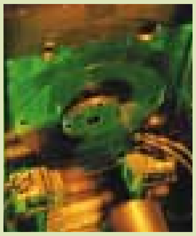
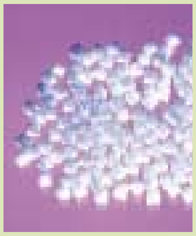
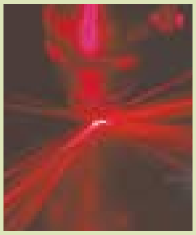
NISSHINBO

Annual Report 2001

(Year ended March 31, 2001)

NISSHINBO Industries, Inc. (the “Company”) was founded in 1907 as a manufacturer of cotton yarns and threads, and quickly assumed a position of leadership in the industry. Our history has been characterized by strategic moves taken in advance of competitors and designed to raise productivity, improve quality and add value. Today, we are a total textiles manufacturer, controlling operations from spinning to finishing. This, together with our accumulated high levels of

technology, gives us an advantage in the development of truly distinctive products and in quality control.

Through the application in other fields of technologies and expertise originally developed in the textiles area, we have diversified our operations into the manufacture of automobile brakes, papers, machine tools, chemical products, and others. These non-textile lines have grown steadily, and now account for over 65% of consolidated net sales. We have targeted certain strategic products to form the basis of future growth: High value-added finishing processes and products in the textiles field, including *SUPER SOFT* and *SSP* (*SUPER SOFT PEACHPHASE*), new-generation electronic braking systems, high heat-insulation panels and fuel cell-related materials.

The Company and its consolidated subsidiaries and affiliates (together, “Nisshinbo”) are fully focused on enhancing its collective strengths across its entire business range. As a genuinely 21st century manufacturer backed by advanced production systems and a wide range of high-value-added products, we will maintain our competitiveness by emphasizing our distinctive strengths.

CONTENTS

The paper used for this Annual Report is from Nisshinbo’s *FLEUVE* series of fine papers.

In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

Financial Highlights

(Years ended 31st March)

Consolidated:

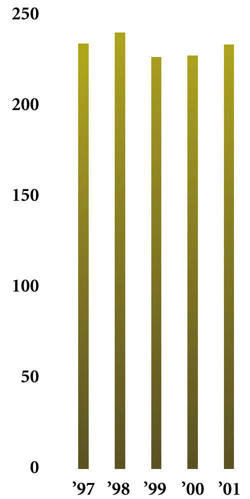
	(millions of yen)		(millions of US dollars)
	2000	**2001**	**2001**
Net Sales	¥ 227,452	**¥ 233,535**	**$ 1,868**
Net Income	2,648	**517**	**4**
Shareholders' Equity	194,685	**192,331**	**1,539**

Per Share:

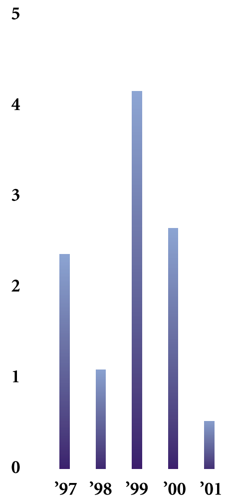
	(Yen)		(US dollars)
Net Income	¥ 11.36	**¥ 2.32**	**$ 0.02**
Shareholders' Equity	857.05	**868.49**	**6.95**
Cash Dividends	7.00	**7.00**	**0.06**

Note: The United States dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥125=US$1.

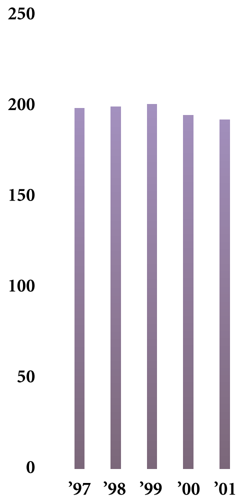
Net Sales (Billions of yen)



Net Income (Billions of yen)



Shareholders' Equity (Billions of yen)



Business Lineup

Textiles

Textile products have been the mainstay of our business since our foundation. Our products are distinguished by their quality and competitiveness. We have the top share in the domestic markets for shirt materials (around 40%), textile sheets for bedding (around 30%), denim (around 40%), polyester and cotton blended uniform materials (around 35%), and spandex for total-support panty hose (more than 50%). We ensure that our state-of-the-art production facilities both at home and overseas are always ready to respond to changes in market trends.

We undertake comprehensive operations, including finishing, and supply products that overseas makers cannot match for quality. An ability to respond quickly to the precise needs of customers is our particular strength.

Our original textile products include *MOBILON* spandex and *OIKOS* non-woven cotton fabrics. The *SUPER SOFT*, *SSP* and *CELTOPIA* finishing processes are also original.

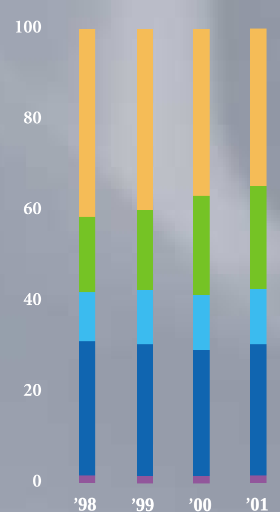
Non-Textiles

Automobile Brakes

We are one of Japan's leading makers of friction materials and automobile brakes, and this sector has an important role in our drive to diversification. Our product development emphasis is on "green" pads using asbestos-free friction materials, new concept drum brakes, Anti-lock Brake Systems (ABS) and Stability Control Systems. In the ABS field, our original, compact, low-cost NT series is targeted at markets worldwide. Stability Control Systems enhance safety by supporting the driver in controlling directional movement of the vehicle.

In parallel with the development of our own technologies, we exchange technologies and collaborate with major overseas brake manufacturers. We have also set up production bases for friction materials and automobile brakes in the U.S., Thailand and South Korea, to strengthen our presence in those markets.

Consolidated Sales Composition (%)



Sales by Segment in Fiscal 2001 (%)

Textiles	34.8
Automobile Brakes	22.6
Papers	12.2
Other Products	28.8
Real Estate	1.6

PAPERS

We manufacture a wide range of paper and paper-related products. These include household papers, such as tissue paper, toilet paper and kitchen-use paper towels, fine papers used in printing, publications and packaging, synthetic papers and labels. Our value-added products include *COTTON FEEL*, a household paper made using our spinning technologies, *VENT NOUVEAU* and *FLEUVE* natural-feel fine papers for high-quality printing, and synthetic papers for digital printing.

OTHER PRODUCTS

Machine Tools

We are an acknowledged specialist in the manufacture and sale of customized machine tools and CNC turret punch presses, laser cutting machines and press brakes. We develop and manufacture modular units for FMS and CNC hardware/software systems for the automotive, electronics and aerospace industries. We also manufacture environment-related products, including a solar power generation system and a kitchen waste disposal unit for commercial use.

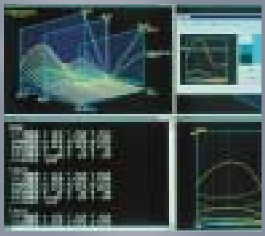
Chemical Products

We produce rigid-type polyurethane foams for application as heat-insulation or packaging material, and flexible types used as cushion material. Processed products include *AIRLITE-FRU*, a lightweight, high-strength, corrosion-resistant glass fiber-reinforced polyurethane foam widely used in the water treatment and construction industries, and *SETFOAM* for civil engineering applications. We are also a pioneer in the introduction of environment-friendly non-fluorocarbon polyurethane foam for application as heat-insulation material in the construction field. We are expanding the applications of our original polyurethane elastomer *MOBILON*, which has excellent elasticity and water-resistance characteristics, in a number of industrial products and consumer goods fields. In addition, we offer new carbon products for application in semiconductor production and other electronics fields.

Other materials include *CARBODILITE* and electromagnetic wave shield materials and molded *METTON*™ products produced and marketed by Nisshinbo.

We also produce cross-flow fans for air conditioners for the Southeast Asian and other markets.

Others



We manufacture medical-use electronics equipment, including ultrasonic-scanning diagnosis devices and surgical equipment, applied electronic equipment, including "handy" terminals and CRT graphic displays, and radio communications equipment, including mobile telephone and PHS.

We also develop and supply the production systems which integrate the *CHOSHOKU SENKA* fuzzy logic computer color matching (CCM) system, manufacturing process support system and automatic inspection system. All are based on original technologies.

REAL ESTATE

We are engaged in the real estate business for the purpose of efficient utilization of our unused land. We lease an office building on the site of our former headquarters, and lease land previously occupied by factory facilities for use as shopping centers and model houses.

Q1. *What were Nisshinbo Industries, Inc.'s consolidated results for fiscal 2001, ended March 31, 2001?*

Consolidated net sales totaled ¥233,535 million (US$1,868 million), an increase of 2.7% over fiscal 2000, ended March 31, 2000. Operating income was ¥5,751 million (US$46 million), up 38.9%, supported by higher sales of automobile brakes, and improved profitability in the textiles segment. Net income decreased 80.5% to ¥517 million (US$4 million), due to a decrease in gain on sales of securities and a one-time expense resulting from the adoption of a new accounting standard for employees' retirement benefits and retirement benefits paid due to restructuring of business operations.

By business segment, sales of textiles decreased 3.1% to ¥81,240 million (US$650 million), while sales of non-textiles increased 6.0% to ¥152,295 million (US$1,218 million). The ratio of non-textiles sales to total sales increased 2.0 percentage points to 65.2%.

For fiscal 2001, the Japanese corporate sector posted a modest recovery in earnings. However, weak consumer spending and widespread uncertainty about future economic prospects continued. Sales of textiles decreased, affected particularly by lower sales prices resulting from a sharp increase in demand for low-priced imports. However, further successful cost-down efforts in both raw materials procurement and operations enabled us to increase profit. Our performance in the non-textiles segment was mixed, depending on business area, but overall sales and operating income increased, thanks to higher sales of automobile brakes.

On April 1, 2000, we launched a three-year management plan designed to increase our corporate value by expanding our business scale and improving profitability. Under this plan, we will reinforce our new product development capabilities, establish a solid operating system for each product sector, and bring our business structure in line with global standards.

Akihiro Mochizuki, Chairman (left) and Yoshikazu Sashida, President

Q2. *What progress have you made so far in promoting the three-year management plan?*

Our strategies at the divisional level are designed to reinforce our ability to develop new products and to ensure that our business systems have the flexibility to respond to a fast-changing business environment. Pursuing these basic goals, we have focused on organizational reform to strengthen our operations in core businesses and seek new opportunities in growth fields.

In the textiles segment, we are shifting production from domestic to overseas bases to enhance our cost competitiveness. We closed down the Notogawa Plant and have decided to close down the Harisaki plant, and made P.T. Nikawa Textile Industry of Indonesia a subsidiary. We are increasing production at P.T. Nikawa Textile Industry, P.T. Gistex Nisshinbo Indonesia and Nisshinbo do Brasil Industria Textil Ltda. We are also acquiring shares in, and providing technical assistance to, enterprises in China.

In the non-textiles segment, we established a joint venture, Continental Teves Corporation (CTC), with Continental Teves AG & Co. oHG (CT) of Germany, to enable us to compete still more successfully in the global automobile brakes market. To promote the creation of new businesses, we set up a Fuel Cell Department within the Research and Development Division, and are developing several promising products in the biotechnology and environment-related fields. We also expanded sales of our *N's VIP* vacuum insulation panel.

In terms of management and business structure generally, we worked to meet global standards. We sharpened our focus on environment-related issues, set up an advanced IT network, and made progress in acquiring further QS9000, ISO9001 and ISO14001 certification.

In fiscal 2001, we made capital investment in an amount of ¥17,093 million (US$137 million), which we allocated

Pulling Together, Pushing Ahead

mainly to development of new products in fast-growing fields and enhancement of production facilities.

Upon completion of the current three-year management plan at the end of fiscal 2003, we plan to have increased consolidated sales to the ¥300,000 million level, and operating income to the ¥13,000 million level. Improving profitability in the textiles segment and accelerating business development in the non-textiles segment are the keys to achieving these goals.

Q3. *What is the outlook for fiscal 2002, ending March 31, 2002?*

There is no sign of recovery in consumer spending, and corporate capital investment is slowing, so we expect the current adverse business conditions to continue well into fiscal 2002. Under these circumstances, we are implementing a "Business System Reform" program involving a comprehensive review of our activities. This reflects our determination to be genuinely a 21st century manufacturer, capable of meeting all the difficult, and exciting, challenges that lie ahead.

For fiscal 2002, we project sales of ¥238,000 million and operating income of ¥7,000 million.

Q4. *Can you give more details of the "Business System Reform" program?*

The major themes of the program are as follows: Swifter response to changes in the business environment, enhanced competitiveness in a fast globalizing marketplace, improved product development capabilities matched to customer needs and higher levels of overall efficiency.

For product development, we will select development themes carefully, based on potential for commercialization. To meet our other objectives, each business division is currently reviewing its operating processes, from procurement of materials through production to distribution and marketing. Each division will define its next steps forward in relation to our broad strategic prospective of globalization, strengthening competitiveness, and long-term vision.

To support these activities, we will expand our utilization of advanced IT across the Group and push ahead with a new staff training program designed to global standards. We have high hopes that "New Challenge System," an in-house staff recruitment system, will make us more efficient in getting the right people into the right jobs at the right time.

By strengthening each of our businesses, and through alliances and tie-ups with other companies relating to finance, production and human resources, we will enhance our competitiveness on a Group-wide basis. By making the most of our integrated group strengths, we intend to maintain our leadership in the Japanese textile industry. We also aim for ascendancy in a diverse range of new business fields, ultimately obtaining top shares both in domestic and overseas markets.

Q5. *Are there any other important matters that you would like to comment on?*

Yes, one very important matter in particular. Soil at the site of our former Tokyo Plant has been found to be contaminated. In fiscal 1999, a portion of the site was sold to the Urban Development Corporation (UDC), and during the course of demolishing buildings and other facilities we discovered contamination. We conducted a thorough examination and found that fortunately the contamination did not extend beyond the site. We are currently decontaminating the site according to ministerial guidelines, taking extreme care not to cause any adverse impact on the surrounding environment. We expect to hand over the site to UDC at the end of March 2003.

Q6. *Finally, what is your policy regarding dividends?*

We seek to return profits to shareholders, ideally increasing dividends in line with earnings, while also keeping retained earnings at the levels required to secure future growth.

Owing to the adverse business environment, our results for fiscal 2001 were not as we had hoped. Nevertheless, the dividend for fiscal 2001 is ¥7.00 (US$0.06) per common share, the same as for fiscal 2000.

During fiscal 2001, as one way of improving shareholder value, we repurchased a total of 5,700,000 shares of the Company at a cost of ¥2,914 million (US$23 million) and cancelled them.

We shall continue in our efforts to increase profitability by offering high value-added products deriving from superior development and advanced production systems. Meanwhile, we take this opportunity to express our sincere appreciation to shareholders, customers and friends for their continuing support.

A. Mochizuki

Akihiro Mochizuki
Chairman

Y. Sashida

Yoshikazu Sashida
President

We are currently implementing a program of "Business System Reform" intended to refine our operational system to a point that allows us to respond even more quickly and flexibly to the challenges of an ever-changing, increasingly borderless business environment as a genuinely 21st century manufacturer. Group-wide, we are working vigorously to secure growth opportunities and higher profitability. This is all part of our 21st century manufacturer concept.

Business System Reform

Our business system reform activities reach into all our operating and administrative systems.

In the textiles segment, we emphasize strategic moves to enhance profitability through a channeling of financial and management resources into carefully selected business areas. We have identified a number of major reform themes. These include enhancement of customer-oriented businesses, reviewing existing product lines, establishing an IT network linking operations from production to sales, globalization of our operations through a shift of production to overseas bases, and technological development. In the latter connection, we opened a Textile Research and Development Center in September 2000.

In the automobile brakes segment, including ABS operations, we are concentrating on business globalization and the development of

Pulling Together, Pushing Ahead

Textile Research and Development Center (above) competitive products in world markets. Automobile manufacturers are extremely demanding in terms of maintaining and enhancing quality. To meet their needs, we focus on meeting the requirements for internationally recognized quality standards. In addition, we are strengthening our global business structure, responding swiftly to a sustained increase in demand for modular units, working to reduce our cost base, and enhancing after-sales services.

In the paper products field, competition among the large manufacturers is intensifying and sales prices are falling. We have chosen to go against this trend. Cost reduction is important, but we place more weight on the exploitation of niche markets where we can make the most of our technological superiority and achieve further growth.

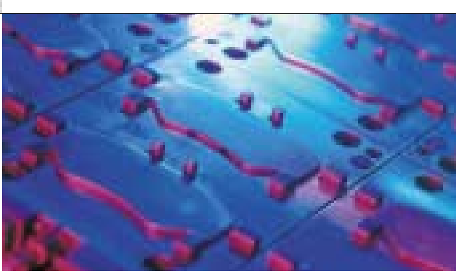
Among other businesses, improving profitability in the machine tools field is a priority. This involves a streamlining of our product lineup and a shift of focus to new growth fields.

We will strengthen operations in our core businesses and invest in areas where we see strong demand. Specifically, we intend to develop environment-related products into a new pillar of other businesses.

In the chemical products field, we currently handle a broad range of products for application in various industries. We need to be more selective, identifying growth fields and undertaking product development accordingly. We will implement a clear strategy based on unified development, production and sales activities, and detailed analysis of comprehensive market data. We will establish a direct-to-customers distribution system, a detailed cost control system suitable for our product range, a production management system that takes into account profitability and facility utilization rate, and a quality control system that satisfies the requirements of various quality standard institutions. Our ultimate goal is to build an optimum organizational structure from a global perspective.

In the Computer Color Matching (CCM) systems field generally, there is still a wide gap between the interest shown by potential customers and actual sales. We intend to establish a unique "Nisshinbo style," whereby we work closely with clients on an individual basis to build CCM systems customized to their particular needs. As part of our approach, we will propose marketing plans to ink and paint manufacturers that position CCM systems as a strategic tool for business expansion.

In our business administration activities, advanced IT systems are the key to greater speed and efficiency, and we are pushing ahead accordingly. As a total manufacturer, we need to establish an optimum supply chain management (SCM) system. We are integrating in-house systems associated with each business process, from production to sales and distribution, to provide centralized control of our operations. This allows us to implement more effective strategic sales and production policies. Expanding this system globally is an urgent next step. We will also make greater the use of our intranet. Already, we have created a database of technical data and started providing employee welfare-related information through the intranet. We have also introduced "New Challenge System," an intranet-based system for advertising in-house job vacancies.



Our high-performance friction materials (above)

New Challenge System

"New Challenge System" is an intranet-based in-house job advertising system designed to facilitate exchange of staff between business fields in accordance with resource allocation planning, develop staff skills, and unearth latent talent.

Globalization – Enhancing Competitiveness

The Japanese textile industry continues to face difficult business conditions, due mainly to sluggish consumer spending and increased competition from imports. The sales ratio of domestically produced cotton products to total sales of cotton products for fiscal 2001 showed a year-to-year decrease of one-third.

Our response is to reduce domestic production and instead emphasize the development of high value-added processing technologies. Simultaneously, we will accelerate the shift of production to overseas bases and build close, cooperative ties within the Nisshinbo Group to facilitate business globalization.

We are confident that our strategy will succeed in making us a top player in selected world markets. Traditionally, we have led the Japanese textile industry by maximizing efficiency at our domestic production operations. Today, the challenge is how to use our world-leading production and materials technologies to create a competitive advantage in global markets based on quality rather than price.

In areas where we do compete on price, we are restructuring the balance between domestic and overseas production.

Specifically, we are closing down our Notogawa and Harisaki plants and reorganizing our domestic production system as a whole. Among our finishing plants, we are downsizing operations at our Miai Plant. At the same time, P.T. Nikawa Textile Industry (Nikawa Tex) and P.T. Gistex Nisshinbo Indonesia (G&N), both based in Indonesia, are increasing production. Nisshinbo do Brasil Industria Textil Ltda. is doing the same. Our spinning capacity is now 370,000 spindles in Japan and 240,000 spindles overseas, mostly in Indonesia, Brazil and China.

In November 2000, we increased our stake in Nikawa Tex from 20% to 60% by acquiring a portion of Kanematsu Corp.'s holding. Also in November we purchased, jointly with our long-standing partner the Cha Chi Ming Group of Hong Kong, all the shares of Mingly Textiles (Changzhou) Ltd. through a Chinese counterparty. At the same time, we acquired a third of the shares in Hangzhou Yimian Limited, a member of the Cha Chi Ming Group, and now provide it with technical assistance. Hangzhou Yimian operates spinning processing facilities. By transferring some production of knitted products from our Fujieda and Miai plants, we intend to strengthen our overall production system for these products. This will help to restore our competitiveness in this field. In September 2001, we set up a representative office in Shanghai to improve market information communications among our production bases in Japan, China and Indonesia, and reinforce our marketing operations. In August 2000, we concluded a business tie-up agreement with the Vardhman Group, a leading cotton spinning company in India, to supply Vardhman's cotton yarns under the Nisshinbo brand to apparel makers in Japan and Southeast Asia. In parallel, we will downsize domestic production of cotton yarns.

The automobile industry was one of the first industries to globalize operations. We responded quickly by promoting technological tie-ups and joint ventures, and shifting production overseas. Globalization brings the responsibility of meeting global standards. All of our domestic and overseas business offices and

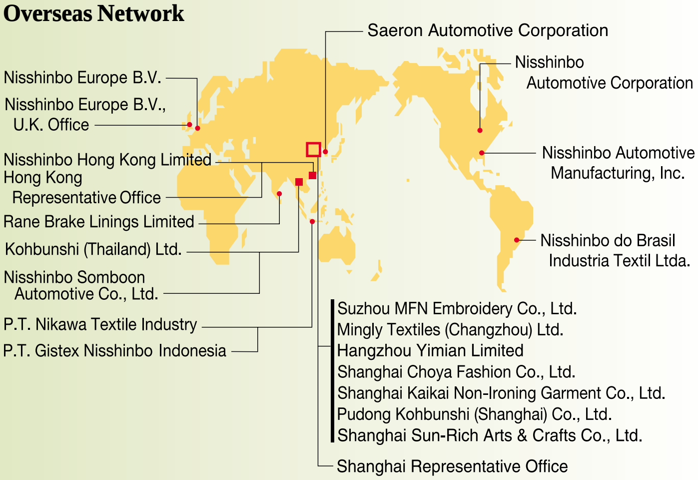
Signing ceremony with Continental Teves AG & Co. oHG

Pulling Together, Pushing Ahead

plants in the friction materials and automobile brakes field have acquired QS9000 certification, the international standard for quality management systems. In the ABS field, Hamakita Plant and Continental Teves Corporation (CTC) aim to acquire it by July 2002. In addition, all our domestic business offices and plants in these fields have acquired ISO9001 certification for quality management systems.

We established CTC, a joint venture with Continental Teves AG & Co. oHG of Germany, one of the world's top four brake manufacturers, to enhance our competitiveness in a market now dominated by just a few large global players. The two companies have had a long-standing technological tie-up agreement relating to disc brakes and ABS. CTC undertakes product development in the fields of disc brakes (excluding friction materials and drum brakes) and electronic brake systems, such as ABS, targeting mainly Japanese and South Korean brake manufacturers. CTC will begin manufacturing operations in calendar 2002, producing our Electronic Stability Program (ESP), that assures driving stability. We will install ESP production facilities at our Hamakita Plant. We forecast total sales of ¥40 billion by fiscal 2005. CTC has also acquired Shin-Ei Industry Co., Ltd., a brake parts manufacturer, which is a subsidiary of Mazda Motor Corporation, and its subsidiary, Shin-Tech Co., Ltd., a manufacturer of disc brakes.

Overseas Network



Strategy for Creating Seed Businesses

Comprehensive research into the development of seed businesses with potential for growth on a global scale is a key part of our business system reform program. We are focusing on three areas: Electronics/IT, Energy/Ecology, and Life Sciences. Following are examples of promising products that we have recently developed.

In the Electronics/IT field, we have begun trial supply of an optical filter for use in flat screens/screen displays. We plan to turn this into a new business.

Among Energy/Ecology-related products, our recent developments include a material for fuel cell bi-polar plates, and a solid polymer electrolyte for secondary batteries. We now supply these products on

OligoArray®, *a micro array kit* (left)

International Technical Agreements

As licensee:

- Meritor Heavy Vehicle Braking Systems (UK) Ltd. for commercial vehicle disc brake technology
- Continental Teves AG & Co. oHG of Germany for MK60 ABS and ESP TCS technology

As licensor:

- Rane Brake Linings Limited of India for friction materials technology
- Heng Tong Auto Parts Inc. of Taiwan for friction materials and passenger car disc brake technologies

As cross-licensing partners

- TMD Friction Beteiligungs GmbH & Co KG of Germany for friction materials technology
- TRW Inc. of the U.K. for drum brake technology
- Meritor Heavy Vehicle Braking Systems (UK) Ltd. for drum brake technology
- Continental Teves AG & Co. oHG of Germany for passenger car disc brake technology
- Continental Teves AG & Co. oHG of Germany for NT20/MK20 ABS and TCS technologies

a trial basis. In September 2000, we established a new department for the purpose of launching full-scale production of fuel cells by around fiscal 2010.

In the Life Sciences field, in April 2001 we began sales of *OligoArray®*, a DNA micro array kit for rapid identification of the particular drug effective against the strain of *M.tuberculosis* in each individual case. Doctors can detect the suitable drug within a day using *OligoArray®*. This is our first clinical testing product.

In fiscal 2001, R&D expenditure totaled ¥7,465 million (US$60 million), an increase of 1.0% over fiscal 2000. As of March 31, 2001, the number of domestic and overseas patents held by Nisshinbo was 788, while patent applications outstanding totaled 2,061.

Do Jyo Riki – a Commercial-use, Biodegradation-type Kitchen Waste Disposal Unit

***Do Jyo Riki*, a kitchen waste disposal unit, is one of the most commercially promising of our products in the mechatronics field. It utilizes our original "P Chip" bacterial bed. Micro-organisms accelerate the fermentation and decomposition of biodegradable kitchen waste into steam and carbon dioxide. It requires no dehydration or drying processes, and can reduce waste volume by 90%. Maintenance is required only quarterly, and the cost of installation is minimal as no water supply or drainage facilities are required. We will target sales at food processing companies, hotels and restaurants, and government organizations.**

Do Jyo Riki, *a kitchen waste disposal unit (above)*

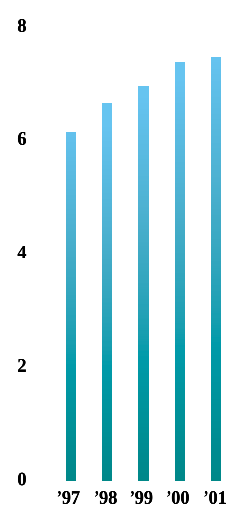
Partners in Synergy

In addition to joint ventures and technological tie-ups, we have various forms of business alliances that generate valuable synergies. An example in the textiles field is the "Triangle Project," an alliance with Teijin Ltd. and Nippon Keori Kaisha Ltd. A number of promising products have emerged from this project, including *ECOLOGIA* uniform materials (now also used in dress shirts and polo shirts) made from recycled PET bottles, and *ECOSYS* office wear materials that offer comfort in mildly air-conditioned/heated offices. These are good examples of groundbreaking products resulting from combinations of the original technologies of three companies, operating in the distinct fields of synthetic fibers, wool and cotton.

We are also working with apparel makers to develop unique, attractive materials matched to consumer demand. We are also making cooperative marketing efforts to make soft denim more fashionable.

In the non-textiles field, we are currently focusing on the "Romance Project" in partnership with Mitsubishi Corporation, Asahi Glass Co., Ltd., Nippon Polyurethane Industry Co., Ltd. and Yamasan Shoji Co., Ltd. (a subsidiary of Mitsubishi Corporation). This project is designed to make the most of the superior insulation

R&D Expenditure (Billions of yen)



capabilities of *N's VIP*, our vacuum insulation panel with an insulation capacity double that of competitors' products. We aim to design, develop and market next-generation heat insulation boxes for application in refrigeration and freezing facilities. There have been several food poisoning cases in Japan recently, raising public concern about food safety and quality. We are confident we can create top-brand products by generating synergies from the different strengths of the companies participating in this project.

Caring for the Environment

Conservation of the natural environment has rightly become a top priority for manufacturers. We set ourselves a number of demanding goals under the Nisshinbo Environment Charter, revised in April 2000. Following is a summary of our intended actions.

We will seek ISO14001 certification, an international standard for environmental management systems, for all the Company's offices and plants by the end of fiscal 2004. During fiscal 2001, the Company's head office, its Osaka branch, the Shimada Plant, and a subsidiary, Nihon Postal Franker Co., Ltd., obtained such certification.

By the end of fiscal 2003, we will reduce the generation of industrial waste by 10% from fiscal 2000 levels. During the same time frame, we will reduce the energy unit (the ratio of energy to manufacturing cost) by 3%.

Development of environment-friendly products and products using recycled materials is expected to make a positive contribution to the Company's business performance. Our environment-friendly products include the *ECOSYS* lineup, hydrophilic polyurethane, and non-fluorocarbon polyurethane foams. Respectively, these products help conserve energy resources and avoid pollution of the atmosphere. Other environment-friendly products include *ECOLOGIA* yarns made from recycled PET bottles, *EAUDOUCE* water-soluble tissue paper, *OIKOS* biodegradable fabrics, and *KENAF* (cane) and *TAKEBULKY* (bamboo) papers.

ECOSYS 28 °C *keeps wearers cool in Summer (above)*

N's VIP, *our vacuum insulation panel (above)*

TEXTILES

In fiscal 2001, ended March 31, 2001, continued weak consumer spending and a sharp increase in imports of cheap substitute products combined to keep textile product sales prices low. Consolidated net sales of the textiles segment totaled ¥81,240 million (US$650 million), a 3.1% decrease from fiscal 2000 and accounting for 34.8% of total consolidated net sales, down 2.0 percentage points. Operating income was ¥1,253 million (US$10 million), up 64.2%. This increase was due to the introduction of new products, stronger marketing, lower SGA expenses, reduced production costs through transfer of production to overseas bases, and lower raw cotton prices.

In the second half of fiscal 2001, a weakening of the yen and consequent lower import levels improved the demand/supply balance of yarns for textiles and knitted products. Domestic demand, however, remained sluggish throughout the fiscal year. Sales of spandex core yarns increased in volume but lower sales prices resulted in a decrease in operating income.

Both sales and operating income of knitted products, mainly inner wear and men's casual wear, decreased, adversely affected by an increase in low-priced imports.

Sales and operating income of shirt materials decreased due to flat consumer spending and a fall in sales prices. Sales of bedding also decreased, due to the increased popularity of imported products.

Sales and operating income of denim, a mainstay product, increased. A rise in the popularity of stretch textiles and such cost-cutting measures as the transfer of uniform materials production to P.T. Gistex Nisshinbo Indonesia contributed to the increase in operating income.

Domestic demand for panty hose was stagnant, but we shifted our focus to overseas markets. Sales and operating income increased, with the latter boosted by an increase in license fee income from technical assistance to our overseas tie-up companies.

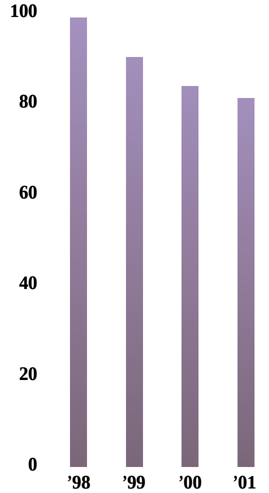
The high quality of our *OIKOS* non-woven pure cotton fabrics has led to rising sales, and we incrementally increased production throughout fiscal 2001.

In our direct marketing business, *COMFORT PROPOSAL*, *SUPER SOFT* products sold well. Overall, sales remained at approximately the same level as fiscal 2000.

On the domestic front, we will complete the closure of our Notogawa and Harisaki plants by July 2002.

Overseas, the Company increased its stake in P.T. Nikawa Textile Industry to 60%, making it a subsidiary. We increased production at P.T. Nikawa Textile Industry, P.T. Gistex Nisshinbo Indonesia, and

Sales of Textiles (Billions of yen)



Our denim products appeal to a wide range of consumers (above)

Our COMFORT PROPOSAL *direct marketing business offers high value-added products, such as those in our prestigious* SUPER SOFT *line (above)*

Nisshinbo do Brasil Industria Textil Ltda. The Company purchased an equity stake in Hangzhou Yimian Limited, a Chinese company, and started to provide technical assistance with the aim of raising productivity while maintaining quality.

In September 2000, we consolidated our product development activities at a newly established Textile Research and Development Center with a view to improving development efficiency and speeding up responses to changes in customers' needs.

NON-TEXTILES

Consolidated net sales of the non-textiles segment increased 6.0% over fiscal 2000 to ¥152,295 million (US$1,218 million), accounting for 65.2% of total sales, up 2.0 percentage points. The increase in sales was attributable to good performances in the automobile brakes and other fields. Operating income increased 35.1% to ¥4,531 million (US$36 million).

Automobile Brakes

Sales of automobile brakes increased 6.6% over fiscal 2000 to ¥52,707 million (US$422 million). Operating income was ¥2,259 million (US$18 million), up 41.9%.

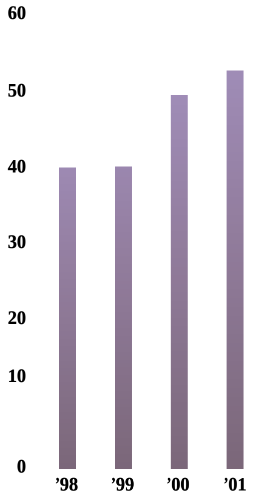
Although domestic passenger car sales increased, domestic automobile production was only marginal higher owing to a decrease in exports to the U.S. and Europe in the second half of fiscal 2001. However, sales and operating income of friction materials and automobile brakes increased due to steady performances by our subsidiaries in Thailand and South Korea, and higher sales of new products.

Sales and operating income of ABS decreased. Although ABS usage increased overall, production of models fitted with our ABS products declined.

In response to the increased use of modular system units in the automobile parts industry, we established Continental Teves Corporation (CTC), a joint venture with German automobile brake systems manufacturer Continental Teves AG & Co. oHG, a business partner of long standing. Through CTC, we will seek to increase orders for electronic brake systems, including ABS, disc brakes and actuations in the Japanese and South Korean markets. In March 2001, CTC purchased a majority equity stake in Shin-Ei Industry Co., Ltd., a brake parts manufacturer, which is a subsidiary of Mazda Motor Corporation, and management rights over its subsidiary, Shin-Tech Co., Ltd.

In May 2000, we completed

Sales of Automobile Brakes (Billions of yen)



An entry at the Annual Nisshinbo Fashion Contest (below)

Our brake parts (above)

the construction of ABS testing and production facilities at our Chiba Plant and launched full-scale operations. We also completed the transfer of friction materials production facilities from our former Tokyo Plant to our Tatebayashi Plant.

Papers

Sales of paper products totaled ¥28,421 million (US$227 million), up 2.8% over fiscal 2000. Operating income decreased 28.6% to ¥835 million (US$7 million) due to higher pulp prices.

Sales and operating income of household papers fell, with lower sales prices resulting from intensified competition a contributory factor.

In the fine papers field, sales of printing paper increased, underpinned by higher exports to South Korea. An expanded product range, through the reform of our sales system, also boosted sales and operating income.

Sales of fabricated products increased due to orders from new customers, but a large increase in development and other costs kept operating income at approximately the fiscal 2000 level.

Sales of label printing increased due to a new large-scale order, but related initial costs led to a decrease in operating income. In April 2001, we transferred our label printers production and sales operations to Nihon Postal Franker Co., Ltd., a subsidiary, as part of our business restructuring.

Other Products

Sales of other products increased 7.1% over fiscal 2000 to ¥67,300 million (US$538 million). Operating loss decreased ¥715 million to ¥259 million (US$2 million).

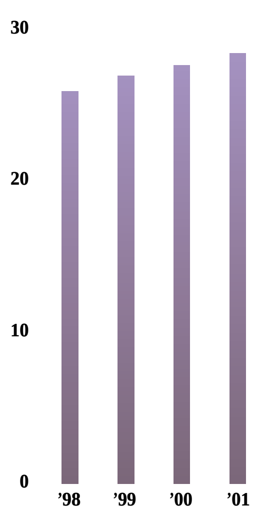
● *Machine Tools*

Despite weak capital investment in plant and equipment in Japan and the U.S., sales of machine tools increased and operating loss decreased.

We increased domestic sales by lowering sales prices of certain product lines and winning new OEM orders. The increase in operating income was supported by inventory adjustment, reduced

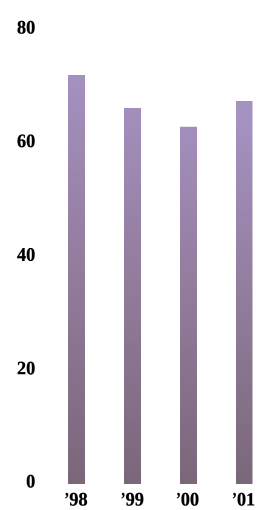
Our ABS is fitted in the Honda FIT (Above, upper: © Honda Motor Co., Ltd.)
Nisshinbo is a comprehensive supplier of synthetic paper products (above, lower)

Sales of Papers (Billions of yen)



CNC Turret punch press HIQ-1250 *(above)*

Sales of Other Products (Billions of yen)



SGA expenses, and improvements to our distribution system. Overseas sales, mainly in the U.S., decreased.

We took steps during fiscal 2001 to strengthen R&D relating to new business areas, including solar power generation systems.

Chemical Products

Sales and operating income of chemical products increased, due to expanded applications in new fields and continued good performances by overseas subsidiaries. Sales of polyurethane foams increased, due to extended applications of *N's VIP*, a vacuum heat insulation panel, and good sales of sheets for use in railway cars. Flat sales to the construction and plant engineering industries, our major clients. As a result, operating income increased only slightly.

Sales and operating income of polyurethane elastomers increased.

Despite a slowdown in the second half of fiscal 2001, sales and operating income of carbon products increased, supported by generally favorable business conditions in the semiconductor industry. We completed the transfer of production and development operations from our former Tokyo Plant to our Kawagoe Plant.

Our polyurethane foams for heat insulation in a large scale project (above)

Others

Sales of electronic communications equipment increased, due to strong demand in the cellular phone and personal computer fields. However, lower sales prices led to a decrease in operating income.

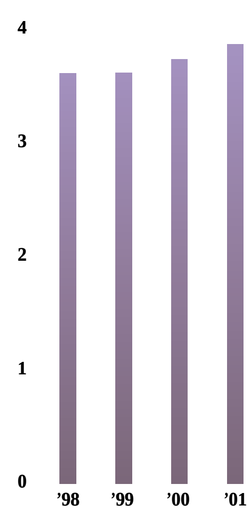
Meanwhile, we maintained our leadership in the domestic CCM market with the *CHOSHOKU SENKA* series. To exploit this, we will promote joint marketing projects with clients. We are also making efforts to penetrate overseas markets, beginning in Thailand.

Real Estate

Sales of real estate business increased 3.5% over fiscal 2000 to ¥3,867 million (US$31 million) and operating income increased 8.4% to ¥1,696 million (US$14 million).

The opening in September 2000 of the Aeon Okazaki Shopping Center on the site of our former Tosaki Plant, now leased to AEONMALL Co., Ltd., made a good contribution to business performance. We will continue to redevelop unused or under-used real estate as part of our business restructuring.

Sales of Real Estate (Billions of yen)



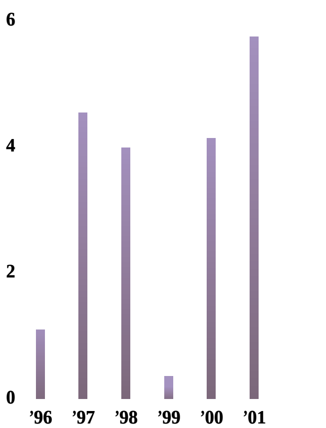
CHOSHOKU SENKA *color matching system (above, upper)*
Aeon Okazaki Shopping Center (above, lower)

SIX-YEAR SUMMARY

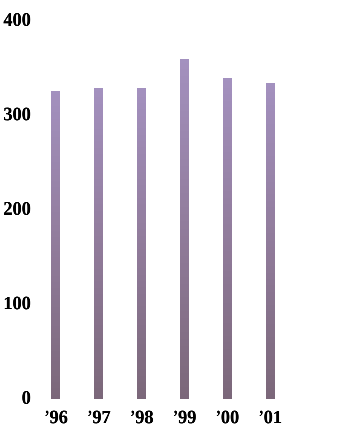
(millions of yen)

	1996	1997	1998	1999	2000	2001
Net Sales	216,721	234,268	240,249	226,800	227,452	233,535
Operating Income	1,100	4,541	3,989	373	4,140	5,751
Net Income	2,195	2,359	1,087	4,161	2,648	517
Shareholders' Equity	198,139	198,758	199,373	200,779	194,685	192,331
Total Assets	325,754	328,427	329,102	359,390	339,373	334,460
Shareholders' Equity Ratio (%)	60.8	60.5	60.6	55.9	57.4	57.5
Return on Equity (%)	1.1	1.2	0.5	2.1	1.3	0.3
Capital Investment	19,925	12,697	13,385	23,002	23,232	17,093
Depreciation and Amortization	13,936	13,266	13,634	13,411	14,228	13,134
Per Share (in yen):						
Net Income	9.28	9.98	4.60	17.60	11.36	2.32
Shareholders' Equity	838.03	840.62	843.21	843.17	857.05	868.49
Cash Dividends	7.00	7.00	7.00	7.00	7.00	7.00
Number of Employees	8,127	8,067	8,452	8,452	8,235	8,104

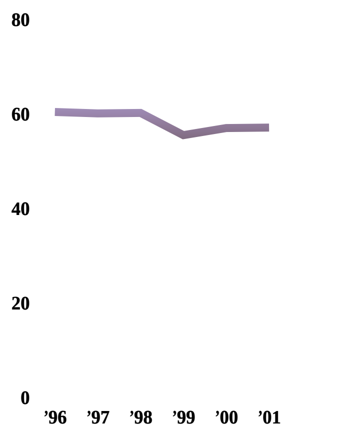
Operating Income (Billions of yen)



Total Assets (Billions of yen)

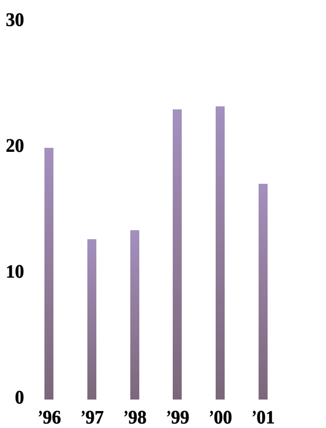


Shareholders' Equity Ratio (%)

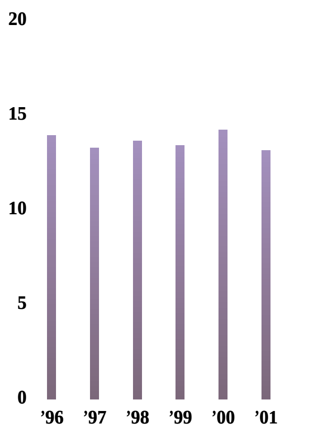


Return on Equity (%)

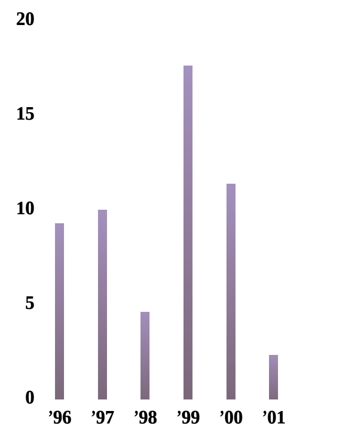
Capital Investment (Billions of yen)



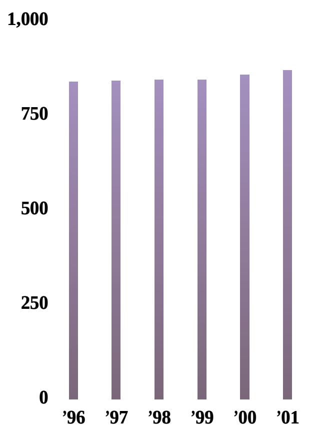
Depreciation and Amortization (Billions of yen)



Net Income per Share (Yen)



Shareholders' Equity per Share (Yen)



Financial Review

Operating Results

On a consolidated basis, net sales for fiscal 2001, ended March 31 2001, totaled ¥233,535 million (US$1,868 million), an increase of 2.7% over fiscal 2000.

In the Textile Segment, continued weak consumer spending and a sharp increase in cheap substitute imports combined to keep product sales prices low, resulting in a 3.1% decrease in net sales from fiscal 2000 to ¥81,240 million (US$650 million). However, operating income improved due to lower raw cotton prices and successful efforts to reduce operating costs. The share of textile sales to total sales was 34.8%, down 2.0 percentage points from fiscal 2000. In the Non-Textile Segment, there were differences in the sales results of different product categories, but good performances in automobile brakes resulted in a 6.0% year-on-year increase in net sales to ¥152,295 million (US$1,218 million). The share of non-textile sales to total sales was 65.2%, up 2.0 percentage points over fiscal 2000*.

While cost of sales increased 1.7% to ¥200,721 million (US$1,606 million), the ratio of cost of sales to net sales decreased 0.9 percentage points to 85.9%. Selling, general and administrative expenses increased 4.5% to ¥27,063 million (US$217 million). Costs and expenses amounted to ¥227,784 million (US$1,822 million), up 2%. As a result, operating income increased 38.9% to ¥5,751 million (US$46 million).

Gain on sale of securities decreased ¥4,274 million to ¥1,870 million (US$15 million). The adoption of a new accounting standard for employees' benefits led to a transitional obligation of ¥16,049 million (US$128 million) for retirement benefits, while gain on securities contributed to a retirement benefit trust totaled ¥12,642 million (US$101 million). Following the closedown of the Notogawa and Harisaki plants, retirement benefits of ¥1,276 million (US$10 million) were paid under the early retirement scheme. As a result, other expenses totaled ¥4,456 million (US$36 million), compared with other income of ¥1,271 million for fiscal 2000, and income before income taxes and minority interests decreased 76.1% to ¥1,295 million (US$10 million). After deducting income taxes of ¥894 million (US$7 million) and adding minority interests in net income of ¥116 million (US$1 million), net income for fiscal 2001 totaled ¥517 million (US$4 million), down 80.5% from fiscal 2000. Net income per share was down ¥9.04 to ¥2.32 (US$0.02), while ROE decreased 1.0 percentage point to 0.3%.

Despite the decrease in net income, the total dividend per share for fiscal 2001 was maintained at ¥7.00 (US$0.06). Cash dividends totaled ¥1,570 million (US$13 million). Taking a long-term point of view, Nisshinbo will continue to follow its basic policy of maintaining dividends at a steady level.

* For details of divisional results, see "Review of Operations."

Financial Position

Total assets stood at ¥334,460 million (US$2,676 million), down 1.4% from fiscal 2000. Current assets decreased 6.4% to ¥144,542 million (US$1,156 million), due to a large decrease in cash and cash equivalents. An additional factor was assignment of marketable securities from current assets to investments and other assets. Increases in notes receivable, trade, and receivables from unconsolidated subsidiaries and affiliates were insufficient to compensate. Property, plant and equipment increased 2.5% to ¥108,841 million (US$871 million), while investments and other assets increased 3.0% to ¥81,077 million (US$649 million).

Although short-term bank loans, current portion of long-term debt and accrued income taxes decreased, an increase in payables to unconsolidated subsidiaries and affiliates led to an increase in total current liabilities to ¥91,897 million (US$735 million), up 0.7% over fiscal 2000. Despite an increase in long-term debt, long-term liabilities decreased 6.6% to ¥47,039 million (US$376 million), due mainly to a decrease in other long-term liabilities arising from the method used to account for the proceeds from the sale of the land of the Tokyo Plant. Total current and long-term liabilities amounted to ¥138,936 million (US$1,111 million), down 1.9% from fiscal 2000.

In fiscal 2001, the Company repurchased a total of 5.7 million of its shares for an amount of ¥2,914 million (US$23 million) and cancelled them. Shareholders' equity decreased 1.2% to ¥192,331 million (US$1,539 million). Shareholders' equity ratio increased 0.1 percentage point to 57.5% and shareholders' equity per share increased ¥11.44 to ¥868.49 (US$6.95).

Cash Flows

Net cash provided by operating activities decreased ¥2,715 million to ¥8,268 million (US$66 million). This was due mainly to a decrease in income before income taxes and minority interests, an increase in income taxes-paid and an increase in payment of accrued pension and severance benefits.

Net cash used in investing activities increased ¥7,237 million to ¥17,553 million (US$140 million). This was despite a decrease in payment for purchase of property, plant and equipment, and was attributable mainly to a decrease in proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates.

Net cash used in financing activities decreased ¥2,453 million to ¥6,343 million (US$51 million). This was due mainly to decreases in repayment of long-term debt and a decrease in payment for purchase of treasury stock.

As a result of the above, cash and cash equivalents at end of year decreased ¥15,441 million to ¥17,724 million (US$142 million).

Nisshinbo Industries, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

31st March, 2001 and 2000

ASSETS

	(millions of yen)		(thousands of US dollars) (Note 1)
	2001	2000	2001
Current assets:			
Cash and cash equivalents	¥ 17,724	¥ 33,165	$ 141,792
Time deposits	4,436	4,130	35,488
Marketable securities (Note 4)	—	1,076	—
Receivables			
Notes receivable, trade	17,989	13,474	143,912
Accounts receivable, trade	42,190	43,801	337,520
Unconsolidated subsidiaries and affiliates	8,645	5,428	69,160
Other	8,217	8,572	65,736
	77,041	71,275	616,328
Less allowance for doubtful accounts	(860)	(1,655)	(6,880)
	76,181	69,620	609,448
Inventories (Note 3)	43,424	43,960	347,392
Deferred tax assets (Note 7)	1,527	1,780	12,216
Other current assets	1,250	698	10,000
Total current assets	144,542	154,429	1,156,336
Property, plant and equipment:			
Land	16,443	15,775	131,544
Buildings and structures	95,944	93,591	767,552
Machinery, equipment and tools	202,818	201,800	1,622,544
Construction in progress	2,912	719	23,296
	318,117	311,885	2,544,936
Less accumulated depreciation	(209,276)	(205,685)	(1,674,208)
	108,841	106,200	870,728
Investments and other assets:			
Investment securities (Note 4)	43,174	43,648	345,392
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 4)	26,600	25,843	212,800
Deferred tax assets (Note 7)	4,678	2,393	37,424
Other	6,625	6,860	53,000
	81,077	78,744	648,616
	¥ 334,460	¥ 339,373	$ 2,675,680

See Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	(millions of yen)		(thousands of US dollars) (Note 1)
	2001	2000	2001
Current liabilities:			
Short-term bank loans (Note 5)	¥ 49,404	¥ 50,220	$ 395,232
Current portion of long-term debt (Note 5)	1,064	1,279	8,512
Payables			
Notes and accounts payable, trade	22,388	22,559	179,104
Unconsolidated subsidiaries and affiliates	4,452	794	35,616
Other	3,856	4,536	30,848
	30,696	27,889	245,568
Employees' savings deposits	4,599	4,811	36,792
Accrued expenses	3,931	3,912	31,448
Accrued income taxes (Note 7)	930	2,135	7,440
Other current liabilities	1,273	1,038	10,184
Total current liabilities	91,897	91,284	735,176
Long-term liabilities:			
Long-term debt (Note 5)	9,570	8,583	76,560
Accrued severance benefits (Note 6)	23,012	22,514	184,096
Deferred tax liabilities (Note 7)	213	190	1,704
Other long-term liabilities	14,244	19,080	113,952
	47,039	50,367	376,312
Minority interests in consolidated subsidiaries	3,193	3,037	25,544
Commitments and contingencies (Note 12)			
Shareholders' equity (Notes 10 and 13):			
Common stock:			
Authorised			
2001 — 385,300,000 shares			
2000 — 391,000,000 shares			
Issued with par value of ¥50 per share			
2001 — 221,743,939 shares			
2000 — 227,443,939 shares	27,588	27,588	220,704
Additional paid-in capital	20,401	20,401	163,208
Retained earnings	148,214	152,198	1,185,712
Foreign currency translation adjustments	(3,809)	(5,441)	(30,472)
	192,394	194,746	1,539,152
Less shares in treasury	(63)	(61)	(504)
	192,331	194,685	1,538,648
	¥ 334,460	¥ 339,373	$ 2,675,680

Nisshinbo Industries, Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

Years ended 31st March, 2001 and 2000

	(millions of yen)		(thousands of US dollars) (Note 1)
	2001	2000	2001
Net sales	¥ 233,535	¥ 227,452	$ 1,868,280
Costs and expenses:			
Cost of sales	200,721	197,408	1,605,768
Selling, general and administrative expenses	27,063	25,904	216,504
	227,784	223,312	1,822,272
Operating income	5,751	4,140	46,008
Other income (expenses):			
Interest and dividend income	2,289	2,428	18,312
Interest expenses	(1,646)	(1,526)	(13,168)
Equity in losses of affiliates	(214)	(296)	(1,712)
Other, net (Note 11)	(4,885)	665	(39,080)
	(4,456)	1,271	(35,648)
Income before income taxes and minority interests	1,295	5,411	10,360
Income taxes (Note 7)			
Current	2,816	3,591	22,528
Deferred	(1,922)	(1,139)	(15,376)
	894	2,452	7,152
Income before minority interests	401	2,959	3,208
Minority interests in net income	116	(311)	928
Net income	¥ 517	¥ 2,648	$ 4,136

	(yen)		(US dollars)
Per share:			
Net income	¥ 2.32	¥ 11.36	$ 0.02
Cash dividends	7.00	7.00	0.06

See Notes to Consolidated Financial Statements.

Nisshinbo Industries, Inc. and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

Years ended 31st March, 2001and 2000

	(millions of yen) 2001	(millions of yen) 2000	(thousands of US dollars) (Note 1) 2001
Common stock:			
Balance at beginning of year (2001 — 227,443,939 shares; 2000 — 236,443,939 shares)	¥ 27,588	¥ 27,588	$ 220,704
Balance at end of year (2001 — 221,743,939 shares; 2000 — 227,443,939 shares)	¥ 27,588	¥ 27,588	$ 220,704
Additional paid-in capital:			
Balance at beginning of year	¥ 20,401	¥ 20,401	$ 163,208
Balance at end of year	¥ 20,401	¥ 20,401	$ 163,208
Retained earnings:			
Balance at beginning of year	¥ 152,198	¥ 152,791	$ 1,217,584
Adjustment due to the adoption of deferred tax	—	4,364	—
Adjustments due to increase in 2001 and decrease in 2000 in consolidated subsidiaries	(98)	(873)	(784)
Adjustments due to decrease in 20%~50% owned affiliates	—	(99)	—
Adjustments due to increase in 2001 and decrease in 2000 ownership interest in 20%~50% owned affiliates	161	(319)	1,288
Net income	517	2,648	4,136
Cash dividends	(1,570)	(1,653)	(12,560)
Directors' and statutory auditors' bonuses	(80)	(86)	(640)
Retirement of treasury stock	(2,914)	(4,575)	(23,312)
	¥ 148,214	¥ 152,198	$ 1,185,712
Foreign currency translation adjustments:			
Balance at beginning of year	(¥ 5,441)	(¥ 1,753)	($ 43,528)
Net changes	1,632	(3,688)	13,056
Balance at end of year	(¥ 3,809)	(¥ 5,441)	($ 30,472)
Treasury stock at cost:			
Balance at beginning of year	(¥ 61)	(¥ 1)	($ 488)
Add: acquired	(2)	(60)	(16)
Balance at end of year	(¥ 63)	(¥ 61)	($ 504)

See Notes to Consolidated Financial Statements.

Nisshinbo Industries, Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended 31st March, 2001 and 2000

	(millions of yen) 2001	(millions of yen) 2000	(thousands of US dollars) (Note 1) 2001
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,295	¥ 5,411	$ 10,360
Adjustments to reconcile net income to net cash provided by operating activities:			
Income taxes-paid	(4,023)	(3,032)	(32,184)
Depreciation and amortization	13,134	14,228	105,072
Equity in losses of affiliates	214	296	1,712
Provision for doubtful receivables	459	849	3,672
Provision for accrued pension and severance benefits	6,653	2,792	53,224
Payment of accrued pension and severance benefits	(4,006)	(2,524)	(32,048)
Directors' and statutory auditors' bonuses paid	(88)	(92)	(704)
Loss on sale of property, plant and equipment	277	33	2,216
Gain on sale of marketable securities	—	(733)	—
Gain on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(1,870)	(5,411)	(14,960)
Write-down of marketable securities and investment securities	—	657	—
Loss on disposal of a segment of a business	429	2,331	3,432
Other	(81)	(336)	(648)
Changes in operating assets and liabilities:			
Receivables	(5,687)	(11,044)	(45,496)
Inventories	1,036	4,092	8,288
Payables	3,029	3,583	24,232
Other	(2,503)	(117)	(20,024)
Net cash provided by operating activities	8,268	10,983	66,144
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	499	569	3,992
Proceeds from sale of marketable securities	—	1,405	—
Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	3,373	13,381	26,984
Payment for purchase of property, plant and equipment	(17,367)	(24,447)	(138,936)
Payment for purchase of marketable securities	—	(449)	—
Payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(2,610)	(1,607)	(20,880)
Increase in loans receivable	(570)	(2,039)	(4,560)
Decrease (increase) in time deposits	(175)	3,159	(1,400)
Other, net	(703)	(288)	(5,624)
Net cash used in investing activities	(17,553)	(10,316)	(140,424)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	817	1,455	6,536
Repayment of long-term debt	(1,295)	(3,495)	(10,360)
Decrease in short-term bank loans	(1,372)	(519)	(10,976)
Cash dividends paid	(1,570)	(1,653)	(12,560)
Payment for purchase of treasury stock	(2,914)	(4,575)	(23,312)
Other	(9)	(9)	(72)
Net cash used in financing activities	(6,343)	(8,796)	(50,744)
Effect of exchange rate changes on cash	83	(336)	664
Net decrease in cash and cash equivalents	(15,545)	(8,465)	(124,360)
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	104	5,896	832
Cash and cash equivalents at beginning of year	33,165	35,734	265,320
Cash and cash equivalents at end of year	¥ 17,724	¥ 33,165	$ 141,792
Noncash investing and financing activities :			
Assets acquired by incurring accounts payable	¥ 1,506	¥ 2,111	$ 12,048

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTING 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 Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the accompanying footnotes include information which is not required under generally accepted accounting principles 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 ¥125 = $1, the approximate exchange rate at 31st March, 2001. 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 Industries, Inc. (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 associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated 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

Short-term receivables and payables in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet dates.

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, revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders’ equity, which is translated at the historical rate.

(d) Cash equivalents

Cash equivalents include time deposits which mature or become due within six months of the date of acquisition.

(e) Marketable and investment securities

Prior to 1st April, 2000, current and non-current marketable securities were stated at the lower of cost or market. Effective 1st April, 2000, the Group adopted a new accounting standard for financial instruments. Under this standard, all securities are classified as available-for-sale securities and are stated at cost.

(f) Inventories

Inventories are stated principally at the lower of cost or market, cost being substantially determined by the average cost method.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed principally on the declining balance method over their estimated useful lives.

(h) Retirement and pension plans

Under the employees’ retirement plans for the Company and certain consolidated subsidiaries, prior to 1st April, 2000, the annual provision for retirement benefits is calculated to state the liability at the amount that would be required if all employees voluntarily terminated their employment at each balance sheet date.

Effective 1st April, 2000, the Group adopted a new accounting standard for employees’ retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥16,049 million ($128,392 thousand), determined as of the beginning of year, is charged to income and presented as other expense in the income statement.

In 2000, the Company contributed certain available-for-sale securities with a fair value of ¥14,791 million ($118,328 thousand) to employee retirement benefit trust for the Company's non-contributory pension plans, and recognized a non-cash gain of ¥12,642 million ($101,136 thousand). The securities held in this trust are qualified as plan assets.

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

(i) Income taxes

The provision for income taxes is computed based on the pretax 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.

(j) Derivative financial instruments

The Group uses a variety of derivative financial instruments, including foreign currency forward 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.

Effective 1st April, 2000, the Group adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw materials from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These 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 are recognized and included in interest expense or income.

3. INVENTORIES:

Inventories at 31st March, 2001 and 2000 were as follows:

	(millions of yen)		(thousands of US dollars)
	2001	2000	2001
Finished products	¥ 26,045	¥ 26,711	$ 208,360
Work in process	8,538	8,533	68,304
Materials and supplies	8,841	8,716	70,728
	¥ 43,424	¥ 43,960	$ 347,392

4. MARKETABLE EQUITY SECURITIES:

At 31st March, 2001 and 2000, the aggregate cost and market value of current and non-current portfolios of marketable equity securities included in marketable securities, investment securities and investments in unconsolidated subsidiaries and affiliates were summarised as follows:

	(millions of yen)		(thousands of US dollars)
	2001	2000	2001
Current portfolios:			
Cost and carrying amount	¥ —	¥ 571	$ —
Market value	—	1,571	—
Non-current portfolios:			
Cost and carrying amount	43,023	58,341	344,184
Market value	151,085	202,975	1,208,680

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT:

Short-term bank loans at 31st March, 2001 and 2000 were principally represented by 180 to 365 days notes issued by Nisshinbo and its consolidated subsidiaries to banks. The annual interest rates applicable to the short-term bank loans at 31st March, 2001 and 2000 were 0.9% to 8.8% and 0.8% to 8.8%, respectively.

Long-term debt at 31st March, 2001 and 2000 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2001	2000	2001
Long-term debt with collateral:			
Loans from banks maturing serially to 2007, ranging from 1.6% to 6.0%	¥ 1,423	¥ 1,562	$ 11,384
Long-term debt without collateral:			
Loans from banks maturing serially to 2005, ranging from 1.5% to 6.6%	2,924	2,539	23,392
Capital lease obligations, due through 2010	6,287	5,761	50,296
	10,634	9,862	85,072
Less current portion	(1,064)	(1,279)	(8,512)
	¥ 9,570	¥ 8,583	$ 76,560

Annual maturities of long-term debt were as follows:

Year ending 31st March,	(millions of yen)	(thousands of US dollars)
2002	¥ 1,064	$ 8,512
2003	1,531	12,248
2004	2,611	20,888
2005	866	6,928
2006 and thereafter	4,562	36,496
	¥ 10,634	$ 85,072

At 31st March, 2001 and 2000, net book value of property, plant and equipment pledged as collateral for short-term bank loans and long-term debt was ¥6,851 million ($54,808 thousand) and ¥7,341 million, respectively.

6. RETIREMENT AND PENSION PLANS:

Under most circumstances, employees terminating their employment are entitled to lump-sum severance payments based on the rate of pay at termination, years of service and certain other factors.

The liability for retirement benefits at 31st March, 2001 for directors and corporate auditors is ¥939 million ($7,512 thousand). The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

Effective 1st April, 2000, the Group adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at 31st March, 2001 consisted of the followings:

	(millions of yen)	(thousands of US Dollars)
Projected benefit obligation	¥ 62,137	$ 497,096
Fair value of plan assets	(36,655)	(293,240)
	25,482	203,856
Unrecognized actuarial loss	(3,409)	(27,272)
Net liability	¥ 22,073	$ 176,584

The components of net periodic benefit costs for the year ended 31st March, 2001 are as follows:

	(millions of yen)	(thousands of US dollars)
Service cost	¥ 2,597	$ 20,776
Interest cost	1,849	14,792
Expected return on plan assets	(1,393)	(11,144)
Amortization of transitional obligation	16,049	128,392
Net periodic benefit costs	¥ 19,102	$ 152,816

Assumptions used for the year ended 31st March, 2001 are set forth as follows:

Discount rate	3.0~3.5%
Expected rate of return on plan assets	3.5~4.0%
Recognition period of actuarial gain / loss	15 years
Amortization period of transitional obligation	1 year

Pension costs charged to income for the year ended 31st March, 2000 were ¥383 million.

7. INCOME TAXES:

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2001 and 2000 are as follows:

	(millions of yen)		(thousands of US dollars)
	2001	2000	2001
Deferred tax assets:			
Property, plant and equipment	¥ 562	¥ 617	$ 4,496
Tax loss carryforwards	2,624	1,939	20,992
Allowance for doubtful accounts	617	493	4,936
Accrued employees' bonuses	618	436	4,944
Accrued severance benefits	8,142	6,288	65,136
Other	1,323	1,340	10,584
Less valuation allowance	(3,287)	(2,259)	(26,296)
	¥ 10,599	¥ 8,854	$ 84,792
Deferred tax liabilities:			
Deferred gains on sale of property	(¥ 4,510)	(¥ 4,843)	($ 36,080)
Other	(97)	(28)	(776)
	(¥ 4,607)	(¥ 4,871)	($ 36,856)
Net deferred tax assets	¥ 5,992	¥ 3,983	$ 47,936

A reconciliation between the normal effective statutory tax rate for the year ended 31st March, 2001 and 2000 and the actual effective tax rates reflected in the accompanying consolidated statement of income is as follows:

	2001	2000
Normal effective statutory tax rate	42.0%	42.0%
Dividend income not taxable	(6.7)	(10.5)
Tax benefits not recognized on operating losses of subsidiaries	52.9	16.6
Equity in losses of affiliates	6.9	2.3
Lower income tax rates applicable to income in certain foreign countries	(29.5)	(3.7)
Other	3.4	(1.4)
Actual effective tax rate	69.0%	45.3%

8. LEASES:

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

Total rental expenses for the years ended 31st March, 2001 and 2000 were ¥659 million ($5,272 thousand) and ¥733 million, respectively, including ¥624 million ($4,992 thousand) and ¥698 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended 31st March, 2001 and 2000 was as follows:

	(millions of yen)		(thousands of US dollars)
	2001	2000	2001
Acquisition cost	¥ 3,194	¥ 3,534	$ 25,552
Accumulated depreciation	2,036	1,992	16,288
Net leased property	¥ 1,158	¥ 1,542	$ 9,264

Obligations under finance leases:

	(millions of yen)		(thousands of US dollars)
	2001	2000	2001
Due within one year	¥ 521	¥ 574	$ 4,168
Due after one year	637	968	5,096
Total	¥ 1,158	¥ 1,542	$ 9,264

Depreciation expense under finance leases:

	(millions of yen)		(thousands of US dollars)
	2001	2000	2001
Depreciation expense	¥ 624	¥ 698	$ 4,992

Depreciation expense, which is not reflected in the accompanying statements of income, is computed by the straight-line method.

9. DERIVATIVES:

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Derivative transactions which qualify for hedge accounting are not subject to the disclosure of market value information.

10. SHAREHOLDERS' EQUITY:

The Japanese Commercial Code provides that an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings be appropriated as a legal reserve until such reserve equals 25% of stated value of capital stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalised by resolution of the Board of Directors.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividend is applicable. In addition, a semi-annual interim dividend may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each fiscal year.

11. OTHER INCOME (EXPENSES) — OTHER, NET:

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

	(millions of yen)		(thousands of US dollars)
	2001	2000	2001
Loss on sale of property, plant and equipment	(¥ 277)	(¥ 33)	($ 2,216)
Gain on sale of securities	1,870	6,144	14,960
Write-down of securities	—	(657)	—
Write-off of inventories	(749)	(736)	(5,992)
Loss on plant closures	(429)	(2,331)	(3,432)
Transitional obligation for retirement benefits	(16,049)	—	(128,392)
Gain on securities contributed to retirement benefit trust	12,642	—	101,136
Retirement benefits paid due to restructuring of business operations	(1,276)	—	(10,208)
Other, net	(617)	(1,722)	(4,936)
	(¥ 4,885)	¥ 665	($ 39,080)

12. COMMITMENTS AND CONTINGENCIES:

Contingent liabilities at 31st March, 2001 and 2000 for trade notes discounted with banks and trade notes delivered with endorsements for payments amounted to ¥610 million ($4,880 thousand) and ¥1,806 million, respectively. Contingent liabilities at 31st March, 2001 and 2000 for loans guaranteed amounted to ¥4,395 million ($35,160 thousand) and ¥1,539 million, respectively.

Commitments for capital expenditures outstanding at 31st March, 2001 and 2000 were in the approximate amounts of ¥2,578 million ($20,624 thousand) and ¥4,563 million, respectively.

13. SUBSEQUENT EVENTS:

On 28th June, 2001, Nisshinbo's shareholders authorised the appropriation of retained earnings as follows:

	(millions of yen)	(thousands of US dollars)
Cash dividends (¥3.50 per share)	¥ 776	$ 6,208
Directors' bonuses	50	400

Independent Auditors' Report

To the Board of Directors of
Nisshinbo Industries, Inc.

We have audited the consolidated balance sheets of Nisshinbo Industries, Inc. and consolidated subsidiaries as of 31st March, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nisshinbo Industries, Inc. and consolidated subsidiaries as of 31st March, 2001 and 2000, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles and practices generally accepted in Japan.

The United States dollar amounts shown in the consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into US dollars on the basis described in Note 1.

M. Tsukeshiba

Masami Tsukeshiba
Certified Public Accountant

E. Nagashima

Etsuko Nagashima
Certified Public Accountant

28th June, 2001
Tokyo, Japan

1907 Nisshin Cotton Spinning Co., Ltd. established.

1908 The former Kameido Head Office Plant began operations.

1920 Office opened in Nihonbashi, and thereafter became the head office of Nisshin Cotton Spinning.
Nisshin Cotton Spinning merged with Okazaki Boseki Co., Ltd. (the present Harisaki Plant).

1921 Nagoya Plant began operations (completely burnt down in 1945 due to the war, restored in 1951).

1924 Nisshin Cotton Spinning merged with Tokyo Boseki Co., Ltd. (the present Tokyo Plant).

1925 Branch office opened in Nagoya (the present Nagoya Branch).
Branch office opened in Osaka (the present Osaka Branch).

1926 Hamamatsu Plant began operations.

1926 Toyama Plant began operations.

1937 Nisshin Cotton Spinning acquired Kawagoe Boseki Co., Ltd. (the present Kawagoe Plant).

1938 Nisshin Cotton Spinning merged with Nisshin Rayon Co., Ltd. (the present Miai Plant).

1940 Toa Jitsugyo Co., Ltd. established (the company name changed to Nissin Toa Inc. in 1990).

1945 Nisshin Cotton Spinning acquired the Meiji Plant of Nanshin Seiki Co., Ltd. (the present Fuji Plant).

1947 Non-textiles Division set up and thereafter expanded operations to include automobile brakes, chemical products, papers, and machine tools.

1949 Nihon Postal Franker Co., Ltd. established.
Nisshin Cotton Spinning listed on the Tokyo Stock Exchange.
Nitto Asbestos Co., Ltd. established (the company name changed to Nisshinbo Brake Sales Co., Ltd. in 1987).

1950 Ueda Japan Radio Co., Ltd. established.

1952 Shimada Plant began operations.

1958 Tokushima Plant began operations.
Nippon Kohbunshikan Co., Ltd. established (the company name changed to Nippon Kohbunshi Co., Ltd. in 1986).

1961 Nisshin Cotton Spinning listed on the first section of the Tokyo Stock Exchange.

1962 Nisshin Cotton Spinning's English company name changed to Nisshin Spinning Co., Ltd.

1966 Fujieda Plant began operations.

1972 Nisshinbo do Brasil Industria Textil Ltda. (Brazil) established.

1978 Nisshin Spinning acquired Tokai Seishi Kougyou Co., Ltd.

1981 Tatebayashi Chemical Plant (the present Tatebayashi Plant) began operations.

1984 Nisshin Spinning's English company name changed to Nisshinbo Industries, Inc.

1985 Nisshinbo Industries acquired Nisshin Denim Inc.

1986 The Machine Tools Department of the Miai Plant spun off to create the Miai Mechatronics Plant.
Anti-skid Brake System (now ABS) Division set up.

1987 Hamakita Plant began operations.

1989 Kohbunshi (Thailand) Ltd. established.

1992 Chiba Plant began operations.

1993 The head office relocated to its present location in Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo.
Pudong Kohbunshi (Shanghai) Co., Ltd. (China) established.

1995 Nisshinbo Automotive Corporation (U.S.A.) established.
Nisshinbo Urban Development Co., Ltd. established.

1996 Nisshinbo Somboon Automotive Co., Ltd. (Thailand) established.
New Carbon Department, Chemical Products Division set up.

1997 Nisshinbo Automotive Manufacturing Inc. (U.S.A.) established through complete financing from the subsidiary Nisshinbo Automotive Corporation.

1998 P.T. Gistex Nisshinbo Indonesia established as a joint venture with P.T. Gistex (Indonesia) and Teijin Limited.
Color Systems Department set up.

1999 Saeron Automotive Corporation (South Korea) established.
Research & Development Center established.

2000 Fuel Cell Department, Research and Development Division set up.
P.T. Nikawa Textile Industry (Indonesia) established as a subsidiary through the additional acquisition of stocks.
Continental Teves Corporation, a joint venture company with Continental Teves AG & Co, oHG (Germany), established.

NISSHINBO GROUP

The Nisshinbo Group consists of Nisshinbo Industries, Inc., its 36 subsidiaries, and 12 affiliates.

Main Group Companies (As of March 31, 2001)

Consolidated Subsidiaries

Company	Location	Capital	Business
Nisshin Toa Inc.	Tokyo, Japan	¥450 million	Textiles, Food Ingredients, Papers
Ebisu Syokuhu Co., Ltd.	Shizuoka, Japan	¥50 million	Textiles
Nisshinbo Mobix Co., Ltd.	Wakayama, Japan	¥80 millon	Textiles
Nisshinbo Yarn Dyed Co., Ltd.	Nagoya, Japan	¥80 millon	Textiles
Nisshin Denim Inc.	Tokushima, Japan	¥200 million	Textiles
Nisshin Tex Co., Ltd.	Osaka, Japan	¥10 million	Textiles
Nisshinbo do Brasil Industria Textil Ltda.	Brazil	R$14.08 million	Textiles
Nisshinbo Hong Kong Limited	China	HK$8 million	Textiles
P.T. Gistex Nisshinbo Indonesia	Indonesia	US$10 million	Textiles
Nisshinbo Brake Sales Co., Ltd.	Tokyo, Japan	¥150 million	Automobile Brakes
Nisshinbo Techno Vehicle Inc.	Yokohama, Japan	¥50 million	Automobile Brakes
Nisshinbo Automotive Corporation	U.S.A.	US$84 million	Automobile Brakes
Nisshinbo Automotive Manufacturing Inc.	U.S.A.	US$15.19 million	Automobile Brakes
Nisshinbo Somboon Automotive Co., Ltd.	Thailand	BAHT732.6 million	Automobile Brakes
Saeron Automotive Corporation	South Korea	WON20,400 million	Automobile Brakes
Tokai Seishi Kougyou Co., Ltd.	Shizuoka, Japan	¥300 million	Papers
Nihon Postal Franker Co., Ltd.	Tokyo, Japan	¥310 million	Papers, Chemical Products
Nisshinbo Urban Development Co., Ltd.	Tokyo, Japan	¥480 million	Real Estate
Kansai Nisshinbo Urban Development Co., Ltd.	Osaka, Japan	¥30 million	Real Estate
Nisshinbo Europe B.V.	The Netherlands	DGL4.331 million	Real Estate, Machine Tools
Ueda Japan Radio Co., Ltd.	Nagano, Japan	¥700 million	Electronics
Nippon Kohbunshi Co., Ltd.	Tokyo, Japan	¥310 million	Plastic Molded Products
Nisshinbo Kikai Hanbai Co., Ltd.	Tokyo, Japan	¥30 million	Machine Tools
Nisshinbo Engineering Co., Ltd.	Tokyo, Japan	¥10 million	Chemical Products
Nisshinbo Mechatronics Inc.	Oita, Japan	¥95 million	Machine Tools
Kohbunshi (Thailand) Ltd.	Thailand	BAHT100 million	Plastic Molded Products
Pudong Kohbunshi (Shanghai) Co., Ltd.	China	US$7 million	Plastic Molded Products

Subsidiary and Affiliates Accounted for by the Equity Method

Company	Location	Capital	Business
P.T. Nikawa Textile Industry	Indonesia	US$50 million	Textiles
Japan Radio Co., Ltd.	Tokyo, Japan	¥14,704.353 million	Electronics
Nagano Japan Radio Co., Ltd.	Nagano, Japan	¥3,154.22 million	Electronics
Naigai Shirts Co., Ltd.	Osaka, Japan	¥90 million	Textiles
Shin-Tech Co., Ltd.	Hiroshima, Japan	¥250 million	Automobile Brakes

BOARD OF DIRECTORS AND STATUTORY AUDITORS

Chairman
Akihiro Mochizuki

President
Yoshikazu Sashida

Senior Executive Director
Yukio Hosoya

Senior Executive Director
Hisao Ishikawa

Executive Director
Kohshi Fujino

Executive Director
Tadashi Nakai

Executive Director
Akira Baba

Executive Director
Kenji Tasaki

Director
Takashi Iwashita

Director
Kunihiro Toda

Director
Yasuo Takeuchi

Director
Masao Kinoshita

Director
Hajime Takagiwa

Director
Hideyuki Tanaka

Director
Takeo Shimura

Director
Shizuka Uzawa

Standing Statutory Auditor
Hisayoshi Arata

Statutory Auditor
Shinsuke Takahashi

Statutory Auditor
Tetsuo Furuya

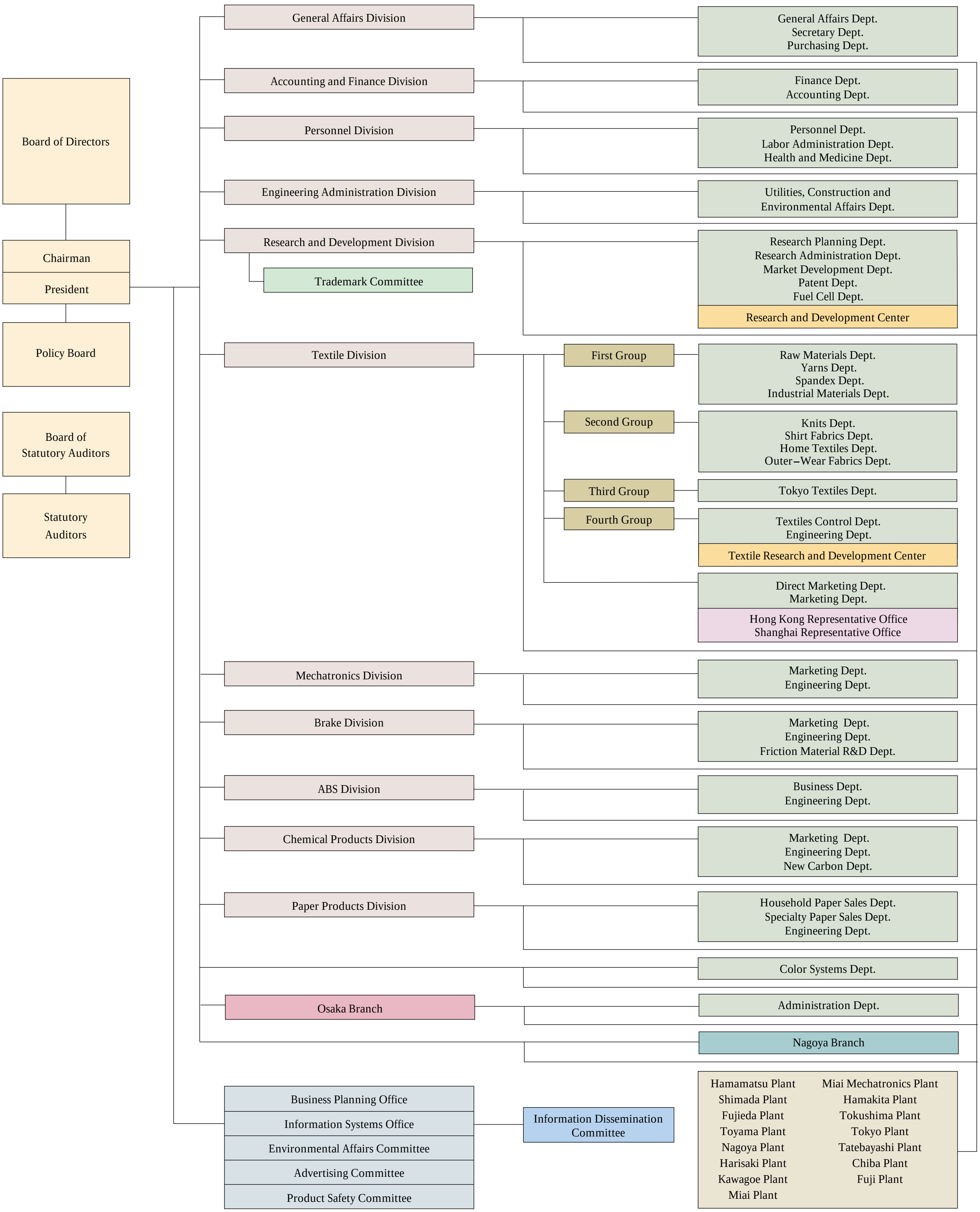
Statutory Auditor
Shigenari Ishida

CORPORATE DATA

(As of March 31, 2001)

Founded:	February 5, 1907	
Head Office:	2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo 103-8650, Japan Tel: 03-5695-8833 Fax: 03-5695-8970 Url: http://www.nisshinbo.co.jp/	
Osaka Branch:	2-4-2, Kitakyuhoji-machi, Chuo-ku, Osaka 541-0057, Japan Tel: 06-6267-5501 Fax: 06-6267-5679	
Nagoya Branch:	5-2-38, Sakae, Naka-ku, Nagoya 460-0008, Japan Tel: 052-261-6151 Fax: 052-263-9480	
Employees:	Parent Company	3,915
	Subsidiaries	4,189
	Total	8,104
Common Stock:		
Par Value:	¥50 — US$0.4	
Authorized:	385,300,000 shares	
Issued:	221,743,939 shares ¥27,588 million — US$221 million	
Shareholders:	14,754	
Listings:	Tokyo, Osaka, Nagoya, Fukuoka and Sapporo	
Transfer Agent:	The Toyo Trust and Banking Co., Ltd. 1-4-3, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	

ORGANIZATION CHART



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Printed in Japan