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Nisshinbo Industries, Inc.   Annual Report 2008

Creating New Value for the Future

Annual Report 2008

Fiscal year ended March 31, 2008

Nisshinbo embraces green solutions

Nisshinbo Industries, Inc. was established in 1907 as a manufacturer of cotton yarn and thread. Over the past century, we have tackled the challenges of creating value to meet the demands of society and have evolved into a company offering products and services in six areas: textiles, automobile brakes, paper products, mechatronics, chemicals, and electronics.

But Nisshinbo's evolution has not stopped. Preservation of the global environment is essential for achieving sustainable development in human society, and our company is committed to meeting this new challenge. Nisshinbo is becoming a company that will use its accumulated technological capabilities to provide optimal solutions to environmental problems—a pro-environment company whose business activities will make significant contributions to the future of human society.

Contents

April 2009 Nisshinbo enters a new phase

A group that contributes to preservation of the global environment. Spinning off divisions to enhance the strengths of each.

From textile engineering to a wide range of technologies.
Nisshinbo has been accumulating technological capabilities and management assets for more than a century.

A wide range of business fields generated from diverse technological capabilities.
Amidst those capabilities, the seeds of future environmental businesses are starting to germinate.

Nisshinbo will undergo a corporate division in April 2009

Nisshinbo will adopt a holding company structure and spin off each division as an independent company.
Each company will reinforce growth areas and promote environmentally friendly business in the pursuit of becoming a company committed to the environment.

TOP Interview

Nisshinbo continues to increase sales revenue and income despite difficult economic conditions. A year for building the foundations for our next century.

The fiscal year ended March 2008 was the 101st year since the foundation of Nisshinbo Industries, Inc. This marked the first year of our next century and for building the foundations for the future.

I feel that we have achieved a good response to the business structure reforms implemented under the Three-Year Management Plan 2008, our medium-term business plan. We are reorganizing unprofitable existing businesses and adjusting excess inventories as orders increase in new fields such as photovoltaic module manufacturing lines. I have high hopes that new environment-related businesses will become a major driver of Nisshinbo's future growth.

To achieve even greater growth in the future, Nisshinbo will adopt a holding company system and implement dynamic management by spinning off its major business divisions in April 2009. The fiscal year ending March 2009 will be a year of preparation for these changes. I ask for your continued support in the coming year.

Takashi Iwashita, President
Nisshinbo Industries, Inc.

What is the status of progress under the Three-Year Management Plan 2008?

The business organization reforms implemented pursuant to a policy of selection and concentration are producing results.

Comprehensive business organization reforms are being implemented under the Three-Year Management Plan 2008 to select core businesses and concentrate our efforts on them. During the fiscal year ended March 2007, which was the first year of the three-year plan, we closed the Toyama Plant in the textile business and withdrew from unprofitable sectors of the former chemical products business.

In the fiscal year ended March 2008, the second year, we closed the Harisaki Plant and implemented a further consolidation of production facilities in the textile business. Also, we conducted a review of the textile business itself, reorganized unprofitable business sectors including the mail-order business, adjusted excess inventories of obsolete products, and implemented other reforms. In the chemical business, we continue to improve production management structures including adjustments of excess inventories continued from last year.

The new photovoltaic module manufacturing line plant in Okazaki City, Aichi Prefecture (scheduled for completion in March 2009)

As a result of these reforms, liquidation of negative legacies, an important factor hindering the company's growth, has proceeded substantially. At the same time, we are concentrating management resources on new, environment-related businesses. These include new plant facilities for photovoltaic module manufacturing lines, an area in which orders are increasing rapidly, and the introduction of mass-production facilities for electric double-layer capacitors. We are working to develop and strengthen these businesses.

The fiscal year ending March 2009 will be the final year of the three-year plan as well as a year for preparing for corporate division the following April. During this year, we will ensure that the structural reforms in existing business areas are carried out effectively, and will make even greater efforts to strengthen new businesses. The next three-year plan, which will start at the same time as the corporate division, provides a view of Nisshinbo's new stance of reforming profit structures while growing.

The Three-Year Management Plan 2008

Nisshinbo is currently in the final year of its Three-Year Management Plan 2008. The core management policies of the plan are as follows:

1. Continue to bring to market unique products with high added value to serve as the foundation for strong quality competitiveness.
2. Reduce lead times and thoroughly emphasize a prompt "customer first" response.
3. Promote collaboration with other companies.
4. Pursue overseas expansion and accelerate localization of production and marketing.
5. Promote amicable M&As.
6. Reorganize and withdraw from businesses with no prospects for profitability.

What is the outlook for the fiscal year ending March 2009 in light of recent changes in markets?

By using our flexible business structures to respond to changes in the business environment, we aim to achieve sustainable growth.

Unstable factors in global markets such as the subprime loan crisis, the rapid appreciation of the yen and the depreciation of the dollar, and unprecedented high prices for oil are likely to continue for some time. The Nisshinbo Group, however, has flexible business structures and reduces risks by combining businesses with different attributes. The appreciation of the yen is a negative factor for automobile brake and electronics businesses, which rely heavily on exports, but it is a positive factor for textiles and paper businesses that import large volumes of materials such as cotton and pulp. In addition, we are working to respond to changes through production in the best locations, such as making up for the downturn in the American automobile market by responding to strong demand in emerging markets.

Taking these conditions into account, as of the end of the first quarter, we foresee sales of ¥322 billion (down 0.1% from the previous year), operating income of ¥12.0 billion (down 0.3%), ordinary income of ¥19.0 billion (up 0.4%), and net income of ¥13.0 billion (up 5.8%). This forecast is almost on a par with our results for the fiscal year ending March 2008, but promising growth businesses, such as solar cell manufacturing equipment, Carbodilite, a high-performance chemical product, and our bipolar plates for fuel cells are now expanding rapidly. Therefore, I believe that we can put our company firmly on a growth track in fiscal 2009, when corporate division will begin.

There has been particular emphasis on corporate social responsibility (CSR) and compliance-related issues of late. What is the positioning of CSR within Nisshinbo's corporate governance?

CSR is an integral part of Nisshinbo's management and is the highest conduct guideline.

Nisshinbo has observed two principles for more than 100 years since its foundation. First is the management principle that companies are public organs whose mission is contributing to human society through business activities. Second is our corporate creed of consistent integrity, which emphasizes good faith in all business activities. These principles are in accord with the concepts of CSR, and CSR serves as the highest conduct guideline for Nisshinbo employees.

During this fiscal year, we experienced a problem concerning the mislabeling of the percentage of recycled pulp in products, resulting in substantial inconvenience to our customers, business partners, and other stakeholders. I deeply regret that a problem that contravenes our fundamental management principle that companies are public institutions occurred. And we have taken measures to prevent the recurrence of such an incident, conducted employee compliance training, and created additional audit structures to reinforce our internal governance systems based on the principles of CSR.

Recycled Pulp Percentage Mislabeling Incident

It was discovered that the percentages of recycled pulp included in certain Nisshinbo products differed from the indicated percentages. The facts revealed by internal audits were announced publicly, and production was promptly suspended. To prevent a reoccurrence, we have adopted systems for independent confirmations by other parties, including the quality assurance division and the audit division. We review management systems on an on-going basis and take other measures to prevent the recurrence of similar incidents.

You have stated that Nisshinbo seeks to be a company committed to the environment. What type of company is Nisshinbo trying to become?

Nisshinbo will become a company that proposes optimal solutions to global environmental problems.

An electric double-layer capacitor module (left) and a single cell

Environmental issues are the greatest problems that humankind currently faces, and Nisshinbo will become a company that will use its technological capabilities as a manufacturer to propose solutions for achieving a low-carbon society. This is the kind of company that Nisshinbo seeks to become.

Based on this idea, Nisshinbo has been developing photovoltaic module manufacturing equipment as a part of its mechatronics business for about 10 years. We are receiving orders from Japan and other countries faster than we can produce the equipment. We are also conducting research using original technologies and expertise in the chemical business to develop and market products such as electric double-layer capacitors, Carbodilite, and bipolar plates for fuel cells. Additional information on these initiatives can be found in the feature on pages 8 through 11.

The Seeds of Environment-related Businesses

Nisshinbo is also developing environmentally friendly products and technologies in sectors other than the precision instrument and machinery business and chemical business. The textiles business, for example, developed "banana fibers" made from banana stems that in the past had to be discarded, and the paper business marketed paper certified under the Forest Stewardship Council (FSC), an international program for forestry certification. Nisshinbo hopes that both of these projects will become businesses that support it as an environmental company in the future.

FSC
SA-COC-001769
© 1996 Forest Stewardship Council A.C.

Carbodilite, a high-performance chemical product

All of these new businesses can contribute to the prevention of global warming. They hold the potential for tremendous growth in the future. I strongly believe that if we respond to societal demands and engage in businesses that provide optimal solutions to environmental problems, our business will grow no matter what complications and obstacles it faces. The seeds of environment-related businesses in a variety of business fields other than those introduced in this report are also starting to germinate. I am confident that growing as an environmental company and contributing to human society is precisely the stance that we should maintain in accordance with our principle that companies should act like public organs.

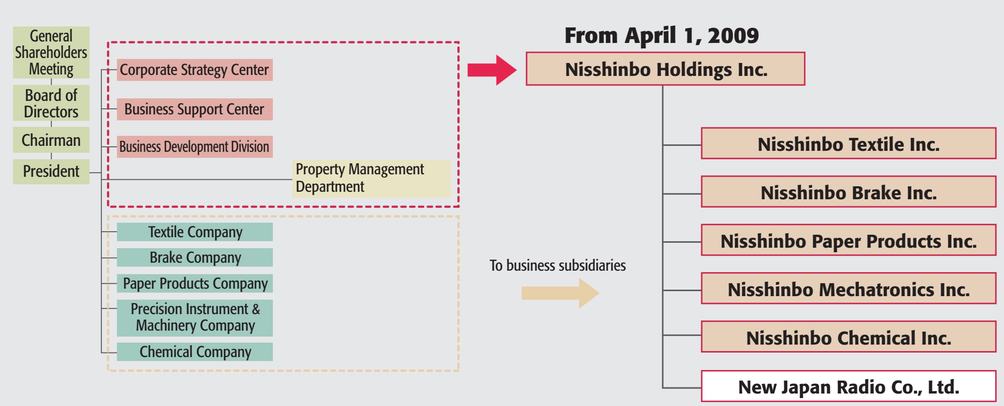
In April 2009, Nisshinbo will shift to a holding company system. What are the objectives and intended results of this change?

By dividing Nisshinbo into separate companies, we will increase the pace of management and create new growth businesses.

To make our next major step forward, the final stage of the Three-Year Management Plan 2008 is to transform Nisshinbo into a holding company that owns five new companies established from the textiles, automobile brakes, paper, mechatronics, and chemical business divisions as well as New Japan Radio Co., Ltd. Each of our business divisions has a high degree of autonomy, and under the current organizational structure, it is as if a single large ship were trying to head in different directions. Following the transformation to a holding company system, each company will be granted management authority so it can act with flexibility and increase its competitiveness. Splitting up the company will clarify where responsibility lies, which we hope will serve to increase profitability, enhance governance, and raise employee motivation.

Organizational Structure of the Holding Company

The division of Nisshinbo into independent companies will reinforce multifaceted management. Raising the value of each business will maximize the corporate value of the Nisshinbo group as a whole.



As a group company responsible for promoting new business in the future, the holding company will perform functions for developing and nurturing new businesses such as capacitors. In addition, it will retain the highly profitable real estate leasing business as a source of capital for this purpose. Nisshinbo intends to judiciously cultivate promising new businesses, just as it nurtures new personnel who hold great potential.

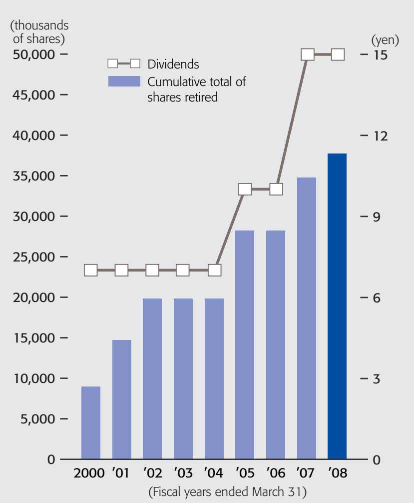
The transformation to a holding company is a route for Nisshinbo to increase its corporate value as an environmental company. By dividing into independent companies, each company will create environmentally friendly products and technologies. The holding company will support the development and nurturing of new businesses, transforming the Nisshinbo Group into an environmental company.

What is Nisshinbo's policy concerning the return of profits to shareholders? Also, what is your final message to shareholders and investors?

Our basic annual dividend is ¥15 per share, and we are working to increase dividends by raising income.

In the fiscal year ended March 2008, we paid an interim dividend of ¥7.5 per share and a year-end dividend of ¥7.5 per share for a total annual dividend of ¥15. Nisshinbo is also increasing shareholder value by purchasing and retiring its own shares. In the fiscal year ended March 2008, we purchased 9.41 million shares at a cost of ¥14,680 million and retired 3 million shares. Through the payment of dividends and the purchase of our own shares, total value returned to shareholders was ¥17.58 billion, and our shareholder return rate was 143%.

Annual dividend per share and retirement of shares



I feel that we are at a turning point regarding the return of value to shareholders. We will monitor carefully the timing to shift our emphasis from increasing return on equity by purchasing our own shares to raising returns by investing in growth areas and continue our efforts to increase corporate value.

Nisshinbo is currently implementing dynamic reforms and is starting to achieve results in new growth areas with a focus on new business. We are pressing forward with our development as a company that can reward all stakeholders including shareholders, and accordingly, I ask for your continued support and guidance from a long-term perspective.

Driving new growth with solutions for global environmental problems

Environmental business is a great source of future growth potential for Nisshinbo. By using the knowledge base we have developed over the last century, we are developing new technologies and products aimed at solving the major environmental issues, such as global warming, that face the world today. Some of the core activities in our environmental business are discussed below.

PV Module Manufacturing Equipment

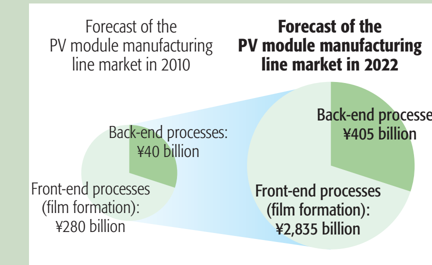
Playing a key role in clean energy

Photovoltaic (PV) modules provide clean energy that does not emit carbon dioxide. The solar cell manufacturing process comprises front-end processes for making PV cells and back-end processes for assembling the completed cells into panels (modules).

Nisshinbo's Precision Instrument & Machinery Company supplies core equipment needed for back-end processing. Our share of the domestic market for solar simulators tops 90%, and we have more than 60% of the domestic market for PV module laminators. We provide PV module manufacturing lines, which incorporate both simulators and laminators, to manufacturers in Japan, Europe, and Asia. We have the highest market share in Japan and a 10% share of the global market. In addition, we are developing original technologies for EL cell inspection equipment used to detect cracks that occur in panels during manufacturing. The reliability and comprehensive capabilities of this equipment have received considerable praise around the world.

New plant to be completed in March 2009.
Nisshinbo is aiming for a 30% share of the global market.

As interest in clean energy rises, the market for PV module manufacturing lines is expanding. It is expected to grow 10-fold between 2010 and 2022.



Nisshinbo's PV module manufacturing line business is growing rapidly, with a noted increase in orders since the 2007 G8 summit in Germany held amid intensifying concerns about global warming. Sales were approximately 2.5 billion yen in fiscal 2007 but are expected to increase to 6 billion yen in fiscal 2008 and to reach 10 billion yen in fiscal 2009. A new plant will be completed at the Miai Machinery Plant site in Okazaki City, Aichi Prefecture, in March 2009. We are also considering the construction of additional new facilities depending on order volumes and expect the PV module manufacturing equipment business to enter a period of significant returns.

We control a prominent position at the top of the domestic market, and our next challenge is expanding our global market share. We established business sites in Shanghai in 2006 and Taiwan in July 2008, and in September 2008 we plan to open a marketing service center in Europe, a region where demand is brisk. Our target is to secure a 30% share of the global market for PV module manufacturing back-end processes by 2022.

Solar simulator
The simulator is used to measure the output characteristics of PV cells.

PV module laminator
The laminator sandwiches PV cells to create modules.

Providing complete solutions for PV module manufacturing to companies worldwide

We began developing PV module manufacturing lines about 10 years ago. Realizing that environmental business would be the next area of growth, we used the mechatronics technologies that we accumulated as a maker of various customized machines to launch manufacturing devices needed for back-end processes of PV module production. This business has grown to the extent that we are now able to provide total solutions for making PV modules. The back-end processes require an extensive range of technologies, including comprehensive system design, manufacturing, inspection, and maintenance technologies. We provide consulting services in all of these areas, and the ability to support companies that are starting out in PV module manufacturing is one of our strengths. We will continue our expansion in global markets, using such technologies as our EL cell inspection equipment, which have been well received. I hope that we can play a significant role in accelerating Nisshinbo's future growth.

Yoshihiro Sakaki, Director,
Executive Managing Officer
Chief of the Precision Instrument & Machinery Company

Nisshinbo has developed numerous environment-friendly products, including Carbodilite, bipolar plates for fuel cells, and electric double-layer capacitors using such materials as carbodiimide and carbon, in addition to our unique chemical technologies. All of these products can play an important role in addressing global warming by reducing CO_2 emissions. These promising products can become new core businesses for the Nisshinbo Group.

■Carbodilite

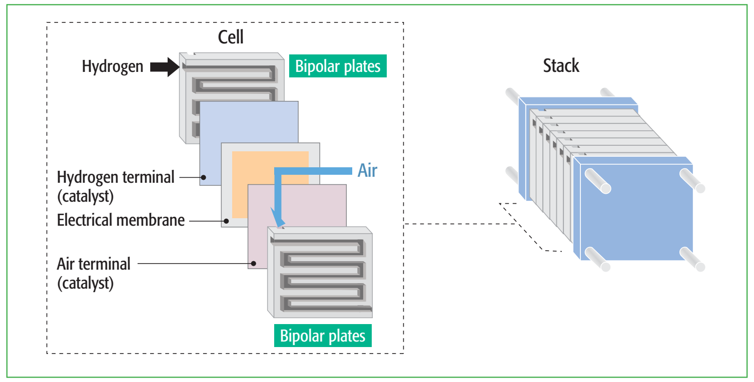
A high-performance resin material essential for bio-mass plastics

Bio-mass plastics made from such plant-derived materials as corn are attracting attention. They are environmentally friendly, recyclable materials that have the ability to limit the generation of carbon dioxide and hazardous materials during a product's lifecycle. We developed Carbodilite as a high-performance resin that can improve durability while maintaining safety when added to bio-mass plastics, such as polylactic acid. By securing intellectual property rights for Carbodilite, we are dominating global markets for bio-mass plastic additives. Spurred by the global move to reduce CO_2 emissions, sales in fiscal 2008 are expected to double from the previous year to more than 2 billion yen. In addition, sales are expected to grow by 30% or more annually, starting in fiscal 2009, when bio-mass plastics are expected to take off.

■Bipolar Plates for Fuel Cells

Nisshinbo controls largest share of global market for carbon bipolar plates

Fuel cells, which use hydrogen and oxygen to generate electricity, are clean energy sources that do not produce carbon dioxide or other harmful emissions. They also produce virtually no noise or vibration. Consequently, they can be used in a wide variety of applications, such as in homes and automobiles. Large volumes of thin, sheet-like components known as bipolar plates are used in key units of fuel cells. Nisshinbo entered the field of carbon bipolar plates at an early stage, and with our superior manufacturing technologies, we have captured the largest share of the global market in terms of both quality and volume. Our carbon bipolar plates have been praised for their strength, thinness, flexibility, and other properties. Nationwide trials of household fuel cells, an area in which development is advancing, will be completed in fiscal 2008, and sales will be deregulated starting in fiscal 2009. Nisshinbo continues to conduct research and development of automobile fuel cell bipolar plates and is establishing the conditions necessary for rapid growth.

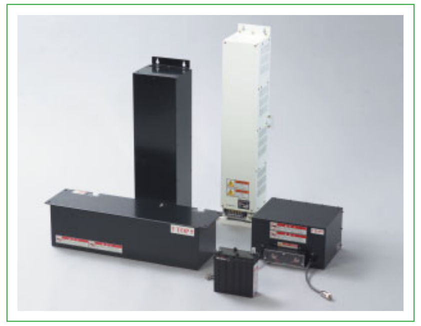


Structure of a Fuel Cell Stack

■Electric Double-Layer Capacitors

Demand expected to grow rapidly in the automobile field

The electric double-layer capacitor stores electricity and can rapidly discharge large amounts of power. Nisshinbo's electric double-layer capacitors boast world-leading performance and functionality for their high voltage capacity, low internal resistance, and safety. They are being used in a wide range of industrial equipment, and we are working toward full-scale entry in the automobile sector with the development of capacitors specifically tailored to automobile applications. These include hybrid vehicle energy recovery systems that convert the energy generated during deceleration into electricity and capacitors for distributed power systems (peak assist) compatible with automobile electronics. It is expected that electric double-layer capacitors will be used in automobiles on a large scale from around 2010.



Collaborating with customers to open new markets

Masaaki Isobe, Director, Executive Managing Officer
Chief of Chemical Company,
General Manager of Business Development Division

Nisshinbo uses its extensive knowledge of chemical substances to develop unique products that only our company can produce. By developing new markets in collaboration with customers, we strive to create clean energy sources and advance the concept of a low-carbon society. We have established leading positions worldwide with Carbodilite, bipolar plates for fuel cells, and electric double-layer capacitors. Our R&D staff of some 50 professionals continually produces new results, with research aimed at developing high value-added products. As an example, in the field of fuel cells, the development of a carbon catalyst to replace the conventional platinum catalyst is achieving significant results. As well of course as becoming a big business in the future, it is hoped that the carbon catalyst will enable a substantial reduction in the cost of fuel cells, the diffusion of which will contribute immensely to the realization of a low-carbon society. Nisshinbo is intent on creating environmental value and is developing businesses that contribute to society.

Nisshinbo conducts wide-ranging CSR activities based on group philosophy

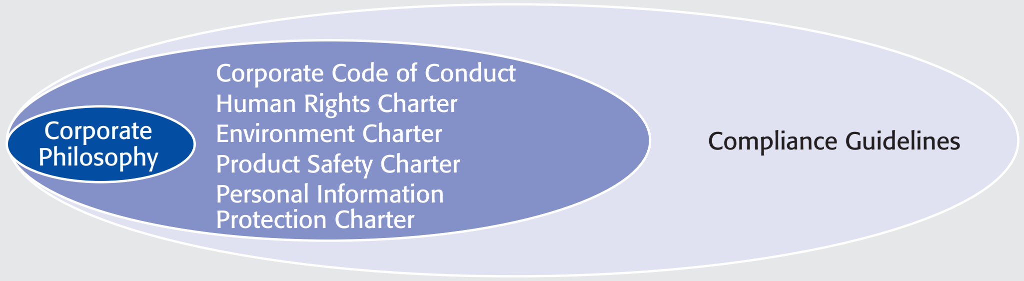
Corporate Philosophy and CSR

Nisshinbo's fundamental approach to corporate social responsibility (CSR) is incorporated into our group corporate philosophy:

- We shall contribute broadly toward enhancing the comfortable lifestyles and cultures of people around the world.
- We aim to achieve harmony with society and the global environment and conduct business activities with honesty and integrity based on the belief that companies are public organs.
- We aim to raise corporate value and become a corporate group with a strong presence in the 21st century.

Nisshinbo's fundamental stance is one of honesty and integrity toward all corporate stakeholders from the perspective of a public organ. We have adopted this approach in our CSR activities as well, taking measures to achieve transparency in management, strengthen accountability, and ensure proper corporate ethics in all areas. We are working to improve corporate value through prompt and effective management decision making.

Nisshinbo's CSR Structure



Structures for Implementing CSR Activities

In conjunction with a reorganization implemented in April 2008, the CSR Department, Corporate Governance Department, and Internal Audit Department were established within the Corporate Strategy Center to bolster CSR activities and internal controls throughout the Nisshinbo Group (see the organizational chart on page 51).

The purpose of this structure is to centralize environment and safety-related matters within the CSR Department. This will allow us to conduct CSR activities consistently throughout the company and to create a new, permanent organization to monitor and assess the status of corporate governance. The Internal Audit Department has been placed outside the ordinary chain of command so that it can conduct appropriate and reasonable auditing work.

Corporate Governance Structure

Nisshinbo has adopted the following corporate governance structure with the aim of increasing shareholder benefit:

- Corporate format: Corporation with internal auditors
- Number of directors: 11 (including 3 outside directors)
- Term of office of directors: 1 year
- Number of statutory auditors: 4 (including 2 outside auditors)
- Incentives: Stock option plan

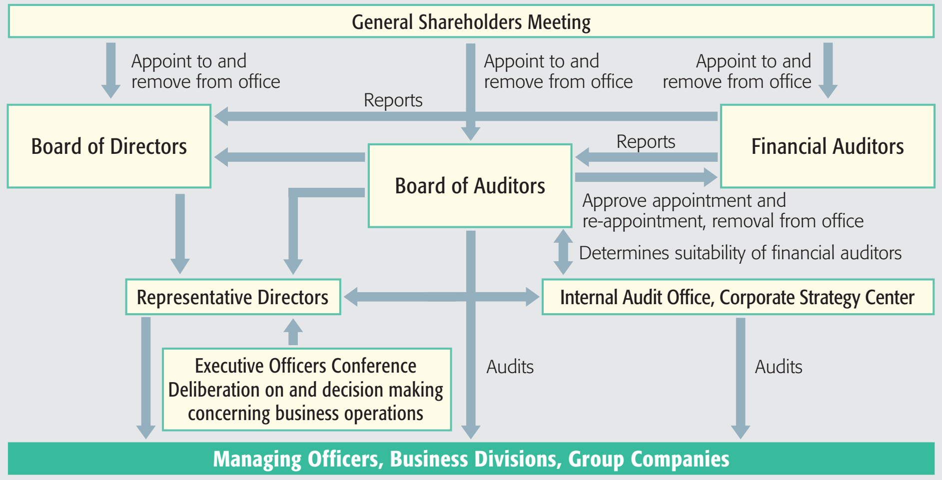
(As of June 30, 2008)

Nisshinbo's governance structure, which is centered on the Board of Directors, is a simple one, based on thorough deliberations and prompt and appropriate management decision making. We believe that it functions effectively.

The Board of Directors meets monthly to deliberate on key matters and investigate the execution of the company's business. The Board also holds extraordinary meetings when needed. In addition, Nisshinbo has introduced a managing officer system to speed up business activities by separating management decision making and business execution functions.

The three outside directors attend Board of Directors' meetings and present well-informed opinions and proposals. The four statutory auditors also attend Board of Directors' meetings to present opinions in a timely manner, as well as to monitor and gain a better understanding of business operations. In addition, the auditors collaborate with the company's certified public accountants and the Internal Audit Department to enhance auditing functions through internal auditing and the monitoring of subsidiaries.

Nisshinbo's Corporate Governance Structures



Comprehensive Groupwide Compliance

After discovering in January 2008 that the percentage of recycled pulp in some products had been mislabeled, we conducted a thorough investigation and have expanded measures to make compliance with our standards of corporate ethics an even higher-priority management issue throughout the group.

The Corporate Ethics Committee was established as an internal governance organization to address compliance issues. The president reports on key ethics-related matters to the Board of Directors. An employee handbook that includes information on compliance structures and conduct guidelines was distributed to all employees, including those working overseas, and corporate ethics training is conducted periodically. In addition, a Corporate Ethics Reporting System was established. This serves as a hotline for consultations and reports on internal and external corporate ethics matters for the prevention and early detection of violations of laws and internal regulations.

President Heads Risk Management System

The risk management system operates with the Nisshinbo president as its highest officer to manage business risks and raise corporate value from a groupwide perspective. Since the beginning of fiscal 2007, Nisshinbo has made legal risk countermeasures a priority in risk management and has continuously performed checks at its headquarters and group companies of compliance with laws and regulations that have a material impact on management and business activities.

Anti-takeover Measures

The Nisshinbo General Shareholders Meeting adopted a resolution for the introduction of so-called poison-pill anti-takeover measures in June 2006. The Board of Directors approved the introduction of such measures on the same day. If a large volume of company shares is acquired, the measures require the acquiring party and the Board of Directors to provide sufficient information for the shareholders to make a decision. Please refer to Nisshinbo's Website for further information.

Active Promotion of Investor Relations Activities

The Investor Relations and Public Relations Group is responsible for disclosing company information, including notices about regular general shareholders meetings and proposed resolutions, financial statements, business reports, securities reports, and annual reports. Additional information can be found on Nisshinbo's Website.


Nisshinbo's securities report


Nisshinbo's Website
http://www.nisshinbo.co.jp/english/

Environmental Management Activities


Local cleanup activities


The Nisshinbo Annex was designed with environmental considerations in mind (right; to the left is the current Nisshinbo head office building; scheduled for completion in March 2009)

Nisshinbo operates a groupwide environmental management system based on the Environment Charter, which was amended in 2007. In the fiscal year ended March 2008, Nisshinbo's environmental management activities focused on increasing sales of environment-friendly products, conserving energy, and reducing carbon dioxide emissions. Various business divisions increased sales of environment-friendly products including new products. For instance, the Nisshinbo Osaka Branch is promoting energy-conservation measures and has registered with the system for promoting the construction of energy-saving buildings established by the Building Energy Managers Association of Japan. Local offices also conducted community-based environmental activities, such as cleanup programs and environmental education at elementary schools. As of March 2008, 31 Nisshinbo Group business sites have acquired ISO 14001 certification.

Nisshinbo also initiated a program to commend employees who make significant contributions to the prevention of global warming. The company incorporated various green features, including energy-conservation measures and a green roof, when it began construction of the Nisshinbo Annex, a new extension at the head office.

Details of Nisshinbo's environmental activities are introduced in its CSR report issued in August 2008.

Human Rights Education

To clarify its stance on human rights, a core aspect of CSR activities, Nisshinbo adopted the Human Rights Charter in April 2007. Other human rights activities include the creation of a human rights educational organization and implementation of human rights education for all group employees, including overseas employees, the provision of consultation services regarding workplace harassment, and activities designed to prevent and respond to work-related problems. Nisshinbo actively promotes the employment of senior and physically challenged persons, adopted a Next-Generation Cultivation Plan, implements mental health initiatives, and takes other measures to fulfill its social responsibilities as a company and support the health of its employees.

Development of innovative technologies in environmental fields creates global competitiveness

Each Nisshinbo business division and affiliate conducts independent research and development based on the vision of Nisshinbo as a company committed to the environment. Nisshinbo seeks to establish a unique and leading position in environmental fields. Intellectual property created through innovative research and development is increasing year by year and is a source of Nisshinbo's global strength.

Number of registered patents as of March 31, 2008
(non-consolidated basis)

Domestic **203**
Overseas **392**

Number of patent applications as of March 31, 2008
(non-consolidated basis)

Domestic **429**
Overseas **326**

Central Laboratory
The laboratory nurtures new business companywide and performs development functions for the chemical division.

Automobile Brake Business: Brake Research and Development Division (Tatebayashi Plant, Gunma Prefecture)
The division is developing "green" friction materials that do not incorporate hazardous substances.

New Business: Gaiacot Group (Miai Plant, Aichi Prefecture)
The division conducts research in the medical, industrial, and agricultural fields and developed Gaiacot, a highly functional material that has anti-bacterial and deodorizing functions.

Paper Products Business: Product Development Department (Fuji Plant, Shizuoka Prefecture)
The department conducts research and development relating to the creation of a speciality paper business and a business for films made from plant-based resins.

Financial Highlights

(Years ended March 31)

Consolidated:

	(millions of yen)					(millions of US dollars)
	2004	2005	2006	2007	2008	2008
Net Sales	¥ 226,883	¥ 243,421	¥ 278,617	¥ 312,825	¥ 322,412	$ 3,224
Textiles	68,403	82,164	82,879	82,243	78,816	788
Automobile Brakes	52,076	54,306	58,130	61,764	66,397	664
Papers	29,010	28,585	28,612	29,908	33,547	336
Chemicals	32,098	34,199	36,007	37,671	38,528	385
Electronics	16,176	16,843	45,858	76,068	76,475	765
Real Estate Leasing	4,941	4,945	4,781	4,788	5,446	54
Other Businesses	24,179	22,379	22,350	20,383	23,203	232
Operating Income	8,496	9,651	10,524	11,551	12,034	120
Net Income	3,919	8,199	11,183	15,107	12,290	123
Equity	214,132	222,771	266,434	282,015	245,909	2,459

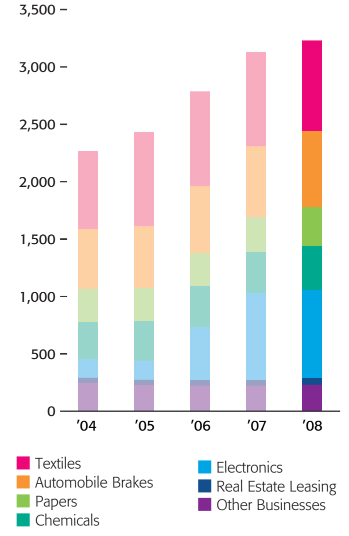
Per Share:

	(yen)					(dollars)
Net Income	¥ 17.86	¥ 39.03	¥ 53.21	¥ 74.19	¥ 63.34	$ 0.63
Shareholders' Equity	1,030.98	1,072.54	1,283.21	1,301.14	1,179.43	11.79
Cash Dividends	7.00	10.00	10.00	15.00	15.00	0.15

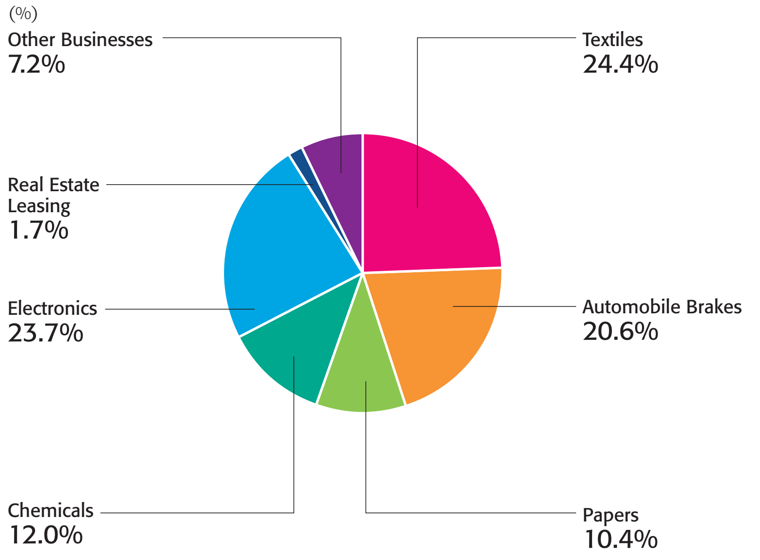
Key Ratio:

	(%)				
Return on Assets (ROA)	1.2	2.2	2.6	3.1	2.8
Return on Equity (ROE)	2.0	3.8	4.6	5.7	5.1

Consolidated Net Sales by Segment



Net Sales Composition by Segment in Fiscal 2008

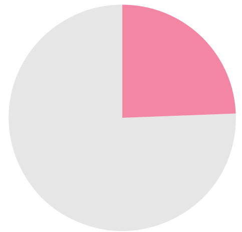


Note: The United States dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥100 = US$1.

Note: Previously, new business such as high-performance chemical products and synthetic chemical products were included in other businesses, but in fiscal 2008 they were consolidated to create the chemical products business. Figures for fiscal 2007 and 2008 are stated according to the revised categories, but figures for 2006 and earlier have not been revised.

Overview of Nisshinbo Group Business

Textiles



Net sales by industry segment

¥ 78,816 million

24.4%

Sluggish sales in subsidiaries and rising costs bring a decline in net sales and income.

Overview of the Textile Business

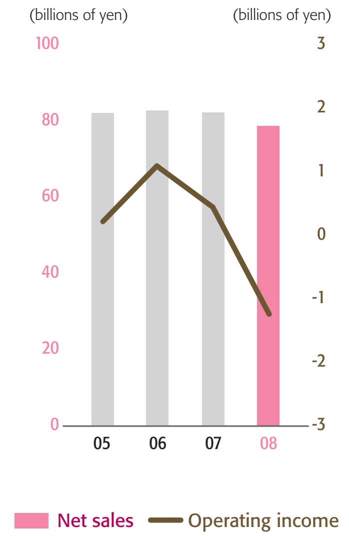
Nisshinbo's textile business employs superior technologies and quality control capabilities to produce many high value-added products, with a focus on cotton materials, that lead the Japanese textile industry. Since the mid-1990s, our overseas business has expanded amidst the globalization of production and sales, and we are reorganizing our domestic business. By focusing on profitable businesses, the shirt and denim fabrics divisions have experienced considerable growth as core businesses, and we have strengthened our profit bases by withdrawing from unprofitable sectors. In addition, the Harisaki Plant was closed to further consolidate production. Through these reforms, we are seeking to make a comeback starting in fiscal 2009, when we will also begin the process of spinning off divisions.

Summary of Financial Results for the Fiscal Year Ended March 2008

Both net sales and income fell as a result of sluggish sales by the subsidiary CHOYA Corp., a slump in sales of denim material during the second half, and withdrawal from the mail-order business in conjunction with business restructuring. Although overseas subsidiaries each posted higher sales, Indonesia-based P.T. Nikawa Textile Industry experienced a major downturn because of higher costs for raw materials and fuel, resulting in higher net sales but lower income. As a result, the textile business as a whole recorded lower net sales and income, with net sales of ¥78,816 million (down 4.2% from the previous fiscal year) and an operating loss of ¥1,216 million (a deterioration of ¥1,655 million).

Net sales ⇩ 4.2%

Operating loss ⇩ ¥1,655 million



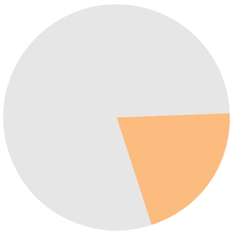

Non Care


An energy-saving shirt that feels cool in the summer (ECOSYS 28°C)


Denim products

Overview of Nisshinbo Group Business

Automobile Brakes



Net sales by industry segment

¥ 66,397 million

20.6%

Increases in automobile production and the ability to absorb higher material costs result in higher net sales and income.

Overview of the Automobile Brake Business

Nisshinbo supplies brake friction materials, brake systems, anti-lock brake systems (ABS), and mass production parts to leading automobile manufacturers, putting the customer first and making a commitment to companywide improvement. By developing "green" friction materials without hazardous substances, Nisshinbo is not only showing concern for the environment but also preparing for compliance with the new EU REACH chemical regulation. Competitiveness will improve by developing global production structures, increasing development support by overseas subsidiaries, and promoting collaborations to reduce costs. The transfer of the ABS business to Continental Automotive Corporation,* which is subject to the equity method, is ongoing. Business will expand, with increased processing of precision parts for Continental Automotive and entry into new areas.

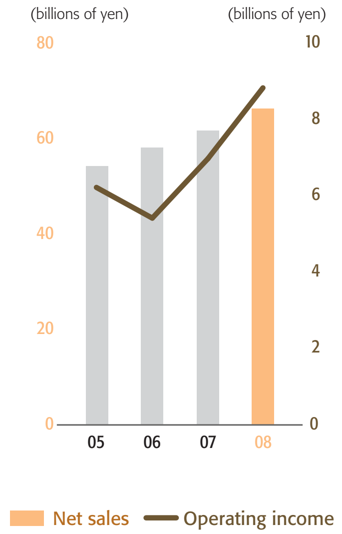
*Continental Automotive changed its name from Continental Teves in August 2008.

Summary of Financial Results for the Fiscal Year Ended March 2008

Higher net sales in the brake business resulted from an increase in vehicles built in Japan for export. Overseas, consolidated subsidiaries received more orders despite the difficult business environment in the second half. Although there were negative effects from higher depreciation costs in conjunction with revisions to the domestic tax system and rising materials costs, costs fell with the completion of the shift to the Toyota Plant, and our U.S. subsidiary improved profitability, resulting in an overall increase in income. In the ABS business, precision component machining is expanding. As a result, the brake business reported higher net sales and income, with net sales of ¥66,397 million (up 7.5% from the previous year) and operating income of ¥8,872 million (up 26.6% from the previous year).

Net sales ⬆ 7.5%

Operating income ⬆ 26.6%




Brake products such as disk pads


The Toyota Plant

Overview of Nisshinbo Group Business

Papers

Net sales by industry segment

¥ 33,547 million

10.4%

Sales of distinctive products remain strong, but increasing costs of materials and fuel drive income lower.

Overview of the Paper Business

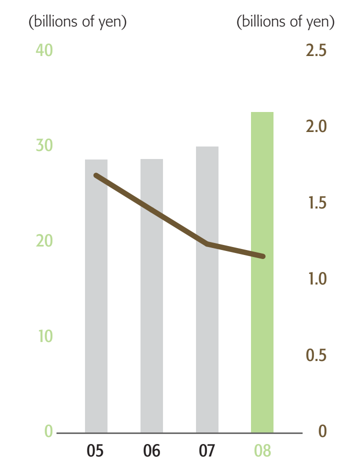
Nisshinbo manufactures household paper products, such as tissue and toilet paper, and speciality paper products, such as high-quality printing papers, plastic card products, and telegraph-related products. Nisshinbo is focusing on distinctive products, such as toilet paper for bidets and *Vent Nouveau* high-quality printing paper. The company is promoting its business for environmentally friendly products by expanding and improving FSC-certified products and developing the business for film made from plant-based resins. Nisshinbo is reinforcing its business foundations, including integration of Tokai Seishi Co., Ltd.'s marketing division into the household paper division, collaboration by the speciality paper division with Tokushu Tokai Holdings Co., Ltd., and acquisition of Daiwa Shiko Co., Ltd.

Summary of Financial Results for the Fiscal Year Ended March 2008

As a result of efforts to increase sales of distinctive products, such as toilet paper for bidets, and to review retail prices, household paper posted higher net sales and income. With the acquisition of Daiwa Shiko and strong sales of high-quality fine printing paper, speciality paper reported higher net sales, but increasing costs for raw materials and fuel caused a decline in income. As a result, the paper business as a whole reported higher net sales and lower income, with net sales of ¥33,547 million (up 12.2% from the previous year) and operating income of ¥1,162 million (down 7.0% from the previous year).

Net sales ↑ 12.2%

Operating income ⇩ 7.0%



Various household paper products

The *Vent Nouveau* series of high-quality printing papers

Products of Daiwa Shiko

Overview of Nisshinbo Group Business

Chemicals

Net sales by industry segment

¥ 38,528 million

12.0%

Sales and income up thanks to restructuring of existing businesses and good performance of new environment-related businesses.

Overview of the Chemical Business

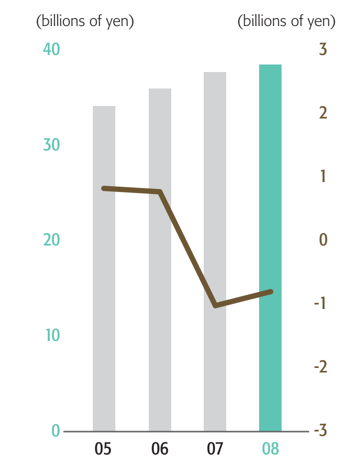
Nisshinbo is accelerating the streamlining of existing businesses and focusing its management resources on highly profitable products in the fields of heat insulation materials, elastomer, and carbon products. In addition, NIPPON KOHBUNSHI Group is developing the plastic molding and processing business with a focus on fans for air conditioners. Nisshinbo is working to develop business for bipolar plates for fuel cells, the high-performance resin additive Carbodilite, and electric double-layer capacitors. These environmentally friendly products with tremendous future potential are being cultivated as new core business fields of the Nisshinbo Group.

Summary of Financial Results for the Fiscal Year Ended March 2008

The profitability of heat insulation materials improved as a result of the withdrawal of unprofitable products, but income declined because of the disposal of inventories of elastomers and carbon products. Overseas subsidiaries did well with molded plastic products, reporting higher net sales and income. In new business fields, sales of Carbodilite increased, and mass production facilities have been introduced to respond to higher demand for electric double-layer capacitors. Also, Nisshinbo is developing mass production technologies for bipolar plates for fuel cells in response to market liberalization. As a result, the chemical business as a whole had net sales of ¥38,528 million (up 2.3% from the previous year) and an operating loss of ¥789 million (an improvement of ¥202 million from the previous year).

Net sales ↑ 2.3%

Operating loss ↑ ¥202 million



Figures for 2005 and 2006 have not been revised. (See note on P.17.)

Cross-flow fans

Carbon products

Elastomer (sold under the Mobilon brand name)

Overview of Nisshinbo Group Business

Electronics

Net sales by industry segment

¥ 76,475 million

23.7%

Strengths in analog and wireless communications technologies bring positive results.

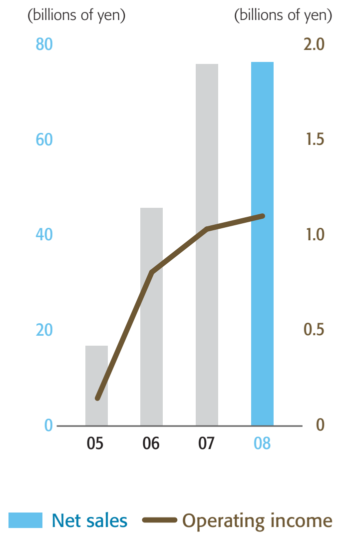
Overview of the Electronics Business

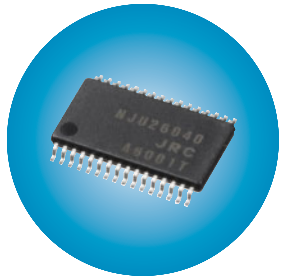
Nisshinbo's electronics business, with New Japan Radio Co., Ltd. as the central player, includes the manufacture and sale of semiconductors and electronic devices, as well as activities in the telecommunications sector. By using its superior position with analog technologies in the semiconductor field and microwave-related technologies in telecommunications sectors, Nisshinbo is developing products with a focus on audiovisual devices, industrial equipment, and the automotive and telecommunications markets. Sales are expanding in Asian and Chinese markets, with emphasis on the Singapore and Shanghai bases.

Summary of Financial Results for the Fiscal Year Ended March 2008

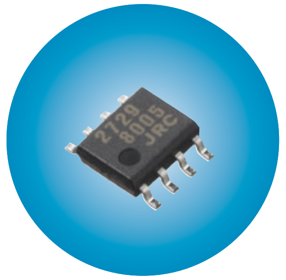
Although New Japan Radio had strong sales in the semiconductor segment with products for flat-screen televisions and microwave devices for mobile phones, the microwave application product segment saw a decline in demand for satellite communications components, resulting in flat sales and a decrease in income. Ueda Japan Radio Co., Ltd., however, recorded robust sales of marine radios and other products, posting higher net sales and income. As a result, the electronics business as a whole had higher net sales and income, with net sales of ¥76,475 million (up 0.5% from the previous year) and operating income of ¥1,104 million (up 6.1% from the previous year).

Net sales ↑ 0.5%   Operating income ↑ 6.1%

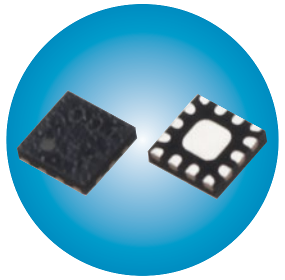




The NJU26040V
digital signal processor



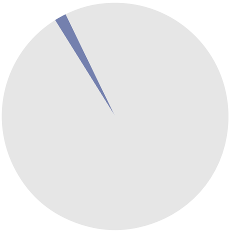
The NJM2729E
single-circuit, high-precision
operational amplifier



Semiconductors for
mobile phones

Overview of Nisshinbo Group Business

Real Estate Leasing



Net sales by industry segment

¥ 5,446 million

1.7%

Net sales and income increase as leasing of a commercial complex on the site of the former Tokyo Plant begins.

Overview of the Real Estate Leasing Business

The Nisshinbo Group is increasing corporate value by effectively using its assets, including idle properties. The group is operating office buildings on the site of its former head office and elsewhere in Tokyo, leasing land and buildings for large shopping centers and idle land and buildings for various uses. When putting idle land to use, Nisshinbo develops properties from the perspectives of users and specific locales. On the commercial complex that opened in November 2007 on the site of the former Tokyo Plant, for instance, barrier-free legal certification* was obtained. Future projects include increasing the floor area of the existing commercial facility on the site of the former Hamamatsu Plant, scheduled to be reopened as one of the largest shopping centers in the Hamamatsu area by the end of 2008. Nisshinbo will rapidly redevelop the sites of the former Nagoya and Harisaki Plants, undertake other small- and medium-scale development projects, and reinforce the management of existing lease properties.

*A public certification system for commercial facilities with features designed for senior citizens and physically challenged persons.

Summary of Financial Results for the Fiscal Year Ended March 2008

Net sales increased substantially, with the commencement of leasing at the commercial complex on the site of the former Tokyo Plant, the addition of land at the site of the former Hamamatsu Plant to leasing operations, the start of operations of a rental office building constructed by subsidiary Nisshinbo Urban Development Co., Ltd., and additional real estate referrals. However, income increased only slightly as a result of higher temporary expenses in conjunction with the opening of commercial facilities. As a result, the real estate leasing business had net sales of ¥5,446 million (up 13.7% from the previous year) and operating income of ¥2,723 million (up 4.3% from the previous year).

Net sales ↑ 13.7%   Operating income ↑ 4.3%

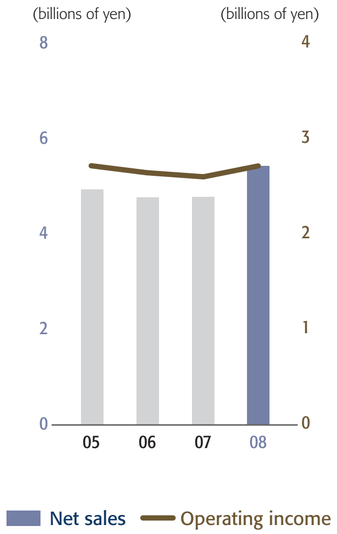
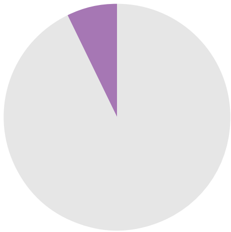


Diagram of the planned development in Hamamatsu

A sports facility

Overview of Nisshinbo Group Business

Other Businesses



Net sales by industry segment

¥ 23,203 million

7.2%

Growing demand for photovoltaic module manufacturing lines boosts sales and income.

Overview of Other Businesses

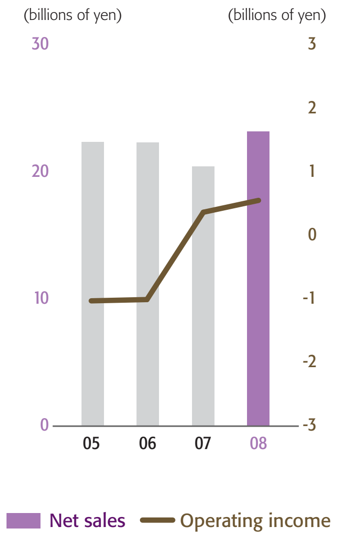
The core of this segment is the mechatronics business, which manufactures photovoltaic module manufacturing lines and customized machines. Nisshinbo will take advantage of the opportunities presented by increasing demand for photovoltaic module manufacturing lines by raising product competitiveness and expanding business through the establishment of business sites in Asia and Europe. Nisshinbo is also expanding its business to include machine tools for the aircraft and automobile industries with a focus on environmentally friendly products.

Summary of Financial Results for the Fiscal Year Ended March 2008

The mechatronics business reported higher sales as the photovoltaic market continues to grow by more than 30% annually and demand for photovoltaic module manufacturing equipment increases. Sales of automobile production line equipment and aircraft manufacturing equipment were also strong. As a result, other businesses as a whole reported substantial increases in both net sales and income, with net sales of ¥23,203 million (up 13.8% from the previous year) and operating income of ¥562 million (up 53.1% from the previous year).

Net sales ↑ 13.8%

Operating income ↑ 53.1%



Figures for 2005 and 2006 have not been revised. (See note on P.17.)

Manufacture of customized machines

A component processing line

A solar simulator

Contents

Management Discussion and Analysis

Operating Results

Overview

During the fiscal year under review, despite a moderate expansion spurred by growth in private capital investment and other factors in the first half, the Japanese economy took a rapid turn for the worse in the second half because of high prices for raw materials, sluggish growth in the American economy following the subprime mortgage crisis, rapid depreciation of the dollar and appreciation of the yen, and falling share prices.

Under this business environment, the Nisshinbo Group actively streamlined operations pursuant to its fundamental policy of "selection and concentration" in accordance with the Three-Year Management Plan 2008, the current medium-term management plan. Nisshinbo continued to withdraw from unprofitable business sectors and established the Chemical Division by consolidating the Business Development Division and the Chemical Products Division in April 2007. We also focused management resources on environment-related new businesses such as photovoltaic module manufacturing equipment, electric double-layer capacitors, bipolar plates for fuel cells, and Carbodilite and are working to develop and strengthen business in these sectors.

Results of Operations in Fiscal 2008 Compared with Fiscal 2007

Net sales increased in fiscal 2008 primarily as a result of strong sales in the automobile brake business by overseas subsidiaries and an increase in domestic automobile production for export of CBUs to emerging markets and oil-producing countries, higher sales of distinctive products in the paper business, such as toilet paper for bidets, and the acquisition of Daiwa Shiko Co., Ltd. as a consolidated subsidiary. Nisshinbo broke the record for all-time high net sales set in fiscal 2007 (the prior fiscal year) with net sales of ¥322,412 million (US$3,224 million), up 3.1% from the previous year. Cost of sales increased 3.2% from the previous year to ¥266,026 million (US$2,660 million), and the ratio of cost of sales to net sales increased 0.1% to 82.5%. Selling, general and administrative expenses rose 1.7% to ¥44,352 million (US$444 million), and costs and expenses increased 3.0% to ¥310,378 million (US$3,104 million). As a result, operating income was ¥12,034 million (US$120 million), up 4.2% from the previous year.

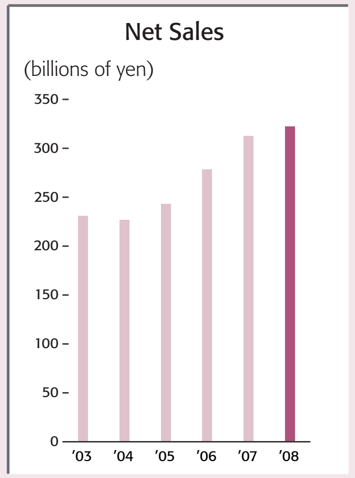
Interest and dividend income increased ¥574 million to ¥3,319 million (US$33 million) as a result of improved corporate earnings in conjunction with the continued recovery of the Japanese economy.

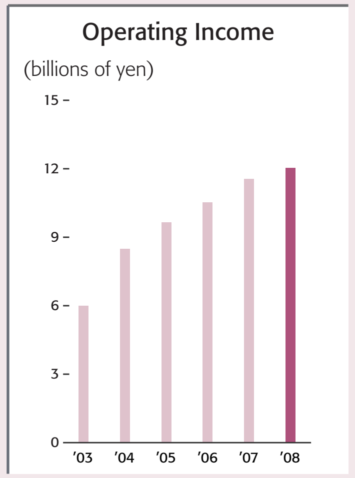
Gain on sale of property, plant and equipment was up ¥1,419 million from the previous year to ¥2,250 million (US$23 million). Gain on sale of securities was down ¥6,990 million to ¥3,678 million (US$37 million). Also, Nisshinbo posted a loss of ¥2,320 million (US$23 million) in amortization of goodwill in conjunction with a one-time writeoff of goodwill relating to New Japan Radio Co., Ltd.

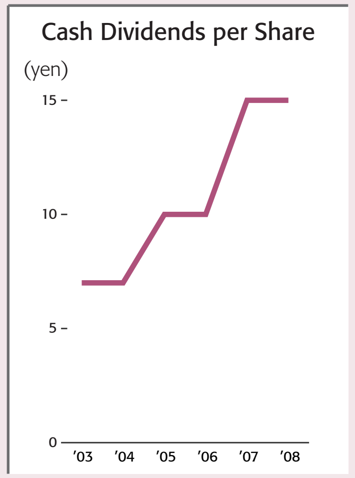
As a result, income before income taxes and minority interests fell ¥3,200 million to ¥19,885 million (US$199 million). After deducting income taxes of ¥6,526 million (US$65 million) and minority interests in net income of ¥1,069 million (US$11 million), net income declined 18.7% to ¥12,290 million (US$123 million). Net income per share was ¥63.34 (US$0.63), down ¥10.85 per share from the previous year, and return on equity (ROE) fell 0.6% from the previous year to 5.1%.

Cash Dividends

Cash dividends per share for the fiscal year were ¥15.0 (US$0.15), and total cash dividends paid in the fiscal year were ¥3,479 million (US$35 million). Nisshinbo will continue its basic policy of a ¥15 per share ordinary dividend while working to increase the distribution of profits to shareholders by increasing cash dividends in conjunction with higher income and by taking other measures.





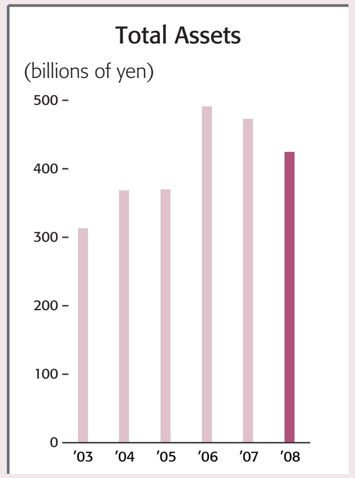


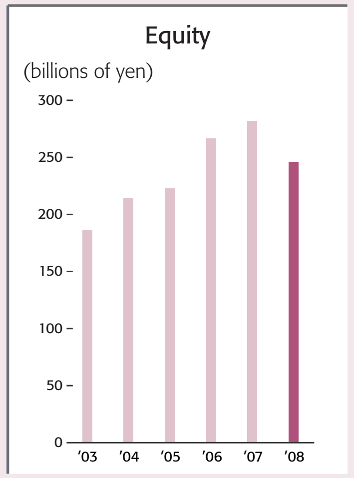
Financial Position

Total assets at the end of fiscal 2008 amounted to ¥424,706 million (US$4,247 million), down ¥47,964 million from the end of the previous fiscal year. Total current assets were down ¥5,596 million to ¥163,288 million (US$1,633). Land and buildings and structures increased, while machinery, equipment and tools, and construction in progress accounts decreased, resulting in a net increase in tangible fixed assets of ¥5,291 million to ¥127,196 million (US$1,272 million). Investments and other assets were down ¥47,659 million to ¥134,222 million (US$1,342 million), largely as a result of a decline in valuation of investment securities because of falling market prices.

Although payables and current portion of long-term debt in less than one year decreased, current liabilities increased ¥4,345 million to ¥109,474 million (US$1,095 million) because of the issuance of commercial paper. Also, accrued severance benefits increased, but long-term liabilities decreased ¥16,203 million to ¥69,323 million (US$693 million) as a result of a decline in long-term debt and deferred tax liabilities. Total liabilities were down ¥11,858 million to ¥178,797 million (US$1,788 million).

As a result of a decrease in the net unrealized gain on available-for-sale securities because of falling securities prices and the acquisition of shares in treasury, equity was down ¥36,106 million from the end of the previous fiscal year to ¥245,909 million (US$2,459 million). The shareholders' equity ratio was 53.0%, down 2.3 points, and shareholders' equity per share was ¥1,179.43 (US$11.79), a decrease of ¥121.71.





Cash Flows

Cash Flows from Operating Activities

Cash flows from operating activities were ¥24,779 million (US$248 million), an increase of ¥5,427 million from the previous fiscal year. Factors that contributed to negative cash flows included a decrease in income before income taxes and minority interests and payment of accounts payable, while factors contributing to positive flows included an increase in recovery of receivables and a decrease in inventories.

Cash Flows from Investing Activities

Cash flows used in investing activities were ¥19,147 million (US$191 million), down ¥9,038 million from the previous year. The main factors were a decrease in proceeds from sale of investment securities and investments and an increase in payment for purchase of property, plant and equipment.

Cash Flows from Financing Activities

Cash flows used in financing activities were ¥8,829 million (US$88 million), up ¥4,402 million from the previous year. This was mainly because of the issuance of commercial paper, while payment for purchase of treasury stock increased.

As a result of the above activities, cash and cash equivalents at the end of the year were down ¥2,503 million to ¥23,261 million (US$233 million).

Production Results

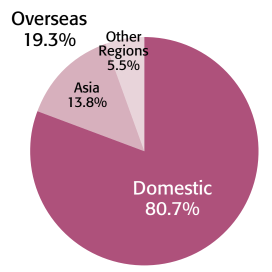
Production results in each segment for the fiscal year under review are as follows:

Industry Segment	Amount (millions of yen)	Amount (millions of U.S. dollars)	Change from the previous year (%)
Textiles	66,290	663	−1.4
Automobile Brakes	52,974	530	−2.1
Papers	26,159	261	+13.7
Chemicals	27,475	275	+0.1
Electronics	75,690	757	+2.8
Other Businesses	5,974	60	+13.8
Total	254,562	2,546	+1.6

Notes:
1. Amounts are computed based on manufacturing costs.
2. The real estate leasing business does not engage in manufacturing, and therefore, the above table contains no figures for this segment.
3. The above amounts do not include consumption taxes.

Geographical Segment Information

Net Sales by Geographical Segment



Sales to customers in Japan were flat at ¥260,088 million (US$2,601 million), but operating income was down 11.2% from the previous year to ¥5,938 million (US$59 million) as a result of sluggish sales by CHOYA Corp., a consolidated subsidiary, and in the textiles segment.

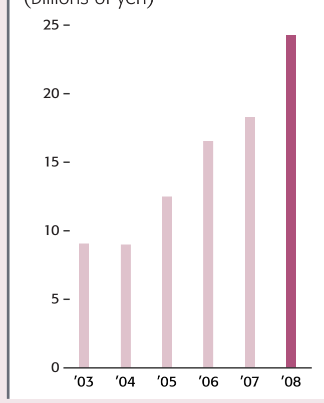
In Asia, sales to customers were up 21.9% to ¥44,626 million (US$446 million) and operating income rose 37.0% to ¥4,555 million (US$ 46 million) thanks to strong sales in the chemical segment by Kohbunshi (Thailand) Ltd. and in the automobile brake segment by Nisshinbo Somboon Automotive Co., Ltd. and Saeron Automotive Corporation.

Sales to customers in other regions rose 7.5% to ¥17,698 million (US$177 million) as a result of higher net sales by Nisshinbo Do Brasil Industria Textil Ltda. in the textiles segment and by Nisshinbo Automotive Corporation, an automobile brakes subsidiary in North America. Operating income was up 15.2% to ¥1,961 million (US$20 million) due to the strong performance of Nisshinbo Automotive Corporation and other factors.

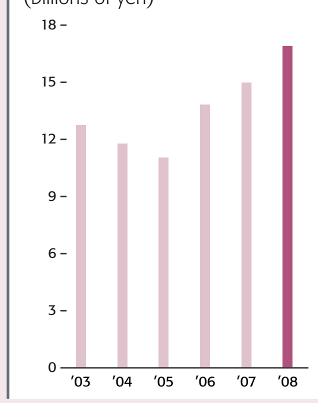
Capital Expenditures

During the fiscal year under review, capital expenditures amounted to ¥24,280 million (US$243 million). Capital expenditures in the automobile brake business totaled ¥5,221 million (US$52 million) and were used mainly for friction material production facilities at the Tatebayashi Plant and Saeron Automotive Corporation, a consolidated subsidiary. Capital expenditures in the real estate leasing business were ¥6,547 million (US$65 million), mainly for construction of a shopping center at the site of the former Tokyo Plant. In the electronics business, capital expenditures amounted to ¥4,847 million (US$48 million) and were used mainly for semiconductor manufacturing equipment by New Japan Radio Co., Ltd., a consolidated subsidiary.

Capital Expenditures



Depreciation and Amortization



Risk Information

New Business Risks

New businesses entail numerous uncertainties including the inability to develop appealing new products and the failure to create new markets as anticipated, which could result in delays or the inability to recover prior investments.

Risk of Fluctuations in the Value of Investment Securities

Investment securities held by Nisshinbo are marked to market in accordance with accounting standards for financial products, and the Company implements impairment accounting based on even more stringent internal standards for a portion of these securities. Under current legal provisions, the Company's overall securities acquisition costs are low, and although there is little probability of an impairment having an impact on statements of income, a future change in accounting standards requiring the effects of such a change to be reflected in the statements of income could cause a significant increase or decrease in profits for the fiscal year.

Nisshinbo implements a policy of selling investment securities to cover investments for mergers and acquisitions, investments for overseas business development, and capital investment to curtail increases in interest-bearing debt. However, there is a risk of unforeseen scenarios resulting from a misalignment in timing between selling and investment.

Nisshinbo made a trust contribution of ¥14.7 billion in response to losses resulting from a change in accounting standards regarding the employee's retirement plans in 2000. In fiscal 2008, the Company realized a valuation loss of ¥300 million on the contributed portion. Although the effects of market valuation of trust securities are reflected in statements of income, the Company amortizes retirement benefits evenly over an average of 15 years of employment service, and therefore, retirement benefits expenses affected by fluctuations in stock prices could have an impact on profits for the fiscal year, but it is believed that the impact would not be significant.

Risks Associated with the Utilization of Idle Land

To reform its business structures, Nisshinbo is actively promoting the use of certain closed business sites and land following the closure of business sites. Redevelopment makes significant contributions to higher net sales.

In carrying out the redevelopment of land, there are risks that the Company will incur expenses for cleanup of the land and that revisions to laws could impede redevelopment.

Product Quality Risks

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

Risks Associated with Market Shifts Relating to Product Sale Prices and Raw Materials Procurement

The Nisshinbo Group's products are significantly affected by fluctuations in market prices in conjunction with competition with other companies and market developments. The fluctuations in market prices easily influence sale prices for textiles and paper products and have an impact on the procurement of raw cotton, pulp, and steel and other materials. Also, raw cotton and pulp are imported materials, and therefore, the effects of exchange rate fluctuations are unavoidable.

Risks Associated with the Electronics Products Business

The core business of New Japan Radio Co., Ltd., which is a consolidated subsidiary, is analog semiconductors, and as a result, its business is stable, but there are risks of fluctuations in earnings resulting from demand from customers to lower prices and changes in semiconductor market conditions. New Japan Radio Co., Ltd. generates approximately 50% of its consolidated sales overseas, and consequently, exchange rate fluctuations have an impact on its business results.

Also, the burden of investing for the benefit of future earnings opportunities, mainly for strengthening the Group's advance into automobile electronics fields, could temporarily constrain profits.

Corporate Separation

At a meeting held on May 13, 2008, the Nisshinbo Board of Directors adopted a resolution to switch to a holding company system by spinning off the textile business, automobile brake business, paper business, mechatronic business, and chemical business and establishing them as independent companies effective April 1, 2009. This change was approved by the 165th regular general meeting of shareholders on June 27, 2008.

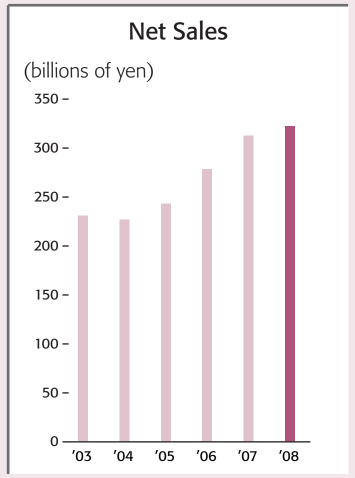
In conjunction with this change, on April 1, 2009, all of Nisshinbo's rights and duties in its textile business, automobile brake business, paper business, mechatronic business, and chemical business will be transferred to Nisshinbo Textile Inc., Nisshinbo Brake Inc., Nisshinbo Paper Products Inc., Nisshinbo Mechatronics Inc., and Nisshinbo Chemical Inc., respectively, through the spin-off of these divisions and their establishment as separate companies. At the same time, the shares of domestic subsidiaries in each of these business sectors that Nisshinbo owns will be transferred to the respective new companies. Also, when the corporate split takes effect, Nisshinbo will change its name to Nisshinbo Holdings Inc. and will change its corporate objectives in line with its business activities following these changes.

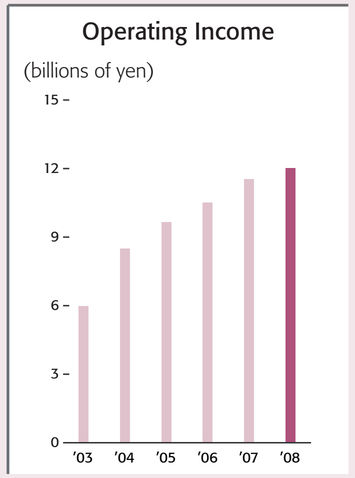
Six Year Summary

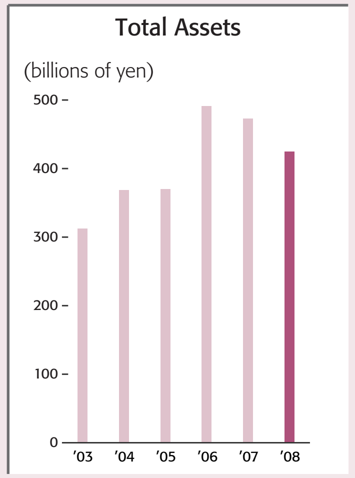
(millions of yen)

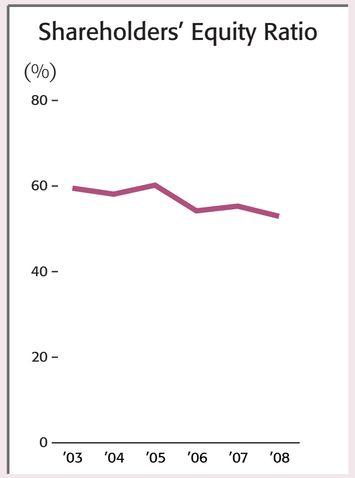
	2003	2004	2005	2006	2007	2008
Net Sales	231,194	226,883	243,421	278,617	312,825	322,412
Operating Income	5,989	8,496	9,651	10,524	11,551	12,034
Net Income	777	3,919	8,199	11,183	15,107	12,290
Equity	186,028	214,132	222,771	266,434	282,015	245,909
Total Assets	312,909	368,444	370,168	491,230	472,670	424,706
Shareholders' Equity Ratio (%)	59.5	58.1	60.2	54.2	55.3	53.0
Return on Assets (%)	0.2	1.2	2.2	2.6	3.1	2.8
Return on Equity (%)	0.4	2.0	3.8	4.6	5.7	5.1
Payout Ratio (%)*	64.3	51.9	28.1	32.2	35.6	–
Capital Expenditures	9,057	8,989	12,504	16,548	18,306	24,280
Depreciation and Amortization	12,758	11,776	11,046	13,835	14,984	16,890
Common Shares Issued	216,580,939	216,580,939	208,198,939	208,198,939	201,698,939	198,698,939
Per Share (in yen):						
Net Income	3.18	17.86	39.03	53.21	74.19	63.34
Shareholders' Equity	860.52	1,030.98	1,072.54	1,283.21	1,301.14	1,179.43
Cash Dividends	7.00	7.00	10.00	10.00	15.00	15.00
Number of Employees	8,627	9,875	9,505	12,602	12,744	13,253

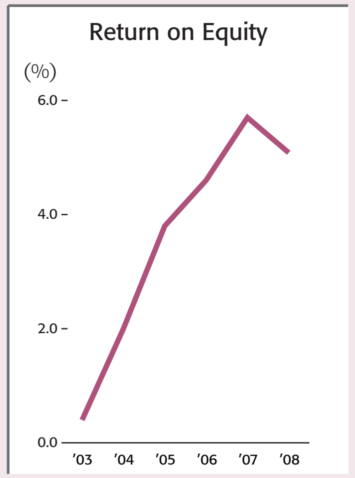
*Payout Ratio is on a non-consolidated basis.

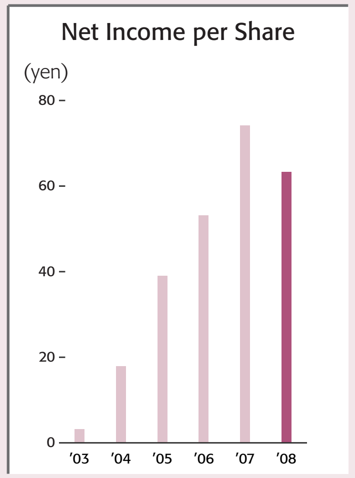


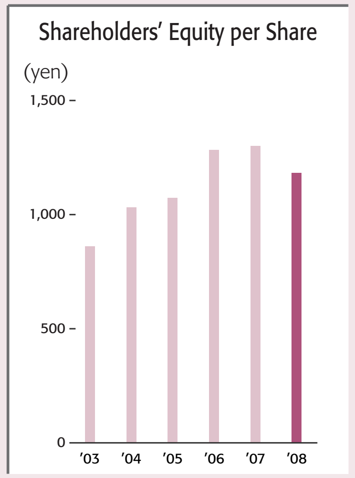


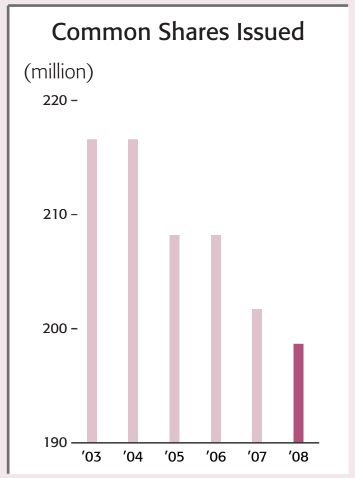












Consolidated Balance Sheets

(March 31, 2008 and 2007)

ASSETS

	(millions of yen) 2008	2007	(thousands of US dollars) (Note 1) 2008
Current assets:			
Cash and cash equivalents	¥ 23,261	¥ 25,764	$ 232,610
Time deposits (Note 5)	2,505	1,916	25,050
Marketable securities (Note 4)	1,858	1,727	18,580
Receivables			
Notes receivable, trade	11,063	13,241	110,630
Accounts receivable, trade	58,922	59,638	589,220
Unconsolidated subsidiaries and affiliates	7,342	8,497	73,420
Other	1,344	492	13,440
	78,671	81,868	786,710
Less allowance for doubtful accounts	(549)	(1,497)	(5,490)
	78,122	80,371	781,220
Inventories (Note 3)	52,179	53,779	521,790
Deferred tax assets (Note 7)	2,853	2,790	28,530
Other current assets	2,510	2,537	25,100
Total current assets	163,288	168,884	1,632,880
Property, plant and equipment (Note 5):			
Land	26,987	26,950	269,870
Buildings and structures	131,627	123,062	1,316,270
Machinery, equipment and tools	256,442	250,767	2,564,420
Construction in progress	2,562	4,952	25,620
	417,618	405,731	4,176,180
Less accumulated depreciation	(290,422)	(283,826)	(2,904,220)
	127,196	121,905	1,271,960
Investments and other assets:			
Investment securities (Notes 4 and 5)	91,020	144,534	910,200
Investments in and advances to unconsolidated subsidiaries and affiliates	32,978	25,104	329,780
Deferred tax assets (Note 7)	1,743	1,701	17,430
Goodwill	438	3,236	4,380
Other	8,043	7,306	80,430
	134,222	181,881	1,342,220
	¥ 424,706	¥ 472,670	$ 4,247,060

See Notes to Consolidated Financial Statements.

LIABILITIES AND EQUITY

	(millions of yen) 2008	2007	(thousands of US dollars) (Note 1) 2008
Current liabilities:			
Short-term borrowings (Note 5)	¥ 51,452	¥ 43,174	$ 514,520
Current portion of long-term debt (Note 5)	2,880	3,974	28,800
Payables			
Notes and accounts payable, trade (Note 5)	32,529	35,806	325,290
Unconsolidated subsidiaries and affiliates	1,118	1,029	11,180
Other	8,350	6,615	83,500
	41,997	43,450	419,970
Employees' savings deposits	242	255	2,420
Accrued expenses	7,648	8,106	76,480
Accrued income taxes	2,546	3,545	25,460
Deferred tax liabilities (Note 7)	1	34	10
Other current liabilities (Note 5)	2,708	2,591	27,080
Total current liabilities	109,474	105,129	1,094,740
Long-term liabilities:			
Long-term debt (Note 5)	3,949	5,918	39,490
Accrued severance benefits (Note 6)	28,573	27,791	285,730
Deferred tax liabilities (Note 7)	20,033	39,772	200,330
Other long-term liabilities (Note 5)	16,768	12,045	167,680
	69,323	85,526	693,230
Commitments and contingencies (Note 12)			
Equity (Notes 10 and 13):			
Common stock:			
Authorized — 371,755,000 shares			
Issued			
2008 — 198,698,939 shares			
2007 — 201,698,939 shares	27,588	27,588	275,880
Capital surplus	20,401	20,401	204,010
Stock acquisition rights	59	16	590
Retained earnings	153,746	149,507	1,537,460
Net unrealized gain on available-for-sale securities	30,145	61,225	301,450
Deferred gain (loss) on derivatives under hedge accounting	(112)	68	(1,120)
Foreign currency translation adjustments	4,322	2,989	43,220
Less shares in treasury			
2008 — 7,771,654 shares			
2007 — 937,624 shares	(10,904)	(559)	(109,040)
	225,245	261,235	2,252,450
Minority interests	20,664	20,780	206,640
	245,909	282,015	2,459,090
	¥ 424,706	¥ 472,670	$ 4,247,060

Consolidated Statements of Income

(Years ended March 31, 2008 and 2007)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2008	2007	2008
Net sales	¥ 322,412	¥ 312,825	$ 3,224,120
Costs and expenses:			
Cost of sales	266,026	257,665	2,660,260
Selling, general and administrative expenses	44,352	43,609	443,520
	310,378	301,274	3,103,780
Operating income	12,034	11,551	120,340
Other income (expenses):			
Interest and dividend income	3,319	2,745	33,190
Interest expenses	(1,255)	(1,229)	(12,550)
Equity in earnings of affiliates	5,203	4,178	52,030
Other, net (Note 11)	584	5,840	5,840
	7,851	11,534	78,510
Income before income taxes and minority interests	19,885	23,085	198,850
Income taxes (Note 7):			
Current	5,161	5,022	51,610
Deferred	1,365	1,267	13,650
	6,526	6,289	65,260
Income before minority interests	13,359	16,796	133,590
Minority interests in net income	(1,069)	(1,689)	(10,690)
Net income	¥ 12,290	¥ 15,107	$ 122,900

	(yen)		(US dollars)
Per share:			
Net income	¥ 63.34	¥ 74.19	$ 0.63
Cash dividends	15.00	15.00	0.15

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

(Years ended March 31, 2008 and 2007)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2008	2007	2008
Common stock:			
Balance at beginning of year (2008 — 201,698,939 shares; 2007 — 208,198,939 shares)	¥ 27,588	¥ 27,588	$ 275,880
Balance at end of year (2008 — 198,698,939 shares; 2007 — 201,698,939 shares)	¥ 27,588	¥ 27,588	$ 275,880
Capital surplus:			
Balance at beginning of year	¥ 20,401	¥ 20,449	$ 204,010
Loss on sale of treasury stock	–	(48)	–
Balance at end of year	¥ 20,401	¥ 20,401	$ 204,010
Stock acquisition rights:			
Balance at beginning of year	¥ 16	¥ –	$ 160
Net changes	43	16	430
Balance at end of year	¥ 59	¥ 16	$ 590
Retained earnings:			
Balance at beginning of year	¥ 149,507	¥ 144,086	$ 1,495,070
Net income	12,290	15,107	122,900
Cash dividends	(3,479)	(2,055)	(34,790)
Directors' and statutory auditors' bonuses	–	(120)	–
Retirement of treasury stock	(4,642)	(7,520)	(46,420)
Other	70	9	700
Balance at end of year	¥ 153,746	¥ 149,507	$ 1,537,460
Net unrealized gain on available-for-sale securities:			
Balance at beginning of year	¥ 61,225	¥ 74,994	$ 612,250
Net changes	(31,080)	(13,769)	(310,800)
Balance at end of year	¥ 30,145	¥ 61,225	$ 301,450
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of year	¥ 68	¥ –	$ 680
Net changes	(180)	68	(1,800)
Balance at end of year	¥ (112)	¥ 68	$ (1,120)
Foreign currency translation adjustments:			
Balance at beginning of year	¥ 2,989	¥ (229)	$ 29,890
Net changes	1,333	3,218	13,330
Balance at end of year	¥ 4,322	¥ 2,989	$ 43,220
Treasury stock at cost:			
Balance at beginning of year	¥ (559)	¥ (454)	$ (5,590)
Add: acquired	(14,832)	(7,302)	(148,320)
Add: increase in an affiliate accounted for by the equity method	–	(411)	–
Add: increase in the Company's share of the affiliate accounted for by the equity method	(166)	–	(1,660)
Deduct: sold and retirement	4,653	7,608	46,530
Balance at end of year	¥ (10,904)	¥ (559)	$ (109,040)
Minority interests:			
Balance at beginning of year	¥ 20,780	¥ –	$ 207,800
Reclassified balance as of March 31, 2006	–	21,144	–
Net changes	(116)	(364)	(1,160)
Balance at end of year	¥ 20,664	¥ 20,780	$ 206,640

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Years ended March 31, 2008 and 2007)

	(millions of yen) 2008	2007	(thousands of US dollars) (Note 1) 2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 19,885	¥ 23,085	$ 198,850
Adjustments to reconcile net income to net cash provided by operating activities:			
Income taxes-paid	(6,126)	(7,841)	(61,260)
Depreciation and amortization	16,890	14,984	168,900
Impairment of long-lived assets	155	1,328	1,550
Amortization of goodwill	3,212	686	32,120
Equity in earnings of affiliates	(5,203)	(4,178)	(52,030)
Provision for doubtful receivables	36	589	360
Provision for accrued pension and severance benefits	3,145	2,415	31,450
Payment of accrued pension and severance benefits	(2,530)	(3,631)	(25,300)
Directors' and statutory auditors' bonuses paid	—	(136)	—
Gain on sale of property, plant and equipment	(2,250)	(831)	(22,500)
Gain on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(3,678)	(10,668)	(36,780)
Loss on plant closures	1,403	2,649	14,030
Other	516	(302)	5,160
Changes in operating assets and liabilities:			
Receivables	3,085	(773)	30,850
Inventories	2,060	343	20,600
Payables	(4,383)	3,334	(43,830)
Other	(1,438)	(1,701)	(14,380)
Net cash provided by operating activities	24,779	19,352	247,790
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	3,776	2,918	37,760
Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	8,014	14,364	80,140
Payment for purchase of property, plant and equipment	(21,331)	(18,629)	(213,310)
Payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(7,669)	(9,497)	(76,690)
(Increase) decrease in time deposits	(489)	1,642	(4,890)
Cash acquired from newly consolidated subsidiaries, net of payment for purchase of companies	(792)	—	(7,920)
Other, net	(656)	(907)	(6,560)
Net cash used in investing activities	(19,147)	(10,109)	(191,470)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	1,859	1,072	18,590
Repayment of long-term debt	(3,972)	(4,369)	(39,720)
Increase (decrease) in short-term borrowings	7,290	(3,658)	72,900
Cash dividends paid	(3,479)	(2,055)	(34,790)
Payment for purchase of treasury stock	(14,832)	(7,302)	(148,320)
Increase in other long-term liabilities	4,702	3,476	47,020
Other	(397)	(395)	(3,970)
Net cash used in investing activities	(8,829)	(13,231)	(88,290)
Effect of exchange rate changes on cash	693	1,049	6,930
Net decrease in cash and cash equivalents	(2,504)	(2,939)	(25,040)
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	1	—	10
Cash and cash equivalents at beginning of year	25,764	28,703	257,640
Cash and cash equivalents at end of year	¥ 23,261	¥ 25,764	$ 232,610

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In addition, the accompanying 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 ¥100 = $1, the approximate exchange rate at March 31, 2008. 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. (hereinafter the "Company") and its significant subsidiaries (together, the "Group").

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

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

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

(c) Foreign currency financial statements

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

(d) Cash and cash equivalents

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

(e) Inventories

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

(f) Marketable securities and other investments

The Group classifies all of its marketable securities as available-for-sale which are reported at fair value, with unrealized gains and losses included in accumulated other comprehensive income (loss), net of taxes. Other investments without quoted market prices are stated at cost. Realized gains or losses on the sale of securities are based on the average cost of a particular security held at the time of sale.

Marketable securities and other investment securities are regularly reviewed for other-than-temporary declines in carrying amount based on criteria that include the length of time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the Company's intent and ability to retain marketable securities and investment securities for a period of time sufficient to allow for any anticipated recovery in market value. When such a decline exists, the Company recognizes an impairment loss to the extent of such decline.

(g) Property, plant and equipment

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

(h) Goodwill

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

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

(j) Retirement 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.

(k) Stock options
On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

(l) Research and development costs
Research and development costs are changed to income as incurred.

(m) Accounting for certain lease transactions
Financial leases, which do not transfer titles to lessees, are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

(n) Bonuses to directors and corporate auditors
Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting treatment for bonuses to directors and corporate auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly changed to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

(o) 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.

(p) 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 March 31, 2008 and 2007 were as follows:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Finished products	¥ 23,916	¥ 26,450	$ 239,160
Work in process	15,879	15,274	158,790
Materials and supplies	12,384	12,055	123,840
	¥ 52,179	¥ 53,779	$ 521,790

4. MARKETABLE AND INVESTMENT SECURITIES

The carrying amounts and aggregate fair values of securities available-for-sale included in marketable and investment securities at March 31, 2008 and 2007 were as follows:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Cost	¥ 33,061	¥ 32,313	$ 330,610
Unrealized gains	56,039	104,460	560,390
Unrealized losses	(3,554)	(420)	(35,540)
Fair value	¥ 85,546	¥ 136,353	$ 855,460

Aggregate cost of non-marketable securities accounted for under the cost method totaled ¥6,812 million ($68,120 thousand) and ¥9,338 million at March 31, 2008 and 2007, respectively.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The annual interest rates applicable to the short-term borrowings at March 31, 2008 and 2007 were 1.0% to 8.8%.
Long-term debt at March 31, 2008 and 2007 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Long-term debt with collateral:			
Loans from banks maturing serially to 2019, ranging from 1.1% to 2.6%	¥ 709	¥ 934	$ 7,090
Long-term debt without collateral:			
Loans from banks maturing serially to 2012, ranging from 1.3% to 5.6%	1,659	2,656	16,590
Capital lease obligations, due through 2010	4,461	6,302	44,610
	6,829	9,892	68,290
Less current portion	(2,880)	(3,974)	(28,800)
	¥ 3,949	¥ 5,918	$ 39,490

Annual maturities of long-term debt were as follows:

Year ending March 31,	(millions of yen)	(thousands of US dollars)
2009	¥ 2,880	$ 28,800
2010	2,635	26,350
2011	706	7,060
2012	58	580
2013 and thereafter	550	5,500
	¥ 6,829	$ 68,290

At March 31, 2008 and 2007, net book value of assets pledged as collateral for short-term bank loans and long-term debt were as follows:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Property, plant and equipment	¥ 8,861	¥ 9,688	$ 88,610

In addition, pledged assets as collateral for liabilities other than the above were as follows:

Assets pledged:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Property, plant and equipment	¥ 9,225	¥ 315	$ 92,250
Investment securities	405	410	4,050
Time deposits	209	209	2,090
	¥ 9,839	¥ 934	$ 98,390

Liabilities with collateral:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Other long-term liabilities	¥ 9,396	¥ 3,959	$ 93,960
Notes and accounts payable, trade	181	184	1,810
Other current liabilities	187	183	1,870
	¥ 9,764	¥ 4,326	$ 97,640

6. RETIREMENT AND PENSION PLANS

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

The Company and certain domestic subsidiaries have basically two types of pension plans for employees: a non-contributory and a contributory funded defined benefit pension plan. The plan also provides for lump-sum retirement benefits, payable upon earlier termination of employment. The Company has established an employee retirement benefit trust.

The liability for retirement benefits for directors and corporate auditors at March 31, 2008 and 2007 were ¥455 million ($4,550 thousand) and ¥433 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 March 31, 2008 and 2007 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Projected benefit obligation	¥ 52,531	¥ 50,965	$ 525,310
Fair value of plan assets	(23,296)	(29,290)	(232,960)
	29,235	21,675	292,350
Unrecognized prior service cost	2,492	2,734	24,920
Unrecognized actuarial loss	(6,644)	58	(66,440)
Unrecognized transitional obligation	(144)	(191)	(1,440)
	24,939	24,276	249,390
Prepaid pension cost	3,179	3,082	31,790
Net liability	¥ 28,118	¥ 27,358	$ 281,180

The components of net periodic retirement benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Service cost	¥ 2,526	¥ 2,516	$ 25,260
Interest cost	1,053	1,097	10,530
Expected return on plan assets	(460)	(332)	(4,600)
Amortization of prior service cost	(242)	(1,236)	(2,420)
Recognized actuarial loss	232	215	2,320
Amortization of transitional obligation	48	48	480
Net periodic benefit costs	3,157	2,308	31,570
Defined contribution pension cost	94	94	940
Retirement benefits paid due to restructuring of business operations	32	1,969	320
Total	¥ 3,283	¥ 4,371	$ 32,830

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	2.0%–2.5%	2.0%–2.5%
Expected rate of return on plan assets	1.4%–2.5%	1.0%–2.0%
Amortization period of prior service cost	10–15 years	10–15 years
Recognition period of actuarial gain / loss	10–15 years	10–15 years
Amortization period of transitional obligation	10 years	10 years

7. INCOME TAXES

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Deferred tax assets:			
Inventories	¥ 509	¥ 461	$ 5,090
Tax loss carryforwards	6,644	4,757	66,440
Allowance for doubtful accounts	264	443	2,640
Accrued employees' bonuses	1,773	1,790	17,730
Accrued severance benefits	11,602	11,206	116,020
Impairment of long-lived assets and depreciation in excess of tax limitation	1,420	1,075	14,200
Other	1,761	1,795	17,610
Less valuation allowance	(9,949)	(6,763)	(99,490)
	¥ 14,024	¥ 14,764	$ 140,240
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (21,326)	¥ (42,359)	$ (213,260)
Deferred gains on sale of property	(4,685)	(4,163)	(46,850)
Other	(3,451)	(3,557)	(34,510)
	¥ (29,462)	¥ (50,079)	$ (294,620)
Net deferred tax	¥ (15,438)	¥ (35,315)	$ (154,380)

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2008 and 2007 and the actual effective tax rates reflected in the accompanying consolidated statement of income was as follows:

	2008	2007
Normal effective statutory tax rate	40.7 %	40.7 %
Equity in earnings of affiliates	(10.7)	(7.4)
Lower income tax rates applicable to income in certain foreign countries	(5.8)	(2.3)
Tax credit for research and development costs and other	(3.7)	(3.7)
Amortization of goodwill	6.6	1.2
Intercompany dividends	6.6	2.0
Other	(0.9)	(3.3)
Actual effective tax rate	32.8 %	27.2 %

8. LEASES

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

Total rental expenses for the years ended March 31, 2008 and 2007 were ¥431 million ($4,310 thousand) and ¥491 million, respectively, including ¥419 million ($4,190 thousand) and ¥491 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 March 31, 2008 and 2007 was as follows:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Acquisition cost	¥ 2,050	¥ 2,240	$ 20,500
Accumulated depreciation	(1,152)	(1,129)	(11,520)
Net leased property	¥ 898	¥ 1,111	$ 8,980

Obligations under finance leases:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Due within one year	¥ 347	¥ 408	$ 3,470
Due after one year	551	703	5,510
Total	¥ 898	¥ 1,111	$ 8,980

Depreciation expense under finance leases:

	(millions of yen)		(thousands of US dollars)
	2008	2007	2008
Depreciation expense	¥ 419	¥ 491	$ 4,190

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 March 31, 2008 and 2007 and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheets at March 31, 2008 and 2007, 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 March 31, 2008 and 2007 were as follows:

	(millions of yen)						(thousands of US dollars)		
	2008			2007			2008		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Interest rate swaps:									
Fixed rate payments, floating rate receipt	¥6,879	¥ 135	¥ 135	¥6,007	¥ 342	¥ 342	$68,790	$ 1,350	$ 1,350
Foreign currency forward contracts	¥ 183	¥ 182	¥ (1)	¥ 457	¥ 456	¥ (1)	$ 1,830	$ 1,820	$ (10)

10. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) having a term of one year for directors, the Board of Directors may declare dividends (expect for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, additional paid-in capital, other capital surplus, legal reserve, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and cancel such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

The Corporate Law provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

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)
	2008	2007	2008
Gain on sale of property, plant and equipment	¥ 2,250	¥ 831	$ 22,500
Gain on sale of securities	3,678	10,668	36,780
Loss on inventory disposal	(1,039)	(401)	(10,390)
Impairment of long-lived assets	(155)	(1,328)	(1,550)
Loss on plant closures	(1,403)	(2,649)	(14,030)
Retirement benefits paid due to restructuring of business operations	(32)	(1,969)	(320)
Amortization of goodwill	(2,320)	—	(23,200)
Other, net	(395)	688	(3,950)
	¥ 584	¥ 5,840	$ 5,840

12. COMMITMENTS AND CONTINGENCIES

Contingent liabilities at March 31, 2008 and 2007 for loans guaranteed amounted to ¥372 million ($3,720 thousand) and ¥1,999 million, respectively.

Commitments for capital expenditures outstanding at March 31, 2008 and 2007 were in the approximate amounts of ¥13,417 million ($134,170 thousand) and ¥13,169 million, respectively.

13. SUBSEQUENT EVENT

(a) Year-end cash dividends

On May 13, 2008, Nisshinbo's Board of Directors declared year-end cash dividends (¥7.5 per share) in the amounts of ¥1,441 million ($14,410 thousand).

(b) Acquisition of treasury stock

On March 27, 2008, the Board of Directors approved the Company to acquire treasury stock of the Company's common stock.

Subsequent to the year ended March 31, 2008 through May 12, 2008, the Company acquired 10,000 thousand shares for ¥10,977 million ($109,770 thousand).

(c) Cancellation of treasury stock

On March 27, 2008, the Board of Directors approved the Company to cancel treasury stock of the Company's common stock.

On April 23, 2008, the Company canceled 6,600 thousand shares of treasury stock of the Company's common stock.

(d) Stock option

At the general shareholders meeting held on June 27, 2008, the Company's shareholders approved a stock option plan to grant stock purchase rights up to 200 thousand shares of the Company's common stock to directors and key employees in the period from August 1, 2010 to July 31, 2015.

14. SEGMENT INFORMATION

(a) Industry segments

Information about industry segments of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 were as follows:

(millions of yen) 2008

	Textiles	Automobile Brakes	Papers	Chemicals	Electronics	Real Estate Leasing	Other Businesses	Eliminations/ Corporate	Consolidated
I. Sales and Operating Income									
Sales to customers	¥ 78,816	¥ 66,397	¥ 33,547	¥ 38,528	¥ 76,475	¥ 5,446	¥ 23,203	¥ –	¥ 322,412
Intersegment sales	8	–	46	895	–	513	927	(2,389)	–
Total sales	78,824	66,397	33,593	39,423	76,475	5,959	24,130	(2,389)	322,412
Operating expenses	80,040	57,525	32,431	40,212	75,371	3,236	23,568	(2,005)	310,378
Operating income (loss)	¥ (1,216)	¥ 8,872	¥ 1,162	¥ (789)	¥ 1,104	¥ 2,723	¥ 562	¥ (384)	¥ 12,034
II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures									
Total assets	¥ 67,841	¥ 70,561	¥ 23,308	¥ 26,235	¥ 93,715	¥ 27,971	¥ 14,659	¥ 100,416	¥ 424,706
Depreciation and amortization	¥ 2,979	¥ 4,292	¥ 1,303	¥ 1,817	¥ 4,938	¥ 1,081	¥ 480	¥ –	¥ 16,890
Impairment of long-lived assets	¥ 155	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 155
Capital expenditures	¥ 2,117	¥ 5,221	¥ 2,746	¥ 2,136	¥ 4,847	¥ 6,547	¥ 396	¥ 270	¥ 24,280

(millions of yen) 2007

	Textiles	Automobile Brakes	Papers	Chemicals	Electronics	Real Estate Leasing	Other Businesses	Eliminations/ Corporate	Consolidated
I. Sales and Operating Income									
Sales to customers	¥ 82,243	¥ 61,764	¥ 29,908	¥ 37,671	¥ 76,068	¥ 4,788	¥ 20,383	¥ –	¥ 312,825
Intersegment sales	5	–	16	788	0	532	324	(1,665)	–
Total sales	82,248	61,764	29,924	38,459	76,068	5,320	20,707	(1,665)	312,825
Operating expenses	81,809	54,755	28,674	39,450	75,027	2,709	20,340	(1,490)	301,274
Operating income (loss)	¥ 439	¥ 7,009	¥ 1,250	¥ (991)	¥ 1,041	¥ 2,611	¥ 367	¥ (175)	¥ 11,551
II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures									
Total assets	¥ 77,712	¥ 66,323	¥ 20,205	¥ 42,786	¥ 89,097	¥ 21,347	¥ 214	¥ 154,986	¥ 472,670
Depreciation and amortization	¥ 2,682	¥ 4,139	¥ 1,302	¥ 1,544	¥ 4,044	¥ 773	¥ 500	¥ –	¥ 14,984
Impairment of long-lived assets	¥ 292	¥ –	¥ –	¥ 49	¥ –	¥ –	¥ –	¥ 987	¥ 1,328
Capital expenditures	¥ 1,841	¥ 4,568	¥ 1,275	¥ 1,009	¥ 3,762	¥ 3,492	¥ 2,359	¥ –	¥ 18,306

(thousands of US dollars) 2008

	Textiles	Automobile Brakes	Papers	Chemicals	Electronics	Real Estate Leasing	Other Businesses	Eliminations/ Corporate	Consolidated
I. Sales and Operating Income									
Sales to customers	$ 788,160	$ 663,970	$ 335,470	$ 385,280	$ 764,750	$ 54,460	$ 232,030	$ –	$ 3,224,120
Intersegment sales	80	–	460	8,950	–	5,130	9,270	(23,890)	–
Total sales	788,240	663,970	335,930	394,230	764,750	59,590	241,300	(23,890)	3,224,120
Operating expenses	800,400	575,250	324,310	402,120	753,710	32,360	235,680	(20,050)	3,103,780
Operating income (loss)	$ (12,160)	$ 88,720	$ 11,620	$ (7,890)	$ 11,040	$ 27,230	$ 5,620	$ (3,840)	$ 120,340
II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures									
Total assets	$ 678,410	$ 705,610	$ 233,080	$ 262,350	$ 937,150	$ 279,710	$ 146,590	$1,004,160	$ 4,247,060
Depreciation and amortization	$ 29,790	$ 42,920	$ 13,030	$ 18,170	$ 49,380	$ 10,810	$ 4,800	$ –	$ 168,900
Impairment of long-lived assets	$ 1,550	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 1,550
Capital expenditures	$ 21,170	$ 52,210	$ 27,460	$ 21,360	$ 48,470	$ 65,470	$ 3,960	$ 2,700	$ 242,800

(b) Geographical segments

The geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 were as follows:

	(millions of yen) 2008					(millions of yen) 2007				
	Japan	Asia	Other Regions	Eliminations/ Corporate	Consolidated	Japan	Asia	Other Regions	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 260,088	¥ 44,626	¥ 17,698	¥ –	¥ 322,412	¥259,752	¥ 36,616	¥ 16,457	¥ –	¥312,825
Interarea transfer	11,432	13,949	54	(25,435)	–	10,081	13,298	96	(23,475)	–
Total sales	271,520	58,575	17,752	(25,435)	322,412	269,833	49,914	16,553	(23,475)	312,825
Operating expenses	265,582	54,020	15,791	(25,015)	310,378	263,143	46,588	14,851	(23,308)	301,274
Operating income (loss)	¥ 5,938	¥ 4,555	¥ 1,961	¥ (420)	¥ 12,034	¥ 6,690	¥ 3,326	¥ 1,702	¥ (167)	¥ 11,551
Total assets	¥ 267,150	¥ 42,362	¥ 20,160	¥ 95,034	¥ 424,706	¥ 272,732	¥ 32,406	¥ 17,151	¥150,381	¥472,670

(thousands of US dollars) 2008

	Japan	Asia	Other Regions	Eliminations/ Corporate	Consolidated
Sales to customers	$ 2,600,880	$ 446,260	$ 176,980	$ –	$ 3,224,120
Interarea transfer	114,320	139,490	540	(254,350)	–
Total sales	2,715,200	585,750	177,520	(254,350)	3,224,120
Operating expenses	2,655,820	540,200	157,910	(250,150)	3,103,780
Operating income (loss)	$ 59,380	$ 45,550	$ 19,610	$ (4,200)	$ 120,340
Total assets	$ 2,671,500	$ 423,620	$ 201,600	$ 950,340	$ 4,247,060

(c) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2008 and 2007 amounted to ¥93,827 million ($938,270 thousand) and ¥84,898 million, respectively.

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 March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 March 31, 2008 and 2007, 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.

E. Nagashima — T. Takubo

Etsuko Nagashima
Certified Public Accountant

Takeshi Takubo
Certified Public Accountant

June 27, 2008
Tokyo, Japan

Board of Directors

(As of June 27, 2008)

Director, Chairman
Yoshikazu Sashida

Director*1, President
Takashi Iwashita

Director*1, Vice President
Kunihiro Toda

Director, Senior Executive Managing Officer
Shizuka Uzawa

Director, Executive Managing Officer
Yoshihito Onda

Director, Executive Managing Officer
Yoshihiro Sakaki

Director, Executive Managing Officer
Masaaki Isobe

Director, Managing Officer
Masaya Kawata

Director*2
Tomofumi Akiyama

Director*2
Toshiya Hanawa

Director*2
Koji Kato

*1 Representative director *2 Outside director

Managing Officers and Auditors

(As of April 1, 2008)

President
Takashi Iwashita*

Vice President
Kunihiro Toda*

Senior Executive Managing Officer
Shizuka Uzawa*

*Board member as well

Executive Managing Officers
Yoshihito Onda*
Yoshihiro Sakaki*
Masaaki Isobe*

Senior Managing Officers
Takeo Shimura
Yoshio Ide

Managing Officers
Masaya Kawata*
Akihiko Ishikawa
Hitoshi Ito
Michihiro Ohga
Shigenori Mori
Toshihiro Kijima
Koji Nishihara
Shuichi Fukuda
Masahiro Murakami

Standing Statutory Auditors
Shoichi Hayashi
Masao Sazuka

Statutory Auditors
Hiroshi Kawakami*3
Toshihiko Tomita*3

*3 Outside auditor

Organization Chart

(As of April 1, 2008)

- General Shareholders Meeting
- Board of Directors
- Chairman
- President
- Board of Management
- Board of Statutory Auditors
- Statutory Auditors

- Corporate Strategy Center
  - CSR Department: Human Rights Group; Environment Group; Quality Assurance Group; Health & Safety Group; Investor Relations & Public Relations Group; Corporate Secretariat Group
  - Corporate Governance Department: Corporate Governance Group; Export Control Group
  - Corporate Strategy Department: Business Planning Group; Finance & Accounting Group; Human Resources & Administration Group; Information Technology Group; Technology & Intellectual Property Group
  - Internal Audit Department
- Business Support Center
  - Finance, Accounting & IT Service Department: Finance & Accounting Group; Information System Group
  - Human Resources & Administration Service Department: Human Resources Group; Intellectual Property Group; Legal Affairs Group; Purchase Group; Facility Group; Administration Group
- Business Development Division: Administration Department; Business Development Department; Capacitor Department
- Property Management Department
- Textile Company
  - Administration Division: Administration Division; Global Operation Department
  - Business Division: Shirts Department; Denim Department; Textile Fabrics Department; Oikos Department; Mobilon Department; Textile Materials Department
  - Development & Production Division: Development & Technology Department; Spinning & Weaving Department; Dyeing & Finishing Department
- Precision Instrument & Machinery Company: Business Administration Department; Machinery Manufacturing Department; Precision Manufacturing Department; Technology Department; Sales Department
- Brake Company
  - Administration Division: Administration Department; Overseas Operation Department; Domestic Operation Department; Quality Assurance Department
  - R&D Division: Administration Department; R&D Department; R&D Support Department; Testing Department
  - Production Division: Friction Material Manufacturing Department; Brake Manufacturing Department
- Chemical Company: Business Administration Department; Heat Insulation Department; Carbon Department; Fuel Cell Department; Performance Chemical Department; Elastomer Department
- Paper Products Company: Business Administration Department; Product Development Department
  - Household Paper Division: Manufacturing Technology Department; Sales Department
  - Speciality Paper Division: Speciality Paper Department; Processed Products Department

History

1907 Nisshin Cotton Spinning Co., Ltd. established.

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

1924 Nisshin Cotton Spinning merged with Tokyo Boseki Co., Ltd.

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

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 Nisshin 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 (the company name changed to Nisshinbo Postal Chemical Co., Ltd. in 2006).
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 Machinery 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 shares.
Continental Teves Corporation established as a joint venture (the company name changed to Continental Automotive Corporation in 2007).

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.

2003 Saeron Automotive Beijing Corporation (China) established through complete financing from the subsidiary Saeron Automotive Corporation.

2004 Continental Teves Corporation (Lian Yun Gang) Co., Ltd. (China) established (the company name changed to Continental Automotive Corporation (LYG) Co., Ltd. in 2007).
Nisshinbo Industries acquired additional stock in Naigai Shirts Co., Ltd. and CHOYA CORP.

2005 Toyota Plant established.
Nisshinbo Urban Development Co., Ltd. absorbed Kansai Nisshinbo Urban Development Co., Ltd. by merger.
Saeron Automotive Corporation listed on the Korea Stock Exchange.
Nisshinbo Industries acquired additional stock in New Japan Radio Co., Ltd. and ALOKA CO., LTD.

2006 Nisshinbo Postal Chemical Co., Ltd. (currently consolidated subsidiary) merged with Nisshinbo Engineering Co., Ltd.
Acquisition of additional shares of Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd.

2007 Nisshinbo Industries acquired all shares of Daiwa Shiko Co., Ltd.

Corporate Data

(As of March 31, 2008)

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: 06-6267-5529

Nagoya Branch: 5-2-38, Sakae, Naka-ku, Nagoya 460-0008, Japan
Tel: 052-261-6151 Fax: 052-263-9480

Employees: Parent Company 2,782
Subsidiaries 10,471
Total 13,253

Common Stock: Authorized 371,755,000 shares
Issued 198,698,939 shares
¥27,588 million — US$234 million

Shareholders: 11,399

Listings: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo

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

Nisshinbo Group

(As of March 31, 2008)

The Nisshinbo Group consists of Nisshinbo Industries, Inc., its 54 subsidiaries, and 42 affiliates.

Main Group Companies

■ Consolidated Subsidiaries

Company	Location	Capital	Business
CHOYA CORP.	Tokyo, Japan	¥4,594 million	Textiles
Nisshin Toa Inc.	Tokyo, Japan	¥450 million	Textiles, Papers, Food Ingredients
Nisshinbo Yarn Dyed Co., Ltd.	Aichi, Japan	¥80 million	Textiles
Nisshin Denim Inc.	Tokushima, Japan	¥200 million	Textiles
Nisshin Tex Co., Ltd.	Osaka, Japan	¥10 million	Textiles
Naigai Shirts Co., Ltd.	Osaka, Japan	¥300 million	Textiles
NISSHINBO (SHANGHAI) CO., LTD.	China	RMB9,932 thousand	Textiles
Nisshinbo Do Brasil Industria Textil LTDA.	Brazil	R$20.075 million	Textiles
P.T. Naigai Shirts Indonesia	Indonesia	US$0.85 million	Textiles
Shanghai Choya Fashion Co., Ltd.	China	RMB34,063 thousand	Textiles
P.T. Nikawa Textile Industry	Indonesia	US$75 million	Textiles
P.T. Gistex Nisshinbo Indonesia	Indonesia	US$10 million	Textiles
Nisshinbo Brake Sales Co., Ltd.	Tokyo, Japan	¥346 million	Automobile Brakes
Nisshinbo Automotive Corporation	U.S.A.	US$88 million	Automobile Brakes
Nisshinbo Automotive Manufacturing Inc.	U.S.A.	US$15.44 million	Automobile Brakes
Nisshinbo Somboon Automotive Co., Ltd.	Thailand	THB732.6 million	Automobile Brakes
Saeron Automotive Corporation	South Korea	KRW9,600 million	Automobile Brakes
Tokai Seishi Co., Ltd.	Shizuoka, Japan	¥300 million	Papers
Daiwa Shiko Co., Ltd.	Tokyo, Japan	¥100 million	Papers
Nisshinbo Postal Chemical Co., Ltd.	Tokyo, Japan	¥310 million	Papers, Chemical Products
NIPPON KOHBUNSHI CO., LTD.	Aichi, Japan	¥310 million	Plastic Molded Products
Kohbunshi (Thailand) Ltd.	Thailand	THB100 million	Plastic Molded Products
Pudong Kohbunshi (Shanghai) Co., Ltd.	China	US$7 million	Plastic Molded Products
Iwao & Co., Ltd.	Osaka, Japan	¥250 million	Textiles, Chemical Products, Real Estate Leasing
New Japan Radio Co., Ltd.	Tokyo, Japan	¥5,220 million	Electronics
Ueda Japan Radio Co., Ltd.	Nagano, Japan	¥700 million	Electronics
Nisshinbo Urban Development Co., Ltd.	Tokyo, Japan	¥480 million	Real Estate Leasing
Nisshinbo Europe B.V.	The Netherlands	€2.165 million	Real Estate Leasing

■ Subsidiary and Affiliates Accounted for by the Equity Method

Company	Location	Capital	Business
Continental Automotive Corporation	Kanagawa, Japan	¥5,000 million	Automobile Brakes
Continental Automotive Corporation (LYG) Co., Ltd.	China	US$3.68 million	Automobile Brakes
ALOKA CO., LTD.	Tokyo, Japan	¥6,465 million	Medical Equipment
Japan Radio Co., Ltd.	Tokyo, Japan	¥14,704 million	Electronics
Nagano Japan Radio Co., Ltd.	Nagano, Japan	¥3,649 million	Electronics