

Top Interview with Takashi Iwashita, President, Nisshinbo Industries, Inc.

Nisshinbo Industries, Inc., which will celebrate its centennial in February, is now aggressively pursuing "The Three-year Management Plan 2008". The company is on track to achieve most of the targets set in the plan,

including the start of mass production of some new key products. In a recent interview, President Takashi Iwashita discussed Nisshinbo's business strategy and his vision for the company's future.

Record Sales and Incomes Projected for Current Fiscal Year

As the charts below show, Nisshinbo reported growth in both sales and incomes for the half year through September 2006. If the earnings targets for the year through March are achieved as expected, we will set new records in sales, ordinary income and net income.

Two major contributors to the strong results have been the brilliant earnings performance of New Japan Radio Co., which joined the Nisshinbo group in 2005, and brisk sales of our automotive brakes overseas.

However, we have slightly downgraded our operating income forecast from the figure included in the three-

year management plan.

One of the factors behind the downward revision is prior investment for the production of carbon bipolar plates for fuel cells and electrical double-layer capacitors. But this investment indicates these new businesses are proceeding as planned, and the lower operating income figure reflects faster-than-expected progress in our efforts to nurture them into new revenue sources.

Another factor is a loss due to our withdrawal from the manufacturing of dry type spandex products. Since we finished disposing of our spandex stock during the first half, however, second-half results will not be affected.

We have terminated domestic production of low-value-added textile prod-

ucts that have become more or less commodities and shifted the operations to our overseas plants. We expect this will lead to a reduction in monthly costs of about 100 million yen, starting this year.

Aggressive Expansion into New Business Areas

Meanwhile, we are working hard to build up profitable businesses around a few strategic products that can make up the core of our product portfolio.

One such product is a carbon bipolar plates, the core component of a fuel cell. Now, fuel cells for households are close to practical use, ahead of those for automobiles. We intend to aggressively invest in the mass production of carbon bipolar plates in response to market trends.

Our carbon bipolar plates for fuel cells are as strong as metal despite their remarkable thinness, and we believe they have become the de facto standard for carbon bipolar plates.

We also see great market prospects for our electrical double-layer capacitors. They have already been used in

various carrying devices, and we have received requests for samples from automakers. We will expand production of double-layer capacitors this summer.

Last year, our electrical double-layer capacitors were selected for a national project in which private-sectors manufacturers are commissioned to develop strategic products. This shows that high hopes have been placed on our electrical capacitors. We expect both our capacitors and bipolar plates for fuel cells will eventually start generating tens of billions of yen in sales.

Sales of CARBODILITE, a multifunctional resin, have been doubling every year. Among our new products, CARBODILITE will be the first to become a source of 10 billion yen or more in annual sales. CARBODILITE has been adopted for a variety of Eco-Friendly products, such as additives which control the hydrolysis of plant-based resins or cross-linking agents for water-based paints. CARBODILITE will find wide application in various areas of technology.

Seeking to Maximize Corporate Value in Constant Quest for Growth Businesses



Takashi Iwashita
President, Nisshinbo Industries, Inc



An electrical double-layer capacitor developed by Nisshinbo (right), President Iwashita driving a small electric car using the capacitor (center). (The vehicle's body was developed by the University of Tokyo's Institute of Industrial Science.)



New Chemical Division

While continuing efforts to develop new markets, we will pull out of unprofitable areas and shed underperforming units as swiftly as possible. We plan to divest money-losing parts of our chemical business and focus our human resources on growth areas. At the same time, we will seek greater efficiency in our research and development activities and manufacturing through cross-division integration of operations based on our isocyanate technology and carbon technology - two of our key chemical technologies.

We plan to integrate the Business

Development Division and the Chemical Products Division in April to create a new organization called the Chemical Division. We will try to boost the efficiency of our operations through such consolidation and devote resources to important new businesses.

Such efforts to concentrate resources on growth areas will help us achieve the targets set in the three-year management plan (See charts).

Rewarding Shareholders Through Continued Growth

One priority in the management plan is to increase the distribution of profits to

shareholders. Under our dividend policy, we currently pay an annual dividend of 10 yen per share. We will boost the amount according to our earnings performance. For the current year, which marks Nisshinbo's centennial, we plan to pay a year-end dividend of 15 yen. Last year, we cancelled 6.5 million shares of company stock, or some 3% of the outstanding shares. We intend to buy back more shares at appropriate times to increase rewards to shareholders.

I personally regard this year less as the 100th anniversary of our company than as the starting point for the second century of the firm's growth.

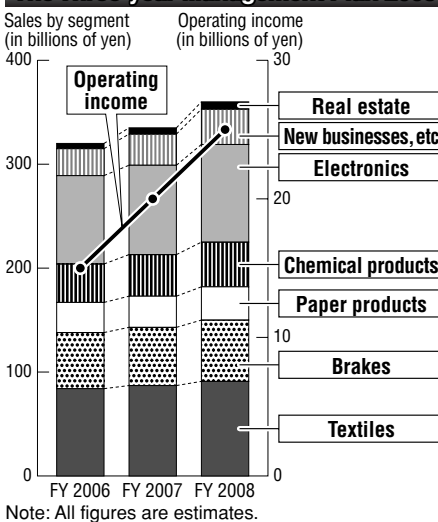
A company must remain "young" forever in order to maintain its sparkle. That sometimes requires creative destruction enabling the total reinvention of the firm.

Revving Up Group Strategy

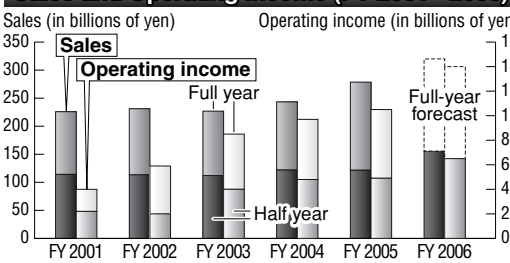
As part of our efforts to rev up group strategy, we turned New Japan Radio Co. into a subsidiary and made Aloka Co. an "equity method affiliate" in 2005. In December last year, we added Japan Radio Co. and Nagano Japan Radio Co. to our roster of equity method affiliates. As a result, all five companies of the Japan Radio Group, including Ueda Japan Radio Co., are now among Nisshinbo Group's consolidated affiliates.

One of the key technologies for an information-oriented society is wireless technology, which is also very important for our electronics businesses. And we are envisioning ubiquitous communications based on wireless technology, which will create a new growth sector. Accepting companies with cutting-edge wireless technologies as new group members will certainly increase our long-term growth potential.

The Three-year Management Plan 2008



Sales and Operating Income (FY 2001 - 2006)



| | Half year through September 2006 | Half year through September 2005 | Year through March 2007 (est.) |
|-------------------------|----------------------------------|----------------------------------|--------------------------------|
| Sales | 155,710 (up 28.2%) | 121,504 | 320,000 |
| Operating income | 6,466 (up 30.7%) | 4,947 | 14,000 |
| Ordinary income | 8,449 (up 25.3%) | 6,742 | 17,500 |
| Net income | 5,411 (up 47.1%) | 3,678 | 13,000 |



Nisshinbo's corporate ad campaign features characters from the "Tensai Bakabon" manga and anime series. These characters are used to make the company's various businesses familiar to consumers. The character representing electrical double-layer capacitors is Unagi-inu (eel-dog).

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