NISSHINBO ANNUAL REPORT 2002 Year ended March 31, 2002

Creating a Profitable Structure in a Time of Rapid Change

NISSHINBO

Annual Report 2002

(Year ended March 31, 2002)

C O N T E N T S

The paper used for this Annual Report is from Nisshinbo's *VENT NOUVEAU* 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:

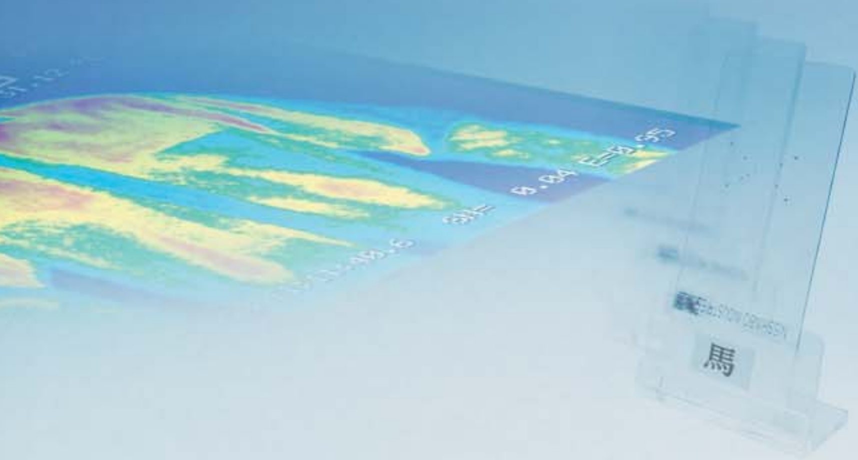
	(millions of yen)		(millions of US dollars)
	2001	2002	2002
Net Sales	¥ 233,535	¥ 225,836	$ 1,737
Net Income	517	-2,649	-20
Shareholders' Equity	192,331	213,665	1,644

Per Share:

	(yen)		(US dollars)
Net Income	¥ 2.32	¥ -12.03	$ -0.09
Shareholders' Equity	868.49	988.02	7.60
Cash Dividends	7.00	7.00	0.05

Note: The United States dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥130=US$1.

Creating a Profitable Structure in a Time of Rapid Change

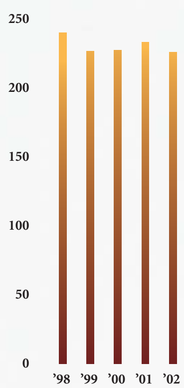


NISSHINBO Industries, Inc. (the "Company") was founded in 1907 as a manufacturer of cotton yarns and threads, and quickly assumed a position of leadership in the industry. Our history has been characterized by strategic moves taken in advance of competitors and designed to raise productivity, improve 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.

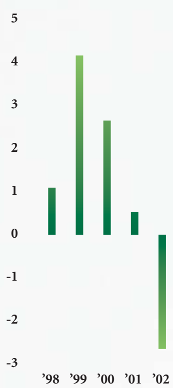
Through the application in other fields of technologies and expertise originally developed in the textiles area, we have diversified our operations into the manufacture of automobile brakes, papers, machine tools, chemical products, and others. These non-textile lines have grown steadily, and now account for over 65% of consolidated net sales. We offer a truly diverse range of products tailored to customer needs: High value-added finishing processing and products in the textiles segment, including *SUPER SOFT (SS)* and *SUPER SOFT PEACHPHASE (SSP)*, new-generation electronic braking systems, high heat-insulation panels, fuel cell separators (bipolar plates), and filters for plasma display panels.

The Company and its consolidated subsidiaries and affiliates (together, "Nisshinbo") are fully focused on enhancing their collective strengths across their 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 capitalize on these strengths to promote highly profitable business areas that will form the basis of our future growth.

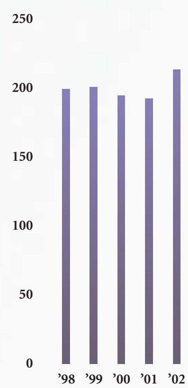
Net Sales
(billions of yen)



Net Income
(billions of yen)



Shareholders' Equity
(billions of yen)



Textiles

Textile products have been the mainstay of our business since our foundation. We lead the Japanese textiles industry with our high-quality products, backed up by our accumulated technology, and have gained the trust of customers. We have the top share in the domestic markets for shirt materials, denim, and polyester and cotton blended uniform materials.

We undertake comprehensive operations, including finishing, and by integrating manufacturing and sales activities, we have established a flexible system to supply original products that overseas makers cannot match for quality. An ability to respond quickly to the precise needs of customers is our particular strength.

We offer a variety of unique, high value-added textile finishing processing and products, including *SS*, *SSP*, *CELTOPIA* cotton/wool blended fabrics, *Nisshinbo Mobilon* spandex, and *OIKOS* non-woven cotton fabrics.

We are taking aggressive measures to expand our overseas operations, targeting both domestic and overseas markets. To sharpen our competitiveness on a global basis, we have been enhancing production facilities in China and Indonesia, and have established a joint venture to be engaged in spinning processing in China. We have also established Nisshinbo (Shanghai) Co., Ltd. to serve as a sales base in China. To provide maximum support to our overseas operations, we have set up a Global Operation Promotion Office at our Osaka Branch.

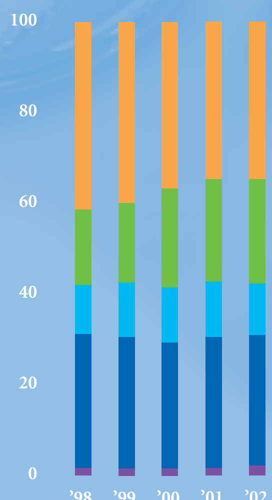
Non-textiles

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 toward diversification. Our product development emphasis is on "green" pads using environment-friendly materials, new concept drum brakes, Anti-lock Brake Systems (ABS) and Stability Control Systems. In the ABS sector, our original, compact, lightweight, 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 engage in technology exchange 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, in order to strengthen our presence in those markets.

Consolidated Sales Composition
(%)



Sales by Segment in Fiscal 2002
(%)

Textiles	34.6
Automobile Brakes	23.0
Papers	11.3
Other Products	29.1
Real Estate Leasing	2.0

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 for quality 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 *MILT GA* natural-feel fine papers for high-quality printing, and synthetic papers for fine 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 photovoltaic module manufacturing system and a kitchen waste disposal unit for commercial use.

Chemical Products

We produce rigid-type polyurethane foams for application as heat-insulation material, flexible types used as cushion material, and glass fiber-reinforced polyurethane foam, a lightweight, high-strength, corrosion-resistant material widely used in the water treatment and construction industries. 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 *Nisshinbo Mobilon*, which has excellent elasticity and water-resistance characteristics. *Nisshinbo Mobilon* is used in a number of industrial products and consumer goods fields. In addition, we offer new carbon products applied to semiconductor production and other electronics sectors.

Other materials include *APG*® (Aqua Porous Gel), *BCN*® (Bio Contact N) and Vacuum Insulation Panel produced and marketed by Nisshinbo.

We also produce molded plastic cross-flow fans for air conditioners for electric appliances markets, mainly in China and Southeast Asia.

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 telephones 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.

We have concluded the R&D phase and have been carrying out the commercialization of fuel cell separators (bipolar plates) and filters for plasma display panels. We expanded production facilities for fuel cell separators (bipolar plates) after transferring them from the Research and Development Center to our Miai Plant. We also began mass-production of filters for plasma display panels at a pilot plant within the Research and Development Center.

Real Estate Leasing

We are engaged in the real estate leasing business for the purpose of efficient utilization of unused land. We lease office and residential buildings in Tokyo, and lease land previously occupied by factory facilities for use as shopping centers and model homes.

Interview with the Management

Creating a Profitable Structure in a Time of Rapid Change

Q1. *What were Nisshinbo Industries, Inc.'s consolidated results for fiscal 2002, ended March 31, 2002?*

Consolidated net sales totaled ¥225,836 million (US$1,737 million), a decrease of 3.3% from fiscal 2001, ended March 31, 2001. A decline in operating income was held to 31.0%, amounting to ¥3,968 million (US$31 million) for the fiscal term, and we posted a net loss of ¥2,649 million (US$20 million). This loss was attributable mainly to the poor performance of affiliates, accounted for by the equity method, engaged in sales of electronic parts, which were badly affected by the severe slump in the global information technology (IT) industry.

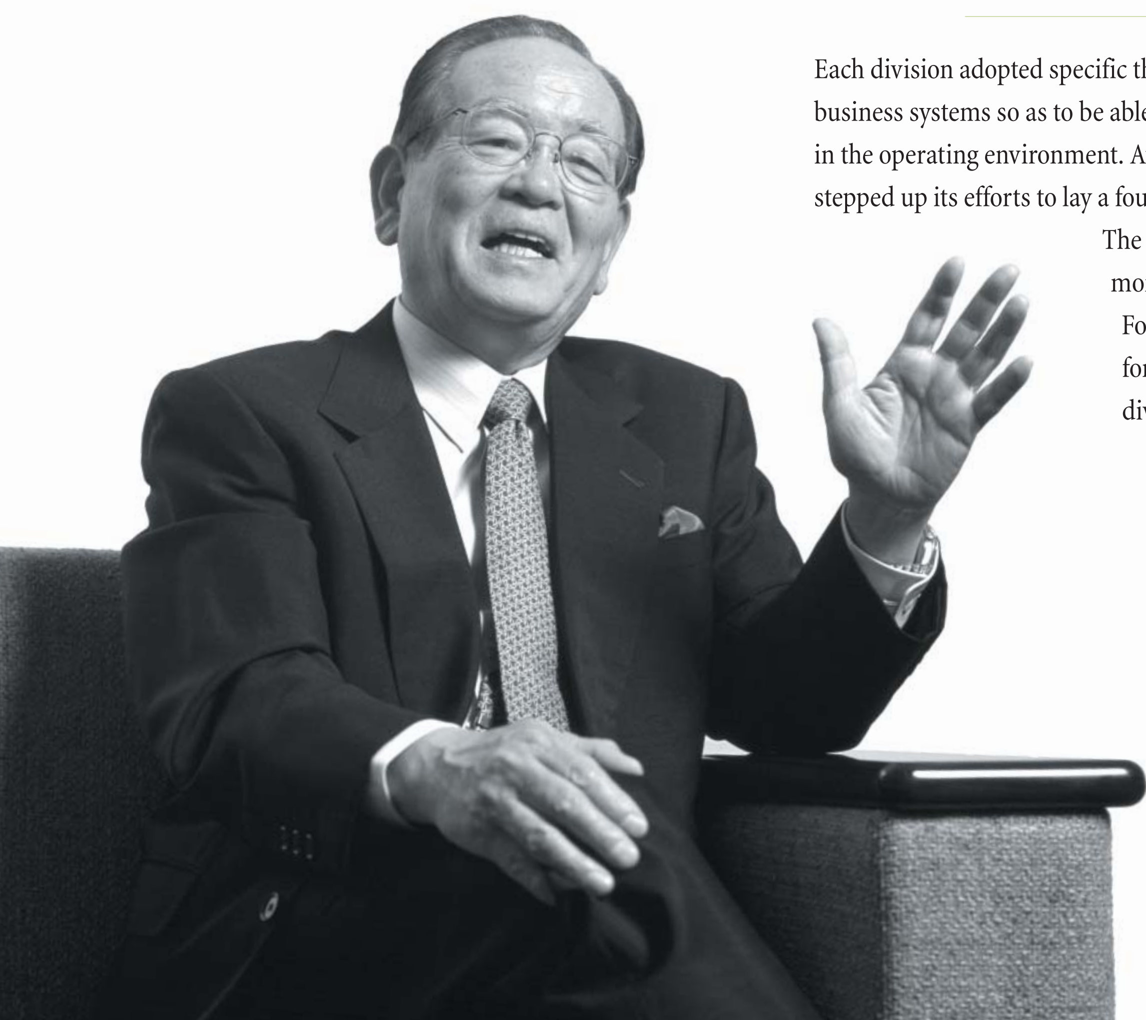
By business segment, sales of textiles decreased 3.7% to ¥78,203 million (US$602 million), and sales of non-textiles declined 3.1% to ¥147,633 million (US$1,136 million). The ratio of non-textiles sales to total sales increased 0.2 percentage point to 65.4%, while the ratio of textile sales to total sales decreased 0.2 percentage point to 34.6%.

However, these figures should also be viewed against the continued deterioration of the Japanese economy. There was no let-up in the strong deflationary trend, and GDP growth was negative. With the exception of the automobile industry and some others, corporate earnings declined. Unemployment reached a record level. We pressed ahead with the restructuring of our business operations by aggressively channeling management resources into selected business areas with potential for significant growth, and by withdrawing from unprofitable business sectors.

Q2. *Fiscal 2002 was the second year of Nisshinbo's three-year management plan. Would you summarize your achievements so far and outline your proposed actions for fiscal 2003, ending March 31, 2003?*

Each division adopted specific themes to promote reform of its business systems so as to be able to respond faster to rapid changes in the operating environment. At the same time, each division stepped up its efforts to lay a foundation for future growth.

The result was that we established a momentum in the desired direction. For example, the Textile Division forged ahead with changing the division of work between domestic



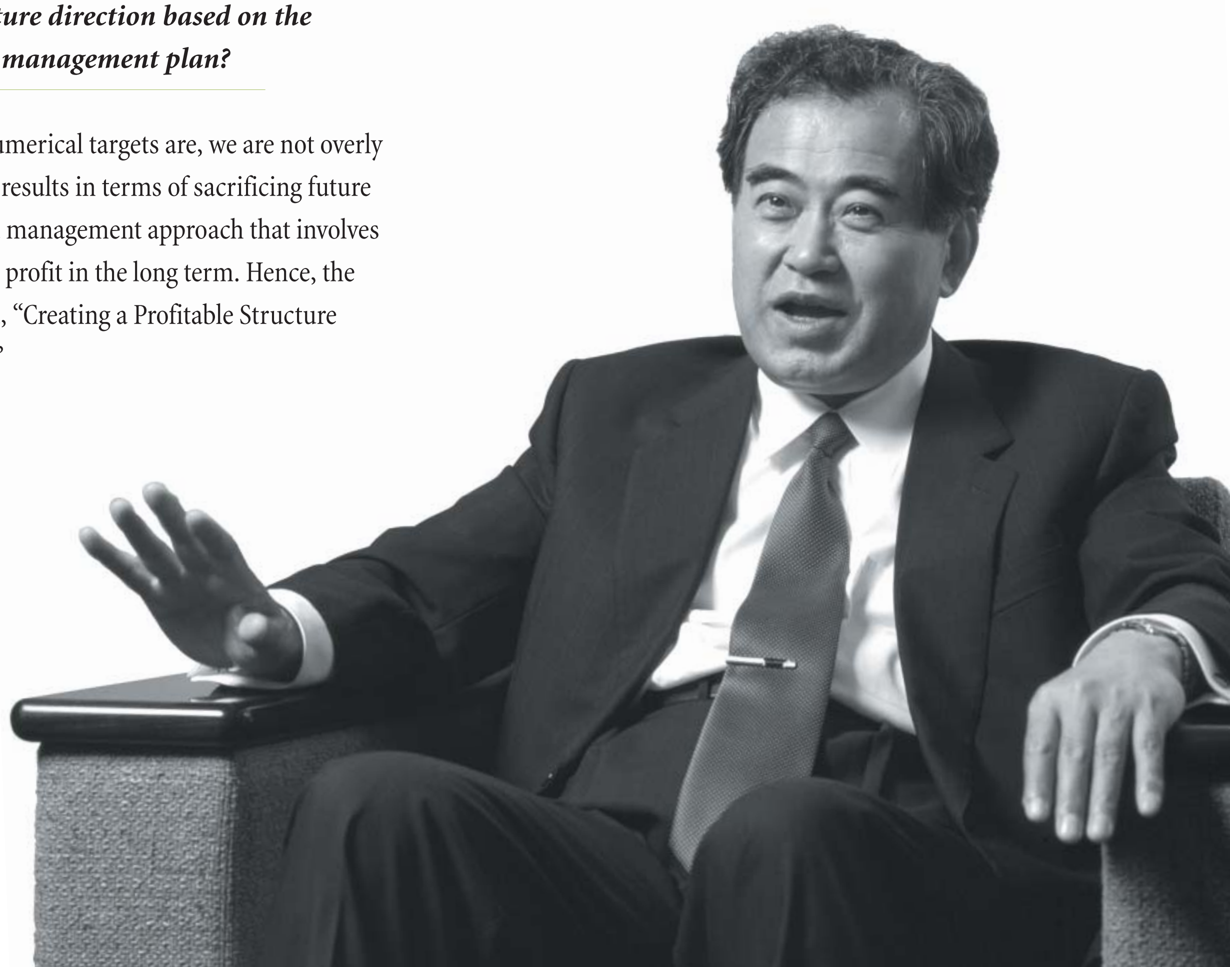
Akihiro Mochizuki, Chairman

and overseas bases, entailing a considerable reinforcement of our overseas business structure. We also took various measures to revitalize business efficiency in general, including measures designed to improve the skills and business awareness of employees. Specifically, we launched a “Program of Overseas English Training (POET)” and an internal staff recruitment system using our intranet called “New Challenge System.” In addition, we revised our “decision-making rules” to push decision-making authority downwards. Also, we previously adopted a bonus system tied to operating income that is firmly taking root.

We do not expect any sustained improvement in the Japanese economy in fiscal 2003, but we do expect the ongoing reforms that we have outlined to allow us to demonstrate our combined strengths that are backed by solid global expansion, superior development, quality, and strong confidence in our financial capabilities. For fiscal 2003, we forecast consolidated net sales of ¥232 billion and operating income of ¥5.4 billion.

Q3. What is your perspective regarding Nisshinbo's future direction based on the current management plan?

Important as short-term numerical targets are, we are not overly focused on achieving these results in terms of sacrificing future growth. We take a balanced management approach that involves actions designed to expand profit in the long term. Hence, the theme of this annual report, “Creating a Profitable Structure in a Time of Rapid Change.”



Yoshikazu Sashida, President

One could characterize our management style in the past as “solid,” based on large accumulated reserves entrusted to us by our predecessors and shareholders. But the world has changed, and now we have to break out of our “shell” and seek an increase in profitability. That is the rationale of our three-year management plan. To become a genuinely 21st century manufacturer with the potential for growth, we have to take calculated risks while hedging those risks through rigorous risk management.

Nisshinbo is essentially a manufacturer of intermediate materials, parts, and equipment that support industrial operations. This will not change, but we intend to perform our role better by capitalizing on our corporate strengths in order to differentiate our products in various business fields. The “Nisshinbo brand” represents “quality,” encompassing development, production, marketing and management as well as product quality. It is this quality that serves as the driving force behind our overseas business development; irrespective of where a product is made, the quality is assured. This translates into higher added value and ultimately higher profits. Our goal as a 21st century manufacturer is to harness Nisshinbo quality as a means of responding to the changing business environment. To raise quality and value, we must strengthen our development activities and our overseas operations. These are the two main tasks that our strategy addresses.

Q4. *Can you give more detail on how you intend to reinforce development activities and overseas operations?*

Nisshinbo's business fields are wide and our R&D themes extend from basic necessities to leading-edge, high-tech materials and equipment. It is not enough to boast of superior R&D capabilities. We must convert this advantage into profits by speeding up commercialization of products derived from our R&D efforts. That requires a careful identification of the needs of end users, which in turn depends on feedback of information gathered through sales and marketing activities and on concurrent engineering techniques.

Why do we want to strengthen overseas operations? Simply because it is extremely difficult to make profits if all business processes are carried out at home. By globalizing our operations, we can reduce costs and expand markets. For Nisshinbo, globalization will be multi-faceted. It will include the establishment of new companies, the formation of alliances through joint ventures, capital participation, and technology transfer. Globalization requires an appreciation of how we are positioned in the world market with regard to the business environment and growth potential of each division.

Q5. *What are you doing to improve profitability?*

In the textile segment, the emphasis is on rapid structural reform through an international division of work. At home, we are shifting our focus away from unprofitable sectors to more specialized, high value-added areas. Japan also serves as the center for new product and technology development. The manufacture of low-margin, general-purpose products will be moved to our overseas production bases, where we can combine Nisshinbo quality with lower costs and highly motivated labor forces.

In the automobile brake sector, we are faced with intensifying competition at home, global consolidation of the automobile industry, and increasing demand for modular units. Our response is to enhance our competitiveness in terms of cost and quality, expand overseas production, and promote system development and sales. With respect to paper products, we are concentrating on high value-added products for niche markets for fine papers and household papers. In the chemical products sector, we are looking to strengthen our marketing capability so as to increase sales of such profitable products as *N's VIP* vacuum insulation panels and glass carbon. Turning to machine tools, we see signs of a recovery in demand and are preparing to meet it. Environment-related products is an area where we see good growth potential. We are therefore planning to increase our production capacity for photovoltaic module manufacturing systems and other products, and further develop OEM business.

Following the establishment of a Fuel Cell Department, we have set up an Optical Department within the Research and Development Division, and intend to launch full-scale production and sales of filters for plasma display panels. Other examples of seed businesses include a condenser device and various biotechnology-related products.

(Further details with regard to enhancing the profitability of the above business segments are covered in the Special Feature section.)

Finally, in the real estate leasing sector, we are continuing to promote more efficient use of our real estate assets.

Q6. *What other important tasks need to be undertaken?*

We must reinforce group management operations. As we have already mentioned, the net loss for fiscal 2002 was a result of the disappointing performance of our affiliates, accounted for by the equity method. In April 2002, we revised our "Affiliate Management Standards" with a view to ensuring that all Group companies carry out appropriate, necessary structural reforms. The revised standards require each affiliated company to take responsibility for its own business management and for contributing to the overall performance of the Nisshinbo Group.

We must also generate greater benefits of synergy within the Nisshinbo Group. In March 2002, Nisshinbo acquired all shares of Iwao & Co., Ltd. (Iwao), a trader in chemical raw materials, from Tomen Corporation, and made it a subsidiary. This acquisition will allow us to market a range of excellent products developed by our Research and Development Division, including polycarbodiimide, through Iwao's established distribution channels. At the same time, Iwao can expand its product lineup.

Finally, we are aiming to attain market superiority by strengthening our business through alliances within and outside the Nisshinbo Group. We have successfully used technological/sales tie-ups and M&A to expand our business domain, but we must do more along these lines.

Q7. *What is your policy regarding dividends?*

Our policy is to return profits to shareholders, ideally in line with earnings, while keeping retained earnings at the level required to sustain future growth. Despite our disappointing results for fiscal 2002, the dividend is ¥7.00 (US$0.05) per common share, the same as for fiscal 2001.

During fiscal 2002, as one way of improving shareholder value, we purchased and cancelled a total of 5,163,000 shares of the Company at a cost of ¥2,602 million (US$20 million).

We are making every effort to build a profitable business structure by maximizing the efficiency with which we use the assets entrusted to us by shareholders and investors. This may take some time, but we intend to emerge from our restructuring as an enterprise that is relatively immune to fluctuations in the business environment. In pursuit of this goal, we will carry out our corporate activities in compliance with regulations and corporate ethics, as well as in harmony with society. Meanwhile, we take this opportunity to thank our shareholders, customers and friends for their continued support.

A. Mochizuki

Akihiro Mochizuki
Chairman

Y. Sashida

Yoshikazu Sashida
President

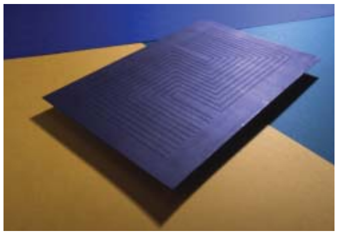
To improve our ability to make profits and secure future growth, we need to enhance our research and product development activities, and promote global business operations that can give us a competitive advantage.

Swift Commercialization of New Products

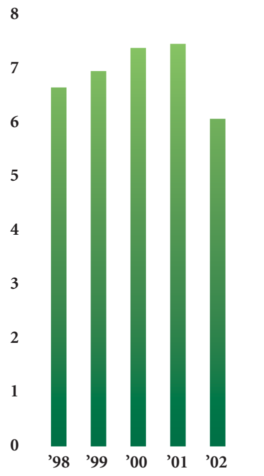
From Research and Development to Commercialization

Our Research and Development Center conducts basic research activities by designating research themes where our technological superiority can provide some value to society. Currently, we emphasize the creation of seed businesses in three areas: Electronics/IT, Energy/Ecology, and Life Sciences. We focus on step-by-step commercialization, starting with the establishment of a business department within the Research and Development Division. This department carries out test production and gathers information on customer responses and market trends to improve product quality. Only then do we launch full-scale production. The Fuel Cell Department is a good example. Fuel cells are widely seen as the providers of next-generation, "clean" energy. We applied our polymer technology to this field and developed a molded carbon separator (bipolar plate) having excellent material properties and productivity. Production and market shipments were originally carried out at a pilot plant within the Research and Development Center. In response to the product's popularity among customers and a rise in shipment volume for household and portable fuel cell applications, we expanded production facilities after transferring them to our Miai Plant. We also succeeded in developing a thinner, lighter and stronger separator (bipolar plate). Since the establishment of the Fuel Cell Department in September 2000, the fuel cell separator (bipolar plate) business has shown steady growth.


Research and Development Center


Carbon molded separator (bipolar plate)

R&D Expenditure
(billions of yen)



In November 2001, we established an Optical Department to carry out development, manufacture and sales of filters for plasma display panels. The application of large-size, thin plasma display panels is being expanded in wall-type televisions. Nisshinbo's filter for plasma display panels blocks harmful electromagnetic waves and near and far infrared radiation that could trigger malfunction of remote controllers. It also serves to improve the quality of the screen image. For fiscal 2003, we are targeting sales of ¥3 billion. To achieve this goal, we are channeling management resources into this segment and implementing a low-cost


DNA kit for food inspection

Development of Next-generation Condenser Device

The Research and Development Division succeeded in developing a next-generation condenser device by applying our original "ionic liquid" as the electrolyte in a capacitor (large-sized condenser). The use of ionic liquid allows instant heavy-current charge and discharge, which has proven difficult in conventional automobile batteries. The condenser device shows stable performance at temperature extremes, and production costs are similar to those of existing products. We plan to start supplying this product to automobile manufacturers in 2003 for application in environment-friendly hybrid and electric cars. We also plan to expand its application to lithium ion batteries.


Next-generation Condenser Device

production method to provide high value-added products.

One example of promising products in the Life Sciences field is *OligoArray®*, a DNA micro array kit. We are now developing new applications for this product in the clinical testing and food inspection sectors.

For fiscal 2002, R&D expenditure totaled ¥6,090 million (US$47 million), a decrease of 18.4% from fiscal 2001. The decrease was attributable to the launch of full-scale business operations for some of our newly developed products, testimony that our development activities are directly linked to commercial operations. As of March 31, 2002, the number of domestic and overseas patents held by Nisshinbo was 815, while patent applications outstanding totaled 1,864.

Product Development Aimed at Providing Higher Value

Each division carries out product development in order to provide higher value. Higher value, in Nisshinbo, means not only excellent product quality; it encompasses our vision of higher efficiency in terms of production, quality control, cost performance, marketing and planning. One of the most important factors in achieving efficient product development is the formation of close ties between the production and marketing divisions.

In the Textiles segment, the basic product development concept is to provide useful, attractive products while pursuing comfort, functionality and environment-friendliness. Examples include "healthy" products having antimicrobial and deodorizing functions, materials that feel cool during summer and warm during winter, lightweight stretch textiles, and high-function materials providing wrinkle-free performance, flame retardance and dirt release capability. The Textile Research and Development Center assumes a major role in carrying out actual development activities in cooperation with the sales, marketing and production divisions. For example, we have increased the number of marketing staff of the Tokyo Textiles Department. In addition, the duration of development activities varies with each project, but the major focus is on creating unique products that integrate Nisshinbo's technological superiorities, such as a liquid ammonia processing technique and differentiated materials. Nisshinbo boasts the world's highest level in manufacturing capacity using a liquid ammonia processing technique, which allows us to expand business in a wide range of fields, including shirts, denim, bedding and knitted products. *Nisshinbo Mobilon* is another promising product among our developed products. Newly developed minus ion generating material is gaining a good reputation in the panty hose, socks, and underwear markets, among others. In addition, promotion of seasonal projects across divisional borders is another important task. Starting from the 2002 spring/summer season, we are promoting a "COOLCOTT" project to offer products that emphasize coolness by providing absorbency, quick drying and breathability, utilizing various specialized materials, including textiles and knitted products. The formation of alliances is also essential in gaining a superior position in the marketplace. An example is the "Triangle Project," an alliance with Teijin Ltd. and Nippon Keori Kaisha Ltd. In October 2001, we launched the "Triangle Recycling System," the third project to have emerged from this alliance, to collect and recycle used uniforms. We also opened a joint website (in Japanese), "Triangle Plaza" (http://www.triangle-plaza.com).

Triangle Recycling System to collect and recycle used uniforms

In the Automobile Brakes and ABS sectors, we are concentrating on the development of modular units and enhancement of cost competitiveness.

Automobile manufacturers favor full-service suppliers (FSS) who can respond to their demand for modular system units. Continental Teves Corporation (CTC), a joint venture with Continental Teves AG & Co. oHG (CT) of Germany, is now promoting development and sales of electronic brake systems, such as ABS and disc brakes, with the aim of becoming a FSS in this field. Demand for our Electronic Stability Program (ESP) is particularly strong, showing good growth potential. In the future, we intend to place more weight on the development of low-cost products. For existing ABS and disc brakes, we are focusing on reduction of size, weight and cost as early as the development stage to improve competitiveness. In the friction materials and brake-related products sector, we offer products matched to the needs of Japanese, U.S. and European manufacturers, quickly responding to the integration of car models and the increased use of common parts triggered by the ongoing restructuring of the global automobile industry. We are also promoting development of environment-friendly friction materials.

Nisshinbo's paper products are developed based on our original technologies and unique development concepts. One example of our recent successful developments is a toilet paper specially designed for use with a toilet equipped with a bidet. We are also promoting development of unique printing papers and digital output papers.

In the Chemical Products sector, we provide a range of unique, high-function materials. Development of new applications is a key to future profit expansion. One of the most promising products is *N's VIP*, which has excellent insulating, energy-saving, and environment-friendly properties. Its application is expanding into the commercial refrigerator/freezer-related fields.

BCN® *(Bio Contact N) has a high water-absorbing capacity*

In addition, glass carbon is expanding its application in the electronic materials field. *APG*® (Aqua Porous Gel) and *BCN*® (Bio Contact N) used in water treatment are also promising.

In the Machine Tools sector, our development activities are centered on environment-related facilities, for which we expect strong demand in the future.

In the CCM Systems sector, we are developing systems for various manufacturers, designed to provide support in terms of technology, quality control and business processes.

Global Business Development

International Division of Work in the Textiles Segment

Globalization plays an essential role in our business system reform of the Textiles segment. For the purpose of revitalizing our textile operations, we are rapidly promoting an international division of production operations between our domestic and overseas bases. The basic policy is to add to our domestic production bases the role of originator of new technologies and high value-added products while promoting a balanced strengthening of competitiveness overseas. This competitiveness means not only pursuing lower costs by increasing production volume at our overseas bases, but also enhancing our overseas production bases to promote quicker access to global markets and adding high value to the products by manufacturing them in specialized bases for their respective sectors.

We have expanded production facilities at P.T. Nikawa Textile Industry (Nikawa Tex) and P.T. Gistex Nisshinbo Indonesia (G&N) in Indonesia and Mingly Textiles (Changzhou) Ltd. (Mingly Textile) in China. As a result, Nikawa Tex and G&N now operate a comprehensive production

Mingly Textile (Changzhou) Ltd.

system from spinning and weaving to processing. We also installed facilities to manufacture and process knitted products at Hangzhou Yimian Limited in China. In order to maintain Nisshinbo quality at our overseas bases, we will transfer detailed technology and know-how to these companies.

In China, we have established two joint ventures to expand production. Ningbo Veken Textile Co., Ltd. (est. February 2002) will engage in cotton and synthetic spinning, while Ningbo Sunrise Textile Dyeing and Finishing Co., Ltd. (est. December 2001) will carry out weaving and dyeing. Itochu Corporation is a partner in both companies, together with different major local companies. These two joint ventures bring the total of our production companies in China in the spinning, weaving and processing field to four.

With the aim of promoting domestic and overseas business development in the shirt materials field, we also established P.T. Naigai Shirts Indonesia, a joint venture with Naigai Shirts Co., Ltd., to produce dress shirts in Indonesia.

In China, following the establishment of our Shanghai Representative Office in September 2001, we set up Nisshinbo (Shanghai) Co., Ltd. in February 2002. We now have a system geared to the supply of products manufactured in our production bases in China to local and global markets with high growth potential.

To ensure that the ongoing rapid separation of work between our domestic and overseas bases proceeds smoothly, we set up a Global Operation Promotion Office in April 2002. Its main roles are to encourage efficient business operations at each base and make strategic moves to enhance Nisshinbo's business in Japan, the U.S., Europe, and Asia.

Securing Competitiveness in the Automobile Brakes Business through Globalization

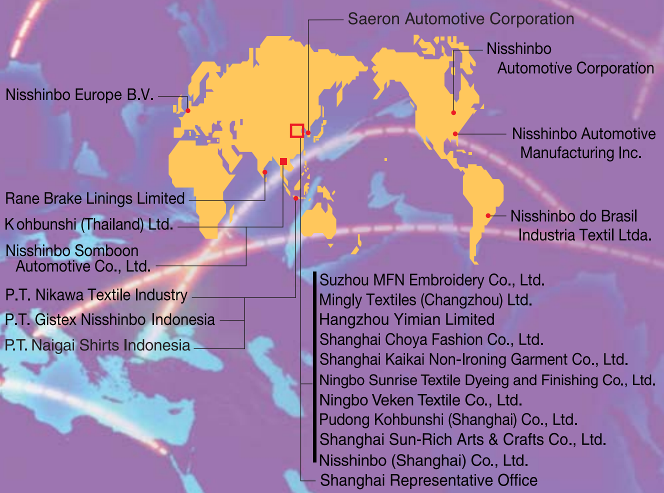
The Automobile Brakes sector regards the current global mega-competition as a chance to expand its business. It is promoting globalization through development of competitive products, enhancement of overseas bases, and formation of business alliances.

In the friction materials and automobile brakes segments, our production bases in the U.S., Thailand and South Korea are showing steady growth. Those in Thailand and South Korea have already made a positive contribution to our overall business performance. Our base in the U.S. is receiving increased orders from the "Big Three" auto manufacturers and is expected to achieve a large increase in operating rate. We plan to implement various measures to increase profit, including enhancement of production facilities.

In the ABS sector, CT and CTC, a joint venture with CT, operate production bases in Japan, the U.S., Europe, South America and China, forming a world-class production network. This provides a considerable advantage in relation to the integration of car models and use of common parts in global markets. We intend to strengthen this partnership, acquire business opportunities on a world basis, and secure a superior position in global markets.

Our brake parts

Overseas Network



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

Textiles

In fiscal 2002, ended March 31, 2002, the Japanese textile industry endured an extremely difficult business environment, with consumer spending continuing to be weak and credit confidence declining further. In the textiles segment, we have been promoting cost reduction through the reorganization of domestic plants, while strengthening our overseas business operations. At the same time, we have been making efforts to facilitate product development, boost sales capabilities, and reduce sales and administrative costs. Although these efforts have begun to bear fruit, they were not sufficient to cover a drop in income caused by continued stagnation of the market and an increase in imports. Consolidated net sales of the Textiles segment amounted to ¥78,203 million (US$602 million), a decrease of 3.7% from fiscal 2001 and accounting for 34.6% of total consolidated net sales, down 0.2 percentage point. Operating income decreased 82.3% to ¥222 million (US$1.7 million).

Sales of yarns for textiles and knitted products decreased, due to a shift of production overseas by client companies and lower sales prices. However, our efforts to concentrate on sales of special and originally developed yarns and discontinue the marketing of unprofitable products allowed us to post an increase in overall sales.

Although there was a sign of recovery in sales of value-added knitted products to department stores, sales of knitted products for casual wear and inner wear targeting mass-sales outlets were adversely affected by an increase in low-priced imports. As a result, overall sales declined.

Despite an increase in exports of high value-added products, such as *SS* products, sales and operating income of shirt materials decreased owing to sluggish domestic demand, a fall in sales prices, and a slump in the U.S. market.

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

Sales of bedding, our mainstay product in the household textiles sector, decreased due to an increase in low-priced imports. We concentrated on sales of products manufactured at our overseas bases, and operating income increased.

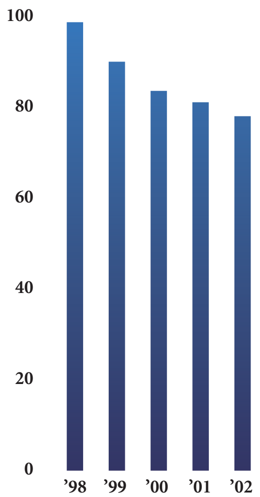
Domestic sales of denim, our main product, were weak, but exports to the U.S. and European markets increased. Operating income was at approximately the same level as fiscal 2001. Sales and operating income of uniform materials decreased due to a sharp drop in demand in the second half of fiscal 2002, attributable mainly to a decline in demand from corporations. Efforts to expand sales of casual wear through new marketing routes contributed to an increase in sales, but the increased popularity of low-priced products led to lower sales prices, and operating income decreased.

Domestic demand for spandex for panty hose remained weak, and a reduction in shipment volume caused by users' production adjustments and an expansion of production facilities by competitors resulted in an imbalance between supply and demand. Consequently, export prices declined, and sales and operating income decreased sharply.

Our *OIKOS* non-woven fabrics gained increased popularity among

Our denim products appeal to a wide range of consumers

Sales of Textiles
(billions of yen)



consumers, in turn leading to a rise in production volume together with an increase in sales throughout fiscal 2002. To respond to higher demand and promote new product development, we expanded production facilities at our Fujieda Plant.

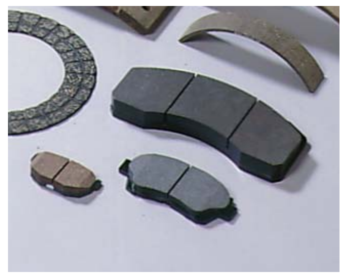
In our direct marketing business, *COMFORT PROPOSAL*, products using stretch materials, sold well during the spring and summer seasons for women's wear. However, sales edged downward in the second half due to an unusually warm winter.

Overseas, we boosted our total production system by strengthening the tie between Nikawa Tex and G&N in Indonesia. In China, we expanded spinning facilities at Mingly Textile and installed facilities to manufacture knitted products at Hangzhou Yimian Limited. In partnership with Itochu Corp. and major local companies, we established Ningbo Veken Textile Co., Ltd. to produce cotton and synthetic fiber yarns and Ningbo Sunrise Textile Dyeing and Finishing Co., Ltd. to carry out bleaching and dyeing processing of textiles for shirts and pants. Following the establishment of our Shanghai Representative Office in 2001, we set up Nisshinbo (Shanghai) Co., Ltd. to secure interoperability between our overseas and domestic business operations and reinforce our overseas sales capabilities.

An entry at the Annual Nisshinbo Fashion Contest

Non-textiles

Despite efforts to reorganize our business and promote new business development, the non-textiles segment was badly hit by stagnant economic conditions. As a result, consolidated net sales decreased 3.1% from fiscal 2001 to ¥147,633 million (US$1,136 million). The ratio of non-textile sales to total sales was up 0.2 percentage point to 65.4%. Operating income was down 18.7% to ¥3,683 million (US$28 million).



Our brake parts

Automobile Brakes

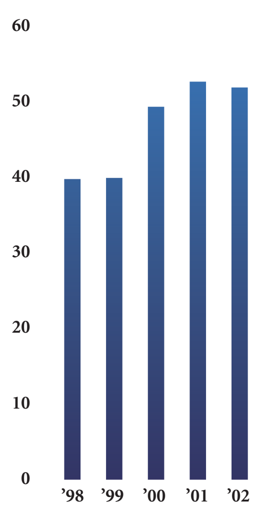
Sales of automobile brakes decreased 1.5% from fiscal 2001 to ¥51,926 million (US$399 million). Operating income was up 4.3% to ¥2,357 million (US$18 million).

Domestic sales of automobile brakes were low due to a decrease in domestic automobile production and a drop in exports to the U.S. and Europe. Good performances by our overseas subsidiaries contributed to an increase in overall sales. However, these positive results could not cover a fall in operating income at home, and overall operating income decreased.

Despite an increase in ABS usage, sales of ABS products decreased due to a move toward low-priced models. However, our efforts to reduce manufacturing costs allowed us to increase operating income.

In the friction materials sector, we completed the transfer of production

Sales of Automobile Brakes
(billions of yen)



Our ABS is fitted in the Honda FIT
© Honda Motors Co., Ltd.

facilities from our former Tokyo Plant to our Tatebayashi Plant. The latter now plays a key role in promoting the globalization of the friction materials business.

We completed the transfer of development and sales operations of ABS and disc brakes to CTC, which will be the center of future business development in this sector.

Papers

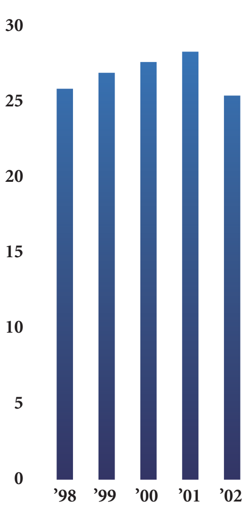
Sales of paper products decreased 10.3% from fiscal 2001 to ¥25,497 million (US$196 million), while operating income was up 32.2% to ¥1,104 million (US$8 million), reflecting lower pulp prices.

In the household papers sector, we responded to lower sales prices caused by intensified competition by concentrating on sales of differentiated products and trying to maintain price levels. Lower pulp prices also worked in our favor, and we posted a small increase in sales and a large increase in operating income.

Sales of fine papers decreased slightly as the market stagnated in the second half of fiscal 2002. Operating income was up, thanks to lower pulp prices and a reduction in manufacturing costs.

Our fine paper products used in printing, publications and packagings

Sales of Papers
(billions of yen)



In the fabricated products sector, we continued efforts to gain new orders and established Shanghai Sun-Rich Arts & Crafts Co., Ltd. in China with the aim of setting up a solid production base. In relation, we incurred considerable costs and posted a decrease in operating income despite an increase in sales.

Sales and operating income of label printing decreased due to a drop in orders.

Other Products

Sales of other products totaled ¥65,807 million (US$506 million), a decrease of 2.2% from fiscal 2001. Operating loss was ¥2,025 million (US$16 million).

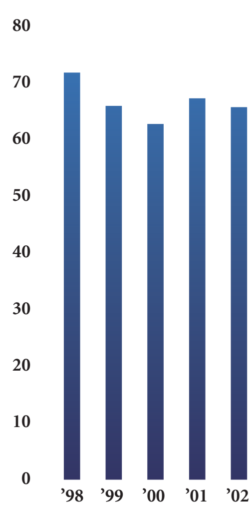
● *Machine Tools*

Sluggish economic conditions and continued deindustrialization at home as well as weak capital investment in plant and equipment caused by a slowdown in the U.S. economy resulted in large decreases in sales and operating income.

Sales of environment-related products, including a photovoltaic module manufacturing system, continued to expand, forming a promising market. During fiscal 2002, we started marketing *Do Jyo Riki*, a commercial-use biodegradation-type kitchen waste disposal unit. We are allocating increased management resources to promising business areas to facilitate reorganization of our

Our solar simulator to test the electrical performance of photovoltaic modules

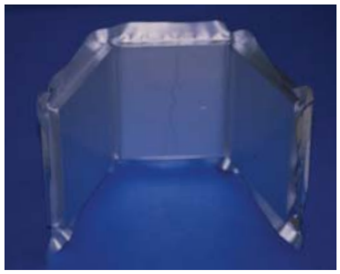
Sales of Other Products
(billions of yen)



business structure. To improve operational efficiency, we transferred the goodwill of Nisshinbo Mechatronics Inc., a consolidated subsidiary, to the Kyoto Seisakusho Group.

Chemical Products

Sales and operating income of chemical products decreased due to sluggish economic conditions and a serious recession in the IT industry.



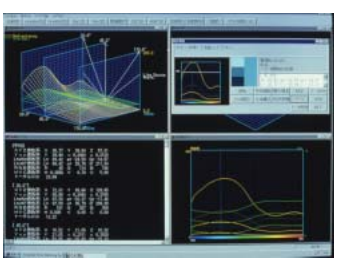
N's VIP, *our vacuum insulation panel*

Sales of rigid-type polyurethane foams, our major product, were adversely affected by stagnation in the construction and plant industries throughout fiscal 2002. We focused on increasing sales and rationalizing production of *N's VIP*, a vacuum heat insulation panel, panels for LNG plants, and products used in water-treatment plants, but sales and operating income decreased due to a drastic drop in sales of seats used in railway cars.

Sales of polyurethane elastomers were adversely affected by a slowdown in the U.S. economy following the terrorist attacks of September 11, while carbon products suffered from the IT recession. Thus, sales and operating income of both products decreased sharply. However, the market showed signs of an improvement from spring 2002.

Others

Sales of electronic communications equipment increased, but lower sales prices resulted in a decrease in operating income.



Hyper "Choshoku-Senka" *metallic Sp. computer color matching system*

We are promoting sales of CCM systems, mainly for the ink and paint industries. We lead the domestic market with our renowned *Choshoku-Senka* series. To make the most of our strength in this sector, we are promoting joint marketing projects with clients and development of overseas business operations in Southeast Asia and China.

We have concluded the R&D stage of fuel cell separators (bipolar plates) and filters for plasma display panels, and started business operations for both. We completed the expansion of production facilities for fuel cell separators (bipolar plates) after transferring them to our Miai Plant.

Real Estate Leasing

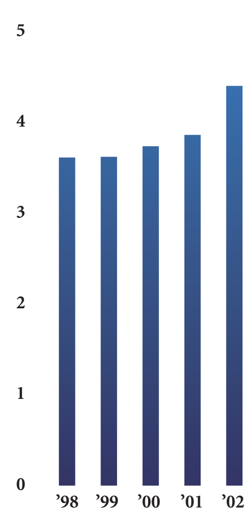
Sales of the real estate leasing business increased 13.9% over fiscal 2001 to ¥4,403 million (US$34 million), and operating income was up 32.5% to ¥2,247 million (US$17 million).

The Gran Fuji Kitajima Shopping Center on the site of our former company housing complex at the Tokushima Plant, leased to three companies, including Kashima Leasing Corporation, opened in November 2001. The APITA Hamakita Store, a shopping center on the site of our former company housing complex and women's dormitory at the Hamamatsu Plant, now leased to UNY Co., Ltd., opened in March 2002.

We will continue the redevelopment of unused or under-used land as part of our business restructuring.

APITA Shimada Shopping Center

Sales of Real Estate Leasing
(billions of yen)

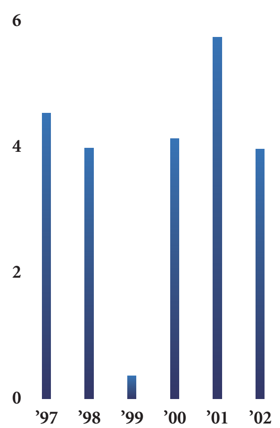


Six-year Summary

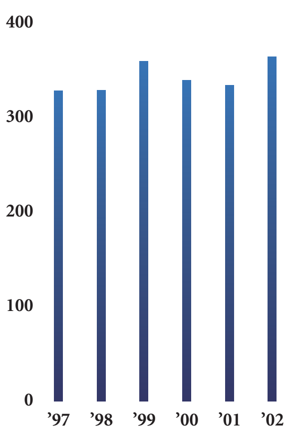
(millions of yen)

	1997	1998	1999	2000	2001	2002
Net Sales	234,268	240,249	226,800	227,452	233,535	225,836
Operating Income	4,541	3,989	373	4,140	5,751	3,968
Net Income	2,359	1,087	4,161	2,648	517	-2,649
Shareholders' Equity	198,758	199,373	200,779	194,685	192,331	213,665
Total Assets	328,427	329,102	359,390	339,373	334,460	364,161
Shareholders' Equity Ratio (%)	60.5	60.6	55.9	57.4	57.5	58.7
Return on Equity (%)	1.2	0.5	2.1	1.3	0.3	-1.3
Capital Investment	12,697	13,385	23,002	23,232	17,093	13,243
Depreciation and Amortization	13,266	13,634	13,411	14,228	13,134	13,422
Per Share (in yen):						
Net Income	9.98	4.60	17.60	11.36	2.32	-12.03
Shareholders' Equity	840.62	843.21	843.17	857.05	868.49	988.02
Cash Dividends	7.00	7.00	7.00	7.00	7.00	7.00
Number of Employees	8,067	8,452	8,452	8,235	8,104	8,456

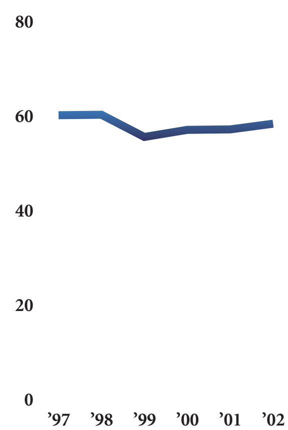
Operating Income
(billions of yen)



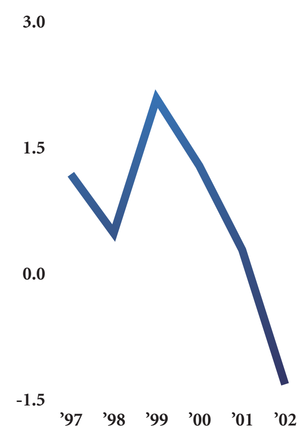
Total Assets
(billions of yen)



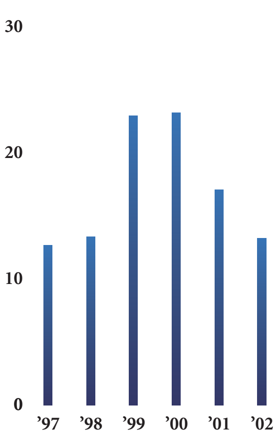
Shareholders' Equity Ratio
(%)



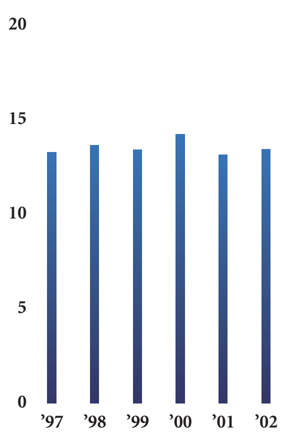
Return on Equity
(%)



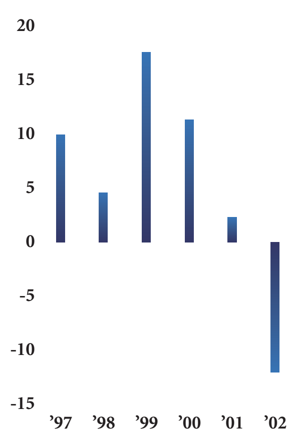
Capital Investment
(billions of yen)



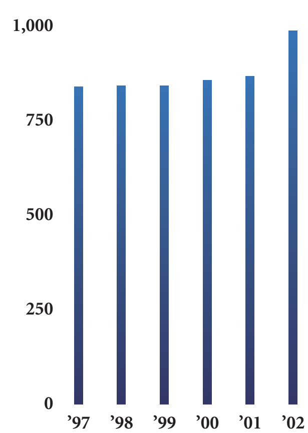
Depreciation and Amortization
(billions of yen)



Net Income per Share
(Yen)



Shareholders' Equity perShare
(Yen)



Operating Results

On a consolidated basis, net sales for fiscal 2002, ended March 31, 2002, totaled ¥225,836 million (US$1,737 million), a decrease of 3.3% from fiscal 2001.

In the Textiles segment, we reorganized our domestic plants and strengthened overseas operations as a means of reducing costs while stepping up efforts to develop new products, boost sales capabilities and reduce selling, general and administrative expenses. However, these initiatives proved insufficient to offset such factors as the prolonged market slump and mounting pressure from cheap foreign imports. Consequently, net sales decreased 3.7% from fiscal 2001 to ¥78,203 million (US$602 million), and operating income dropped sharply. The ratio of textile sales to total sales was 34.6%, down 0.2 percentage point.

In the Non-textiles segment, we continued to promote business restructuring and development of new business areas against a background of difficult operating conditions. Net sales totaled ¥147,633 million (US$1,136 million), down 3.1% from fiscal 2001. Operating income also decreased. The ratio of non-textile sales to total sales was 65.4%, up 0.2 percentage point.*

Cost of sales decreased 2.4% from fiscal 2001 to ¥195,917 million (US$1,507 million), while the ratio of cost of sales to net sales was up 0.9 percentage point to 86.8%. Selling, general and administrative expenses decreased 4.1% to ¥25,951 million (US$200 million). Costs and expenses amounted to ¥221,868 million (US$1,707 million), down 2.6%. As a result, operating income decreased 31.0% to ¥3,968 million (US$31 million).

Equity in losses of affiliates increased ¥4,943 million to ¥5,157 million (US$40 million). Gain on sale of property, plant and equipment was ¥1,751 million (US$13 million). Gain on sale of securities was ¥3,061 million (US$24 million), an increase of ¥1,191 million. Write-down of securities was ¥1,343 million (US$10 million). Consequently, other expenses decreased ¥534 million to ¥3,922 million (US$30 million). Income before income taxes and minority interests decreased ¥1,249 million to ¥46 million (US$0.4 million).

After deduction of income taxes of ¥2,664 million (US$20 million) and minority interests in net income of ¥31 million (US$0.2 million), we recorded a net loss for fiscal 2002 of ¥2,649 million (US$20 million). Net loss per share was ¥12.03 (US$0.09), compared with net income per share of ¥2.32 for fiscal 2001. ROE decreased 1.6 percentage points to minus 1.3%.

Total cash dividends per share for fiscal 2002 were maintained at ¥7.00 (US$0.05). Cash dividends paid totaled ¥1,550 million (US$12 million). Taking a long-term point of view, we will continue to follow our basic policy of maintaining dividends at a stable level.

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

Financial Position

Total assets stood at ¥364,161 million (US$2,801 million), an increase of 8.9% over fiscal 2001. Among total current assets, time deposits and other current assets increased, while cash and cash equivalents and receivables decreased. As a result, total current assets decreased 3.2% to ¥139,973 million (US$1,077 million). Property, plant and equipment increased 1.6% to ¥110,601 million (US$851 million). Investments and other assets increased 40.1% to ¥113,587 million (US$874 million) due to a valuation gain following the application of mark-to-market accounting, which resulted in an increase in investment securities.

Decreases in payables resulted in a 5.4% decrease in total current liabilities to ¥86,963 million (US$669 million). In spite of 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, long-term liabilities increased 23.6% to ¥58,136 million (US$447 million), chiefly as a result of an increase in deferred tax liabilities. Total current and long-term liabilities amounted to ¥145,099 million (US$1,116 million), up 4.4% over fiscal 2001.

Shareholders' equity increased 11.1% to ¥213,665 million (US$1,644 million), due mainly to a net unrealized gain on available-for-sale securities.

In fiscal 2002, the Company repurchased and cancelled a total of 5,163,000 of its shares at a cost of ¥2,602 million (US$20 million). Shareholders' equity ratio was up 1.2 percentage points to 58.7%, and shareholders' equity per share increased ¥119.53 to ¥988.02 (US$7.60).

Cash Flows

Net cash provided by operating activities was ¥3,484 million (US$27 million) greater than net cash used in investing activities, owing to investments being lower than depreciation and amortization expenses. Net cash used in financing activities amounted to ¥8,184 million (US$63 million) due to an increase in the repayment of debt.

As a result of the above, cash and cash equivalents at end of year decreased ¥4,305 million to ¥13,419 million (US$103 million).

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥13,298 million (US$102 million), reflecting income before income taxes and minority interests of ¥46 million (US$0.35 million) being offset by adjustment for depreciation and amortization of ¥13,422 million (US$103 million) and equity in losses of affiliates of ¥5,157 million (US$40 million).

Cash Flows from Investing Activities

Net cash used in investing activities was ¥9,814 million (US$75 million). This was mainly due to proceeds from sale of property, plant and equipment of ¥4,448 million (US$34 million), and proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates of ¥4,869 million (US$37 million), offset by payment for purchase of property, plant and equipment of ¥12,397 million (US$95 million) and investment securities and investments in and advances to unconsolidated subsidiaries and affiliates of ¥4,494 million (US$35 million).

Cash Flows from Financing Activities

Net cash used in financing activities was ¥8,184 million (US$63 million). Significant items were a net decrease in long-term debt and short-term bank loans totaling ¥4,005 million (US$31 million), and payment for purchase of treasury stock of ¥2,620 million (US$20 million).

Nisshinbo Industries, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

31st March, 2002 and 2001

ASSETS

	(millions of yen)		(thousands of US dollars) (Note 1)
	2002	2001	2002
Current assets:			
Cash and cash equivalents	¥ 13,419	¥ 17,724	$ 103,223
Time deposits	5,794	4,436	44,569
Receivables			
Notes receivable, trade	12,901	17,989	99,239
Accounts receivable, trade	37,001	42,190	284,623
Unconsolidated subsidiaries and affiliates	10,531	8,645	81,008
Other	13,275	8,217	102,115
	73,708	77,041	566,985
Less allowance for doubtful accounts	(742)	(860)	(5,708)
	72,966	76,181	561,277
Inventories (Note 3)	43,380	43,424	333,692
Deferred tax assets (Note 7)	1,528	1,527	11,754
Other current assets	2,886	1,250	22,200
Total current assets	139,973	144,542	1,076,715
Property, plant and equipment:			
Land	16,236	16,443	124,892
Buildings and structures	96,621	95,944	743,239
Machinery, equipment and tools	202,136	202,818	1,554,892
Construction in progress	2,941	2,912	22,623
	317,934	318,117	2,445,646
Less accumulated depreciation	(207,333)	(209,276)	(1,594,869)
	110,601	108,841	850,777
Investments and other assets:			
Investment securities (Note 4)	87,723	43,174	674,793
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 4 and 13)	23,500	26,600	180,769
Deferred tax assets (Note 7)	532	4,678	4,092
Other	1,832	6,625	14,092
	113,587	81,077	873,746
	¥ 364,161	¥ 334,460	$ 2,801,238

See Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	(millions of yen) 2002	2001	(thousands of US dollars) (Note 1) 2002
Current liabilities:			
Short-term bank loans (Note 5)	¥ 48,415	¥ 49,404	$ 372,423
Current portion of long-term debt (Note 5)	2,185	1,064	16,808
Payables			
Notes and accounts payable, trade	19,236	22,388	147,969
Unconsolidated subsidiaries and affiliates	1,023	4,452	7,869
Other	4,274	3,856	32,877
	24,533	30,696	188,715
Employees' savings deposits	4,165	4,599	32,038
Accrued expenses	3,690	3,931	28,385
Accrued income taxes	422	930	3,246
Other current liabilities	3,553	1,273	27,331
Total current liabilities	86,963	91,897	668,946
Long-term liabilities:			
Long-term debt (Note 5)	11,029	9,570	84,838
Accrued severance benefits (Note 6)	22,893	23,012	176,100
Deferred tax liabilities (Note 7)	16,042	213	123,400
Other long-term liabilities	8,172	14,244	62,862
	58,136	47,039	447,200
Minority interests in consolidated subsidiaries	5,397	3,193	41,515
Commitments and contingencies (Note 12)			
Shareholders' equity (Notes 10 and 13):			
Common stock:			
Authorised			
2002 — 380,137,000 shares			
2001 — 385,300,000 shares			
Issued			
2002 — 216,580,939 shares			
2001 — 221,743,939 shares	27,588	27,588	212,215
Additional paid-in capital	20,401	20,401	156,931
Revaluation surplus	170	—	1,308
Retained earnings	141,022	148,214	1,084,785
Net unrealized gain on available-for-sale securities	25,715	—	197,807
Foreign currency translation adjustments	(1,151)	(3,809)	(8,854)
Less shares in treasury	(80)	(63)	(615)
	213,665	192,331	1,643,577
	¥ 364,161	¥ 334,460	$ 2,801,238

Nisshinbo Industries, Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

Years ended 31st March, 2002 and 2001

	(millions of yen)		(thousands of US dollars) (Note 1)
	2002	2001	2002
Net sales	¥ 225,836	¥ 233,535	$ 1,737,200
Costs and expenses:			
Cost of sales	195,917	200,721	1,507,054
Selling, general and administrative expenses	25,951	27,063	199,623
	221,868	227,784	1,706,677
Operating income	3,968	5,751	30,523
Other income (expenses):			
Interest and dividend income	2,073	2,289	15,946
Interest expenses	(1,767)	(1,646)	(13,592)
Equity in losses of affiliates	(5,157)	(214)	(39,669)
Other, net (Note 11)	929	(4,885)	7,146
	(3,922)	(4,456)	(30,169)
Income before income taxes and minority interests	46	1,295	354
Income taxes (Note 7)			
Current	1,426	2,816	10,969
Deferred	1,238	(1,922)	9,523
	2,664	894	20,492
Income (loss) before minority interests	(2,618)	401	(20,138)
Minority interests in net income (loss)	(31)	116	(239)
Net income (loss)	(¥ 2,649)	¥ 517	($ 20,377)

	(yen)		(US dollars)
Per share:			
Net income (loss)	(¥ 12.03)	¥ 2.32	($ 0.09)
Cash dividends	7.00	7.00	0.05

See Notes to Consolidated Financial Statements.

Nisshinbo Industries, Inc. and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

Years ended 31st March, 2002 and 2001

	(millions of yen) 2002	(millions of yen) 2001	(thousands of US dollars) (Note 1) 2002
Common stock:			
Balance at beginning of year (2002 — 221,743,939 shares; 2001 — 227,443,939 shares)	¥ 27,588	¥ 27,588	$ 212,215
Balance at end of year (2002 — 216,580,939 shares; 2001 — 221,743,939 shares)	¥ 27,588	¥ 27,588	$ 212,215
Additional paid-in capital:			
Balance at beginning of year	¥ 20,401	¥ 20,401	$ 156,931
Balance at end of year	¥ 20,401	¥ 20,401	$ 156,931
Revaluation surplus:			
Balance at beginning of year	¥ —	¥ —	$ —
Net changes	170	—	1,308
Balance at end of year	¥ 170	¥ —	$ 1,308
Retained earnings:			
Balance at beginning of year	¥ 148,214	¥ 152,198	$ 1,140,108
Adjustments due to increase/decrease in consolidated subsidiaries	79	(98)	607
Adjustments due to decrease in 20%~50% owned affiliates	(39)	—	(300)
Adjustments due to increase/decrease in ownership interest in 20%~50% owned affiliates	(354)	161	(2,723)
Net income (loss)	(2,649)	517	(20,377)
Cash dividends	(1,550)	(1,570)	(11,923)
Directors' and statutory auditors' bonuses	(77)	(80)	(592)
Retirement of treasury stock	(2,602)	(2,914)	(20,015)
	¥ 141,022	¥ 148,214	$ 1,084,785
Net unrealized gain on available-for-sale securities:			
Balance at beginning of year	¥ —	¥ —	$ —
Net changes	25,715	—	197,807
Balance at end of year	¥ 25,715	¥ —	$ 197,807
Foreign currency translation adjustments:			
Balance at beginning of year	(¥ 3,809)	(¥ 5,441)	($ 29,300)
Net changes	2,658	1,632	20,446
Balance at end of year	(¥ 1,151)	(¥ 3,809)	($ 8,854)
Treasury stock at cost:			
Balance at beginning of year	(¥ 63)	(¥ 61)	($ 484)
Add: acquired	(17)	(2)	(131)
Balance at end of year	(¥ 80)	(¥ 63)	($ 615)

See Notes to Consolidated Financial Statements.

Nisshinbo Industries, Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended 31st March, 2002 and 2001

	(millions of yen)		(thousands of US dollars) (Note 1)
	2002	2001	2002
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 46	¥ 1,295	$ 354
Adjustments to reconcile net income to net cash provided by operating activities:			
Income taxes-paid	(1,947)	(4,023)	(14,977)
Depreciation and amortization	13,422	13,134	103,246
Equity in losses of affiliates	5,157	214	39,669
Provision for doubtful receivables	(122)	459	(939)
Provision for accrued pension and severance benefits	3,453	6,653	26,562
Payment of accrued pension and severance benefits	(3,572)	(4,006)	(27,477)
Directors' and statutory auditors' bonuses paid	(84)	(88)	(646)
(Gain) loss on sale of property, plant and equipment	(1,751)	277	(13,469)
Gain on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(3,061)	(1,870)	(23,546)
Write-down of investment securities	1,343	—	10,331
Loss on plant closures	775	429	5,962
Other	112	(81)	861
Changes in operating assets and liabilities:			
Receivables	8,323	(5,687)	64,023
Inventories	884	1,036	6,800
Payables	(7,067)	3,029	(54,362)
Other	(2,613)	(2,503)	(20,100)
Net cash provided by operating activities	13,298	8,268	102,292
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	4,448	499	34,215
Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	4,869	3,373	37,454
Payment for purchase of property, plant and equipment	(12,397)	(17,367)	(95,362)
Payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(4,494)	(2,610)	(34,569)
(Increase) decrease in loans receivable	386	(570)	2,969
Increase in time deposits	(1,002)	(175)	(7,707)
Other, net	(1,624)	(703)	(12,492)
Net cash used in investing activities	(9,814)	(17,553)	(75,492)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	714	817	5,492
Repayment of long-term debt	(1,998)	(1,295)	(15,369)
Decrease in short-term bank loans	(2,721)	(1,372)	(20,931)
Cash dividends paid	(1,550)	(1,570)	(11,923)
Payment for purchase of treasury stock	(2,620)	(2,914)	(20,154)
Other	(9)	(9)	(69)
Net cash used in financing activities	(8,184)	(6,343)	(62,954)
Effect of exchange rate changes on cash	220	83	1,692
Net decrease in cash and cash equivalents	(4,480)	(15,545)	(34,462)
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	208	104	1,600
Cash and cash equivalents of decreased consolidated subsidiaries at beginning of year	(33)	—	(254)
Cash and cash equivalents at beginning of year	17,724	33,165	136,339
Cash and cash equivalents at end of year	¥ 13,419	¥ 17,724	$ 103,223
Noncash investing and financing activities :			
Assets acquired by incurring accounts payable	¥ 2,056	¥ 1,506	$ 15,815

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 ¥130 = $1, the approximate exchange rate at 31st March, 2002. 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

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 dates. 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, 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) Investment securities

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. And effective 1st April, 2001, under this standard all securities are stated at fair value, with unrealized gain and losses, net of applicable taxes, stated in a separate component of shareholders' equity.

(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, the annual provision for retirement benefits is calculated to state the 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 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.

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, 2002 and 2001 were as follows:

	(millions of yen)		(thousands of US dollars)
	2002	2001	2002
Finished products	¥ 25,543	¥ 26,045	$ 196,484
Work in process	8,343	8,538	64,177
Materials and supplies	9,494	8,841	73,031
	¥ 43,380	¥ 43,424	$ 333,692

4. MARKETABLE SECURITIES:

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

	(millions of yen)	(thousands of US dollars)
Cost and carrying amount	¥ 43,023	$ 330,946
Market value	151,085	1,162,192

The carrying amounts and aggregate fair value of securities available-for-sale included in investment securities at 31st March 2002 were as follows:

	(millions of yen)	(thousands of US dollars)
Investment securities as available-for-sale:		
Cost	¥ 33,652	$ 258,862
Unrealized gains	45,285	348,346
Unrealized losses	(768)	(5,908)
Fair value	¥ 78,169	$ 601,300

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

Short-term bank loans at 31st March, 2002 and 2001 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, 2002 and 2001 were 0.6% to 8.8% and 0.9% to 8.8%, respectively.

Long-term debt at 31st March, 2002 and 2001 consisted of the following:

	(millions of yen) 2002	(millions of yen) 2001	(thousands of US dollars) 2002
Long-term debt with collateral:			
Loans from banks maturing serially to 2007, ranging from 1.6% to 6.0%	¥ 1,061	¥ 1,423	$ 8,161
Long-term debt without collateral:			
Loans from banks maturing serially to 2008, ranging from 1.4% to 7.0%	5,356	2,924	41,200
Capital lease obligations, due through 2010	6,797	6,287	52,285
	13,214	10,634	101,646
Less current portion	(2,185)	(1,064)	(16,808)
	¥ 11,029	¥ 9,570	$ 84,838

Annual maturities of long-term debt were as follows:

Year ending 31st March,	(millions of yen)	(thousands of US dollars)
2003	¥ 2,185	$ 16,808
2004	3,633	27,946
2005	1,643	12,638
2006	978	7,523
2007 and thereafter	4,775	36,731
	¥ 13,214	$ 101,646

At 31st March, 2002 and 2001, net book value of assets pledged as collateral for short-term bank loans and long-term debt were as follows:

	(millions of yen) 2002	(millions of yen) 2001	(thousands of US dollars) 2002
Property, plant and equipment	¥ 6,743	¥ 6,851	$ 51,869
Notes receivable, trade	200	340	1,539
	¥ 6,943	¥ 7,191	$ 53,408

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 for directors and corporate auditors at 31st March, 2002 and 2001 were ¥862 million ($6,631 thousand) and ¥939 million. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at 31st March, 2002 and 2001 consisted of the following:

	(millions of yen) 2002	(millions of yen) 2001	(thousands of US dollars) 2002
Projected benefit obligation	¥ 61,849	¥ 62,137	$ 475,762
Fair value of plan assets	(32,222)	(36,655)	(247,862)
	29,627	25,482	227,900
Unrecognized actuarial loss	(7,596)	(3,409)	(58,431)
Net liability	¥ 22,031	¥ 22,073	$ 169,469

The components of net periodic benefit costs for the years ended 31st March, 2002 and 2001 are as follows:

	(millions of yen) 2002	2001	(thousands of US dollars) 2002
Service cost	¥ 2,513	¥ 2,597	$ 19,331
Interest cost	1,841	1,849	14,161
Expected return on plan assets	(1,300)	(1,393)	(10,000)
Amortization of transitional obligation	—	16,049	—
Recognized actuarial loss	279	—	2,146
Net periodic benefit costs	¥ 3,333	¥ 19,102	$ 25,638

Assumptions used for the years ended 31st March, 2002 and 2001 are set forth as follows:

	2002	2001
Discount rate	3.0%	3.0~3.5%
Expected rate of return on plan assets	3.5~4.0%	3.5~4.0%
Recognition period of actuarial gain / loss	15 years	15 years
Amortization period of transitional obligation	—	1 year

7. INCOME TAXES:

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2002 and 2001 are as follows:

	(millions of yen) 2002	2001	(thousands of US dollars) 2002
Deferred tax assets:			
Property, plant and equipment	¥ 149	¥ 562	$ 1,146
Tax loss carryforwards	1,824	2,624	14,031
Allowance for doubtful accounts	343	617	2,638
Accrued employees' bonuses	722	618	5,554
Accrued severance benefits	8,470	8,142	65,154
Other	1,206	1,323	9,277
Less valuation allowance	(2,740)	(3,287)	(21,077)
	¥ 9,974	¥ 10,599	$ 76,723
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(¥ 18,758)	¥ —	($ 144,292)
Deferred gains on sale of property	(5,110)	(4,510)	(39,308)
Other	(88)	(97)	(677)
	(¥ 23,956)	(¥ 4,607)	($ 184,277)
Net deferred tax assets (liabilities)	(¥ 13,982)	¥ 5,992	($ 107,554)

A reconciliation between the normal effective statutory tax rate for the years ended 31st March, 2002 and 2001 and the actual effective tax rates reflected in the accompanying consolidated statement of income is as follows:

	2002	2001
Normal effective statutory tax rate	42.0%	42.0%
Dividend income not taxable	(46.9)	(13.4)
Expenses not deductible for income tax purposes	226.7	6.7
Tax benefits not recognized on operating losses of subsidiaries	1,102.5	52.9
Equity in losses of affiliates	4,736.3	6.9
Lower income tax rates applicable to income in certain foreign countries	(279.8)	(29.5)
Other	10.5	3.4
Actual effective tax rate	5,791.3%	69.0%

8. LEASES:

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

Total rental expenses for the years ended 31st March, 2002 and 2001 were ¥565 million ($4,346 thousand) and ¥659 million, respectively, including ¥530 million ($4,077 thousand) and ¥624 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, 2002 and 2001 was as follows:

	(millions of yen)		(thousands of US dollars)
	2002	2001	2002
Acquisition cost	¥ 2,809	¥ 3,194	$ 21,607
Accumulated depreciation	(1,887)	(2,036)	(14,515)
Net leased property	¥ 922	¥ 1,158	$ 7,092

Obligations under finance leases:

	(millions of yen)		(thousands of US dollars)
	2002	2001	2002
Due within one year	¥ 432	¥ 521	$ 3,323
Due after one year	490	637	3,769
Total	¥ 922	¥ 1,158	$ 7,092

Depreciation expense under finance leases:

	(millions of yen)		(thousands of US dollars)
	2002	2001	2002
Depreciation expense	¥ 530	¥ 624	$ 4,077

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 exchange risk associated with certain assets and liabilities denominated in foreign currencies. Foreign currency forward contracts which qualify for hedge accounting for the years ended 31st March, 2002 and 2001 and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheets at 31st March, 2002 and 2001, are excluded from disclosure of market value information.

The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities. Such contracts outstanding at 31st March, 2002 (no contracts outstanding at 31st March, 2001) are as follows:

	(millions of yen)		
	2002		
	Contract amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Fixed rate payments, floating rate receipt	¥ 413	(¥ 11)	(¥ 11)
Fixed rate receipt, floating rate payment	1,057	36	36
	¥ 1,470	¥ 25	¥ 25

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 and additional paid-in capital equal 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 capitalized 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)
	2002	2001	2002
Gain (loss) on sale of property, plant and equipment	¥ 1,751	(¥ 277)	$ 13,469
Gain on sale of securities	3,061	1,870	23,546
Write-down of securities	(1,343)	—	(10,331)
Write-off of inventories	(825)	(749)	(6,346)
Loss on plant closures	(775)	(429)	(5,962)
Transitional obligation for retirement benefits	—	(16,049)	—
Gain on securities contributed to retirement benefit trust	—	12,642	—
Retirement benefits paid due to restructuring of business operations	(752)	(1,276)	(5,784)
Other, net	(188)	(617)	(1,446)
	¥ 929	(¥ 4,885)	$ 7,146

12. COMMITMENTS AND CONTINGENCIES:

Contingent liabilities at 31st March, 2002 and 2001 for trade notes discounted with banks and trade notes delivered with endorsements for payments amounted to ¥403 million ($3,100 thousand) and ¥610 million, respectively. Contingent liabilities at 31st March, 2002 and 2001 for loans guaranteed amounted to ¥2,477 million ($19,054 thousand) and ¥4,395 million, respectively.

Commitments for capital expenditures outstanding at 31st March, 2002 and 2001 were in the approximate amounts of ¥3,655 million ($28,115 thousand) and ¥2,578 million, respectively.

13. SUBSEQUENT EVENTS:

(a) Sale of an affiliated company's stock

On 13th June, 2002, the Company sold 4,800,000 shares of the stock of Japan Radio Co., Ltd. which was accounted for by the equity method for the years ended 31st March, 2002 and 2001. The consideration received by the Company is ¥1,733million ($13,331 thousand). The loss on this sale in the amount of ¥843 million ($6,485 thousand) will be reflected in income statement for the year ending 31st March, 2003. As a result of this sale, the company's ownership interest decreased to 19.4%.

(b) Appropriation of retained earnings

On 27th June, 2002, Nisshinbo's shareholders authorised the appropriation of retained earnings as follows:

	(millions of yen)	(thousands of US dollars)
Cash dividends (¥3.50 per share)	¥ 758	$ 5,831
Directors' bonuses	50	385

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, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years 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, 2002 and 2001, and the results of their operations and their cash flows for the years 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

27th June, 2002
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.

1933 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.

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.

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

2000 P.T. Nikawa Textile Industry (Indonesia) established as a subsidiary through the additional acquisition of stocks.
Continental Teves Corporation established as a joint venture.

2001 Ningbo Sunrise Textile Dyeing and Finishing Co., Ltd. (China) established as a joint venture.

2002 Ningbo Veken Textile Co., Ltd. (China) established as a joint venture.
Nisshinbo Industries acquired all shares of Iwao & Co., Ltd.
Nisshinbo (Shanghai) Co., Ltd. (China) began operations.

The Nisshinbo Group consists of Nisshinbo Industries, Inc., its 38 subsidiaries, and 10 affiliates.

Main Group Companies (As of March 31, 2002)

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$20.075 million	Textiles
P.T. Gistex Nisshinbo Indonesia	Indonesia	US$10 million	Textiles
P.T. Nikawa Textile Industry	Indonesia	US$75 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$15.44 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 Leasing
Kansai Nisshinbo Urban Development Co., Ltd.	Osaka, Japan	¥30 million	Real Estate Leasing
Nisshinbo Europe B.V.	The Netherlands	EUR2.165 million	Real Estate Leasing
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
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
Continental Teves Corporation	Tokyo, Japan	¥1,390 million	Automobile Brakes

Board of Directors and Statutory Auditors

Chairman
Akihiro Mochizuki

President
Yoshikazu Sashida

Senior Executive Director
Kohshi Fujino

Senior Executive Director
Tadashi Nakai

Executive Director
Akira Baba

Executive Director
Kenji Tasaki

Executive Director
Takashi Iwashita

Executive Director
Kunihiro Toda

Executive Director
Yasuo Takeuchi

Director
Masao Kinoshita

Director
Hajime Takagiwa

Director
Hideyuki Tanaka

Director
Takeo Shimura

Director
Shizuka Uzawa

Director
Masashi Shinagawa

Director
Yoshihito Onda

Standing Statutory Auditor
Hisayoshi Arata

Statutory Auditor
Shinsuke Takahashi

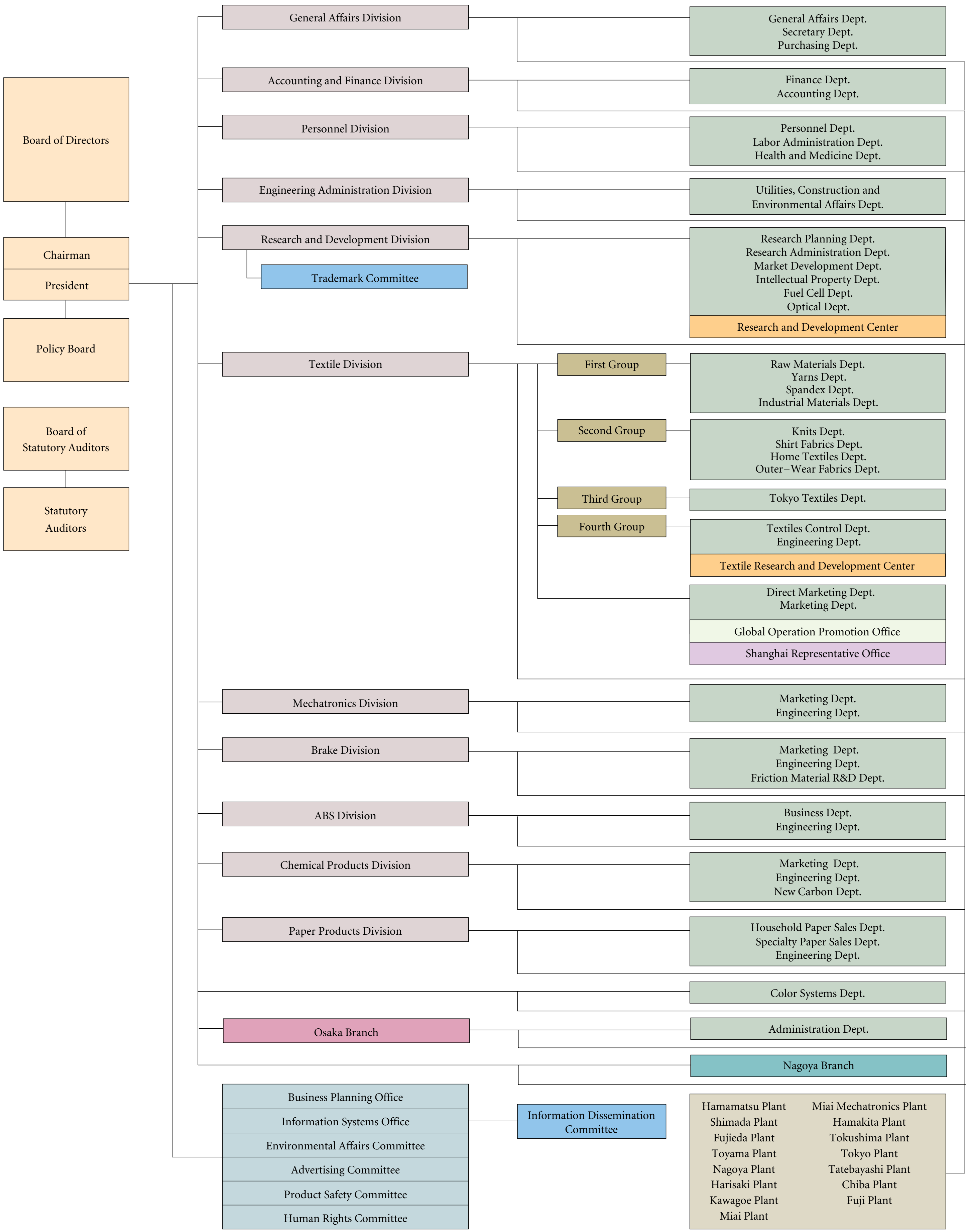
Statutory Auditor
Tetsuo Furuya

Statutory Auditor
Shigenari Ishida

Corporate Data
(As of March 31, 2002)

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	3,690
	Subsidiaries	4,766
	Total	8,456
Common Stock:		
Authorized:	380,137,000 shares	
Issued:	216,580,939 shares ¥27,588 million — US$212 million	
Shareholders:	14,121	
Listings:	Tokyo, Osaka, Nagoya, Fukuoka and Sapporo	
Transfer Agent:	UFJ Trust Bank Limited 1-4-3, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	

ORGANIZATION CHART



NISSHINBO

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/

Printed in Japan