



114th Fiscal Term Interim Business Report

April 1, 2019 to September 30, 2019



NOK CORPORATION
(Securities Code 7240)

To Our Shareholders



Masato Tsuru
Chairman of the Board

Kiyoshi Doi
President

To Our Shareholders

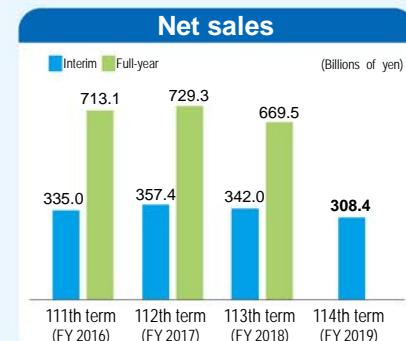
We are pleased to report our business results for the interim period of the 114th term (April 1, 2019 to September 30, 2019). I would like to express my sincere gratitude for your unwavering support again during this term.

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

During the first six months of the current consolidated fiscal year, the business environment surrounding the Group in Japan became increasingly stagnant on the back of a drop in exports mainly to China, despite robustness in domestic demand. Overseas, the Chinese economy slowed down further, as the recovery of domestic demand was delayed and external demand remained weak due to the tariff hikes by the United States. The outlook for overseas economies remains unclear due to the continuing trade war between the United States and China.

Under these circumstances, the Group has promoted various measures with the aim of achieving sustainable growth with an eye toward the future.

Financial Highlights (consolidated)



Note: Figures in financial highlights (consolidated) are rounded off.



In the first half of the fiscal year, the Group's net sales totaled 308,364 million yen, down 9.8% year on year. The Group recorded operating income of 2,164 million yen, down 84.6% year on year; ordinary income of 4,081 million yen, down 77.4% year on year; and profit attributable to owners of parent of 1,370 million yen, down 85.8% year on year.

The domestic business environment for the Group is expected to continue its modest recovery during and after the third quarter. However, the future of the global economy is still unpredictable, with the slowdown of growth in the Chinese economy due in part to the effects of the trade dispute with the United States and other uncertainties.

In the seal business, demand remained strong in Japan, while demand in China and North America entered a stagnant phase. Under such circumstances, as competition with competitors is expected to intensify, we will conduct unified sales promotions involving the sales, production, and engineering departments, and we will use optimized production sites to achieve an efficient production system. We will also continue our efforts for quality improvement.

In the electronic product business, the smartphone market shrank due to the elongated upgrade cycle and was also affected by consumers refraining from purchasing ahead of full-scale introduction of 5G.

Production for use in HDDs saw a mild drop for server applications but significantly decreased for mobile applications. To cope with this situation, we will strive to expand sales of products for automobiles and new applications as well as continue our company-wide efforts to become resilient to change and further improve quality.

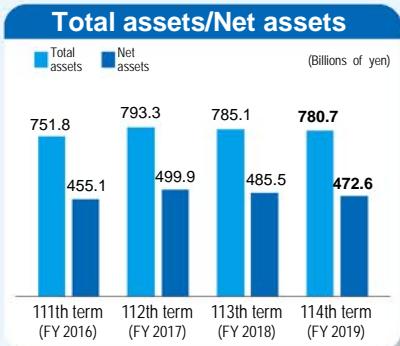
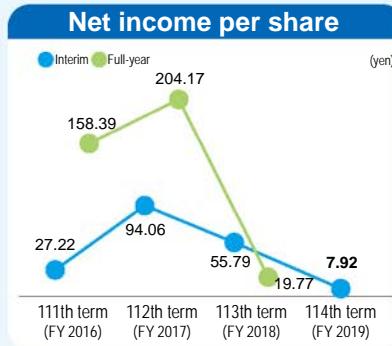
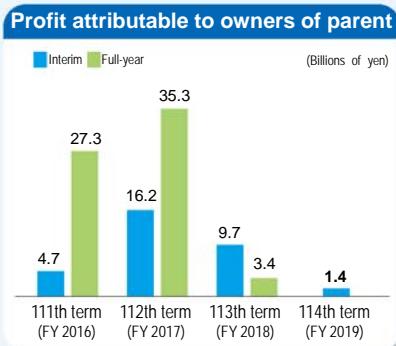
In the roll business, production volume remained flat despite growth in demand for color printers and copiers in the office machinery industry. To cope with this situation, the sales and engineering departments will work together to improve competitiveness in quality and costs as well as expand sales by developing new products. We will also further enhance management efficiency to improve our earning power.

By steadily promoting these measures, the entire Group will work together in order to achieve sustainable growth.

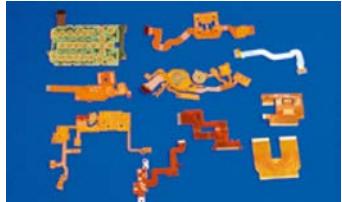
With regard to the interim dividend for this six-month period, we have decided to set it at 25 yen per share.

We are earnest in our determination to endeavor to meet the expectations of our shareholders. We ask for your understanding of the current business climate and our management direction, as well as our commitment. The NOK Group greatly appreciates your continued support and guidance.

December 2019



Business Overview (consolidated)

<p>Seal business</p> <table border="1"> <tbody> <tr> <td>Net sales</td> <td>161,885 million yen</td> </tr> <tr> <td>Year on year growth rate</td> <td>5.8% </td> </tr> <tr> <td>Operating income</td> <td>11,572 million yen</td> </tr> <tr> <td>Year on year growth rate</td> <td>37.0% </td> </tr> </tbody> </table> <p>Sales for automobile applications dropped due to a delay in the recovery of demand in China, despite robust demand in Japan. Sales to manufacturers of general industrial machinery decreased on the back of a drop in demand from manufacturers of construction machinery, machine tools and robots.</p> <p>As a result, net sales decreased to 161,885 million yen (down 5.8% year on year). Operating income totaled 11,572 million yen (down 37.0% year on year) due partially to a decrease in sales as well as increases in personnel and other costs.</p>  <p>Oil seals</p>	Net sales	161,885 million yen	Year on year growth rate	5.8% 	Operating income	11,572 million yen	Year on year growth rate	37.0% 	<p>Roll business</p> <table border="1"> <tbody> <tr> <td>Net sales</td> <td>9,538 million yen</td> </tr> <tr> <td>Year on year growth rate</td> <td>8.3% </td> </tr> <tr> <td>Operating loss</td> <td>134 million yen</td> </tr> <tr> <td colspan="2">Operating income of 52 million yen in the same period of the previous fiscal year</td> </tr> </tbody> </table> <p>Sales declined due to a drop in demand for printer applications. As a result, net sales decreased to 9,538 million yen (down 8.3% year on year). Operating loss amounted to 134 million yen (compared to an operating income of 52 million yen in the same period of the previous fiscal year) on the back of the decline in sales despite efforts to cut costs.</p>  <p>Development rollers, charge rollers</p>	Net sales	9,538 million yen	Year on year growth rate	8.3% 	Operating loss	134 million yen	Operating income of 52 million yen in the same period of the previous fiscal year	
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<p>Electronic product business</p> <table border="1"> <tbody> <tr> <td>Net sales</td> <td>132,332 million yen</td> </tr> <tr> <td>Year on year growth rate</td> <td>14.2% </td> </tr> <tr> <td>Operating loss</td> <td>9,779 million yen</td> </tr> <tr> <td colspan="2">Operating loss of 5,088 million yen in the same period of the previous fiscal year</td> </tr> </tbody> </table> <p>Sales decreased due to weak markets for smartphone, HDD, and automobile applications, and to sluggish demand for FPC and intensified competition for smartphone applications, in particular.</p> <p>As a result, net sales declined to 132,332 million yen (down 14.2% year on year). Operating loss ended at 9,779 million yen (compared to an operating loss of 5,088 million yen in the same period of the previous fiscal year) due to the significant drop in sales, despite a decrease in depreciation and amortization costs.</p>  <p>Flexible printed circuits (FPC)</p>	Net sales	132,332 million yen	Year on year growth rate	14.2% 	Operating loss	9,779 million yen	Operating loss of 5,088 million yen in the same period of the previous fiscal year		<p>Other businesses</p> <table border="1"> <tbody> <tr> <td>Net sales</td> <td>4,608 million yen</td> </tr> <tr> <td>Year on year growth rate</td> <td>15.8% </td> </tr> <tr> <td>Operating income</td> <td>473 million yen</td> </tr> <tr> <td>Year on year growth rate</td> <td>33.1% </td> </tr> </tbody> </table> <p>In other businesses including special lubricants, net sales dropped to 4,608 million yen (down 15.8% year on year). Operating income ended at 473 million yen (down 33.1% year on year).</p>  <p>Specialty lubricants</p>	Net sales	4,608 million yen	Year on year growth rate	15.8% 	Operating income	473 million yen	Year on year growth rate	33.1% 
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TS-Ring: Low-torque seal ring



No.1 technology in the world:
Winner of the 2018 Japanese Society of Tribologists Technology Award

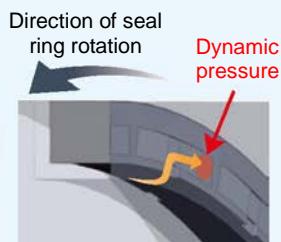
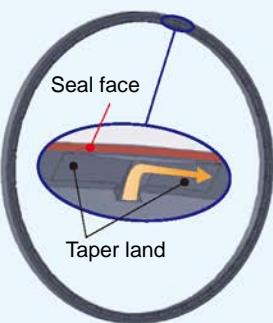
A wide range of seal components are adopted for automatic car transmissions (AT/CVT). In particular, there is an extremely high need for reduced torque in rotary seal rings, which contribute to greater fuel efficiency of cars and are used multiple times in high-pressure, high-speed sliding environments, on the back of recent environmental issues.

NOK has developed the TS-Ring, a seal ring that meets such needs by significantly reducing torque.

With its seal technology, NOK aims to support the improvement of the fuel efficiency of automobiles and contribute to the global environment.



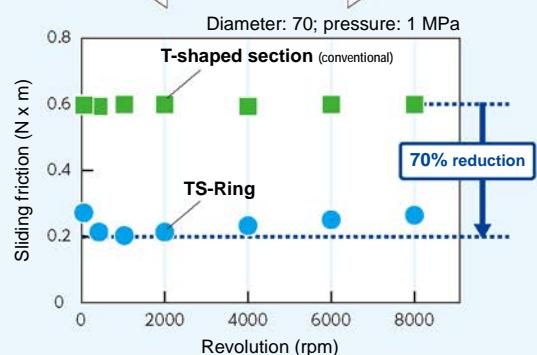
Mechanism of TS-Ring



- Provides a minuscule groove that generates dynamic pressure to the seal ring's sliding face.

- Forms an oil film on the sliding face by dynamic pressure and reduces the friction factor.

Torque reduction effect of the TS-Ring



Corporate Data

Company Profile

(As of September 30, 2019)

Corporate Name	NOK CORPORATION						
Head Office	Mita MT Building, 3-13-12 Mita, Minato-ku, Tokyo 108-0073, Japan (Registered head office address: 1-12-15 Shiba-daimon, Minato-ku, Tokyo, Japan) Telephone: 03-3432-4211 Website: http://www.nok.co.jp						
Established	December 2, 1939						
Capital Stock	23,335 million yen						
Number of Employees	3,550 (Group: 41,745)						
Main Offices	<table><tr><td>Branches</td><td>Sendai, Mito, Utsunomiya, Kumagaya, Tokyo, Matsumoto, Tama, Kanagawa, Fuji, Hamamatsu, Anjo Daiichi, Anjo Daini, Nagoya, Osaka Daiichi, Osaka Daini, Hiroshima, Fukuoka</td></tr><tr><td>Plants</td><td>Fukushima, Nihonmatsu, Kitaibaraki, Tsukuba, Shizuoka, Tokai, Tottori, Kumamoto</td></tr><tr><td>Research Centers</td><td>Shonan Development Center (Fujisawa)</td></tr></table>	Branches	Sendai, Mito, Utsunomiya, Kumagaya, Tokyo, Matsumoto, Tama, Kanagawa, Fuji, Hamamatsu, Anjo Daiichi, Anjo Daini, Nagoya, Osaka Daiichi, Osaka Daini, Hiroshima, Fukuoka	Plants	Fukushima, Nihonmatsu, Kitaibaraki, Tsukuba, Shizuoka, Tokai, Tottori, Kumamoto	Research Centers	Shonan Development Center (Fujisawa)
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Plants	Fukushima, Nihonmatsu, Kitaibaraki, Tsukuba, Shizuoka, Tokai, Tottori, Kumamoto						
Research Centers	Shonan Development Center (Fujisawa)						

Directors, Corporate Auditors and Operating Officers

(As of November 1, 2019)

Directors	Masato Tsuru*, Chairman of the Board Kiyoshi Doi*, President Jiro Iida*, Senior Managing Director Yasuhiro Kuroki*, Senior Managing Director Akira Watanabe, Senior Managing Director Shinji Nagasawa, Senior Managing Director Kensaku Hogen, Director (outside) Makoto Fujioka, Director (outside)
Corporate Auditors	*Those with an asterisk are representative directors. Masanobu Fujii, Standing Auditor Yoshitsugu Mori, Standing Auditor Osamu Kobayashi, Auditor (outside) Hideki Ogawa, Auditor (outside) Atsushi Kajitani, Auditor (outside)
Operating Officers	Shinichi Sawaki, Senior Operating Officer Takeomi Yano, Senior Operating Officer Tetsuya Nakamura, Senior Operating Officer Yuichi Kuroki, Senior Operating Officer Kazuhiro Fujimoto, Senior Operating Officer Yoshihiro Sugaya, Senior Operating Officer Noriyuki Takahashi, Senior Operating Officer Junichi Orita, Senior Operating Officer Yukio Yamazaki, Operating Officer Shoji Hinomoto, Operating Officer Masanobu Kobayashi, Operating Officer Tomio Nakayama, Operating Officer Hiroshi Kamata, Operating Officer Yoshitane Saito, Operating Officer Mitsuhiro Ishida, Operating Officer Masato Ikezaki, Operating Officer

Major Group Companies

Seal business
Main products:
Oil seals
O-rings
Vibration controls
Resin products
Gaskets
Chemical products
Mechanical seals

Unimatec Co., Ltd.
(Kitaibaraki City, Ibaraki Pref.)
NOK Elastomers Processing Co., Ltd.
(Kama City, Fukuoka Pref.)
NOK Fugaku Engineering Co., Ltd. (Kikugawa City,
Shizuoka Pref.)
Saga NOK Corporation (Ureshino City, Saga Pref.)
Thai NOK Co., Ltd. (Chonburi, Thailand)
Wuxi NOK-Freudenberg Oilseal Co., Ltd.
(Wuxi, Jiangsu, China)
NOK Asia Co., Pte. Ltd. (Singapore)
Kansai NOK Hanbai Co., Ltd.
(Osaka City, Osaka Pref.)
NOK-Freudenberg Group Sales (China) Co., Ltd.
(Shanghai, China)

Electronic product business
Main products:
Flexible printed circuits Precision components
Nippon Mektron, Ltd. (Minato-ku, Tokyo) Mektec Corporation (Taiwan) (Kaohsiung, Taiwan) Mektec Manufacturing Corporation (Thailand) Ltd. (Ayutthaya, Thailand) Mektec Manufacturing Corporation (Zhuhai) Ltd. (Zhuhai, Guangdong, China) Mektec Manufacturing Corporation (Suzhou) Ltd. (Suzhou, Jiangsu, China) Mektec Manufacturing Corporation (Vietnam) Ltd. (Hung Yen Province, Vietnam) Mektec Precision Component (Thailand) Ltd. (Ayutthaya, Thailand) Mektec Corporation (Hong Kong) Ltd. (Hong Kong, China)
Roll business
Main products:
Rubber rolls for office equipment
SYNZTEC Co., Ltd. (Yokosuka City, Kanagawa Pref.) Kuki Roll Industry Co., Ltd. (Kuki City, Saitama Pref.) SYNZTEC VIETNAM CO., LTD. (Haiphong City, Vietnam) SYNZTEC (Hong Kong) Co., Ltd. (Hong Kong, China)
Other businesses
Main products:
Specialty lubricants etc.
NOK Klueber Co., Ltd. (Kitaibaraki City, Ibaraki Pref.)

Stock Information



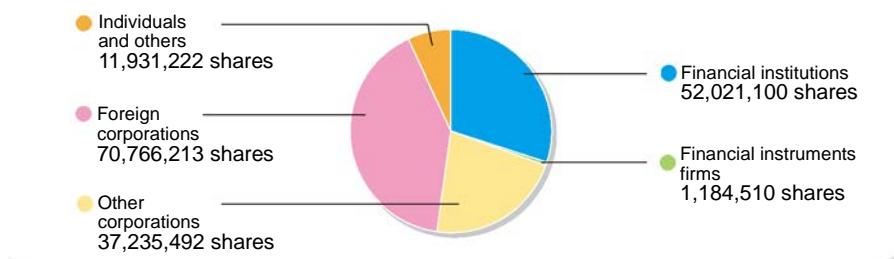
Stock

(As of September 30, 2019)

- Total number of shares authorized to be issued 600,000,000 shares
- Total number of shares in issue 173,138,537 shares
- Number of shareholders 9,253
- Major shareholders

Shareholder	Number of shares held (thousands)	% of shares outstanding
Freudenberg S.E.	43,457	25.1
Japan Trustee Services Bank, Ltd. (Trust account)	9,109	5.3
Seiwa Jisho Co., Ltd.	8,773	5.1
The Dai-ichi Life Insurance Company, Ltd.	8,000	4.6
The Master Trust Bank of Japan, Ltd. (Trust account)	7,310	4.2
Toyota Motor Corp.	6,809	3.9
Sumitomo Mitsui Banking Corp.	4,270	2.5
Sompo Japan Nipponkoa Insurance Inc.	3,036	1.8
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account)	3,000	1.7
NOK Employees Stock Sharing Plan	2,185	1.3

- Share ownership by shareholder category



Shareholder Information

Fiscal term	April 1 to March 31
Ordinary general meeting of shareholders	June
Record dates	For term-end dividend: March 31
	For interim dividend: September 30
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Contact	Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department, 1-1 Nikko-cho, Fuchu-shi, Tokyo Telephone: 0120-232-711 (toll free) Mailing address: New Tokyo Post Office PO Box No. 29, 137-8081 Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department
Public notice	Public notices of the Company shall be given electronically on its website (http://www.nok.co.jp): provided, however, that when electronic public notice cannot be made due to accidents or other unavoidable reasons, public notices of the Company shall be given by publication in the Nihon Keizai Shimbun.
Trading unit	100 shares
Stock listing	Tokyo Stock Exchange 1st Section Abbreviation: NOK (Code 7240)

NOK website

Our website includes financial results and various other information to facilitate the further understanding of NOK.

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



(Notes)

1. Change of address, etc.

(1) Shareholders are required to process changes of address and other matters concerning their shareholding in the Company through the account management institutions (securities companies, etc.) at which their accounts are held. Please contact your account management institution for details. The transfer agent will not process these matters.

(2) The account management institution for shares recorded in special accounts is Mitsubishi UFJ Trust and Banking Corporation. For the details about the processing of matters concerning such shares, please contact Mitsubishi UFJ Trust and Banking Corporation. Branches of Mitsubishi UFJ Trust and Banking Corporation in Japan serve as liaison offices for the head office.

2. Unpaid dividends

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

3. Information on use of My Number for administration of shares

The Social Security and Tax Numbers ("My Number") of each individual issued by municipal government offices are necessary for processing tax matters related to NOK shareholders. Accordingly, shareholders are requested to submit their My Numbers to the administrators of their accounts. (For inquiries on this matter, please follow the instructions in "1. Change of address, etc." above.)

Information on the request for purchase of fractional shares

—For shareholders with fractional (less than 100) shares—

Fractional shares constituting less than one trading unit (100 shares) are subject to restrictions such as not being tradable on securities markets. However, shareholders may sell such shares to the Company at market value by making a request for repurchase. The details are as follows:

- (1) For details of the procedure and fee concerning request for repurchase of fractional shares recorded in your accounts at securities companies, etc., please contact the relevant company.
- (2) Fractional shares recorded in special accounts may be sold at market value and without fee, subject to the procedure established by the Company. Please contact Mitsubishi UFJ Trust and Banking Corporation for details of the procedure.



NOK CORPORATION