



# Business Report for the 115th Term

From April 1, 2020 to March 31, 2021



**NOK CORPORATION**

(Securities Code No. 7240)

# To Our Shareholders



President **Masao Tsuru**

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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 115th term of the NOK Group (April 1, 2020 to March 31, 2021).

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, 2021, net sales were 596,369 million yen (down 4.9% from the previous fiscal year). In profit and loss, operating income was 14,467 million yen (up 20.3% from the previous fiscal year) and ordinary income was 18,339 million yen (up 5.6% from the previous fiscal year). Loss attributable to owners of parent was 1,361 million yen (compared to a loss attributable to owners of parent of 2,218 million yen in the previous fiscal year).

The current consolidated fiscal year faced difficulty in economic activities and personal consumption remained sluggish due to the impact of the novel coronavirus pandemic. Although a wide range of measures taken by the government were effective to a certain extent in controlling the pandemic, the spread of the virus was not stopped. As a result, the economic outlook remained uncertain with the risk of economic downturn throughout the year.

Under these circumstances, in the seal business of the NOK Group, both net sales and operating income decreased. In its electronic product business, while net sales decreased, the extent of operating loss declined due to the effects of a reduction in personnel and other expenses as well as a decrease in depreciation and amortization costs. Although an upturn in the economy largely depends on the end of the novel coronavirus pandemic, it is extremely difficult to accurately predict when the pandemic will come to an end, and the outlook remains highly unpredictable.

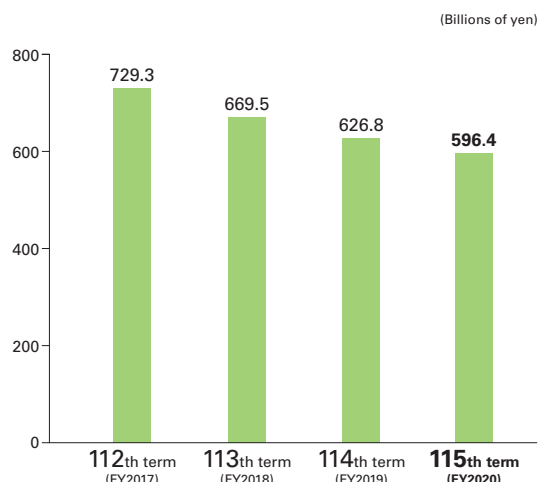
For details, please refer to the "Business Report" mentioned below.

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.

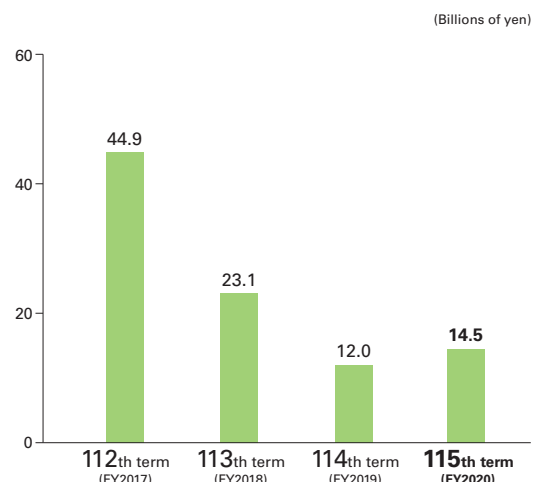
June 2021

# Financial Highlights (Consolidated)

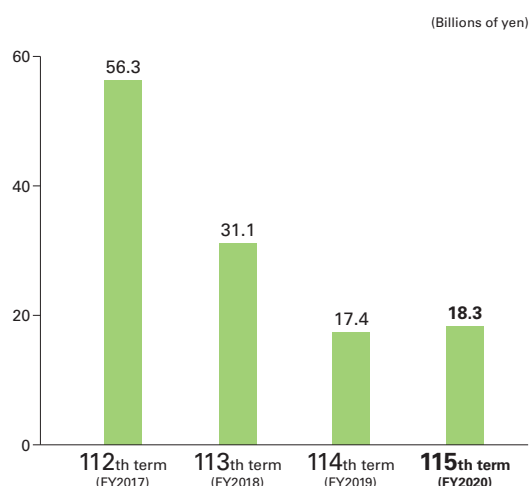
## Net Sales



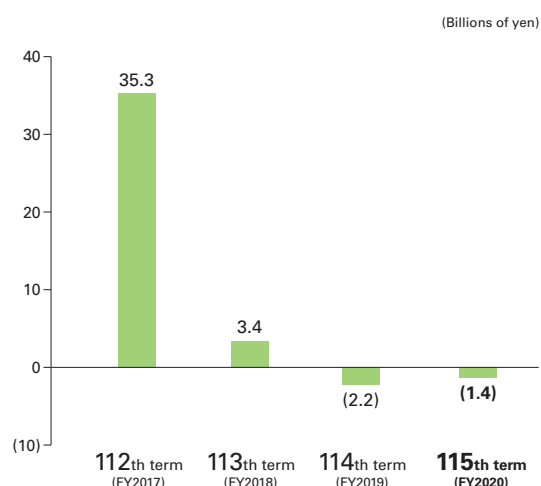
## Operating Income



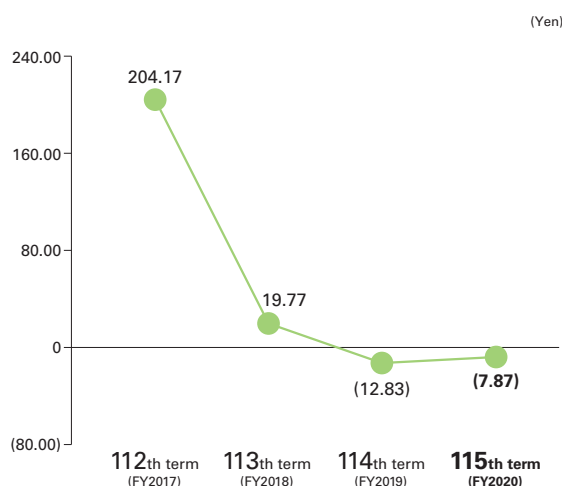
## Ordinary Income



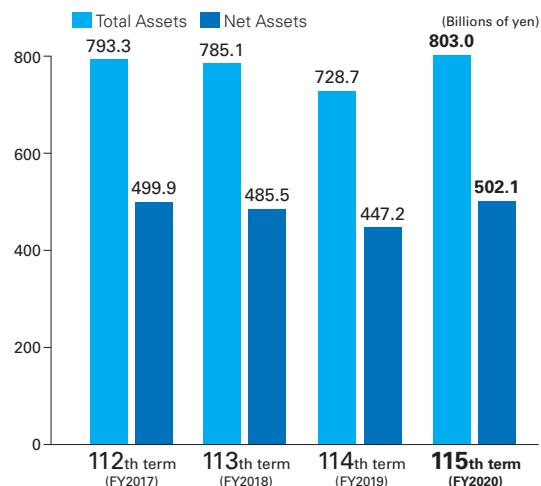
## Profit (Loss) Attributable to Owners of Parent



## 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

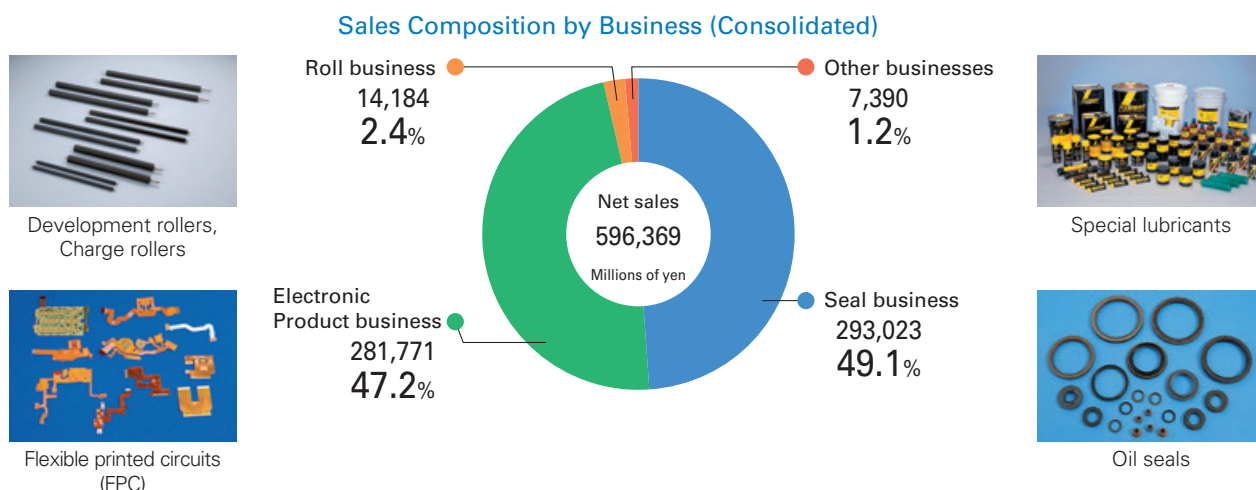
With regard to the operating environment surrounding the NOK Group during the current consolidated fiscal year, the Japanese economy faced domestic and overseas difficulties as economic activities and personal consumption remained sluggish due to the impact of the novel coronavirus pandemic. Although a wide range of measures taken by the government were effective to a certain extent in controlling the pandemic, the spread of the virus was not stopped. As a result, the economic outlook remained uncertain with the risk of economic downturn throughout the year.

In the automobile industry, demand in Japan recovered in the second half of the current fiscal year following a temporary decline caused by the spread of the novel coronavirus. While demand also decreased significantly in overseas markets, demand in North America picked up sharply during the second half of the current fiscal year. Meanwhile, in China where economic activities had been resumed from an early stage, demand remained brisk throughout the current fiscal year.

In the electronic equipment industry, manufacturing and shipment of products were delayed due to the impact of the novel coronavirus pandemic, and demand for smartphones and HDDs declined. On the other hand, demand for personal computers and tablets increased, reflecting the promotion of telework and online education.

In the office machinery industry, demand for both multifunction peripherals and printers declined due to the impact of the pandemic.

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 because demand declined in the first half of the current fiscal year, although demand picked up from the second half of the current fiscal year. On the other hand, sales to manufacturers of general industrial machinery increased due to an upswing in demand from manufacturers of construction machinery in China.

As a result, net sales stood at 293,023 million yen (down 7.6% year on year). Operating income was 23,183 million yen (down 4.6% year on year) due to a decrease in sales despite efforts to reduce personnel and other expenses.

### Electronic Product business

Sales decreased due to a decline in demand during the first half of the current fiscal year, although demand for high-function smartphone and automotive applications recovered in the second half of the current fiscal year.

As a result, net sales totaled 281,771 million yen (down 0.5% year on year). Operating loss came to 8,371 million yen (compared to an operating loss of 12,600 million yen in the previous fiscal year) due to the effects of a reduction in personnel and other expenses as well as a decrease in depreciation and amortization costs, despite the drop in sales.

### Roll business

Sales declined due to a drop in demand for multifunction peripherals and repair parts.

As a result, net sales totaled 14,184 million yen (down 20.3% year on year). Operating loss came to 1,422 million yen (compared to an operating loss of 751 million yen in the previous fiscal year) due to the significant impact of the drop in sales, despite efforts to reduce personnel and other expenses.

### Other businesses

In other businesses including special lubricants, net sales stood at 7,390 million yen (down 17.5% year on year). Operating income ended at 1,060 million yen (up 6.4% year on year).

In summary, the NOK Group posted the following results for the current consolidated fiscal year: Net sales totaled 596,369 million yen (down 4.9% year on year); operating income was 14,467 million yen (up 20.3% year on year); and ordinary income amounted to 18,339 million yen (up 5.6% year on year), resulting in 1,361 million yen in loss attributable to owners of parent (compared to a loss attributable to owners of parent of 2,218 million yen in the previous fiscal year) due to the business restructuring expenses, etc., arising out of voluntary retirement offered at Nippon Mektron, Ltd. and other factors.

## (ii) Capital investment and fund procurement

The NOK Group made capital investments of 25,728 million yen in total (down 46.0% 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**

In the future operating environment surrounding the NOK Group, the outlook remains uncertain due to a number of potential risks that may affect sales, including concerns about the supply of raw materials such as semiconductor components as well as labor shortages and delays in cargo and logistics, in addition to the continued spread of the novel coronavirus and its variants.

In the seal business, overall demand is expected to remain robust, although demand from automotive manufacturers in Japan will likely decline as a backlash to the increase in demand in the second half of the current fiscal year. Overseas, demand is anticipated to remain strong on the back of brisk demand for new vehicles, despite concerns over parts supply in North America, especially of semiconductor components. Meanwhile, in China, demand is projected to remain vigorous. In the medium to long term, however, we anticipate significant changes in the business environment associated with the electrification of automobiles. For manufacturers of general industrial machinery, domestic demand for construction machinery is expected to remain virtually unchanged. Overseas, demand for construction machinery is forecast to continue to grow in China. Amid such circumstances, since competition from Japanese and overseas competitors will likely intensify, we will make efforts across sales, technology and production divisions to expand sales of existing and new products, improve the efficiency and optimization of our production systems while continuing to further enhance quality.

In the electronic product business, there have been issues such as the response to fluctuations in demand for high-function smartphones and a drop in demand for HDDs. Although there are concerns over a transformation of the industry structure by electrification and the current semiconductor shortage in automotive applications, demand is expected to pick up. In order to address these concerns, we will expand sales of products for new applications, as well as continue to improve the efficiency of our production systems to make our production capacity capable of meeting future demand.

In other businesses, in the roll business, in addition to the traditional slowdown in the growth of the office equipment market, there are concerns that the workstyle transformation through remote work will lead to a shift to a paperless office, and that demand for printers and consumables will continue to decline. In the special lubricant business, demand from automotive manufacturers is expected to increase. In order to respond to these, we intend to seek increased profitability by making efforts across sales, technology and production divisions to further expand sales by improving competitiveness in quality and cost, while promoting management efficiency by thoroughly reducing costs.

\* From FY2021, the roll business will be included in other businesses in light of its business scale.

In a harsh operating environment as stated above, the NOK Group will ensure that it prevents the further spread of the novel coronavirus, and work together as one to implement a three year plan (FY2020 to FY2022) based on the following initiatives 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.

**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	112th term (FY2017)	113th term (FY2018)	114th term (FY2019)	115th term (FY2020)
Net Sales	729,341	669,482	626,815	596,369
Operating Income	44,934	23,140	12,028	14,467
Ordinary Income	56,291	31,135	17,373	18,339
Profit (Loss) Attributable to Owners of Parent	35,281	3,419	(2,218)	(1,361)
Net Income (Loss) Per Share (Yen)	204.17	19.77	(12.83)	(7.87)
Total Assets	793,314	785,133	728,695	803,000
Net Assets	499,894	485,498	447,238	502,114

- 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.
- In the 114th term (FY2019), net sales decreased due to the global economic recession under the impact of the novel coronavirus outbreak. Profits decreased due to lower sales, higher depreciation and amortization costs, etc., and operating income and ordinary income decreased. Loss for this term resulted from recognition of loss on impairment of noncurrent assets in the electronic product business, etc.
- As for the business performance in the 115th term (FY2020), 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	112th term (FY2017)	113th term (FY2018)	114th term (FY2019)	115th term (FY2020)
Net Sales	254,010	256,203	239,123	201,122
Operating Income	19,805	18,257	10,303	4,852
Ordinary Income	33,216	28,466	24,945	9,296
Net Income	26,144	21,251	18,905	6,684
Net Income Per Share (Yen)	151.21	122.80	109.24	38.62
Total Assets	369,125	371,116	360,055	430,243
Net Assets	220,385	223,340	220,515	250,741

- 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.
- In the 115th term (FY2020), revenue decreased due to a drop in sales for the automobile industry and sales to manufacturers of general industrial machinery under the impact of the novel coronavirus pandemic. Despite reduced personnel and other expenses, profits decreased as a result of reduced sales, a decrease in dividends income from subsidiaries, etc.



#### (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	29.7% (0.1)	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 90 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, 2021)

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, 2021)

### (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.
Tokyo Branch for Electronics Components	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.

## (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	Suita 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 Ushiku Plant	Minato Ward, Tokyo Ushiku 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
	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, 2021)

### (i) Employment of the NOK Group

Number of employees	Change from the end of previous term
37,999 (2,388)	-2,493 (-338)

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
3,676 (389)	+147 (Unchanged)	40.3 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, 2021)

Lenders	Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corp.	47,081
MUFG, Bank, Ltd.	16,348
Mizuho Bank, Ltd.	16,232
The Bank of Yokohama, Ltd.	1,144
The Shizuoka Bank, Ltd.	1,144
The Bank of Fukuoka, Ltd.	1,144
The Dai-ichi Life Insurance Company, Ltd.	1,106
Sumitomo Mitsui Trust Bank, Ltd.	1,041
Bank of Communications Co., Ltd.	997

## 2. Outline of the Company

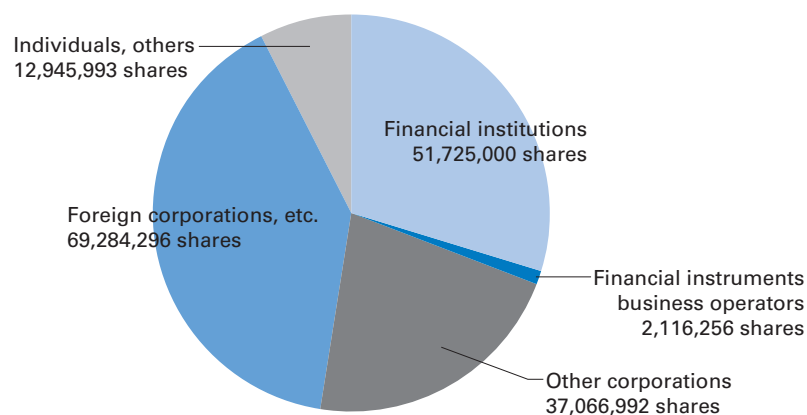
### (1) Status of Stock (as of March 31, 2021)

- (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: **9,252 (an increase of 162 year on year)**
- (iv) Major shareholders

Shareholder	Number of shares held (thousands)	Ratio of shares held (%)
Freudenberg SE	43,457	25.1
Custody Bank of Japan, Ltd. (Trust account)	9,121	5.3
Seiwa Jisho Co., Ltd.	8,773	5.1
The Master Trust Bank of Japan, Ltd. (Trust account)	8,253	4.8
The Dai-ichi Life Insurance Company, Ltd.	8,000	4.6
Toyota Motor Corp.	6,809	3.9
Sumitomo Mitsui Banking Corp.	4,270	2.5
Sompo Japan 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	2,779	1.6

Note: For the basis of the calculation of "ratio of shares held" above, the Company's treasury stock (79,470 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, 2021)

Position	Name	Positions, responsibilities or significant concurrent positions
Chairman of the Board & Director	Masato Tsuru	
President and Director	Kiyoshi Doi	
Executive Vice President and Director	Jiro Iida	Supervising Production and Overseas Business
Executive Vice President and Director	Yasuhiko Kuroki	Supervising Corporate Sales and Marketing
Senior Managing Director	Akira Watanabe	General Manager, Corporate Finance & Accounting Office
Senior Managing Director	Shinji Nagasawa	Supervising Corporate Quality and Environmental Control
Senior Managing Director	* Masao Tsuru	General Manager, Corporate Business Strategy Office
Director	Kensaku Hogen	
Director	Makoto Fujioka	
Standing Corporate Auditor	* Nozomu Maehara	
Standing Corporate Auditor	* Hideki Watanabe	
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, Mr. Jiro Iida and Mr. Yasuhiko Kuroki are Representative Directors.
2. Each of the members marked with an asterisk was newly elected and assumed the position of Director or Corporate Auditor at the 114th Annual Shareholders' Meeting held on June 25, 2020.
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 Auditor Mr. Hideki Watanabe has 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. The Company has entered into a directors and officers liability insurance (D&O insurance) policy, in which the insured persons are the Directors, Corporate Auditors and Operating Officers of the Company and its subsidiaries (for overseas subsidiaries, the insured persons are limited to those seconded from Japan). The entire amount of insurance premiums, including those for special clauses, are borne by the Company, and there are no insurance premiums actually borne by the insureds. The insurance policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties as Directors, Corporate Auditors, etc., or receipt of claims pertaining to the pursuit of such liability. Provided, however, that there are certain reasons for coverage exclusion that, for example, exclude losses arising from any act that the person carried out while being aware that it violated laws and regulations. Also, the deductible clause is set in the policy, whereby losses within such deductible are not covered by the policy. In a case where the insurance policy is renewed, it will fall under the directors and officers liability insurance as stipulated in Article 430-3 of the Companies Act.



8. 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.
Kiyoshi Doi	President and Representative Director, Nippon Mektron, Ltd.
Jiro Iida	Chairman of the Board & Director, Thai NOK Co., Ltd.
Masao Tsuru	Chairman of the Board & Director, NOK-Freudenberg Singapore Pte. Ltd. Representative Director, Seiwa Jisho 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.
Nozomu Maehara	Outside Corporate Auditor, Eagle Industry Co., Ltd.
Hideki Watanabe	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.

9. As of March 31, 2021, Mr. Kiyoshi Doi resigned as Representative Director, and as of April 1, 2021, Mr. Masao Tsuru assumed the position of Representative Director.

In addition, as of April 1, 2021, positions and responsibilities of Directors were changed as follows.

Name	New Titles	Past Titles
Kiyoshi Doi	Director	President and Director
Masao Tsuru	President and Director	Senior Managing Director General Manager, Corporate Business Strategy Office

10. As of June 1, 2021, responsibilities of the Director were changed as follows.

Name	New Titles	Past Titles
Shinji Nagasawa	Senior Managing Director Supervising Corporate Quality and Environmental Control General Manager, Environmental Control Office	Senior Managing Director Supervising Corporate Quality and Environmental Control

## (ii) Matters concerning remuneration, etc. to Directors and Corporate Auditors

### (a) Policies on remuneration to Directors and Corporate Auditors

The Company has established policies in relation to determining the details of remuneration, etc. for Directors and Corporate Auditors, as presented below. Based on the Policy, remuneration to Directors is determined at a meeting of the Board of Directors and remuneration to Corporate Auditors is determined through discussion among the Corporate Auditors, within the total value determined at the annual shareholders' meeting.

The Company has established the Management Supervision Meeting as an advisory body to the Board of Directors for the purpose of addressing important management issues, including enhancement of 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 of Directors and Corporate Auditors and remuneration of Directors 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 policies to determine remuneration to Directors and Corporate Auditors is as follows:

- Methods for determining policies

Policies on remuneration to Directors are determined at a meeting of the Board of Directors based on the advice of the Management Supervision Meeting. Policies on remuneration to Corporate Auditors are determined through discussion among the Corporate Auditors.

- 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 for determining amounts or calculation methods for individual remuneration, etc.

Directors' remuneration is classified into (1) basic remuneration, which consists of fixed remuneration and remuneration for long-term expected individual achievements, and (2) performance-linked remuneration, with consideration given to Directors' responsibilities to improve business results each fiscal year and to increase the corporate value from a medium- to long-term perspective.

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) performance-linked remuneration to Standing Corporate Auditors as they are responsible for contributing to improved business results from viewpoints different from Directors.

The remuneration structure for the Company's Directors includes a difference in the amount of remuneration according to the responsibilities of their position (offices of Chairman, President, Senior Managing Director, etc.). The currently applied ratio of the remuneration level is 1 for the office of Senior Managing Director to approximately 1.5 for the office of Chairman and President.

- Policies for determining the components of performance-linked remuneration, etc.-related performance indicators, etc., and calculation methods of amounts and/or numbers therein

Performance-linked remuneration is paid within a range from 0% to 200% according to the level of achievement of the evaluation items. Based on the judgment that maintaining and improving profit levels is the most appropriate indicator of corporate earnings, the Company focuses on the level of achievement of the initial operating income plan when determining performance-linked remuneration, with consideration given to the payment of dividends, provision of employee bonuses and other matters that may have an impact on business performance (natural disasters, extraordinary income and loss, etc.). Operating income, which is the main indicator in the quantitative evaluation, was 14,467 million yen for the term against the initial plan of 12,000 million yen.

- Policies for determining the proportion (ratio) of amounts for individual remuneration, etc. for each type

The Company's business area is the manufacture and sales of components for automobiles, electronic equipment, etc. and, considering that business performance is easily influenced by trends in the industry, the proportion of performance-linked remuneration has been set at approximately 10% of total remuneration to Directors and 5% to Standing Corporate Auditors.

Of the basic remuneration, remuneration 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 amount of contributions to the Director Stock Ownership Association is approximately 7% to 10% of the amount of fixed remuneration according to the position, and if the person is a Director who serves concurrently as President of a major subsidiary, the amount is contributed from his/her remuneration from that subsidiary. Outside officers are

not required to make contributions to the Director Stock Ownership Association.

- Policies for determining the timing and conditions for providing remuneration, etc.

For the basic remuneration, the monthly amount for one year starting in the month following the annual shareholders' meeting is determined at a meeting of the Board of Directors that is held after the annual shareholders' meeting, and a fixed amount is paid on a certain date every month. For the performance-linked remuneration, the amount is determined at a meeting of the Board of Directors in line with "Policies for determining the components of performance-linked remuneration, etc.-related performance indicators, etc., and calculation methods of amounts and/or numbers therein" above according to the year-end financial results, and is paid prior to the annual shareholders' meeting for the settlement of accounts.

- Methods for determining the details of individual remuneration, etc.

The amounts of remuneration, etc. for individual Directors or the calculation methods for those amounts are determined at a meeting of the Board of Directors when the proposal regarding officer remuneration is presented to the Board of Directors by the Chairman of the Board & Director, who serves as chairperson of the Board's meetings, based on advice from the Management Supervision Meeting.

Payment plans for remuneration to Corporate Auditors are determined through discussion among the Corporate Auditors at the Board of Corporate Auditors meeting.

For the Directors' individual remuneration, etc., for the current fiscal year, the Board of Directors has confirmed that the method for determining the details of remuneration, etc., and the details of determined remuneration, etc., are consistent with the determination policies resolved by the Board of Directors and the advice given by the Management Supervision Meeting is respected, determining such remuneration, etc., are in accordance with the said determination policies.

**(b) Matters concerning resolution of the annual shareholders' meeting related to remuneration, etc., to Directors and Corporate Auditors**

For remuneration, etc., to the Company's Directors and Corporate Auditors, it was resolved that the maximum amount of remuneration, etc., to the Directors was 450 million yen per year (excluding employee salaries) and the maximum amount of remuneration, etc. to the Corporate Auditors was 96 million yen per year at the 103rd Annual Shareholders' Meeting held on June 25, 2009. The number of Directors at the end of such shareholders' meeting was eight (8) and that of Corporate Auditors was five (5).

**(c) Total sum of remuneration, etc. paid during the current fiscal year**

Classification	Total sum of remuneration, etc. (Millions of yen)	Total sum of remuneration, etc. by type (Millions of yen)		Number of Directors and Corporate Auditors who receive remuneration (persons)
		Basic remuneration	Performance-linked remuneration, etc.	
Directors (Outside Directors among the above)	317 (11)	317 (11)	- (-)	9 (2)
Corporate Auditors (Outside Corporate Auditors among the above)	60 (17)	60 (17)	- (-)	7 (3)
Total (Outside officers among the above)	378 (28)	378 (28)	- (-)	16 (5)

Notes:

1. Number of Corporate Auditors who were paid remuneration, etc. and the total amount paid include two (2) Corporate Auditors who resigned at the conclusion of the 114th Annual Shareholders' Meeting held on June 25, 2020, and remuneration, etc. paid to the Corporate Auditors during their terms of office, respectively.
2. No non-monetary remuneration, etc., were paid.

### (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 12 out of 12 Board of Directors meetings during the term, where he made necessary remarks for Items for Resolution.
Director	Makoto Fujioka	Has attended 12 out of 12 Board of Directors meetings during the term, where he made necessary remarks for Items for Resolution.
Corporate Auditor	Osamu Kobayashi	Has attended 12 out of 12 Board of Directors meetings and 12 out of 12 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 12 Board of Directors meetings and 11 out of 12 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 12 Board of Directors meetings and 12 out of 12 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.

#### (c) Overview of the job duties performed in connection with the roles expected for Outside Directors

At the Board of Directors meetings, Mr. Kensaku Hogen, a Director, actively expresses his opinions especially on global management policies, etc., from his professional position, and Mr. Makoto Fujioka, a Director, does so focusing on matters related to judgment for management strategies, corporate compliance, etc. Thus, they have performed their roles in a proper manner to ensure validity and appropriateness of decision making. Furthermore, both of them attended all four (4) Management Supervision Meetings held during the current fiscal year as members of the Management Supervision Meeting, which is an advisory body to the Board of Directors handling matters related to nomination of and remuneration to the Directors and Corporate Auditors, and have carried out their supervisory functions in the course of selection of candidates for the Company's Directors and Corporate Auditors, as well as determination of remuneration, etc. to the Directors and Corporate Auditors, from an objective and neutral standpoint.

### (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	39
Amount to be paid by the Company and its subsidiaries to the Independent Auditor as financial benefit, such as monetary reward, etc.	73

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, 2021)

(Millions of yen)

Item	FY2020	FY2019 (Reference)	Item	FY2020	FY2019 (Reference)
<b>ASSETS</b>	<b>803,000</b>	<b>728,695</b>	<b>LIABILITIES</b>	<b>300,886</b>	<b>281,457</b>
<b>CURRENT ASSETS</b>	<b>368,362</b>	<b>312,952</b>	<b>CURRENT LIABILITIES</b>	<b>197,131</b>	<b>165,938</b>
Cash and deposits	120,421	82,400	Accounts payable - trade	48,968	44,915
Notes and accounts receivable - trade	134,489	122,157	Short-term loans payable	76,914	59,617
Electronically recorded monetary claims	17,183	14,254	Income taxes payable	3,816	2,121
Merchandise and finished goods	33,691	33,724	Provision for bonuses	10,531	10,483
Work in process	29,114	27,709	Deposits received from employees	16,056	16,465
Raw materials and supplies	20,874	19,380	Other	40,844	32,334
Other	12,733	13,449	<b>NONCURRENT LIABILITIES</b>	<b>103,755</b>	<b>115,518</b>
Allowance for doubtful accounts	(145)	(124)	Long-term loans payable	13,161	17,441
<b>NONCURRENT ASSETS</b>	<b>434,637</b>	<b>415,742</b>	Deferred tax liabilities	7,549	772
<b>Property, plant and equipment</b>	<b>239,301</b>	<b>251,076</b>	Net defined benefit liabilities	77,980	92,536
Buildings and structures	88,821	93,903	Other	5,063	4,768
Machinery, equipment and vehicles	101,460	105,123	<b>NET ASSETS</b>	<b>502,114</b>	<b>447,238</b>
Tools, furniture and fixtures	15,943	18,022	<b>SHAREHOLDERS' EQUITY</b>	<b>392,925</b>	<b>398,016</b>
Land	19,004	18,465	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
Lease assets	1,280	1,081	<b>CAPITAL SURPLUS</b>	<b>23,288</b>	<b>23,288</b>
Construction in progress	12,790	14,479	<b>RETAINED EARNINGS</b>	<b>346,531</b>	<b>351,622</b>
<b>Intangible assets</b>	<b>4,044</b>	<b>4,181</b>	<b>TREASURY STOCK</b>	<b>(230)</b>	<b>(230)</b>
<b>Investments and other assets</b>	<b>191,291</b>	<b>160,484</b>	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>64,427</b>	<b>9,075</b>
Investment securities	163,199	123,118	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>61,908</b>	<b>34,230</b>
Long-term loans receivable from employees	2,293	2,667	<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>	<b>14,818</b>	<b>919</b>
Deferred tax assets	4,484	12,553	<b>REMEASUREMENTS OF DEFINED BENEFIT PLANS</b>	<b>(12,298)</b>	<b>(26,074)</b>
Net defined benefit asset	285	264	<b>NON-CONTROLLING INTERESTS</b>	<b>44,761</b>	<b>40,146</b>
Other	21,204	22,051			
Allowance for doubtful accounts	(176)	(170)			
<b>TOTAL</b>	<b>803,000</b>	<b>728,695</b>	<b>TOTAL</b>	<b>803,000</b>	<b>728,695</b>

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



## CONSOLIDATED STATEMENT OF INCOME (From April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	FY2020		FY2019 (Reference)	
Net Sales		596,369		626,815
Cost of Sales		504,345		529,828
<b>Gross Profit</b>		<b>92,024</b>		<b>96,987</b>
Selling, General and Administrative Expenses		77,556		84,958
<b>Operating Income</b>		<b>14,467</b>		<b>12,028</b>
Non-operating Income				
Interest income	243		417	
Dividend income	2,097		2,547	
Foreign exchange gains	1,901		–	
Share of profit of entities accounted for using equity method	–		3,318	
Rent income	892		875	
Subsidy income	886		3,268	
Other	1,029	7,050	1,237	11,665
Non-operating Expenses				
Interest expenses	2,147		2,788	
Foreign exchange losses	–		2,312	
Share of loss of entities accounted for using equity method	12		–	
Commission expenses	139		654	
Other	879	3,179	564	6,320
<b>Ordinary Income</b>		<b>18,339</b>		<b>17,373</b>
Extraordinary Income				
Gain on sales of noncurrent assets	169		208	
Gain on sales of investment securities	457	626	383	592
Extraordinary Loss				
Loss on sales and retirement of noncurrent assets	1,592		1,035	
Loss on impairment of noncurrent assets	1,462		7,581	
Business restructuring expenses	7,779		491	
Loss on valuation of investment securities	61		1,960	
Other	75	10,970	17	11,085
<b>Income before Income Taxes</b>		<b>7,994</b>		<b>6,880</b>
Income taxes - current	8,258		7,786	
Income taxes - deferred	(1,502)	6,756	795	8,581
<b>Net Income (Loss)</b>		<b>1,238</b>		<b>(1,701)</b>
Profit attributable to non-controlling interests		2,600		517
<b>Loss Attributable to Owners of Parent</b>		<b>(1,361)</b>		<b>(2,218)</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 <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, 2021)

(Millions of yen)

Item	FY2020	FY2019 (Ref)	Item	FY2020	FY2019 (Ref)
<b>ASSETS</b>	<b>430,243</b>	<b>360,055</b>	<b>LIABILITIES</b>	<b>179,501</b>	<b>139,539</b>
<b>CURRENT ASSETS</b>	<b>166,481</b>	<b>129,889</b>	<b>CURRENT LIABILITIES</b>	<b>126,194</b>	<b>96,759</b>
Cash and deposits	52,018	32,590	Accounts payable - trade	26,885	23,105
Notes receivable - trade	3,938	6,545	Short-term loans payable	40,252	19,752
Electronically recorded monetary claims	14,796	12,711	Accounts payable - other	5,943	4,616
Accounts receivable - trade	53,062	45,022	Income taxes payable	668	485
Finished goods	10,828	10,054	Accrued expenses	1,787	1,733
Work in process	662	613	CMS deposits received	25,723	23,037
Raw materials and supplies	1,814	2,028	Provision for bonuses	4,462	4,347
Short-term loans receivable	18,313	10,001	Deposits received from employees	13,465	12,639
Accounts receivables - other	9,510	8,934	Other	7,007	7,043
Other	1,544	1,386	<b>NONCURRENT LIABILITIES</b>	<b>53,307</b>	<b>42,779</b>
Allowance for doubtful accounts	(8)	—	Long-term loans payable	4,219	6,321
<b>NONCURRENT ASSETS</b>	<b>263,761</b>	<b>230,166</b>	Provision for retirement benefits	35,745	33,349
<b>Property, plant and equipment</b>	<b>75,952</b>	<b>82,116</b>	Deferred tax liabilities	11,645	1,394
Buildings	26,101	27,531	Other	1,695	1,713
Structures	2,663	2,895	<b>NET ASSETS</b>	<b>250,741</b>	<b>220,515</b>
Machinery and equipment	29,430	31,413	<b>SHAREHOLDERS' EQUITY</b>	<b>188,951</b>	<b>186,033</b>
Vehicles	168	233	<b>CAPITAL STOCK</b>	<b>23,335</b>	<b>23,335</b>
Tools, furniture and fixtures	4,974	5,982	<b>CAPITAL SURPLUS</b>	<b>20,397</b>	<b>20,397</b>
Land	6,063	6,055	Legal capital surplus	20,397	20,397
Lease assets	42	64	<b>RETAINED EARNINGS</b>	<b>145,367</b>	<b>142,449</b>
Construction in progress	6,509	7,939	Legal retained earnings	2,983	2,983
<b>Intangible assets</b>	<b>42</b>	<b>47</b>	Other retained earnings	142,383	139,465
<b>Investments and other assets</b>	<b>187,766</b>	<b>148,002</b>	Reserve for special depreciation	58	65
Investment securities	113,921	75,442	Reserve for advanced depreciation of noncurrent assets	2,467	2,467
Stocks of subsidiaries and affiliates	39,814	40,194	Retained earnings brought forward	139,857	136,932
Investment in capital of subsidiaries and affiliates	11,396	11,396	<b>TREASURY STOCK</b>	<b>(149)</b>	<b>(149)</b>
Long-term loans receivable	20,239	18,536	<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b>61,790</b>	<b>34,482</b>
Prepaid pension cost	115	470	<b>VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES</b>	<b>61,790</b>	<b>34,482</b>
Guarantee deposits	1,259	768	<b>TOTAL</b>	<b>430,243</b>	<b>360,055</b>
Other	1,134	1,296			
Allowance for doubtful accounts	(115)	(102)			
<b>TOTAL</b>	<b>430,243</b>	<b>360,055</b>			

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

## STATEMENT OF INCOME (From April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	FY2020		FY2019 (Reference)	
Net Sales		201,122		239,123
Cost of Sales		160,479		191,792
<b>Gross Profit</b>		<b>40,642</b>		<b>47,331</b>
Selling, General and Administrative Expenses		35,789		37,028
<b>Operating Income</b>		<b>4,852</b>		<b>10,303</b>
Non-operating Income				
Interest and dividend income	4,419		14,379	
Rent income	844		818	
Other	392	5,656	938	16,135
Non-operating Expenses				
Interest expenses	1,073		838	
Other	139	1,212	654	1,493
<b>Ordinary Income</b>		<b>9,296</b>		<b>24,945</b>
Extraordinary Income				
Gain on sales of noncurrent assets	16		11	
Gain on sales of investment securities	457		383	
Gain on liquidation of subsidiaries and affiliates	5	479	1,538	1,933
Extraordinary Loss				
Loss on sales and retirement of noncurrent assets	124		244	
Loss on valuation of stocks of subsidiaries and affiliates	–		53	
Loss on valuation of investment securities	38		1,853	
Loss on liquidation of subsidiaries and affiliates	60		–	
Impairment loss	0		1,830	
Other	13	237	7	3,989
<b>Income before Income Taxes</b>		<b>9,538</b>		<b>22,890</b>
Income taxes - current	3,902		5,012	
Income taxes - deferred	(1,047)	2,854	(1,027)	3,984
<b>Net Income</b>		<b>6,684</b>		<b>18,905</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 <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 17, 2021

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, 2021, 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, 2020 through March 31, 2021.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the NOK Group, applicable to the consolidated fiscal year ended March 31, 2021, 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 17, 2021

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 115th fiscal term from April 1, 2020 through March 31, 2021.

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 115th fiscal term ended March 31, 2021, 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 115th term from April 1, 2020 to March 31, 2021, 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 19, 2021

Board of Corporate Auditors, NOK CORPORATION

Nozomu Maehara	Standing Corporate Auditor	(Seal)
Hideki Watanabe	Standing Corporate Auditor	(Seal)
Osamu Kobayashi	Outside Corporate Auditor	(Seal)
Hideki Ogawa	Outside Corporate Auditor	(Seal)
Atsushi Kajitani	Outside Corporate Auditor	(Seal)

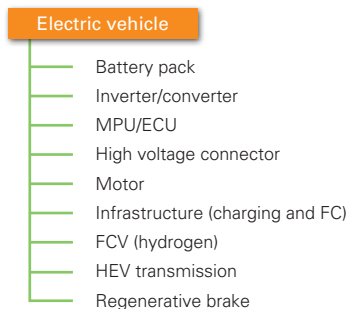
## Corrosion resistance technology: RUSTECTOR



"RUSTECTOR" is a coined term created from "rust" and "protector".

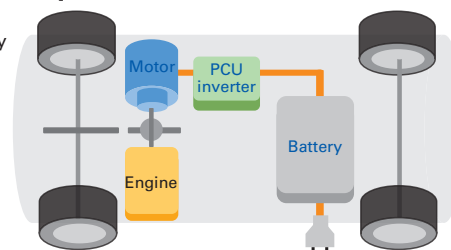


## Parts where gasket is used and its required characteristics



### [Required characteristics of gaskets]

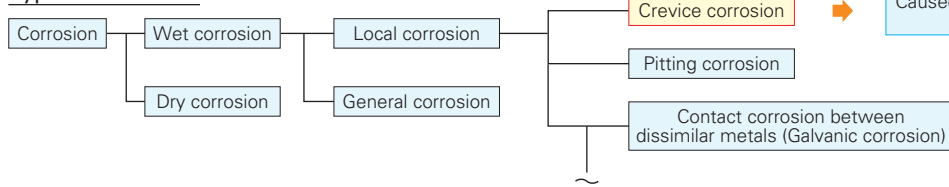
1. Sealing property
2. Water-proof and drip-proof property
3. Durability (low Cs)
4. Low-free sulfur
5. Low reaction force
6. Low siloxane
7. Low temperature performance
8. Flame resistance
9. **Corrosion resistance**
- ...etc.



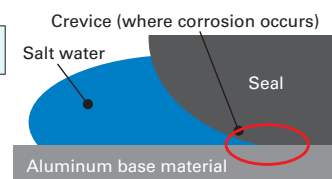
Gaskets for equipment used in electric vehicles are required to be corrosion resistant.

## Saltwater corrosion and its countermeasures

### Types of corrosion








Caused by salt water accumulated in a crevice between a seal and base



As countermeasures against crevice corrosion, (1) preventing saltwater accumulation, (2) filling up a crevice and (3) protecting the surface of aluminum base material are thought to be effective.

## Information on NOK anti-saltwater corrosion products

NOK anti-saltwater corrosion products			Countermeasures against crevice corrosion and product features	
Rubber gasket	RUSTECTOR Gasket 		(1)	<ul style="list-style-type: none"> <li>◆More cost-effective than anti-corrosion coating</li> <li>◆Able to change to accommodate dimensional variations on the part of the other party with the properties of rubber</li> <li>◆Can be made of various types of rubber</li> </ul>
Soft metal gasket	RUSTECTOR SMG-RR 		(1)	<ul style="list-style-type: none"> <li>◆No need to groove the aluminum enclosure</li> <li>◆Optimal for automated assembly lines</li> <li>◆Compatible with the international standard IP64K (standard for dust proofness and water proofness)</li> </ul>
Surface modifier (to be applied onto gaskets)	Grease for RUSTECTOR 	NOXLUB AU 0710	(2)	<ul style="list-style-type: none"> <li>◆For ethylene-propylene rubber, silicone rubber and fluororubber</li> <li>◆Highly waterproof and causes less outflow of grease</li> </ul>
		KLÜBERGREASE LFT 71-402	(2)	<ul style="list-style-type: none"> <li>◆For nitrile rubber, hydrogenated nitrile rubber and acrylic rubber</li> <li>◆Highly waterproof and causes less outflow of grease</li> </ul>
Surface modifier (to be applied onto base materials)	Coating material GLEITPAN JF139 		(3)	<ul style="list-style-type: none"> <li>◆Protects the surface of base material with high water repellency</li> </ul>
	Surface modifier NOXBARRIER ST-462 		(3)	<ul style="list-style-type: none"> <li>◆Protects the surface of base material with the high water repellency, oil repellency, and rust proofness of fluorine-based surface modifier</li> </ul>

## ■ High Speed Transmission FPC - technologies and products of Nippon Mektron that contribute to the spread of the 5th Generation High Speed Communication Standard (5G)



The spread of the 5th Generation High Speed Communication Standard (5G), which enables concurrent connections of high speed, high capacity, and multiple devices, as well as low signal latency, is accelerating on a global scale.

To realize such high-speed and high-capacity communication, transmission loss in the communication device typically represented by smartphones needs to be minimalized, and such characteristic is also required for FPC, which works as the transmission line.

Nippon Mektron, Ltd. has realized High Speed Transmission FPC that ensures superior transmission characteristics as well as thinness, light weight, and flexibility, which are characteristics of FPC, with a wide variety of materials and structures. Such FPC is adopted inside the communication device in various shapes as one-part, one-spec customized products. Such products have already begun to be mass-produced, contributing to the spread and expansion of 5G.



High Speed  
Transmission FPC

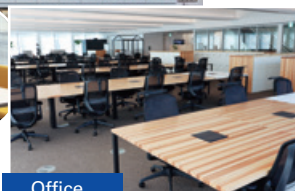


Image of adoption of  
High Speed Transmission FPC

## ■ Reconstruction of the headquarters building has been completed



Freely usable space



Office

The reconstruction of the former headquarters building, which was built in 1966, was completed as scheduled last year for the purpose of improving earthquake resistance and the working environment.

With a focus on the environment employees work in, under the corporate concept of "Borderless," we intend to eliminate all boundaries, including those of departments, generations, nationalities and gender, to stimulate communication and to create a workplace where each person can bring their abilities fully into play. Also, we have taken a proactive stance in adopting eco-friendly air conditioning equipment and lighting systems, as well as appliances made of domestic timber, etc., to fix the amount of CO2 generated.

In addition, the new building has a base isolation structure and is equipped with emergency power generators from the viewpoint of BCM.

# 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>	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
<b>Method of public notice</b>	An electronic public notice is applied. URL for public notice <a href="https://www.nok.co.jp/">https://www.nok.co.jp/</a> (If it becomes impossible for us to make an electronic public notice due to an accident or any other unavoidable reason, we will post it in the <i>Nikkei</i> .)
<b>Share unit</b>	100 shares
<b>Public listing</b>	Tokyo Stock Exchange Listed Name on the First Section: NOK (Securities Code: 7240)

## NOK CORPORATION

12-15, Shiba-Daimon 1-chome, Minato Ward, Tokyo, Japan 105-8585

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