

Automobile Brakes

Nisshinbo Holdings Inc.

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<http://www.nisshinbo.co.jp/english/index.html>



Mechatronics



Electronics



Papers

Challenge

Nisshinbo Group CSR Report 2012

In accordance with the corporate principle that companies are public entities, the Nisshinbo Group aims to be an eco-company that provides optimal solutions for a low-carbon society.



Textiles

Chemicals

Real Estate

NISSHINBO

The Nisshinbo Group's Concept of CSR

While carrying forward the corporate spirit that the Group is in essence a “Public Entity” and an unwavering commitment to “Consistent Integrity” since its founding in 1907, Nisshinbo has continued to contribute to society through its business activities. This stance is in tune with the Group's current concept of CSR and the origin of its management principles.

Moving forward, the Nisshinbo Group will continue to contribute to society and help realize sustainable development in partnership with the communities in which it operates by promoting business activities primarily in the environmental and energy fields.

Overview and Contents of This Report

Each year, the Nisshinbo Group issues a CSR (Corporate Social Responsibility) report with the aim of providing all of its stakeholders with details of the Group's CSR activities.

In this, the Group's fifth CSR report, Nisshinbo has undertaken a complete renewal in an effort to outline the results of its CSR activities and endeavors to contribute to society through a wide range of business activities in greater detail and an easier-to-understand manner. From the fiscal year under review, the Group has also incorporated the opinion of a third party to better reflect the voice of society as a whole.

Building on these efforts, we will continue to upgrade and expand CSR activities that remain unique to the Nisshinbo Group going forward.

1. Period Covered

This report, in principle, covers activities undertaken during fiscal 2011 (April 1, 2011 to March 31, 2012). Certain information, however, covers the fiscal 2010 and fiscal 2012 periods.

2. Scope

The economic and financial data provided in the “Overview of the Nisshinbo Group” section of this report covers Nisshinbo Holdings Inc. and its consolidated subsidiaries. Matters of a social and environmental nature cover Nisshinbo Holdings Inc. and the 49 companies listed at right.

Unless otherwise specifically stated, “the Company” shall refer to Nisshinbo Holdings Inc. and “the Nisshinbo Group” to the Group as a whole.

3. Guidelines Used for Reference

- Environmental Reporting Guidelines 2007, Japan's Ministry of the Environment
- Environmental Reporting Guidelines 2005, Japan's Ministry of the Environment
- Sustainability Reporting Guidelines, Version 3.0, Global Reporting Initiative

4. Past CSR Reports

Past CSR reports can be downloaded from the following URL:

URL: <http://www.nisshinbo.co.jp/english/csr/download.html>

Financial and other related information can be downloaded from the Company's IR site.

- Annual Report (Japanese and English)
 - Financial Results (Japanese)
 - Shareholder Report No.169 (Japanese)
 - Securities Report (Japanese)
- URL: <http://www.nisshinbo.co.jp/ir/index.html>

5. Publication Date

Sep 04, 2012

6. Next Report (Planned)

Aug 2013



Companies Covered by the Report (By Segment)

Nisshinbo Holdings Inc.

Textiles

Nisshinbo Textile Inc.
CHOYA CORP.
Nisshin Denim Inc.
Naigai Shirts Co., Ltd.
Nisshinbo Yam Dyed Co., Ltd.
Ocean Link Corporation
PT. Nikawa Textile Industry
PT. NISSHINBO INDONESIA
Nisshinbo Do Brasil Industria Textil LTDA.
Shanghai Choya Fashion Co., Ltd.
PT. Naigai Shirts Indonesia
NISSHINBO (SHANGHAI) CO., LTD

Automobile Brakes

Nisshinbo Brake Inc.
Nisshinbo Automotive Manufacturing Inc.
Nisshinbo Somboon Automotive Co., Ltd.
Saeron Automotive Corporation
SAERON AUTOMOTIVE
BEIJING CORPORATION

Papers

Nisshinbo Paper Products Inc.
Tokai Seishi Kogyo Co., Ltd.
Nisshinbo Postal Chemical Co., Ltd.
Daiwa Shiko Co., Ltd.
Shanghai Sun-Rich Arts & Crafts Co., Ltd.

Precision Instruments

Nisshinbo Mechatronics Inc.
Nisshinbo Precision Instrument &
Machinery Hiroshima Corporation
Nisshinbo Alps Tech Co., Ltd.
Nisshinbo Mechatronics (Shanghai) Co., Ltd.
Nisshinbo Mechatronics (Thailand) Ltd.
TAIWAN NISSHINBO
PHOTOVOLTAIC Co., Ltd

Chemicals

Nisshinbo Chemical Inc.
Nisshin Environmental Planning Inc.

Electronics

Japan Radio Co., Ltd.
New Japan Radio Co., Ltd.
Nagano Japan Radio Co., Ltd.
Ueda Japan Radio Co., Ltd.
JRC Tokki Co., Ltd.
Musashino Electronics Co., Ltd.
Japan Radio Glass Co., Ltd.
Saga Electronics Co., Ltd.
NJR CORPORATION
NJR FUKUOKA CO., LTD.
THAI NJR CO., LTD.
NJR (SINGAPORE) PTE LTD
NJR SHANGHAI CO., LTD.

Real Estate and Other Businesses

Nisshin Toa Inc.
Nisshinbo Urban Development Co., Ltd.
Iwao & Co., Ltd.
Nisshinbo Europe B.V.
Nisshinbo Singapore Pte. Ltd.

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The Nisshinbo Group continues to take up the challenge of engaging in activities from a broad spectrum of perspectives in an effort to contribute to the sustainable development of society. The Group is actively working to utilize renewable energy and is installing photovoltaic modules manufactured on a trial basis at Nisshinbo Mechatronics Inc. on the roofs of various Group company plants.
(Photo: Shimada Plant)

The Nisshinbo Group's Business and Relationship with Society

The Nisshinbo Group is working through each of its seven business segments to support society in a variety of ways. In this manner, we are endeavoring to fulfill one key talent of our corporate philosophy : “to make a significant positive contribution to the lives of people worldwide as an eco-company.”

The Nisshinbo Group's Business and Relationship with Society

■ Business Activities

■ Relationship with Society



Textiles

Development, manufacture, processing, sale and the import/export of yarns, woven/knitted products, non-woven fabrics, clothes, and industrial materials

Nisshinbo's APOLLOCOT™ series of non-iron shirts made entirely from natural cotton harness the Company's textile technologies to help conserve energy and preserve the environment. In addition to shirts, which continue to attract wide acclaim, steps are being taken to expand the APOLLOCOT™ series to handkerchiefs, business trousers and other items.



Automobile Brakes

Manufacture and sale of automobile friction materials (disc pads and brake linings), brake assembly and related brake products

The basic functions of an automobile are to run, turn and stop. In addition to incorporating the TMD Friction Group within its scope of consolidation in 2011, the Nisshinbo Group has continued to forge a leading position as a global manufacturer of friction materials. Focusing on the function “to stop,” the Group is delivering safety and security to the automobile society worldwide.



Papers

Manufacture and sale of household paper products, fine and other specialty papers, processed paper products, packaging products and printer label-related products

The Group's “The Perfect Bathroom Tissue for Bidet-Toilet <absorbs twice as much water>” is an extremely popular item attracting numerous repeat customers. The Group's fine papers are also used in familiar, everyday items including calendars, pamphlets and books.



Precision Instruments

Manufacture, processing and sale of mechatronic products including photovoltaic module manufacturing equipment, automobile precision processing parts, plastic molding and related products

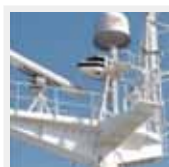
In a current environment in which the operations of nuclear power generating stations are being reconsidered, the importance of renewable energy is steadily increasing. Photovoltaic power is in particular attracting deep interest and attention. Nisshinbo is providing the leading panel manufacturers in Japan and overseas with photovoltaic module manufacturing equipment.



Chemicals

Manufacture and sale of urethane, elastomer and carbon products, bipolar plates for fuel cells, high-performance chemical additives and related products; development of automobile energy storage devices

Following in the footsteps of photovoltaic modules, awareness and use of household fuel cells as innovative energy utilization technology is gaining momentum. Nisshinbo manufactures carbon bipolar plates, an important component of household fuel cells, and has captured an overwhelming market share.



Electronics

Manufacture and sale of electronic devices for marine vessels, communications equipment, social infrastructure-related management systems encompassing river improvement and disaster prevention, analog semiconductor and related products

The important role played by disaster prevention wireless systems in providing safety and security to society has again come to the fore in the wake of the Great East Japan Earthquake. The Nisshinbo Group provides a wide range of disaster prevention information and communications systems to meet the diverse needs of customers from prefectural to municipal authorities.



Real Estate

Redevelopment of idle assets for residential and commercial use; leasing of land and buildings

The Nisshinbo Group engages in the effective use of properties that have become idle due to business restructuring in the corporate sector and the shift of production to overseas bases. Employing the scale of idle assets to best advantage, properties are used in the redevelopment of residential areas to help enhance living environments and revitalize local communities.

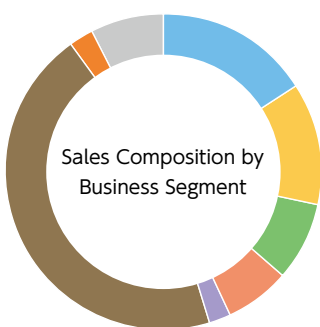
Contributing to Society through Global Business Development

The Nisshinbo Group is pursuing global expansion across a wide variety of business domains. In 2011, steps were taken to acquire TMD FRICTION GROUP S.A. (TMD), one of Europe's leading brake friction material manufacturers. This initiative has enabled the Group to contribute to society through its business activities across all five continents.

Business Bases

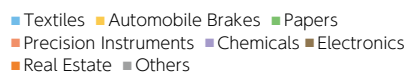
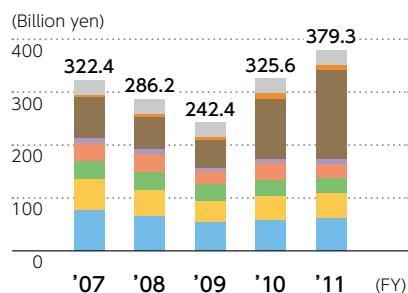


Principal Financial Data

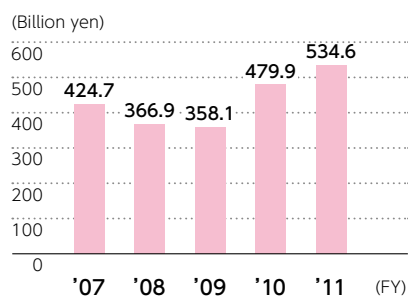


Textiles	16.1%
Automobile Brakes	12.5%
Papers	8.0%
Precision Instruments	6.6%
Chemicals	2.2%
Electronics	44.8%
Real Estate	2.4%
Others	7.4%

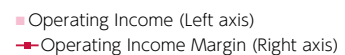
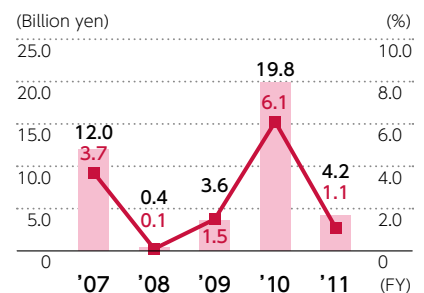
Net Sales



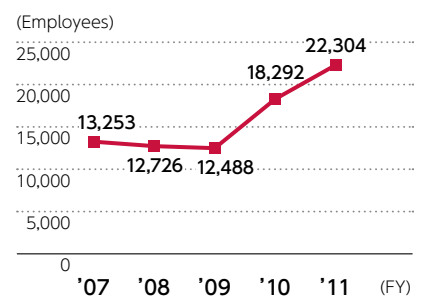
Total Assets



Operating Income / Operating Income Margin



Number of Employees



Creating the Future as a Much Needed Company

04

Nisshinbo Holdings, Inc.
CSR Report 2012



Striving to become an eco-company, Nisshinbo is helping to reduce CO₂ emissions while taking up the challenge of resolving the multitude of issues confronting humankind today.

For example, in what is considered the ultimate in eco-car development, the fuel cell vehicle, we are pursuing the development of bipolar plates, an essential component in fuel cells, utilizing our proprietary carbon technologies, in order to promote more widespread use. In the household fuel cell market, where products were introduced at an early stage, our carbon bipolar plates are gaining wider acceptance on the back of demand growth.

We are also active in the development, manufacture and sale of modifiers that contribute to the increased use of bioplastics as well as other products including energy storage devices, which hold the key to low fuel consumption vehicles. Moreover, we have commenced work in the field of plant factories in an effort to address food-related issues.

In Publishing a CSR Report

Following its inaugural publication in 2008, this CSR Report represents the Nisshinbo Group's fifth issue. In this regard, our efforts to disclose details of the Group's CSR activities in this manner remain at an early stage. The Nisshinbo Group's commitment to fulfilling its corporate social responsibility, however, has been a natural and integral component of its business activities and management stance since foundation in 1907. This can in part be attributed to its late entry into the specialist cotton spinning field. Irrespective of the era and industry, latecomers are confronted with the difficult task of pursuing and surpassing industry pioneers. Under the backdrop of this challenging operating environment, the Group is carrying forward the corporate spirit that the Group is in essence a "Public Entity" with an unwavering commitment to "Consistent Integrity". This corporate spirit continues to inspire employees to achieve rapid development and growth.

At the time the Group took steps to spin off certain companies in 2009, the concept of "Innovation," creating the future through continuous change based on originality and ingenuity, was newly added to the Group's existing corporate philosophy that placed the utmost value on moving forward in partnership with society. The corporate principles of the Nisshinbo Group that emphasizes its role as a "Public Entity" distinguished by its commitment to "Consistent Integrity" and "Innovation" is therefore the common thread that binds the Group into a single cohesive unit.

Our Mission is to Support People's Daily Lives

Nisshinbo is active across seven business fields. In specific terms, our mission is to broadly contribute to human society across a wide variety of global scenes in each of the textiles, automobile brakes, papers, precision instruments, chemicals, electronics and real estate fields.

In the Company's comfortable 100%-cotton, non-iron APOLLOCOT™ shirt series, the Group is not only helping to reduce household chores, but also to conserve electricity. In its automobile brakes business, where the Group boasts the top global market share, Nisshinbo is contributing to the safe movement of people. In addition to producing such daily necessities as tissues and toilet paper, fundamental items of everyday life, the Nisshinbo Group is actively engaged in the manufacture and sale of modifiers that drive

increasingly widespread use of bioplastics as well as photovoltaic module manufacturing equipment. Through these and other means, we are endeavoring to create a sustainable society. Japan Radio Co., Ltd., supports the construction of cities and living environments that are increasingly resilient to disaster. In delivering a variety of products including disaster prevention wireless systems, the company is endeavoring to build robust social infrastructure.

Taking Up the Challenge in Environmental Fields

Addressing environmental problems is a common issue for humankind and one of several top priorities. The world is confronting a growing incidence of disasters caused by abnormal weather, the collapse of ecosystems affecting flora and fauna and destruction of the ozone layer. It goes without saying that we cannot afford any delay in resolving the issue of global warming. As an eco-company, Nisshinbo is committed to consistently taking up the challenge of addressing each issue in the environmental field. To this end, we will work tirelessly to reduce the environmental load of our own business activities while developing and providing products that contribute to the realization of a sustainable society.

Nisshinbo has secured an overwhelming share in Japan's household fuel cell market for its bipolar plates, an essential component that employs the Company's proprietary technology.

In addition, Carbodilite™, our high-performance plastic material modifier, which continues to contribute to the increased use of bioplastics, is attracting wide overseas acclaim for its outstanding safety. Demand is expected to surge rapidly reflecting the incidence of increasingly stringent environmental regulations.

Drawing on its ongoing efforts to help realize a sustainable society through our business activities, the Nisshinbo Group will hold true to its founding philosophy and continue to take up each and every global challenge today and tomorrow.

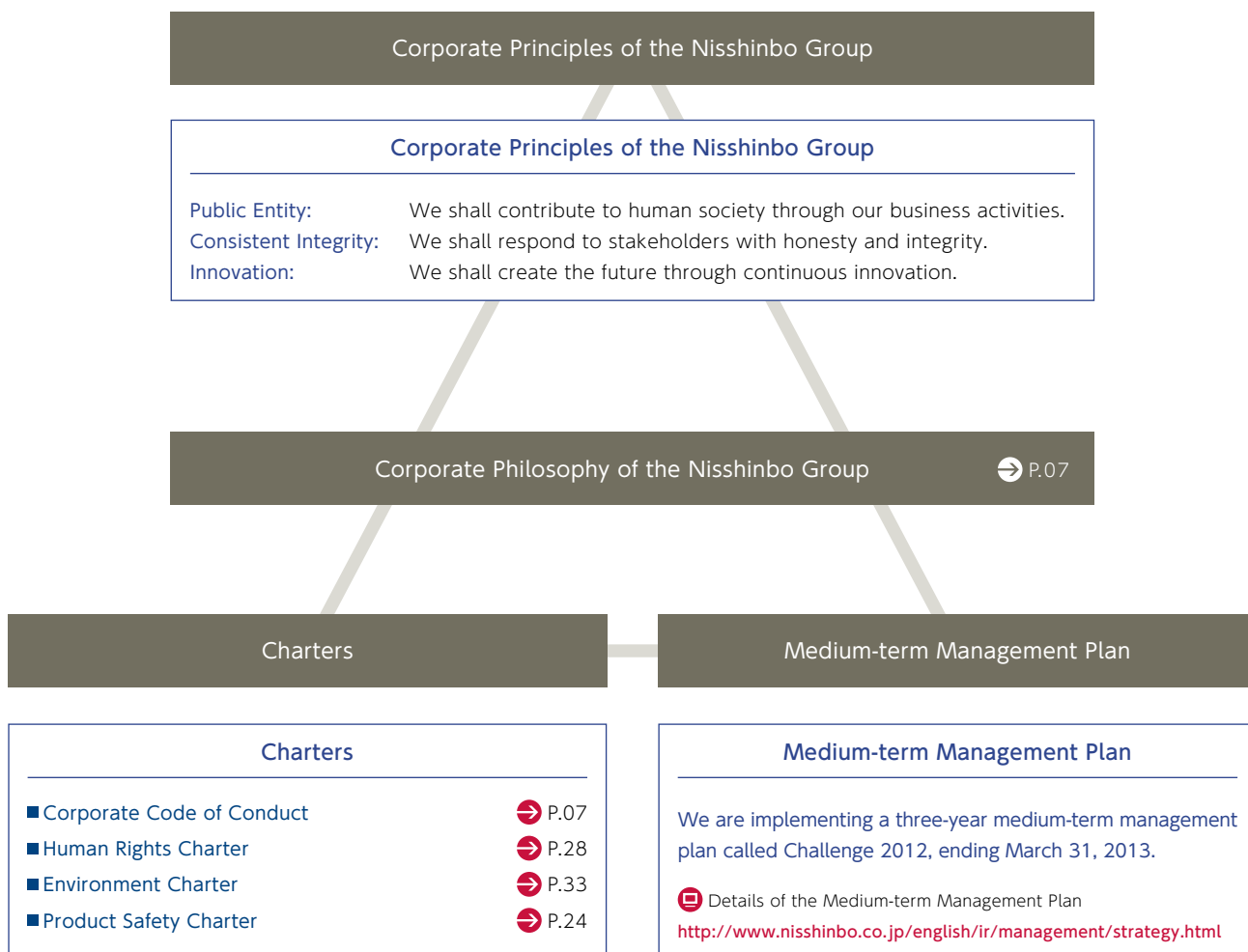


Shizuka Uzawa
President
Nisshinbo Holdings Inc.
July 2012

Contributing to Society through Efforts to Realize Our Vision

The Nisshinbo Group's business activities are guided by three Corporate Principles: Public Entity, Consistent Integrity and Innovation. The Group's Corporate Philosophy and Charter are based on these principles. Guided by this Corporate Philosophy, Nisshinbo formulates a Medium-term Management Plan to drive sustained growth.

These elements together comprise our vision for the Company and we are contributing to society through our efforts to realize this vision.



Focusing on Our Mission as a Member of Society

Channeling management resources into environmental and energy businesses, the Nisshinbo Group will proactively address global-scale issues as a part of efforts to help realize a sustainable society.

Corporate Philosophy of the Nisshinbo Group

- As the eco-company, we shall contribute broadly toward enhancing the comfortable lifestyles and cultures of people around the world.
- We shall aim to conduct business activities with honesty and integrity as our social responsibility based on the belief that companies are public entity.
- We shall constantly aim to raise corporate value and become a corporate group with a strong presence.

Corporate Code of Conduct

The Nisshinbo Group is deeply aware that companies are public entity, and that, while they are business entities pursuing economic aims such as the creation of added value through fair competition and the creation of employment opportunities, their mission is to widely contribute to society through their corporate activities. For that purpose, both domestically and internationally, we shall respect human rights, observe related legislation and international rules and the spirit behind them, and act on the basis of the following 10 principles toward the creation of a sustainable society with consistent integrity as our fundamental creed.

1. Giving proper consideration to safety, we shall develop and supply socially beneficial products and services and obtain the satisfaction and trust of consumers and clients.
2. In a spirit of accountability, we shall engage in fair, transparent, and open competition and proper business transactions. We shall also maintain sound and healthy relations with political and government organizations.
3. As well as with shareholders, we shall engage in wide-ranging communication with society and disclose corporate information positively and fairly. We shall also endeavor to ensure the protection of personal information and client information through proper data management.
4. We shall respect the diversity, character, and individuality of employees, ensure a safe and work-friendly environment for them, and realize their comfort and affluence.
5. We recognize that efforts to address environmental problems are a common issue for humankind and an essential condition for the existence and activities of the Nisshinbo Group, and we shall take the initiative in this regard.
6. We shall actively engage in social contribution activities as a good corporate citizen.
7. We shall resolutely resist any antisocial forces or organizations that pose a threat to the order and safety of civil society and shall have no links to such organizations.
8. Responding to the globalization of business activities, and complying with international rules and local legislation, we shall engage in management that respects regional culture and customs, takes the interests of the respective stakeholders into consideration, and contributes to the respective national and regional economic development.
9. The top management of Nisshinbo Group companies recognizes that it is our duty to realize the spirit of this charter and, by setting a good example, to effectively disseminate it throughout the Group and promote it to business partners. Furthermore, we shall constantly monitor opinions both inside and outside the Group, establish an effective in-house setup, and thoroughly imbue corporate ethics.
10. If a situation arises that appears to violate this charter, the top management of Nisshinbo Group companies shall make clear both internally and externally our position of solving the problem and shall endeavor to investigate the causes and prevent a recurrence. Furthermore, the top management shall execute the disclosure of speedy and accurate information and accountability to the public and, after clarifying authority and responsibility, undertake strict penalties, including upon ourselves.

Together with Stakeholders

Lending an ear to the comments of stakeholders while working together to build a sustainable society is an important priority of the Company. The Nisshinbo Group will work diligently to fulfill its responsibilities toward stakeholders while endeavoring to foster increasingly close-knit, positive ties.

1. Helping to enhance worldwide safety and security through products and services that take into consideration the perspective of customers
2. Providing distinctive, environmentally conscious products and services as an eco-company

1. Disclosing corporate information in an open, accurate and timely manner
2. Enhancing shareholder value through continuous growth

1. Adhering strictly to a policy of fair trade practices while striving for mutual prosperity with suppliers
2. Promoting CSR procurement and contributing through supply chain activities



Contributing in Ways that are Unique to Nisshinbo in Concert with Society; Taking Up the Challenge across All Businesses in a Variety of Deeply Rooted Scenes

The essence of the Nisshinbo Group is to contribute to society through sincere business activities. As the need for increased security and comfort as well as interest in environmentally conscious materials and products continue to rise, we will consistently take up the challenge of developing new technologies and products that lead to more prosperous lifestyles for people around the world.

1



2

Helping to Instill a Sense of Security and Comfort throughout Society

The Nisshinbo Group is committed to providing comfortable textile products, automotive brake products that support safe and secure transportation, paper products that add color and comfort to living environments and electronic products including wireless disaster prevention devices that underpin a safe and secure society. The Nisshinbo Group is actively engaged in a wide range of businesses that help promote safe and comfortable living.

Playing a Prominent Role in the Environment Field and Creating a Bright and Prosperous Tomorrow

In its Precision Instruments business, the Nisshinbo Group contributes to tomorrow's energy security through such wide-ranging activities as the development and sale of photovoltaic panel manufacturing equipment. For its part, the Chemicals business strives to build to a green society through the power of chemicals. Efforts are also being made to realize a sustainable society through such products as carbon bipolar plates for fuel cells and electric double-layer capacitors. The Nisshinbo Group is working to play a prominent role in the environment field and to create a bright and prosperous tomorrow.



Nisshinbo Holdings Inc. became the first company in Japan to successfully cultivate strawberries on a large scale using only artificial light at a plant factory in Tokushima Prefecture. The Company has commenced shipments under the brand name APOLLOBERRY™. Current activities include increasing production volumes and selecting appropriate sales channels ultimately with the aim of further expanding this business.

(Photo: APOLLOBERRY™ strawberries cultivated at the Company's plant factory using only artificial light.)

Nisshinbo Frontier Technologies Earning Worldwide Recognition

Motor sports generate thrills and excitement around the world. Nisshinbo products are a key force at the pinnacle of such racing, a domain where cutting-edge technologies vie for the checkered flag.

“N’s CAP™” Electric Double-layer Capacitor

The Nisshinbo Holdings Inc. Capacitor Department develops and manufactures the “N’s CAP™,” an electric double-layer capacitor that uses independently developed “ionic liquid” as electrolytes.

Electric double-layer capacitors are one type of condenser in which electricity is stored in its original state. Because there is no chemical reaction like that used in secondary batteries, the ability of these capacitors to endure repeated charges and discharges has earned them keen attention in recent years as long service life electric storage devices. At present, they are used for carrier device peak cut and hybrid power shovel (a type of construction machine) energy regeneration. Looking ahead, the Department is targeting use of the capacitors as an attractive power source for micro-hybrid* vehicles – a product for which rapid market expansion is forecast.

* Micro-hybrid: Start-stop + energy regeneration system



Capacitor module (yellow portion)

Adopted on WEC Toyota Racing Car

N’s CAP™ is used in the Toyota Motor Corporation “TS030 HYBRID” racing car competing in the FIA World Endurance Championship (WEC)*. Use of capacitors makes it possible to regenerate massive energy from the frequently repeated sudden slowdowns that characterize these races, for use in powering the motor upon sudden speedups. N’s CAP™ has earned high marks for outstanding performance, reliability and design technology, leading to its adoption as the hybrid system electric storage device – one of the core technologies in the TS030 HYBRID.

The Nisshinbo Group will be redoubling efforts to further raise its quality and technological prowess from here on as well, carrying on the challenge to create the N’s CAP™ and other products and technologies making valuable contributions to realizing a sustainable economy and society.



TS030 HYBRID

* World Endurance Championship (WEC): A series of eight automobile endurance races held in countries around the world. The third race in the sequence is the Le Mans 24-Hour Race (considered one of the world’s three major car races). The seventh race is the 6 Hours of Fuji event run at Fuji International Speedway in Japan.



Hideto Sato

Development Section
Capacitor Department
Business Development Division
Nisshinbo Holdings Inc.

I am currently active in operations related to the N’s CAP™ electric double-layer capacitor. With the N’s CAP™ capturing keen attention as a product capable of contributing to the environment, we are advancing our development on the conviction that this is a product destined to excel worldwide in the future. As a member of an eco-company, I take great joy and responsibility in my work with products that contribute to society.

Products Contributing to a Sustainable Society

- N’s CAP™ electric double-layer capacitor

Automobile Brakes

Supporting Safe and Secure Mobility Worldwide

With the recent acquisition of the TMD Friction Group S.A., the Nisshinbo automobile brakes business has further expanded its global supply of friction materials.

Now the World's Top Manufacturer of Automobile Brake Friction Materials

In November 2011, Nisshinbo automobile brake business production bases in six countries were substantially expanded with the addition of the production bases of TMD Friction Group S.A. in eight other countries (not including those where both Nisshinbo and TMD have operations). This move has raised the Nisshinbo share of the global market for automobile brake friction materials to above 15%, ranking it as the world's No. 1 manufacturer of those components.

Nisshinbo is now utilizing its interfacing of technology with the TMD Group, together with the creation of a global human resource and organizational structure to establish an even more extensive global supply system for the critical automotive component of friction materials. This stance promises to be instrumental in further supporting safe and secure mobility around the world.



Automobile brake products, supporting safety and security

Initiatives Addressing New Environmental Regulations

Nisshinbo Brake Inc. has traditionally endeavored to reduce the level of environmental burdensome substances contained in its friction material products, marketing a steady stream of products engineered to lower the environmental load.

In the United States, with the conclusion recently reached that the main cause of copper contamination in San Francisco Bay is the copper content in friction materials, that situation has come under scrutiny as a new environmental issue. For its part, Nisshinbo Brake Inc. has steadily promoted development of friction materials with reduced copper content* from the announcements of new environmental regulations in the different states in America. This time around, the company has succeeded in perfecting friction materials that satisfy the wide range of performance requirements even while curbing their copper content. Its upcoming plans call for advanced testing and evaluation of prototypes with automakers, steadily moving toward mass production.

Nisshinbo Brake Inc. will continue to advance its prioritized development of products using raw materials, parts, subsidiary materials and supplementary materials that place low burdens on the environment.

* Under California State law, restrictions on sales of friction materials containing 5.0% or more copper will go into effect from 2021, and on materials with 0.5% or more copper from 2025. Nisshinbo Brake Inc. continues to monitor the contents of legal regulations in other states as well, in order to mount the optimum response on each and every occasion.

Building a global supply system to support society



Products Contributing to a Sustainable Society

- Green Pads

Textiles

Serving All Cotton Enthusiasts! — Proposals for Superior Wearing Comfort —

The textiles business is devoted to the R&D and commercialization of new textile products, placing the key focus on cotton. Constantly striving to propose greater wearing comfort, this arm of Nisshinbo will continue to contribute to realizing more affluent living for us all.

Supporting Affluent Lifestyles through New Cotton

Nisshinbo Textile Inc. addresses the needs of all cotton enthusiasts with products that always keep the wearer feeling neat and refreshed. The company devotes itself to advancing the R&D and commercialization so vital in the work of proposing superior wearing comfort.

The APOLLOCOT™ series, showcasing innovative material and processing expertise pooling all aspects of Nisshinbo textiles technology, instills outstanding wash-and-wear, antibacterial and deodorizing capacity as standard features, with no sacrifice in the inherent virtues of cotton. The non-iron performance of these products supports an eco-friendly lineup that also contributes to electricity savings. Following in the footsteps of 100% cotton business shirts that already enjoy rave reviews, the APOLLOCOT™ series is being steadily expanded to include handkerchiefs, cotton business trousers and other new items.

In the denim field, the company develops a wide range of products that combine fashion with comfort, while also being friendly to the environment. These offerings include denim with attractive hues that are less susceptible to color fading or transfer during washing, and reduce pollution due to the water discharged when washing; denim that breathes well during summer; and denim that dries easily after washing.

Nisshinbo Textile Inc. will continue to propose cotton friendly for both people and the environment, moving to envision greater wear comfort and support more affluent living for us all.



APOLLOCOT™ 100% cotton non-iron business shirts



The Origins of Development Lie in the "Consumer's Eye"

Ryuichi Oikawa

Development Section
Development & Technology Department
Nisshinbo Textile Inc.

The textile products that we develop are also items that we actually use ourselves. If a product doesn't feel comfortable when we try it on ourselves, we certainly can't be confident in recommending it to others. In that sense, all members of the Development Section are test subjects. The first step is to make a product following our development activities, and to then try it ourselves to confirm comfort. We will continue to work from the perspective of the "consumer's eye" from here on as well, in the quest to develop products truly pleasing to consumers.



Cotton business trousers

Products Contributing to a Sustainable Society

- APOLLOCOT™
- Ecologia™
- banana fiber
- color-fade resistant denim
- Ecosys™
- Oikos™
- Biomass Nisshinbo Mobilon



Handkerchief

Toward Improvements in the Quality of Life

Nisshinbo Paper Products Inc. is active in the three business fields of household paper products, speciality paper and processed paper products. Marshaling fine blends of technology and aesthetics, the company develops and supplies products aimed at bringing greater color and comfort to everyday living, contributing to improvements in the quality of life.

Pursuit of Environment- and People-friendly Manufacturing

Nisshinbo Paper Products Inc., rooted in the concept of environment- and people-friendly manufacturing, develops products high in originality and quality, while building up a production system to ensure the stable supply of those items to the marketplace.

The company has assembled lineups to address the needs in each of these three fields: household paper, speciality paper and processed paper. In the household paper field, it offers products such as COTTON FEEL™ tissue paper in which cotton linter pulp is added to the raw materials, and “The Perfect Bathroom Tissue for Bidet-Toilet <absorbs twice as much water>” to reduce the amount of paper used. In speciality paper, the selections include fine paper excelling in printability while also delivering strengths in color, texture, patterns and other areas, and which is also Forest Stewardship Council (FSC)-certified. FSC-certified products help prevent global warming through their contributions to conserving forest resources.



“VENT NOUVEAU™ F-FS”
FSC-certified paper



“The Perfect Bathroom Tissue for Bidet-Toilet <absorbs twice as much water>”

Products Contributing to a Sustainable Society

- “The Perfect Bathroom Tissue for Bidet-Toilet <absorbs twice as much water>”
- “VENT NOUVEAU™ F-FS” and “VENT NOUVEAU™ Smooth-FS” (FSC-certified paper products)

Global Development of the High-end Packaging Market

In processed paper products, Nisshinbo Paper Products Inc. serves the high-end packaging field with the planning and proposal of products that combine advanced designs and functions geared to the needs of renowned overseas brand manufacturers.

Future plans for this sector include redoubled promotion of production and sales activities in China and other promising overseas markets.

Working through the global development of the high-end packaging market, the company is determined to continue to excel as a world-scale supplier devoted to improving the quality of life.



Nisshinbo Paper Products Inc. participation at LUXE PACK Shanghai 2012, an international exhibition of high-end packaging products sponsored by LUXE PACK EXHIBITION SHANGHAI



Hiroyuki Horiuchi
Sales & Produce Section
Processed Paper Products Department
Speciality Paper Division
Nisshinbo Paper Products Inc.

In processed paper products, we are witnessing a dynamic shift away from domestic demand focused on telegram greeting paper, cards and synthetic products toward the global high-end packaging field anticipated to achieve high growth from here on. Setting our sights on overseas companies active in global procurement of packaging, we utilize exhibitions and other key events to plan and propose our unique product lineup in this area.

One example was this year’s participation in LUXE PACK, a major packaging exhibition staged annually in Shanghai. This marked the second straight year we have taken part in that gathering, with our displays attracting widespread interest and plentiful inquiries.

Chemicals

Creating a Green Society through the Power of Chemistry

The chemicals business of the Nisshinbo Group, which prides itself on being an eco-company, pursues the development, manufacture and sales of products positioned to contribute to a sustainable society and protect the precious global environment.

Contributing to a Sustainable Society

Nisshinbo Chemical Inc. contributes to realizing a sustainable society with products that mobilize a rich range of technology and know-how.

Examples include new environment- and energy-related products such as CARBODILITE™, bipolar plates for fuel cells and electric double-layer capacitors.

Among heat insulation products, changes implemented in the rigid urethane foaming method contributed to the development of "Non-Fluorocarbon AIRLITE FOAM™" – a breakthrough that contains no chlorofluorocarbons whatsoever (including alternative CFCs). Non-Fluorocarbon AIRLITE FOAM™ was certified under the Japanese Industrial Standards (JIS) in May 2012, becoming the industry's first concentrate solution for use in condominium insulation.



JIS compliance certificate



Example of Non-Fluorocarbon AIRLITE FOAM™ in use.

High-performance Resin Material CARBODILITE™

CARBODILITE™, a high-performance resin material advanced by the Performance Chemicals Department, is earning stellar marks from users around the world as a charismatic product making a valuable contribution to the global environment. For example, adding CARBODILITE™ to bio-plastics, well known as carbon-neutral materials, supports a dramatic boost in durability that accelerates proliferation in domains where use has proved difficult to date. Adding the material to water-based paint is the key to forming a sturdy film as durable as oil paint, supporting the shift away from solvent use. This is truly a magical product that enables us to contribute to a green society on the strength of chemistry.

Nisshinbo Chemical Inc. will continue to mount keen response to user demands in this field, carrying on the challenge to create a more eco-friendly society.



CARBODILITE™

Products Contributing to a Sustainable Society

- High-performance resin material CARBODILITE™
- Carrier for water processing use APG™, BCN™
- Carbon substrate for X-ray use
- Polyurethane insulation material AIRLITE FOAM™
- Bipolar plates for fuel cells



Ikuo Takahashi
Performance Chemicals Department
Nisshinbo Chemical Inc.

I have been involved with CARBODILITE™-related operations ever since I joined Nisshinbo Chemical Inc. in 1989. At that time, carbodiimide resin, the main component in CARBODILITE™, was a chemical substance with scarce availability anywhere in the world. Despite that, we continued its pursuit on the firm conviction that it would become a product in high demand in the future.

Today, I take great joy in working with a product that contributes to building more ecological societies in all areas of the world.

Precision Instruments

Contributing to Tomorrow's Energy with Reliable Technology

The precision instruments business is focused on photovoltaic module manufacturing equipment, customized machines, precision automotive parts and plastic molding parts. With “environment” as the watchword, this arm of the Nisshinbo Group passionately advances technological innovation in the mission to realize a global business.

Emerging as a Global Eco-company

Nisshinbo Mechatronics Inc. has accumulated outstanding development, manufacturing and sales know-how for over 70 years in customized machines specialized for a broad range of industries, precision automotive parts, plastic molding parts and other components. It mobilizes this prowess to faithfully embody the Nisshinbo Group's corporate philosophy of excelling as an eco-company.

In today's world, keen hopes are being directed toward the use of solar energy, now increasingly in the limelight as a clean and inexhaustible resource. This has fueled steady advances in the field of photovoltaic power generation. Nisshinbo Mechatronics first embarked on the development of photovoltaic module manufacturing equipment in 1998. Ever since, it has been addressing the ever-growing number of customer needs and spearheading solid progress on the global market for this equipment.



Photovoltaic module manufacturing equipment (simulator)



Precision aluminum processed parts for use in automotive electric brake systems (EBS)

Products Contributing to a Sustainable Society

- Photovoltaic module manufacturing equipment (laminators, simulators, EL inspection equipment, etc.)
- Eco Cross™

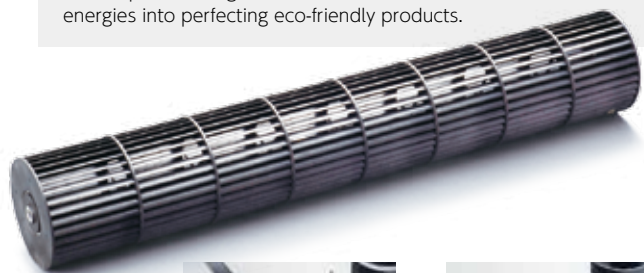
The company also supplies control units and other precision parts indispensable in automotive safety and environmental technology, energy-efficient air conditioner fans and other superior products.

Amidst today's rapidly advancing globalization, Nisshinbo Mechatronics promotes international development with the focus on China, Thailand, Taiwan, South Korea, India and other parts of East Asia. It will continue to vigorously promote the global supply of photovoltaic module manufacturing equipment and other products and services contributing to a sustainable recycling-oriented society, moving steadily forward to fulfill its role as an eco-company.



Yuji Hamajima
Plastics Department
Nisshinbo Mechatronics Inc.

Cross flow fans are a type of fan used in home-use room air conditioners and other areas. Eco Cross™ is a product in which state-of-the-art molding technology is skillfully interfaced with the revolving product technology cultivated to date, further slimming cross flow fan blades, advancing resource conservation and simultaneously realizing low cost and high performance. Eco Cross™ has earned rich praise from customers around the world, and we feel extremely confident that demand will continue to rise for this product. Work has already commenced on our next development target, as we continue to channel maximum energies into perfecting eco-friendly products.



Eco Cross™



Conventional product



Thin blades

The blades of this cross flow fan have been engineered thinner than before, simultaneously realizing low cost and high performance.

Electronics

Contributing to Use of Low-carbon, Safe Energy with Wireless Communication Technology

In the electronics business, Ueda Japan Radio Co., Ltd. works from the foundations of short-range radio technology, ultrasound-related technology and power-source control technology to advance operations in wide-ranging fields such as communications equipment and medical equipment.

The company also uses various types of equipment designed to control greenhouse gases, supporting the application of energy that is safe and low in carbon.

CO₂-zero Emission Equipment

The M2M¹ solar radio monitoring system is a radio monitoring system engineered to operate through public wireless services and collect a wide range of sensor information from remote locations. Owing to its use of a solar power supply the system realizes totally wireless operation, eliminating the need for power supply and telephone installation work. It has compiled an extensive track record in Japan for collecting industrial liquefied gas residual quantity information, with studies also under way to expand its use to overseas markets.

The MPPT² solar power supply device supplies DC 12V equipment with power generated by solar cells during the day, while recharging those batteries in highly efficient fashion to supply power from them at night.

This device excels as the power supply for monitoring cameras, telemetric systems, security equipment, emergency broadcasting, lighting and other needs.

¹ M2M (Machine-to-Machine): Communications technology in which machines operate through their own networks to automatically exchange information

² MPPT (Maximum Power Point Tracking): Control technology used to automatically track the point at which solar cell-generated power reaches its maximum



M2M solar wireless monitoring system terminal



PZ-0504 solar cell

DBB-109 power supply device



MPPT solar power supply system

Power-savings Equipment

The ENE-Link Wireless System is a power-savings product used for real-time monitoring of demand values (30-minute maximum demand for power). Upon projection that contracted demand will be exceeded, the system issues a warning and also shuts down the power load on air conditioning and other equipment.

Use of the specified low-power radio technology with multihop communication eliminates the need for wiring work. This enables the system to be deployed at reduced wiring cost and in less time.



ENE-Link Wireless System electric power monitoring energy-saving control unit



Current demand and projection indications (real-time display)

Products Contributing to a Sustainable Society

- M2M solar wireless monitoring system
- MPPT solar power supply system
- ENE-Link Wireless System

New Business and Real Estate

Rising to New Challenges as Only Nisshinbo Can

17

Nisshinbo Holdings Inc.
CSR Report 2012

The Nisshinbo Group constantly takes on new challenges in the quest for a more comfortable tomorrow. In the new business field, the Group has launched R&D into plant factories, with the results to date consisting of Japan's first successful mass cultivation of strawberries. In the real estate business, effective use of the sites of former factories is contributing to the invigoration of local communities.

Advancing into the Plant Factory Business

The Group's view of food safety and self-sufficiency as vital social issues has prompted it to channel keen energies into plant factory R&D. As one of the results of this stance, in September 2011 it succeeded in mass cultivation of strawberries in a plant factory using only artificial light. The sweet and delicious strawberries grown at this plant factory were branded "APOLLOBERRY™," and are currently being shipped primarily for use in cakes and other pastries.

In most cases, the season for sweet and tasty domestic-grown strawberries in Japan extends from winter through spring. In contrast, the majority of the strongly acidic-tasting strawberries distributed from spring through autumn are imported from the United States, South Korea and other countries. Plant factories operated with only artificial light are largely immune to impacts from temperature or weather. This makes it possible to exercise precision control over room temperature, air conditioning, lighting and other factors, thereby systematically growing and supplying sweet and delicious strawberries year-round.

What's more, use of cutting edge cultivation control systems ensures minimal differences in flavor, color and other areas, with the quality of the fruit also stable. Sanitation control is thorough, enabling the reliable supply of strawberries safe and secure in every way.

The APOLLOBERRY™ business began at the Tokushima Plant with cultivation equipment for 10,000 strawberry plants. This was followed up with work to install hardware capable of supporting another 60,000 plants.



APOLLOBERRY™
(Tokushima Plant)

The current schedule calls for commencing shipments of the bright red APOLLOBERRY™ fruit grown on these 70,000 plants this autumn. Upcoming plans are to also introduce facilities to grow 100,000 strawberry plants at the Fujieda Plant, in moving to steadily expand the scale of this new business.

Vigorous Development of Real Estate

The Property Management Department actively advances the redevelopment of former plant sites and other approaches to the subdivision business.

In the former Nisshinbo Kawagoe Plant subdivision project, the department is using the creation of a large-scale "new town" comprised of 257 residential lots to support revitalization of the local community. In response to the long-standing demand of the local citizens for safe passage along the road (a school commuting route) adjacent to this site, sidewalk improvements were also made at the same time.

The department will continue to spearhead the development of vacant sites, working hand in hand with individual districts to help promote redevelopment projects that contribute to the invigoration of local communities.



"Kawagoe Cocoromachi" residential development
(site of former Kawagoe Plant)

Special Feature

Activity Results for Fiscal 2011

The Nisshinbo Group continued to engage in CSR activities in an effort to achieve its established medium-term CSR targets through to the target year of fiscal 2010. Taking into consideration the impact of the Great East Japan Earthquake, the Group then identified a new set of targets in fiscal 2011 building on its performance through to fiscal 2010. In the ensuing period, energies have been channeled toward accelerating activities. Moving forward, the Group is considering the direction it will take in formulating a fresh set of medium-term CSR targets in fiscal 2012.

	Fiscal 2011 Target	Self-assessment (O, Δ, X)
Management	Reinforce internal control systems relating to financial reporting	O
	Put in place information infrastructure and security management systems	O
Activities related to society	Confirm and build a quality assurance system	O
	Continue to engage in human rights education activities	O
	Promote work-life balance	O
	Japan: Achieve an employment ratio of persons with disabilities of 1.8% or higher	O
	Number of major accidents (accidents with an expected disability of class 6 or higher): 0 Frequency of injuries with lost workdays: Japan: 0.3 or lower Overseas: 0.6 or lower	X
	Continuously strengthen relevant and appropriate IR activities	O
	Encourage industry-academia collaborative research	O
Activities related to the environment	Expand and encourage the use of environmental management systems (ISO 14001, etc.)	O
	Address revisions to environment-related legislation (Japan and certain overseas offices)	O
	Expand sales of products that contribute to a sustainable society	O
	Promote countermeasures with respect to shortfalls in the supply of electric power and energy conservation initiatives	O
	Reduce the amount of greenhouse gas emissions	O
	Increase the waste recycling rate	X

As a Group-wide CSR policy, the Nisshinbo Group is currently establishing CSR targets and implementing appropriate measures on a cross-sectional basis. In fiscal 2011, we were successful in securing sure-footed results.

In fiscal 2012, we will actively share our targets with companies that have newly joined the Nisshinbo Group with the aim of ensuring increasingly widespread global CSR activities.



Takayoshi Okugawa

Executive Officer
Manager of CSR Office
Manager of Business Strategy Office
Corporate Strategy Center

Activity Results	Summary
Checked efficacy through an evaluation of the status of implementation and operation	Put in place appropriate management systems; implemented reliable financial reporting; continue each of the aforementioned activities in fiscal 2012
Formulated guidelines concerning information security for the Nisshinbo Group	Formulated Group-wide information security compliance guidelines in fiscal 2011; promote self-evaluation using appropriate guideline checklists in fiscal 2012; successively implement measures to address areas of deficiency
Compiled claim statistics, performed content analysis and expanded laterally within the Group	Continue building a quality assurance system that is capable of effectively addressing the needs of a variety of customers
Conducted human rights education and training	Expand activities to each electronics business company in fiscal 2012
Formulated a general business operator action plan in accordance with Japan's Act for Measures to Support the Development of the Next Generation	Step up notification initiatives and promote increased awareness of the Group's various systems including child birth and nursing care
Achieved the statutory rate across the entire Group	Continue to engage in activities aimed at lifting employment rates above statutory requirements
Major accidents: 0 Frequency of injuries with lost workdays: Japan (Group-wide): 0.62 Overseas (Group-wide): 1.05	While there were no major accidents, there was a deterioration in the frequency of injuries with lost workdays; implement occupational health and safety guidance to plants where occupational accidents are a frequent occurrence
Held two results briefings during the fiscal year; responded to investors inquiries (aggregate total: 220 companies); published an annual report; participated in various events including investment conferences	A generally acceptable level of achievement against fiscal 2011 targets; commence IR activities overseas in fiscal 2012
Continued to participate in NEDO ¹ projects Continued to engage in industry-academia collaborative research	Continue to engage in collaborative research in fiscal 2012
Commenced the integration of environmental management systems at certain Group businesses according to business necessity	The reduction of electricity consumption during peak periods was positioned as an absolute priority in fiscal 2011 in response to the Great East Japan Earthquake; as a result, other quantitative targets were not established with each company making its best efforts; in overall terms, results were satisfactory
Identified substances subject to newly revised PRTR ² regulations; took appropriate steps to address revisions to Japan's Air Pollution Control Law and Water Pollution Control Law	
Took steps to define the products and services of each electronics business company to newly join the Nisshinbo Group	
Reduced the peak period consumption of electricity by 15% or more at all bases located within the areas serviced by Tokyo Electric Power Co., Inc. and Tohoku Electric Power Co., Inc.	
Reduced the amount of electricity consumption; switched from using heavy oil to using LNG for boilers at the Group's Tokushima Plant thereby reducing consumption per unit of sales by 10% compared with the previous year	
Group-wide recycling rate of 85%, a 5% deterioration compared with fiscal 2010 due to disruptions caused by the earthquake disaster	

¹ NEDO: New Energy and Industrial Technology Development Organization

² PRTR substances: Substances subject to the PRTR (Pollutant Release and Transfer Register) system pursuant to the "Act on the Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof." Filing information about emissions and transport volumes of these substances is obligatory.

Corporate Governance

Based on our belief that corporations are public entities, the Nisshinbo Group adheres to its fundamental stance of always acting with integrity and in good faith toward its stakeholders. Reflecting this in our corporate governance activities, we work to ensure the transparency of management, reinforce accountability and act ethically in all matters.

The Group's Business Oversight and Execution Framework

The Company's Board of Directors is responsible for making decisions on key management matters and for overseeing business execution by the directors. We have also adopted a managing officer system in order to strengthen and separate decision-making and oversight functions and business execution functions.

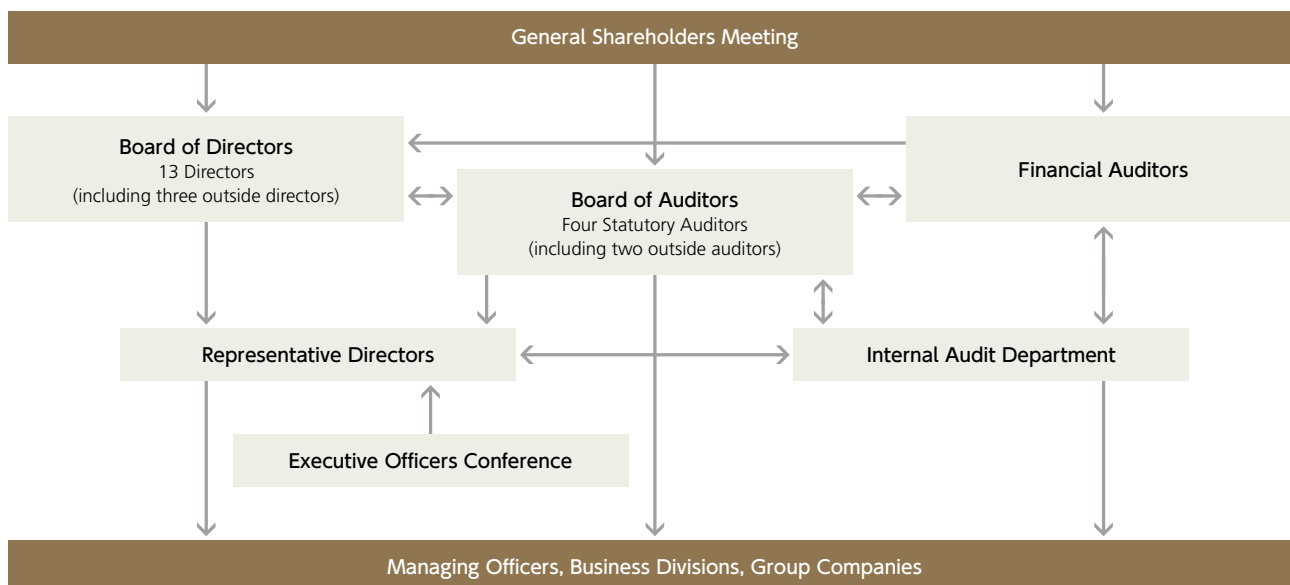
The Executive Officers Conference, which is made up of directors, managing officers and other senior personnel, holds meetings to discuss important matters related to business execution throughout the Group.

The Group's Audit Framework

Nisshinbo has established a Board of Auditors. The audit framework comprises the corporate auditors, who conduct audits, the independent auditor, who carries out accounting audits, and the Internal Audit Department, which is responsible for conducting internal audits. These groups work closely together to improve corporate governance.

Nisshinbo also conducts oversight of specific areas such as workplace safety, environmental issues and IT systems.

Corporate Governance Structure



Representative Directors

Representative directors are selected by resolutions of the Board of Directors. As of March 31, 2012, the president and vice president were the Company's two representative directors.

Directors

As of March 31, 2012, the Company had 13 directors, including three outside directors.

The Board of Directors is responsible for making decisions on important management matters and for monitoring the execution of duties by directors. Directors are appointed for one-year terms in order to clarify management responsibility each fiscal year.

Managing Officers

Nisshinbo has adopted a managing officer system to speed up decision-making for business execution and clarify operational responsibilities. As of March 31, 2012, the Company had 12 managing officers, including the president, vice president and six directors with dual roles as managing officers. Managing officers are also appointed for one-year terms.

(I) Board of Auditors

The Company's Board of Auditors comprises four statutory corporate auditors, two of whom are outside auditors. In accordance with audit policy and plans determined by the Board of Auditors, the corporate auditors monitor business management and execution at the Company and its subsidiaries by attending important management meetings such as meetings of the Board of Directors and Executive Officers Conference in order to understand operating conditions.

(II) Internal Audit Division

Nisshinbo has established the Internal Audit Department independent from executive business functions to act as the Internal Audit Division. The Internal Audit Department conducts ongoing audits of operations across the entire Nisshinbo Group and works to protect corporate assets and increase management efficiency by providing advice and proposals for remedial measures from a legal and rational standpoint. In the fiscal year ended March 2012, the Internal Audit Department stepped up the oversight of Group subsidiaries overseas, which now play an increasingly important role in the Group's operations.

Timely Information Disclosure

Nisshinbo is working to ensure it is accountable to all stakeholders in order to create a highly transparent

business. In addition to fulfilling timely disclosure standards determined by the Tokyo Stock Exchange, we hold briefings for shareholders and investors on a regular basis and provide other timely information via our corporate website as part of ongoing efforts to improve the provision of information to stakeholders and retain their trust.

Maintaining Internal Control Systems

Nisshinbo endeavors to create a healthy and highly transparent corporate culture in accordance with the Corporate Principles of the Nisshinbo Group and the Corporate Philosophy of the Nisshinbo Group. An internal control system has been established to identify and then remedy any issues in business execution processes.

(I) Internal Control Report System over Financial Reporting

The Financial Instruments and Exchange Law, which includes provisions on internal corporate control known as J-SOX, came into force in April 2008. Since then, we have implemented control measures to maintain and upgrade our internal control over financial reporting. During fiscal 2011, an assessment led by the Internal Audit Department confirmed that the internal control over financial reporting is operating effectively.

Global Corporate Governance

Centralized Management of Operations in Asia

In fiscal 2011, we established two management companies in Asia to support business expansion in the region. The first management company, Nisshinbo Singapore Pte. Ltd., will be responsible for providing financial and internal control support to eight subsidiaries located in ASEAN countries such as Thailand and Indonesia. It will also train personnel for the Group's global operations. The second management company, Nisshinbo Business Management (Shanghai) Co., Ltd., will provide internal control and operational support to 22 subsidiaries in China.

Going forward, Nisshinbo will utilize these two subsidiaries as business hubs in their respective regions to reinforce corporate governance from a global perspective and optimize the Group's operating structure.



Risk Management

In order to fulfill its corporate social responsibility by contributing to society through ongoing business activities, the Nisshinbo Group has established systems to ensure stable operations by mitigating a range of risks that could have a serious impact on the smooth operation of the business.

Crisis Management System

In order to mitigate and minimize risk and any potential losses, the Company has formulated Crisis Management Regulations covering the whole Group. It also conducts annual training exercises and inspections. Action plans have been created to respond to any risk that impacts on the Group, while systems have been put in place to minimize any losses. In the fiscal year ended March 2012, we overhauled some systems to ensure a more rapid emergency response in the event of a disaster. These changes were made to eliminate a number of ambiguities that were identified during the Great East Japan Earthquake.

(I) Disaster Prevention System

Firefighting teams at each Group business site conduct regular drills to improve disaster prevention capabilities. These drills increase readiness for early-stage fires, life-saving situations and potential emergencies such as gas or chemical leaks, and are developed based on the type and location of each facility. Major business sites conduct annual comprehensive disaster drills, which are reviewed by senior management, to ensure disaster prevention management activities remain at a high state of readiness. In fiscal 2011, managing officers inspected 14 business sites.



An exercise to prevent leaks from an effluent treatment facility



An earthquake evacuation drill

Initiatives to Protect Personal Information

The Nisshinbo Group recognizes that one of its key corporate responsibilities is to ensure important information related to customers, suppliers, employees and other individuals is protected appropriately. In order to fulfill this responsibility, we handle personal information in accordance with an internal privacy policy. In addition, internal audits are conducted based on company regulations to ensure systems are working properly, and steps are taken to prevent information leaks and realize ongoing improvements.

Initiatives to Ensure Information Security

The Nisshinbo Group is constantly reinforcing information security measures to prevent leaks of personal information about customers and other sensitive information.

Nisshinbo widely uses anti-virus software and programs to remedy security issues in its IT systems in order to prevent computer viruses from causing leaks of sensitive data. In addition, we prevent and limit leaks of information caused by internal unethical actions by monitoring access to IT systems.

We have also formulated information security guidelines, which are used as a checklist by Group companies in Japan and overseas to conduct their own inspections of information security systems.

In addition to the above measures to protect IT systems, we are making continuous improvements to the protection of personal information and management of trade secrets through annual internal audits.

Compliance

Guided by its principle of “consistent integrity,” the Nisshinbo Group believes it is important to act with fairness and integrity and to contribute to society through its business activities. We have therefore formulated the Nisshinbo Group’s Corporate Code of Conduct. In order to realize the objectives of this Corporate Code of Conduct, the Nisshinbo Group has also created Compliance Guidelines that clearly define the behavior Nisshinbo employees are expected to follow, as part of wider efforts to enforce compliance.

Corporate Ethics Committee

Nisshinbo has established a Corporate Ethics Committee that answers directly to the president. The committee is led by a director with a dual role as a managing officer, who is responsible for handling all compliance matters across the Nisshinbo Group.

Specifically, the Corporate Ethics Committee is responsible for (1) implementing corporate ethics systems and regulations, (2) deciding the content and methods of corporate ethics training for employees, and (3) formulating and implementing investigations, responses, procedures and remedial measures related to consultations and reports received through the Company’s Corporate Ethics Reporting System.

Corporate Ethics Reporting System

The Nisshinbo Group has established a Corporate Ethics Reporting System to rapidly identify and prevent any reoccurrence of potential or actual legal violations. Group employees and external parties can submit reports to the system, which can be used to communicate directly with the Corporate Ethics Committee or an outside corporate attorney. Every effort is made to protect those who have used the system from unfair treatment.

If the Corporate Ethics Committee receives a report via the system, it convenes a meeting, launches an investigation and takes appropriate action where necessary. If the outside corporate attorney receives a report, appropriate action is taken based on close

cooperation with the Corporate Ethics Committee. Important matters are immediately reported to the president.

In the case of reports received from individuals who have provided their name and contact details, the Corporate Ethics Committee provides information about how the matter is being dealt with, such as updates on the investigation and a summary of its conclusions. The Corporate Ethics Committee also works to prevent any future violations of law or corporate ethics by providing information to all companies in the Group about its response to the issue based on the results of the investigation.

Compliance Education

In order to promote wider understanding of corporate ethics, the Nisshinbo Group conducts compliance training for different employee levels and work sites. Compliance is also part of the curriculum for new employee orientation courses.

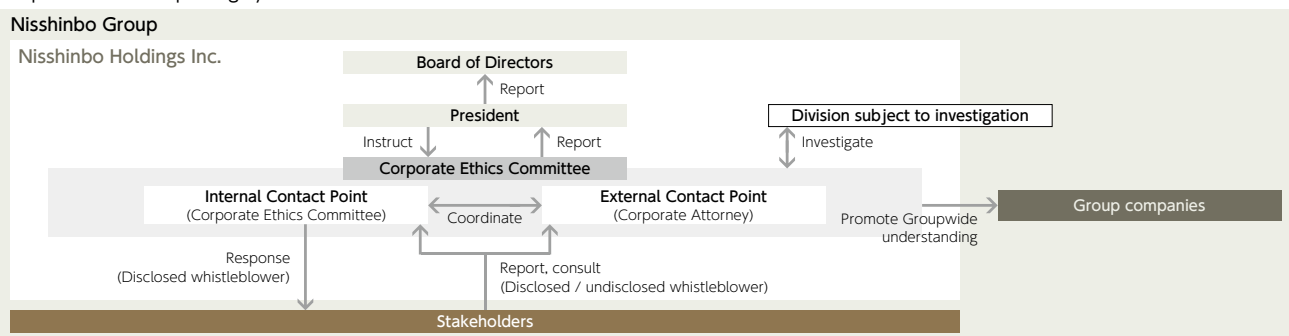


Employee Handbook

The Employee Handbook, which is used as a tool in training programs, includes information about corporate ethics, such as the Nisshinbo Group’s Corporate Code of Conduct and Compliance Guidelines, in order to educate and enlighten employees about the importance of compliance.

The Employee Handbook is available in both Japanese and English, and it plays an effective role in compliance training at overseas subsidiaries. The handbook is being translated into other languages for use at overseas subsidiaries where English is not the local language.

Corporate Ethics Reporting System



Manufacturing from the Perspectives of Customers

Basic Stance

The Nisshinbo Group believes that ensuring customer satisfaction and inspiring trust through all of its products and services is paramount. We therefore have clearly defined rules and policies in the form of a Product Safety Charter to achieve consistent results, and we are training staff on an ongoing basis to promote full awareness of the charter.

We believe that our mission is to act as a reliable provider of products that fulfill high quality and performance requirements and that continue to instill confidence in consumers.

We are continually enhancing our product safety and product quality assurance framework and also aiming to provide our customers with as much information as possible.

Product Safety Charter

In order to develop and supply socially beneficial products and services that give proper consideration to safety and to obtain the satisfaction and trust of consumers and clients, the Nisshinbo Group shall act on the basis of the following four principles.

1. We shall pursue the making of products that give consideration to the safety of customers throughout their whole lifecycles from development to production, sale, use, service, and disposal.
2. In order to ensure the safety of products, as well as complying with related domestic and international legislation, standards, and so on, we shall establish even higher targets independently and respond to the trust of customers.
3. We shall supply customers with accurate information concerning the safety, functions, and proper use of products.
4. We shall establish a quality assurance system and endeavor to thoroughly imbue product safety awareness among all employees.

With the Utmost Concern for Customer Safety Automotive Brake Quality Management

Tempering is a special process involved in the manufacturing of automobile brakes that is conducted to strengthen steel. This process is especially prone to significant problems with quality, as defects that occur during this process may not be readily apparent. Quality

assurance in tempering requires specialized skills, with the process itself audited and directed by auditors who have been authorized by the automobile manufacturers.

In the Nisshinbo Brake Inc. Business Site in Toyota, some employees receive the qualifications necessary to become authorized tempering process auditors, and provide direction at not only the Business Site but also at suppliers. The auditors work hard to maintain and improve the quality of automobile brakes, a component that is crucial to safety and security.



Auditor certification



Instructing employees on work duties

Safety Considerations in Public Sector Projects

Japan Radio Co. Ltd. has a diversified approach to safety considerations during public sector projects.

For example, AEDs (automatic external defibrillators) are set up onsite at riverbed-terrace and similar other projects. Workers are provided with education related to cardiopulmonary resuscitation, and are standing by for those, using the riverbeds for sports or other activities, who need rescuing. During the dismantling of steel towers, plasma cutting machines that do not scatter sparks are used to prevent sparks from raining down upon pedestrians or starting fires when steel is cut.



AED set up onsite at riverbed-terrace project

Quality Improvement Initiatives

Enhancing Satisfaction

At Nisshinbo Paper Products Inc., quality assurance supervisors in household paper, specialty paper, and processed paper product operations are central to customer service and responses to quality complaints. It also regularly holds quality assurance conferences that integrate manufacturing and sales, and is moving forward with quality improvement activities such as preventing claims from occurring and early resolution of problems should they occur.

In household paper product operations handling consumer goods such as tissues or toilet paper, "Customer Consultants" are standing by, creating a system for coordinating with related divisions to rapidly respond to complaints, claims, and inquiries.

In specialty paper product operations, ISO19001 quality management system certification has been acquired to facilitate meticulous responses to quality demands of customers.

In processed paper product operations, quality assurance supervisory staff makes monthly visits to Chinese production centers or partner companies to direct quality management efforts, such as improvement of the skills of workers on the front lines of production.

New Japan Radio Co., Ltd.

Customer Satisfaction Survey

In order to ascertain how the products and services it provides are regarded by customers, New Japan Radio Co., Ltd. conducts annual customer satisfaction surveys based on "Customer Satisfaction Management Regulations". These results are incorporated into reforms made to improve customer satisfaction through the implementation of the quality management system.

Evaluation Breakdown of the Level of Satisfaction by Category



In fiscal 2011, the survey response results for the preceding three years were analyzed and reported to each business division. With these in mind, the business divisions are taking corrective action and making reforms to improve customer satisfaction.

Product Labeling

Product Labeling Initiatives

The general public maintains a critical eye toward product labeling by the corporate sector.

Continuing from the previous fiscal year, the Nisshinbo Group conducted the following investigations regarding its products and services in fiscal 2011 in order to ensure proper product labeling.

- Disparities between claims (labeling) and actual conditions
- Disparities between statutory standards, industry standards, or specifications in client agreements and actual conditions

As a result of our investigations, no problems were detected throughout the entire Group. This is a result of our severe stance with regard to product labeling, and we intend to maintain our efforts in this regard in future.

Major Awards Received in Fiscal 2011

In this section, we provide details of the major awards received by the Nisshinbo Group from external authorities. Moving forward, we will continue to recognize the importance of manufacturing activities that reflect the perspectives and requirements of customers.

Automobile Brakes
<p>Nisshinbo Brake Inc.</p> <ul style="list-style-type: none"> Received "Certificate of Appreciation for Improvements in Quality" from Toyota Motor Corporation Received "Certificate of Appreciation for Recovery Support Assistance Following the Great East Japan Earthquake" from Nissan Motor Co., Ltd. <p>Nisshinbo Automotive Manufacturing Inc.</p> <ul style="list-style-type: none"> Received "Certificate of Achievement" from Toyota Motor Engineering & Manufacturing North America <p>Saeron Automotive Beijing Corporation</p> <ul style="list-style-type: none"> Received "Excellent Supplier Award" from BWI Group
Precision Instruments
<p>Nisshinbo Mechatronics Inc.</p> <ul style="list-style-type: none"> Received "Supplier of the Year Award" from Continental Automotive Corporation
Electronics
<p>Japan Radio Co., Ltd.</p> <ul style="list-style-type: none"> Commended by Japan's Ministry of Land, Infrastructure, Transport and Tourism for its various products and capabilities in dam control systems, construction quality with respect to information consent facility work, processing management and continuous innovation Commended by East Nippon Expressway Co., Ltd. its construction quality with respect to highway radio facility work and processing management <p>NJR (SINGAPORE) PTE LTD</p> <ul style="list-style-type: none"> Received "Best Performance Supplier Award" from Sony EMCS (Malaysia)
Other
<p>Iwao & Co., Ltd.</p> <ul style="list-style-type: none"> Received awards for ranking second and first in the overall excellent vendor and development and operations categories, respectively, from Adidas Japan

Appropriate Distribution of Information and Returns to Shareholders

Basic Stance

Guided by the corporate principles of the Nisshinbo Group, which place the utmost importance on the Group fulfilling its responsibilities as a “Public Entity” with “Consistent Integrity,” every effort is made to disclose information to shareholders and investors in a timely manner. In this regard, and based on statutory and regulatory requirements, the Nisshinbo Group complies with the “timely disclosure rules and regulations for issuers of listed negotiable securities or valuable instruments” of the Tokyo Stock Exchange and provides information that may impact investment decisions.

IR Policy

The Company posts notices on its website, including information about the convening of, and resolutions from, regular general shareholders meetings, financial results, business reports, annual securities reports, annual reports, press releases, etc., in a timely manner always striving to provide comprehensive content as a part of efforts to bolster accountability.

IR Schedule

Recent major IR events conducted from fiscal 2011 are presented in the following table.

2011	
May 11	Announcement of results for the fiscal year ended March 31, 2011
May 18	Earnings presentation for the fiscal year ended March 31, 2011
Aug. 9	Announcement of results for the first quarter of the fiscal year ended March 31, 2012
Sep. 15	Business strategy presentation (New Japan Radio Co., Ltd.: Business Structural Reforms)
Sep. 26	Business strategy presentation (Acquisition of the TMD Friction Group)
Nov. 8	Announcement of results for the second quarter of the fiscal year ended March 31, 2012
Nov. 15	Earnings presentation for the second quarter of the fiscal year ended March 31, 2012
2012	
Feb. 7	Announcement of results for the third quarter of the fiscal year ended March 31, 2012
Mar. 8-9	Participation in an international investment conference
May 10	Announcement of results for the fiscal year ended March 31, 2012
May 17	Earnings presentation for the fiscal year ended March 31, 2012

Status of IR Activities

Conducted by the president, Nisshinbo holds presentations of its earnings results for the benefit of shareholders and investors twice each year (report on

the Company’s interim and full fiscal year results). This is an invaluable forum to obtain comments and opinions on the Company’s management through a Q&A session.

In addition to regular announcements, the Nisshinbo Group discloses all appropriate information in a timely manner as and when necessary. Recently, presentations were provided by New Japan Radio Co., Ltd. on its business structural reform initiatives and by Nisshinbo with respect to the acquisition of the TMD Friction Group. At the same time, the Group conducts presentations on its business strategies.

Status of Returns to Shareholders

Nisshinbo maintains the fundamental policy of paying an annual cash dividend of ¥15 per share in order to ensure the stable return of profits to shareholders. At the same time, the Company takes steps to increase this annual cash dividend in line with its performance each year.

Based on this policy, Nisshinbo decided to pay a period-end cash dividend of ¥7.50 per share for the fiscal year ended March 31, 2012 following a resolution of its Board of Directors at a meeting held on May 10, 2012. Together with the interim cash dividend, this brought the annual cash dividend to ¥15 per share.

External Evaluation

Upgrading and Expanding the Company’s Website

According to a survey of 3,603 respondent publicly listed companies conducted by Nikko Investor Relations Co., Ltd., Nisshinbo ranked 118th overall and 3rd in its industry for the outstanding quality of its corporate information website.

Continued Inclusion in the International SRI Index

The FTSE4 Good Index Series is one of the two major SRI (Socially Responsible Investment) indices in the world. Nisshinbo has been included continuously in this index since 2004 indicating considerable worldwide attention toward and expectations of the Company’s CSR activities.



A Fair and Healthy Partnership

Basic Stance

The Nisshinbo Group has codified the rules to follow regarding procurement in the "Basic Purchasing Policy" and is committed to CSR-based procurement.

As a materials manufacturer, we have made CSR extending through the entire value chain a foremost concern that we promote actively among suppliers and buyers.

Basic Purchasing Policy

1. To carry out appropriate purchasing activities, we shall seek cooperation and support from suppliers of raw materials, components, software, services, and so on that are necessary for business activities and others active in each business field.
2. Even when we are in an advantageous position in relation to suppliers, we will not use that status to impose unreasonable burdens on suppliers.
3. We shall not engage in inappropriate reciprocal transactions that violate the Anti-Monopoly Act or drive down prices improperly, reject or return goods, delay payment, compel purchases or use of services, or demand the improper provision of economic benefit, or otherwise engage in unlawful conduct in violation of the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors.
4. In addition to economic reasonableness, we shall engage in priority procurement of raw materials, components, secondary materials, and supplementary materials with minimal environmental impact to create products that can contribute to the development of a sustainable society. We shall also remain aware of legal compliance, product quality and safety, environmental preservation, information security, fair trade and ethics, occupational health and safety, and human rights and labor conditions with respect to suppliers and shall engage in CSR-based procurement such that suppliers can fulfill their social responsibilities.

Adhering Strictly to a Policy of Confidentiality

Turning to information concerning intellectual property, technology and know-how that is shared during collaborative discussions with suppliers and buyers from the design and development stages, steps are taken to conclude confidentiality agreements and to prevent any leakage of information.

Yearly internal audits of trade secret management are carried out to ensure that proper confidentiality is maintained.

Partnership with Suppliers and Buyers

Nisshinbo Brake Inc. took action during recovery from the Great East Japan Earthquake as well as flooding in Thailand.

Numerous suppliers of raw materials used in automobile brakes located near the Fukushima Daiichi Nuclear Power Station found that procurement had become impossible following the earthquake. The policy for substituting products from other operation centers of suppliers was explained to customers; gaining their understanding of testing results enable the prevention of impediments to delivery.

Nisshinbo Somboon Automotive Co., Ltd., a base of production in Thailand, escaped direct damage by the flooding there. Nevertheless, the flooding resulted in obstacles to the operations and logistics of a number of suppliers. Metal molds for components that could not be procured were produced in great haste, with production of the components consigned to other suppliers. Sections of warehouses were provided to other suppliers who had been flooded. No one knew just how far the damage from the disaster would extend. Amid this state of affairs, a close coordination with suppliers enabled minimization of the impact of the disaster.



The inundated surroundings of suppliers whose production facilities had been damaged

CSR Procurement Expanding Steadily throughout the Group—Nagano Japan Radio Co., Ltd.

In order to fulfill its obligation to society within its chain of suppliers, Nagano Japan Radio Co., Ltd. established a Basic Purchasing Policy. The company itself would abide by this policy, and also distributed it to and developed it for its suppliers.

So that its suppliers could all gain an understanding of its CSR efforts, it conducted a CSR-related survey. The survey covered efforts involving "Human Rights and Labor Conditions", "Occupational Safety and Health", "Environment", "Fair Trade", "Corporate Ethics and Compliance", "Product Quality and Safety", "Information Security", and "Contributions to Society"; 196 supplier firms participated.

Through such activities the company will endeavor to both deepen suppliers' understanding of purchasing policies and facilitate communication that will promote CSR activities throughout the entire supply chain.

A Vibrant Workplace that Respects Human Rights and Diversity

Basic Stance

Human resources, encompassing each and every member of a company, are the real basis on which a company can continue to prosper. By respecting the character of each employee and by aiming to use him or her in the most suitable position for the most suitable tasks, a satisfying workplace can be created.

To this end, we are committed to observing all relevant aspects including human rights and labor conditions, and to facilitate the establishment of a proper work-life balance for each individual. In addition, and in order to ensure a safe and healthy workplace environment, we engage in activities that promote occupational safety and health with the aim of eliminating workplace accidents.

The Nisshinbo Group has codified its stance with regard to human rights in the Human Rights Charter. The Company is committed to ensuring a safe and agreeable workplace environment that fosters respect for the diversity, character, and individuality of employees.

Human Rights Charter

The Nisshinbo Group respects the diversity, character, and individuality of employees and, based on the following three principles, shall act to ensure a safe and work-friendly environment for them and realize their comfort and affluence.

1. We shall recognize individual differences and respect individuality and creativity, and we shall not discriminate on the basis of birth, nationality, belief, religion, gender, race, ethnicity, age, disability, medical history, academic background, social status, or any other factor.
2. We shall not permit forced labor or child labor in whatever form. We shall also endeavor to gain the understanding and cooperation of our suppliers towards this policy.
3. In order to realize a healthy workplace environment without any discrimination, we shall strive to imbue a correct understanding of human rights problems and shall not engage in sexual harassment or any other act of harassment.

Toward Increased Respect for Human Rights

The Nisshinbo Group engages in wide-ranging human rights education and training activities in an effort to promote respect for human rights and ensure an increasingly comfortable workplace.

With respect to the Group's in-house education and training, the Group conducts a variety of systematic

programs including training for new employees, training for all employees and seminars for top executives of the Nisshinbo Group.

With the aim of increasing awareness of human rights issues, a drive for human rights slogans is held during Human Rights Week, resulting each year in about three thousand entries.

List of Human Rights Training Programs

Training Program Name	Target Participants	Training Details
New employee training	New employees	Basic issues relating to human rights
Recruitment staff training	Recruitment staff and human rights staff of each company	Participation in external training and seminars
Top executive seminar	Top executives	Lecture meetings by visiting specialists
All employee training	All employees	View and discuss DVDs on specific human rights themes
Harassment advisor training	New advisors	Basic training for officers engaged in consulting

Harassment Advisor

Nisshinbo has established designated harassment advisors at the work sites of each Group company who advise on solutions regarding sexual and power harassment. In principle, two or more men and women are nominated as designated advisors, making it a system that provides easy access to consultation. Furthermore, for a thorough and appropriate response that respects the standpoint of the person seeking consultation, the Company provides training for newly appointed harassment advisors, in which they study the basic skills, and also follow-up training sessions at regular intervals.

Slogan for Promoting Human Rights

Each year in autumn, the Nisshinbo Group invites employees and their families to submit slogans for promoting human rights.

Each year, numerous entries are received detailing each individual's everyday thoughts and experiences with respect to human rights. These entries invariably help in ensuring a brighter society free from discrimination and an appealing workplace environment. In fiscal 2011, 2,983 entries were received. One was awarded the top prize, with two runner-ups, and 10 special commendations.

The number of entries increases each year with entries also received from overseas.

Top Prize for Fiscal 2011

"Within each of us, we possess the warmth to accept any and all differences and the strength not to tolerate discrimination"

Mental Health

In fiscal 2010, we put together a set of Mental Health Guidelines in response to employees taking leave from work due to mental health issues. In addition, we standardized a system for “trial return to work” in order to expand our leave program for employees who are taking leave due to psychological problems for an extended period. Through these means, we are endeavoring to ensure that each place of work appropriately addresses the needs of individuals suffering from a mental health issue.

With the aim of encouraging self-care, basic surveys of workplace stress are conducted. Coaching seminars aimed at line supervisors are also held, with every effort made to prevent issues that may give rise to mental stress and issues. This includes taking care to avoid excessive and long work hours.

Work-Life Balance

The Nisshinbo Group believes that employees can only use their talents to their fullest if an ideal balance between work and life is maintained. Based on this concept, the Group has established various systems to support the diverse lifestyles of its employees. In addition to a childcare leave system, a shortened working hour system and a nursing care leave system to allow more time to be devoted to childcare, the Group has also established a system for re-hiring personnel who leave their jobs to devote time to their children if an application is made within three years of leaving.

In January of 2012, a female employee who had utilized the childcare leave three times was promoted to a managerial position. She has become a dynamic leader at her workplace.

Increasing Employment of Persons with Disabilities

The employment of persons with a disability is being promoted throughout the Nisshinbo Group. We want to create an environment in which everybody, whether with a disability or not, can work confidently.

Among Group companies in Japan, regular surveys regarding the employment of persons with disabilities are being carried out, and we aim to achieve the employment ratio. While the legally prescribed employment ratio (1.8%) is being met by the Group as a whole, there are still some companies that fall short, and we are working to promote compliance. The Nisshinbo

Group is also taking ongoing steps in the lead up to an increase in the legally prescribed employment ratio of persons with disabilities next spring.

Utilizing Retired Employees

The Nisshinbo Group has established a system for rehiring employees who have reached the retirement age of 60 but strongly desire to continue working and have no health problems that would impede their work. In order to facilitate the diverse manners of work desired by post retirement employees, this system allows them to select from three types of working arrangements: “Full-Type Work,” with full workdays like those of regular employees, and two types of “Short-Type Work,” one of which allows for fewer workdays per week, and the other for shortened work hours per day.

Supporting Sporting Events for the Disabled

Mr. Akira Matsumoto, Swimming Championship Silver Medalist

Nisshinbo Brake Inc. sponsors Mr. Akira Matsumoto of the Tatebayashi Plant as part of its efforts to provide sports support for the physically challenged.

Mr. Matsumoto actively works in production management for the Friction Materials Manufacturing Department. His passion is swimming. He has competed in numerous swimming tournaments in Japan through to the present. In the 28th Japan Swimming Federation for the Disabled Championship Tournament held in November of last year, he took part in both the men’s 50 meter butterfly and men’s 50 meter freestyle and fared well, coming in second in both categories. With an eye toward winning first place, he continues to dedicate himself to his training.



Mr. Akira Matsumoto at work in production management
Mr. Matsumoto as he trains hard for the next tournament

Building a Vibrant Workplace

Basic Stance

Human resources are the most important asset of a corporation. The Nisshinbo Group strives to add value to this asset by educating and training its employees so that all of them can use their talents to the fullest and feel motivated as they tackle their work.

The Group has made OJT (On the Job Training) the foundation for this human resources cultivation. In OJT, employees acquire skills and techniques through hands-on experience to further improve their competence in their work. Meanwhile, it has prepared various Off-JT (Off the Job Training) programs, including training stratified by employee position, specialized education in such fields as intellectual property and technology, and POET (Program of Overseas English Training), a study-abroad language acquisition system for younger employees. The group plans to continue to further enrich its education and training initiatives with the goal of cultivating human resources that can keep pace with globalization.

Also, the Nisshinbo Group believes that execution of duties in which everyone works together with a proper understanding of the corporate spirit of “Public Entity” and “Consistent Integrity” is key to the growth of both companies and employees. The Group strives to take advantage of opportunities for diverse training and education experiences so that employees may thoroughly internalize these management ideals.

Furthermore, in order to satisfy the desires of employees who wish to enhance their talents, knowledge, and humanity, the Group offers a broad array of support for self-development in the form of subsidies for fees and expenses incurred for distance learning, the acquisition of various qualifications, TOEIC exams, and more.

Details of Major Education and Training Programs

Education and training by position	Training for newly appointed senior managers and managers; management strategy basic training; coaching training; training to nurture candidates for middle management; business site education; other
Language and intercultural training	POET study-abroad language system; global human resources training; other
Technology and intellectual property training	Education for engineers and development personnel; education for sales and marketing personnel; education for personnel responsible for intellectual property; other
Specialist practical training	Specialist education on an individual company basis; N-OJT Program; other
Self-education	Assistance for correspondence education courses; assistance in acquiring various qualifications; assistance with the payment of TOEIC fees; assistance for English language classes; other

Global Hiring

(1) Hiring Foreign National

In order to be able to cope with the globalization of business activities, the Nisshinbo Group endeavors to

appoint and cultivate diverse human resources regardless of their nationalities or careers.

This has allowed for the hiring of overseas college graduates in general work positions, with two joining the company in fiscal 2011, and four in fiscal 2012. Those targeted by recruitment activities in fiscal 2011 were limited to those who had studied abroad at a university in Japan. However, in fiscal 2012, the expansion of the hiring field to encompass overseas graduates allowed for the hiring of two of the four through interviews conducted in China. The Group will continue to proactively seek outstanding human resources overseas, with an emphasis on China, South Korea, and elsewhere in East Asia.

(2) Internships

Internships have been offered to non-Japanese nationals since fiscal 2010. Three such students were accepted in fiscal 2011. All three tackled their hands-on training with ambition and drive. It was a significant opportunity for both the students and the Company. There have also been students who were hired after a deepening of their understanding of Nisshinbo through their internship experiences inspired them to join the firm. This broad acceptance of student interns from overseas regardless of their nationalities is expected to continue this year.

Global Development and My Own Aspirations

I am currently undergoing training, but I already feel that while as a corporation of long standing with a history of more than a century, the Nisshinbo Group has been flexible in transforming itself in response to changes through the years.

Last year, Nisshinbo acquired TMD Friction Group S.A., a major European firm, thereby gaining the largest share of the world friction materials business. Also, a new plant has been in operation in Changshu, China. The group is also proactively moving forward with overseas development in fields other than automobile brakes. I think that fields in which foreign employees can put their talents to good use will steadily expand concomitant with globalization.

I would like to do my best to make a reality the three hopes President Uzawa has for the new employees: possession of strong ambitions and excellent ethics, becoming global human assets, and taking an interest in the workings of society.

Qian Cheng
Purchasing Department
Nisshinbo Brake Inc.



Occupational Safety Activities

(1) Summary

The entire Nisshinbo Group of companies including subsidiaries in Japan and overseas has joined forces to develop occupational safety and health activities. Joint activities being undertaken include 5S activities, potential incident reports, and risk assessment. Also included in such activities are prevention of work-related injuries after establishing major matters of concern such as preventing crushing and getting caught in machinery related accidents, elimination of unsafe actions, reevaluation of work sequences, arrangement of work environments (heat countermeasures) based on the facilities and potential for disaster in each operation.

(2) Attainment of Medium-Term CSR Targets

In fiscal 2011, no major accident (accident with expected disability of class 6 or higher) occurred. Accordingly, the medium-term CSR target for no major accident was achieved. Domestic business sites had a frequency of injuries with lost work days of 0.62 (0.36 in fiscal 2010). This was below the nationwide average for the manufacturing industry in Japan of 1.05. Overseas business sites in fiscal 2011 had a frequency of injuries with lost work days of 1.05 (0.85 in fiscal 2010). Results reflected a deterioration for both domestic and overseas business sites compared with the previous fiscal year.

Attainment of Medium-term CSR Targets

		FY 2011 CSR targets	FY 2011 results	Attainment
Number of major accidents ¹		0	0	○
Frequency of injuries with lost workdays ²	Japan	0.3	0.62	×
	Overseas	0.6	1.05	×

¹ Major accident: An accident with expected disability of class 6 or higher

² Frequency of injuries with lost work days: An index that indicates the frequency of accidents resulting in lost work days determined according to the number of work-related injuries per one million working hours

Frequency of injuries with lost work days = $\frac{\text{Number of work-related injuries}}{\text{Total number of actual working hours}} \times 1,000,000$

(3) Activities at Business Sites in Japan

In order to prevent work-related injuries, business sites in Japan have invested more funds into safety countermeasures that in fiscal 2010, and improved safety statuses through the bolstering of facilities. Nevertheless, work-related injuries increased in number. The reason for this is believed to be a failure to reduce the number of unsafe actions during working time. In response to this state of affairs, risk assessment and regular inspections of facilities are being properly

implemented in fiscal 2012, and an effort is being made to thoroughly implement standardization of low-frequency regular activities and adherence to work rules.

(4) Activities at Overseas Business Sites

At overseas business sites, safety management direction continues to be conducted on-site by executives of group companies in order to prevent work-related injuries, but there is believed to be substantial room for improvement in terms of facilities, operations, and management. In response to this state of affairs, Health and Safety Groups cooperated with the safety supervision departments of each business in fiscal 2012 to provide instruction emphasizing safety and health to overseas business sites where work-related injuries had frequently occurred, facilitating prevention of work-related injuries by eliminating unsafe situations and actions and by effective implementation of countermeasures.

(5) Health and Safety Audits

The Nisshinbo Group conducts regular safety auditing of its domestic manufacturing sites. A monitoring team composed of health and safety groups, health and safety management staff representing each site, safety and health managers of other business sites, and the like checks the state of safety and health management at the targeted business sites. In fiscal 2011, regular health and safety audits were conducted at 24 business sites.

THAI NJR Received Outstanding Business Site Award

In a health and safety related contest for business sites in Thailand conducted by the Thai Ministry of Labor, THAI NJR CO., LTD. was for another consecutive year recognized as an outstanding business site. This marks the eighth year in a row it has won such a prize. The awards ceremony was held in Bangkok in July during a nationwide Safety Week in Thailand. There a trophy was received from the Minister of Labor. Booths introducing health and safety related efforts were exhibited by every company at the awards ceremony site.



The awards ceremony



The awarded trophy

Local Community Interaction and Contribution Activities

Interaction with Local Communities

Activities in Areas Affected by the Floods in Thailand
Massive flooding in Thailand that occurred during the autumn 2011 monsoon season inflicted widespread damage throughout the Chao Phraya River basin that includes the capital city of Bangkok. Nisshinbo Mechatronics (Thailand) Ltd., located in the suburbs of Bangkok, escaped any serious damages, but some of its customers and surrounding regions were stricken by flooding.

That same company participated in disaster relief volunteer activities (see photo) in the disaster stricken areas, and distributed drinking water, food, and other such aid supplies, conducted cleaning activities of Buddhist temples (a total of 100 persons participated), provided water and foods during disaster mitigation activities by the Thai army, and more.

The company also cooperated with public management companies of industrial parks that have become exposed to increased risk of disasters by incorporating into itself a flooding countermeasures headquarters. It has provided 2,000 sandbags to areas surrounding the industrial parks, and about 100 individuals participated in piling them, provided support for measurements



Disaster relief volunteer activities in progress

Thailand Flooding: Donations to The Japanese Red Cross Society

There are three Nisshinbo Group companies located in Thailand. All three companies managed to escape being affected by the flooding in Thailand last year, but their supply chains were cut off, greatly impacting their production systems.

Our company donated ¥10 million in contributions for relief efforts for disaster victims and rapid recovery of disaster stricken areas through the Japanese Red Cross Society.

Local Community and Social Contribution

Environmental Conservation Activities as a Member of Local Community

NJR FUKUOKA CO., LTD. is proactively engaging in social contribution activities as a member of local communities.

The company participated in cleaning volunteer activities in the roads surrounding it three times in fiscal 2011. A total of 196 employees took part in these

activities, collecting approximately 80 kg of garbage.

Also, as a local environmental preservation activity taking advantage of a volunteer leave system, it undertook refuse collection, park cleanups, local public facilities cleanups, municipal recycling activities, and Love Earth cleanup activities. A total of 435 individuals (exceeding the benchmark of 240 individuals) took part in these activities.

We will hereafter continue to take part in social contribution activities proactively.

Contributing to the Education of the Next Generation

AM Radio Assembly Class

In November 2011, an “AM Radio Assembly Class” event was held for grades 4-6 in primary schools near the Mitaka Plant of Japan Radio Co., Ltd. The 28 participants learned about radios via quiz-based explanations and assembled AM radios by soldering. This allowed them to experience the enjoyment of building things and the excitement of receiving a broadcast transmission while learning about how radios work and becoming more interested in them. We contribute to the education of the next generation and to local community by means of these kinds of activities. We have received feedback from participants indicating that they enjoyed being able to listen to radios they had built themselves and would like to participate in the activities again.



Highly enthusiastic children in their class

Sports Promotion Activities

Junior Tennis Support

Since 2005, the Company is a special sponsor of All-Japan Junior Tennis Championship organized by the Japan Tennis Association in order to take part in contributing to society by promoting sports.

Four of the highest-ranking participants in this tournament to decide the top junior tennis player in all of Japan can take part in the South American Junior Tennis Circuit supported by the Company. This campaign is an invaluable opportunity to gain international experience, and has produced highly talented junior tennis players, including 2009 All-Japan Championship winner Kurumi Nara, and Kaichi Uchida, who at Wimbledon in 2011 became the first Japanese youth to play in the singles semifinals of one of the four major tennis junior tournaments.

All-Japan Junior Tennis Championship
Photo/H.MANO



Fiscal 2011 Environmental Activities

Data and Case Studies

The Nisshinbo Group aims to be an “eco-company” for which the environment and energy sectors are major drivers of growth. In each of these areas, we plan to contribute to society through every facet of our business activities and to promote sustainable growth. In fiscal 2011, we were confronted by various disasters and incidents including the Great East Japan Earthquake, incidents at nuclear power generation stations and flooding in Thailand. In carrying forward our environmental activities, we positioned efforts to address the issue of shortfalls in the supply of electricity including countermeasures for peak periods as well as energy conservation measures as key priorities while taking into consideration a restoration of the supply chain as a matter of course. In addition, we took steps to share with companies new to the Group, particularly in the electronics field, our environmental goals and targets, while further focusing on the creation of products and services that help realize a sustainable society.

Environment Charter

Recognizing that efforts to address environmental problems are a common issue of humankind and an essential condition for the existence and activities of a company, the Nisshinbo Group shall act independently and positively on the basis of the following six principles.

1. We shall conduct our business activities in compliance with domestic and international laws and regulations, and by actively establishing our own independent management standards.
2. We shall widely and actively disclose environmental information and gain the trust of society.
3. We shall assess the environmental impact of our products throughout their whole life cycles, create technologies, products and services that contribute to realizing a sustainable society, and achieve a balance between the environment and the economy.
4. We shall expand environmental management systems throughout the Nisshinbo Group and continuously improve our environmental performance.
5. We shall endeavor to effectively utilize resources and reduce the environmental load by, among other things, conserving energy and resources; reducing waste; promoting recycling; and reducing emissions of greenhouse gases, environmental pollutants and so on.
6. We shall enhance the environmental awareness of all Nisshinbo group employees through environmental education and enlightenment and actively engage in activities in line with this charter.

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In order to create superior quality non-iron shirts, engineers joined forces and began comprehensive research, from the selection of the cotton to the spinning, woven fabric, processing and sewing.

In processing, a Nisshinbo key technology, the Company carried out more than 15,000 wide-ranging laboratory tests and uncovered new methods that dramatically improved wash-and-wear properties (indicators showing the degree of wrinkling that remained after washing). The Company established the cloth processing mass production techniques and sewing expertise and completed an innovative shirt in which wrinkles present no problem whatsoever. (Photo: APOLLOCOT™)

The Nisshinbo Group's Business Activities and Environmental Impact

Inputs

Energy Usage		9.16	Million GJ¹	(+5%)
Breakdown	Electricity	577.0	Thousand MWh	(+4%)
	Solar power (included in Electricity) ²	0.69	Thousand MWh	(+197%)
	Coal	87.1	Thousand t	(+18%)
	Heavy oil	10.3	Thousand kL	(-18%)
	Town gas (including natural gas)	22.9	Million m ³	(+7%)
Water Usage		30,610	Thousand m³	(-9%)
Breakdown	Groundwater	15,497	Thousand m ³	(-13%)
	Industrial water	14,560	Thousand m ³	(-5%)
Total Raw Materials Used		302.4	Thousand t	(-2%)
Breakdown	Raw cotton, cotton fiber	34.5	Thousand t	(+2%)
	Pulp (including recycled paper pulp)	61.5	Thousand t	(0%)
	Steel	49.7	Thousand t	(+9%)
	Brake friction materials	21.1	Thousand t	(+12%)
	Chemical substances	67.4	Thousand t	(-1%)
	Packaging materials	20.4	Thousand t	(+10%)
Volume of PRTR substances ³		2,369.9	t	(+92%)
Office paper usage		85,733	Thousand sheets	(+128%) ⁴

Figures in parentheses indicate change from the previous fiscal year. Data for Japan Radio Co., Ltd., Nagano Japan Radio Co., Ltd. and their subsidiary companies are not included in figures for fiscal 2010. Companies do, however, fall within the scope of disclosure from this report.

¹ Gigajoules (GJ): A unit of energy. One gigajoule (10⁹ J) is approximately 240,000 kilocalories.

² Excluding the solar power generation capacity of 200kW of the Miai Machinery Plant of Nisshinbo Mechatronics Inc. which shifted to tradable green certificates.

³ PRTR (Pollutant Release and Transfer Register) substances: Substances subject to the PRTR (Pollutant Release and Transfer Register) system pursuant to the "Act on the Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof."

⁴ Documents for facilities delivered have been submitted on a paper basis at Japan Radio Co., Ltd. at the request of customers (44 million sheets used at one company)



Use

Outputs

Business
processes

Emission

Cyclical use of water
1,238 Thousand m³
(+1%)

Logistics

Greenhouse gas emissions		520.8	Thousand t-CO₂	(+4%)
Breakdown	Energy-derived ^{*5}	478.5	Thousand t-CO ₂	(+6%)
	Non-energy-derived ^{*6}	42.3	Thousand t-CO ₂	(-10%)
Released into the atmosphere				
Breakdown	NOx	177	t	(+12%)
	SOx	236	t	(+34%)
	VOC ^{*7}	137	t	(-19%)
	Dust and soot	27	t	(-36%)
Released into water systems				
Breakdown	Wastewater	29,336	Thousand m ³	(-9%)
	COD ^{*8}	503	t	(+9%)
	SS ^{*9}	179	t	(-3%)
PRTR substances				
Breakdown	Released amounts	56.3	t	(-6%)
	Transferred amounts	146.3	t	(-7%)
Total waste volume		44.5	Thousand t	(0%)
Recycled waste		38.0	Thousand t	(-5%)
Products		235.5	Thousand t	(-11%)
Transport volume^{*10}		86.2	Million t-km	(-3%)

^{*5} Energy-derived greenhouse gases: Greenhouse gases produced from the consumption of fuel.

^{*6} Non-energy-derived greenhouse gases: Greenhouse gases produced from sources other than the consumption of fuel, such as from manufacturing processes and waste material.

^{*7} VOC (Volatile Organic Compounds): Volatile organic compounds such as toluene.

^{*8} COD (Chemical Oxygen Demand): An index of water contamination expressed as the volume of oxygen chemically required or chemically consumed.

^{*9} SS (Suspended Solid): The amount of substances suspended in water.

^{*10} Transport volume does not include marine transport in international waters.

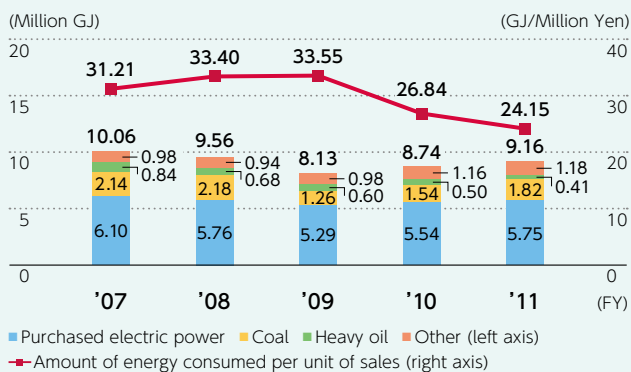
The Effective Use of Energy

Amount of Energy Consumption

The amount of energy used by Nisshinbo Group was up by 5% on the previous year. The energy usage correlated to unit of sales was cut by 10%.

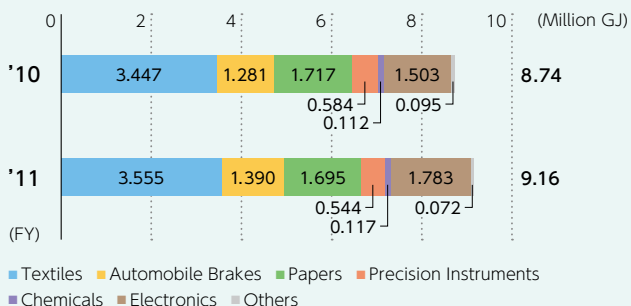
In an energy usage categorized by type, purchased electrical power comprises 63% of energy used. This is followed by coal used in Indonesia, at 20% of the whole.

Trends in the Amount of Energy Consumed and the Amount of Energy Consumed per Unit of Sales



Japan Radio Co., Ltd., Nagano Japan Radio Co., Ltd. and their subsidiaries have increased the amount of energy used by the relevant businesses by having joined the Group. The amount of energy used by the automobile brakes business has also increased concomitant with the expansion of that business.

Amount of Energy Consumed by Business Segment



The Effective Use of Energy

Nisshinbo Brake, Inc. Tatebayashi Plant is serviced by Tokyo Electric Power. Therefore, in fiscal 2011 it operated under a rotation system in response to planned outages and electric power limitations. This state of affairs prompted efforts to improve energy efficiency at the Plant, and 122 energy conservation initiatives were implemented.

This resulted in a reduction of 671MWh/year toward the goal of cutting electric power consumption to 460MWh/year, allowing for savings of 8.5 million yen per year. In particular, the conversion to mixed air conditioning inverters at room #2 of the automobile brake lining plant allowed a reduction of 105MWh/year, or 50% of the power consumption before the conversion.



Conversion to mixed air conditioning inverters (Tatebayashi Plant)

Drain recovery pump (Tokushima Plant)

Nisshinbo Paper Products Inc. Tokushima Plant produces massive quantities of steam in the drying of raw pulp that has been dissolved in water. Constantly, energy conservation has been an important issue for this process. Thus for the past six years the company has made substantial efforts to reuse the leftover hot water ("drain") resulting from condensation of steam. In the past, this drain was merely discarded, but a recovery pump has been installed, allowing for effective reuse of the heat in the drain by collecting up to 80% of the produced steam into a boiler feed tank, adding pure water, and reusing it as boiler supply water. This has allowed for energy savings of 7.9% in comparison with past consumption, along with carbon emissions reductions of about 1,100 tons per year.

Energy conservation efforts are also underway at overseas business sites. THAI NJR CO., LTD., a subsidiary of New Japan Radio Co., Ltd., has made energy efficiency its environmental goal. To this end, it is endeavoring to convert to power-saving florescent lamps (from 36W to 28W), discard any unnecessary lighting equipment, and consistently switching off any lights in facilities that are not being used. The effort to replace with fluorescent lighting began in fiscal 2008. Conversion of about 2,000 units, or roughly half of the goal, has been completed, allowing for energy savings of approximately 134MWh per year.



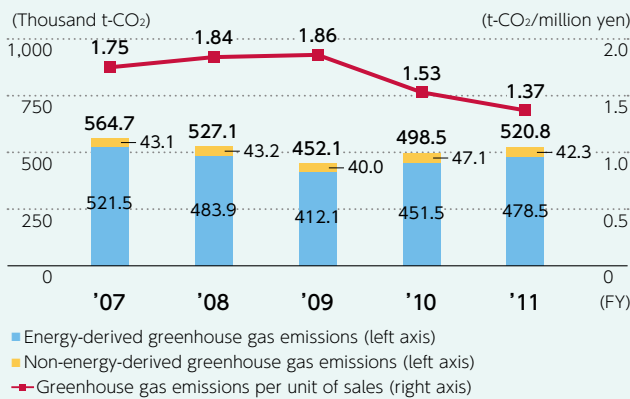
Initiatives Aimed at Realizing a Low-Carbon Society

Emissions of Greenhouse Gases

The Nisshinbo Group's total greenhouse gas emissions totaled 521 thousand t-CO₂ up 4% compared with the previous fiscal year. Emissions per unit of sales fell 10%.

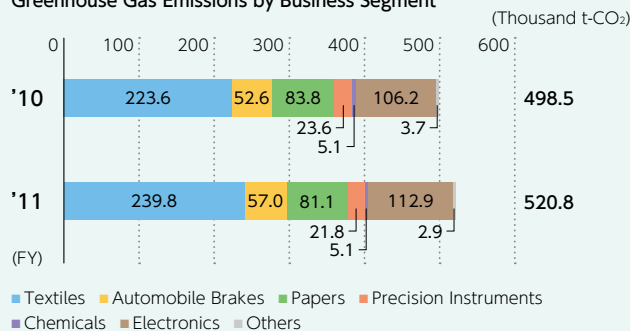
While within greenhouse gases, energy-derived greenhouse gases rose 6%, non-energy-derived greenhouse gases declined 10%. This decline was largely attributable to the impact of a drop in the operating rates of IC manufacturing equipment at New Japan Radio Co., Ltd., where consumption is most prominent in operating processes.

Trends in Greenhouse Gas Emissions and Greenhouse Gas Emissions per Unit of Sales



In the breakdown of greenhouse gas emissions by business segment, the textile business accounted for approximately 46%. The reason why this is higher than the use of energy by business segment (39%) lies in the fact that in overseas subsidiaries the coal usage ratio is relatively high.

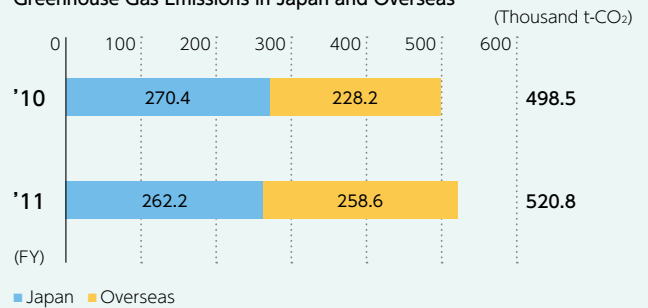
Greenhouse Gas Emissions by Business Segment



Greenhouse Gas Emissions in Japan and Overseas

Greenhouse gas emissions in Japan as a percentage of total greenhouse gas emissions fell 4% compared with fiscal 2010 to 50%. As a result, the ratios of greenhouse gas emissions in Japan and overseas were essentially the same.

Greenhouse Gas Emissions in Japan and Overseas



Note

For calculating greenhouse gas emission volumes, the CO₂ emission conversion factors as defined in the "List of Calculation Methods and Emission Factors for Calculation, Reporting, and Publication" published by the Ministry of the Environment and based on the "Law Concerning the Promotion of the Measures to Cope with Global Warming" are used. However, for electricity, the conversion method of Japan's voluntary emissions trading scheme by the Ministry of the Environment is used. In addition, coefficients provided by producers of coal are used.

Conversion Factors for CO₂ Emission Conversion

Electric Power	0.391 t-CO ₂ /MWh
Coal	1.89 t-CO ₂ /t
A-fuel oil	2.710 t-CO ₂ /KL
Gasoline	2.322 t-CO ₂ /KL
Diesel oil	2.585 t-CO ₂ /KL
LP gas	2.999 t-CO ₂ /Thousand m ³

Proactive Changeover to Environmentally Friendly Fuels

The Tokushima Plant of Nisshinbo Paper Products Inc. made the switch from using heavy oil to using liquefied natural gas (LNG) for its boilers in October 2010 and has updated its facilities by installing high-efficiency gas boilers.

Recently, steps were taken to verify the results of these initiatives on an annual basis. By switching away from the use of heavy oil to LNG, the company has successfully reduced the amount of energy consumed each year on an oil equivalent basis by 250kL (7.5%). At the same time, the introduction and update to gas boilers has lowered the level of CO₂ emissions each year by 3,700 tons, or 31%, prior to the switch in fuels.

Clean Power Product KI-HOU-SHI

Nisshinbo Paper Products Inc. has started to market a product called "KI-HOU-SHI" that combines the texture of high-grade paper with the functionality required for packaging (giving an air of elegance). The product is manufactured in part using green electricity (generated from such natural energy sources as biomass and photovoltaics). This is helping to prevent global warming.



KI-HOU-SHI

Switching Over to LED Lighting in Office Buildings

In June 2011, Ueda Japan Radio Co., Ltd. performed work to replace the 100 40W fluorescent lamps in its office building with LED fluorescent tubes. Switching over to LED lighting reduces the amount of electricity used for lighting, saves power by reducing the thermal load on air-conditioning and reduces CO₂ emissions. The Company is proactively encouraging the switch to LED lighting.



Work to replace fluorescent lamps with LED fluorescent tubes. Acting on its own initiative, Ueda Japan Radio replaced 100 fluorescent lamps in its office building.

Main Activities ▶ Renewable Energy

Photovoltaic Power Generation Facility Capacity Exceeding One Megawatt

Nisshinbo Mechatronics Inc. is focusing on the development, manufacture and sale of manufacturing lines for photovoltaic modules while at the same time accelerating the development of related equipment and materials. Photovoltaic modules are being installed on the roofs of various plants of the Group in order to test reliability and increase the use of renewable energy. The installation of modules has spread to the Group's Miai Machinery Plant (Aichi Prefecture), Shimada Plant (Shizuoka Prefecture), Chiba Plant (Chiba Prefecture) and Tatebayashi Plant (Gunma Prefecture). Total power generating capacity of all facilities and modules stood at 1,130kW as of March 31, 2012. Moreover, an environmental value equivalent to 200kW of the power generated at the Miai Machinery Plant has been converted into tradable green certificates and transferred to a third party.

Photovoltaic Power Generation Facilities

Nisshinbo Mechatronics Inc.
Miai Machinery Plant

Output ▶ 250kW + 180kW
Installation date ▶ February 2010
Increase date ▶ December 2011



Nisshinbo Paper Products Inc.
Shimada Plant

Output ▶ 250kW
Installation date ▶ September 2010



Nisshinbo Chemical Inc.
Chiba Plant

Output ▶ 150kW
Installation date ▶ February 2011



Nisshinbo Brake Inc.
Tatebayashi Plant

Output ▶ 300kW
Installation date ▶ September 2011

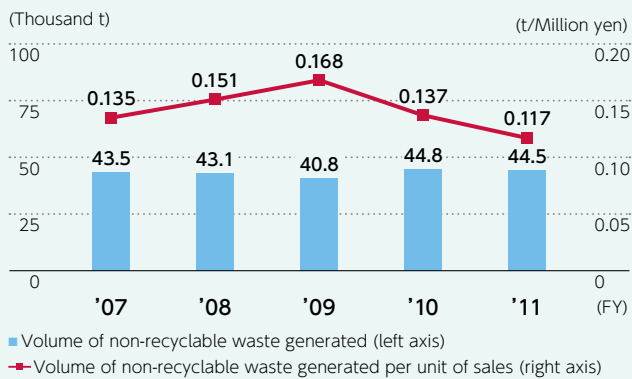


Initiatives Aimed at Realizing a Recycling-Oriented Society

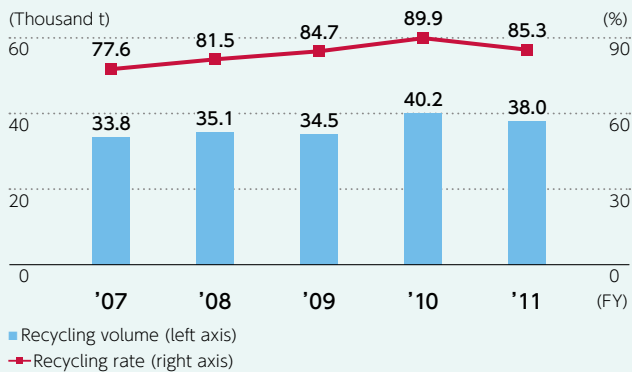
Volume of Non-recyclable Waste

The Nisshinbo Group's total volume of waste generated was down 0.5% compared with the previous fiscal year. In terms of the volume generated per unit of sales, the figure was 15% lower than the preceding fiscal year. The recycling rate of the Nisshinbo Group deteriorated 5% due mainly to the impact of the earthquake disaster.

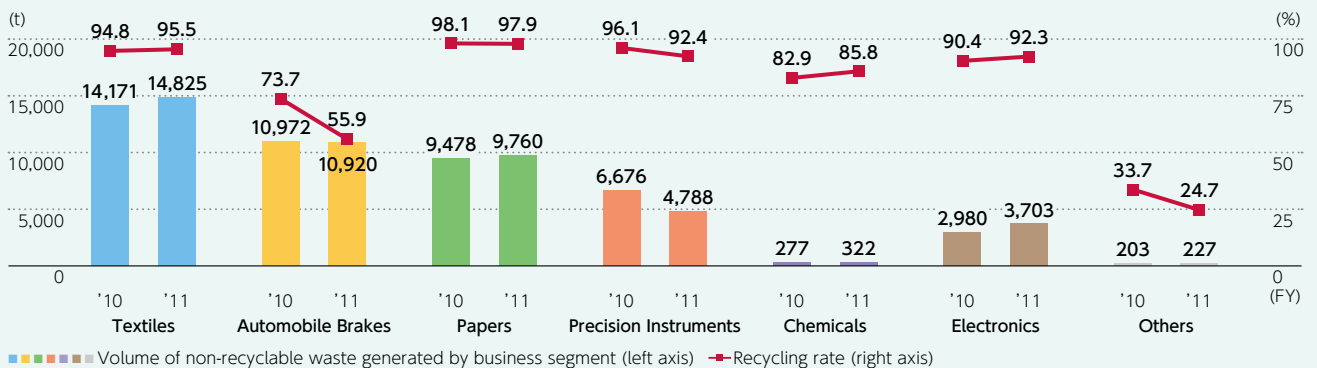
Trends in the Volume of Non-recyclable Waste Generated and the Volume of Non-recyclable Waste Generated per Unit of Sales



Trends in the Recycling Volume and Recycling Rates



Trends in the Volume of Non-recyclable Waste Generated by Business Segment and Recycling Rates



Zero emissions drives (recycling rate 99% or higher) are being pursued throughout the Group. In fiscal 2011, the following 10 sites achieved this goal.

- Nisshinbo Do Brasil Industria Textil LTDA.
- PT. Naigai Shirts Indonesia
- Nisshinbo Brake Inc. Toyota Plant
- Nisshinbo Paper Products Inc. Fuji Plant
- Nisshinbo Paper Products Inc. Adachi Office
- Japan Radio Co., Ltd.
- Musashino Electronics Co., Ltd.
- Saga Electronics Co., Ltd.
- NJR FUKUOKA CO., LTD.
- Ueda Japan Radio Co., Ltd.

In the Automobile Brakes business, the recycling rate deteriorated 18% due mainly to the impact of the earthquake disaster. This recycling rate is lower than other businesses. Moving ahead, steps will be taken to put in place medium-term targets and to ensure an improvement.

Main Activities ▶ Commencement of Eco-Tape Sales

Nisshinbo Chemical Inc. manufactures and sells thermoplastic polyurethane tape. In fiscal 2011, in an effort to save resources, the company collected and pulverized scrap plastic that is generated as waste when blow-molding the tape and commenced the sale of Eco-Tape, the materials of which are partially recycled. Although the amount of scrap plastic that arises is generally small, the company is working to make effective use of limited oil resources by reusing the resin that up until now had been discarded.



From scrap plastic into Eco-Tape

Main Activities ▶ Recycling of Coal Ash

In 2004, PT. Nisshinbo Indonesia introduced a coal-fired boiler. Previously, the ash produced by the boiler was simply disposed of as a waste product through a contract with a waste disposer. From October 2010, however, this was changed to all the ash being reused by a recycling company as a raw material for concrete blocks. In 2011, PT. Nisshinbo Indonesia recycled approximately 4,200 tons of ash.



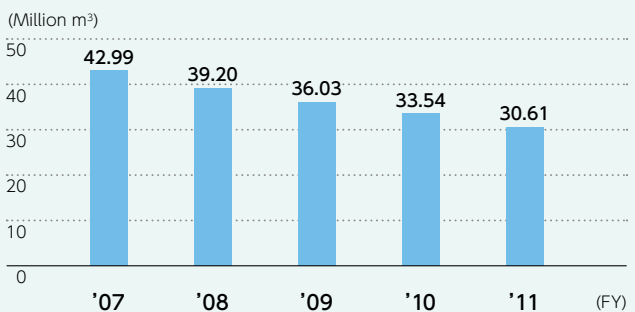
Turning coal ash into concrete blocks

Use of Water Resources

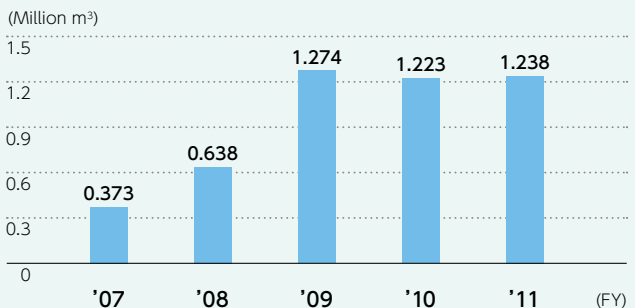
Thanks to increasingly more efficient utilization of water resources, the Nisshinbo Group used 9% less water in fiscal 2011 than in the previous fiscal year.

The usage of recycled water increased 1% compared with the previous fiscal year.

Trends in Water Usage

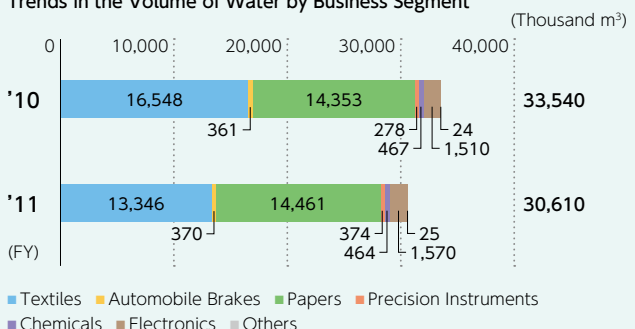


Trends in the Volume of Recycled Water



Looking at water usage by business segment, there was an overall upward trend in the Papers business. This business segment accounted for 47% of total water usage. The Textiles business, on the other hand, reflected a downward trend, accounting for 44% of total water usage. These two businesses together account for more than 90% of the Company's total water usage.

Trends in the Volume of Water by Business Segment



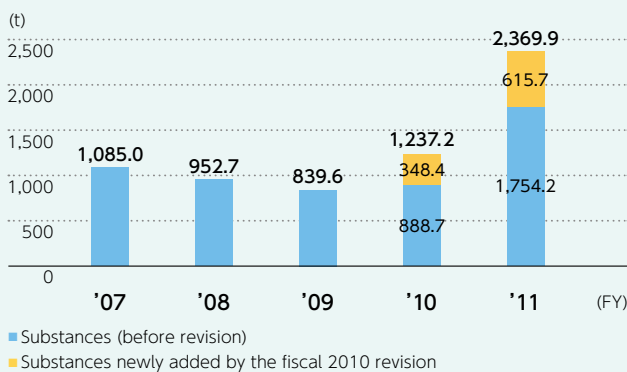
Initiatives Aimed at Protecting Health and the Global Environment

Volume of Chemical Substances Handled

The volume of PRTR substances (before revision) handled by the Nisshinbo Group was 1,754 tons, up 97% compared with the previous fiscal year. This was largely attributable to an increase in the volume of raw materials used primarily by the Automobile Brakes business.

The volume of PRTR substances newly added by the fiscal 2010 revision was 616 tons. The largest components were the urethane source material methylenebis (4,1-phenylene) diisocyanate and the methylnaphthalene contained in fuel (A-type heavy oil).

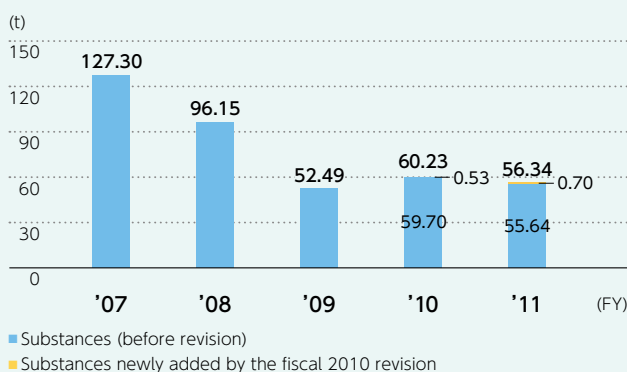
Trends in the Volume of Chemical Substances Handled



Volume of Chemical Substance Emissions

The volume of PRTR chemical substances emitted into the atmosphere or wastewater was 56 tons, a 6% decrease from the previous fiscal year. As described above, the volume handled increased, but as this is mainly used as raw material, the amount emitted was reduced. The main substance emitted from among those newly added by revision was methylnaphthalene, which is contained in fuel (A-type heavy oil).

Trends in the Volume of Chemical Substance Emissions



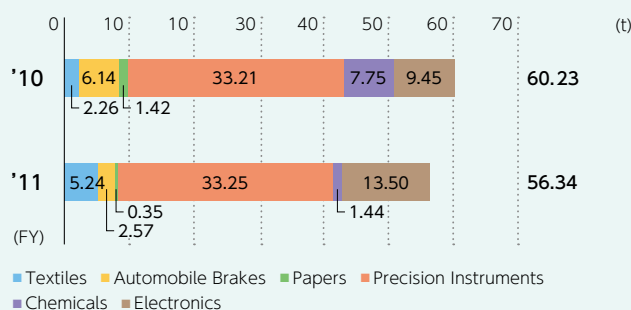
In the breakdown of emission volumes by substance, dichloromethane had the largest share at 52%. Efforts to replace dichloromethane are under consideration.

Breakdown of Emissions by Chemical Substance

Substance	Volume of emission (t)	Percentage share of total emissions
Dichloromethane	29.36	52.1
Toluene	8.80	15.6
Xylene	6.85	12.2
Polyoxyethylene alkyl ether	5.00	8.9
Ethylbenzene	1.70	3.0
Antimony	1.07	1.9
Hexamethylene-tetramine	0.81	1.4
Tetrachloroethylene	0.62	1.1
Methylnaphthalene	0.50	0.9
Methylenebis (4,1-cyclohexylene) isocyanate	0.38	0.7
Others	1.24	2.2

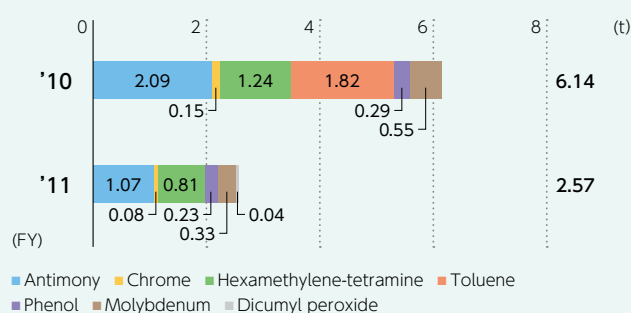
In the breakdown of emission volumes by business, the Precision Instruments business which is responsible for dichloromethane emissions is most prominent.

Trends in the Volume of Emission by Business Segment



In the automobile brakes sector, the Company reduced emissions by 58%. Of particular note is that the amount of toluene emitted was reduced to less than the PRTR notification target amount of one ton.

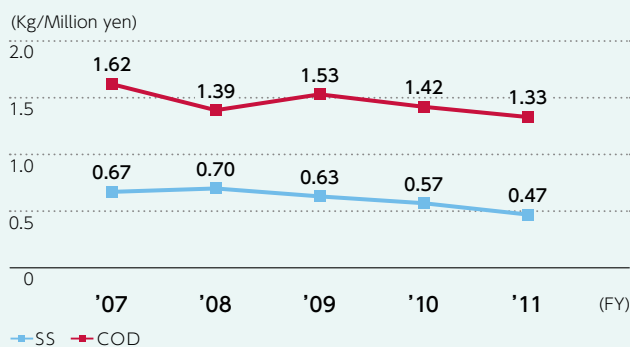
Trends in Automobile Brakes Business Emissions by Chemical Substance



Treating Wastewater

The Nisshinbo Group aims to process wastewater from manufacturing processes as much as possible, to return clean water to the environment. The volume of suspended solids (SS) in wastewater per unit of sales was reduced 17% compared with the previous fiscal year. The volume of COD emissions per unit of sales was cut back 7% year on year.

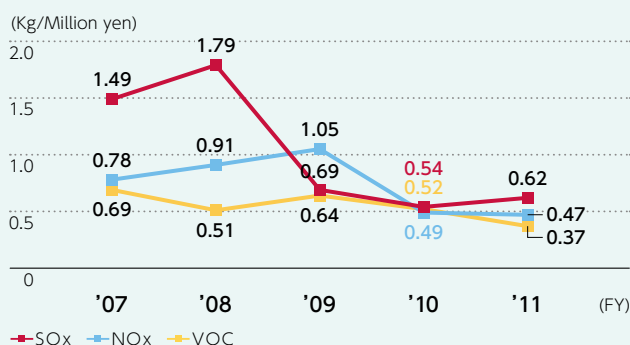
Trends in the Volume of Suspended Solids and COD Emissions per Unit of Sales



Atmospheric Releases

The Nisshinbo Group's emissions of sulphur oxides (SOx) per unit of sales were up 15% compared with the previous fiscal year. The principal factor was the upswing in the volume of coal used in line with increased production at PT. Nikawa Textile Industry (Indonesia). The volume of nitrogen oxide (NOx) and volatile organic compound (VOC) emissions per unit of sales were down 4% and 30%, respectively, year on year.

Trends in SOx, NOx and VOC Emissions per Unit of Sales



Chemical Substances Management

Each Nisshinbo Group company carries out proper management in accordance with the chemical substances that they handle in-house, with regard to the chemical substances contained in its products and with criteria that depend on the nature of its business.

Main Activities ▶ Reinforcing Proper Management of Chemical Substances

As Nisshinbo Chemical Inc.'s Tokushima Plant handles a wide range of chemicals, including chemical substances and organic solvents, day-to-day management and activities that envision emergency situations are being strengthened.

Daily management procedures are being tightened so that equipment is always kept in a suitable condition. High-risk chemicals are stored under lock and key, and tight controls kept on the management of keys and the number of keys in use.

To date, training has been given in how to respond to emergency situations, but in fiscal 2011 reviews were carried out into such aspects as the emergency manual's tsunami warning responses, and training sessions implemented to spread awareness among all employees. The company has upgraded the emergency materials and equipment needed to contain and recover from a fire and initiated visual checks of their storage conditions. Should there be an emergency situation, the company is equipped to enable it to respond quickly and efficiently.



Emergency response training

Main Activities ▶ Compiling Databases Including Regulated Chemical Substances and MSDS's of Used Chemicals

In addition to complying with all relevant laws and regulations as a matter of course, Nisshin Denim Inc. has compiled a database covering the approximately 1,300 types of regulated chemical substances, the roughly 130 MSDSs of used chemicals, and contained chemical substances in order to better respond to customer requests for the provision of chemical substance information. The database allows prompt, easy checks of regulated chemical substances and confirmation of chemical ingredients, which has led to increased operational efficiency and customer satisfaction.

* Material Safety Data Sheets



Database screen (right) and file with the originally collected data

Coexistence with a Diversity of Living Organisms

Nisshinbo Holdings Inc. participates in the Japan Business and Biodiversity Partnership, which is made up of business groups, businesses, NGOs and local government, and engages in activities to protect species, ecosystems and genetics.

Transplanting of Calanthe, a Precious Species Property Management Department, Nisshinbo Holdings Inc.

During a redevelopment project at the former plant site in the city of Okazaki, Aichi Prefecture, a survey was made of the animals and plants that had spread widely across the site. The results of the survey confirmed that the plant species calanthe, which is at risk of extinction, was growing wild there. Belonging to the same family as the orchid, calanthe was overharvested in the past cultivation booms and its numbers have greatly declined. To protect calanthe, a precious native species, the Company conducted activities to transplant them to a suitable area.



Calanthe



Calanthe being transplanted

Participating in the “Yoshino River Adoption Program” The Nisshinbo Group Tokushima Plant

This program aims to protect the Yoshino River banks and its basin by appealing to local businesses and citizen groups to “adopt” a stretch of the river.

Business sites of the Nisshinbo Group located in Tokushima (Nisshinbo Holdings Inc. along with Nisshinbo Textile Inc., Nisshinbo Paper Products Inc., and Nisshinbo Chemical Inc.’s Tokushima Plant) have applied to the Yoshino River Council which is managing the Yoshino River Adoption Program for the Imagire



River that is part of the Yoshino River System. In fiscal 2011, volunteer cleanup drives were carried out three times in June and October as well as March, to improve the environment of the beautiful Yoshino River area and help preserve its biodiversity.



Activities undertaken in March 2012

FSC* Certified Products

Nisshinbo Paper Products Inc. has positioned FSC certified papers as key environment-friendly items that can contribute to the protection of biodiversity, and the company is expanding its lineup of such products.

FSC policies include no illegal logging, adequate sunlight for all parts of the forest, and protection of valuable plant and animal life. FSC certified products use raw materials coming from forests that are managed properly according to these policies. Currently Nisshinbo is marketing Vent Nouveau™ F-FS, a fine paper for high-grade printing, and Vent Nouveau™ Smooth FS which features extra-smooth surface properties. Nisshinbo Paper Products plans to expand its lineup of FSC certified papers in the future.

* FSC (Forest Stewardship Council): A non-profit, international certification organization established in 1993 with the purpose of encouraging responsible management of the world's forests from the perspective of protecting the environment, benefitting society, and enabling economically sustainable use.



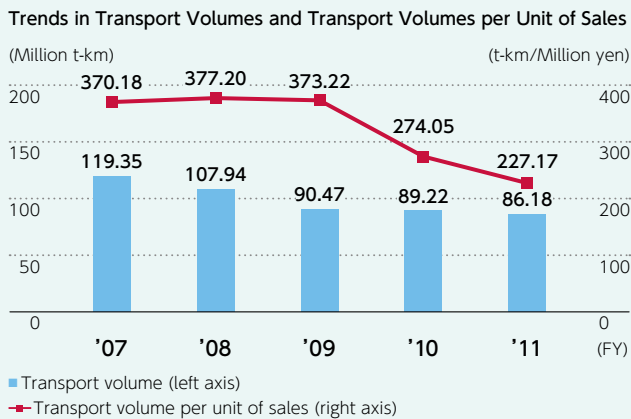
Certificate of FSC registration



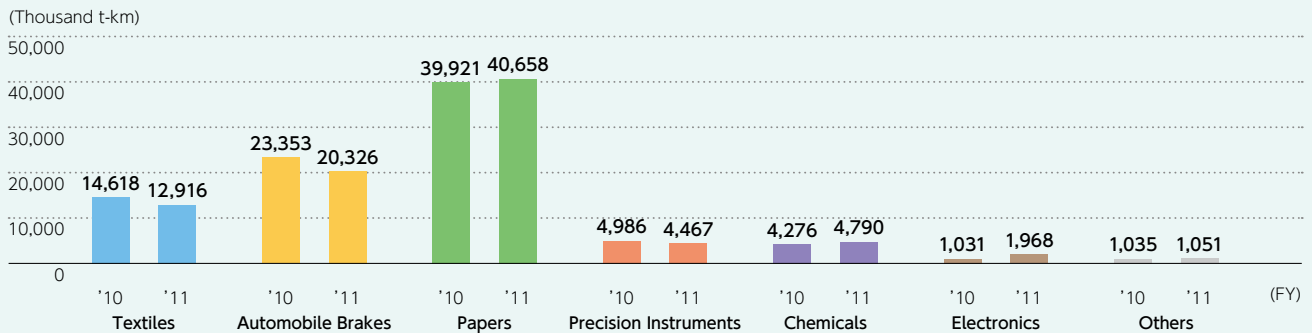
Vent Nouveau™ series

Toward Efficient Logistics

The Nisshinbo Group transport volume was down 3% compared with the previous fiscal year. On a per unit of sales basis, the Group's transport volume declined 17% year on year.



Trends in Transport Volumes by Business Segment



By business segment, the Papers business accounted for 47% of the Group's total transport volume. The Papers business is responsible for a large number of bulky products including toilet paper. As result, this business consumes significant volumes of energy while emitting large volumes of greenhouse gas emissions in the transportation of products. Nisshinbo Paper Products Inc. has been designated a specified consigner and is working together with freight carriers to conserve energy.

* Specified consigner: According to the "Law concerning the Rational Use of Energy," this refers to a consigner whose transport volume within Japan is at least 30 million ton-kilometers annually.

Report Miai Plant Response to Chemical Spill

Early in the morning of February 3, 2012, at the Nisshinbo Textile Inc.'s Miai Plant in Okazaki City, Aichi Prefecture, a chemical tank valve froze up and broke as the temperature fell to minus 7° C, causing a leak of aluminum sulfate, a coagulant used in wastewater treatment. The accident was discovered by employees having come to work, who immediately closed the main valve and took measures to prevent runoff using sandbags. Nevertheless, approximately seven kiloliters of chemical had been released into the Rokutome River that runs through the plant. The incident reduced the pH level in part of the river and killed approximately 50 fish. The company completed precautionary measures, including measures to prevent freezing, improvements to the abnormal drainage monitoring system, strengthening of the outer leak prevention wall, and changing the chemical to one with less environmental impact. The company is working to prevent a recurrence.



The broken valve



Engaging in Activities Together with a Variety of People

46

Nisshinbo Holdings[®] Inc.
CSR Report 2012

Paper Recycling Plant Tours by Students

Tokai Seishi Kogyou Co., Ltd. is helping to form a recycling-oriented society by producing household paper products made solely from collected waste paper.

From fiscal 2010, the company has expanded its facilities for dealing with difficult dissolution waste paper resources (intermixed with plastics) that previously had to be incinerated. This significantly broadened the scope of raw materials that could be recycled.

In addition, the company conducts plant tours and also helps in environmental education activities as a part of efforts to increase understanding toward the importance of recycling by as many people as possible. In fiscal 2011, Tokai Seishi Kogyo Co., Ltd. welcomed visitors to its plant from 14 associations some of which came from Asia in collaboration with the Japan International Cooperation Center. Participants came from a wide range of countries including Cambodia, Myanmar and Vietnam.



A plant tour and observing the waste paper recycling process

The 1 Company, 1 Bridge, 1 River Campaign

On the fourth Friday of each month, employees of Saeron Automotive Corporation in Korea perform a 30-minute cleanup drive starting from 8 a.m. The impetus for starting this program came from the “1 Company, 1 Bridge, 1 River” campaign organized by the local city office five years ago. In fiscal 2011, a total of 83 persons participated in the campaign.



Participants holding the banner, which reads “Keeping Cheonan city clean is a source of pride for us — 1 Company, 1 Bridge, 1 River campaign Saeron Automotive”

Providing Drinking Water to Neighbors Nisshinbo Indonesia

Nisshinbo Textile Inc. subsidiary PT. Nisshinbo Indonesia was established in 1998. As part of its social contribution activities the company has continued to provide approximately 10,000 tons of drinking water to residents in the immediate area for free every month since its establishment.

Using the large number of wells within its site, the company pumps water up from depths of between 50 and 120 meters and, after purification, supplies it via several pipelines with a large number of dedicated pumps to cisterns at off-site locations that are accessible 24 hours.

As there is no running water in the vicinity of the plant, all the local residents drink the water in the cistern and also use it for their daily needs. Around 430 homes are currently using the water.

The company will continue to provide drinking water.



Water pipeline (off-site)
The pipes are connected to cisterns scattered around outside the plant.



Water cistern
The cisterns are used to provide water for the daily needs of the local people.

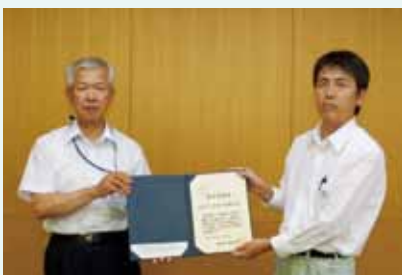
Inter-Company Information Exchange Meeting

Toyota City, home to Nissinbo Brake Inc.'s Toyota Plant, reviewed the content of agreements on pollution prevention since 2008 to produce an "Agreement to Promote Environmental Preservation." Currently, 35 companies have signed up to the agreement and host talks by visiting lecturers, organize plant tours, hold case study presentations to share information on the environment and raise the level of environmental technology.

Having signed the agreement in June 2010, the Toyota Plant is contributing to regional environmental protection activities not confined solely to the environment in its own plant by providing information on regular wastewater measurements and reports and case studies on energy saving.



General view of the conference



Agreement signing ceremony (Nobuo Iwata, head of Toyota City's Environmental Department and Eiji Shibayama, manager of the Toyota Administration Section)

Sponsorship of *Koi Suru Chikyu Monogatari* ("Loving Story of the Earth") TV Series

On October 3, 2011, the Nissinbo Group started its sponsorship of a TV program that has the power of Nature and people as its theme. Called *Koi Suru Chikyu Monogatari* ("Loving Story of the Earth"), the program is aired on Nippon Television (NTV) every Monday from 21:54 to 22:00. Each episode interprets a natural wonder by making it into a story.

In the opening sequence a painting book appears. A standing girl turns the pages. She searches for answers while a forest elder talks to her about the wonders of nature. The voice of the forest elder is that of the actor, Jun Kunimura. His penetrating, soft yet solemn voice is impressive. The use of images of a kind of fantasy world has a healing effect and at the same time satisfies the viewer's intellectual curiosity. The program is aired only in the Kanto area, but after the broadcast can be seen on the NTV website.



Environmental Conservation Costs

The Nisshinbo Group's environmental investments in fiscal 2011 totaled 1,208 million yen, which represented an increase of 47% compared with the previous fiscal year.

The main areas of environmental investment were capital expenditure for the installation of facilities to prevent pollution, photovoltaic power generation facilities and research and development for future environmental business operations.

Total environmental conservation costs for the Group were 2,925 million yen, up 34% compared with the previous fiscal year. On a year-on-year basis, this increase was 7% after excluding the impacts of Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd.

Environmental Conservation Effects

Thanks mainly to the switchover from heavy oil firing to liquefied natural gas and town gas, and also due to other activities to protect the environment, the greenhouse gas emissions of the Nisshinbo Group decreased by 11,407 tons.

Income from Environmental Conservation Measures

The economic benefit (income) from environmental conservation measures by the Nisshinbo Group was 616 million yen, an increase of 39% compared with the previous fiscal year.

Environmental Accounting Spreadsheet for Fiscal 2011

Category		Environmental Conservation Costs			
		Investment (million yen)	YOY Change (%)	Costs (million yen)	YOY Change (%)
On-site costs	Pollution prevention	310.8	+224.2	392.6	+9.3
	Environmental conservation	274.1	-34.6	138.4	+3.7
	Recycling	11.4	+78.2	346.7	+5.4
Upstream/downstream costs		0.0	-	45.4	-19.5
Management costs		2.0	+167.0	648.1	+54.7
R&D costs		609.7	+104.2	1,272.5	+91.2
Social activity costs		0.0	-	5.2	-17.8
Environmental remediation costs		0.0	-	33.3	-42.3
Other costs		0.0	-	42.3	-71.6
Total		1,208.0	+47.2	2,924.6	+34.4
Reference: Total excluding Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd. and their subsidiaries (collated using the same criteria as fiscal 2010)		1,175.4	+43.2	2,315.9	+6.5

Note: [-] indicates that the amount in the previous fiscal year was zero

Category		Environmental Conservation Effects		Income from Environmental Conservation Measures	
		Greenhouse Gas Reduction (t-CO ₂)	YOY Change (%)	Income (million yen)	YOY Change (%)
On-site effects	Pollution prevention	261	-	8.3	-
	Environmental conservation	11,144	+50.8	58.3	+93.9
	Recycling	3	-13.3	549.4	+33.2
Upstream/downstream effects		0	-	0	-
Management effects		0	-	0.1	+475.0
R&D effects		0	-	0	-
Social activity effects		0	-	0	-
Environmental remediation effects		0	-	0	-
Other effects		0	-	0	-
Total		11,407	+54.3	616.0	+39.2
Reference: Total excluding Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd. and their subsidiaries (collated using the same criteria as fiscal 2010)		9,968	+34.8	586.7	+32.6

I look forward to further developments in the Nisshinbo Group's CSR activities through the use of its innovative technologies across its full range of operations.



Maki Saito
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President of ASU International LLC

Profile After graduating from college, Ms. Saito entered Dentsu Inc., a leading advertising agency in Japan. Graduated with a Master's degree in international affairs from Columbia University School of International and Public Affairs in New York, U.S.A. Currently, President of ASU International LLC and a CSR Consultant to numerous companies in Japan and the United States. Assistant Professor at SBI Graduate School, Board Member of the Human Security Forum of Tokyo University and a member of the Expert Committee of the Meguro Environmental Deliberation Council. Authored such books as "100 Simple Ways to Change the World for the Better" and "Social Entrepreneur - New Trends in the Social Responsibility Business." Translated and provided commentary for "The Social Venture Network Series."

Nisshinbo is extremely adept at responding flexibly to changing eras, and embracing new trend and cultures. The Company began as a processor of textile raw materials focusing mainly on cotton and has continued to evolve into a variety of new business fields based on the effective use of manufacturing technologies. Building on its cotton spinning technologies, Nisshinbo not only branched into the manufacture and sale of next-generation, non-iron shirts as well as high-value-added paper products, but also into automobile brake activities during the war years. Drawing on the technological expertise required to build the tail-planes of military aircrafts, Nisshinbo entered the machine tool field in the post-war period evolving into the production of photovoltaic module manufacturing equipment. More recently, among a host of endeavors, the Company has ventured into fuel cell, bio-plastic modifier and related fields.

In putting together this third-party opinion, I interviewed several members of the Board of Directors and officers responsible for relevant CSR-related activities. I also undertook a tour of the Group's automobile brake factory in Gunma. I was fortunate to witness a variety of innovative environmental endeavors, particularly during my tour of Tatebayashi Plant. Among a host of initiatives, the Plant employs photovoltaic cells with the aim of securing megasolar power. In addition to the shift from heavy oils to LNG, steps are also being taken to utilize inverters as a part of a mixed air conditioning system. This is expected to help reduce energy consumption. From a product perspective, considerable weight is being placed on environmental measures. In this regard, efforts are being directed toward curtailing the amount of copper used in friction materials. Turning to the Group's recycling endeavors, particular emphasis is being channeled toward the conversion of sewage and the efficient application of sludge. Gaining an increased understanding of the Nisshinbo Group's accumulated efforts to protect the environment, and the wisdom and expertise used to pursue every possible initiative, I now have a better understanding of commitment that underpins Nisshinbo's goal of becoming an eco-company.

The Company has acquired ISO 14001 certification in Japan and overseas. I am advised that steps are now being taken to prepare for certification integration. Given the diverse

nature of Nisshinbo's seven principal business segments, I can genuinely sense its spirit of innovation and positive stance as it works toward the concept of unified environmental management. The Nisshinbo's dedication is all the more persuasive when taking into consideration its long-standing inclusion in FTSE4Good, the internationally acclaimed SRI index. Moreover, expectations are extremely high with respect to the Group's plant factory. I say this because this factory will undoubtedly play a significant role in how the individual strengths and expertise of each business will be used to the best advantage of the Company as a whole.

In moving forward, I would like at this point to list a number of questions and issues that I believe are of importance in the further development of the Group's CSR activities.

1. What is the ideal image of society taking into consideration the Nisshinbo Group's technologies?
2. Over and above plant factory, how can synergies best be created between businesses? How can the strengths of each business be used to maximum effect through shared knowledge?
3. While a variety of initiatives aimed at reducing environmental load are currently in play, what is the Group's long-term goal? In this context, what level of success has the Group achieved?
4. How will the Nisshinbo Group disclose to its stakeholders its process for resolving environmental and social issues? What kind of communication does the Group envisage?
5. Amid growing diversity attributed to growth through TOBs, acquisition and overseas expansion, how will Nisshinbo transpose wide-ranging business activities and cultures into a uniform collective strength?

Nisshinbo is a Technology for Environmental Responsibility (TER) leader. By proactively addressing each of the aforementioned issues, I would hope that the Group engages in increasingly advanced CSR activities that draw on its technologies.

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