



Reference Materials attached to Notice of
the 114th Annual Shareholders' Meeting

Business Report for the 114th Term

From April 1, 2019 to March 31, 2020



NOK CORPORATION

(Securities Code No. 7240)

To Our Shareholders



Chairman of the Board
Masato Tsuru

President
Kiyoshi Doi

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

- (i) "System for Ensuring Properness 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 appreciate it if you could confirm the business report on the operations and results for the 114th term of the NOK Group (April 1, 2019 to March 31, 2020).

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 NOK Group develops business management based on this policy.

In the consolidated business results for the fiscal year ended March 31, 2020, net sales were 626,815 million yen (down 6.4% from the previous fiscal year). In profit and loss, operating income was 12,028 million yen (down 48.0% from the previous fiscal year) and ordinary income was 17,373 million yen (down 44.2% from the previous fiscal year). Loss attributable to owners of parent was 2,218 million yen (compared to a profit attributable to owners of parent of 3,419 million yen in the previous fiscal year).

During the consolidated fiscal year under review, there is a rapid downturn with companies around the world shutting down their production activities due to the impact of the novel coronavirus outbreak, on top of sluggish exports owing to a slowdown of overseas economies and the effects of large typhoons. The coronavirus pandemic has been raising uncertainty in the global economy as a whole.

Under such circumstances, the NOK Group saw both net sales and operating income decline due to a decrease in sales of the Seal business and the Electronic Product business. Economic recovery largely depends on the novel coronavirus outbreak being contained and it is extremely difficult to accurately predict when that will happen.

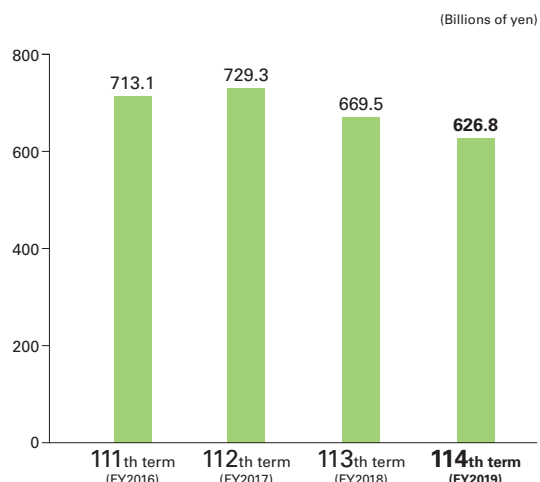
For details, please refer to the "Business Report" mentioned below.

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

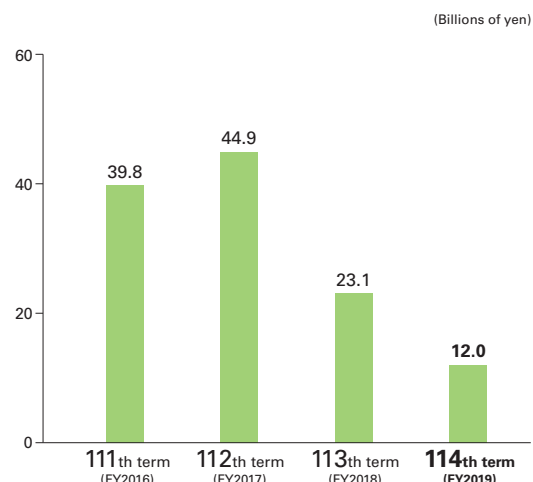
June 2020

Financial Highlights (Consolidated)

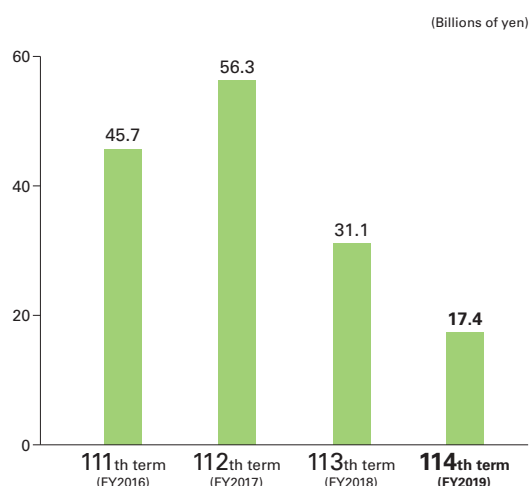
Net Sales



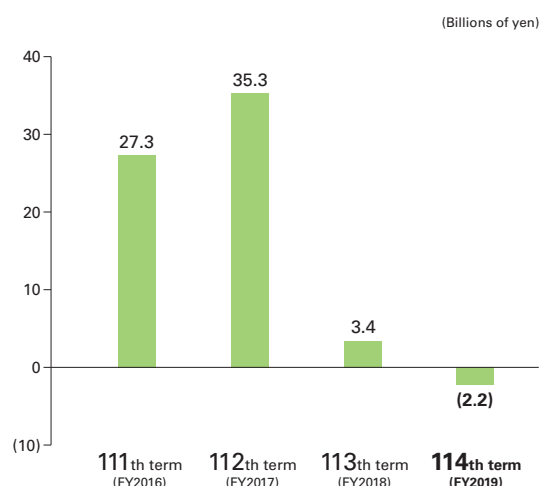
Operating Income



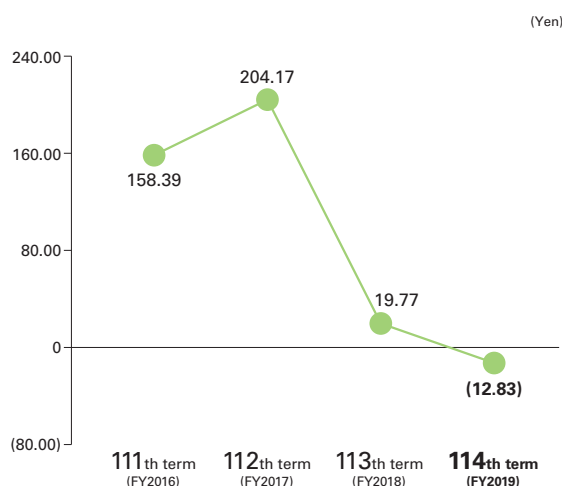
Ordinary Income



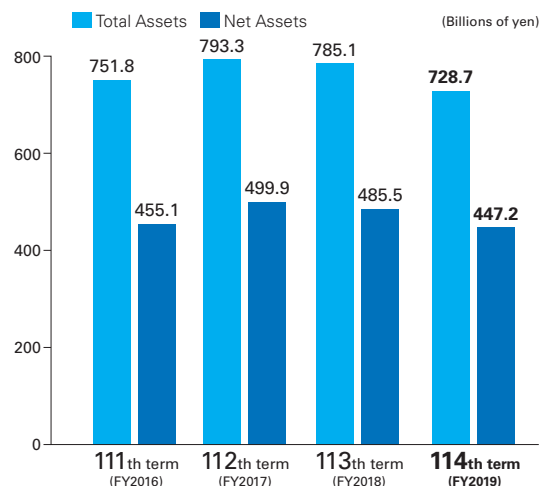
Profit (Loss) Attributable to Owners of Parent



Net Income (Loss) Per Share



Total Assets/Net Assets



Note: Amounts described in Financial Highlights (Consolidated) are rounded off to the nearest described point.

1. Current Status of the NOK Group

(1) Business Overview

(i) Business conditions and results

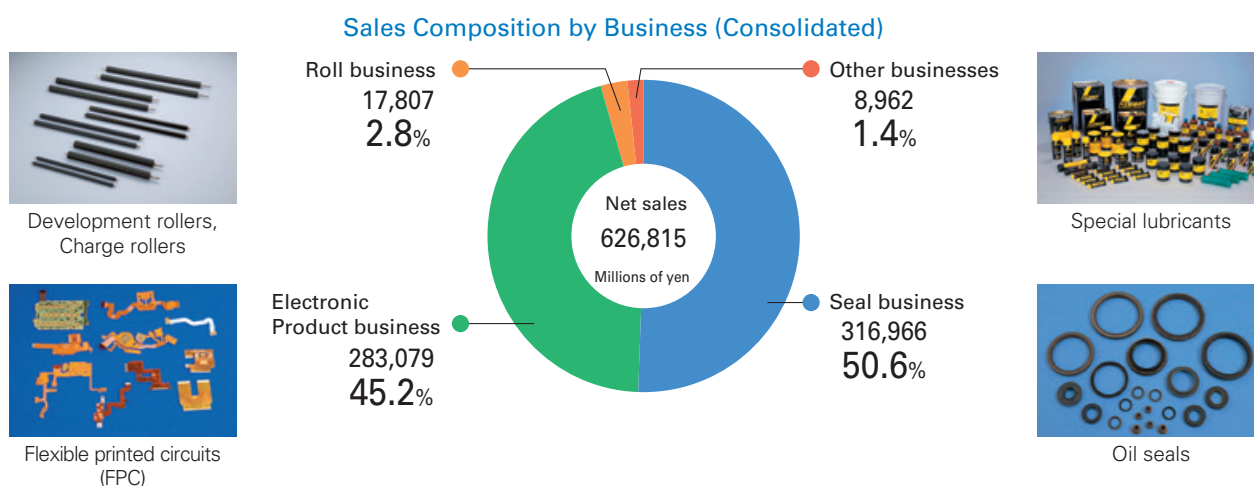
With regard to the operating environment surrounding the NOK Group during the current consolidated fiscal year, the Japanese economy has been rapidly getting worse due to the impact of the novel coronavirus disease outbreak, on top of sluggish exports owing to a slowdown of overseas economies and the effects of large typhoons. Overseas economy also faced a rapid downturn with companies around the world shutting down their production activities due to the impact of the novel coronavirus disease. The coronavirus pandemic has been raising uncertainty in the global economy as a whole.

In the automobile industry, demand remained strong in Japan due to the limited impact of the consumption tax hike, while demand remained weak in the Chinese and North American markets.

In the electronic equipment industry, the production volume of smartphones, HDDs, and digital cameras declined.

In the office machinery industry, production volume was almost flat despite a growth in demand for color printers and copiers.

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



■ Results of the Business Activities by Business Segment

Seal business

Sales for automobile applications decreased primarily due to the continued weakness of the Chinese, Southeast Asian, and North American markets and the plant shutdowns on a global level because of the novel coronavirus disease outbreak in the fourth quarter, although demand in Japan remained robust in the first half of the current fiscal year. 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.

As a result, net sales stood at 316,966 million yen (down 7.2% year on year). Operating income amounted to 24,290 million yen (down 32.9% year on year) primarily due to a decline in net sales and an increase in depreciation and amortization costs.

Electronic Product business

Although demand from automotive manufacturers remained unchanged, sales decreased due to a decline in demand from manufacturers of smartphones and digital cameras.

As a result, net sales ended at 283,079 million yen (down 4.8% year on year). Operating loss totaled 12,600 million yen (compared to an operating loss of 14,151 million yen in the previous fiscal year) due to decreases in personnel expenses and depreciation and amortization costs, despite a drop in sales.

Roll business

Sales declined due to the impact of the novel coronavirus disease outbreak as well as a drop in demand for printer components and unfavorable exchange rate movements.

As a result, net sales stood at 17,807 million yen (down 11.3% year on year). Operating loss came to 751 million yen (compared to an operating loss of 129 million yen in the previous fiscal year) due to the effect of a decline in sales outweighing cost-cutting efforts.

Other businesses

In other businesses including special lubricants, net sales dropped to 8,962 million yen (down 13.5% year on year). Operating income stood at 996 million yen (down 17.2% year on year).

In summary, the NOK Group posted the following results for the consolidated fiscal year under review: Net sales totaled 626,815 million yen (down 6.4% year on year); operating income was 12,028 million yen (down 48.0% year on year); and ordinary income amounted to 17,373 million yen (down 44.2% year on year), resulting in 2,218 million yen in loss attributable to owners of parent (compared to a profit attributable to owners of parent of 3,419 million yen in the previous fiscal year).

(ii) Capital investment and fund procurement

The NOK Group made capital investments of 47,669 million yen in total (down 33.3% 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

In the future operating environment surrounding the NOK Group, the impact of the novel coronavirus disease outbreak is still increasing, not only causing an economic downturn in Japan, but also affecting the entire world economy. Economic recovery largely depends on the novel coronavirus disease outbreak being contained and it is extremely difficult to predict when that will happen.

In the seal business, we expect vehicle demand in Japan, China, Southeast Asia, and North America to remain extremely uncertain. Among manufacturers of general industrial machinery, demand from manufacturers of construction machinery and machine tools in Japan is also expected to decrease. In addition, competition from Japanese and overseas competitors is projected to intensify. To address this situation, we will make efforts across the sales, production, and technology divisions to increase sales and improve the efficiency of our production system based on the concepts of optimum production location, and will continue to make efforts to develop new products, improve quality, and reduce fixed costs.

In the electronic product business, issues such as sluggish demand due to a drop in the number of units of high-performance smartphones and HDDs and increased seasonal fluctuations of demand have become more serious. There is uncertainty over sales to the automotive industry due to sluggish global automotive production. To address such concerns, we will expand sales of products for new use, and promote the reorganization of production bases in order to secure production capacity that will meet future demand, as well as continue to exert efforts company-wide to make the company resilient to change and further improve quality.

In the roll business, sales are expected to decline due to a slowdown of growth in the office machinery market caused by the paperless office environment and reduced need for investments in office equipment, falling demand for printers, and a drop in product prices on the back of intensified price competition. We, therefore, intend to seek increased profitability by making efforts to improve competitiveness in quality and cost and by further promoting management efficiency, as well as further to expand sales by developing new products.

Furthermore, we will make continued efforts to improve profitability by controlling investment and reducing personnel and other expenses in each business, and reinforce our financial position.

In a harsh operating environment as stated above, the NOK Group will ensure that it prevents the further spread of the novel coronavirus disease, and has developed and decided to implement a three year plan (FY2020 to FY2022) for its sustainable growth with an eye towards the future, focusing on increasing sales through the appropriate management of its expanding overseas operations and the development of new products, further improving quality, implementing Business Continuity Management (BCM) in preparation for natural disasters, increasing operational efficiency, promoting digitalization, and developing human resources who can carry out these operations.

The NOK Group will work together as one based on the following initiatives.

Slogan [Key Corporate Objective]

"Flexible response to changes and Re-challenge to be a Sustainable Company"

[Initiatives]

1. Moving away from dependence on specific customers
—Expansion of sales across businesses and creation of new businesses for a well balanced mix of customers
2. Repositioning quality management to origin
3. Operating practical and effective BCM
4. Advancing digitalization that will lead to higher competitiveness and profitability
5. Implementing management spirit that respects human dignity
—Fostering vibrant people and supporting flexible and diverse work styles

(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	111th term (FY2016)	112th term (FY2017)	113th term (FY2018)	114th term (FY2019)
Net Sales	713,138	729,341	669,482	626,815
Operating Income	39,776	44,934	23,140	12,028
Ordinary Income	45,709	56,291	31,135	17,373
Profit (Loss) Attributable to Owners of Parent	27,328	35,281	3,419	(2,218)
Net Income (Loss) Per Share (Yen)	158.39	204.17	19.77	(12.83)
Total Assets	751,797	793,314	785,133	728,695
Net Assets	455,111	499,894	485,498	447,238

- In the 111th term (FY2016), net sales decreased, due mainly to a drop in sales to smartphone applications and unfavorable exchange rate movements. Profits decreased due to the decrease in the sales.
- In the 112th term (FY2017), net sales increased, due mainly to robust demand for use in automobiles in Japan as well as strong demand from Japanese car manufacturers in China. Profits increased due to the increase in sales.
- In the 113th term (FY2018), net sales decreased due to the impacts of a fall in the production of high-performance smartphones. Profits decreased due to lower sales, and higher personnel and other expenses and depreciation and amortization costs.
- As for the business performance in the 114th term (FY2019), 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	111th term (FY2016)	112th term (FY2017)	113th term (FY2018)	114th term (FY2019)
Net Sales	256,404	254,010	256,203	239,123
Operating Income	16,857	19,805	18,257	10,303
Ordinary Income	26,386	33,216	28,466	24,945
Net Income	19,813	26,144	21,251	18,905
Net Income Per Share (Yen)	114.77	151.21	122.80	109.24
Total Assets	348,588	369,125	371,116	360,055
Net Assets	192,174	220,385	223,340	220,515

- In the 111th term (FY2016), 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, despite damage to some of our facilities by the Kumamoto Earthquake at the beginning of the term. Similarly, profits grew mainly due to a revenue increase. Ordinary income reached a record high.
- In the 112th term (FY2017), 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. Profits increased as a result of a substantial increase in dividends income from subsidiaries as well as a revenue increase. In addition, the Company's operating income, ordinary income and net income all marked record highs.
- In the 113th term (FY2018), 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. Profits decreased as a result of an increase in personnel and other expenses and a decrease in dividends income from subsidiaries.
- In the 114th term (FY2019), revenue decreased due to the impacts of reduced sales for the automobile industry and sales to manufacturers of general industrial machinery. Profits decreased as a result of increases in personnel and other expenses, as well as a loss on valuation of investment securities and an impairment loss on noncurrent assets.

(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)	RMB350,622,000	- % (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 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) (China)	RMB791,236,000	- % (96.3)	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 92 consolidated subsidiaries and 21 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, 2020)

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 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, 2020)

(i) The Company

Name	Location	Name	Location
Head Office	Minato Ward, Tokyo	Osaka Branch 1	Osaka City, Osaka
Sendai Branch	Sendai City, Miyagi Pref.	Osaka Branch 2	Osaka City, Osaka
Mito Branch	Mito City, Ibaraki Pref.	Hiroshima Branch	Hiroshima City, Hiroshima Pref.
Utsunomiya Branch	Utsunomiya City, Tochigi Pref.	Fukuoka Branch	Fukuoka City, Fukuoka Pref.
Kumagaya Branch	Kumagaya City, Saitama Pref.	Fukushima Plant	Fukushima City, Fukushima Pref.
Tokyo Branch	Minato Ward, Tokyo	Nihonmatsu Plant	Nihonmatsu City, Fukushima Pref.
Matsumoto Branch	Matsumoto City, Nagano Pref.	Kita Ibaraki Plant	Kita Ibaraki City, Ibaraki Pref.
Tama Branch	Kawasaki City, Kanagawa Pref.	Tsukuba Plant	Tsukuba City, Ibaraki Pref.
Kanagawa Branch	Atsugi City, Kanagawa Pref.	Shizuoka Plant	Makinohara City, Shizuoka Pref.
Fuji Branch	Fuji City, Shizuoka Pref.	Tokai Plant	Kikugawa City, Shizuoka Pref.
Hamamatsu Branch	Hamamatsu City, Shizuoka Pref.	Tottori Plant	Saihaku-gun, Tottori Pref.
Anjo Branch 1	Anjo City, Aichi Pref.	Kumamoto Plant	Aso City, Kumamoto Pref.
Anjo Branch 2	Anjo City, Aichi Pref.	Shonan Development Center (Fujisawa Plant)	Fujisawa City, Kanagawa Pref.
Nagoya Branch	Nagoya City, Aichi 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.
	NOK FUGAKU ENGINEERING Co., Ltd.	Head office and factory	Kikugawa City, Shizuoka Pref.
	Saga NOK Corporation	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 Product business	Nippon Mektron, Ltd.	Head office Tokyo Branch Osaka Branch Ushiku Plant Kashima Plant	Minato Ward, Tokyo Minato Ward, Tokyo Osaka City, Osaka 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)	Head office and factory	Suzhou City, Jiangsu, China
	Mektec Manufacturing Corporation (Vietnam) Ltd.	Head office and factory	Hung Yen Province, Vietnam
	Mektec Precision Component (Thailand) Ltd.	Head office and factory	Ayutthaya, Thailand
Roll business	Mektec Corporation (Hong Kong) Ltd.	Head office and sales office	Hong Kong, China
	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
Other businesses	SYNZTEC (Hong Kong) Co., Ltd.	Head office and sales office	Hong Kong, China
	NOK Klüber Co., Ltd.	Kita Ibaraki Plant	Kita Ibaraki City, Ibaraki Pref.

(7) Employee Status (as of March 31, 2020)

(i) Employment of the NOK Group

Number of employees	Change from the end of previous term
40,492 (2,726)	-1,759 (-289)

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
3,529 (389)	+110 (-21)	40.1 years old	17.6 years

Note: The number of employees refers to the number of people employed by the Company, excluding part-time workers and temporary workers. Figures in parentheses are the average number of part-time workers and temporary workers on an annual basis.

(8) Major Lenders to the Company (as of March 31, 2020)

Lenders	Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corp.	40,702
MUFG, Bank, Ltd.	14,077
Mizuho Bank, Ltd.	12,623
The Dai-ichi Life Insurance Company, Ltd.	1,474
Sumitomo Mitsui Trust Bank, Ltd.	1,389
Sompo Japan Nipponkoa Insurance Inc.	633

Note: Sompo Japan Nipponkoa Insurance Inc. changed its trade name to Sompo Japan Insurance Inc. as of April 1, 2020.

2. Outline of the Company

(1) Status of Stock (as of March 31, 2020)

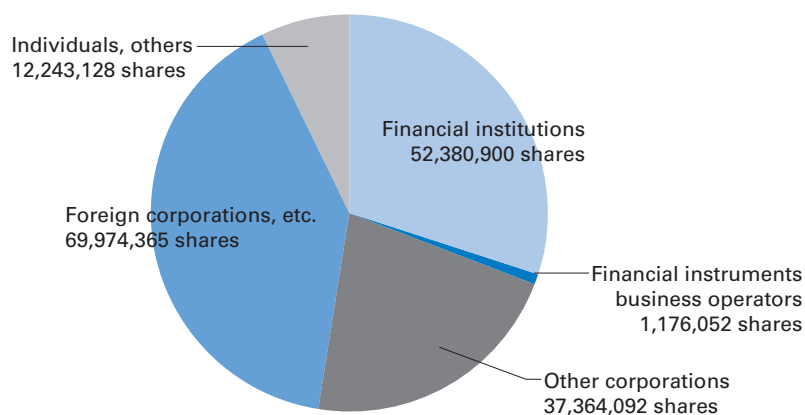
- (i) Total number of shares authorized to be issued: **600,000,000 shares**
- (ii) Total number of shares issued: **173,138,537 shares**
- (iii) Number of shareholders: **9,090 (a decrease of 417 year on year)**
- (iv) Major shareholders

Shareholder	Number of shares held (thousands)	Ratio of shares held (%)
Freudenberg SE	43,457	25.1
Japan Trustee Services Bank, Ltd. (Trust account)	9,088	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)	7,838	4.5
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 Stock Ownership Association	2,368	1.4

Notes:

- For the basis of the calculation of "ratio of shares held" above, the Company's treasury stock (79,299 shares) is excluded from the total number of shares issued.
- Sompo Japan Nipponkoa Insurance Inc. changed its trade name to Sompo Japan Insurance Inc. as of April 1, 2020.

(Reference) Number of Shares by Shareholder



(2) Board Members of the Company

(i) Directors and Corporate Auditors (as of March 31, 2020)

Position	Name	Positions, responsibilities or significant concurrent positions
Chairman of the Board	Masato Tsuru	
President and Representative Director	Kiyoshi Doi	
Senior Managing Director	Jiro Iida	General Manager, Corporate Business Strategy Office
Senior Managing Director	Yasuhiko Kuroki	General Manager, Corporate Sales & Marketing Division
Senior Managing Director	Akira Watanabe	General Manager, Corporate Finance & Accounting Office
Senior Managing Director	Shinji Nagasawa	General Manager, Corporate Technology Office
Director	Kensaku Hogen	
Director	Makoto Fujioka	
Standing Corporate Auditor	Masanobu Fujii	
Standing Corporate Auditor	Yoshitsugu Mori	
Corporate Auditor	Osamu Kobayashi	Certified public accountant, certified tax accountant
Corporate Auditor	Hideki Ogawa	
Corporate Auditor	Atsushi Kajitani	Lawyer

Notes:

1. Mr. Masato Tsuru, Mr. Kiyoshi Doi, Jiro Iida and Yasuhiko Kuroki are Representative Directors.
2. Mr. Toshifumi Kobayashi resigned as Director on October 31, 2019.
3. Mr. Kensaku Hogen and Mr. Makoto Fujioka serve as Outside Directors.
4. Mr. Osamu Kobayashi, Mr. Hideki Ogawa and Mr. Atsushi Kajitani serve as Outside Corporate Auditors.
5. The Company has submitted notification to the Tokyo Stock Exchange that each Outside Director and Outside Corporate Auditor has been designated as an independent director/auditor as stipulated in the regulations of the aforementioned exchange.
6. Corporate Auditors Mr. Masanobu Fujii and Mr. Yoshitsugu Mori have work experience in finance & accounting division. Corporate Auditor Mr. Osamu Kobayashi is a certified public accountant and certified tax accountant, and has considerable expertise in finance and accounting.

7. 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, President and Representative Director, NOK Technical Research and Development Co., Ltd.
Kiyoshi Doi	President and Representative Director, Nippon Mektron, Ltd.
Jiro Iida	Chairman of the Board & Director, Thai NOK Co., Ltd.
Kensaku Hogen	Outside Director, Eagle Industry Co., Ltd.
Makoto Fujioka	Outside Director, Eagle Industry Co., Ltd. Outside Director, Nippon Paper Industries Co., Ltd.
Yoshitsugu Mori	Outside Corporate Auditor, Eagle Industry Co., Ltd.
Osamu Kobayashi	Outside Director, NICHIREKI CO., LTD.
Atsushi Kajitani	Outside Corporate Auditor, Eagle Industry Co., Ltd. Outside Director, DMS Inc.

8. As of April 1, 2020, responsibilities of Directors were changed as follows.

Name	New Titles	Past Titles
Jiro Iida	Executive Vice President and Director Supervising Production and Overseas Business	Senior Managing Director General Manager, Corporate Business Strategy Office
Yasuhiko Kuroki	Executive Vice President and Director Supervising Corporate Sales and Marketing	Senior Managing Director General Manager, Corporate Sales & Marketing Division
Shinji Nagasawa	Senior Managing Director Supervising Corporate Quality and Environmental Control	Senior Managing Director General Manager, Corporate Technology Office

(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)	9 (2)	289 (12)
Corporate Auditors (Outside Corporate Auditors among the above)	5 (3)	59 (18)
Total	14	348

Notes:

- Number of Directors who were paid remuneration and such like and the total amount paid include one (1) Director who resigned on October 31, 2019, and remuneration and such like paid to the Director during his term of office, respectively.
- The maximum amount of remuneration to Directors was set at 450 million yen per year (excluding employee salaries) at the 103rd Annual Shareholders' Meeting held on June 25, 2009.
- The maximum amount of remuneration to Corporate Auditors was set at 96 million yen per year at the 103rd Annual Shareholders' Meeting held on June 25, 2009.

(b) Policies to determine details of remuneration and methods thereof

The Company's Board of Directors established a policy to determine remuneration to Directors and Corporate Auditors.

The Company has established the Management Supervision Meeting as an advisory body to the Board of Directors for the purpose of enhancing objectivity and transparency in matters related to nomination and remuneration of Directors and Corporate Auditors. It provides periodical confirmation on particularly important matters such as nomination and remuneration of Directors and Corporate Auditors in addition to providing the Board of Directors with appropriate advice. The Management Supervision Meeting is a committee body whose primary constituent members are Outside Directors and Outside Corporate Auditors. It provides confirmation and advice relating to important management issues such as nomination and remuneration.

The Company's policy to determine remuneration to Directors and Corporate Auditors is 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 NOK 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 NOK 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 Directors Mr. Kensaku Hogen, Mr. Makoto Fujioka and Corporate Auditor Mr. Atsushi 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 13 out of 13 Board of Directors meetings during the term, where he made necessary remarks for Items for Resolution.
Director	Makoto Fujioka	Has attended 13 out of 13 Board of Directors meetings during the term, where he made necessary remarks for Items for Resolution.
Corporate Auditor	Osamu Kobayashi	Has attended 13 out of 13 Board of Directors meetings and 9 out of 9 Board of Corporate Auditors meetings held during the term, where he made necessary remarks on Items for Resolution.
Corporate Auditor	Hideki Ogawa	Has attended 12 out of 13 Board of Directors meetings and 8 out of 9 Board of Corporate Auditors meetings held during the term, where he made necessary remarks on Items for Resolution.
Corporate Auditor	Atsushi Kajitani	Has attended 12 out of 13 Board of Directors meetings and 9 out of 9 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 were two written resolutions that were deemed to be resolutions made at Board of Directors meetings pursuant to the provisions of Article 370 of the Companies Act and Article 29 of the Company's Articles of Incorporation.

(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	38
Amount to be paid by the Company and its subsidiaries to the Independent Auditor as financial benefit, such as monetary reward, etc.	72

Notes:

1. 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.
2. Among the Company's major subsidiaries, those located outside Japan are audited by either certified public accountants not employed by Nihombashi Corporation Certified Public Accountants or audit firms other than said corporation.
3. 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 Properness of Operations" is posted on our website (<https://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, 2020)

(Millions of yen)

Item	FY2019	FY2018 (Reference)	Item	FY2019	FY2018 (Reference)
ASSETS	728,695	785,133	LIABILITIES	281,457	299,634
CURRENT ASSETS	312,952	327,828	CURRENT LIABILITIES	165,938	181,061
Cash and deposits	82,400	80,798	Accounts payable - trade	44,915	44,557
Notes and accounts receivable - trade	122,157	129,464	Short-term loans payable	59,617	66,972
Electronically recorded monetary claims	14,254	15,704	Income taxes payable	2,121	3,549
Merchandise and finished goods	33,724	35,936	Provision for bonuses	10,483	10,125
Work in process	27,709	29,430	Deposits received from employees	16,465	16,226
Raw materials and supplies	19,380	21,348	Other	32,334	39,629
Other	13,449	15,303	NONCURRENT LIABILITIES	115,518	118,572
Allowance for doubtful accounts	(124)	(157)	Long-term loans payable	17,441	19,563
NONCURRENT ASSETS	415,742	457,304	Deferred tax liabilities	772	7,133
Property, plant and equipment	251,076	262,496	Net defined benefit liabilities	92,536	87,842
Buildings and structures	93,903	89,695	Other	4,768	4,033
Machinery, equipment and vehicles	105,123	110,968	NET ASSETS	447,238	485,498
Tools, furniture and fixtures	18,022	19,510	SHAREHOLDERS' EQUITY	398,016	408,959
Land	18,465	18,701	CAPITAL STOCK	23,335	23,335
Lease assets	1,081	203	CAPITAL SURPLUS	23,288	23,244
Construction in progress	14,479	23,416	RETAINED EARNINGS	351,622	362,604
Intangible assets	4,181	4,760	TREASURY STOCK	(230)	(226)
Investments and other assets	160,484	190,047	ACCUMULATED OTHER COMPREHENSIVE INCOME	9,075	35,218
Investment securities	123,118	150,066	VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES	34,230	47,694
Long-term loans receivable from employees	2,667	3,078	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	919	12,157
Deferred tax assets	12,553	13,773	REMEASUREMENTS OF DEFINED BENEFIT PLANS	(26,074)	(24,633)
Net defined benefit asset	264	718	NON-CONTROLLING INTERESTS	40,146	41,321
Other	22,051	22,583			
Allowance for doubtful accounts	(170)	(174)			
TOTAL	728,695	785,133	TOTAL	728,695	785,133

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

CONSOLIDATED STATEMENT OF INCOME (From April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	FY2019		FY2018 (Reference)	
Net Sales		626,815		669,482
Cost of Sales		529,828		560,045
Gross Profit		96,987		109,437
Selling, General and Administrative Expenses		84,958		86,297
Operating Income		12,028		23,140
Non-operating Income				
Interest income	417		525	
Dividend income	2,547		2,468	
Foreign exchange gains	–		408	
Share of profit of entities accounted for using equity method	3,318		4,033	
Rent income	875		914	
Subsidy income	3,268		1,186	
Other	1,237	11,665	1,909	11,446
Non-operating Expenses				
Interest expenses	2,788		2,798	
Foreign exchange losses	2,312		–	
Commission expenses	654		51	
Other	564	6,320	601	3,450
Ordinary Income		17,373		31,135
Extraordinary Income				
Gain on sales of noncurrent assets	208		332	
Gain on sales of investment securities	383		32	
Other	–	592	4	369
Extraordinary Loss				
Loss on sales and retirement of noncurrent assets	1,035		3,063	
Loss on impairment of noncurrent assets	7,581		14,749	
Loss on valuation of investment securities	1,960		282	
Other	508	11,085	499	18,594
Income before Income Taxes		6,880		12,909
Income taxes - current	7,786		11,814	
Income taxes - deferred	795	8,581	(5,049)	6,765
Net Income (Loss)		(1,701)		6,144
Profit attributable to non-controlling interests		517		2,725
Profit (Loss) Attributable to Owners of Parent		(2,218)		3,419

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 <https://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, 2020)

(Millions of yen)

Item	FY2019	FY2018 (Ref)	Item	FY2019	FY2018 (Ref)
ASSETS	360,055	371,116	LIABILITIES	139,539	147,775
CURRENT ASSETS	129,889	137,690	CURRENT LIABILITIES	96,759	98,816
Cash and deposits	32,590	30,248	Accounts payable - trade	23,105	23,723
Notes receivable - trade	6,545	9,216	Short-term loans payable	19,752	14,797
Electronically recorded monetary claims	12,711	13,818	Accounts payable - other	4,616	8,940
Accounts receivable - trade	45,022	49,535	Income taxes payable	485	1,256
Finished goods	10,054	10,238	Accrued expenses	1,733	1,787
Work in process	613	659	CMS deposits received	23,037	24,070
Raw materials and supplies	2,028	2,382	Provision for bonuses	4,347	4,189
Short-term loans receivable	10,001	10,682	Deposits received from employees	12,639	12,273
Accounts receivables - other	8,934	8,719	Other	7,043	7,776
Other	1,386	2,188	NONCURRENT LIABILITIES	42,779	48,959
NONCURRENT ASSETS	230,166	233,426	Long-term loans payable	6,321	8,423
Property, plant and equipment	82,116	78,005	Provision for retirement benefits	33,349	31,062
Buildings	27,531	21,878	Deferred tax liabilities	1,394	7,754
Structures	2,895	2,391	Other	1,713	1,718
Machinery and equipment	31,413	27,581	NET ASSETS	220,515	223,340
Vehicles	233	259	SHAREHOLDERS' EQUITY	186,033	175,780
Tools, furniture and fixtures	5,982	5,981	CAPITAL STOCK	23,335	23,335
Land	6,055	6,193	CAPITAL SURPLUS	20,397	20,397
Lease assets	64	70	Legal capital surplus	20,397	20,397
Construction in progress	7,939	13,648	RETAINED EARNINGS	142,449	132,196
Intangible assets	47	48	Legal retained earnings	2,983	2,983
Investments and other assets	148,002	155,372	Other retained earnings	139,465	129,212
Investment securities	75,442	95,747	Reserve for special depreciation	65	62
Stocks of subsidiaries and affiliates	40,194	40,690	Reserve for advanced depreciation of noncurrent assets	2,467	2,042
Investment in capital of subsidiaries and affiliates	11,396	11,396	Retained earnings brought forward	136,932	127,106
Long-term loans receivable	18,536	4,729	TREASURY STOCK	(149)	(148)
Prepaid pension cost	470	701	VALUATION AND TRANSLATION ADJUSTMENTS	34,482	47,559
Guarantee deposits	768	801	VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES	34,482	47,559
Other	1,296	1,406	TOTAL	360,055	371,116
Allowance for doubtful accounts	(102)	(100)			
TOTAL	360,055	371,116			

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

STATEMENT OF INCOME (From April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	FY2019		FY2018 (Reference)	
Net Sales		239,123		256,203
Cost of Sales		191,792		201,693
Gross Profit		47,331		54,509
Selling, General and Administrative Expenses		37,028		36,252
Operating Income		10,303		18,257
Non-operating Income				
Interest and dividend income	14,379		9,182	
Rent income	818		828	
Other	938	16,135	1,254	11,264
Non-operating Expenses				
Interest expenses	838		811	
Other	654	1,493	243	1,055
Ordinary Income		24,945		28,466
Extraordinary Income				
Gain on sales of noncurrent assets	11		16	
Gain on sales of investment securities	383		32	
Gain on liquidation of subsidiaries and affiliates	1,538	1,933	–	48
Extraordinary Loss				
Loss on sales and retirement of noncurrent assets	244		411	
Loss on valuation of stocks of subsidiaries and affiliates	53		36	
Loss on valuation of investment securities	1,853		233	
Impairment loss	1,830		1	
Other	7	3,989	1	683
Income before Income Taxes		22,890		27,831
Income taxes - current	5,012		6,962	
Income taxes - deferred	(1,027)	3,984	(382)	6,579
Net Income		18,905		21,251

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 <https://www.nok.co.jp/>, pursuant to the laws and regulations and provisions set forth in Article 14 of the Company's Articles of Incorporation.

INDEPENDENT AUDITOR'S REPORT

May 25, 2020

To: The Board of Directors of
NOK CORPORATION

Nihombashi Corporation	Chuo Ward, Tokyo
Tomohiro Yoshioka	Designated and Engagement Partner, Certified Public Accountant (Seal)
Hitoshi Watanabe	Designated and Engagement Partner, Certified Public Accountant (Seal)
Kotaro Yamamura	Designated and Engagement Partner, Certified Public Accountant (Seal)

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of NOK CORPORATION and its subsidiaries (the "NOK Group"), which comprise the consolidated balance sheet as of March 31, 2020, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements applicable to the consolidated fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, applicable to the consolidated fiscal year ended March 31, 2020, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the NOK Group in accordance with the professional ethical standards in Japan, and we have fulfilled our other ethical responsibilities in accordance with those standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors 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.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of

view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making those risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the NOK Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NOK Group's ability to continue as a going concern. If we conclude that a material uncertainty regarding the assumption of a going concern exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NOK Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of NOK CORPORATION and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated and engagement partners do not have any interest in the NOK Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

INDEPENDENT AUDITOR'S REPORT

May 25, 2020

To: The Board of Directors of
NOK CORPORATION

Nihombashi Corporation	Chuo Ward, Tokyo
Tomohiro Yoshioka	Designated and Engagement Partner, Certified Public Accountant (Seal)
Hitoshi Watanabe	Designated and Engagement Partner, Certified Public Accountant (Seal)
Kotaro Yamamura	Designated and Engagement Partner, Certified Public Accountant (Seal)

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements of NOK CORPORATION (the "Company"), which comprise the balance sheet, the statement of income, the statement of changes in net assets and the notes to the financial statements, and the supplementary statements (collectively, the "Financial Statements, etc.") applicable to the 114th fiscal term from April 1, 2019 through March 31, 2020.

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the financial position of the Company applicable to the 114th fiscal term ended March 31, 2020, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements, etc. section of our report. We are independent of the Company in accordance with the professional ethical standards in Japan, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the Financial Statements, etc. 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, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern. Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements, etc.

Our objectives are to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the Financial Statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements, etc.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, etc., whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the Financial Statements, etc., consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making those risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the Financial Statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty regarding the assumption of a going concern exists, we are required to draw attention in our auditor's report to the notes to the Financial Statements, etc. or, if the notes to the Financial Statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the Financial Statements, etc. and notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the Financial Statements, etc., including the notes to the Financial Statements, etc., and whether the Financial Statements, etc. represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with the Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated and engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Audit Report

This Board of Corporate Auditors deliberated on the execution of duties by Directors during the 114th term from April 1, 2019 to March 31, 2020, 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 as necessary.
 - (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 26, 2020

Board of Corporate Auditors, NOK CORPORATION

Masanobu Fujii	Standing Corporate Auditor	(Seal)
Yoshitsugu Mori	Standing Corporate Auditor	(Seal)
Osamu Kobayashi	Outside Corporate Auditor	(Seal)
Hideki Ogawa	Outside Corporate Auditor	(Seal)
Atsushi Kajitani	Outside Corporate Auditor	(Seal)

■ Introducing New Products

Rubber electrodes
for health monitoring



Made of conductive rubber, these electrodes can be used to monitor biological signals such as EEG, ECG, EMG, EOG etc. The Sotto series are so named because they are "comfortably on your side."

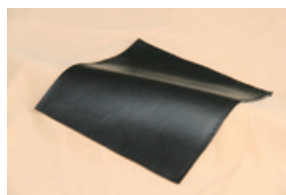


Sotto series product line

[Sotto connect –
Easily connectable and removable]



[Sotto fabric – As soft as fabric]



[Sotto brain –
No paste or gel needed, No pain]



Features of the Sotto series

[No conductive paste or gel needed]
Can measure biological signals without conductive paste or gel.

[Reusable]
Ethanol resistance and physical strength are enhanced with NOK's material technology. Less likely to degrade due to moisture or dryness.

[Excellent flexibility]
The rubber electrode fits the body perfectly, reducing discomfort when attached.

Pipette Packing

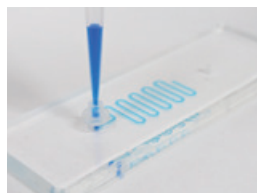
Pipette Packing

Pipette Packing allows the solution to be injected directly from the pipette tip into small devices such as a microfluidic device.



Easy, safe, and at lower cost

This product allows the solution to be injected easily and safely without leaking.



Special features

- Injects the solution directly into a microfluidic device.
- Made of less eluting materials.
- Can be used for autoclaving.
- Reduces the amount of solution required.
- Automates the injection process.
- Less likely to affect testing results.
- Highly resistant to acids and alkalis.
- Cells can be cultured safely.

■ Recycled plastic product

~ Median strip barrier ~



NOK's Plastics & Polyurethane Division (Kitaibaraki City, Ibaraki Prefecture) manufactures traffic signs and safety devices (TSSD) made of iron rubber (special urethane rubber) including Post cones (traffic cones).

NOK's iron rubber (special urethane rubber) is a highly reliable material used for a range of machine parts and for its TSSD products. It maintains high quality, high performance, and excellent durability in outside environments for a long period of time.

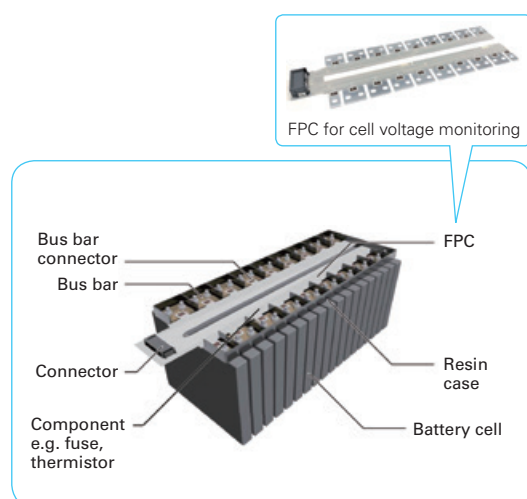
Among iron rubber products, a median strip barrier, which is used to separate two sides of a vehicle traffic road, is a recycled product made under our recycling system and with support from our customers. Over 98% of the median strip barrier is made from recycled materials. This product is certified as a product made of recycled materials by the JIS Standards (JIS A 9401:2007).

It is also included among specific procurement goods under the Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities and certified under the Ibaraki Prefecture Recycled Products Certification Scheme. The product contributes to promoting the proper cyclical use of recyclable resources and the reduction of waste.



■ FPC for cell voltage monitoring

~ Example of Nippon Mektron's FPC technology and products contributing to vehicle electrification ~



Example of cell voltage monitoring circuit of a lithium ion battery using FPC

As electric vehicles increase, use of lithium-ion batteries is accelerating.

This lithium-ion battery constantly monitors its voltage and temperature to prevent extreme high charging, heat generation, and rapid degradation. Monitoring was previously performed by connecting large currents from the battery cells to the wire harness through the bus bars.

Nippon Mektron, Ltd. offers smaller, thinner, lighter, and lower cost batteries using an FPC as an alternative to a wire harness. We have made this possible by achieving the long-term reliability of the connection between FPCs and bus bars, and utilizing the characteristics of FPCs, which are that they are thin, lightweight, flexible, and easier to mount.

Information for Shareholders

Fiscal year	From April 1 to March 31 of the following year
Annual shareholders' meeting	June
Dividend payment record date	Term-end dividend March 31
	Interim dividend September 30
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Contact information	1-1 Nikko-cho, Fuchu City, Tokyo, Japan Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation Tel: 0120-232-711 (toll-free number available in Japan only) Mailing address: P.O. Box No. 29, Shin-Tokyo Post Office, Japan, 137-8081 Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation
Method of public notice	An electronic public notice is applied. URL for public notice https://www.nok.co.jp/ (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> .)
Share unit	100 shares
Public listing	Tokyo Stock Exchange Listed Name on the First Section: NOK (Securities Code: 7240)

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