April 1, 2015 through March 31, 2016.

***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 110th fiscal term ended March 31, 2016 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 110th term from April 1, 2015 to March 31, 2016, 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

- (1) 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.
- (2) 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 and implemented the auditing procedures as follows.
  - (i) 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. 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.
  - (ii) 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 Companies Act so as to ensure the appropriateness of corporate business activities and its subsidiaries' activities.
  - (iii) 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 business report and accompanying statements, financial statements for the term under review (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements), supplementary statements, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, and consolidated statement of changes in net assets, and notes to consolidated financial statements).

### 2. Results of Audit

#### (1) Results of audit of business report

Board of Corporate Auditors finds:

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

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

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

#### (3) Results of audit of the consolidated financial statements

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

May 18, 2016

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)

## IC tags

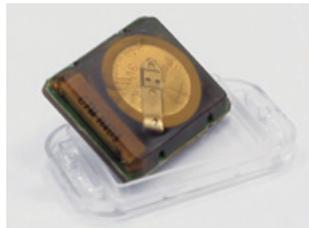
IC tags (\*1) are used in various fields, such as electronic money and merchandise management. NOK Group's unique molding technology using rubbers and resins has enabled the development of IC tags that have excellent water resistance, weather resistance and impact resistance properties. Our IC tags have great potential for applications outdoors and in water, or in new markets with needs for endurance in harsh conditions, such as when clothing is washed with an IC tag attached to it.

### Active IC tags

Active IC tags are ones in which batteries are embedded and they emit electrical waves and enable wireless communication over long distances. By attaching active IC tags to people or objects, it is possible to locate them. In addition, active IC tags equipped with various types of sensors can check on the conditions (temperature, humidity, atmospheric pressure, oscillation, impact and movement, etc.) of people or objects to which they are attached.

#### IC tags for marathon races

This is an IC tag comprising an IC chip and a lithium battery covered with resin and put into a case (approx. 3 cm x 4.5 cm). These IC tags have great potential for use under harsh conditions, such as in triathlons or open water swimming.



### Passive IC tags

Passive IC tags, which do not have built-in batteries, function by converting signals transmitted from readers, etc. into electric power. These IC tags only can provide short-range communication of about several meters, but they operate without a power supply source, such as batteries, almost permanently unless they are damaged. They are used in a wide range of applications, such as non-contact IC tags and IC tags for batch management of merchandise in logistics.

#### Laundry tags

Laundry tags configured with an IC chip-mounted FPC antenna and partially or fully covered with rubber. Due to the use of rubber and FPC, the tags have excellent flexibility, water-proof property, heat resistance and impact resistance.



### NFC (\*2) tags

Tags in which short-range wireless communication technology under international standards is used. By holding NFC-enabled smartphones or other portable devices over an NFC tag, data and information can be exchanged between devices.

#### Multilingual display IC tags

Information is normally available on display panels and tourist information boards only in certain languages due to the limited space and other reasons. By using a multilingual display IC tag, information can be displayed in more than 100 languages, and this perfectly satisfies the needs of in-bound tourists. Multilingual display IC tags are used in various settings, such as tourist sites and exhibition facilities.



Audio tour guide IC tag at Japanese-style garden (Shukkeien Japanese Garden)



Special exhibition "Feeling the Jomon Period" at Nagoya City Museum (examples of commentary display IC tag and content page)

#### Bridge watcher (bridge inspection information tag)

Using this tag enables an inspector to upload the results of bridge inspection to the database on the spot, enabling an efficient management of inspection information.

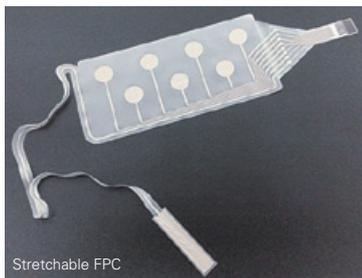
In addition to the above-mentioned uses, NFC tags have potential for applications in multilingual user manuals for electrical appliances and information on evacuation routes to emergency shelters.



(\*1) A small radio system with built-in IC chip and small antenna. It can read information stored in an IC chip or write information in an IC chip by radio wave through dedicated reader/writer.

(\*2) NFC stands for Near Field Communication.

## Stretchable FPC



Nippon Mektron, Ltd. has developed stretchable FPC. Stretchable FPC is configured with newly-developed flexible and stretchable films and stretchable conductive materials, which makes it possible to stretch in multi-directions.

Nippon Mektron, Ltd. has been conducting a joint development project with Sekitani Laboratory of the Institute of Scientific and Industrial Research, Osaka University, which is one of the core research bases of Center of Innovation (COI), major national industry-academia collaborative program led by the

Ministry of Education, Culture, Sports, Science and Technology/Japan Science and Technology Agency. Through this project, we developed a new application of stretchable FPC in Wireless Electroencephalogram (EEG) Patch Sensor.

Conventional electroencephalogram needed to put several wired electrodes over the entire head on a subject, which imposes a great burden on the subject. Therefore, it was difficult to conduct an examination that requires a subject to wear the device for a long time or measure brain waves of children by using such device.

EEG Patch Sensor is a patch-type wireless brain wave sensor, developed through the above-mentioned project, which can be easily attached to the forehead of the subject just like applying a cool soft gel sheet with much less burden on the subject.

With the EEG Patch Sensor, brain wave data can be obtained in real time. Analyzing such data is expected to help clarify the causal relationship between physical conditions of individuals and their brains.

Stretchable FPC is excellent in stretching properties and exhibits high adhesion to skin. In addition, the use of highly breathable materials in stretchable FPC achieved wear comfort for subject without getting clammy sweat under sensors. Stretchable FPC was adopted as a disposable stretchable electrode sheet for vital monitoring system for the EEG Patch Sensor to serve the function of sensing brain waves.



Image of stretchable FPC when stretched

Stretchable FPC also has a special configuration that makes it less likely to cause disconnection even when connected with hard materials. Therefore, stretchable FPC has a very low risk of causing disconnection from stress concentration to junctions, enabling it to be equipped with connector for connection with other devices.



Wireless Electroencephalogram (EEG) Patch Sensor and Stretchable Electrode Sheet for Vital Monitoring System

In addition to the above examples, stretchable FPC is under review for application in robotics fields, such as myoelectrically controlled artificial limbs and power assist suit, and has great potential for various applications in the future.

# 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)

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