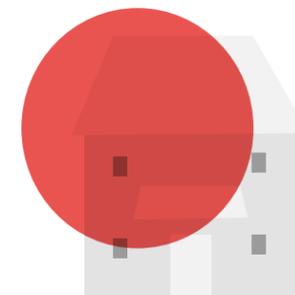
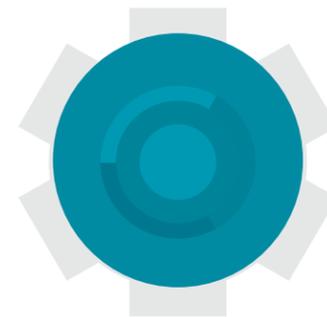


Annual Report 2015  
Fiscal Year Ended March 2015

# Setting Our Sights Even Higher

## NEXT 2015



[www.nisshinbo.co.jp/english/](http://www.nisshinbo.co.jp/english/)

# NISSHINBO

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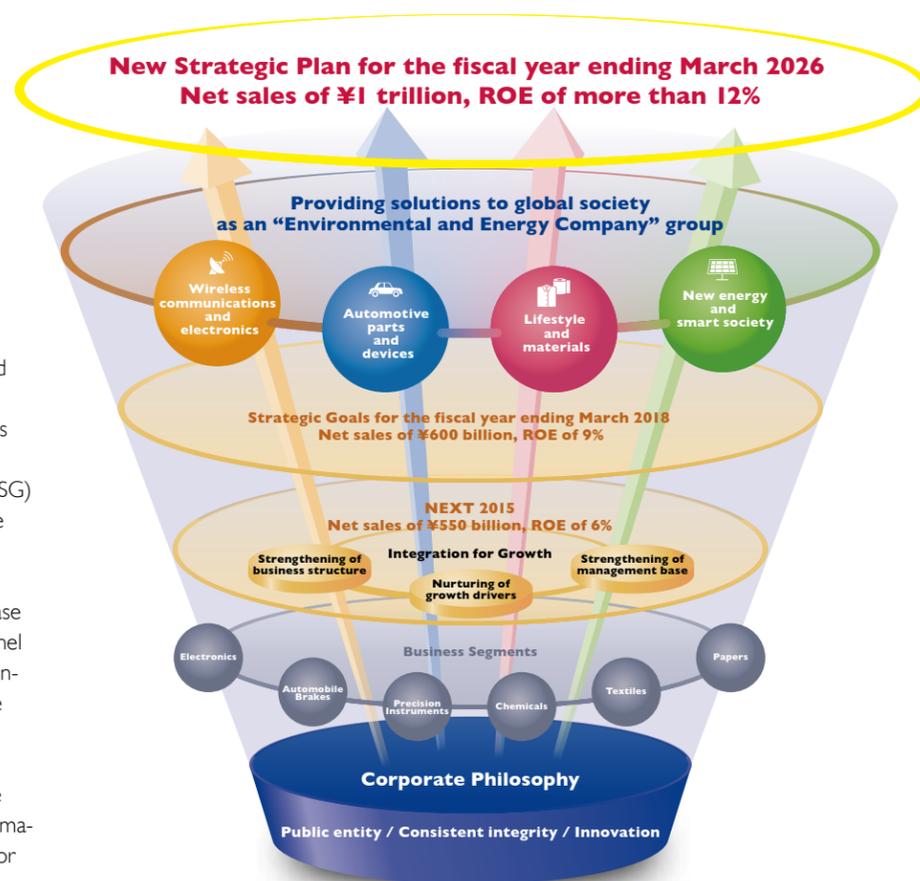
# NISSHINBO

As an “Environmental and Energy Company” group working to create a sustainable society, Nisshinbo Holdings Inc. is aiming for net sales of ¥600 billion and ROE of 9% in the fiscal year ending March 2018.

Our management policy for the fiscal year ending March 2016 is to “Drive Productivity and Performance and Inspire Creativity and Innovation.” We will step up cash flow management and implement initiatives to achieve our objectives.

We will also work to generate sales in excess of our original ¥600 billion target. Our new long-term strategic plan is targeting net sales of ¥1 trillion and ROE of more than 12% ten years from now, in the fiscal year ending March 2026. The whole Group is committed to delivering further growth, backed up by our vision and strategy of transforming Nisshinbo into an “Environmental and Energy Company” group.

### The Nisshinbo Group’s Future Image



#### < Editing Policy >

In addition to the usual financial data and information about business strategies, Nisshinbo’s Annual Report 2015 includes an in-depth section about the Group’s environmental, social and governance (ESG) activities to provide readers with a more detailed picture of the Group’s business activities. This information highlights how the Nisshinbo Group is striving to increase corporate value in areas such as personnel training and consideration for the environment, complementing efforts to increase value through earnings growth.

Effective from the fiscal year ending March 2016, the Group has changed the order in which it presents segment information. The new order has been adopted for the first half of this report.

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## Highlights

For the years ended March 31

(millions of yen) (thousands of US dollars)

	2011	2012	2013	2014	2015	2015
<b>Operating Results</b>						
Net Sales	¥325,555	¥379,340	¥450,693	¥494,350	<b>¥523,758</b>	<b>\$4,364,650</b>
Electronics	112,820	169,907	175,308	187,743	<b>209,116</b>	<b>1,742,633</b>
Automobile Brakes	46,119	47,450	118,849	148,699	<b>161,887</b>	<b>1,349,058</b>
Precision Instruments	32,020	25,191	24,520	28,655	<b>28,608</b>	<b>238,400</b>
Chemicals	7,284	8,258	8,150	8,810	<b>8,943</b>	<b>74,525</b>
Textiles	57,400	60,964	50,773	51,349	<b>47,361</b>	<b>394,675</b>
Papers	30,326	30,220	30,524	31,686	<b>31,280</b>	<b>260,667</b>
Real Estate	12,437	9,082	15,367	10,567	<b>9,246</b>	<b>77,050</b>
Other Businesses	27,149	28,268	27,202	26,841	<b>27,317</b>	<b>227,642</b>
Operating Income	19,843	4,170	13,394	13,175	<b>13,744</b>	<b>114,533</b>
Net Income	11,185	9,416	6,418	9,012	<b>13,694</b>	<b>114,117</b>

#### Financial Position

Total Assets	¥479,852	¥534,584	¥551,933	¥611,311	<b>¥678,486</b>	<b>\$5,654,050</b>
Equity	211,557	213,751	242,623	276,865	<b>306,938</b>	<b>2,557,817</b>

#### Cash Flows

Net Cash Provided by Operating Activities	¥16,529	¥12,974	¥34,095	¥26,075	<b>¥37,120</b>	<b>\$309,333</b>
Net Cash Provided by (Used in) Investing Activities	11,591	(57,861)	(10,973)	(19,862)	<b>(21,271)</b>	<b>(177,258)</b>
Net Cash Provided by (Used in) Financing Activities	703	16,835	(24,073)	(2,321)	<b>(6,238)</b>	<b>(51,983)</b>

(yen) (dollars)

#### Per Share

Net Income	¥63.32	¥53.83	¥36.74	¥51.60	<b>¥80.33</b>	<b>\$0.67</b>
Shareholders’ Equity	1,036.80	1,063.19	1,198.67	1,369.78	<b>1,634.07</b>	<b>13.62</b>
Cash Dividends	15.00	15.00	15.00	15.00	<b>15.00</b>	<b>0.13</b>

(%)

#### Key Ratios

Return on Assets (ROA)	2.7	1.9	1.2	1.5	<b>2.1</b>
Return on Equity (ROE)	6.1	5.1	3.2	4.0	<b>5.5</b>

#### ESG Indicators

Number of Employees	18,292	22,304	22,083	22,052	<b>21,387</b>
Number of Patents Approved	1,986	1,986	2,293	2,448	<b>2,410</b>
Greenhouse Gas Emissions per Unit of Sales (t-CO <sub>2</sub> /million yen)	1.8	1.6	1.6	1.4	<b>1.4</b>

Note: The U.S. dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥120 = US\$1.

# Business Diversification

Segment

1940 | 1945 | 1955 | 1965 | 1975 | 1985 | 1995 | 2005



## Electronics

Nisshinbo's involvement in this field began in the 1950s when we transferred management personnel to Japan Radio Co., Ltd. Over the years, we gradually strengthened our partnership with the Japan Radio Group to enhance our presence in the environmental and energy field. Today, the electronics business segment covers Japan Radio Co., Ltd. and 35 other consolidated subsidiaries and affiliates.



## Automobile Brakes

Leveraging our technologies in cotton spinning, we diversified into automotive friction materials in the 1940s. With the acquisition of TMD Group, Nisshinbo became the world's leading maker of brake friction materials by market share in the fiscal year ended March 2012. We are currently working on the development of new materials that meet environmental standards for lower copper content.



## Precision Instruments

From the late 1940s, we started manufacturing various types of machine tools, drawing on human resources from our textiles business. We then moved into the production of fans and other plastic molded parts and precision parts for automobiles.



## Chemicals

This business has its roots in our staple fiber business. We are currently stepping up the development of environmental and energy products, such as rigid urethane foam used in insulation materials, functional chemicals, and fuel cell parts and materials.



## Textiles

Cotton spinning was Nisshinbo's first business when it was founded in 1907. Since launching APOLLOCOT 100% cotton non-iron shirts in 2009, we have been using the same technology to develop and sell a range of new APOLLOCOT products.



## Papers

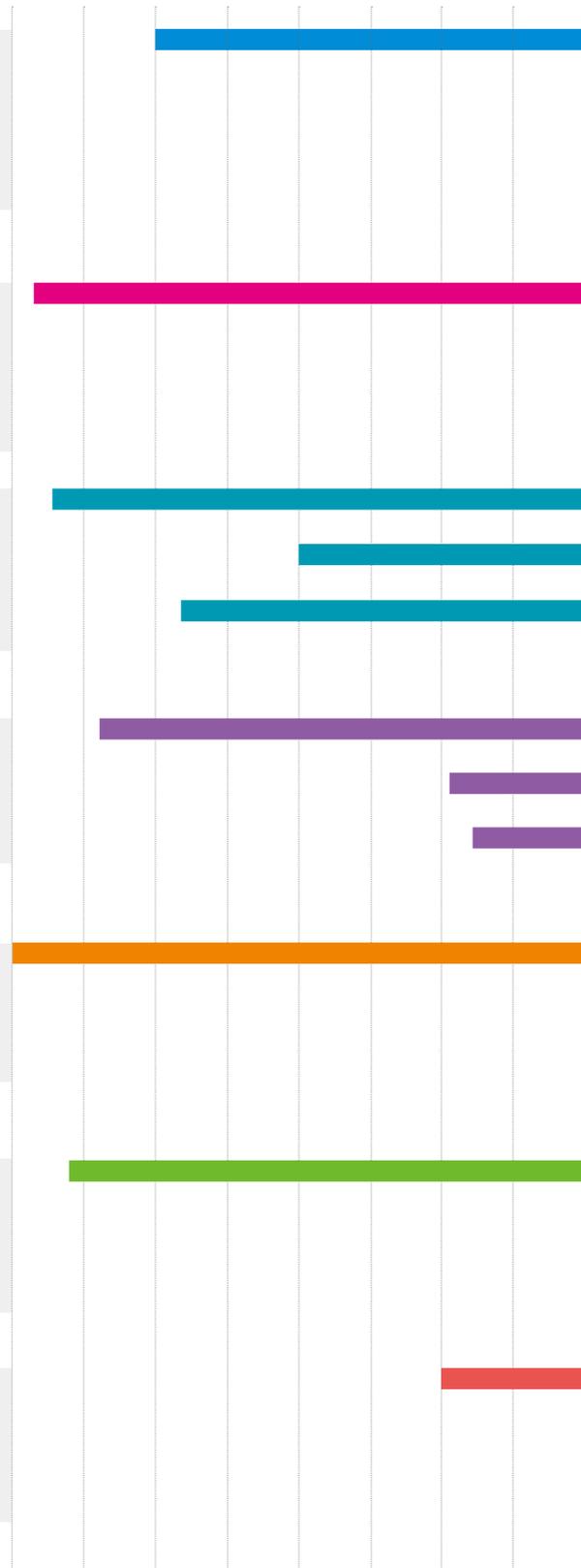
From the late 1940s, the business has expanded through M&A deals. We now focus on high value-added products such as highly absorbent toilet tissue for use with bidets and fine paper for high-grade printing applications.



## Real Estate

Since the 1990s this business has been working to effectively use the Group's idle land that was freed up due to a shift in manufacturing overseas. The business has focused on leasing real estate for shopping centers, and more recently, on releasing land for residential development.

## Other Businesses



Main products

- Wireless disaster prevention systems and other solutions, marine equipment, semiconductor products

- Automotive friction materials

- System equipment
- Precision parts
- Plastic molding parts

- Insulation panels
- Functional chemicals
- Bipolar plates for fuel cells

- Dress shirts
- Denim

- Household papers
- Fine papers

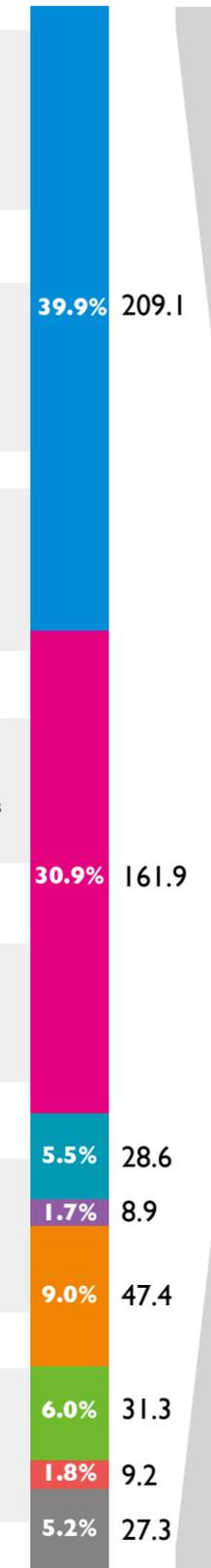
- Housing lot sales, property leasing and other real estate businesses

- Others

Fiscal year ended Mar. 2015

Segment Sales

Share Amount (billions of yen)



## Strategic Businesses in Four Areas

### Wireless Communications and Electronics



Wireless disaster prevention systems



Marine equipment



Semiconductor products

### Automotive Parts and Devices



Friction materials and assembly products



Processed precision components

### Lifestyle and Materials

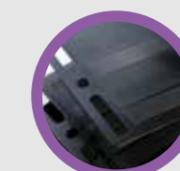


Shirts, denim, and uniforms



Household papers

### New Energy and Smart Society



Bipolar plates for fuel cells



Modifier used in bioplastic manufacturing



Smart factory

**TOTAL** ¥523.8 billion

# The Nisshinbo Group's Management Capital

The Nisshinbo Group aims to create corporate value through positive outcomes from the use of various capitals in business processes such as research and development, material procurement, manufacturing and sales activities, rather than simply increasing financial capital through its operations.

Underpinning this approach is the Corporate Philosophy of the Nisshinbo Group (see P32 for more details). Based on this philosophy, the Business Conduct Guidelines of the Nisshinbo Group define standards of behavior

expected of our executives and employees in six areas: compliance, the environment, human rights, workplace safety, product safety and procurement. We have also formulated the Basic CSR Procurement Policy of the Nisshinbo Group, which covers seven areas: compliance, fair trade, information security, environmental preservation, human rights, safety and health, and quality and safety. Based on this policy, we work with suppliers to implement concrete CSR initiatives across the entire supply chain.



The Nisshinbo Group is diversifying its supplier base by using a wider geographical distribution of suppliers in Japan and procuring materials from overseas suppliers. Our goal is to ensure we have access to stable supplies of raw materials in all our businesses, particularly automobile brakes, precision instruments and papers, even during an emergency such as a natural disaster or accident.

The Group has also established internal regulations on product quality that conform to strict international standards. Based on these regulations, we have created a quality assurance management system and are implementing other measures designed to support continual improvement in quality control at the point materials are received by the Group.

The Nisshinbo Group's production sites are distributed worldwide. All these sites are working to protect the global environment in accordance with the Business Conduct Guidelines of the Nisshinbo Group. Workplace safety is also a key theme for the Group, with our all sites worldwide taking steps to reduce the rate of workplace accidents. The TMD Group, which became part of the Nisshinbo Group in the fiscal year ended March 2012, has production sites in nine countries. By implementing Nisshinbo's health and safety initiatives, TMD has achieved a significant reduction in the overall absence rate\*.

\* Overall absence rate: Frequency of occupational injuries (injuries with lost work + injuries with no lost work)

The Nisshinbo Group also views distributors as valued partners, aiming to grow and develop with them. In the papers business, for example, we have built long-term partnerships with distributors based on areas such as careful attention to detail in working conditions at their operations. This approach has resulted in distribution services with high levels of customer satisfaction by addressing individual end-user needs, such as how products are stacked and unloaded.

Our distributors also take into account environmental concerns, making adjustments to increase load efficiency and using rail, sea and other modes of transport where possible.

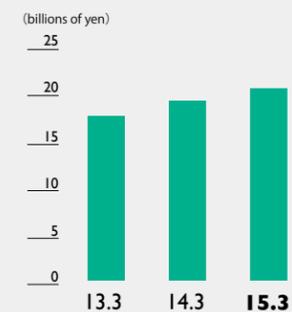
The Nisshinbo Group takes customer complaints seriously, gathering all relevant information as quickly as possible. In the automobile brakes business, for example, the Group conducts surveys of companies in the distribution route as required, addresses needs that may be difficult to identify under normal circumstances and actively takes on board their requests. In the papers business, we have established a contact center for customers as part of a framework that allows consumers to provide direct feedback such as complaints and requests. We are also working hard to educate distribution agents about our products. This includes holding regular seminars and product exhibitions to give distributors a better understanding about the features of the Nisshinbo Group's products.

## Intellectual Capital

Number of patents approved

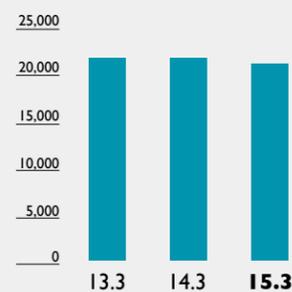


Research and development expenses

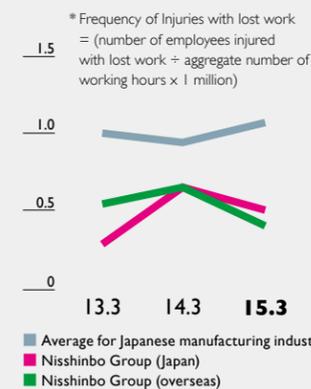


## Human Capital

Number of employees

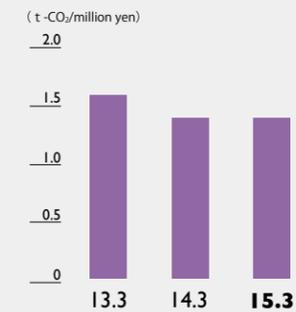


Frequency of injuries with lost work\*

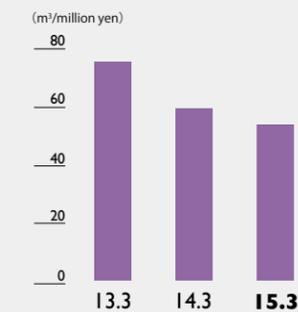


## Natural Capital

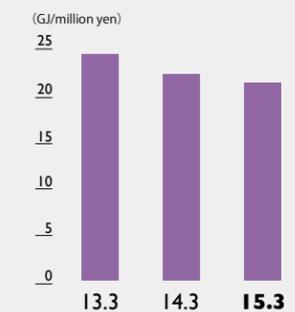
Greenhouse gas emissions per unit of sales



Water usage per unit of sales



Energy consumption per unit of sales





## Setting Our Sights Even Higher

In the fiscal year ended March 2015, the second year of our current three-year management plan, NEXT 2015, we reported higher net sales and profits year on year, supported by a strong performance in the electronics business segment. Going forward, we will continue to reinforce the Group's earnings capabilities as we work towards our strategic goals for the fiscal year ending March 2018.

## Financial Results for the Fiscal Year Ended March 2015

**Net sales and profits both increased year on year and we achieved the sales target in our three-year management plan NEXT 2015. However, performance on an operating income basis was still below our expectations.**

In the fiscal year ended March 2015, net sales increased 5.9% year on year to ¥523.8 billion, operating income rose 4.3% to ¥13.7 billion and net income increased 52.0% to ¥13.7 billion. Sales and profits grew year on year, but operating income was short of our target in NEXT 2015.

The electronics business segment, which generates around 40% of consolidated sales, continued to perform well. Sales and profits both increased in this business, supported by growth in the disaster prevention-related sector.

In the fiscal year ending March 2016, we expect the marine electronics equipment business to contribute to earnings in this segment on the back of a recovery in the merchant shipbuilding market.

In the automobile brakes business segment, earnings in Japan were affected by weaker sales of new cars due to a pullback in demand after a spike ahead of the increase in consumption tax. However, sales rose overall, supported by growth overseas. Profits in the business declined due to an increase in goodwill depreciation costs related to the TMD acquisition, caused by the weak yen. However, operating income before goodwill depreciation costs increased year on year.

Sales and profits in the textiles business segment declined, reflecting a sharp drop in sales due to the sale of subsidiary CHOYA CORP. and weak sales of mainstay dress shirts and denim in Japan. Also, the weak yen led to high prices for products purchased from overseas manufacturing sites, weighing on profits.

## Initiatives to Boost Earnings

**In the fiscal year ending March 2016, the entire Nisshinbo Group will focus on boosting earnings capabilities, guided by our new slogan "Drive Productivity and Performance and Inspire Creativity and Innovation."**

We are working to ensure our Corporate Philosophy takes root in the Group's operations worldwide. The main principles of our Corporate Philosophy – Public Entity, Consistent Integrity and Innovation – underpin the quality of products and services provided by the Nisshinbo Group. These principles also represent a shared foundation for all our stakeholders in each region. Over the last year, we have taken steps to cultivate a unified Nisshinbo Group corporate culture at our operations in Europe, China and elsewhere.

In the past fiscal year, we also set targets to improve cash flow management more rapidly, working to reduce inventories and receivables at all our businesses and operating sites. Frontline sales teams and plants worked closely with back office divisions towards this shared goal, leading to significant results.

We believe that establishing our Corporate Philosophy and cash flow management across the Group will help support global growth and a solid management base.

In the fiscal year ending March 2016, the entire Nisshinbo Group will focus on boosting earnings capabilities, guided by our new slogan "Drive Productivity and Performance and Inspire Creativity and Innovation." Driving productivity and performance will involve increasing earnings in key operations in each business segment. Inspiring creativity and innovation will mean leveraging the results of research and development programs more rapidly and accelerating the commercialization of new products.

We will also have to make important management decisions about which businesses to exit. In the fiscal year ended March 2015, we sold apparel subsidiary CHOYA CORP. However, we think it is important to have close links with consumers in our textiles business, so we acquired TOKYO SHIRTS CO., LTD., which operates an SPA\* business model. With this acquisition, we are targeting a major step forward in our shirts business by combining TOKYO SHIRTS' supply chain in manufacturing through sales with the Nisshinbo Group's strengths in textile development and production.

Based on our plans for the future development of the Group, we also decided to sell our electric double-layer capacitor business. However, we will use the expertise we have built up in the capacitor field to take on new challenges, such as the development of large-capacity storage devices.

\* Specialty store retailer of private label apparel

## Targeting Further Growth

**The Group is working to achieve net sales of ¥600 billion and ROE of 9% in the fiscal year ending March 2018.**

The fiscal year ending March 2016 is the final year of NEXT 2015. Looking further ahead, the entire Group will work toward net sales of ¥600 billion and ROE of 9% in the fiscal year ending March 2018.

We plan to achieve these targets by focusing on four strategic business fields.

First, wireless communications and electronics. This is our largest business field and operations are centered on Japan Radio Co., Ltd. In December 2014, we completed our new Advanced Technology Center in Nagano. The building has six floors with a combined floor area of 13,000 m<sup>2</sup>. Around 1,000 engineers from Japan Radio and Nagano Japan Radio Co., Ltd. are now working at the center, generating synergies between the two companies. A new production site for Japan Radio was also completed at the same location in March 2015. About 250 employees have been transferred to this site from the Mitaka Plant and around 200 employees from Nagano Japan Radio. Nisshinbo has accumulated a strong portfolio of technologies in the wireless communications and electronics field. We plan to leverage these capabilities in our core solutions and marine

electronics equipment businesses and use them to deliver results in a wide range of new fields in the future.

The second strategic business field is automotive parts and devices. At the moment, operations in this field are focused on friction materials in the automobile brakes business, which generates annual sales of roughly ¥160 billion. In the brakes business, boosting earnings capabilities at TMD is the most pressing issue. As part of our efforts, we have transferred and expanded our manufacturing site in Brazil and we are currently consolidating our plants in Germany. Also, we are aiming for sales of more than ¥100 billion in non-brake fields by expanding sales of automotive products and devices in the electronics business and precision instruments business.

The third field is lifestyle and materials, where our operations are focused on textiles and paper products. In this field, we plan to strengthen links between overseas business sites and actively promote our products worldwide.

The fourth strategic business field is new energy and smart society, which holds the key to the Nisshinbo Group's future. We plan to accelerate the research, development and commercialization of new products in fields that offer good prospects for demand, such as bioplastic modifier Carbodilite, bipolar plates for fuel cells, carbon alloy catalysts for fuel cells and photovoltaic module-related materials. Another example is smart factories, which bring together and integrate a wide range of the Group's environmental and energy technologies.

### Strategic Business Domains

		Strategic Business Domains				
		Wireless Communications and Electronics	Automotive Parts and Devices	Lifestyle and Materials	New Energy and Smart Society	
Businesses	Electronics					
	Automobile Brakes					
	Precision Instruments					
	Chemicals					
	Textiles					
	Papers					



## Working Together with Shareholders

**We intend to work closely with all shareholders to increase shareholder value over the medium and long term.**

A new Corporate Governance Code came into effect in Japan in June 2015. The code, which is designed to increase the earnings capabilities of Japanese companies, has triggered various developments in the Japanese business community. At Nisshinbo, we believe it is vital to work closely with all shareholders in order to increase shareholder value over the medium and long term. Going forward, we will continue to strengthen corporate governance through purposeful dialogue with shareholders and other investors and through information disclosure.

Looking beyond our targets for the fiscal year ending March 2018, we have formulated a new long-term strategic plan for the fiscal year ending March 2025. A decade from now, we aim to generate net sales of ¥1 trillion and achieve ROE of more than 12%. Over that period, we will strive to boost shareholder value and return profits to shareholders, while also targeting sustained growth and stable management.

I hope we can count on your continued support as we work to steadily grow Nisshinbo as an "Environmental and Energy Company" group.

June 2015

Masaya Kawata  
President

## At a Glance

The Nisshinbo Group comprises seven businesses: electronics, automobile brakes, precision instruments, chemicals, textiles, papers and real estate. Leveraging the manufacturing technologies and assets of our original spinning business, we have diversified into other business fields, where we supply high value-added products to satisfy a range of customer needs.



### Electronics



### Automobile Brakes



### Precision Instruments



### Chemicals



### Textiles

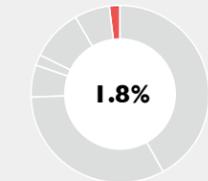
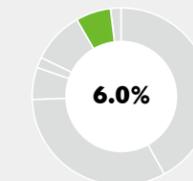
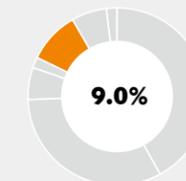
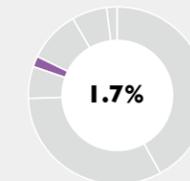
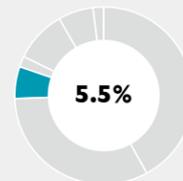
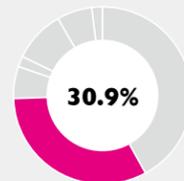
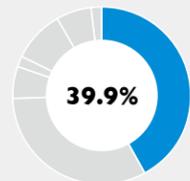


### Papers

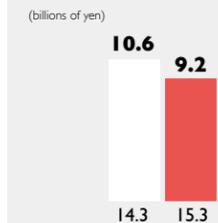
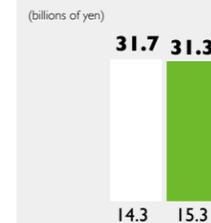
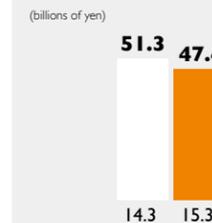
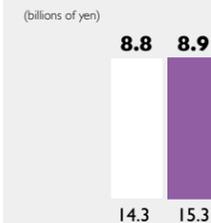
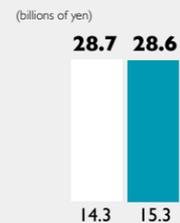
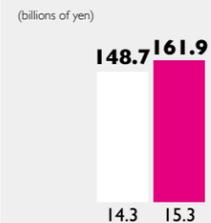
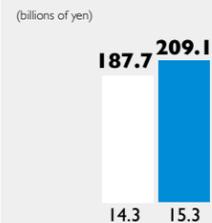


### Real Estate

#### SEGMENT SHARE



#### NET SALES



#### MAIN BUSINESS AREAS

Involved in wireless communications equipment and electronic parts; in wireless communications equipment, supplies solutions such as disaster prevention systems, as well as marine electronics equipment and communications equipment; in electronic parts, aiming to grow the electronic devices business with a focus on microelectronics technologies

- **Solutions and specialized equipment:** Disaster prevention systems
- **Communications equipment:** GPS receivers
- **Marine electronics equipment:** Inmarsat satellite ship earth stations
- **Electronic devices:** Semiconductor devices, SAW filters

The Nisshinbo Group is the world's leading maker of brake friction materials by market share; acquired TMD Friction Group S.A., Europe's largest manufacturer of brake friction materials, in 2011; now expanding presence as a true global supplier; with manufacturing bases in North America, South Korea, Southeast Asia, China, Europe, South America, and South Africa.

- **Friction materials:** Disc pads and brake linings
- **Assembly products:** Drum brake products

Leverages advanced mechatronics technologies in a wide range of business fields, such as customized machine tools, air conditioner fans and processed precision automotive parts

- **Precision parts processing including parts for electronic brake systems (EBS)**
- **Plastic molding and processing**
- **Customized machine tools**

Manufactures a range of highly promising products in the environmental and energy fields, such as Carbodilite, a modifier used in bio-plastic manufacturing, and bipolar plates for fuel cells

- **Carbodilite high-performance chemical additive**
- **Bipolar plates for fuel cells**
- **Rigid urethane foam**
- **Fine carbon products**

Mainstay business is products made from natural cotton; supplies high-quality "Made by Nisshinbo" dress shirts, denim, uniforms and other products to markets worldwide

- **Shirts:** Dress shirts, casual shirts and fabric
- **Textiles:** Uniform fabric and casual fabric
- **Denim:** Jeans and denim fabric
- **Others**

Makes high value-added products for everyday use such as toilet tissue and other household paper products, specialty paper used in pamphlets and other materials and processed paper products such as telegram paper

- **Household paper products:** Toilet tissue, facial tissue (made with virgin and recycled pulp) and kitchen-related products
- **Specialty paper:** Fine paper and synthetic paper
- **Processed paper products:** Telegram-related paper, high-end packaging and other products

Procures funds to support the Nisshinbo Group's growth strategy by effectively utilizing idle plant sites and other real estate assets arising from business restructuring

- **Sales:** Housing lots
- **Leasing:** ARIO Nishi Arai and other properties

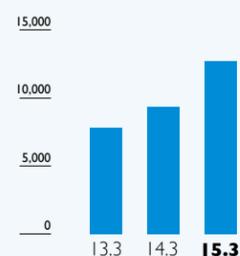


# Electronics

## Japan Radio Co., Ltd.

This segment is Nisshinbo's largest and is centered on leading communications equipment company Japan Radio Co., Ltd. Other major subsidiaries in the segment include New Japan Radio Co., Ltd., Nagano Japan Radio Co., Ltd. and Ueda Japan Radio Co., Ltd., which operate businesses in the electronic equipment, communications, and semiconductor fields.

**Segment Income**  
(millions of yen)



**Segment Income Breakdown**  
(millions of yen)

	2013	2014	2015
Japan Radio	3,919	7,281	<b>7,713</b>
New Japan Radio	1,469	2,276	<b>2,918</b>
Nagano Japan Radio	864	(1,813)	<b>217</b>
Ueda Japan Radio	330	437	<b>974</b>
Eliminations	1,205	1,170	<b>881</b>
<b>Total</b>	<b>7,788</b>	<b>9,352</b>	<b>12,704</b>

## Summary of Financial Results for the Fiscal Year Ended March 2015

In the fiscal year ended March 2015, the electronics business reported net sales of ¥209,116 million, up 11.4% year on year, and operating income of ¥12,704 million, an increase of 35.8%. Earnings were significantly higher than the target in our three-year management plan.

Japan Radio Co., Ltd. reported higher sales of marine equipment on the back of firm demand for equipment for commercial vessels amid a strong shipbuilding market. Alphatron, a company acquired in the previous fiscal year, also contributed to earnings. Sales also increased in the communications equipment field due to higher sales of intelligent transport systems (ITS) and the launch of new PHS terminals. In the solutions and specialized equipment field, which is focused on the public sector, demand for disaster prevention systems from local public agencies supported higher sales. Sales of vessel traffic management systems (VTS) and weather radar systems also increased year on year.

New Japan Radio Co., Ltd. added more production capacity in response to a steep rise in orders for electronic devices such as MEMS devices\*1 and SAW filters\*2, which are used in smartphones. The weak yen and business restructuring also contributed to earnings.

Nagano Japan Radio reported higher sales year on year and returned to profit, with an increase in the ratio of high value-added products supporting a significant improvement in profitability.

In the fiscal year under review, Japan Radio established a new Advanced Technology Center on land next to a site owned by Nagano Japan Radio Co., Ltd. Japan Radio has transferred technology development functions from its Mitaka Plant to the new center, which is now the main technology development site for the electronics business. Around 1,000 engineers from Japan Radio and Nagano Japan Radio now work at the center, which was completed in December 2014. Also, in March 2015, a new production facility was completed on the same site. We plan to sell off the Mitaka site in stages, with the first stage of roughly 29,000 m<sup>2</sup> sold during the fiscal year under review.

\*1 Micro electromechanical system devices: small devices made using semiconductor fabrication technology

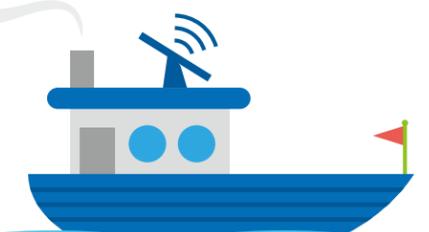
\*2 Service acoustic wave filters: used in smartphones and other communication devices

## Business Strategies for the Fiscal Year Ending March 2016

The electronics business is aiming to generate new growth by restructuring its operations, based on two basic strategies: implement a growth strategy and reform the global cost structure.

In order to build a new earnings base, Japan Radio will focus on its business in emerging economies, particularly the fast-growing markets of Southeast Asia. In the key marine equipment field, the company aims to boost its share in the commercial vessel market and in the workboat and offshore vessel market, and reinforce its strategic business alliance with Alphatron. Japan Radio will also increase its cost competitiveness by using overseas production sites and target growth in services that support safe vessel operations. Japan Radio and Nagano Japan Radio are currently working together to increase output of marine equipment. In the solutions and specialized equipment field, existing disaster prevention upgrade projects are set to continue, but the value of investment in some areas of disaster prevention is likely to decline. Given this outlook, we will work hard to secure orders for disaster prevention systems and water and river management systems. In research and development, we are making preparations to transfer system engineering, R&D functions and related personnel to a new site in Saitama Prefecture that was acquired from New Japan Radio in June 2014.

At New Japan Radio, we expect new businesses such as SAW filters and MEMS devices to continue driving earnings, as these products are likely to be in high demand amid market growth and rising performance for smart devices. We aim to put New Japan Radio on the path to strong growth by developing new businesses and applications for these products.

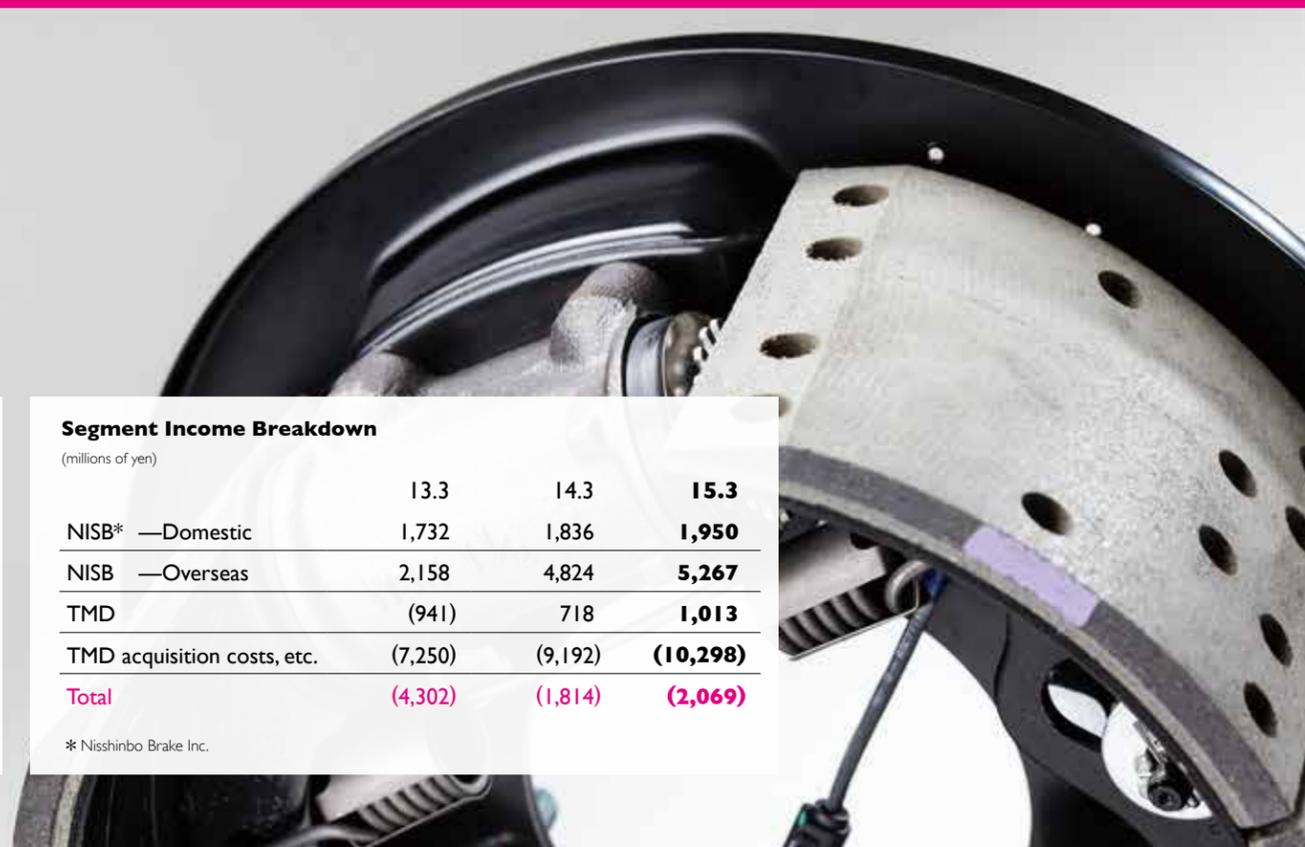




# Automobile Brakes

## Nisshinbo Brake Inc./TMD Friction Group S.A.

Nisshinbo is a global supplier with world-class development capabilities in the field of friction materials, which are key components of automobile brake systems. The automobile brakes business also includes Luxembourg-based TMD Friction Group S.A., making Nisshinbo one of the world's leading manufacturers of friction materials. As a global leader in the friction materials industry, we are working to address global automaker needs for optimum parts procurement.



**Segment Income**  
(millions of yen)



**Segment Income Breakdown**  
(millions of yen)

	2013	2014	2015
NISB* —Domestic	1,732	1,836	1,950
NISB —Overseas	2,158	4,824	5,267
TMD	(941)	718	1,013
TMD acquisition costs, etc.	(7,250)	(9,192)	(10,298)
<b>Total</b>	<b>(4,302)</b>	<b>(1,814)</b>	<b>(2,069)</b>

\* Nisshinbo Brake Inc.

## Summary of Financial Results for the Fiscal Year Ended March 2015

In the fiscal year ended March 2015, the automobile brakes business reported net sales of ¥161,887 million, up 8.9% year on year, and an operating loss of ¥2,069 million. Operating profitability deteriorated by ¥255 million compared with the previous fiscal year. However, excluding goodwill amortization costs of ¥6,916 million related to the acquisition of TMD and other factors, operating income rose 4.9% year on year to ¥4,847 million.

In Japan, new car sales declined due to a pullback in demand after the consumption tax hike. This pushed down domestic sales in the automobile brakes business, but an increase in exports and the weak yen supported higher overall sales year on year. Overseas, earnings were affected by political instability and the end of new car subsidies in Thailand, but sales increased overall on the back of sales growth in the US and South Korea. The business result of the production subsidiary in China was in the black in the fiscal year under review.

In addition, Nisshinbo Commercial Vehicle Brake Ltd. (NCB), a new subsidiary set up in Thailand to manufacture brakes for commercial vehicles, started production in December 2014. TMD's earnings were largely firm, supported by growth in new car sales in Europe. However, goodwill amortization costs increased due to the weak yen.

## Business Strategies for the Fiscal Year Ending March 2016

In the fiscal year ending March 2016, we forecast a decline in domestic car sales due to an increase in the tax on mini-vehicles in April 2015. However, overseas, we expect markets to continue expanding in the US and Asia, and we also see higher sales year on year in Europe.

Against this backdrop, the automobile brakes business will boost production capacity in Asia using new plants in China and Thailand, aiming to increase market share in emerging markets. We will also work to lift earnings at TMD.

TMD is currently working on creating an optimum production framework. In Brazil, operations have been transferred to a larger production site, while a new plant is being constructed at TMD's existing site in Essen, Germany. Production activities currently carried out by the Leverkusen plant will be consolidated at Essen once the new plant is completed, which is scheduled for the middle of the fiscal year ending March 2016. Nisshinbo Brake and TMD will also work together to boost sales to global automakers.

The automobile brakes business is currently developing products to comply with new regulations on copper content in friction materials\*. Nisshinbo Brake plans to start production of compliant non-asbestos-organic materials for US and Japanese automakers in the fiscal year ending March 2016, while TMD is installing the latest production equipment and realigning its production facilities to supply compliant friction materials to European automakers. Volume production of these low-steel materials is now under way and the materials are already being used in some models.

\* The US state of California has passed a law, effective from 2021, prohibiting the sale of new friction materials or vehicles fitted with friction materials that have a copper content of more than 5%. From 2025, the limit on copper content will be reduced to less than 0.5%.



## Overview of Business Segments



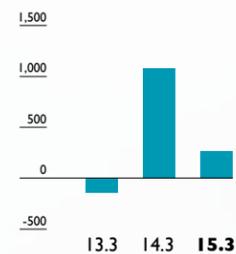
# Precision Instruments

## Nisshinbo Mechatronics Inc.

Utilizing know-how accumulated over roughly 70 years as a machine tool maker supporting various manufacturing industries, Nisshinbo is focusing on three areas in this field: customized production equipment, including manufacturing equipment for photovoltaic modules; precision parts processing, mainly for automotive applications; and plastic molding and processing, primarily fans for air conditioners. We are developing these businesses globally, centered on Asia.



**Segment Income**  
(millions of yen)



**Segment Income Breakdown**  
(millions of yen)

	13.3	14.3	<b>15.3</b>
Mechatronics	(790)	218	<b>(509)</b>
Plastic molding	689	949	<b>853</b>
Eliminations	(46)	(92)	<b>(81)</b>
<b>Total</b>	<b>(146)</b>	<b>1,075</b>	<b>264</b>

## Summary of Financial Results for the Fiscal Year Ended March 2015

In the fiscal year ended March 2015, the precision instruments business reported net sales of ¥28,608 million, down 0.2% year on year, and operating income of ¥264 million, down 75.5% year on year.

In customized production equipment, sales declined due to weak demand in the photovoltaic module-related business. This reflected a fundamental review of the renewable energy feed-in tariff system in Japan and the implementation of anti-dumping measures by the US against imports of solar products from China and Taiwan. Sales of other customized equipment also declined due to a drop in large orders.

In precision parts processing, sales volume of Chinese-made products increased, supporting higher sales, but profits declined year on year due to start-up costs at Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd., a new joint venture in China with Continental Automotive Holding Co., Ltd. that started production in November 2014.

In plastic molding and processing, sales increased but profits declined year on year. Although shipments to China and ASEAN countries rose, shipments of air conditioner parts declined and margins deteriorated.

## Business Strategies for the Fiscal Year Ending March 2016

The precision instruments business will work to strengthen earnings through business restructuring and accelerate efforts to expand its manufacturing and sales network globally.

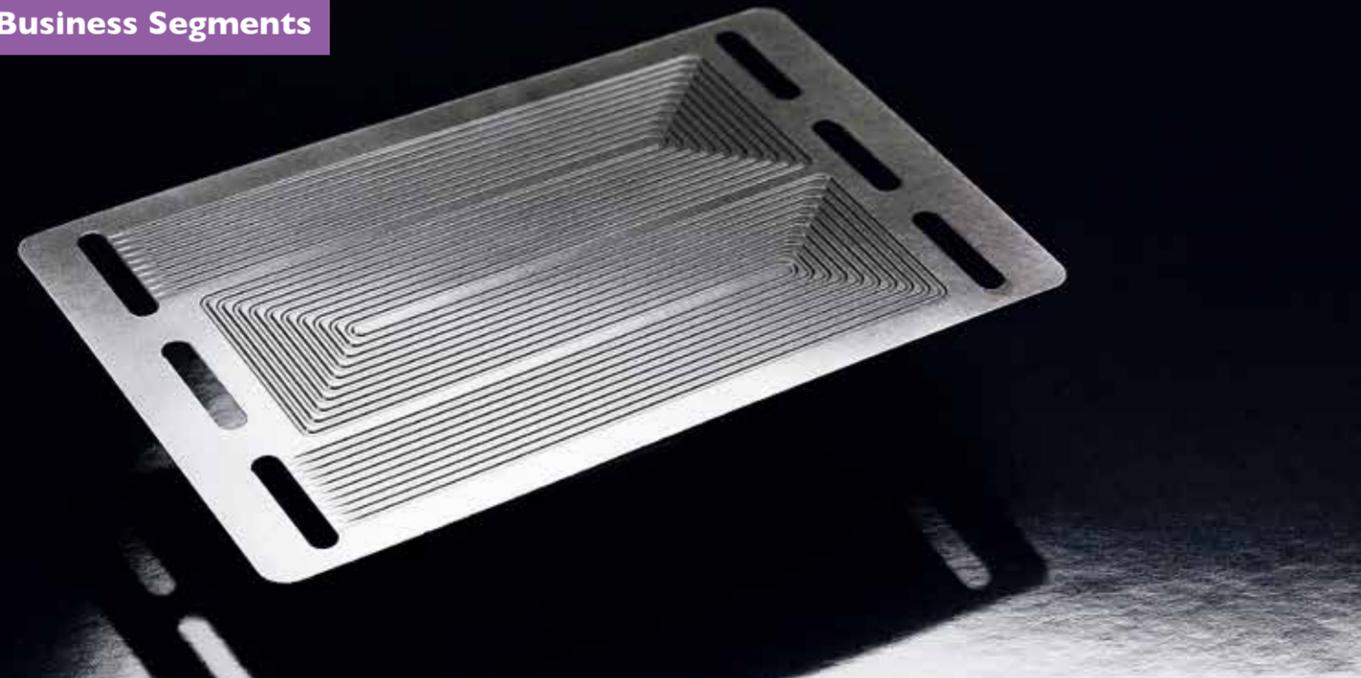
The precision parts processing business is aiming to capture market share in China by building a reliable volume production system at Nisshinbo Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd. This joint venture manufactures and sells valve blocks, a key component in electronic brake systems (EBS).

In the plastic molding and processing business, we are working to attract new customers in India and stepping up efforts to win orders in Shanghai and Thailand. We are targeting global expansion while also making and selling lightweight plastic fans marketed under the Eco Cross and Eco Turbo brands.

Amid continued tough market conditions in the photovoltaic module-related business, we will continue to actively cut costs and channel resources into strategic areas in order to boost profitability. The number of new solar power facilities being installed in Japan is declining following changes to feed-in tariffs for electricity generated by solar power. We therefore plan to strengthen our position in facility maintenance and inspection services. We are currently conducting joint research with NEDO\* into photovoltaic modules that can generate electricity and heat water, with the research project scheduled to end in February 2017. We anticipate the main users of these modules will be facilities that use large amounts of hot water.

\* New Energy and Industrial Technology Development Organization, a national research and development agency





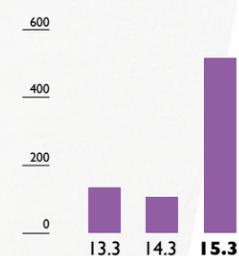
# Chemicals

## Nisshinbo Chemical Inc.

This segment is pushing ahead with the development of environment-related products on a global basis, drawing on a broad base of expertise and intellectual property in the chemical field. Our environment- and energy-related products include bipolar plates for fuel cells and Carbodilite, which is a high-performance plastic material that increases the durability of bio-plastics. We are investing management resources in these promising growth areas as a matter of priority.



**Segment Income**  
(millions of yen)



**Segment Income Breakdown**  
(millions of yen)

	2013	2014	2015
Environmental & Energy Business	133	143	153
Others	(85)	(120)	328
Subsidiaries	147	184	145
Eliminations	60	40	41
Eliminations	10	1	0
<b>Total</b>	<b>133</b>	<b>106</b>	<b>515</b>

### Summary of Financial Results for the Fiscal Year Ended March 2015

In the fiscal year ended March 2015, the chemicals business reported net sales of ¥8,943 million, up 1.5% year on year, and operating income of ¥515 million, roughly five times higher than the level in the previous fiscal year.

Sales of thermal insulation products declined due to the impact of high raw material prices and weaker demand amid a decline in housing starts. In insulation materials for liquid natural gas (LNG) applications, we secured orders for tanks to be installed in large-scale LNG carriers. We forecast continued growth in demand in this field. In bio carriers for waste water treatment, customers in China started to use our products for small-scale purification tanks. Supported by a stricter regulatory environment, we intend to expand sales of bio carriers in China by promoting their use for waste water treatment facilities. Carbon products registered lower sales year on year due to sluggish demand for semiconductor and LCD manufacturing equipment. However, sales of Elastomer products increased on the back of firm demand for sealing tape and other products.

In environment- and energy-related products, sales rose due to strong demand for fuel cell bipolar plates for residential fuel cell systems. We continue to push ahead with the development of carbon alloy fuel cell catalysts, which are seen as a promising alternative to platinum catalysts. Sales of Carbodilite increased year on year, supported by rising demand for water-based cross-linking agents.

Meanwhile, we took the decision to transfer the manufacture and sale of electric double-layer capacitors to another company.

### Business Strategies for the Fiscal Year Ending March 2016

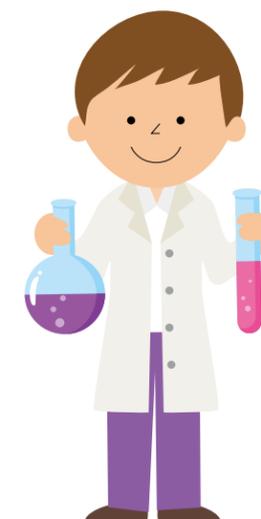
The chemical business is stepping up efforts to develop and sell Carbodilite and fuel cell bipolar plates.

We will actively develop the environment- and energy-related business, including setting up a production system for insulation panels used in LNG carriers and expanding our bio carriers for waste water treatment into overseas markets. In addition, we will explore and develop businesses that address the needs of new energy and smart society, as well as reinforce our R&D and new business development capabilities by leveraging Group synergies and enhancing links with public agencies and academia.

In the Carbodilite business, where we have added more production capacity, we forecast rising demand for use as a water-based cross-linking agent and as a bioplastic modifier. Carbodilite is also increasingly being used in PET film and other plastic applications. We aim to expand the market for Carbodilite by responding rapidly to new applications.

In fuel cell bipolar plates, we will continue to reduce the cost of our products through improvements in productivity, while also targeting new applications in the automotive sector. Leveraging the low weight and cost of our existing bipolar plates, we are actively developing products that can clear the performance requirements of automakers.

Meanwhile, we merged Nisshinbo Chemical's Elastomer business with Nisshinbo Textile's Spandex business in April 2015 due to overlapping business fields and technologies.





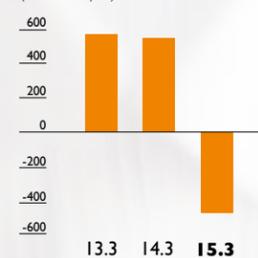
# Textiles

## Nisshinbo Textile Inc.

Since its founding in 1907, Nisshinbo has led the Japanese textile industry with its state-of-the-art technologies and high quality. Nisshinbo subsequently expanded its business worldwide into the spinning, weaving, processing, and sewing fields and possesses some of the world's most advanced technologies in areas ranging from development to production. Nisshinbo is currently working to increase global sales of the APOLLOCOT brand, underpinned by its portfolio of sophisticated textile processing technologies.

### Segment Income

(millions of yen)



### Segment Income Breakdown

(millions of yen)

	13.3	14.3	<b>15.3</b>
Domestic	287	(41)	<b>(1,086)</b>
Overseas	126	689	<b>606</b>
Eliminations	161	(96)	<b>5</b>
<b>Total</b>	<b>575</b>	<b>552</b>	<b>(476)</b>

## Summary of Financial Results for the Fiscal Year Ended March 2015

In the fiscal year ended March 2015, the textiles business reported net sales of ¥47,361 million, down 7.8% year on year, and operating losses of ¥476 million, a deterioration of ¥1,028 million year on year.

In the domestic market, sales of uniform fabric recovered, but sales fell sharply due to the transfer of subsidiary CHOYA CORP. Demand was also weak for the segment's mainstay dress shirt fabric and denim fabric used to make mid-range and premium blue jeans. Earnings were under pressure from high prices for products procured from overseas manufacturing sites due to the weak yen, and from an increase in outsourcing costs for processing work. As a result, sales and profits both declined compared with the previous fiscal year.

Overseas, sales increased year on year, supported by strong sales at key subsidiaries in Indonesia. However, profits declined amid higher costs in Indonesia due to persistently high prices for high-grade raw cotton, and as a result of deteriorating market conditions for products in Brazil due to lower raw cotton prices.

As part of measures to reinforce the operating structure, Nisshin Denim Inc. was merged into Nisshinbo Textile Inc. and a new Yoshinogawa plant was established. Product development functions at the Miai Plant were also transferred to Yoshinogawa, creating an integrated research and development facility focused on core textile processing technology. We also established a product development team at PT. Nisshinbo Indonesia, our local textile processing subsidiary, to speed up development processes.

## Business Strategies for the Fiscal Year Ending March 2016

The textile business is working to build a global operating structure and a highly profitable earnings structure through the development and launch of new products, guided by the Group's new slogan "Drive Productivity and Performance and Inspire Creativity and Innovation."

In the mainstay APOLLOCOT range, our shirts, handkerchiefs, pants and other products already have a strong reputation in the domestic market. We plan to build on this success by expanding sales channels and offering an even wider choice of APOLLOCOT products, such as next-generation thin-weave APOLLOCOT shirts and APOLLOCOT bedclothes. Overseas, we intend to build closer links with more business partners and expand sales of products made overseas to customers in third countries, utilizing the increased capacity at our production sites in Indonesia.

Meanwhile, we merged Nisshinbo Chemical's Elastomer business with Nisshinbo Textile's Spandex business in April 2015 due to overlapping technologies. We intend to reinforce the domestic production and sales structure and make product development more efficient.

In another move, we acquired TOKYO SHIRTS Group, in May 2015. TOKYO SHIRTS operates a nationwide chain of around 200 specialty shirt stores under brands such as BRICK HOUSE. We aim to further reinforce the textile business operating structure by moving into the SPA\* field, a promising growth market, and creating a new business model that covers manufactured textiles and fabrics, garments and retailing.

\* Specialty store retailer of private label apparel



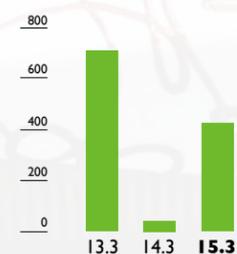


# Papers

## Nisshinbo Paper Products Inc.

This business supplies high value-added paper products tailored to market needs in various fields, from facial tissue and toilet tissue in the household paper products field, to fine paper and synthetic paper products in the commercial printing and business communication paper field and telegram-related products, luxury packaging and other products in the processed paper products field.

**Segment Income**  
(millions of yen)



**Segment Income Breakdown**  
(millions of yen)

	13.3	14.3	15.3
Household	92	(118)	365
Fine Papers	618	159	44
Eliminations	(1)	1	16
<b>Total</b>	<b>709</b>	<b>42</b>	<b>425</b>

### Summary of Financial Results for the Fiscal Year Ended March 2015

In the fiscal year ended March 2015, the paper products business reported net sales of ¥31,280 million, down 1.3% year on year, and operating income of ¥425 million, 10 times higher than the level in the previous fiscal year. Although there were concerns of a pullback in demand after a spike leading up to the increase in consumption tax last year, price hikes, mainly for household paper products, drove strong growth in profits despite largely flat sales year on year.

In household paper products, there was only a modest drop in sales year on year due to firm sales prices for key products such as toilet tissue for use with bidets and toilet tissue made from recycled paper. This helped to offset the impact of higher raw material and fuel costs caused by the weak yen, resulting in an increase in profits year on year.

In specialty paper, there were signs of a recovery in demand for high-grade printing paper and other products. Sales of KI•HOU•SHI paper for packaging applications increased and the launch of new synthetic paper products also contributed to sales. However, this was insufficient to offset the impact of higher raw material and fuel costs caused by the weak yen, leading to lower profits year on year.

In processed paper products, sales of packaging products and printer-related products were firm and margins improved at a subsidiary in China, supporting an upturn in profitability.

### Business Strategies for the Fiscal Year Ending March 2016

Although we forecast firm demand for household paper products, we expect conditions to remain challenging in the paper products business due to falling demand for specialty paper amid the shift to digital media. We also see the risk of higher costs due to persistently high import prices for raw materials and fuel caused by the weak yen, and uncertainties related to the supply-demand environment for waste paper. Against this backdrop, the paper products business will offer distinctive and high value-added products and seek business alliances in order to boost earnings.

In household paper products, we will develop products tailored to market needs and push ahead with cost reduction, aiming to become a maker of household paper products with a unique position in the market. We will revise product packaging, develop and promote high value-added products, and boost cost competitiveness by improving productivity for toilet tissue and other roll-based products. We also plan to lift profitability at consolidated subsidiary Tokai Seishi Kogyo Co., Ltd.

In specialty paper, we plan to develop new applications for fine paper and synthetic paper products, upgrade existing products and reinforce cooperation with partner companies in order to stimulate demand and reinforce the earnings structure.

In processed paper products, we are aiming to build a position as a global supplier of luxury packaging products by expanding business with leading overseas makers of branded products and developing the business worldwide. We also intend to realign production and sales sites, strengthen management systems in areas such as quality control, and reduce costs to increase profit margins.





# Real Estate

## Nisshinbo Holdings Inc.

Nisshinbo's real estate business is active in the redevelopment of business property that has become idle as a result of business changes by Group companies. It is also involved in the leasing of office and commercial facilities and the sale of housing lots. Income from those activities is used as capital to launch new businesses and develop the Group's global operations. Many Group properties and facilities located throughout Japan have high asset values and have been used for a wide range of purposes, including shopping centers and offices.

### Summary of Financial Results for the Fiscal Year Ended March 2015

In the fiscal year ended March 2015, the real estate business reported net sales of ¥9,246 million, down 12.5% year on year, and operating income of ¥6,669 million, a drop of 14.3%. In the property leasing business, revenues were firm in land leasing and facility leasing, such as offices and commercial properties. In the housing lot sales business, we made steady progress with the sale of lots at former plant sites, such as Harisaki, Kawagoe, Notogawa and Nagoya. However, sales and profits declined year on year, mainly due to the completion of sales at the former Hamamatsu Plant site in the previous fiscal year.

### Business Strategies for the Fiscal Year Ending March 2016

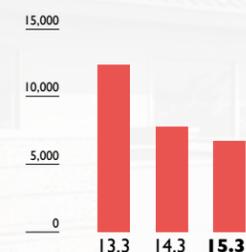
The real estate business will continue to fulfill its role as a source of funds to help Nisshinbo attain its management targets by effectively utilizing the real estate assets of the whole Group.

We forecast continued stable revenues from the property leasing business, as the Group's large-scale retail facilities provide tenants higher returns than their other stores.

In the housing lot sales business, the Group owns high-value properties in urban areas near stations. Working as the lead developer, the Group carries out all planning and site preparation work for entire premium residential areas.

The table below shows the properties scheduled for sale in the fiscal year ending March 2016. At the former Miai Plant site, we are planning to offer retail sites and roughly 330 residential lots, with sales set to begin in around 2020.

Segment Income (millions of yen)



Scheduled building lot sales in the fiscal year ending March 2016

	Total lots	Already sold	Scheduled for sale
Former Kawagoe Plant	257	121	38
Former Harisaki Plant	227	206	21
Former Nagoya Plant (detached housing lots)	72	16	21

# Interview with Outside Directors



Noboru Matsuda

Noboru Matsuda became a public prosecutor in 1963 and handled cases such as the Lockheed bribery scandal. After a period as the Governor of the Deposit Insurance Corporation of Japan, Mr. Matsuda registered as a lawyer. One of his current positions is Chairman of the Business Ethics Committee at Mitsubishi Motors Corporation and he became an outside director of Nisshinbo Holdings in June 2012.

Yoshinori Shimizu

Yoshinori Shimizu became a professor at Hitotsubashi University Graduate School of Commerce in 1989 and was subsequently appointed as the university's Vice Chancellor. He later became the President of the Japan Society of Monetary Economics and is currently professor emeritus at Hitotsubashi University. Mr. Shimizu became an outside director of Nisshinbo Holdings in June 2012.

**Nisshinbo has created a corporate governance system that emphasizes the views of people from outside the Group. Of the 13 members on Nisshinbo's Board of Directors, four are outside appointments. In this section, we speak to two of those outside directors, Noboru Matsuda and Yoshinori Shimizu, about the Nisshinbo Group's corporate governance system and its prospects for the future.**

*"Public trust is the most important consideration in business management. This has to be paramount in every business decision."*

**NOBORU MATSUDA**

**Matsuda:** The role of outside directors is under the spotlight more than ever after recent developments such as revisions to Japan's Company Act. Our duty is to meet the expectations of the Company's shareholders, who selected us for our posts, and to fulfill our responsibility as independent members of the Board of Directors. During the course of my career, I have witnessed many cases of moral hazard, which sometimes led to serious and devastating results. These experiences made me realize that, above all, companies have to secure the trust of the public as honest organizations. This point needs to be

paramount in every business decision. I believe Nisshinbo recognizes this, illustrated by two of the main principles in its Corporate Philosophy – Public Entity and Consistent Integrity.

**Shimizu:** My background is in macroeconomics and financial theory. Expert knowledge in these fields helps me develop forecasts about the outlook for the economy, allowing me to contribute to discussions and decisions about major investments and the future direction of the Nisshinbo Group. I agree with Mr. Matsuda. As an outside appointment to the Board of Directors, it is my duty to contribute to discussions in a way that inside directors may find difficult.

Discussions during Board of Directors meetings are lively. This shows that members of the board feel comfortable enough to say what they think.

**Matsuda:** Yes, Nisshinbo seems to have a corporate culture that encourages a thorough debate on every issue.

*“Nisshinbo’s Board of Directors never compromises on tackling any topic, no matter how difficult.”*

**YOSHINORI SHIMIZU**

**Shimizu:** I remember the board once discussed how an overseas employee was involved in a bicycle accident on the way to work. This was part of a wider debate about workplace safety at overseas manufacturing sites. I think this illustrates how Nisshinbo’s Board of Directors never compromises on tackling any topic, no matter how difficult. That level of commitment is quite unusual for a company board.

**Matsuda:** Japan’s new Corporate Governance Code came into force from June 2015. Companies are now working out how to put the code’s recommendations into practice. Nisshinbo has taken steps that go beyond recommendations in the code, increasing the number of outside directors to four and appointing a woman to the post of outside director.

**Shimizu:** I think Nisshinbo’s decision in 2009 to adopt a holding company structure reflected its willingness to separate the Group’s business execution and supervisory functions. And the appointment of people like us as outside directors was based on the belief that introducing objective views and outside perspectives would ultimately contribute to the growth of the Nisshinbo Group.

*“Nisshinbo’s Corporate Philosophy is more than just a slogan; its principles are being instilled across the whole Group.”*

**NOBORU MATSUDA**



**Noboru Matsuda**

**Matsuda:** In that sense then, Nisshinbo’s Corporate Philosophy is more than just a slogan; the Company is instilling its principles across the whole Group. Nisshinbo’s serious commitment to discussing any topic, no matter how difficult, which we mentioned earlier; also fits with the Consistent Integrity principle in its Corporate Philosophy.

**Shimizu:** Based on one of its other principles, Public Entity, Nisshinbo’s management team makes decisions with a view to benefiting all stakeholders and increasing value over the long term, rather than focusing on personal gain and the pursuit of short-term profits. This seems to be a selfless and forward-looking approach.

**Matsuda:** And that forward-looking approach is evident in the Corporate Philosophy’s third key principle – Innovation. Along with Nisshinbo’s firm commitment to the ideals of Public Entity and Consistent Integrity, which have been embedded in the Company’s corporate culture for more than



**Yoshinori Shimizu**

a century, this desire to take on new challenges based on an enterprising spirit of innovation is highly admirable.

**Shimizu:** Nisshinbo’s current President, Masaya Kawata, is a progressive business leader. Based on shrewd insights and a broad outlook about the global economy, Mr. Kawata is striving to boost the Group’s corporate value by focusing on cash flow management. He is also very upbeat about the need to invest, including the possibility of acquisitions.

**Matsuda:** Masaya Kawata and Shizuka Uzawa work well together in their respective roles as President and Chairman. Both are honest, open and diligent. They are also personable and easy to work with.

The President has set strategic sales targets of ¥600 billion for the fiscal year ending March 2018 and ¥1 trillion for the fiscal year ending March 2026. To achieve those targets, Nisshinbo will need to attract highly capable people and develop a third core business to complement electronics and automobile brakes.

*“The Group’s technological skills give it the potential to take the business in exciting new directions. The key to success now is how well it uses these resources and commercializes its latest technological breakthroughs.”*

**YOSHINORI SHIMIZU**

**Shimizu:** I agree completely. At the moment, the Nisshinbo Group is focused on B-to-B operations, but I see new opportunities if the Company can strengthen its marketing capabilities and create new businesses by skillfully combining its portfolio of core technologies.

I think the Group’s technological skills give it the potential to take the business in exciting new directions. The key to Nisshinbo’s success now is how well it uses these resources and commercializes its latest technological breakthroughs. Nisshinbo needs to generate new synergies by investing and acquiring other businesses, and we hope to contribute to this process as outside directors.

**Matsuda:** Corporate integrity is crucial, but compared with peers I think Nisshinbo falls down slightly on promoting itself. The Company needs to be better at public relations, focusing on how its businesses can help protect the environment, as well as its CSR activities, sponsorship for athletes and employee volunteer work. This would also help boost the motivation of employees and the pride their families have in the Nisshinbo name.

**Shimizu:** The Nisshinbo Group is putting more emphasis on how its businesses contribute to society. Nisshinbo has stated it wants to make a difference to people everywhere as an “Environmental and Energy Company” group, aiming to increase its corporate value by contributing to society. This also illustrates how committed Nisshinbo is to its principle of Consistent Integrity.

**Matsuda:** To go back to my first point, public trust must be the first consideration of any company. This is consistent with the idea of “proactive governance” in the new Corporate Governance Code. As outside directors, I hope we can guide the Company in the right direction, working closely with everyone to help the Nisshinbo Group reach its full potential.

Promoting diversity is one of the Nisshinbo Group's most important personnel strategies. We believe a highly motivated and diverse workforce that can realize its full potential will help support the Group's continued growth and development. We are implementing a range of initiatives to create that kind of workforce. In the fiscal year ending March 2016, we established a new Diversity Development Department to step up our efforts to promote a more active role for women and foreign employees in the workplace and offer more opportunities for older workers.

### Promoting a More Active Role for Women

The Group's workers and managers are actively promoting a better work-life balance. We have set up programs that include childcare leave, shorter working hours, and support for returning to work after taking leave to raise children, resulting in a workplace environment that offers employee benefits above legally mandated levels. In the fiscal year ended March 2015, we increased the number of paid days employees can take off to care for sick or injured children who have not yet started at elementary school, making the system more accessible.

Also, we have set a number of concrete goals aimed at promoting a more active role for women in the workplace. We aim to achieve these goals by the fiscal year ending March 2021.

#### Goals for the fiscal year ending March 2021

- (1) Appoint women to the Board of Directors
- (2) Triple the number of women in management positions
- (3) Increase the ratio of female graduate recruits to 40% for office positions and to 20% for engineer positions

### Promoting a More Active Role for Foreign Employees

As the Nisshinbo Group's businesses and markets become more diverse, people who can work in an international environment are increasingly important to the Group's growth and development. Since 2011, we have been recruiting people from overseas to fill university and masters course graduate positions. As of April 2015, the Group had 22 employees from six countries, including some posted to overseas sites. Over the medium to long term, we plan to create a working environment that enables foreign employees to play a more active role at the Company.

### Offering More Opportunities for Senior Employees

The Nisshinbo Group is adjusting its employment systems and creating better working conditions for senior employees to encourage them to continue taking an active role in the Group.

The Group is also working to increase the employment of people with disabilities, and takes on students through its internship program. Under this program, the Group accepted a total of 312 interns (61 at Japanese offices and 251 overseas) in the fiscal year ended March 2015. We will continue to promote internships as part of our efforts to train up the next generation of employees.

## Employee Interview

Nisshinbo Holdings has set up a recruitment team to conduct the Group's hiring activities for university and masters graduate positions. In this section, we speak to one of our Chinese employees, Zhang Wenyi, who joined Nisshinbo Holdings in October 2014 and now works on the team.

Zhang Wenyi

Nisshinbo Holdings Inc.  
Human Resources Group



#### Q1: Why did you choose to work for the Nisshinbo Group?

**A1:** At my university, around one third of students who study Japanese join Japanese companies. I chose the Nisshinbo Group because it has diversified, global operations in textiles, automotive parts and chemicals, supported by leading technologies.

Another key factor was the hiring process, the area I'm involved with now. The process of multiple small-group recruitment briefings was meticulous and easy to understand. This appealed to me as a student, because the recruiters went into a lot of detail, helping me understand that Nisshinbo was a worthwhile organization to work for.

After joining the Company, I was given responsibility from an early stage, which helped me improve my skills on a daily basis.

#### Q2: Tell us about some of the features of Nisshinbo's hiring process.

**A2:** Our priority is to ensure mutual understanding between the Company and job applicants. Applicants who attend our small-group recruitment briefings of around five people are encouraged to ask questions, which avoids a one-way flow of information from the Company. We are also proactive about taking applicants on visits to manufacturing sites, and we conduct one-on-one interviews to deepen understanding between both sides.

#### Q3: What is the current make-up of the recruitment team?

**A3:** Our team leader is Japanese and there is one other Japanese member and two Chinese employees. There was also a South Korean employee on the team, but he has been transferred to a different section. Japan's recruiting

season kicks off in March and runs for six months until August. We hold around 20 recruitment briefings a week during this period. In the autumn, we sometimes head overseas to recruit international staff to work in Japan. We visit about one country each year, and this is already reaping results.

Because I'm a non-Japanese employee at Nisshinbo, foreign students in Japan and overseas students who are thinking about working for Nisshinbo benefit from speaking to me. I can tell them truthfully what it's like as a Chinese woman who joined Nisshinbo. I can also answer their questions about topics such as the challenges of living in Japan. Responses from questionnaires clearly show that job applicants like our approach.

#### Q4: What kind of employees will Nisshinbo need in the future?

**A4:** Non-Japanese currently account for about 20-30% of the Group's university and masters graduate intake. New employees come from China, South Korea, Vietnam and Indonesia. After joining the company, they are first assigned to sites in Japan and then have access to the same career paths as Japanese employees.

The Nisshinbo Group is stepping up overseas expansion, so we want people who can support our drive to become a more global organization. We need employees who enjoy different cultures and communication, not just people with language skills. Also, we're looking to hire people who can tackle and overcome issues independently when problems arise.

Personally speaking, I want to act as a bridge between China and Japan, which I think will help me do a good job in my role at Nisshinbo.

## Intellectual Capital and R&D

The Nisshinbo Group is focusing on the environment and energy, two areas that are becoming increasingly important to society. In these areas, we are channeling our efforts into developing competitive high-performance, high-quality products and technologies.

### The Group's R&D Themes

As an "Environmental and Energy Company" group, Nisshinbo is working on the practical application of next-generation environmental and energy technologies that can help address global warming and other changes in the global environment. Specifically, we are promoting the use of renewable energy and developing and commercializing carbon-neutral technologies and products. We are already developing carbon alloy catalysts, which significantly reduce the cost of fuel cells, and smart factories, which bring together technologies from across the Group, but we aim to create more new businesses by expanding synergies in business fields from materials to electronics.

### R&D Framework

The Group has set up research and development divisions at the holding company and its operating companies. Nisshinbo Holdings is responsible for conducting R&D projects that span different businesses and for commercializing newly developed technologies and products. The Company also has a specialist office that manages the Group's intellectual property. The Group's operating companies conduct R&D to increase the added value of products in their respective business fields.

## Japan Radio Opens Advanced Technology Center



Japan Radio Co., Ltd. opened a new Advanced Technology Center in Nagano on December 8, 2014. The center has six aboveground floors and distinctive balconies on each floor. The building's total floor area is around 13,000 m<sup>2</sup>, but engineers also use the balconies to conduct research and test communications technology. Inside, each floor is open-plan with an atrium, and the layout is designed to make research more efficient and encourage cooperation between teams.

A total of roughly 1,000 engineers from Japan Radio and Nagano Japan Radio Co., Ltd. now work at the center. A new production site\* for Japan Radio was also completed at the same location in March 2015, making Nagano a key research and production base for the Nisshinbo Group.

\* Solutions and specialized equipment business manufacturing facility

## Protecting the Environment

The Nisshinbo Group recognizes that working to solve environmental issues is a challenge common to all of humanity and is an absolute necessity for the existence and activity of a corporation. As such, we are working to independently and proactively solve these issues in accordance with the Business Conduct Guidelines of the Nisshinbo Group\*.

### Energy Consumption

20%

In the fiscal year ended March 2015, the Nisshinbo Group used 11.24 million GJ of energy. We had been aiming to cut energy consumption per unit of sales by 5% from the fiscal year ended March 2011, but we have achieved an actual reduction of 20%. Purchased electric power accounts for roughly 70% of total energy used. In other energy types, we are cutting emissions of greenhouse gases by switching from heavy oil to town gas.

### Emissions of Greenhouse Gases

23%

In the fiscal year ended March 2015, greenhouse gas emissions by the Nisshinbo Group totaled 722,000 tons (CO<sub>2</sub>). We had been targeting a cut in greenhouse gas emissions of 5% per unit of sales from the fiscal year ended March 2011, but we have achieved an actual reduction of 23%. Greenhouse gas emissions from non-energy sources have been declining over the long term. These emissions are mainly from the use of perfluorocarbon (PFC) in IC manufacturing processes by New Japan Radio Co., Ltd.

### Effective Use of Water Resources

9%

In the fiscal year ended March 2015, the Nisshinbo Group used 28.4 million m<sup>3</sup> of water, down 4% compared with the previous fiscal year. We also reduced water consumption by 9% per unit of sales.

### Atmospheric Releases

35% SO<sub>x</sub>

Based on per unit of sales, sulfur dioxide (SO<sub>x</sub>) emissions declined 35% year on year, nitrogen oxide (NO<sub>x</sub>) emissions dropped 26%, volatile organic compound (VOC) emissions fell 21% and the amount of soot and dust released declined 83% from the previous fiscal year.

### Volume of Chemical Substance Emissions

64%

In the fiscal year ended March 2015, the Nisshinbo Group's amount of pollutant release and transfer register (PRTR) substances emitted into the environment was 35 tons, down 6% from the previous year. The reduction was 28% per unit of sales. We had been aiming to reduce emissions of PRTR substances by 10% from the fiscal year ended March 2011, but we have achieved an actual reduction of 64%. By chemical type, dichloromethane accounted for the largest proportion of PRTR emissions, with 38% of the total.

### Volume of Waste Generated

19 plants

In the fiscal year ended March 2015, waste generated by the Nisshinbo Group totaled 68,600 tons. However, the volume of waste generated per unit of sales increased 4% compared with the previous fiscal year. The recycling rate dropped by approximately 1.5 percentage points year on year to 84.5%, compared with our target of at least 95% for the year under review. We will continue to work on improving the Group's recycling rate. As of the year under review, 19 plants had achieved zero emission status (recycling rate of 99% or higher).

\* <https://www.nisshinbo.co.jp/english/profile/vision/principle.html>

# The Nisshinbo Group's Management Framework

## CORPORATE VISION

The Nisshinbo Group believes strongly that its companies are public entities. While pursuing profit on the basis of fair competition, we consider it our mission to contribute to society at large through our corporate activities. To achieve further growth in global society by utilizing the organizational culture we have cultivated, we have formulated our Corporate Philosophy and Business Conduct Guidelines to reflect the values and standards of behavior that all of our employees throughout the world share and respect.



### Nisshinbo Group Corporate Philosophy

Our corporate philosophy expresses the values we share as members of the Nisshinbo Group.

<b>PUBLIC ENTITY</b>	<b>CONSISTENT INTEGRITY</b>	<b>INNOVATION</b>
<p>Believing that our companies are public entities, we shall aim to realize a sustainable society*1 by proposing solutions to global environmental problems.</p> <ul style="list-style-type: none"> <li>□ We remember at all times and in all our activities that the ultimate goal of our Group is to contribute to society.</li> <li>□ We offer products and services that help solve global environmental issues, with an eye to developing a society where all people can enjoy comfortable lifestyles long into the future.</li> </ul>	<p>Respecting the diverse cultures and customs of the world, as well as biodiversity, we shall conduct fair and sincere business activities with pride as a corporate citizen.</p> <ul style="list-style-type: none"> <li>□ We fulfill our social responsibilities as a corporate citizen by acting in good faith and with fairness at all times.</li> <li>□ We respect the diverse cultures and customs of countries and regions throughout the world and uphold the laws and regulations of each.</li> <li>□ We conduct our business activities with full recognition that the global environment depends on the maintenance of a delicate harmony among all living things and that we are part of that diverse harmony.</li> </ul>	<p>Maintaining our spirit of response to change and unceasing challenge, we shall create an affluent future together with our stakeholders*2.</p> <ul style="list-style-type: none"> <li>□ We work toward the creation of an affluent society by constantly creating new and original value.</li> <li>□ We satisfy stakeholder expectations by sensitively anticipating changes in the times and the environment and boldly taking on new challenges.</li> <li>□ We build ties of trust with stakeholders and work together with them in our business activities.</li> </ul>

\*1 A sustainable society is a society where environmental preservation and effective resource use are balanced with economic rationality and where, as a result, all people can enjoy comfortable lifestyles long into the future.

\*2 A stakeholder is any person or organization involved in or affected by our corporate activities, including customers, shareholders, employees, business partners, community residents, and governmental organizations.

## CORPORATE GOVERNANCE

Guided by two principles in its Corporate Philosophy – Public Entity and Consistent Integrity – 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 Nisshinbo Group also adheres to the intent and spirit of Japan's Corporate Governance Code formulated by the Tokyo Stock Exchange. The Group intends to disclose a Corporate Governance Report after considering concrete measures to address provisions in the code's principles (general principles, principles and supplementary principles).

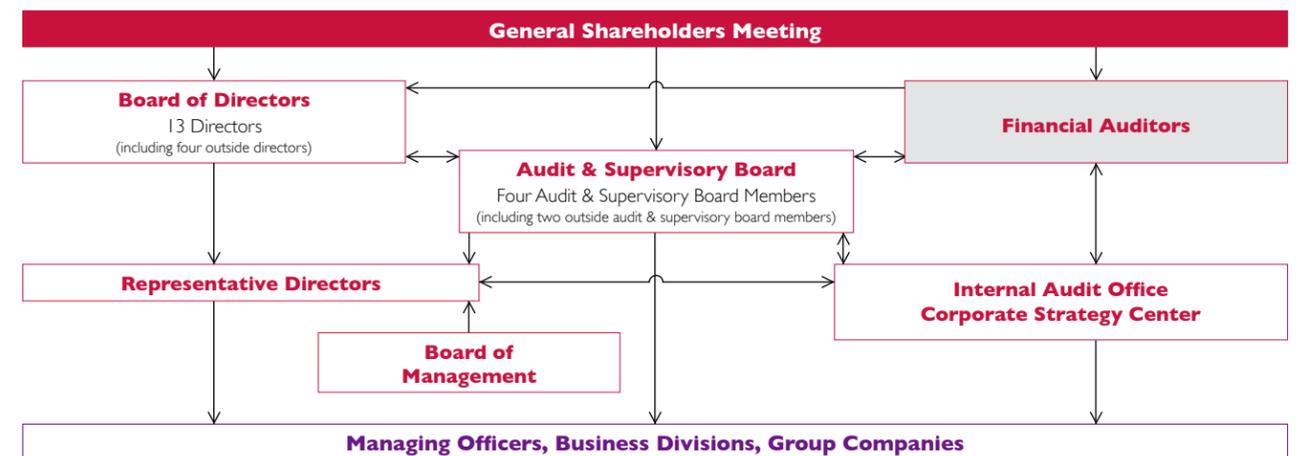
### The Group's Business Oversight and Execution Framework

The Company's Board of Directors is responsible for making decisions on key management matters and for overseeing the actions of 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 Board of Management, 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.

### Corporate Governance Structure



#### Representative Directors

Representative directors are appointed by resolutions of the Board of Directors. As of June 26, 2015, the chairman and president were the Company's two representative directors.

#### Directors

As of June 26, 2015, the Company had 13 directors, including four 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 June 26, 2015, the Company had 15 managing officers, including eight directors with dual roles as managing officers. Managing officers are also appointed for one-year terms.

### The Group's Audit Framework

Nisshinbo has established an Audit & Supervisory Board. The audit framework comprises the audit & supervisory board members, 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.

#### 1) Audit & Supervisory Board

The Company's Audit & Supervisory Board comprises four audit & supervisory board members, two of whom are outside audit & supervisory board members. In accordance with audit policy and plans determined by the Audit & Supervisory Board, the audit & supervisory board members 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 Board of Management in order to understand operating conditions.

#### 2) Internal Audit Division

Nisshinbo has established an Internal Audit Office independent from executive business functions to act as the Internal Audit Division. The Internal Audit Office 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.

### 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.

### Building and Operating Internal Control Systems

Nisshinbo endeavors to create a healthy and highly transparent corporate culture in accordance with the Corporate Philosophy of the Nisshinbo Group. An internal control system has been built and is now being operated to identify and then remedy any issues in business execution processes. In addition, Nisshinbo revised its basic policy on the construction and operation of internal control systems in response to revisions to Japan's Companies Act, enacted in May 2015.

#### 1) Internal Control System Reporting Related to 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 system related to financial reporting. During the fiscal year ended March 2015, an assessment led by the Internal Audit Office confirmed that the internal control system related to financial reporting is operating effectively.

## GLOBAL MANAGEMENT SYSTEM

### Centralized Management of Operations in Asia

In the fiscal year ended March 2012, we established two management companies in Asia to support business expansion in the region. The first management company, Nisshinbo Singapore Pte. Ltd., is responsible for providing financial and internal control support to 10 subsidiaries (as of April 1, 2015) located in ASEAN countries such as Thailand and Indonesia. It also trains personnel for the Group's global operations. The second management company, Nisshinbo Business Management (Shanghai) Co., Ltd., provides internal control and operational support to 24 subsidiaries (as of April 1, 2015) 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.

Specifically, following the Great East Japan Earthquake in 2011, we have put priority on managing risks associated with major earthquakes and other natural disasters.

### Crisis Management System and Disaster Rapid Response System

Firefighting teams at each Group business site have access to compact water pumps, chemical protection suits, life-saving equipment, chemical fire trucks and other equipment suited to the facilities and location of each site. As part of efforts to improve emergency response capabilities, business sites also conduct regular rapid response drills to increase readiness for early-stage fires, life-saving situations and other potential emergencies such as gas or chemical leaks.

Major business sites also conduct annual comprehensive disaster drills, which are reviewed by managing officers, to

ensure disaster prevention management activities remain at a high state of readiness. In the fiscal year ended March 2015, managing officers inspected 13 business sites.

### Initiatives to Ensure Business Continuity

In addition to improving the Group's rapid response capabilities in a disaster, the Nisshinbo Group has formulated a business continuity plan (BCP). The plan is designed to ensure operations continue during major natural disasters and other unforeseen interruptions and to restore operations within the maximum tolerable period of disruption (MTPOD). Previously, in accordance with the Group's crisis management

principles and other guidelines, each business and Group company were responsible for formulating their own BCPs based on their respective business requirements.

However, we have recently shifted to an integrated Group-wide approach to business continuity management (BCM). In the fiscal year ended March 2015, we began developing a new plan focused on responding to major earthquakes (such as directly below the Tokyo metropolitan area or Nankai Trough earthquakes), which have the potential to severely damage the Group's operations and paralyze core management functions.

### 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. Steps are also being taken to tighten access to IT systems to prevent and limit leaks of information caused by internal unethical actions.

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.

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.

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.

### Basic Stance on Antisocial Forces

The Nisshinbo Group rejects all contact with antisocial forces, which threaten the peace and stability of civil society. The Group as a whole takes an uncompromising approach to any antisocial forces and their associates. We will work closely with the relevant authorities to deal with any illegitimate demands received from antisocial forces. We do not respond to such demands in any circumstances.

## COMPLIANCE

Based on two principles in its Corporate Philosophy – Public Entity and Consistent Integrity – the Nisshinbo Group's mission is to act with fairness and integrity in order to contribute to society through its business activities. To achieve this aim, we have formulated the Nisshinbo Group Business Conduct Guidelines, which clearly define the standards of behavior that 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.

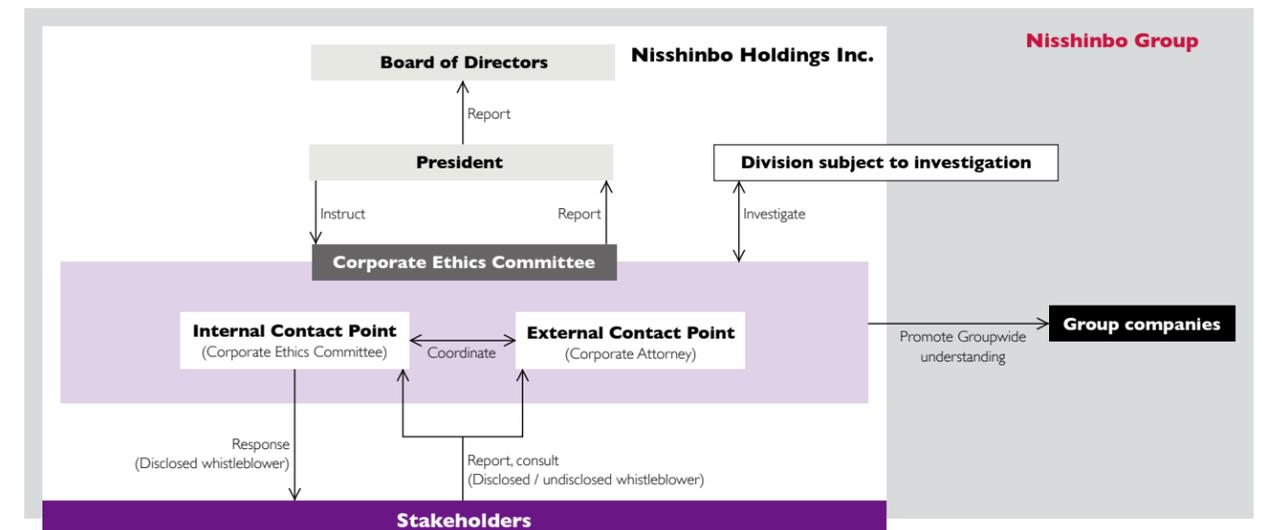
Specifically, the Corporate Ethics Committee is responsible for (1) implementing corporate ethics systems and regulations, (2) deciding the content and methods of corporate ethics training for employees, and (3) formulating and imple-

menting 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

### Corporate Ethics Reporting System



## Board of Directors

(As of June 26, 2015)



Director,\*1  
Chairman  
**Shizuka Uzawa**



Director,\*1  
President  
**Masaya Kawata**



Director,  
Senior Executive Managing Officer  
**Masahiro Murakami**



Director,  
Executive Managing Officer  
**Nobuyuki Hagiwara**



Director,  
Executive Managing Officer  
**Koji Nishihara**



Director,  
Managing Officer  
**Takayoshi Tsuchida**



Director,  
Managing Officer  
**Toshihiro Kijima**



Director,  
Managing Officer  
**Takayoshi Okugawa**



Director,  
Managing Officer  
**Kazunori Baba**



Director\*2  
**Tomofumi Akiyama**



Director\*2  
**Noboru Matsuda**



Director\*2  
**Yoshinori Shimizu**



Director\*2  
**Shinobu Fujino**

\*1 Representative director \*2 Outside director

### Audit & Supervisory Board Members

(As of June 26, 2015)

Yoichi Fujiwara  
Takumi Ohmoto

Outside Audit &  
Supervisory Board Members  
Yo Kawakami  
Toshihiko Tomita

### Managing Officers

(As of June 26, 2015)

President  
**Masaya Kawata\***  
Senior Executive Managing Officer  
**Masahiro Murakami\***

Executive Managing Officers  
**Nobuyuki Hagiwara\***  
**Koji Nishihara\***

Managing Officers  
**Takayoshi Tsuchida\***  
**Toshihiro Kijima\***  
**Takayoshi Okugawa\***  
**Kazunori Baba\***  
Masahiro Kawamura  
Akihiro Yoshino  
Hajime Sasaki  
Kazuhiro Iwata  
Akihiro Ishizaka  
Makoto Sugiyama  
Yasuji Ishii

\* Concurrent board member

## Financial Section

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HIGHLIGHTS

- Net sales increased 5.9% year on year, supported by sharply higher sales in the electronics business and the automobile brakes business.
- Operating income before goodwill amortization costs rose 6.1% year on year.
- Our long-term strategic plan for the fiscal year ending March 2026 is targeting net sales of ¥1 trillion and ROE of over 12%.

OPERATING RESULTS

Economic Environment

During the fiscal year ended March 2015, the global economy faced a number of uncertainties, including slowing growth in China and other emerging economies, a steep drop in the crude oil price, sovereign debt issues in Greece and economic sanctions imposed on Russia by the US and Europe due to the conflict in Ukraine. However, there was a continued modest upturn in the global economy, supported by a steady recovery in the US and a pickup in Europe.

The Japanese economy also continued to recover gradually, with economic and monetary policies implemented by the government and the Bank of Japan supporting an improvement in corporate earnings and employment conditions, underpinning firm consumer confidence.

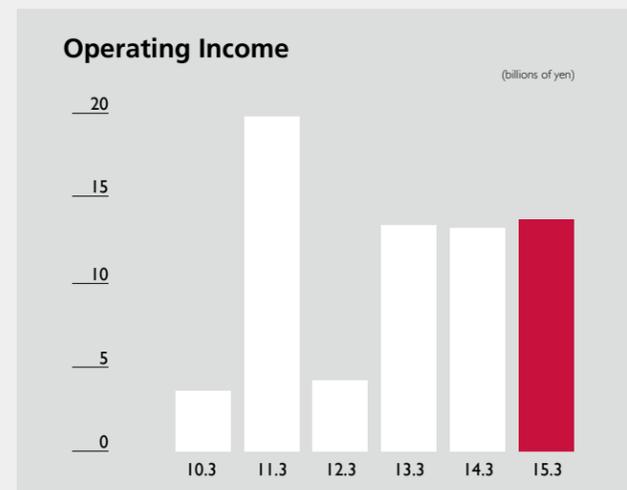
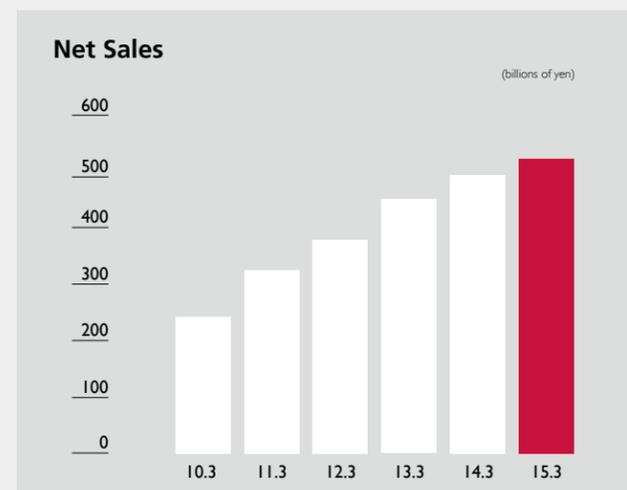
Results of Operations in the Current Term and Comparison with the Previous Term

The Nisshinbo Group reported sales of ¥523,758 million (US\$4,365 million), an increase of 5.9% year on year. Growth was mainly supported by a steep rise in sales in the electronics business and the automobile brakes business.

Operating income before goodwill amortization increased 6.1% year on year to ¥21,069 million (US\$176 million) and operating income rose 4.3% to ¥13,744 million (US\$115 million). In the electronics business, profits increased due to improving profitability in the marine equipment business operated by Japan Radio Co., Ltd., strong sales of electronic devices at New Japan Radio Co., Ltd. and a return to profit at Nagano Japan Radio Co., Ltd. on an upturn in margins. The papers business also continued to perform well.

Net income increased 52.0% year on year to ¥13,694 million (US\$114 million), reflecting extraordinary gains such as gains on the sale of property, plant and equipment at the Mitaka Plant site operated by Japan Radio Co., Ltd. There was also a large decline in extraordinary losses booked in the previous fiscal year, such as business restructuring costs at Japan Radio Co., Ltd. and losses related to the redemption of

TMD corporate bonds. In addition, the Group's tax burden declined due to the use of deferred tax assets after profits improved at domestic subsidiaries in the electronics business and overseas subsidiaries in the automobile brakes business.



CURRENT BUSINESS STRATEGIES AND FUTURE PROSPECTS

The Nisshinbo Group is targeting net sales of ¥600 billion and return on equity (ROE) of 9% by the fiscal year ending March 2018. We aim to achieve these targets by focusing on strategic businesses in four areas: wireless communications and electronics, automotive parts and devices, lifestyle and materials, and new energy and smart society. We are also targeting net sales of ¥1 trillion and ROE of over 12% in the fiscal year ending March 2026 as our new long-term strategic plan.

Our long-term vision and strategic direction is to become an "Environmental and Energy Company" group. Guided by this objective, we will target further growth by reinforcing existing businesses, leveraging the results of R&D projects and actively targeting M&A opportunities, working as a united Group driven by relentless innovation.

In the fiscal year ending March 2016, our management focus will be on reinforcing existing businesses and stepping up our ability to launch new businesses. We will also continue to accelerate efforts to improve cash flow management in order to achieve our targets. In the electronics business, we plan to complete work on the three-company business structure – comprising Nagano Japan Radio Co., Ltd., Ueda Japan Radio Co., Ltd. and anchored by Japan Radio Co., Ltd. We will also strengthen the segment's operating base. In the automobile brakes business, we will enhance TMD's earnings structure, and in the textiles business, we aim to reap benefits from the restructuring of our shirts business.

Our estimates are based on average exchange rates for the fiscal year of ¥115/US\$ and ¥130/€.

	Net Sales (millions of yen)	Operating Income (Loss) (millions of yen)
Textiles	47,361 down 7.8%	(476) a deterioration of ¥1,028 million
Automobile Brakes	161,887 up 8.9%	(2,069) a deterioration of ¥255 million
Papers	31,280 down 1.3%	425 up 905.5%
Precision Instruments	28,608 down 0.2%	264 down 75.5%
Chemicals	8,943 up 1.5%	515 up 387.3%
Electronics	209,116 up 11.4%	12,704 up 35.8%
Real Estate	9,246 down 12.5%	6,669 down 14.3%
Other Businesses	27,317 up 1.8%	(110) a deterioration of ¥43 million

Note: Changes in net sales and operating income (loss) are year-on-year figures; please refer to pages 12 to 24 for details on performance in individual segments.

DIVIDEND

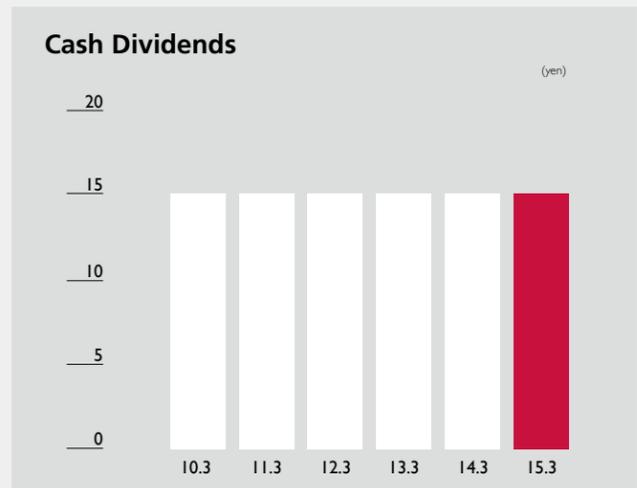
The full-year dividend for the fiscal year ended March 2015 is ¥15 per share.

By focusing on ROE, Nisshinbo is aiming to deliver sustained increases in shareholder value through the distribution of profits and other means. We also intend to accelerate investment in areas that drive growth, such as R&D, capital expenditure and M&A, aiming to secure even greater support and trust from public and market stakeholders as an environment and energy company.

In principle, we intend to pay an interim dividend and a year-end dividend. From the fiscal year ending March 2016, we are aiming for stable and consistent dividends based on a consolidated payout ratio target of around 30%.

Also, when the Group holds sufficient internal reserves to fund growth strategies, we plan to actively return profits to shareholders through share buybacks and other means after considering factors such as financial stability. In principle, Nisshinbo intends to retire treasury stock, but this stock may be used in share swaps as part of M&A deals aimed at significantly increasing shareholder value.

In accordance with this new policy, we plan to raise the full-year dividend to ¥30 per share for the fiscal year ending March 2016.



## FINANCIAL POSITION

Total assets at the end of the fiscal year stood at ¥678,486 million (US\$5,654 million), an increase of ¥67,175 million from the end of the previous fiscal year. This mainly reflected increases of ¥1,188 million in cash and cash equivalents, ¥9,670 million in receivables, ¥10,638 million in property, plant and equipment and ¥20,585 million in investment securities.

Total liabilities at the end of the fiscal year were ¥371,548 million (US\$3,096 million), an increase of ¥37,102 million from the end of the previous fiscal year. This mainly reflected increases of ¥10,017 million in payables, ¥22,628 million in short-term bank loans, ¥9,231 million in long-term debt and ¥2,651 million in deferred tax liabilities under long-term liabilities, and a decrease of ¥13,656 million in the current portion of long-term debt.

Equity at the end of the fiscal year totaled ¥306,938 million (US\$2,558 million), an increase of ¥30,073 million from the end of the previous fiscal year. This primarily reflected increases of ¥1,144 million in retained earnings, ¥18,291 million in net unrealized gain on available-for-sale securities, ¥7,409 million in foreign currency translation adjustments and ¥10,435 million in minority interests, and a decrease of ¥19,925 million due to the acquisition of treasury stock. As a result of the above, the shareholders' equity ratio declined 0.9 percentage points year on year to 38.2%.

## CASH FLOWS

### Cash Flows from Operating Activities

Cash provided by operating activities totaled ¥37,120 million (US\$309 million), mainly reflecting income before income taxes and minority interests of ¥17,959 million and depreciation and amortization of ¥23,111 million.

### Cash Flows from Investing Activities

Cash used in investing activities totaled ¥21,271 million (US\$177 million), mainly reflecting cash used of ¥32,508 million for the purchase of property, plant and equipment, and cash provided of ¥12,282 million from proceeds from the sale of property, plant and equipment.

### Cash Flows from Financing Activities

Cash used in financing activities totaled ¥6,238 million (US\$52 million), mainly reflecting an increase of ¥22,032 million in short-term bank loans and ¥28,205 million in proceeds from issuance of long-term debt, versus decreases in cash of ¥33,174 million for the repayment of long-term debt, ¥20,032 million for payment for purchase of treasury stock and ¥2,620 million for cash dividends paid.

As a result of the above, cash and cash equivalents at the end of the fiscal year totaled ¥36,706 million (US\$306 million), an increase of ¥1,188 million from the end of the previous fiscal year.

## PRODUCTION RESULTS

Production results in each segment for the fiscal year under review were as follows:

Industry Segment	Amount (millions of yen)	Year-on-Year Change (%)
Textiles	42,500	+0.9
Automobile Brakes	131,268	+8.1
Papers	28,779	-0.9
Precision Instruments	28,793	+7.2
Chemicals	6,601	-2.7
Electronics	219,197	+10.9
Other Businesses	542	+50.7
Total	457,680	+7.9

Notes: 1. Amounts are calculated based on manufacturing costs.  
2. The real estate business does not engage in manufacturing, and therefore the above table does not include any amounts from this segment.  
3. The above amounts do not include consumption taxes.

## CAPITAL EXPENDITURES

The Nisshinbo Group channels capital expenditures into priority product fields that offer the potential for long-term growth and into upgrading manufacturing equipment to raise product quality. It also invests in environmental measures such as the reduction of greenhouse gases and in manufacturing facilities in China and Southeast Asia in response to rising demand driven by market expansion.

As a result, in the fiscal year ended March 2015, capital expenditures totaled ¥36,909 million. The Group invested ¥4,888 million to increase friction material production capacity at TMD consolidated subsidiary TMD Friction GmbH in the automobile brakes business, and ¥2,146 million, to establish Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd. in the precision instruments business. In the electronics business, Japan Radio Co., Ltd. invested ¥13,648

million, mainly in a new Advanced Technology Center and for the transfer of key manufacturing facilities, while New Japan Radio Co., Ltd. invested ¥2,169 million, primarily in new semiconductor manufacturing and research facilities.

## RISK INFORMATION

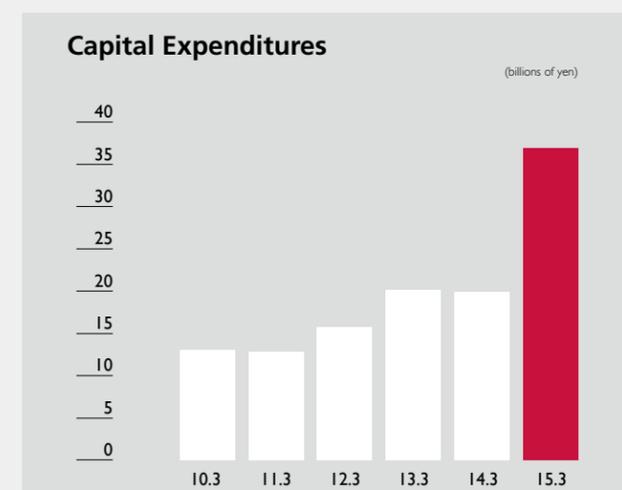
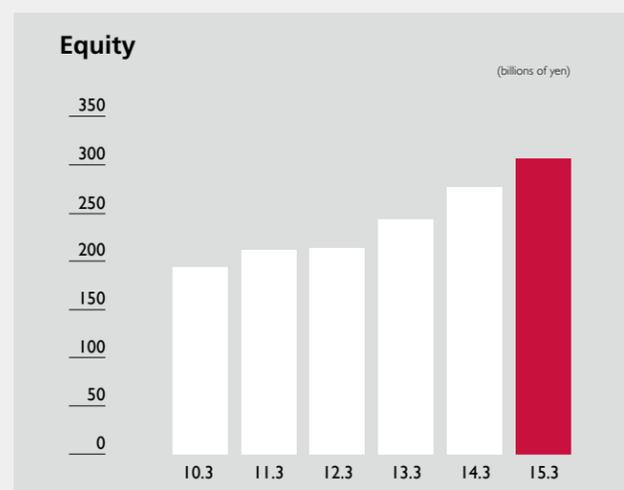
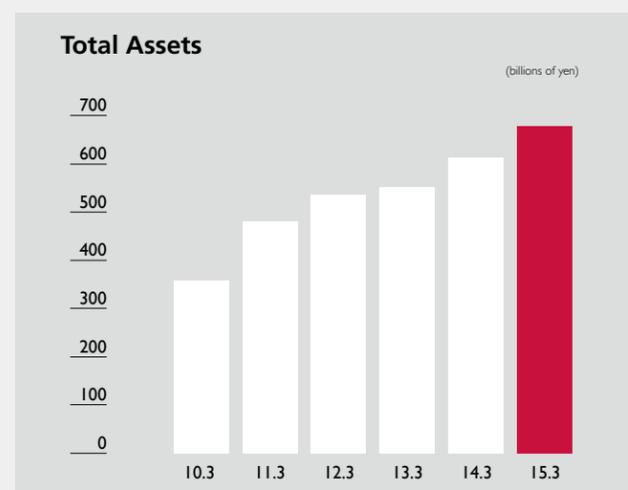
Forward-looking statements in this report are based on information available to the Nisshinbo Group as of March 31, 2015.

### Risks Associated with New Businesses

The Nisshinbo Group is actively developing new businesses such as carbon catalysts in order to expand sales and profits. However, uncertainties are inherent in new businesses and the development of appealing new products and the formation of new markets may not proceed as anticipated. This could delay or prevent the recovery of prior investments.

### Risk of Fluctuation in the Value of Investment Securities

Investment securities held by Nisshinbo are marked to market in accordance with accounting standards for financial products, and the Company implements impairment accounting based on even stricter internal standards for a portion of these securities. Based on current accounting standards and standards for asset impairment, there is a limited possibility that impairment losses will have an impact on net income, as the acquisition cost of the investment securities was low. However, comprehensive income may fluctuate significantly owing to changes in market value. Also, the Company plans to limit increases in interest-bearing liabilities by selling investment securities to procure capital needed for mergers and acquisitions, overseas business development, and capital investment, but misalignment of the timing between sale and investment may give rise to unforeseen circumstances.



### Risks Associated with Product Quality

The majority of the Nisshinbo Group manufactures products in accordance with international quality control standards, but there is no guarantee that quality-related problems will not occur in the future. The Company has product liability insurance, but the occurrence of a large liability could have an adverse impact on the Group's financial results.

### Risks Associated with Market Shifts Relating to Product Sales Prices and Raw Material Procurement

Some of the Nisshinbo Group's products can be significantly affected by fluctuations in market prices owing to market developments and competition with other companies. Sales prices for textile and paper products and raw materials procured by the Group such as cotton, pulp, steel and other materials are particularly susceptible to these market trends. The New Japan Radio Group (New Japan Radio Co., Ltd. and its consolidated subsidiaries) generates more than 80% of its consolidated sales from semiconductor devices. Significant fluctuations in demand in the semiconductor market may therefore have a large impact on the Nisshinbo Group's financial results.

### Risks Associated with Changes in Customer Business Performance

The customers of the Nisshinbo Group's automobile brakes business are automobile manufacturers that conduct business globally. The cancellation of contracts or requests to sharply reduce prices owing to changes in the business results of such client companies are factors outside the control of Nisshinbo, and consequently may have an impact on the Group's financial results.

The Japan Radio Group has a relatively high ratio of business with central and local governments, so sales tend to be concentrated toward the end of the fiscal year. In addition, trends in central and local government spending plans and capital expenditure in the telecommunications sector may affect the Group's financial results.

### Risks Associated with Supply Chain

The Group may face difficulties in securing necessary components owing to changes in the economic environment. For example, rapid developments in specific parts supply regions and product fields may affect supply capacity at parts companies and lead to delivery delays. This in turn could impact the Group's shipment plans or lead to deterioration in margins owing to sharp increases in the price of components.

### Risks Associated with Fluctuations in Exchange Rates

Fluctuations in foreign exchange rates can have an impact on the yen value of the Nisshinbo Group's revenues, expenses, receivables and payables arising from business transactions that are denominated in foreign currencies and on foreign currency translation adjustments in the financial statements related to overseas consolidated subsidiaries, which prepare their statements in foreign currencies. While the Group takes steps to mitigate the risk of exchange rate fluctuations, not all this risk can be avoided. Fluctuations in exchange rates may therefore affect the Group's financial results, with periods of yen appreciation putting pressure on profits.

### Risks Associated with Unforeseen Revisions to Laws and Regulations

Products supplied by the Japan Radio Group (Japan Radio Co., Ltd. and its consolidated subsidiaries) are subject to a range of laws and regulations governing areas such as national security. These laws include export restrictions, import regulations and environmental and recycling laws. The Japan Radio Group has established clear internal regulations regarding compliance with these laws. However, unforeseen revisions to laws and regulations may limit the Group's business activities and lead to an increase in costs.

### Risks Associated with Overseas Business Development

The Nisshinbo Group owns many production bases overseas. Risks inherent to this international presence include unforeseen changes in laws and regulations, unfavorable political or economic factors and social turmoil.

### Risks Associated with Financial Covenants Related to Capital Procurement

The Nisshinbo Group has secured funding from multiple financial institutions. The Company and some consolidated subsidiaries have entered into commitment line contracts and term loan contracts. These companies are bound by certain financial covenants.

### Risks Associated with Disasters and Accidents

The Nisshinbo Group takes steps to manage risk related to disasters and accidents. However, a large earthquake or other major disaster or a sudden accident such as a fire may cause significant damage to the Group's manufacturing facilities, leading to the suspension of production activities that causes shipment delays. The Group may also incur considerable costs to restore damaged buildings or facilities.

In addition, the outbreak and spread of a new infectious disease may have an impact on the Group's operations.

## Six-Year Summary

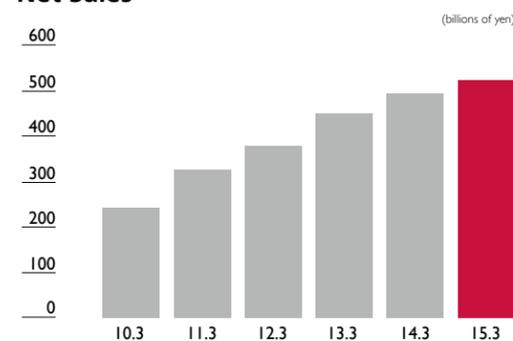
For the years ended March 31

(millions of yen)

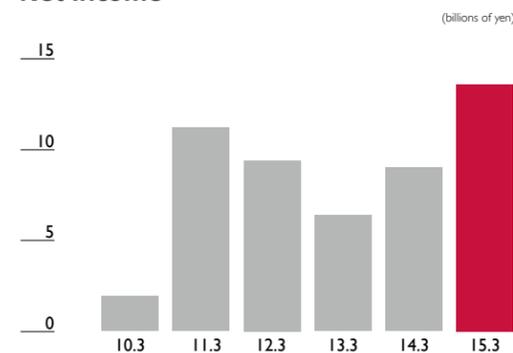
	2010	2011	2012	2013	2014	2015
Net Sales	242,409	325,555	379,340	450,693	494,350	<b>523,758</b>
Operating Income	3,570	19,843	4,170	13,394	13,175	<b>13,744</b>
Net Income	1,896	11,185	9,416	6,418	9,012	<b>13,694</b>
Equity	193,639	211,557	213,751	242,623	276,865	<b>306,938</b>
Total Assets	358,110	479,852	534,584	551,933	611,311	<b>678,486</b>
Shareholders' Equity Ratio (%)	51.1	38.0	34.7	37.9	39.1	<b>38.2</b>
Return on Assets (%)	0.5	2.7	1.9	1.2	1.5	<b>2.1</b>
Return on Equity (%)	1.0	6.1	5.1	3.2	4.0	<b>5.5</b>
Payout Ratio (%)*	167.7	27.5	36.1	31.5	27.8	<b>42.0</b>
Capital Expenditures	13,027	12,800	15,705	20,123	19,896	<b>36,909</b>
Depreciation and Amortization	12,960	13,158	14,550	18,969	21,486	<b>23,111</b>
Common Shares Issued	184,098,939	178,798,939	178,798,939	178,798,939	178,798,939	<b>178,798,939</b>
Per Share (in yen):						
Net Income	10.38	63.32	53.83	36.74	51.60	<b>80.33</b>
Shareholders' Equity	1,034.04	1,036.80	1,063.19	1,198.67	1,369.78	<b>1,634.07</b>
Cash Dividends	15.00	15.00	15.00	15.00	15.00	<b>15.00</b>
Number of Employees	12,488	18,292	22,304	22,083	22,052	<b>21,387</b>

\* Payout Ratio is on a non-consolidated basis.

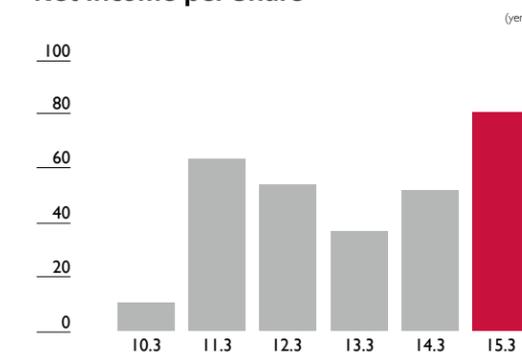
### Net Sales



### Net Income



### Net Income per Share



## Consolidated Balance Sheets

(March 31, 2015 and 2014)

ASSETS	(millions of yen)		(thousands of US dollars) (Note 1)
	2015	2014	2015
<b>Current assets:</b>			
Cash and cash equivalents	¥36,706	¥24,825	\$305,883
Time deposits (Note 5)	8,981	3,208	74,842
Marketable securities (Note 4)	4	9	33
Receivables			
Notes receivable, trade	8,116	9,243	67,633
Accounts receivable, trade (Note 5)	143,792	134,229	1,198,267
Unconsolidated subsidiaries and affiliates	1,155	1,278	9,625
Other	5,784	4,427	48,200
	158,847	149,177	1,323,725
Less allowance for doubtful accounts	(943)	(827)	(7,858)
	157,904	148,350	1,315,867
Inventories (Note 3)	94,074	89,425	783,950
Deferred tax assets (Note 7)	7,758	3,020	64,650
Other current assets	5,043	3,606	42,025
Total current assets	310,470	272,443	2,587,250
<b>Property, plant and equipment (Note 5):</b>			
Land	45,654	52,227	380,450
Buildings and structures	171,969	172,584	1,433,075
Machinery, equipment and tools	310,818	297,684	2,590,150
Construction in progress	4,490	4,193	37,416
	532,931	526,688	4,441,091
Less accumulated depreciation	(348,046)	(352,441)	(2,900,383)
Property, plant and equipment, net	184,885	174,247	1,540,708
<b>Investments and other assets:</b>			
Investment securities (Notes 4 and 5)	102,666	82,081	855,550
Investments in and advances to unconsolidated subsidiaries and affiliates	25,032	22,374	208,600
Deferred tax assets (Note 7)	9,526	8,831	79,383
Goodwill	16,013	23,378	133,442
Other	29,894	27,957	249,117
Total investments and other assets	183,131	164,621	1,526,092
<b>Total assets</b>	<b>¥678,486</b>	<b>¥611,311</b>	<b>\$5,654,050</b>

See Notes to Consolidated Financial Statements.

LIABILITIES AND EQUITY	(millions of yen)		(thousands of US dollars) (Note 1)
	2015	2014	2015
<b>Current liabilities:</b>			
Short-term bank loans (Note 5)	¥71,281	¥48,653	\$594,008
Commercial paper	30,000	30,000	250,000
Current portion of long-term debt (Note 5)	7,094	20,750	59,117
Payables			
Notes and accounts payable, trade (Note 5)	70,680	66,412	589,000
Unconsolidated subsidiaries and affiliates	197	166	1,642
Other	14,573	8,855	121,441
	85,450	75,433	712,083
Accrued expenses	15,820	13,833	131,833
Accrued income taxes	5,468	2,835	45,567
Deferred tax liabilities (Note 7)	17	1	142
Other current liabilities	11,048	12,156	92,067
Total current liabilities	226,178	203,661	1,884,817
<b>Long-term liabilities:</b>			
Long-term debt (Note 5)	38,953	29,722	324,608
Liabilities for retirement benefits (Note 6)	42,533	43,092	354,441
Deferred tax liabilities (Note 7)	43,972	41,321	366,433
Other long-term liabilities (Note 5)	19,912	16,650	165,934
Total long-term liabilities	145,370	130,785	1,211,416
<b>Commitments and contingencies (Note 11)</b>			
<b>Equity (Note 12):</b>			
<b>Shareholders' equity:</b>			
Common stock:			
Authorized—371,755,000 shares			
Issued 2015 and 2014—178,798,939 shares	27,588	27,588	229,900
Capital surplus	20,401	20,404	170,008
Retained earnings	161,791	150,347	1,348,259
Less treasury stock at cost			
2015—20,354,072 shares	(23,478)	—	(195,650)
2014—4,149,386 shares	—	(3,553)	—
Total shareholders' equity	186,302	194,786	1,552,517
<b>Accumulated other comprehensive income:</b>			
Net unrealized gain on available-for-sale securities	50,998	32,707	424,983
Deferred gain (loss) on derivatives under hedge accounting	64	(42)	533
Foreign currency translation adjustments	22,674	15,265	188,950
Post retirement liability adjustments	(1,127)	(3,485)	(9,391)
Total accumulated other comprehensive income	72,609	44,445	605,075
<b>Stock acquisition rights</b>	<b>222</b>	<b>264</b>	<b>1,850</b>
<b>Minority interests</b>	<b>47,805</b>	<b>37,370</b>	<b>398,375</b>
Total equity	306,938	276,865	2,557,817
<b>Total liabilities and equity</b>	<b>¥678,486</b>	<b>¥611,311</b>	<b>\$5,654,050</b>

## Consolidated Statements of Income

(Years ended March 31, 2015 and 2014)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2015	2014	2015
Net sales	¥523,758	¥494,350	\$4,364,650
Costs and expenses:			
Cost of sales	415,608	395,084	3,463,400
Selling, general and administrative expenses	94,406	86,091	786,717
	510,014	481,175	4,250,117
Operating income	13,744	13,175	114,533
Other income (expenses):			
Interest and dividend income	2,745	2,288	22,875
Interest expenses	(1,024)	(1,578)	(8,533)
Equity in earnings of affiliates	3,280	4,900	27,333
Other, net (Note 10)	(786)	(4,268)	(6,550)
	4,215	1,342	35,125
Income before income taxes and minority interests	17,959	14,517	149,658
Income taxes (Note 7):			
Current	6,891	4,134	57,425
Deferred	(9,738)	(491)	(81,150)
	(2,847)	3,643	(23,725)
Income before minority interests	20,806	10,874	173,383
Minority interests in net income	7,112	1,862	59,266
Net income	¥13,694	¥9,012	\$114,117
Per share:		(yen)	(US dollars)
Net income	¥80.33	¥51.60	\$0.67
Cash dividends	15.00	15.00	0.13

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

(Years ended March 31, 2015 and 2014)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2015	2014	2015
Income before minority interests	¥20,806	¥10,874	\$173,383
Other comprehensive income:			
Net unrealized gain on available-for-sale securities	18,578	7,699	154,817
Deferred gain (loss) on derivatives under hedge accounting	106	(107)	883
Foreign currency translation adjustments	8,185	19,982	68,208
Post retirement liability adjustments	3,345	—	27,875
Equity in earnings of affiliates	722	1,143	6,017
	30,936	28,717	257,800
Comprehensive income	¥51,742	¥39,591	\$431,183
Comprehensive income:			
Parent	¥41,857	¥35,978	\$348,808
Minority interests	9,885	3,613	82,375

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Changes in Equity

(Years ended March 31, 2015 and 2014)

(millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Post retirement liability adjustments	Stock acquisition rights	Minority interests	Total equity
Balance at April 1, 2013	¥27,588	¥20,401	¥143,955	¥(3,534)	¥25,247	¥65	¥(4,347)	¥—	¥282	¥32,966	¥242,623
Cash dividends, ¥15.00 per share			(2,620)								(2,620)
Net income			9,012								9,012
Purchase of treasury stock				(32)							(32)
Disposal of treasury stock		3		13							16
Other			0								0
Net changes					7,460	(107)	19,612	(3,485)	(18)	4,404	27,866
Balance at March 31, 2014	¥27,588	¥20,404	¥150,347	¥(3,553)	¥32,707	¥(42)	¥15,265	¥(3,485)	¥264	¥37,370	¥276,865
Balance at April 1, 2014	¥27,588	¥20,404	¥150,347	¥(3,553)	¥32,707	¥(42)	¥15,265	¥(3,485)	¥264	¥37,370	¥276,865
Cumulative effect of changes in accounting policies			388							101	489
Restated balance at April 1, 2014	¥27,588	¥20,404	¥150,735	¥(3,553)	¥32,707	¥(42)	¥15,265	¥(3,485)	¥264	¥37,471	¥277,354
Cash dividends, ¥15.00 per share			(2,620)								(2,620)
Net income			13,694								13,694
Purchase of treasury stock				(20,032)							(20,032)
Disposal of treasury stock		(3)		107							104
Adjustment due to increase in consolidated subsidiaries			(18)								(18)
Net changes					18,291	106	7,409	2,358	(42)	10,334	38,456
Balance at March 31, 2015	¥27,588	¥20,401	¥161,791	¥(23,478)	¥50,998	¥64	¥22,674	¥(1,127)	¥222	¥47,805	¥306,938

(Thousands of US dollars) (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Post retirement liability adjustments	Stock acquisition rights	Minority interests	Total equity
Balance at April 1, 2014	\$229,900	\$170,033	\$1,252,892	\$(29,608)	\$272,558	\$(350)	\$127,208	\$(29,041)	\$2,200	\$311,416	\$2,307,208
Cumulative effect of changes in accounting policies			3,233							842	4,075
Restated balance at April 1, 2014	\$229,900	\$170,033	\$1,256,125	\$(29,608)	\$272,558	\$(350)	\$127,208	\$(29,041)	\$2,200	\$312,258	\$2,311,283
Cash dividends, \$0.13 per share			(21,833)								(21,833)
Net income			114,117								114,117
Purchase of treasury stock				(166,933)							(166,933)
Disposal of treasury stock		(25)		891							866
Adjustment due to increase in consolidated subsidiaries			(150)								(150)
Net changes					152,425	883	61,742	19,650	(350)	86,117	320,467
Balance at March 31, 2015	\$229,900	\$170,008	\$1,348,259	\$(195,650)	\$424,983	\$533	\$188,950	\$(9,391)	\$1,850	\$398,375	\$2,557,817

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

(Years ended March 31, 2015 and 2014)

(millions of yen) (thousands of US dollars) (Note 1)

	2015	2014	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥17,959	¥14,517	\$149,658
Adjustments to reconcile net income to net cash provided by operating activities:			
Income taxes—paid	(4,408)	(5,018)	(36,733)
Depreciation and amortization	23,111	21,486	192,592
Amortization of goodwill	7,239	6,584	60,325
Equity in earnings of affiliates	(3,280)	(4,900)	(27,333)
Provision for (reversal of) doubtful receivables	219	(278)	1,825
Provision for accrued pension and retirement benefits	4,716	7,240	39,300
Payment of accrued pension and retirement benefits	(6,216)	(8,703)	(51,800)
(Gain) loss on sale of property, plant and equipment	(3,313)	286	(27,608)
Impairment of long-lived assets	1,668	1,257	13,900
Gain on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(1,539)	(1,195)	(12,825)
Loss on write-down of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	132	498	1,100
Other	4,233	1,708	35,275
Changes in operating assets and liabilities:			
Receivables	(7,870)	(7,128)	(65,584)
Inventories	(4,848)	(3,453)	(40,400)
Payables	4,934	3,493	41,116
Other, net	4,383	(319)	36,525
Net cash provided by operating activities	37,120	26,075	309,333
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment	12,282	673	102,350
Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	6,104	5,052	50,867
Payment for purchase of property, plant and equipment	(32,508)	(18,902)	(270,900)
Payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(552)	(1,397)	(4,600)
Increase in time deposits	(5,495)	(1,112)	(45,792)
Cash paid for newly consolidated subsidiaries, net of payment for purchase of companies	—	(2,585)	—
Other, net	(1,102)	(1,591)	(9,183)
Net cash used in investing activities	(21,271)	(19,862)	(177,258)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	28,205	22,737	235,042
Repayment of long-term debt	(33,174)	(39,604)	(276,450)
Increase in short-term bank loans	22,032	18,148	183,600
Cash dividends paid	(2,620)	(2,620)	(21,833)
Payment for purchase of treasury stock	(20,032)	(32)	(166,933)
Proceeds from treasury stock sold of consolidated subsidiaries	—	180	—
Decrease in other long-term liabilities	(833)	(1,042)	(6,942)
Other, net	184	(88)	1,533
Net cash used in financing activities	(6,238)	(2,321)	(51,983)
Effect of exchange rate changes on cash	1,606	2,530	13,383
Net increase in cash and cash equivalents	11,217	6,422	93,475
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	664	—	5,533
Cash and cash equivalents at beginning of year	24,825	18,403	206,875
Cash and cash equivalents at end of year	¥36,706	¥24,825	\$305,883

See Notes to Consolidated Financial Statements.

## I. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In addition, the accompanying notes include information which is not required under generally accepted accounting prin-

ciples and practices in Japan but is presented herein as additional information.

The United States dollar (\$) amounts included herein are given solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥120=\$1, the approximate exchange rate at March 31, 2015. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into United States dollars.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation

The consolidated financial statements include the accounts of Nisshinbo Holdings Inc. (hereinafter the "Company") and its significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

### (b) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

Investments in and advances to unconsolidated subsidiaries and affiliates in foreign currencies are translated at the historical rates effective at the dates of transaction from which such accounts were originated.

### (c) Foreign currency financial statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

Translation adjustments are presented under minority interests and foreign currency translation adjustments as a component of equity.

### (d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits placed with banks on demand and highly liquid investments with insignificant risk of changes in value which have maturities of six months or less when purchased.

### (e) Inventories

Inventories are measured principally at the lower of cost or net realizable value, cost being substantially determined by the actual cost method or the average cost method.

### (f) Marketable and investment securities

The Group classifies all of its marketable and investment securities as available-for-sale, which are reported at fair value, with unrealized gains and losses included in equity as net unrealized gain on available-for-sale securities. Other investment securities without quoted market prices are stated at cost. Realized gains or losses on the sale of securities are based on the average cost of a particular security held at the time of sale.

Marketable and investment securities are regularly reviewed for other-than-temporary declines in carrying amount based on criteria that include the length of time and the extent

to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the Company's intent and ability to retain securities for a period of time sufficient to allow for any anticipated recovery in market value.

When such a decline exists, the Company recognizes an impairment loss to the extent of such decline.

### (g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed principally on the straight-line method over their estimated useful lives. Contributions in aid of purchases of property, plant and equipment from national and local governments are deducted from the acquisition costs of related assets in accordance with tax regulations.

### (h) Goodwill

The difference between the cost and underlying fair value of the net assets of investments in subsidiaries at acquisition is included in goodwill and amortized on a straight-line basis over five years.

Effective April 1, 2010, the Company changed its accounting method for excess of fair value of acquired net assets over cost to be recognized as other income.

### (i) Impairment of long-lived assets

Long-lived assets are evaluated for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the estimate of undiscounted cash flow is less than the carrying amount of the asset, an impairment loss is recorded based on the fair value of the asset. Fair value is determined primarily by using the anticipated cash flows discounted at a rate commensurate with the risk involved. For assets held for sale, an impairment loss is further increased by costs to sell. Long-lived assets to be disposed of other than by sale are considered held and used until disposed of.

### (j) Retirement benefits and pension plans

The Company, domestic consolidated subsidiaries and certain foreign consolidated subsidiaries have defined benefit plans and defined contribution plans that cover substantially all employees. Under the defined benefit plans, the annual provision for retirement benefits is calculated to state the asset and liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Retirement benefits to directors and corporate auditors are provided at the amount that would be required if all directors and corporate auditors retired at the balance sheet date.

### (k) Stock options

The accounting standard for stock options requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. On the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

### (l) Research and development costs

Research and development costs are charged to income as incurred.

### (m) Income taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

### (n) Derivative financial instruments

The Group uses a variety of derivative financial instruments, including foreign currency forward contracts, currency swaps, commodity swap contracts and interest rate swaps, as a means of hedging exposure to foreign currency and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income, and (b) for derivatives used for hedging purpose if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

#### (o) Asset retirement obligation

The asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of such tangible fixed assets under the Japanese accounting standard.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made.

The asset retirement cost is allocated to expense through depreciation over the remaining useful life of the assets.

#### (p) Changes in accounting policy

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and on March 26, 2015 ASBJ issued the Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits", which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 and the other related guidance.

Under the revised accounting standard, the Group has applied the new method of calculating retirement benefit obligations and service costs. The method of determination of the discount rate has revised to a single weighted average discount

rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line method to the standard pension benefit formula basis. In accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits, for the amendments relating to determination of retirement benefit obligations and service costs, the effect of changes in accounting policies arising from initial application is recognized as an adjustment to retained earnings at the beginning of the fiscal year.

As the effect of this revised accounting standard, the asset and liability for retirement benefits on the consolidated balance sheet have decreased by ¥447 million (\$3,725 thousand) and ¥885 million (\$7,375 thousand), respectively, from the beginning of the fiscal year under review, and deferred tax assets, deferred tax liabilities, retained earnings, minority interests have increased by ¥173 million (\$1,442 thousand), ¥121 million (\$1,008 thousand), ¥388 million (\$3,233 thousand) and ¥101 million (\$842 thousand), respectively. Operating income, ordinary income and net income before taxes for the fiscal year have decreased by ¥358 million (\$2,983 thousand), respectively.

#### (q) Changes in accounting estimates

The estimated remaining useful lives of certain buildings (including the related facilities) and structures at the Mitaka factory of Japan Radio Co., Ltd., a consolidated subsidiary, are shortened due to the sale plan of the land located at the factory site.

The effect of depreciation expenses increase is the respective reduction of operating income, ordinary income and net income for the fiscal year by ¥337 million (\$2,808 thousand).

### 3. Inventories

Inventories at March 31, 2015 and 2014 were as follows:

	(millions of yen)		(thousands of US dollars)
	2015	2014	2015
Finished products	¥33,729	¥29,948	\$281,075
Work in process	37,808	38,094	315,067
Materials and supplies	22,537	21,383	187,808
	¥94,074	¥89,425	\$783,950

### 4. Marketable and Investment Securities

The carrying amounts and aggregate fair values of available-for-sale securities included in marketable and investment securities at March 31, 2015 and 2014 were as follows:

	(millions of yen)		(thousands of US dollars)
	2015	2014	2015
Cost	¥23,342	¥27,901	\$194,516
Unrealized gains	77,097	52,933	642,475
Unrealized losses	(220)	(799)	(1,833)
Fair value	¥100,219	¥80,035	\$835,158

Aggregate cost of non-marketable securities accounted for under the cost method totaled ¥2,451 million (\$20,425 thousand) and ¥2,055 million at March 31, 2015 and 2014, respectively.

### 5. Short-Term Bank Loans and Long-Term Debt

The annual interest rates applicable to the short-term bank loans at March 31, 2015 and 2014 were 0.4% to 5.6%. Long-term debt at March 31, 2015 and 2014 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2015	2014	2015
Long-term debt with collateral:			
Loans from banks maturing serially to 2025, ranging from 0.7% to 3.8%	¥10,078	¥10,770	\$83,983
Long-term debt without collateral:			
Loans from banks maturing serially to 2019, ranging from 0.5% to 6.0%	34,719	38,438	289,325
Capital lease obligations, due through 2023	1,250	1,264	10,417
	46,047	50,472	383,725
Less current portion	(7,094)	(20,750)	(59,117)
	¥38,953	¥29,722	\$324,608

Annual maturities of long-term debt were as follows:

	(millions of yen)		(thousands of US dollars)
Year ending March 31,			
2016		¥7,094	\$59,117
2017		6,106	50,883
2018		4,376	36,467
2019		968	8,067
2020 and thereafter		27,503	229,191
		¥46,047	\$383,725

At March 31, 2015 and 2014, net book value of assets pledged as collateral for short-term bank loans and long-term debt was as follows:

	(millions of yen)	(thousands of US dollars)
	<b>2015</b>	<b>2014</b>
Property, plant and equipment	¥14,310	¥17,045
Accounts receivable, trade	242	9,600
Investment securities	744	527
	<b>¥15,296</b>	<b>¥27,172</b>
	<b>\$119,250</b>	<b>\$127,467</b>

At March 31, 2015 and 2014, in addition, pledged assets as collateral for liabilities other than the above were as follows:

	(millions of yen)	(thousands of US dollars)
	<b>2015</b>	<b>2014</b>
Assets pledged:		
Property, plant and equipment	¥9,096	¥7,817
Investment securities	821	466
Time deposits	1	1
	<b>¥9,918</b>	<b>¥8,284</b>
	<b>\$75,800</b>	<b>\$82,650</b>

	(millions of yen)	(thousands of US dollars)
	<b>2015</b>	<b>2014</b>
Liabilities with collateral:		
Other long-term liabilities	¥6,901	¥7,466
Notes and accounts payable, trade	1,182	1,025
	<b>¥8,083</b>	<b>¥8,491</b>
	<b>\$57,508</b>	<b>\$67,358</b>

## 6. Retirement Benefits and Pension Plans

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at termination, years of service and certain other factors.

The Group provides defined benefit plans and defined contribution plans.

The liability for retirement benefits for directors and corporate auditors at March 31, 2015 and 2014 was ¥39 million (\$325 thousand) and ¥29 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

Changes of the liability for employees' retirement benefits for the years ended March 31, 2015 and 2014 were as follows:

	(millions of yen)	(thousands of US dollars)
	<b>2015</b>	<b>2014</b>
<b>Projected benefit obligation</b>		
Balance at beginning of year	¥105,484	¥107,866
Cumulative effect of changes in accounting policies	(438)	—
Service cost	5,310	5,036
Interest cost	1,480	1,634
Recognized actuarial (gain) loss	1,420	(921)
Actual payment of retirement benefits	(5,414)	(10,525)
Exchange differences	1,094	3,239
Decrease due to transfer of benefit obligation to defined contribution pension plan and other	(7,325)	(845)
Balance at end of year	<b>¥101,611</b>	<b>¥105,484</b>
<b>Fair value of plan assets</b>		
Balance at beginning of year	¥64,057	¥58,219
Expected return on plan assets	1,616	1,110
Recognized actuarial gain	5,002	4,713
Contributions to the defined pension plan	2,840	3,456
Payment	(2,881)	(5,337)
Exchange differences	938	1,896
Decrease due to transfer of benefit obligation to defined contribution pension plan	(5,197)	—
Balance at end of year	<b>¥66,375</b>	<b>¥64,057</b>

Reconciliation of ending balance of retirement benefit obligation and pension assets, and the book value of liabilities and assets for retirement benefits for the years ended March 31, 2015 and 2014 were as follows:

	(millions of yen)	(thousands of US dollars)
	<b>2015</b>	<b>2014</b>
Funded retirement benefit obligation	¥66,371	¥71,307
Fair value of plan assets	(66,375)	(64,057)
	<b>(4)</b>	<b>7,250</b>
Unfunded retirement benefit obligation	35,240	34,177
Net amount of liabilities and assets in consolidated balance sheet	<b>¥35,236</b>	<b>¥41,427</b>
	<b>\$293,633</b>	<b>\$293,633</b>
Liabilities for retirement benefits	¥42,494	¥43,063
Assets for retirement benefits	(7,258)	(1,636)
Net amount of liabilities and assets in consolidated balance sheet	<b>¥35,236</b>	<b>¥41,427</b>
	<b>\$354,116</b>	<b>\$60,483</b>

The components of net periodic retirement benefit costs for the years ended March 31, 2015 and 2014 were as follows:

	(millions of yen)		(thousands of US dollars)
	2015	2014	2015
Defined benefits plans:			
Service cost	¥5,310	¥5,036	\$44,250
Interest cost	1,480	1,634	12,333
Expected return on plan assets	(1,616)	(1,110)	(13,466)
Amortization of prior service cost	(296)	(302)	(2,467)
Recognized actuarial loss	811	1,953	6,758
	¥5,689	¥7,211	\$47,408

Retirement benefits paid due to restructuring of business operations for the years ended March 31, 2015 and 2014 were ¥241 million (\$2,008 thousand) and ¥4,065 million, respectively.

Assumptions used for the years ended March 31, 2015 and 2014 were set forth as follows:

	2015	2014
Discount rate	0.5%–1.0%	1.0%–2.0%
Expected rate of return on plan assets	0.0%–4.0%	0.0%–4.5%
Rate of expected salary increase	1.9%–8.3%	2.0%–8.3%

## 7. Income Taxes

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	(millions of yen)		(thousands of US dollars)
	2015	2014	2015
Deferred tax assets:			
Loss on devaluation of inventories	¥1,372	¥1,637	\$11,433
Tax loss carryforwards	18,024	24,104	150,200
Unrealized gain caused by intercompany transactions	1,368	1,277	11,400
Accrued employees' bonuses	2,046	2,147	17,050
Accrued severance benefits	12,025	13,513	100,208
Impairment of long-lived assets and depreciation in excess of tax limitation	1,780	1,853	14,833
Devaluation of investment securities	788	894	6,567
Software costs	1,471	1,731	12,258
Loss of investment in subsidiary in liquidation	2,531	—	21,092
Other	4,598	4,327	38,317
Less valuation allowance	(23,992)	(36,216)	(199,933)
	¥22,011	¥15,267	\$183,425
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(25,078)	¥(18,885)	\$(208,983)
Deferred gains on sale of property	(6,427)	(5,334)	(53,558)
Assets recognized in business combination	(10,315)	(15,141)	(85,958)
Other	(6,896)	(5,378)	(57,468)
	¥(48,716)	¥(44,738)	\$(405,967)
Net deferred tax	¥(26,705)	¥(29,471)	\$(222,542)

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2015 and 2014 and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Net changes in valuation allowance	(43.9)	(13.5)
Amortization of goodwill	14.4	16.1
Loss of investment in subsidiary in liquidation	(14.1)	—
Lower income tax rates applicable to income in certain foreign countries	(7.2)	(8.7)
Equity in earnings of affiliates	(6.5)	(12.3)
Additional taxes on retained earnings in foreign subsidiaries	4.8	6.5
Other	1.0	(1.0)
Actual effective tax rate	(15.9%)	25.1%

As a result of changes in the corporate tax rate, the deferred tax assets using enacted tax rates in effect for the years in which differences are expected to reverse at 33.1% for the year ending March 31, 2016 and at 32.3% for the years ending March 31, 2017 and thereafter.

## 8. Leases

The Group leases certain machinery, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2015 and 2014 were ¥892 million (\$7,433 thousand) and ¥665 million, respectively.

## 9. Derivatives

The Group enters into foreign currency forward contracts, currency swap contracts and commodity swap contracts to hedge exchange risk associated with certain assets and liabilities denominated in foreign currencies and also into interest rate swap

contracts to manage its interest rate exposures on certain liabilities. Such contracts outstanding at March 31, 2015 and 2014 were as follows:

	(millions of yen)			(thousands of US dollars)					
	2015			2014			2015		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized loss	Contract amount	Fair value	Unrealized gain (loss)
Not hedged:									
Interest rate swap:									
Fixed rate payments, floating rate receipt	¥103	¥(3)	¥(3)	¥309	¥(10)	¥(10)	\$858	\$(25)	\$(25)
Commodity swap:									
Purchased raw materials	¥2,926	¥(19)	¥(19)	¥1,268	¥(17)	¥(17)	\$24,383	\$(158)	\$(158)
Foreign currency forward contracts:									
Sold	¥2,461	¥(27)	¥(27)	¥2,128	¥(9)	¥(9)	\$20,508	\$(225)	\$(225)
Purchased	¥806	¥6	¥6	¥1,345	¥(6)	¥(6)	\$6,717	\$50	\$50
Currency swap:									
Receive EUR · Pay US\$	¥—	¥—	¥—	¥231	¥(1)	¥(1)	\$—	\$—	\$—

	(millions of yen)						(thousands of US dollars)		
	2015			2014			2015		
Hedged:	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Commodity swap:									
Purchased raw materials	¥—	¥—	¥—	¥957	¥—	¥(76)	\$—	\$—	\$—
Foreign currency forward contracts:									
Sold	¥391	¥—	¥(1)	¥259	¥—	¥(1)	\$3,258	\$—	\$(8)
Purchased	¥1,798	¥—	¥96	¥1,300	¥—	¥19	\$14,983	\$—	\$800

## 10. Other Income (Expenses) — Other, Net

Other income (expenses) — Other, net consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2015	2014	2015
Gain (loss) on sale of property, plant and equipment	¥3,313	¥(286)	\$27,608
Impairment of long-lived assets	(1,668)	(1,257)	(13,900)
Gain on sale of securities	1,539	1,195	12,825
Business structure improvement expenses	(3,714)	(4,065)	(30,950)
Other, net	(256)	145	(2,133)
	¥(786)	¥(4,268)	\$(6,550)

## 11. Commitments and Contingencies

Contingent liabilities at March 31, 2015 and 2014 for trade notes discounted with banks amounted to ¥509 million (\$4,242 thousand) and ¥659 million, respectively.

Contingent liabilities at March 31, 2015 and 2014 for loans guaranteed amounted to ¥100 million (\$833 thousand) and

¥90 million, respectively.

Commitments for capital expenditures outstanding at March 31, 2015 and 2014 were in the approximate amounts of ¥2,363 million (\$19,692 thousand) and ¥3,057 million, respectively.

## 12. Subsequent Events

### (a) Year-end cash dividends

On May 12, 2015, the Board of Directors of Nisshinbo Holdings Inc. declared year-end cash dividends (¥7.5 per share) in the amount of ¥1,188 million (\$9,900 thousand).

### (b) Stock option

At the general shareholders meeting held on June 26, 2015, the Company's shareholders approved a stock option plan to grant

stock purchase rights up to 200 thousand shares of the Company's common stock to directors and key employees in the period from August 1, 2017 to July 31, 2022.

### (c) Acquisition of a new subsidiary company

The Group has acquired all shares of TS Holdings Co., Ltd. on May 18, 2015, of which the purchase cost is ¥6,000 million (\$50,000 thousand).

## 13. Segment Information

Information about industry segments of the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2014 was as follows:

	(millions of yen)									
	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/Corporate	Consolidated
Sales and Segment Profit (loss):										
Sales to customers	¥47,361	¥161,887	¥31,280	¥28,608	¥8,943	¥209,116	¥9,246	¥27,317	¥—	¥523,758
Intersegment sales	197	24	742	670	237	123	2,266	2,723	(6,982)	—
Total sales	¥47,558	¥161,911	¥32,022	¥29,278	¥9,180	¥209,239	¥11,512	¥30,040	¥(6,982)	¥523,758
Segment profit (loss) [Operating income (loss)]	¥(476)	¥(2,069)	¥425	¥264	¥515	¥12,704	¥6,669	¥(110)	¥(4,178)	¥13,744
Segment assets:	¥49,735	¥177,473	¥22,587	¥36,648	¥7,803	¥233,337	¥44,369	¥37,285	¥69,249	¥678,486
Other:										
Depreciation and amortization	¥1,470	¥10,542	¥1,009	¥1,631	¥407	¥5,733	¥1,687	¥276	¥356	¥23,111
Increase in property, plant and equipment and intangible assets	¥3,212	¥10,042	¥504	¥5,588	¥258	¥17,997	¥506	¥37	¥(1,235)	¥36,909

	(millions of yen)									
	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/Corporate	Consolidated
Sales and Segment Profit (loss):										
Sales to customers	¥51,349	¥148,699	¥31,686	¥28,655	¥8,810	¥187,743	¥10,567	¥26,841	¥—	¥494,350
Intersegment sales	193	44	746	1,351	267	93	2,479	1,514	(6,687)	—
Total sales	¥51,542	¥148,743	¥32,432	¥30,006	¥9,077	¥187,836	¥13,046	¥28,355	¥(6,687)	¥494,350
Segment profit (loss) [Operating income (loss)]	¥552	¥(1,814)	¥42	¥1,075	¥106	¥9,352	¥7,781	¥(67)	¥(3,852)	¥13,175
Segment assets:	¥47,837	¥167,264	¥22,311	¥29,857	¥8,215	¥208,527	¥47,274	¥32,533	¥47,493	¥611,311
Other:										
Depreciation and amortization	¥1,504	¥9,732	¥1,041	¥1,459	¥605	¥4,751	¥1,767	¥275	¥352	¥21,486
Increase in property, plant and equipment and intangible assets	¥1,036	¥8,735	¥416	¥980	¥1,080	¥7,287	¥550	¥834	¥(1,022)	¥19,896

	(thousands of US dollars)									
	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/Corporate	Consolidated
Sales and Segment Profit (loss):										
Sales to customers	\$394,675	\$1,349,058	\$260,667	\$238,400	\$74,525	\$1,742,633	\$77,050	\$227,642	\$—	\$4,364,650
Intersegment sales	1,642	200	6,183	5,583	1,975	1,025	18,883	22,692	(58,183)	—
Total sales	\$396,317	\$1,349,258	\$266,850	\$243,983	\$76,500	\$1,743,658	\$95,933	\$250,334	\$(58,183)	\$4,364,650
Segment profit (loss) [Operating income (loss)]	\$(3,967)	\$(17,242)	\$3,542	\$2,200	\$4,292	\$105,867	\$55,575	\$(917)	\$(34,817)	\$114,533
Segment assets:	\$414,458	\$1,478,942	\$188,225	\$305,400	\$65,025	\$1,944,475	\$369,742	\$310,708	\$577,075	\$5,654,050
Other:										
Depreciation and amortization	\$12,250	\$87,850	\$8,408	\$13,592	\$3,392	\$47,775	\$14,058	\$2,300	\$2,967	\$192,592
Increase in property, plant and equipment and intangible assets	\$26,767	\$83,683	\$4,200	\$46,567	\$2,150	\$149,975	\$4,217	\$308	\$(10,292)	\$307,575

**To the Board of Directors of Nisshinbo Holdings Inc.**

We have audited the accompanying consolidated financial statements of Nisshinbo Holdings Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nisshinbo Holdings Inc. and its consolidated subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Convenience translations*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1 to the consolidated financial statements.



VERITAS & Co.  
June 26, 2015  
Tokyo, Japan

- 1907** Established Nisshin Cotton Spinning Co., Ltd.
- 1938** Merged with Nisshin Rayon Co., Ltd. (now the Miai Plant)
- 1940** Established Toa Jitsugyo Co., Ltd. (name changed to Nisshin Toa Inc. in 1990)
- 1945** Acquired Meiji Plant, Nanshin Seiki Co., Ltd. (now the Fuji Plant)
- 1949** Established Nihon Postal Franker Co., Ltd. (name changed to Nisshinbo Postal Chemical Co., Ltd. in 2006)
- 1958** Established Nippon Kohbunshikan Co., Ltd. (name changed to Nippon Kohbunshi Co., Ltd. in 1986) (acquired by Nisshinbo Mechatronics Inc. in 2010)
- 1962** English name of company changed to Nisshin Spinning Co., Ltd.
- 1972** Established Nisshinbo Do Brasil Industria Textil LTDA. (Brazil)
- 1985** Acquired Nisshin Denim Inc.
- 1989** Established Kohbunshi (Thailand) Ltd. (Thailand) (name changed to Nisshinbo Mechatronics (Thailand) Ltd. in 2011)
- 1993** Established Pudong Kohbunshi (Shanghai) Co., Ltd. (China) (name changed to Nisshinbo Mechatronics (Shanghai) Co., Ltd. in 2010)
- 1995** Established Nisshinbo Automotive Corporation (U.S.A.)  
Established Nisshinbo Urban Development Co., Ltd.
- 1996** Established Nisshinbo Somboon Automotive Co., Ltd. (Thailand)
- 1997** Established Nisshinbo Automotive Manufacturing Inc. (U.S.A.)
- 1998** Established P.T. Gistex Nisshinbo Indonesia (Indonesia) (name changed to P.T. Nisshinbo Indonesia in 2010)
- 1999** Established Saeron Automotive Corporation (South Korea)
- 2000** Purchased additional shares of P.T. Nikawa Textile Industry (Indonesia)  
Established Continental Teves Co., Ltd. through merger with Continental Teves AG & Co. oHG (name changed to Continental Automotive Co., Ltd. in 2007)
- 2002** Established Nisshinbo (Shanghai) Co., Ltd. (China)  
Acquired all shares of Iwao & Co., Ltd.
- 2003** Established Saeron Automotive Beijing Corporation (China)
- 2004** Established Continental Automotive Corporation (Lian Yun Gang) Co., Ltd. (China)
- 2005** Made tender offer for additional shares of New Japan Radio Co., Ltd.
- 2006** Acquired additional shares of Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd.
- 2007** Acquired all shares of Daiwa Shiko Co., Ltd.
- 2008** Acquired all shares of Nisshinbo Brake Sales Co., Ltd. (acquired by Nisshinbo Brake Inc. in 2010)
- 2009** Spun off five businesses — Textiles, Automobile Brakes, Papers, Precision Instruments, and Chemicals — and converted to holding company; corporate name changed to Nisshinbo Holdings Inc.
- 2010** Established Nisshinbo-Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd. (China) (formerly Jiangsu Yawei Nisshinbo Precision Instruments & Machinery Co., Ltd.)  
Acquired additional shares in Japan Radio Co., Ltd., making it a consolidated subsidiary  
Nagano Japan Radio Co., Ltd. also became a consolidated subsidiary as a result
- 2011** Established Nisshinbo Saeron (Changshu) Automotive Co., Ltd. (China)  
Established Nisshinbo Singapore Pte. Ltd. (Singapore)  
Acquired all shares of TMD Friction Group S.A. (Luxembourg)
- 2012** Established Nisshinbo Business Management (Shanghai) Co., Ltd. (China)
- 2013** Established Nisshinbo Commercial Vehicle Brake Ltd. (Thailand)
- 2014** Established Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd. (China)

# Corporate Data

(As of March 31, 2015)

## Founded

February 5, 1907

## Head Office

2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku,  
Tokyo 103-8650, Japan  
Tel: +81-3-5695-8833  
Fax: +81-3-5695-8970

## Osaka Branch

2-4-2, Kitakyuhouji-machi, Chuo-ku,  
Osaka 541-0057, Japan  
Tel: +81-6-6267-5501  
Fax: +81-6-6267-5529

## Nagoya Branch

5-2-38, Sakae, Naka-ku,  
Nagoya 460-0008, Japan  
Tel: +81-52-261-6151  
Fax: +81-52-263-9480

## Employees

Parent Company	208
Subsidiaries	21,179
Total	21,387

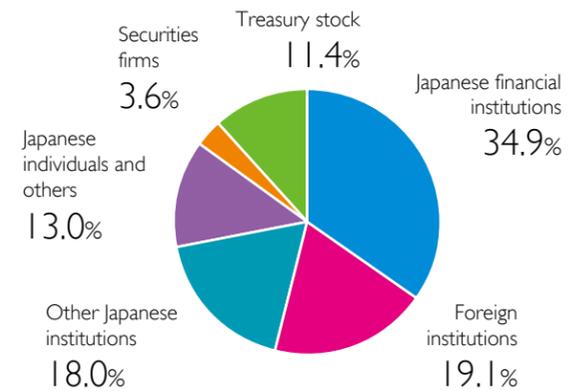
## Common Stock

Authorized 371,755,000 shares  
Issued 178,798,939 shares  
¥27,588 million (US\$230 million)

## Shareholders

11,431

## Composition of Shareholders



## Listings

Tokyo, Nagoya, Fukuoka and Sapporo

## Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation  
1-4-5, Marunouchi, Chiyoda-ku,  
Tokyo 100-8212, Japan

## Stock Price and Trading Volume

