GROWINGLOBAL

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Printed in Japan

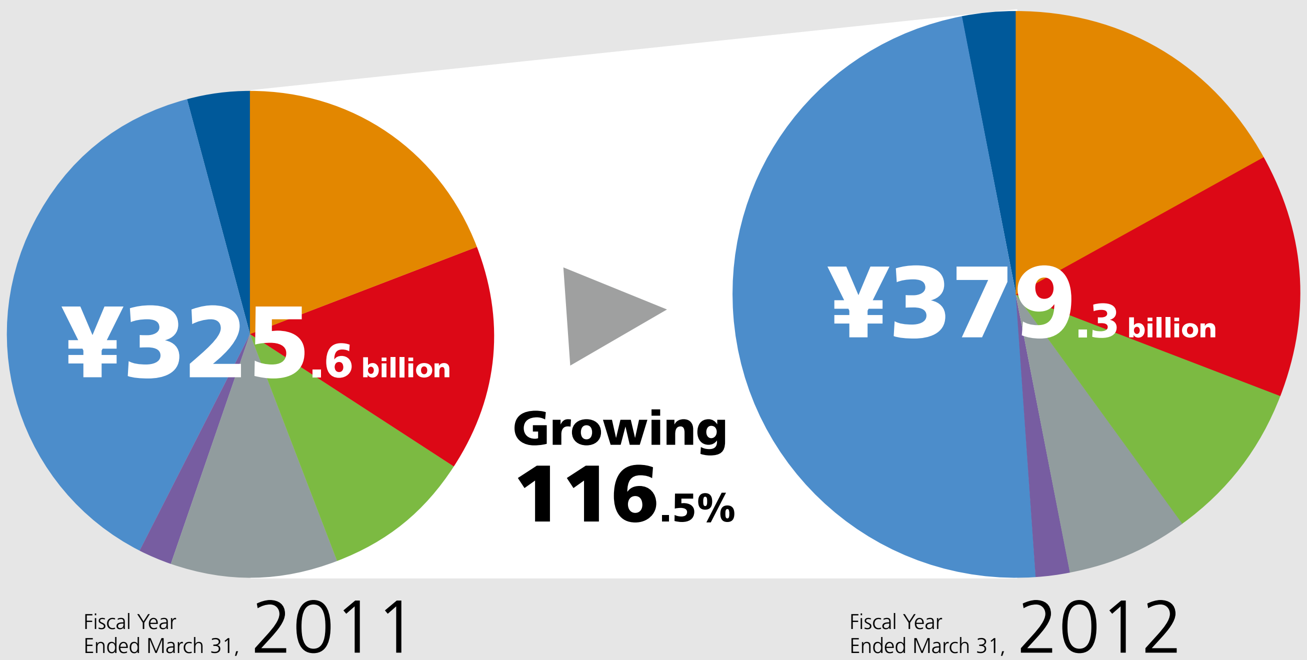
Annual Report **2012** Fiscal Year Ended March 2012

Summary

Under the Challenge 2012 Three-Year Management Plan, launched in April 2010, we are pushing ahead with bold management reforms that will take Nisshinbo in a new direction. We are targeting net sales of more than ¥600 billion and ROE of over 9% by the fiscal year ending March 2018. To achieve these goals, we are promoting production and sales in optimal locations worldwide and channeling management resources into environmental and energy businesses.

In November 2011, we acquired TMD Friction Group S.A., a global manufacturer of brake friction materials. This acquisition has transformed our automobile brakes business into the world's leading player in the field, with a global market share of over 15%. We are also working rapidly to upgrade our global production setups in the textiles, electronics and precision instruments businesses as part of our efforts to drive global growth.

Net Sales of Nisshinbo Holdings Inc.



Textiles | Automobile Brakes | Papers | Precision Instruments | Chemicals | Electronics | Real Estate

Contents

Financial Highlights

For the years ended March 31

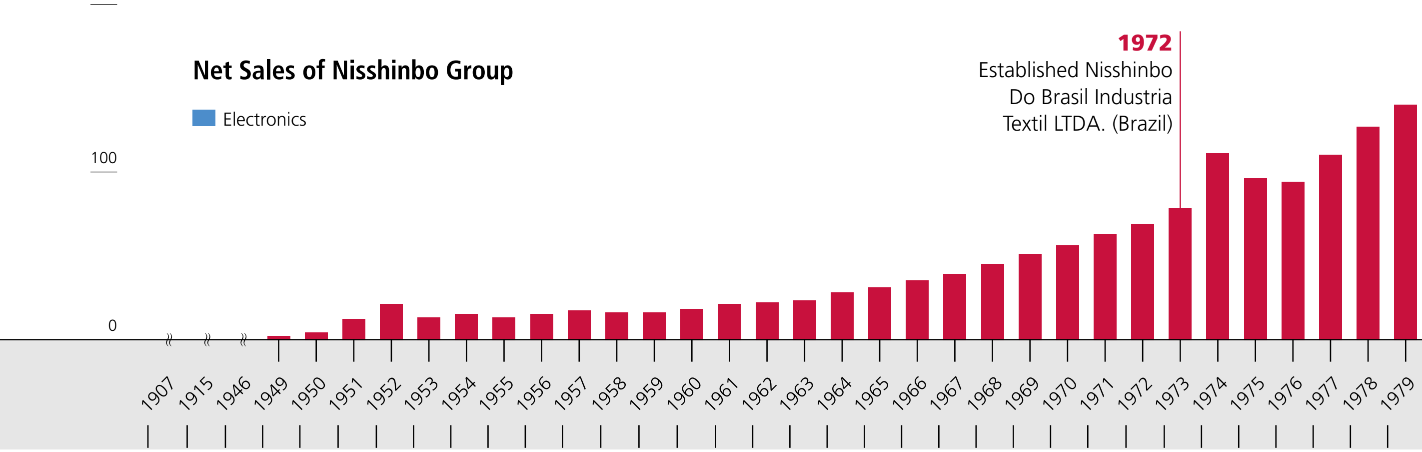
	2008	2009	2010	2011	2012	2012
					(millions of yen)	(thousands of US dollars)
Operating Results						
Net Sales	¥322,412	¥286,167	¥242,409	¥325,555	¥379,340	$4,741,750
Textiles	76,094	64,392	53,222	57,400	60,964	762,050
Automobile Brakes	59,812	49,230	41,046	46,119	47,450	593,125
Papers	33,547	34,214	31,536	30,326	30,220	377,750
Precision Instruments	34,021	35,602	24,908	32,020	25,191	314,888
Chemicals	9,582	8,059	6,309	7,284	8,258	103,225
Electronics	76,475	60,549	51,699	112,820	169,907	2,123,837
Real Estate	5,010	6,011	6,298	12,437	9,082	113,525
Other Businesses	27,871	28,110	27,391	27,149	28,268	353,350
Operating Income	12,034	408	3,570	19,843	4,170	52,125
Net Income (Loss)	12,290	(1,286)	1,896	11,185	9,416	117,700
Financial Position						
Total Assets	¥424,706	¥366,858	¥358,110	¥479,852	¥534,584	$6,682,300
Equity	245,909	193,698	193,639	211,557	213,751	2,671,888
Cash Flows						
Net Cash Provided by Operating Activities	¥24,779	¥11,939	¥27,538	¥16,529	¥12,974	$162,175
Net Cash Provided by (Used in) Investing Activities	(19,147)	(14,393)	(9,949)	11,591	(57,861)	(723,263)
Net Cash Provided by (Used in) Financing Activities	(8,829)	11,940	(30,347)	703	16,835	210,438
					(yen)	(dollars)
Per Share						
Net Income (Loss)	¥63.34	¥(7.08)	¥10.38	¥63.32	¥53.83	$0.67
Shareholders' Equity	1,179.43	985.19	1,034.04	1,036.80	1,063.19	13.29
Cash Dividends	15.00	15.00	15.00	15.00	15.00	0.19
					(%)	
Key Ratios						
Return on Assets (ROA)	2.7	(0.3)	0.5	2.7	1.9	
Return on Equity (ROE)	5.1	(0.6)	1.0	6.1	5.1	

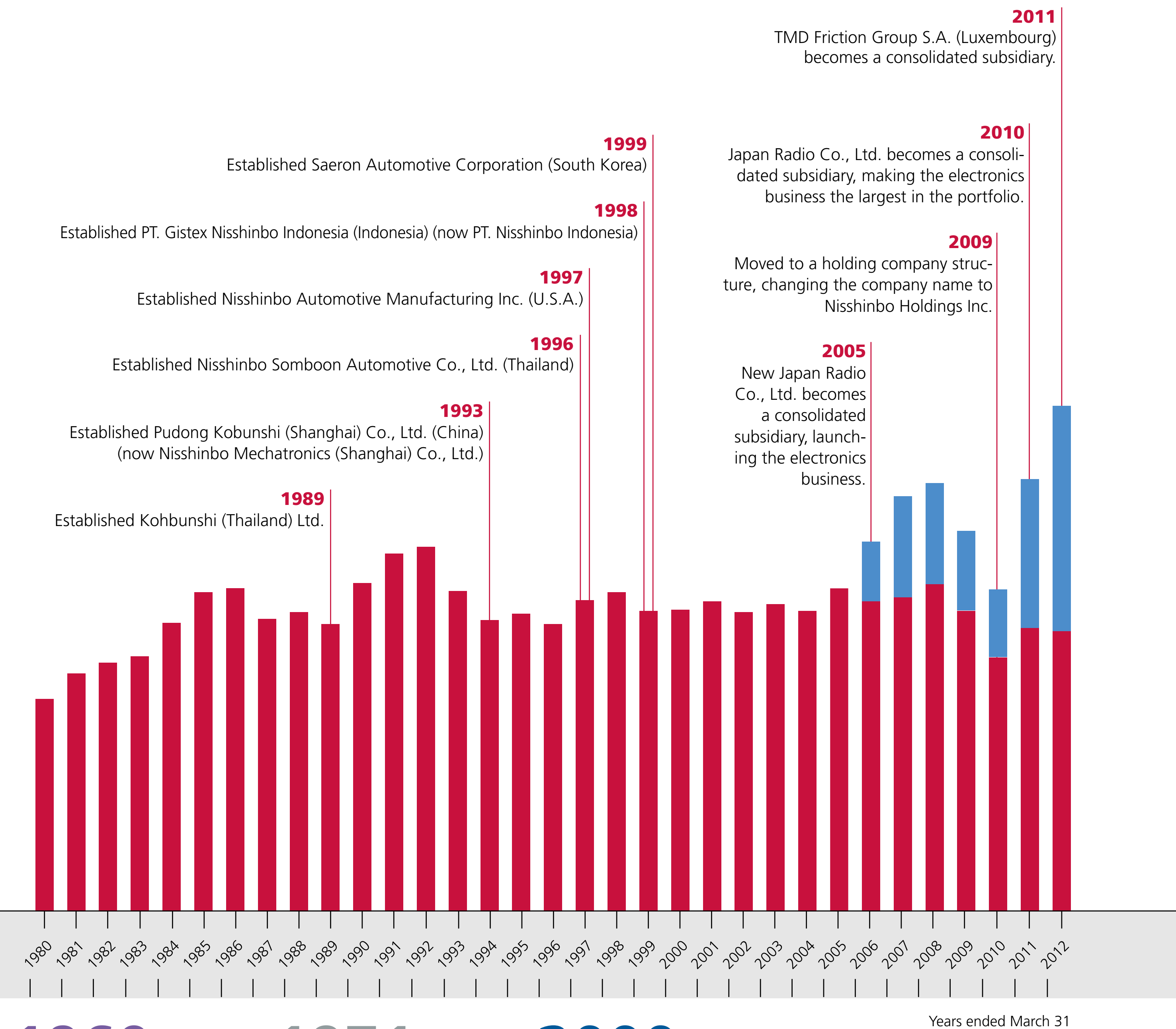
Note: The U.S. dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥80 = US$1.

Growing Potential

Nisshinbo Holdings Inc. traces its history back to 1907 when it was founded as a specialist cotton spinning company. Over the last 100 years and more, we have used our textile spinning and processing technologies to diversify into automobile brakes, paper products, precision instruments and chemicals. We also moved into the real estate business and, in 2005, added the electronics business to form a portfolio of seven businesses supplying a range of products and services. Sales in the electronics business now exceed sales in our founding business of textiles.

Our desire to constantly change the Nisshinbo business model in pursuit of value that is in step with the times is part of our corporate DNA. Today Nisshinbo is targeting a new era of growth by developing innovative new solutions in the environmental and energy fields.



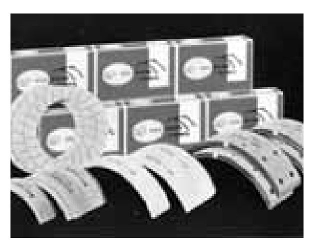


1907
Textiles
Nisshin Cotton Spinning Co., Ltd. established in Tokyo's Nihonbashi area in 1907. Manufacturing gets under way in 1909 in Kameido, now Tokyo's Koto Ward. Kyoto Plant acquired in 1910.

1915
Electronics
Japan Radio Co., Ltd. established in 1915. Nagano Japan Radio Co., Ltd. and Ueda Japan Radio Co., Ltd. spun off from Japan Radio after the war. New Japan Radio Co., Ltd. established in 1961 as a subsidiary of Japan Radio.

1945
Papers
Paper manufacturing plant in Fuji, Shizuoka Prefecture acquired in 1945 to make fire resistant and insulating sheets. Shirakaba dispensing paper and toilet paper becomes the leading brand in Japan by sales in the late 1950s.

1946
Automobile Brakes
Production of automobile brake linings starts in 1946 at the Nishi Arai Plant. Alliance signed in 1984 with brake company Teves to acquire ABS technology.



1960
Chemicals
Rayon production starts at the Miai Plant in 1938. Sales of rigid polyurethane foam product AIRLITE FOAM begin in 1960.

1971
Precision Instruments
Production of aircraft wings begins at the Miai Plant in 1943. Production of plastic bobbins for use in textile manufacturing starts in 1958. Sales of copy presses, used in sheet metal processing, get under way in 1971.

2000
Real Estate
Shopping center opened on site of former Tosaki Plant in 2000.

THAILAND 1 2

- **Nisshinbo Somboon Automotive Co., Ltd.** (Automobile brakes)
- **Nisshinbo Mechatronics (Thailand) Ltd.** (Precision instruments)
- **THAI NJR CO., LTD.** (Electronics)

Nisshinbo Somboon Automotive

In 1996 we established an automobile brake manufacturing plant in Thailand, which is now regarded as one of the world's leading centers for vehicle production. We also opened a new plastic molded parts plant in Thailand in 2011. In the electronics business, THAI NJR is reinforcing its manufacturing framework as part of a business restructuring program at New Japan Radio.

SOUTH KOREA 3

- **Saeron Automotive Corp.** (Automobile brakes)
- **NISSHINBO PHOTOVOLTAIC KOREA CORPORATION** (Precision instruments)

Saeron Automotive

Saeron Automotive is a consolidated subsidiary listed in South Korea and supplies brake parts to local automakers and other customers in the automotive sector. We established a company to sell photovoltaic module manufacturing equipment in South Korea in 2011.

CHINA 4

- **NISSHINBO TEXTILE CHANGZHOU CO., LTD.** (Textiles)
- **Nisshinbo Saeron (Changshu) Automotive Co., Ltd.** (Automobile brakes)
- **Nisshinbo Mechatronics (Shanghai) Co., Ltd.** (Precision instruments)
- **Nisshinbo-Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd.** (Precision instruments)

Nisshinbo-Yawei

In China we are working to offer a wider range of competitive products and services. Recent developments include the start of manufacturing activities for photovoltaic module manufacturing equipment in 2010 and the establishment of an automobile brake manufacturing facility in 2011. Production will start at a precision instruments plant in Shanghai in 2012.

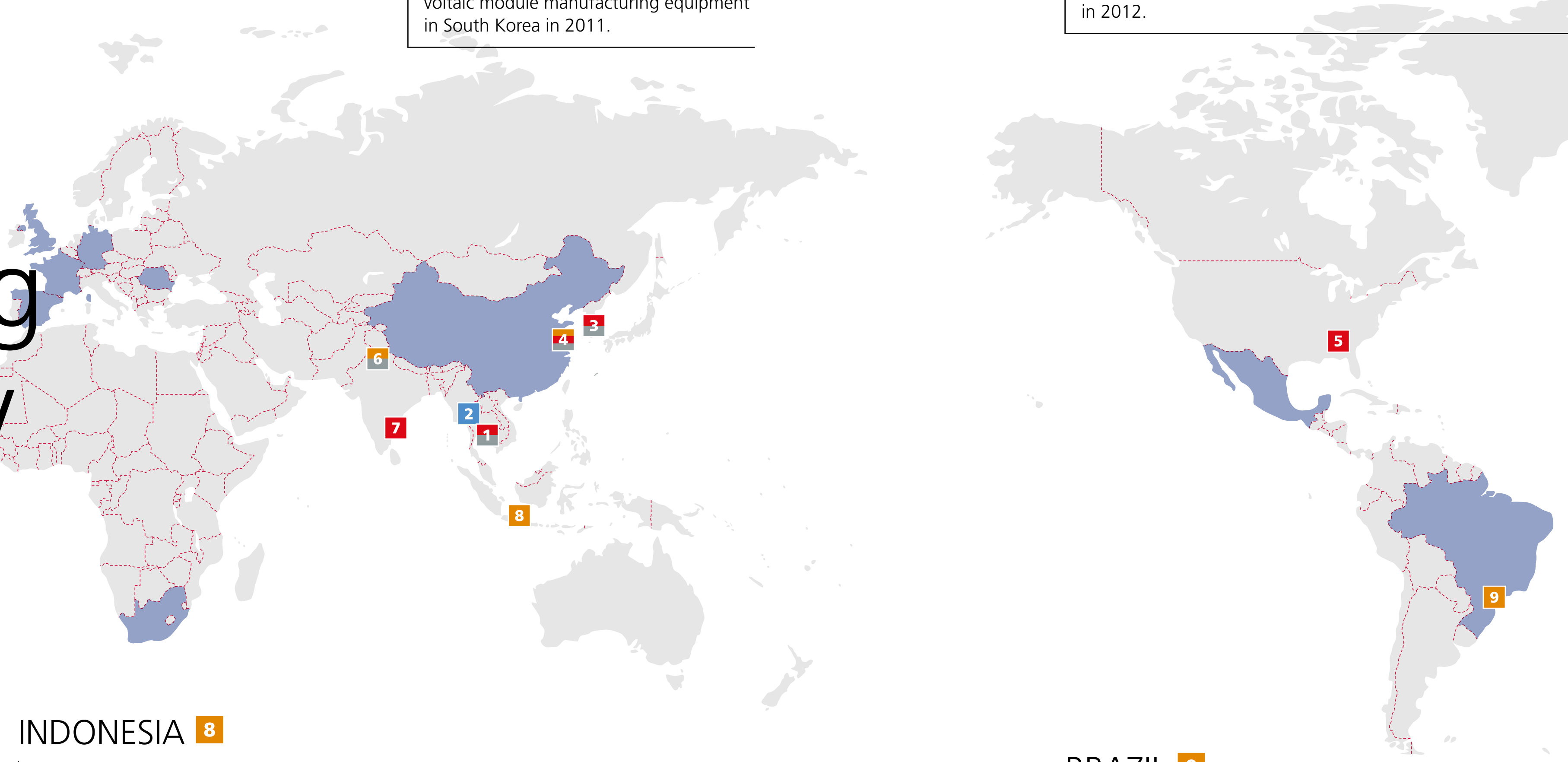
AMERICA 5

- **Nisshinbo Automotive Manufacturing Inc.** (Automobile brakes)

Nisshinbo Automotive Manufacturing

We have been manufacturing automobile brakes in the U.S. since 1995. We operate a Business Development Center in Detroit in addition to a manufacturing plant in Atlanta.

Growing Globally



Starting with our textiles business in the Brazilian market in 1972, we have steadily expanded our overseas presence, including the establishment of automobile brake companies in the U.S. and Thailand. Under the bold management reforms of our Challenge 2012 Three-Year Management Plan, we are stepping up the development of our global manufacturing and sales network across all our business fields.

■ **TMD**'s global manufacturing sites

INDIA 6 7

- **VARDHMAN NISSHINBO GARMENTS CO., LTD.** (Textiles)
- **Rane Brake Lining Ltd.** (Automobile brakes)
- **Nisshinbo Mechatronics India Private Limited** (Precision instruments)

Rane Brake Lining

In India, in the textiles business, production has started at a shirt joint venture that we established with Vardhman Textiles. In the automobile brakes business, we are transferring technology to Rane Brake Lining, an equity-method affiliate. In the precision instruments business, we plan to start production of plastic molded parts in 2012.

INDONESIA 8

- **PT. NIKAWA TEXTILE INDUSTRY** (Textiles)
- **PT. NISSHINBO INDONESIA** (Textiles)
- **PT. NAIGAI SHIRTS INDONESIA** (Textiles)
- **PT. MALAKASARI NISSHINBO DENIM INDUSTRY** (Textiles)


PT. NISSHINBO INDONESIA

Indonesia is set to play a key role in our textiles business. Cotton produced by NIKAWA is processed into shirt fabric by NISSHINBO INDONESIA then made into shirts by NAIGAI SHIRTS. Another Group company in Indonesia, MALAKASARI, dyes cotton fabric for use in denim products. We are currently expanding manufacturing capacity at all these companies to meet rising demand for our high value-added products in Asia's emerging markets.

BRAZIL 9

- **Nisshinbo Do Brasil Industria Textil LTDA.** (Textiles)

Nisshinbo Do Brasil

In Brazil, a cotton-producing country, demand for cotton products is increasing rapidly in tandem with economic growth. We began making cotton yarn in Brazil in 1972 and we are currently adding extra capacity.

TMD FRICTION

Our automobile brakes business now has the top global market share

Luxembourg-based TMD Friction Group S.A., one of the world's leading makers of brake friction materials, became part of the Nisshinbo Group in November 2011. TMD has 16 manufacturing sites in 10 countries, bringing the total number of plants in the automobile brakes business to 24 in 14 countries worldwide.

Growing Technology

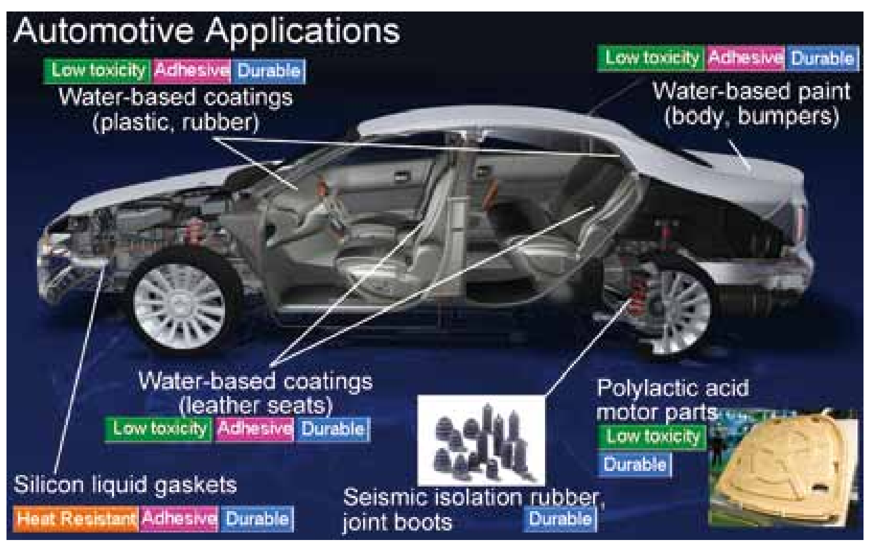
One of the corporate principles of the Nisshinbo Group is “to make a significant positive contribution to the lives of people worldwide as an eco company.” Using the technology we have accumulated during more than 100 years in business, we aim to contribute to the sustainable development of society by tackling global warming and other environmental issues. The businesses born from this process will drive the Group’s next stage of growth.

CARBODILITE

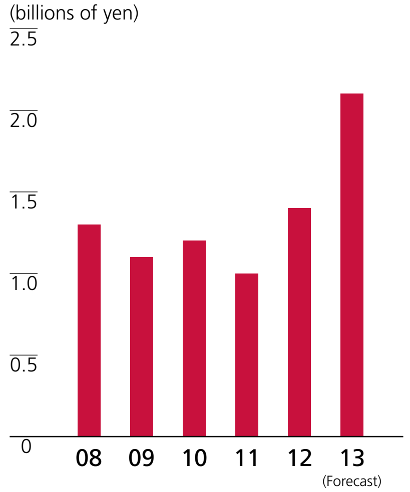
Bio-plastic, which is made from corn and other naturally occurring materials, is attracting growing attention as eco-material that reduces environmental impact. But it has disadvantages such as low durability and low heat resistance, limiting its range of applications.

Carbodilite, our high-performance plastic material, dramatically improves the durability and heat resistance of bio-plastic when used as a modifier. It is also very safe and has proved popular with users in the plastics industry. Carbodilite’s characteristics as a modifier and its highly safe profile mean that applications are not limited to bio-plastics. It is used worldwide in water-based paints and ink and as an adhesive agent for halogen- and lead-free electronic components, making a significant contribution to the design of smaller and lighter digital equipment. As a result, Carbodilite now plays an indispensable role in the development and manufacture of eco-friendly products.

Carbodilite is helping to expand applications for bio-plastic, making a major contribution to the environmental field through its growing use by industry in automotive, electrical and electronic product fields.



Sales of CARBODILITE

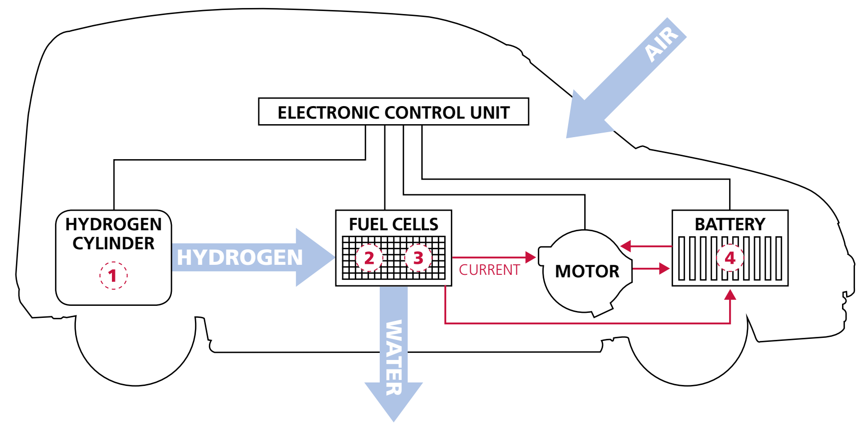


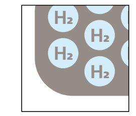
Working to create a low carbon society

Fuel cells generate electricity without creating any CO_2 emissions by reacting hydrogen with oxygen. Nisshinbo is pushing forward with research and development projects, such as fuel cells, to help realize a low-carbon future.

Electric double-layer capacitors are already used in industrial equipment and construction machinery and we are currently developing new products for cars to help boost fuel efficiency.

Our carbon bipolar plates have captured a dominant share in the residential fuel cell market. We are now working to boost their performance and reduce costs in time for 2015, when fuel cell vehicles are set to become more widespread. We are also aiming to play a key role in creating the low-carbon society of the future with the development of carbon alloy catalysts and hydrogen-storing carbon for next-generation eco-cars.

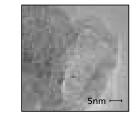




1

Hydrogen-Storing Carbon

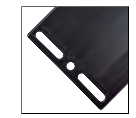
Automotive fuel cells require high-pressure hydrogen tanks, which creates a number of technological and cost issues. Hydrogen-storing carbon reduces pressures inside storage tanks, resulting in highly safe, low-cost hydrogen tanks.



2

Carbon Alloy Catalysts

Carbon alloy catalysts boast catalytic performance (open-circuit voltage and output density) that is at least as high as platinum, supplies of which are concentrated in only a few countries. They also potentially cost less than platinum catalysts.



3

Carbon Bipolar Plates

Carbon bipolar plates have outstanding corrosion resistance properties and have captured a dominant share of the residential polymer electrolyte fuel cell (PEFC) market.

4

Electric Double-Layer Capacitors

Electric double-layer capacitors are energy storage devices. They are extremely safe and can be recharged several million times, giving them a long operational life.

Photovoltaic Module Manufacturing Equipment

This equipment is the mainstay product in the precision instruments business. We are now moving into Asia markets, supported by dominant market shares in the solar simulator and module laminator fields in Japan.

We have established sales and service centers in China and more recently in Taiwan and South Korea, as part of efforts to become a provider of total solutions for photovoltaic module manufacturing equipment.

Poised for Growth:

Commitment, Strength and Opportunity

Upheaval is the word that best describes the last year for the Nisshinbo Group. In the fiscal year ended March 2012, the Group's earnings were affected by the Great East Japan Earthquake, the flooding in Thailand and the persistently strong yen, leading to a decline in profits. However, by stepping up our overseas business strategy and acquiring TMD Friction Group S.A., I believe we made great progress toward our targets of more than ¥600 billion in net sales and ROE of over 9% by the fiscal year ending March 2018.

The Great East Japan Earthquake was the main reason behind the deterioration in earnings

The reasons for the slowdown are clear, so we are confident of a rapid upturn in profits.

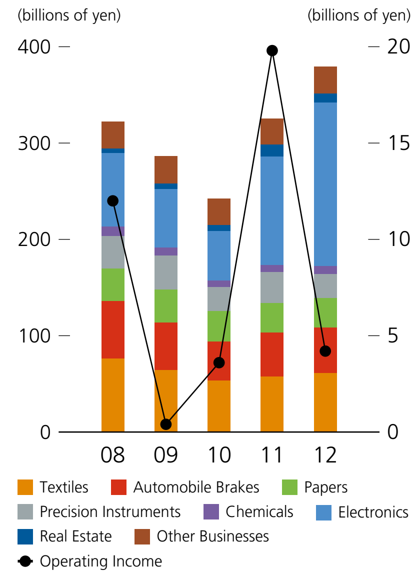
In the fiscal year ended March 2012, net sales increased 16.5% year on year to ¥379.3 billion. However, operating income declined 79.0% to ¥4.2 billion and net income fell 15.8% to ¥9.4 billion. The large increase in net sales reflected a full year of sales from Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd., which were consolidated in the fourth quarter of the previous fiscal year, but profits slumped compared with the previous fiscal year.

The main reasons for the decline in profits were the Great East Japan Earthquake at the end of the previous fiscal year, the subsequent nuclear accident and the serious flooding in Thailand. Earnings were not as strong as we anticipated due to temporary disruption in the supply chain and power shortages. Manufacturing costs also rose. We estimate the two natural disasters had a combined impact of nearly ¥10 billion on net sales and just under ¥3 billion on operating income.

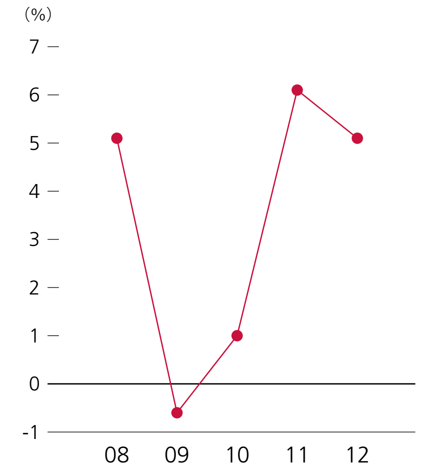
Japan Radio and New Japan Radio Co., Ltd. in the electronics business, and photovoltaic module manufacturing equipment in the precision instruments business registered weak earnings. New Japan Radio booked ¥4.8 billion in business restructuring costs under extraordinary losses, which was also partly to blame for the deterioration in consolidated net income. However, some businesses like textiles and chemicals performed well. Over the full year, earnings in the automobile brakes business were not as strong as normal due to the impact of the two natural disasters, but net sales and profits remained on an upward trend from the end of the fiscal year.

The Nisshinbo Group's performance overall therefore deteriorated compared with the previous fiscal year, but it was quite clear that this was mainly due to the earthquake and other factors beyond our control. I am confident we will see a rapid recovery in earnings starting in the current fiscal year, as strong-performing businesses continue to deliver and loss-making businesses are quickly turned round.

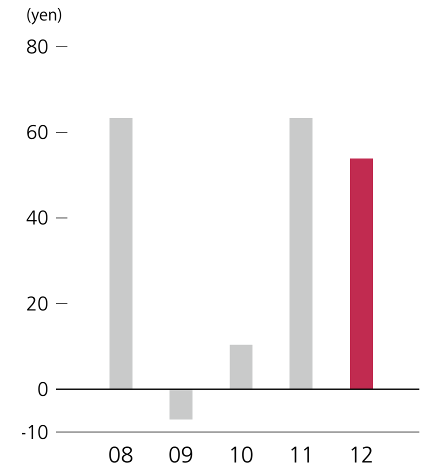
Net Sales and Operating Income



Return on Equity



Net Income per Share



Restructuring the electronics business

Losses are close to being eliminated in the electronics business, but we still need to push ahead with bold restructuring.

The two key operating companies in our electronics business performed poorly during the fiscal year ended March 2012.

Earnings at New Japan Radio deteriorated sharply at the beginning of the fiscal year due to major changes in the economic environment such as the downturn in the domestic economy and the strong yen. In response, we started rolling out a radical business restructuring plan from August 2011. Specifically, as part of our strategy to rapidly shift production overseas, we announced an early retirement program in Japan that eventually attracted nearly 400 applicants. These and other restructuring initiatives are supporting a rapid recovery at New Japan Radio and we expect a return to profit in the fiscal year ending March 2013.

Meanwhile, the fall into the red at Japan Radio was a major miscalculation in the fiscal year ended March 2012. This subsidiary conducts a great deal of business with public sector clients, so it was severely affected by the Great East Japan Earthquake. The earthquake caused disruption to budget execution at central and local governments, with many new projects being put on hold or delayed. This caused a sharp drop in sales at Japan Radio. However, the outlook for the company is not necessarily bad. In the current fiscal year, we forecast a rapid recovery in earnings owing to a rebound in public sector demand as government agencies start spending again. We also see strong rebuilding demand such as the installation of communications equipment in the disaster-affected area and new marine communications for ships damaged or destroyed by the disaster.

Even assuming that earnings at Japan Radio improve in line with our expectations, we need to face the fact that the current business model was the reason for the sudden deterioration in earnings performance. We need to wean Japan Radio off public sector demand, secure more business from the private sector and transform it into a globally competitive company. A new management team at Japan Radio is now looking in close detail at business restructuring measures. Our aim is to carry out a radical restructuring of the entire electronics business, including Nagano Japan Radio and Ueda Japan Radio Co., Ltd., to create the optimum product development and manufacturing framework.

Many businesses are making great strides overseas

Textiles, automobile brakes and plastic molded parts were behind the growth in global production capacity.

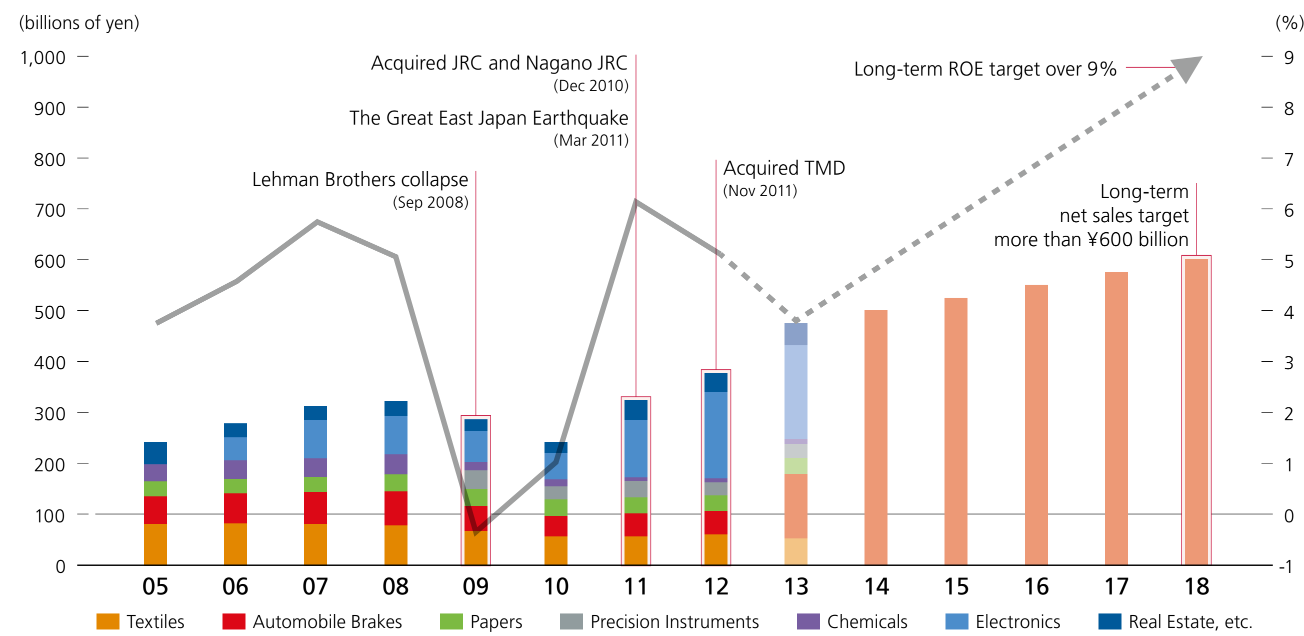
Our founding business of textiles did well to maintain its move towards sustained profits in the fiscal year ended March 2012. I think this deserves a special mention. In the previous fiscal year it reported profits overseas but incurred losses in Japan. This year it was profitable both at home and abroad. This mainly reflected the benefits of a shift in production from Japan to other countries over the past few years. Also, sales of shirts in the domestic market were strong, partly helped by the hot summer and efforts to conserve power. However, overseas production undoubtedly made our high value-added products like APOLLOCOT 100% cotton non-iron shirts much more cost competitive. Output was increased as planned at our manufacturing sites in Indonesia, giving us extra overseas capacity for APOLLOCOT products. We also switched production of denim to our sites in Indonesia. We expect this to support an improvement in profitability.

The automobile brakes business is currently enjoying a favorable operating environment. Global auto sales appear to have returned to growth levels seen before the collapse of Lehman Brothers, while our manufacturing sites in Japan, the U.S., Thailand, South Korea, China and India returned to full operating capacity from the second half of the fiscal year. In 2011, we established Nisshinbo Saeron (Changshu) Automotive Co., Ltd. in China and we plan to significantly boost production at the company from autumn 2012. We also intend to increase output at other manufacturing sites worldwide.

The plastic molding and processing business, which is part of the precision instruments business, is also performing well at the moment. We are seeing strong customer interest in air conditioner fans, the mainstay product in the business. In 2010 we decided to boost production capacity at our plant in Thailand and the expanded facility was completed in 2011. This year, a new company will start production in India.

In September 2011, we established Nisshinbo Singapore Pte. Ltd., a regional subsidiary that will lead efforts to build a stronger operating base overseas. Nisshinbo Singapore will provide financial support to overseas operating sites through a global cash management system. It will also be responsible for internal control and personnel training. We established a similar subsidiary in Shanghai in March 2012 to provide the same support to Group companies in the region. Looking ahead, we plan to give both companies regional head office functions.

Long-term Targets



Our automobile brakes business becomes the world leader

We anticipate significant synergies from our acquisition of TMD.

We acquired TMD Friction Group S.A. in November 2011, making Nisshinbo the world's leading manufacturer of brake friction materials. TMD is one of the largest companies in the brake friction material sector, mainly supplying European automakers. It has production and sales sites in key markets worldwide, but it is an ideal fit with our business as there is minimal overlap in terms of plants, technologies and customers. The acquisition will give a substantial boost to the product lineup and customer base at both Nisshinbo and TMD, so we anticipate market share gains greater than simply adding together our respective shares. Specialist teams from both companies are already inspecting plants worldwide in an effort to identify potential synergies in development, procurement, production and sales.

The acquisition is unlikely to boost profits in the near term, as goodwill of around ¥25 billion arising from the deal will be amortized over the next five years starting from the first year of consolidation. However, we see great things ahead for our automobile brakes business.

Progress in the energy and environmental businesses

New shoots are starting to emerge.

As an eco-company, Nisshinbo is aiming to help reduce CO_2 emissions and solve other environmental issues we face today.

In the fiscal year ended March 2012, demand for bio-plastic modifier Carbodilite was very strong. Output of bio-plastic is rising worldwide and plastic manufacturers are adding extra capacity. In response, we will work to boost production capacity for Carbodilite to ensure stable supplies.

In electric double-layer capacitors, we have set up an initial medium-volume production line at a plant in Chiba Prefecture and we view 2012 as a crucial year in winning business from automotive customers. We are also ramping up the development of carbon bipolar plates and other fuel cell-related products to ensure they are adopted in time for the projected uptake in fuel cell vehicles from 2015.

Meanwhile, a team working at a former plant site in Tokushima became the first in Japan to successfully cultivate strawberries on a large scale using only artificial light. Shipments of the strawberries are already under way. Because the strawberries are cultivated under artificial light and in sealed hygienic spaces, food safety and yields are extremely high. Besides, they also taste good. The plant factory meets the needs of Japanese consumers by providing them with reliable supplies of safe food. In the future, we believe our facility will help Japan become more self-sufficient in food. We are also working to convert some areas of the plant factory into a smart factory by drawing on the Group's wealth of expertise in power storage and electrical control systems. A smart factory test facility started operating at the Tokushima business site in May 2012.

However, during the fiscal year ended March 2012, sales of photovoltaic module manufacturing equipment were weak. This reflected a global glut in solar panel inventory. Nevertheless, we believe the market is set to grow, supported by the start of power buyback subsidies in Japan and other positive factors. We think challenging market conditions provide us with a good opportunity to develop even better products. Centered on Nisshinbo-Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd. in China, we will strive to supply our customers with the most competitive products in the market.

Committed to delivering growth

Our target of more than ¥600 billion in net sales is within sight.

Under Challenge 2012, our Three-Year Management Plan launched in April 2012, we are channeling management resources into core technologies and aiming to boost cost competitiveness by shifting production to overseas sites and expanding overseas procurement. We also plan to convert idle real estate at former manufacturing sites in Japan into cash through real estate development, and then use this cash to invest in new businesses. In order to remain viable in the face of intense global competition, we will also strive to expand the scale of our business. We are targeting net sales of more than ¥600 billion and ROE of over 9% by the fiscal year ending March 2018.

Following the acquisition of TMD, we are forecasting net sales of around ¥475 billion in the fiscal year ending March 2013, so our sales target is within sight.

However, we are concerned that the economic and social environment in Japan is weighing on our domestic manufacturing operations due to factors such as the persistently strong yen, power shortages and political instability. If manufacturers are forced to continue shifting production overseas, Japan could see a hollowing out of its technology base. I believe Japan needs to take urgent steps to maintain the domestic manufacturing sector's technological capabilities. As an eco-company, I want Nisshinbo to tackle head-on the need to develop Japanese technologies that can contribute to the economy and society. In this way, I believe we can play a key role in revitalizing Japan's manufacturing sector.

June 2012

Shizuka Uzawa
President

TMD Friction Group S.A.

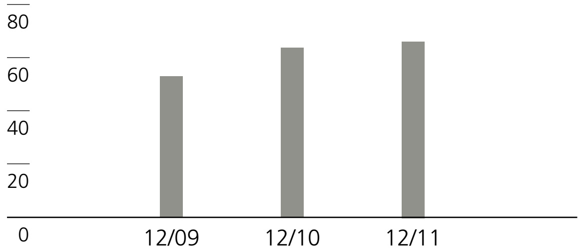
Acquisition of TMD Friction Group S.A. transforms our automobile brakes business into the global market leader

One of the goals of the Nisshinbo Group's medium-term management plan is to promote a global strategy based on production and sales in optimal locations. In November 2011, Nisshinbo acquired TMD Friction Group S.A., a global manufacturer of brake friction materials based in Luxembourg. This deal has made the Nisshinbo Group the leading maker of brake products, with more than 15% of the worldwide market.

About the TMD Friction Group S.A.

TMD Sales

(millions of euros)



Comparison of Nisshinbo automobile brake business and TMD (FY 2011)

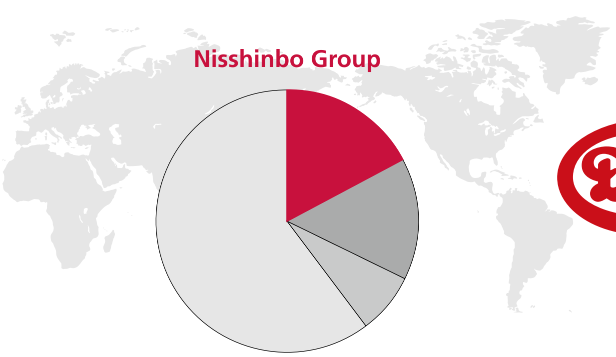
	Nisshinbo	TMD
Net Sales	¥47.4 billion	¥69.3 billion
Operating Income	4.2 billion	1.4 billion
Number of Employees	Around 2,200 (as of end-March 2012)	Around 4,800 (as of end-December 2011)

TMD is Europe's largest maker of brake friction materials with 16 manufacturing sites in 10 countries worldwide. TMD has a long history stretching back to the establishment of its predecessor company Small and Parks in 1881. TMD still sells Small and Parks' original Don brand of brake friction parts, which have won the confidence of customers during more than 100 years on the market.

TMD is an ideal fit for Nisshinbo thanks to its strong presence in Europe, China and South America. China is the only country where we have overlapping production facilities.

TMD is larger than our automobile brakes business, which generated sales of ¥47.4 billion in the fiscal year ended March 2012 compared with ¥69.3 billion (€660 million) at TMD (fiscal year ended December 2011). TMD has a workforce of around 4,800, compared with 2,200 in our business. We are focused on automobile brakes, while TMD also supplies brake products for trains and industrial machinery.

Global Market Share



Synergies with TMD

1. Global leadership in the friction materials market
2. Greater business reach through complementary technologies
3. Cost synergies
4. Global workforce and organization

We envisage a number of synergies from TMD's inclusion in our automobile brakes business.

First, we have now secured a leading position in the global friction materials market. We need to be cost competitive and expand globally to stake our claim as the leading company in the automobile friction materials market. We believe TMD is an ideal partner, as there is limited overlap in manufacturing networks. We have sites in Japan (two), South Korea, China (two), Thailand, India and the U.S., while TMD has production bases in the U.K. (three), Germany (four), Romania, France, Spain, China (two), Mexico, Brazil and South Africa, and one development center in the U.S. Nisshinbo and TMD production sites overlap in China, but we do not see this as a problem, as our main customers in the country are Japanese and South Korean automakers, while TMD mainly supplies European automakers. This combined network gives our automobile brakes business coverage in almost all the world's main automotive production markets and the top market position worldwide with a share of over 15%.

The second synergy is an increase in business reach through complementary technologies. Friction materials are categorized into three types depending on the ratio of steel fiber content (please refer to the table below). TMD is strong in low-steel materials, while Nisshinbo is focused on non-asbestos organic (NAO) materials. These complementary technologies, as well as our different customer bases, will allow us to meet the diverse demands of automakers through a wide range of friction material products for different types of vehicles.

Third is cost synergies. We plan to integrate raw material procurement as part of efforts to combine our distribution networks. We already estimate this will deliver cost savings of several hundred million yen.

The fourth synergy is a global workforce and organization. We plan to reinforce our management and business structure worldwide and secure leading overseas business executives. We will also nurture and build a team of Nisshinbo personnel who can operate globally to help drive the Group's expansion overseas.

After TMD joins the Group, the automobile brakes business will account for roughly 25% of consolidated sales, making it one of the key pillars in the Group along with the electronics business. The friction materials market for conventionally powered vehicles is projected to continue expanding for more than 10 years, even with the emergence of electric vehicles and other new modes of transport. We plan to accelerate growth in our automobile brakes business, which now has significantly enhanced its global presence.

Types of brake friction materials

Region	Road conditions	Required performance	Main friction material	Steel fiber content
Europe	Expressways such as autobahns with no speed limits	Powerful braking capabilities	Low-steel materials	5~10%
Japan and the U.S.	Expressways with speed limits of 100miles/hour in the U.S., 100km/hour in Japan	Smooth braking with no squealing or vibration Durability	NAO materials Semi-metal materials	0% 20~50%

Plant factories—the ultimate approach to agriculture

In September 2011, we became the first company in Japan to successfully cultivate strawberries on a large scale using only artificial light. Many Japanese companies are stepping up efforts to develop plant factories, but Nisshinbo is close to commercializing its business. We spoke to Tadatoshi Manabe, who is responsible for developing Nisshinbo's plant factories as head of the new business development division.

Tadatoshi Manabe

Senior Manager
Business Development Department

Q.1 Why are Japanese companies stepping up initiatives to develop plant factories and what are their merits?

Manabe: Plant factories have been around for quite a long time, but the rapid development in Japan recently has been spurred by support from the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Economy, Trade and Industry (METI). This support has been prompted by a worrying outlook for Japan's agricultural production capability, with the agricultural workforce aging dramatically at the same time concerns are rising about our ability to secure sufficient imports of foodstuffs due to explosive growth in the world's population. In addition to improving food self-sufficiency, plant factories are seen as an effective means of ensuring food safety, which should also drive their future development.

Plant factories have a number of advantages. Because plant cultivation is carried out in sealed indoor spaces, food hygiene is extremely high and yields are much greater than conventional cultivation methods. Unlike agriculture that relies on the natural environment, plant factories allow food producers to carefully control all factors related to production, such as nutrition levels, temperature, humidity and lighting. This means that the production of foodstuffs does not have to be carried out in specific areas dictated by weather conditions, opening the way for agriculture in inhospitable places such as deserts or cold regions.

The ability to control all aspects of the production environment also allows farmers to monitor yields more accurately, leading to increases in productivity. In that sense, plant factories are also giant experimental facilities, not simply places to grow plants. Given that mankind has always sought to improve the quality of agricultural produce within the limits of the natural environment, I believe one of the key advantages of plant factories is their ability to turn this approach on its head.

Q.2 Please tell us about Nisshinbo's initiatives in the plant factory field.

Manabe: Cultivating plants indoors is not actually that difficult, provided the right equipment is installed. However, marketing vegetables that have been cultivated indoors is regarded as a difficult proposition, because Japanese consumers fully trust the safety of domestic produce and farmers using conventional methods can supply vegetables at relatively low prices. The high startup costs of plant factories also mean it is hard to achieve profitability. These are the main reasons why conventional outdoor cultivation is yet to be replaced by plant factories.

We therefore decided to focus on strawberries due to their seasonal supply patterns and high market price, which offer better prospects for generating profits. Generally speaking, the best period for growing sweet and tasty strawberries outdoors is from December through May, but our thinking behind the plant factory was to supply strawberries of the same quality from June through November.

Growing strawberries using only artificial light was widely considered to be extremely difficult, so our success in establishing a profitable indoor strawberry cultivation business is a major step forward. We have branded our strawberries APOLLOBERRY. In addition to the Tokushima plant, we plan to start producing them at our Fujieda plant in Shizuoka Prefecture next fiscal year. Our goal is to gradually expand sales of our strawberries across Japan. Tokushima and Shizuoka are both well-known strawberry cultivating areas and local governments there are hoping APOLLOBERRY will become a new specialty product to be associated with their regions.

Q.3 What business opportunities do you see ahead?

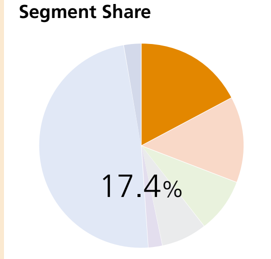
Manabe: I believe the opportunities are limitless. First, I want to build on the positive feedback we have received for APOLLOBERRY by expanding production and rapidly building the brand, while continually responding to consumer needs. The next step would be to sell our APOLLOBERRY plant factories to food producers nationwide, so that they can benefit from our expertise in the field. We are also receiving considerable interest from potential customers in China and other countries. We think our plant factories could also contribute to the rebuilding effort in the Tohoku region. Achieving profitability with plant factories has its challenges, but we are already searching for the next plant after strawberries that can be profitably cultivated indoors.

At a Glance

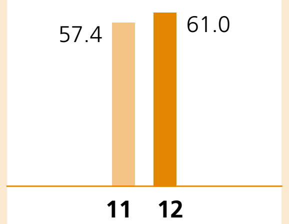
The Nisshinbo Group comprises seven businesses: textiles, automobile brakes, papers, precision instruments, chemicals, electronics and real estate. Leveraging the technologies and assets of our original cotton spinning business, we have diversified into other business fields, where we supply high value-added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

Textiles

Segment Share



Net Sales (billions of yen)



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

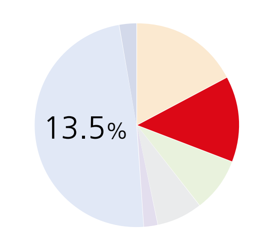
— **Shirts:**
Dress shirts, casual shirts and fabric
— **Textiles:**
Uniform fabric and casual fabric
— **Denim:**
Jeans and denim fabric
— **Others**

Challenge 2012 Targets

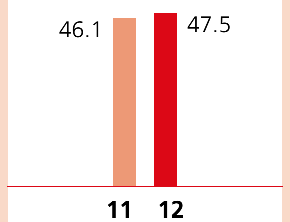
1. Establish optimal production and sales structures through further expansion of overseas production sites in Indonesia, India, China and other countries and shift production from Japan to reconstruct the business on a global level.
2. Position domestic business sites as technology development bases and focus on the development of competitive new products and technologies.
3. Use original processing technologies to develop and market products that respond to market changes and customer needs.

Automobile Brakes

Segment Share



Net Sales (billions of yen)



Supplies automotive brake products underpinned by Nisshinbo's track record and trusted brand in the field; currently expanding its presence as a global supplier, with manufacturing bases in North America, South Korea, Thailand and China; acquired TMD Friction Group S.A., Europe's largest manufacturer of brake friction materials, in 2011

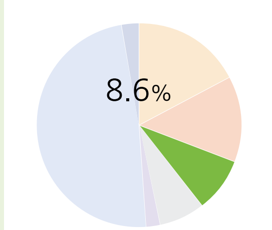
— **Friction materials:**
Brake linings and disc pads
— **Assembly products:**
Drum brake products

Challenge 2012 Targets

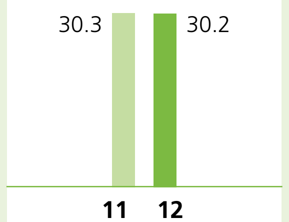
1. Expand business by implementing global business strategies that take local market characteristics into account.
2. Develop original products with high price competitiveness that take customer needs and the global environment into consideration. Also, establish development structures based on future technology trends, such as electronic control of brakes.
3. Conduct comprehensive inspections of quality control systems and reinforce supply chain management (SCM) to maintain the high reliability of these crucial safety products.

Papers

Segment Share



Net Sales (billions of yen)



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

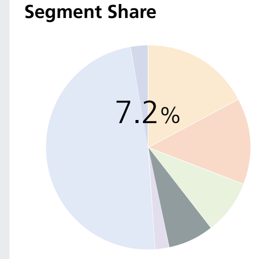
— **Household paper products:**
Tissues, bathroom tissue paper (made with virgin and recycled pulp) and kitchen-related products
— **Specialty paper:**
Fine paper and synthetic paper
— **Processed paper products:**
Telegram paper, high-end packaging and other products

Challenge 2012 Targets

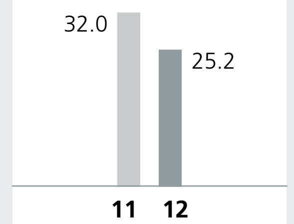
1. Reinforce and develop sales and production systems tailored to customer needs in the household, specialty and processed paper product business lines.
2. Develop new products, enhance design and planning capabilities to distinguish our products, and reinforce alliances with other companies.
3. Reinforce alliances with overseas companies through OEM arrangements and capital tie-ups to promote production and sales in optimal locations.

Precision Instruments

Segment Share



Net Sales (billions of yen)



Supplies a wide range of products in the rapidly growing environmental and energy fields, including photovoltaic module manufacturing equipment, air conditioner fans and processed precision automotive parts

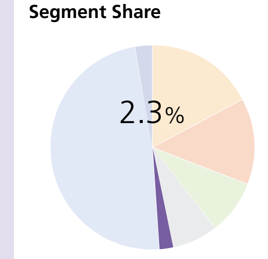
— **Photovoltaic module manufacturing equipment:**
Photovoltaic module laminators, solar simulators, EL cell inspection equipment and edge isolation systems
— **Precision parts processing**
— **Plastic molding and processing**

Challenge 2012 Targets

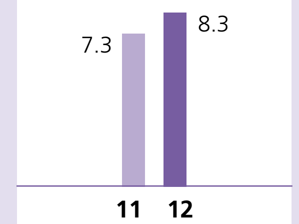
1. Develop the photovoltaic module manufacturing equipment business on a global scale with a focus on East Asia.
2. Expand the photovoltaic module business as a total solution business that integrates materials, manufacturing equipment and consulting on ideal processing conditions.

Chemicals

Segment Share



Net Sales (billions of yen)



Manufactures a range of highly promising products for the future, such as Carbodilite, an additive used in bio-plastic manufacturing, and bipolar plates for fuel cells

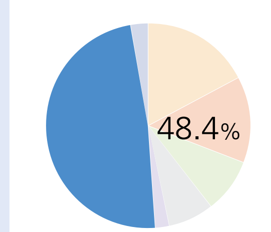
— **Bipolar plates for fuel cells**
— **Carbodilite high-performance chemical additive**
— **Rigid urethane foam**
— **Mobilon urethane elastomer**
— **Carbon products**

Challenge 2012 Targets

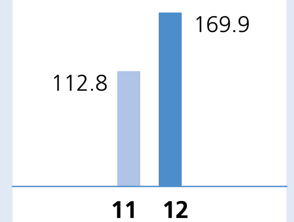
1. Use expertise in the chemicals business to actively develop environment-related businesses.
2. Reinforce face-to-face customer interactions and develop original products.
3. Expand sales of strategic products, including bipolar plates for fuel cells and Carbodilite high-performance resin.
4. Expand the capacitor business to include automotive applications.

Electronics

Segment Share



Net Sales (billions of yen)



Using the consolidation of Japan Radio, a pioneer in wireless communication devices, to develop and reinforce its presence in power generation, storage, and control in the energy business field

— **Semiconductor products**
— **Information and communications devices and equipment**
— **Power supply units and electronic components**
— **Microwave products**
— **Electronic medical devices and instruments**

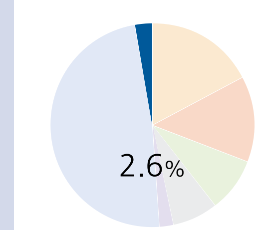
Business targets for the fiscal year ending March 2013

1. Refocus the business on overseas markets and smart electronics.
2. Rebuild the production framework for the whole Group.
3. Develop products that are globally competitive.
4. Maximize cash flow (improve business efficiency).

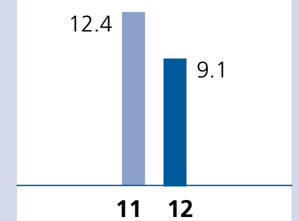
Business targets for the fiscal year ending March 2013 have been provided, as Challenge 2012 was formulated in 2009, prior to the consolidation of Japan Radio Co., Ltd. and other subsidiaries.

Real Estate

Segment Share



Net Sales (billions of yen)



Contributing to the growth and financial strength of the Nisshinbo Group by effectively utilizing idle assets arising from the shift to operations overseas

— **Leasing:**
ARIO Nishi Arai and other properties
— **Sales:**
Unused sites at the former Harisaki Plant and the former Hamamatsu Plant

Challenge 2012 Targets

Slim up properties by selling out idle real estate and then invest the funds in launching new businesses and expanding businesses in Asian countries.

Overview of Business Segments

Textiles
Nisshinbo Textile Inc.

Since its founding in 1907, Nisshinbo has led the Japanese textile industry with its state-of-the-art technologies and high quality. Nisshinbo expanded its business into the spinning, weaving, processing and sewing fields and possesses some of the world's most advanced technologies in areas ranging from development to production. It is currently expanding overseas sites in Indonesia, Brazil, India, China and elsewhere while pushing ahead with the development of new products and technologies at business sites in Japan.

Summary of Financial Results for the Fiscal Year Ended March 2012

The textiles business is restructuring its operations in line with strategy in the current medium-term management plan. Specific operational improvements included making greater use of overseas yarn and fabric production, and focusing on sales of high value-added products. As a result, in the fiscal year ended March 2012, the textiles business reported higher sales year on year and a large rise in profits. Net sales totaled ¥60,964 million, up 6.2% from the previous fiscal year, and operating income was ¥840 million, up 356.5%.

In Japan, sales of APOLLOCOT shirts were strong. Sales of fabric for short-sleeved shirts, which were designed to be cooler in the summer during power shortages, were healthy, as were sales of fabric for uniforms. Also, shirt apparel subsidiary CHOYA CORP. moved into the black. Conditions in the denim business remained difficult, so we transferred a significant amount of domestic production capacity to a joint venture based in Indonesia.

Overseas, profitability declined sharply in Brazil due to deterioration in market conditions caused by sharp fluctuations in raw cotton prices, but profits improved sharply at our two main subsidiaries in Indonesia due to efforts to expand output and make manufacturing processes more efficient. We also installed a new APOLLOCOT shirt production line at our sewing subsidiary in Indonesia, which has relocated to larger facilities. Output of these shirts is now growing steadily.

Business Strategies and Outlook for the Fiscal Year Ending March 2013

Despite continued uncertainty in the economy, the textiles business will work to boost sales of new products and carry out further business restructuring.

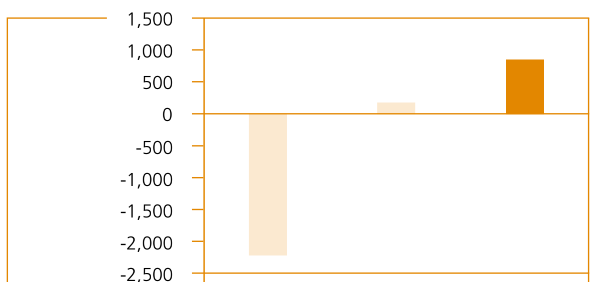
In the APOLLOCOT product range, which is currently selling well, we plan to boost sales volume to 1.5 million units for business shirts and to 500,000 units for handkerchiefs. We also plan to launch cotton business pants, knitted business shirts and 100% cotton stretch knitwear in response to customer needs.

We plan to make further improvements to overseas production sites to leverage a greater impact from our investments. In Indonesia, we will shift to full output of APOLLOCOT shirts and start a new uniform production line at our sewing subsidiary. We will also boost output at our denim joint venture in Indonesia. In India, we plan to further increase production volume at our shirt manufacturing joint venture.

In Japan, we will integrate product development functions currently based at three business sites (Fujieda, Miai and Tokushima) and enhance cooperation with the chemicals business in order to ensure a steady stream of new product launches and next-generation product development.

Segment Income

(millions of yen)



	2010	2011	**2012**
Domestic	(2,723)	(800)	**847**
Overseas	302	822	**76**
Eliminations	202	161	**(83)**
Total	(2,220)	184	**840**

APOLLOCOT
100% cotton non-iron shirt

Automobile Brakes
Nisshinbo Brake Inc.

Nisshinbo is a global supplier with world-class development capabilities in the field of friction materials, which are key components of automobile brake systems. In November 2011, Nisshinbo acquired Luxembourg-based TMD Friction Group S.A., a maker of brake friction materials. As the world's largest maker of brake friction materials, Nisshinbo will respond to global automaker needs for optimum parts procurement.

Summary of Financial Results for the Fiscal Year Ended March 2012

In the fiscal year ended March 31, 2012, the automobile brakes business reported net sales of ¥47,450 million, up 2.9% from the previous fiscal year, and operating income of ¥4,254 million, down 16.4%.

In Japan, automobile retail sales fell sharply in April and May 2011 immediately after the Great East Japan Earthquake. However, sales steadily recovered, supported by the reintroduction of sales subsidies by the government. Demand remained at a high level from January 2012. As a result, sales in the automobile brakes business increased slightly year on year. However, manufacturing costs rose due to efforts to reduce electricity usage in peak hours from July through September in response to power shortages.

Overseas, sales in South Korea and China were strong but orders in the U.S. declined due to the impact of the earthquake in Japan. Orders also declined in Thailand, due to the serious flooding that affected the country from October through December 2011.

In addition, the strong yen weighed heavily on earnings both in Japan and overseas. As a result, profits declined year on year despite the growth in sales.

Business Strategies and Outlook for the Fiscal Year Ending March 2013

The global automobile market is currently strong owing to buoyant demand in emerging markets, particularly Asia, and growing signs of a recovery in the U.S. We also expect demand to rise in the domestic market in the near term on the back of government subsidies. Against this backdrop, operating rates are already high at our plants in Japan and overseas. We therefore plan to boost production capacity, mainly at overseas sites, to respond to rising demand in each region. Specifically, we plan to start production in autumn 2012 at Nisshinbo Saeron (Changshu) Automotive Co., Ltd., a manufacturing subsidy established in China in 2011.

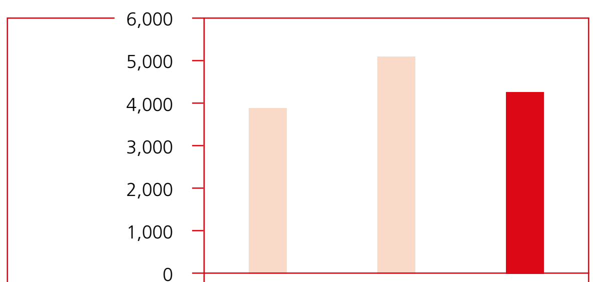
In November 2011, we acquired Luxembourg-based TMD, a maker of brake friction materials. This acquisition has transformed Nisshinbo into the world's largest maker of friction materials. TMD is a good fit with Nisshinbo in terms of key production sites and markets, customers and products. We have formed a project team made up of key personnel in each company's development, manufacturing, sales and administrative divisions. The team will work to identify strengths and issues in each company then develop an action plan.

Separately, as part of our efforts to protect the environment, we are working to make our products compatible with regulations on the use of copper in friction materials. A group of specialists in friction material R&D is encouraging greater cooperation between our global development sites in order to rapidly develop materials that comply with new regulations on copper content.*

*The U.S. state of California has passed a law, effective from 2021, prohibiting the sale of new friction materials or vehicles fitted with friction materials that have a copper content of more than 5%. From 2023, the limit on copper content will be reduced to no more than 0.5%.

Segment Income

(millions of yen)



	2010	2011	**2012**
Domestic	2,959	2,751	**2,615**
Overseas	1,135	2,279	**1,788**
Eliminations	(215)	61	**(149)**
Total	3,880	5,090	**4,254**

Disc pad

Overview of Business Segments

Papers
Nisshinbo Paper Products Inc.

This business supplies high added-value paper products that match market needs in three fields: household paper products, specialty paper and processed paper products. Nisshinbo branded paper products are used widely in many areas of society today. In the household products segment, we supply bathroom tissue paper for use with bidets, COTTON FEEL tissue paper that contains real cotton and flushable paper for the nursing care market; in the specialty paper segment, we sell high-grade printing paper products such as VENT NOUVEAU for the fine paper field and KI•HOU•SHI in the packaging field; and in the processed paper products segment, we supply telegram paper, luxury packaging and other products.

Summary of Financial Results for the Fiscal Year Ended March 2012

In the fiscal year ended March 2012, the paper products business reported net sales of ¥30,220 million, down 0.3% year on year. Operating income totaled ¥260 million, an improvement of ¥407 million from the previous fiscal year. Although manufacturing facilities were not damaged by the Great East Japan Earthquake, the business segment was affected in a number of other ways. Demand for household paper products rose sharply immediately after the earthquake, but demand for telegram greeting paper and commercial printing paper declined as consumers made a conscious decision to rein in spending after the disaster. Manufacturing costs also increased, as the segment was forced to adjust output and production shifts in response to power shortages during the summer.

Despite these issues, profitability improved due to price hikes and efforts to boost sales of high-margin products in household paper products, and as a result of strong sales of photo mounts and packaging-related products in processed paper products. Lower prices for raw materials such as pulp and efforts to reduce costs also contributed to the improvement. However, the specialty paper business weighed on segment earnings due to a drop in orders for high-grade printing paper from South Korea caused by the strong yen.

Business Strategies and Outlook for the Fiscal Year Ending March 2013

The operating environment in this segment remains challenging due to electricity price hikes by TEPCO, lower demand in areas affected by the disaster, weak consumer spending in the domestic market, higher prices for raw materials and fuel, and falling demand centered on the commercial printing sector. Against this backdrop, we will offer a wider choice of new and distinctive products and reduce costs to boost profitability. We will also focus on upgrading our production and sales network through overseas expansion.

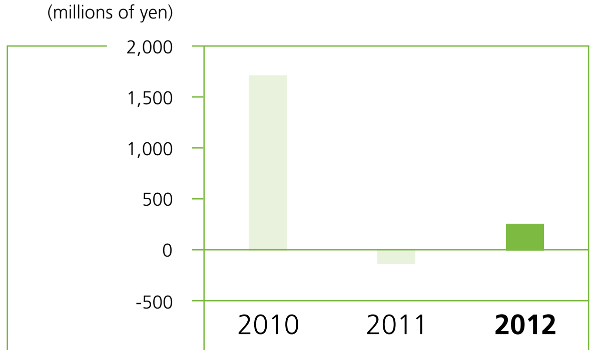
In household paper products, we are strengthening our supply framework in Japan and overseas as part of efforts to become a household paper product trading business with a manufacturing base. We also intend to enhance earnings power by increasing sales of high-margin products such as bathroom tissue paper for use with bidets and by leveraging a greater impact from investments at consolidated subsidiary Tokai Seishi Kogyo Co., Ltd.

In specialty paper, we will strive to increase sales of existing fine paper and synthetic paper products, export our products to other markets, particularly in East Asia, and work to create new markets for our packaging-related products.

In processed paper products, we have already seen some success in the luxury packaging field, where we are developing and proposing products with unique designs and functions to leading overseas packaging manufacturers. Looking ahead, we are aiming to become a global supplier of processed paper products, which may involve carrying out production and sales overseas.

Segment Income

(millions of yen)



	2010	2011	2012
Household	1,077	(661)	**(246)**
Fine Papers	739	618	**615**
Eliminations	(110)	(103)	**(108)**
Total	1,706	(146)	**260**

Bath tissue designed specifically for bidets with twice the absorbency

Precision Instruments
Nisshinbo Mechatronics Inc.

Utilizing know-how accumulated over roughly 70 years as a machine tool maker supporting various manufacturing industries, Nisshinbo is focusing on three businesses in this field: manufacturing equipment for photovoltaic modules, which are seen as a promising source of clean energy; precision automotive parts, which help improve the safety and environmental performance of cars; and plastic molding and processing, primarily fans for air conditioners. We are developing these businesses globally, centered on Asia.

Summary of Financial Results for the Fiscal Year Ended March 2012

In the fiscal year ended March 2012, the precision instruments business reported net sales of ¥25,191 million, down 21.3% from the previous fiscal year, and an operating loss of ¥1,070 million, a deterioration of ¥2,483 million year on year.

Sales of manufacturing equipment for photovoltaic modules fell sharply year on year, owing to excessive inventories of photovoltaic modules caused by changes to FIT* in Europe. As a result, our subsidiary in China, Nisshinbo-Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd., was forced to cut back production. In precision parts processing, orders and shipments declined due to the impact on Japanese automakers of the Great East Japan Earthquake, yen appreciation and flooding in Thailand. In plastic molding and processing, demand for air conditioner fans grew in markets across Asia, but this failed to offset a drop in sales caused by a decline in orders after the Thai flooding.

Damage to facilities in the precision instruments business was minimal, and manufacturing facilities in Thailand escaped any direct impact from the flooding. However, our customers and parts suppliers were affected by both natural disasters, leading to the decline in orders and shipments mentioned earlier.

*Feed-in Tariffs: Government subsidies designed to promote solar power by offering fixed prices for electricity bought by power companies.

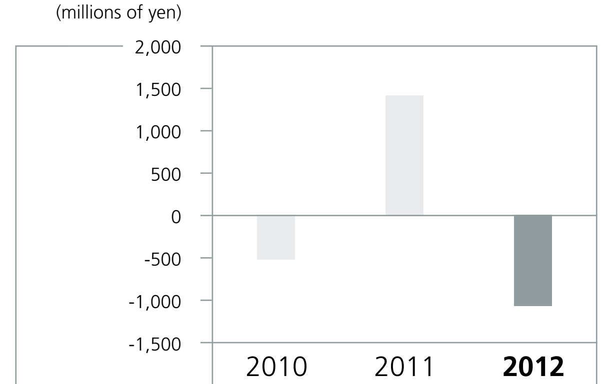
Business Strategies and Outlook for the Fiscal Year Ending March 2013

Amid a favorable global market environment for precision parts used in automobiles and air conditioners, we plan to boost manufacturing capacity in Asia, mainly for precision parts and plastic molded parts, in order to expand the business. In August 2011, we established Nisshinbo Mechatronics India Private Limited in the suburbs of Delhi, India. This new company started production of fans for air conditioners in June 2012. Volume production of precision parts also got under way at an existing plant in Shanghai in the fiscal year ended March 31, 2012.

We continue to believe the photovoltaic module market is poised for major expansion, but expect market conditions to remain tough in 2012 and through to 2013. In the meantime, we are preparing for the projected sharp increase in demand by developing competitive photovoltaic module manufacturing equipment, reducing costs and enhancing our global operating framework. We have also successfully developed LED mounting equipment that can reduce electricity consumption by more than 80% compared with existing equipment. This is a promising new product and we are currently focusing on developing volume production test models with a view to starting sales in August 2012.

Segment Income

(millions of yen)



	2010	2011	2012
Mechatronics	(583)	741	**(1,653)**
Plastics	57	672	**584**
Total	(526)	1,414	**(1,070)**

Plastic molding parts

Photovoltaic module laminator

Overview of Business Segments

Chemicals

Nisshinbo Chemical Inc.

Utilizing its know-how in the chemicals field, Nisshinbo is working on a daily basis to help realize a low-carbon society. Our environment- and energy-related products include bipolar plates for fuel cells, electric double-layer capacitors and Carbodilite, which is a high-performance plastic material that increases the durability of bio-plastics. We are investing management resources in these promising growth areas as a matter of priority.

Summary of Financial Results for the Fiscal Year Ended March 2012

In the fiscal year ended March 2012, the chemicals business reported net sales of ¥8,258 million, up 13.4% from the previous fiscal year, and operating income of ¥374 million, an improvement of ¥668 million from the operating loss incurred last year.

The Great East Japan Earthquake had only a minimal impact on the supply chain. In terms of earnings, however, the earthquake had a negative impact on functional chemicals due to a drop in production in the automotive sector, but a positive impact on bipolar plates for fuel cells in energy-related products.

In chemical-related products, sales of elastomer products declined due to harsh competition from overseas, but sales rose overall on the back of solid demand for thermal insulation products and carbon products.

In environment- and energy-related products, our electric double-layer capacitors were officially adopted for use in hybrid excavators by customers in the construction machinery field. We are also receiving interest in these capacitors from several automakers. We have provided samples and are conducting testing programs for them in house. Sales of bipolar plates for fuel cells were favorable, supported by growing sales of the residential fuel cell system Ene-Farm in Japan. Ene-Farm has proved increasingly popular in Japan since the earthquake amid a move away from nuclear power toward energy efficiency and renewable energy. In functional chemicals, earnings grew strongly on the back of new orders for high-performance plastic material Carbodilite, mainly from overseas customers for bio-plastic applications.

Business Strategies and Outlook for the Fiscal Year Ending March 2013

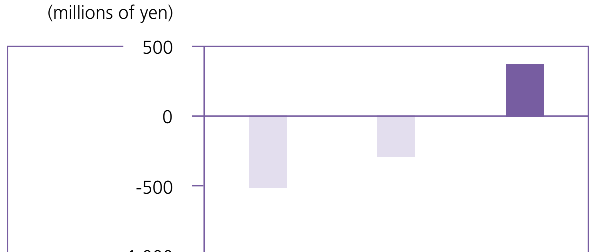
We forecast ongoing sales and profit growth in this business segment, as we expect the environment- and energy-related market to continue expanding. Sales of Ene-Farm systems are likely to remain strong, and we plan to leverage our high market share in bipolar plates for fuel cells to further boost sales. We also plan to secure new customers overseas using the expertise we have built up in Japan. In addition, we are stepping up the development of bipolar plates for automotive applications to ensure our products become the industry standard when fuel cell vehicles start appearing in greater numbers from 2015.

In electric double-layer capacitors, we see potential for early adoption in automotive applications that improve fuel efficiency, such as in engine start-stop systems and in energy regeneration systems.

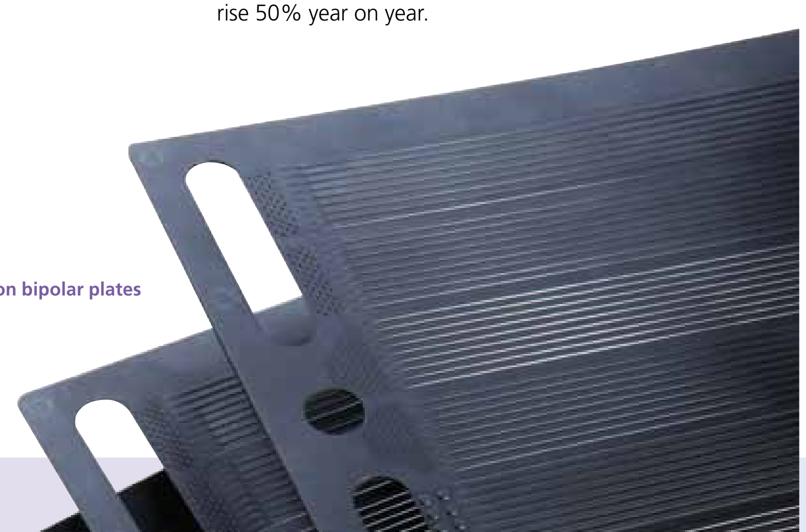
In functional chemicals, we are adding extra capacity to double production of Carbodilite in response to rapid growth in the bio-plastic market. New markets for Carbodilite are also opening up as more applications emerge, including as a modifier for photovoltaic panel materials, in heat-resistant and heat dissipation metal sheets, and in interior and exterior vehicle coatings. For the fiscal year ending March 2013, we forecast sales of Carbodilite will rise 50% year on year.

Segment Income

(millions of yen)



	2010	2011	**2012**
Urethane, etc.	403	561	**937**
Environmental & Energy Business	(916)	(925)	**(601)**
Others	0	61	**36**
Eliminations	1	9	**1**
Total	(513)	(295)	**374**



Carbon bipolar plates

Electronics

Japan Radio Co., Ltd.

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

Summary of Financial Results for the Fiscal Year Ended March 2012

In the fiscal year ended March 2012, the electronics business reported a sharp rise in sales owing to a full year of sales from Japan Radio and Nagano Japan Radio, which became part of the Group in the fourth quarter of the previous fiscal year. Japan Radio's earnings are highly seasonal, as it generates half of its sales from public sector orders, which tend to be concentrated at the end of the fiscal year. As a result, the company typically reports losses in the first three quarters of the fiscal year then moves into profit in the final quarter. This factor led to a strong rise in profits in the electronics business in the previous fiscal year. In the fiscal year under review, the electronics business reported net sales of ¥169,907 million, up 50.6% from the previous fiscal year, but an operating loss of ¥4,111 million, a deterioration of ¥10,295 million year on year.

Two factors had a major impact on earnings. First was business restructuring at New Japan Radio. Earnings at this company have deteriorated due to a drop in orders of mainstay analog semiconductors and the persistently strong yen. In response, we made the decision to shift a substantial amount of production to Thai subsidiary THAI NJR CO., LTD. We also launched an early retirement program that attracted 391 applicants. As a result, the business booked extraordinary losses of ¥4.8 billion for costs related to these steps to improve the business structure. The second factor was a sharp decline in sales and profits at Japan Radio. The lower sales reflected a winding down in installations of digital terrestrial broadcasting equipment and adjustments or delays to public sector orders following the Great East Japan Earthquake and major typhoons. Japan Radio reported a loss due to this large drop in sales.

Nisshinbo's manufacturing facilities in the electronics business were not damaged by the earthquake or the flooding in Thailand, but earnings were affected by disruption to supply chains.

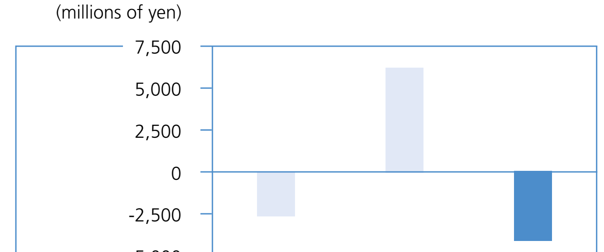
Business Strategies and Outlook for the Fiscal Year Ending March 2013

New Japan Radio is heading back to profitability owing to the success of business restructuring measures. We also forecast a rebound in demand and the emergence of rebuilding demand at Japan Radio, as public sector projects that were delayed by the earthquake start coming on stream again and orders emerge for land- and marine-based communications equipment that was damaged in the disaster. However, we will continue to push ahead with restructuring in the electronics business in order to realize a fundamental improvement in its corporate structure. At Japan Radio, we will refigure the domestic manufacturing structure and develop the business globally to shift the focus of sales from Japan to markets in Asia, particularly emerging economies.

We will also focus on achieving early results in new R&D projects related to smart factories in the environmental field and vehicle radars in the automotive field.

Segment Income

(millions of yen)



	2010	2011	**2012**
Japan Radio	—	4,829	**(2,791)**
New Japan Radio	(2,755)	761	**(4,101)**
Nagano Japan Radio	—	538	**918**
Ueda Japan Radio	82	340	**556**
Eliminations	19	(285)	**1,307**
Total	(2,654)	6,184	**(4,111)**

High-voltage direct current system

Overview of Business Segments

Real Estate

Nisshinbo Holdings Inc.

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

Summary of Financial Results for the Fiscal Year Ended March 2012

In the fiscal year ended March 2012, the real estate business reported net sales of ¥9,082 million, down 27.0% from the previous fiscal year, and operating income of ¥6,743 million, down 33.8%. This mainly reflected a drop in revenues from sales of building lots in reaction to major redevelopment projects in the previous fiscal year, such as the sale of land for public use. Revenues from land, office building and commercial facility leasing were firm, with the Great East Japan Earthquake having only a limited impact on operations.

In line with Challenge 2012, the business continues to redevelop former business sites into residential building lots. In the fiscal year ended March 2012, it began selling lots at the former Harisaki Plant site. The lots were released in three phases and sold out immediately. Sales of lots at the former Nagoya Plant site also got under way, and demand is stronger than expected for lots at the former Hamamatsu Plant site.

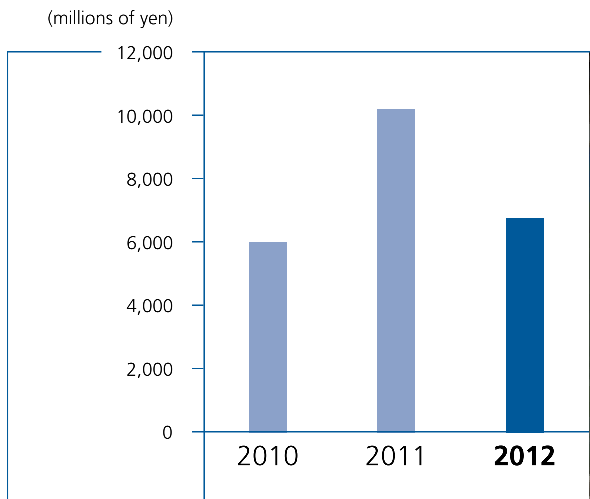
Business Strategies and Outlook for the Fiscal Year Ending March 2013

The outlook for the domestic real estate market remains unclear, but we expect profits to remain stable in the segment, as many tenant companies in our large retail facilities operate premium stores with sector-leading sales and profits. We project sales and profit growth in the fiscal year ending March 2013, supported by stable revenues from property leasing and higher sales of residential building lots.

In the residential building lot sales business, we will continue to act as the lead developer for site preparation work and collaborate with housing builders to subdivide and sell residential building lots. Many of the properties that we own are located in urban areas close to train stations and therefore have high asset values. By acting as the lead developer, we can conduct integrated planning and development of entire areas, making it possible to build high-quality communities that take the environment and security into consideration.

Redevelopment projects lined up for the fiscal year ending March 2013 include the former plant sites in Harisaki, Nagoya and Kawagoe, as well as the former company housing area at the Hamamatsu plant site. At the Harisaki site, we will continue to release more of the 227 lots that we began selling in the previous fiscal year. At the Nagoya site, we plan to offer different kinds of property packages, including larger blocks containing multiple lots, in order to respond flexibly to market trends. At the Hamamatsu site, we will start releasing a total of 56 new residential lots. At the Kawagoe site, we have teamed up with a leading housing developer to create 257 residential lots, which we plan to start releasing in the current fiscal year.

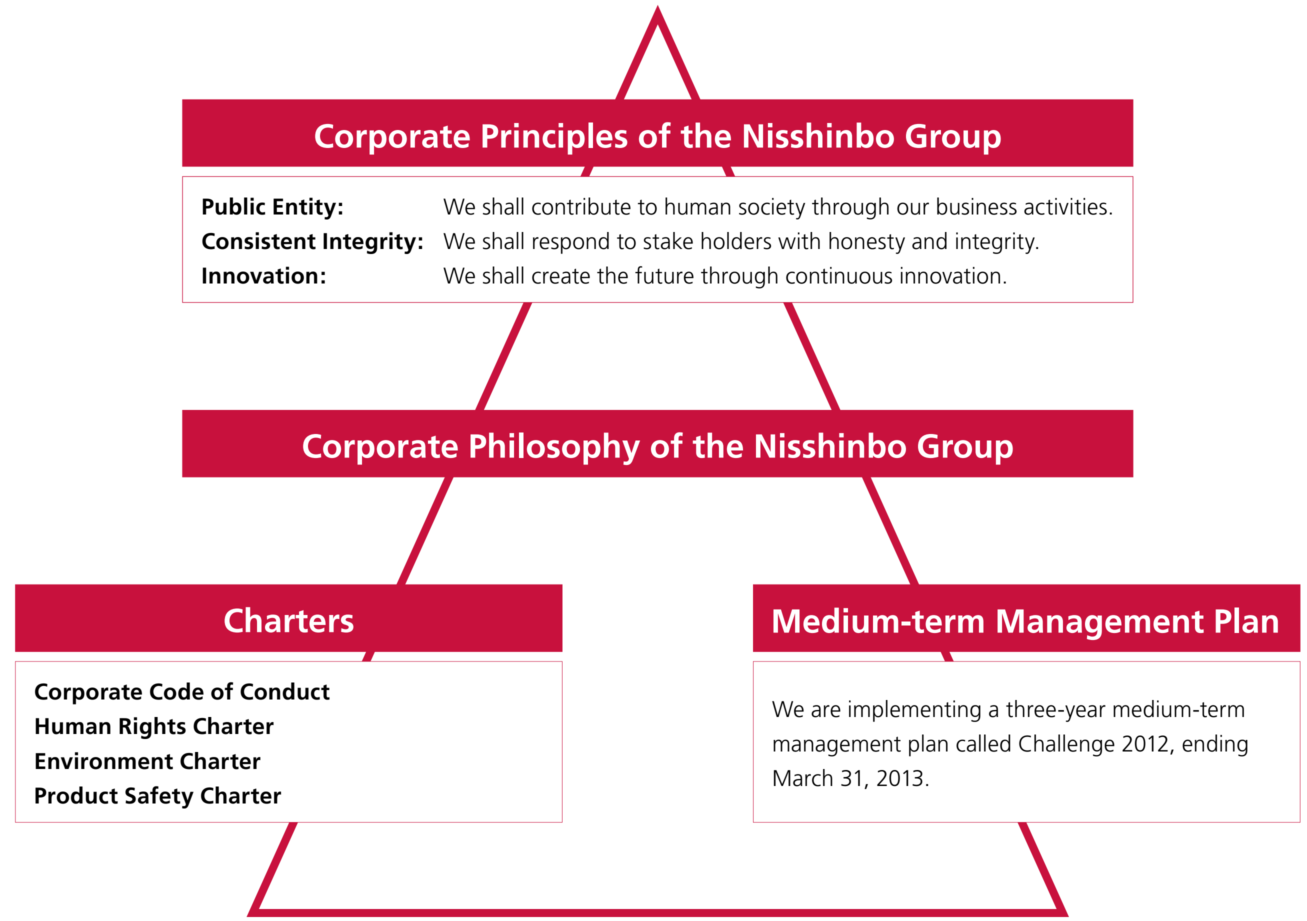
Segment Income



The Nisshinbo Group's CSR Activities

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

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



Corporate Philosophy of the Nisshinbo Group

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

Corporate Code of Conduct

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

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

Corporate Governance

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

The Group's Business Oversight and Execution Framework

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

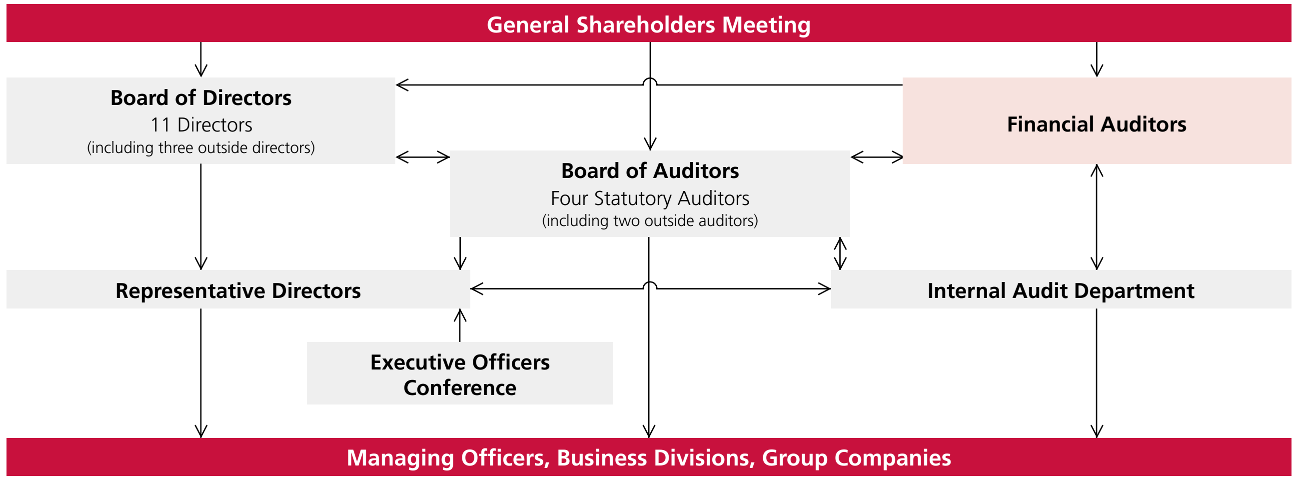
The Executive Officers Conference, which is made up of directors, managing officers and other senior personnel, holds meetings to discuss important matters related to business execution throughout the Group.

The Group's Audit Framework

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

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

Corporate Governance Structure



Representative Directors

Representative directors are selected by resolutions of the Board of Directors. As of June 28, 2012, the president and senior executive vice president were the Company's two representative directors.

Directors

As of June 28, 2012, the Company had 11 directors, including three outside directors.

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

Managing Officers

Nisshinbo has adopted a managing officer system to speed up decision-making for business execution and clarify operational responsibilities. As of June 28, 2012, the Company had 10 managing officers, including eight directors with dual roles as managing officers. Managing officers are also appointed for one-year terms.

1) Board of Auditors

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

2) Internal Audit Department

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

Timely Information Disclosure

Nisshinbo is working to ensure it is accountable to all stakeholders in order to create a highly transparent business. In addition to fulfilling timely disclosure standards determined by the Tokyo Stock Exchange, we hold briefings for shareholders and investors on a regular basis and provide other timely information via our corporate website as part of ongoing efforts to improve the provision of information to stakeholders and retain their trust.

Maintaining Internal Control Systems

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

1) Internal Control System Reporting Related to Financial Reporting

The Financial Instruments and Exchange Law, which includes provisions on internal corporate control known as J-SOX, came into force in April 2008. Since then, we have implemented control measures to maintain and upgrade our internal control system related to financial reporting. During the fiscal year ended March 2012, an assessment led by the Audit Office confirmed that the internal control system related to financial reporting is operating effectively.

Risk Management

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

An exercise to prevent leaks from an effluent treatment facility

An earthquake evacuation drill

Crisis Management System

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

1) Disaster Prevention System

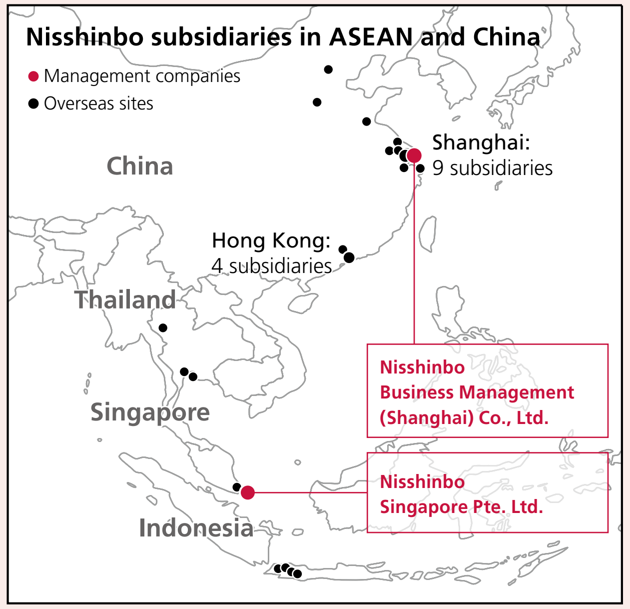
Firefighting teams at each Group business site conduct regular drills to improve disaster prevention capabilities. These drills increase readiness for early-stage fires, life-saving situations and potential emergencies such as gas or chemical leaks, and are developed based on the type and location of each facility. Major business sites conduct annual comprehensive disaster drills, which are reviewed by senior management, to ensure disaster prevention management activities remain at a high state of readiness. In the fiscal year ended March 2012, managing officers inspected 14 business sites.

Global Corporate Governance

Centralized Management of Operations in Asia

In the fiscal year ended March 2012, we established two management companies in Asia to support business expansion in the region. The first management company, Nisshinbo Singapore Pte. Ltd., will be responsible for providing financial and internal control support to eight subsidiaries located in ASEAN countries such as Thailand and Indonesia. It will also train personnel for the Group's global operations. The second management company, Nisshinbo Business Management (Shanghai) Co., Ltd., will provide internal control and operational support to 22 subsidiaries in China.

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



Initiatives to Protect Personal Information

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

Initiatives to Ensure Information Security

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

Nisshinbo widely uses anti-virus software and programs to remedy security issues in its IT systems in order to prevent computer viruses from causing leaks of sensitive data. Steps are also being taken to tighten access to IT systems to prevent and limit leaks of information caused by internal unethical actions.

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

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

Compliance

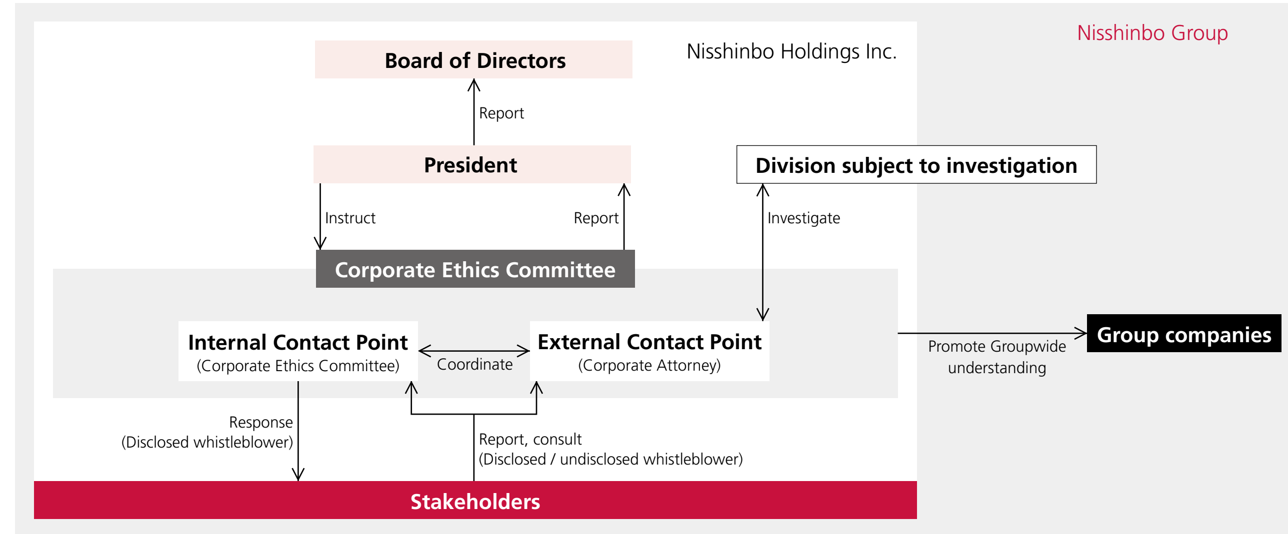
Guided by its principle of "consistent integrity," the Nisshinbo Group believes it is important to act with fairness and integrity and to contribute to society through its business activities. We have therefore formulated the Nisshinbo Group's Corporate Code of Conduct. In order to realize the objectives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

Corporate Ethics Committee

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

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

Corporate Ethics Reporting System



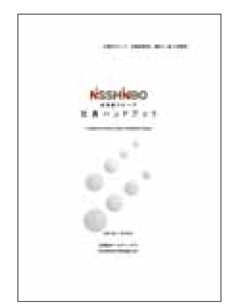
Corporate Ethics Reporting System

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

If the Corporate Ethics Committee receives a report via the system, it convenes a meeting, launches an investigation and takes appropriate action where necessary. If the outside corporate attorney receives a report, appropriate action is taken based on close cooperation with the Corporate Ethics Committee. Important matters are immediately reported to the president.

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

Compliance Education



Employee Handbook

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

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

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

Board of Directors (As of June 28, 2012)

Director,*1
President
Shizuka Uzawa

Director,*1
Senior Executive Vice President
Yoshihito Onda

Director,
Senior Executive Managing Officer
Masaaki Isobe

Director,
Senior Executive Managing Officer
Masaya Kawata

Director,
Executive Managing Officer
Masahiro Murakami

Director,
Managing Officer
Nobuyuki Hagiwara

Director,
Managing Officer
Koji Nishihara

Director,
Managing Officer
Hiroshi Nakano

Director*2
Tomofumi Akiyama

Director*2
Noboru Matsuda

Director*2
Yoshinori Shimizu

*1 Representative director
*2 Outside director

Managing Officers and Auditors (As of June 28, 2012)

President
Shizuka Uzawa*1

Senior Executive Vice President
Yoshihito Onda*1

Senior Executive Managing Officer
Masaaki Isobe*1
Masaya Kawata*1

Executive Managing Officer
Masahiro Murakami*1

Managing Officer
Nobuyuki Hagiwara*1
Koji Nishihara*1
Hiroshi Nakano*1
Toshihiro Kijima
Kazunori Baba

Standing Statutory Auditor
Yoshio Ide
Masao Satsuka

Statutory Auditor
Yo Kawakami*2
Toshihiko Tomita*2

*1 Board member as well
*2 Outside auditor

Financial Section

Management's **D**iscussion and **A**nalysis

HIGHLIGHTS

- **The impact of the Great East Japan Earthquake, the debt crisis in Europe and yen appreciation combined to make economic conditions challenging in the fiscal year ended March 2012.**
- **The Nisshinbo Group became the world's leading maker of automotive brake friction materials with the acquisition of TMD Friction Group S.A. in November 2011.**
- **In the fiscal year ending March 2013, the final year of Three-Year Management Plan Challenge 2012, Nisshinbo is taking an aggressive business approach by working to create and expand new businesses and explore M&A targets.**

OPERATING RESULTS

Overview

During the fiscal year ended March 2012, the global economy saw a continued moderate recovery in the U.S. and Asia, but conditions in Europe deteriorated as the sovereign debt crisis escalated. The European economy faces the risk of further weakness going forward due to the impact of the uncertain fiscal outlook on financial markets and persistently high unemployment. Conditions in the Japanese economy remained difficult due to the Great East Japan Earthquake, the nuclear accident, and the subsequent impact of power shortages. However, there was a moderate pickup in the economy on the back of a recovery in production activity as supply chains were restored. Nevertheless, the economic outlook remains unclear due to factors such as the strong yen and high crude oil prices.

Against this backdrop, we developed and reinforced new and existing businesses and actively conducted M&A as part of our strategy to develop our global business. In November 2011, we acquired TMD Friction Group S.A. (TMD), a European maker of brake friction materials. This acquisition transformed the Nisshinbo Group into the world's leading maker of automobile brake friction materials, with a global share of over 15% (based on our research). In order to transform the Nisshinbo Group into a global organization, we also established regional subsidiaries in Singapore and China (Shanghai) to support rapid business expansion in the Asia economic region.

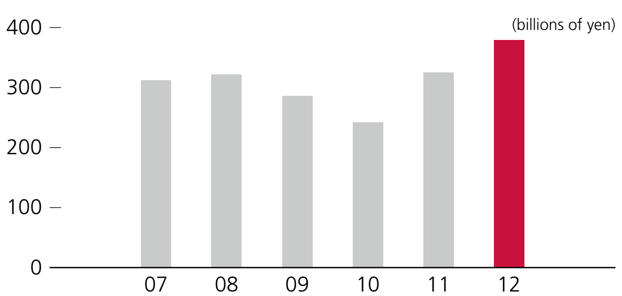
The Group's consolidated balance sheets as of March 31, 2012 also reflected the financial position of TMD at the end of the fiscal year. In addition, we booked ¥9,353 million in intangible assets such as technical expertise, and ¥23,056 million in goodwill. These amounts were based on a market value assessment of TMD's assets and liabilities in accordance with Japanese accounting standards related to business combinations. TMD's results will be reflected in consolidated earnings from the first quarter of the fiscal year ending March 31, 2013.

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

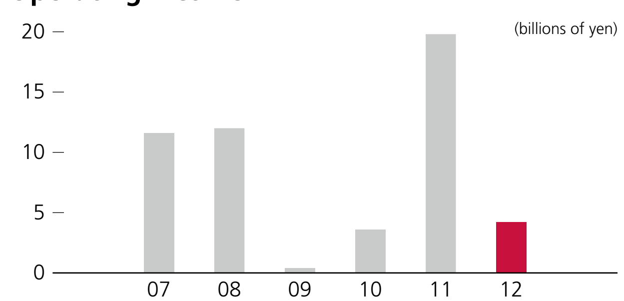
Net sales totaled ¥379,340 million (US$4,742 million), up 16.5% year on year owing to a full year of earnings from Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd., which became part of the Group in the fourth quarter of the previous fiscal year. However, operating income declined sharply to ¥4,170 million (US$52 million), a drop of 79.0% year on year, reflecting a weak performance by subsidiaries in the electronics business, earnings deterioration in the precision instruments business caused by poor sales of photovoltaic module manufacturing equipment, and a lack of major property developments in the real estate business.

Although ordinary income declined and a number of factors weighed on profitability, including an increase in extraordinary losses related to restructuring in the electronics business (special retirement benefits), the effective tax rate declined, as historical writedowns booked for valuation losses on subsidiary shares are likely to be included in tax deductible expenses. As a result, net income fell only 15.8% year on year to ¥9,416 million (US$118 million).

Net Sales



Operating Income



CURRENT BUSINESS STRATEGIES AND FUTURE PROSPECTS

The Nisshinbo Group is targeting net sales of more than ¥600 billion and ROE of over 9% as long-term performance goals to be achieved by the fiscal year ending March 2018. Guided by the key words, environment, energy and globalization, we will work to attain these numerical goals by actively developing and reinforcing new and existing businesses and conducting M&A in line with the objectives of Challenge 2012, our three-year management plan, which is now in its final year.

Following on from the consolidation of Japan Radio and Nagano Japan Radio as subsidiaries in 2010, we acquired European brake friction material maker TMD in November 2011, making it a subsidiary. This acquisition represented another major step toward our goal of shifting the Group's focus toward the environment and energy fields and globalizing operations. In the fiscal year ending March 2013, we will create a growth strategy with a particular focus on the expanding markets of Asia, in line with our goal to develop our global business. At the same time, as an eco-company, we will work to rapidly launch new businesses in the environmental and energy fields and radically restructure existing businesses to shift our strategic focus.

For the fiscal year ending March 2013, our main objectives will be to rebuild the electronics business, restore profitability in the precision instruments business and reinforce the automobile brakes business following the acquisition of TMD. In the electronics business, we are currently implementing a far-reaching business restructuring program on a global level at New Japan Radio Co., Ltd. By making similar improvements to the operating structures of Japan Radio and other subsidiaries, we plan to rebuild and reinforce the operating base in the electronics business. In the precision instruments business, we are targeting a recovery in profits. We plan to achieve this by reducing losses on photovoltaic module manufacturing equipment by cutting costs further and restoring price competitiveness, and by expanding overseas operations and boosting profitability in the plastic molding and processing business, which is performing well at the moment.

In the real estate business, we forecast a sharp rise in profits as the redevelopment of former plant sites in Harisaki, Kawasaki and elsewhere gains momentum.

Finally, in the automobile brakes business, we forecast a large rise in sales owing to the consolidation of TMD, but an increase in goodwill amortization expenses and other costs is likely to weigh on profits in the near term. In the second half of the fiscal year, we also expect the business to incur costs related to the start up of a new subsidiary in China.

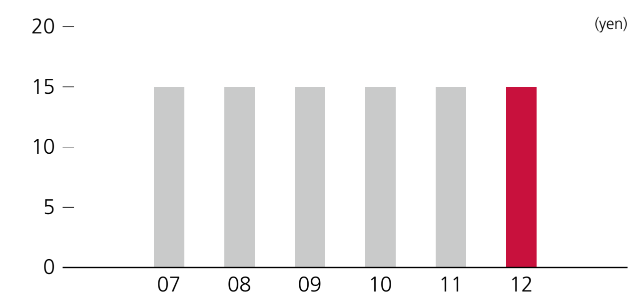
	Net Sales (millions of yen)		Operating Income (Loss) (millions of yen)	
Textiles	60,964	up 6.2%	840	up 356.5%
Automobile Brakes	47,450	up 2.9%	4,254	down 16.4%
Papers	30,220	down 0.3%	260	an improvement of ¥407 million
Precision Instruments	25,191	down 21.3%	(1,070)	a deterioration of ¥2,483 million
Chemicals	8,258	up 13.4%	374	an improvement of ¥668 million
Electronics	169,907	up 50.6%	(4,111)	a deterioration of ¥10,295 million
Real Estate	9,082	down 27.0%	6,743	down 33.8%
Other Businesses	28,268	up 4.1%	651	up 53.9%

Note: Changes in net sales and operating income (loss) are year-on-year figures; please refer to pages 20 to 26 for details on performance in individual segments.

DIVIDEND

Recognizing its responsibility to pay shareholders a stable dividend, Nisshinbo Holdings Inc. paid a full-year dividend of ¥15.0 per share for the fiscal year ended March 2012. Nisshinbo will maintain its basic policy of paying ¥15.0 per share while working to distribute profits to shareholders by flexibly increasing dividends in response to growth in earnings.

Cash Dividends



FINANCIAL POSITION

Total assets at the end of the fiscal year under review stood at ¥534,584 million (US$6,682 million), an increase of ¥54,732 million from the end of the previous fiscal year. This increase mainly reflected the consolidation of TMD. The main increases in assets were ¥13,301 million in notes and accounts receivable–trade, ¥12,887 million in property, plant and equipment, and ¥24,116 million in goodwill.

Total liabilities at the end of the fiscal year were ¥320,833 million (US$4,010 million), an increase of ¥52,538 million from the end of the previous fiscal year. This was mainly due to increases of ¥4,200 million in notes and accounts payable—trade, ¥2,000 million in commercial paper, and an increase of ¥37,221 million in long-term debt.

Net assets at the end of the fiscal year totaled ¥213,751 million (US$2,672 million), an increase of ¥2,194 million from the end of the previous fiscal year. This primarily reflected an increase in retained earnings of ¥6,983 million and a decline in foreign currency translation adjustments of ¥4,679 million.

As a result of the above, the shareholders' equity ratio declined 3.3 percentage points year on year to 34.7%.

CASH FLOWS

Cash Flows from Operating Activities

Cash flows provided by operating activities totaled ¥12,974 million (US$162 million), mainly reflecting income before income taxes and minority interests of ¥3,031 million, depreciation and amortization of ¥14,550 million, and cash used of ¥7,274 million for the payment of special retirement benefits.

Cash Flows from Investing Activities

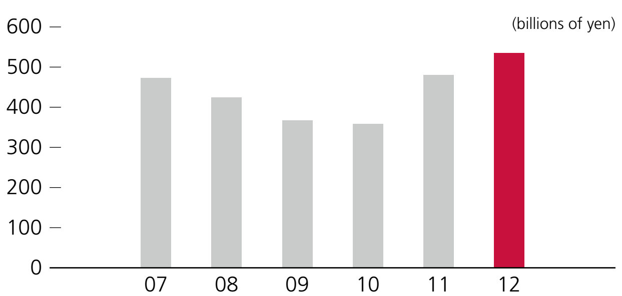
Cash flows used in investing activities totaled ¥57,861 million (US$723 million), primarily reflecting cash used of ¥14,580 million for the purchase of property, plant and equipment and ¥43,361 million in cash acquired from newly consolidated subsidiaries, net of payment for purchase of companies.

Cash Flows from Financing Activities

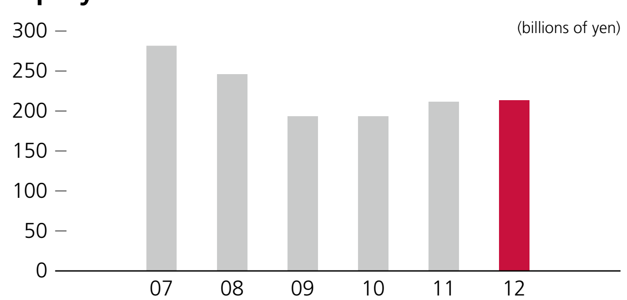
Cash flows provided by financing activities totaled ¥16,835 million (US$210 million), mainly reflecting cash provided of ¥49,492 million from proceeds from the issuance of long-term debt, versus repayment of long-term debt of ¥31,734 million.

As a result of the above, cash and cash equivalents at the end of the fiscal year totaled ¥16,904 million (US$211 million), a decline of ¥28,659 million from the end of the previous fiscal year.

Total Assets



Equity



PRODUCTION RESULTS

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

Industry Segment	Amount (millions of yen)	Year-on-Year Change (%)
Textiles	43,752	4.4
Automobile Brakes	42,795	4.7
Papers	26,945	-0.5
Precision Instruments	23,262	-21.6
Chemicals	6,517	3.4
Electronics	179,483	55.1
Total	322,754	23.3

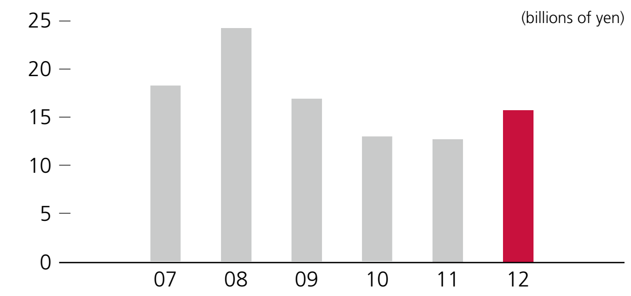
Notes: 1. Amounts are calculated based on manufacturing costs.
2. The real estate business does not engage in manufacturing, and therefore the above amounts do not include any amounts from this segment.
3. The above amounts do not include consumption taxes.
4. Production results for the electronics business in the fiscal year ended March 2012 increased sharply owing to a full-year contribution from Japan Radio and Nagano Japan Radio, which were consolidated on December 29, 2010.

CAPITAL EXPENDITURES

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

In the fiscal year under review, capital expenditures amounted to ¥15,705 million (US$196 million). This mainly comprised ¥887 million in the real estate business to install solar power generating equipment at the Tatebayashi Plant and the Miai Machinery Plant; ¥1,008 million in the automobile brakes business to upgrade brake friction material manufacturing facilities at consolidated subsidiaries Saeron Automotive Corporation and Saeron Automotive Beijing Co., Ltd.; and ¥1,106 million in the precision instruments business to establish a new plant and plastic molding and processing facilities at consolidated subsidiary Nisshinbo Mechatronics (Thailand) Ltd. In the electronics business, ¥2,988 million in capital expenditures was mainly spent on semiconductor manufacturing and R&D facilities at New Japan Radio.

Capital Expenditures



RISK INFORMATION

Forward-looking statements in this report are based on information available to the Nisshinbo Group as of March 31, 2012.

Risks Associated with New Businesses

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

Risk of Fluctuation in the Value of Investment Securities

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

Risks Associated with the Utilization of Idle Land

To reform its business structures, Nisshinbo is taking active steps to close certain business sites and subsequently use the idle land. Income from these redevelopment projects is providing a significant contribution to the Company's profits. The redevelopment of this land may result in cleanup expenses and revisions to laws could impede redevelopment work.

Risks Associated with Product Quality

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

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

Some of the Nisshinbo Group's products can be significantly affected by fluctuations in market prices owing to market developments and competition with other companies. Sales prices for textile and paper products and raw materials procured by the Group such as cotton, pulp, steel and other materials are particularly susceptible to these market trends.

The New Japan Radio Group (New Japan Radio Co., Ltd. and its consolidated subsidiaries) generates more than 80% of its consolidated sales from semiconductor devices. Significant fluctuations in demand in the semiconductor market may therefore have a large impact on the Nisshinbo Group's financial results.

Risk Associated with Fluctuations in Exchange Rates

The Nisshinbo Group imports raw materials such as cotton and pulp. An inability to reflect changes in exchange rates in product prices may put pressure on profits.

Some of the Group's business transactions are denominated in foreign currencies. While the Group takes steps to mitigate the risk of exchange rate fluctuations, not all this risk can be avoided. Fluctuations in exchange rates may therefore affect the Nisshinbo Group's financial results, with phases of yen appreciation putting pressure on profits.

Risk Associated with Unforeseen Revisions to Laws and Regulations

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

Risks Associated with Changes in Customer Business Performance

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

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

Risks Associated with Overseas Business Development

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

Risks Associated with Financial Covenants Related to Capital Procurement

The Nisshinbo Group has secured funding from multiple financial institutions. The Company and some consolidated subsidiaries have entered into commitment line contracts, while consolidated subsidiary New Japan Radio has entered into a term loan contract and consolidated subsidiary TMD Friction Finance S.A. has issued corporate bonds. These companies are bound by certain financial covenants.

Risks Associated with Supply Chain

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

Risks Associated with Disasters and Accidents

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

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

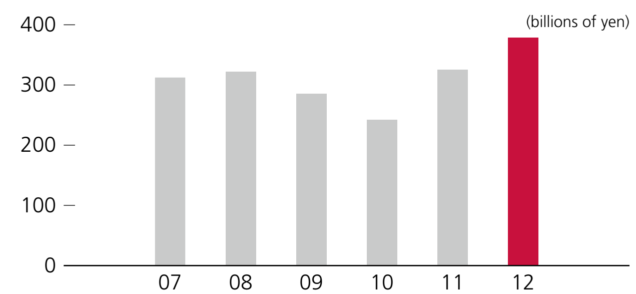
Six-Year Summary

(millions of yen)

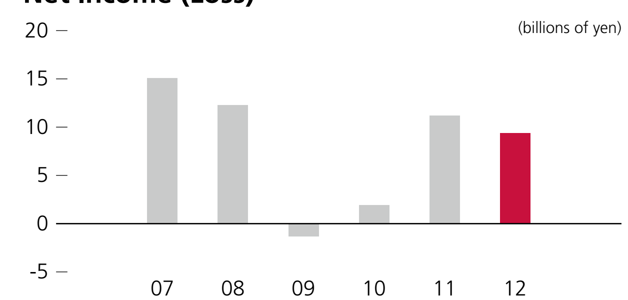
	2007	2008	2009	2010	2011	**2012**
Net Sales	312,825	322,412	286,167	242,409	325,555	**379,340**
Operating Income	11,551	12,034	408	3,570	19,843	**4,170**
Net Income (Loss)	15,107	12,290	(1,286)	1,896	11,185	**9,416**
Equity	282,015	245,909	193,698	193,639	211,557	**213,751**
Total Assets	472,670	424,706	366,858	358,110	479,852	**534,584**
Shareholders' Equity Ratio (%)	55.3	53.0	49.0	51.1	38.0	**34.7**
Return on Assets (%)	3.1	2.7	(0.3)	0.5	2.7	**1.9**
Return on Equity (%)	5.7	5.1	(0.6)	1.0	6.1	**5.1**
Payout Ratio (%)*	35.6	—	—	167.7	27.5	**36.1**
Capital Expenditures	18,306	24,280	16,872	13,027	12,800	**15,705**
Depreciation and Amortization	14,984	16,890	18,025	12,960	13,158	**14,550**
Common Shares Issued	201,698,939	198,698,939	184,098,939	184,098,939	178,798,939	**178,798,939**
Per Share (in yen):						
Net Income (Loss)	74.19	63.34	(7.08)	10.38	63.32	**53.83**
Shareholders' Equity	1,301.14	1,179.43	985.19	1,034.04	1,036.80	**1,063.19**
Cash Dividends	15.00	15.00	15.00	15.00	15.00	**15.00**
Number of Employees	12,744	13,253	12,726	12,488	18,292	**22,304**

*Payout Ratio is on a non-consolidated basis.

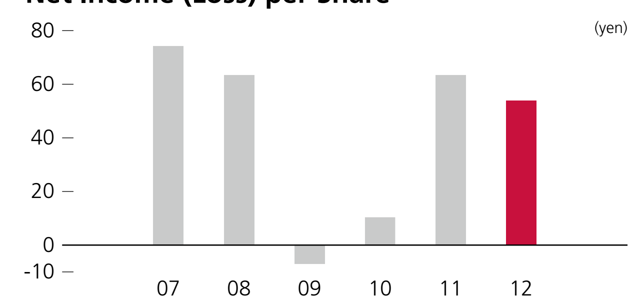
Net Sales



Net Income (Loss)



Net Income (Loss) per Share



Consolidated Balance Sheets

(March 31, 2012 and 2011)

ASSETS	(millions of yen) 2012	2011	(thousands of US dollars) (Note 1) 2012
Current assets:			
Cash and cash equivalents	¥16,904	¥45,563	$211,300
Time deposits (Note 5)	3,995	1,313	49,937
Marketable securities (Note 4)	163	160	2,038
Receivables			
Notes receivable, trade (Note 5)	13,226	13,129	165,325
Accounts receivable, trade (Note 5)	111,122	97,918	1,389,025
Unconsolidated subsidiaries and affiliates	224	1,589	2,800
Other	4,895	3,123	61,188
	129,467	115,759	1,618,338
Less allowance for doubtful accounts	(856)	(478)	(10,700)
	128,611	115,281	1,607,638
Inventories (Notes 3 and 5)	81,603	74,528	1,020,038
Deferred tax assets (Note 7)	5,297	3,057	66,212
Other current assets (Note 5)	3,028	1,775	37,850
Total current assets	239,601	241,677	2,995,013
Property, plant and equipment (Note 5):			
Land	54,973	56,194	687,163
Buildings and structures	165,866	160,834	2,073,325
Machinery, equipment and tools	271,415	254,941	3,392,687
Construction in progress	3,417	2,247	42,712
	495,671	474,216	6,195,887
Less accumulated depreciation	(332,846)	(324,278)	(4,160,575)
	162,825	149,938	2,035,312
Investments and other assets:			
Investment securities (Notes 4 and 5)	56,706	57,909	708,825
Investments in and advances to unconsolidated subsidiaries and affiliates	17,177	13,972	214,713
Deferred tax assets (Note 7)	5,395	5,237	67,438
Goodwill	25,341	1,225	316,762
Other	27,539	9,894	344,237
	132,158	88,237	1,651,975
	¥534,584	¥479,852	$6,682,300

See Notes to Consolidated Financial Statements.

LIABILITIES AND EQUITY	(millions of yen) 2012	2011	(thousands of US dollars) (Note 1) 2012
Current liabilities:			
Short-term bank loans (Note 5)	¥26,929	¥25,494	$336,613
Commercial paper	27,000	25,000	337,500
Current portion of long-term debt (Note 5)	20,625	23,854	257,813
Payables			
Notes and accounts payable, trade (Note 5)	58,970	54,770	737,125
Unconsolidated subsidiaries and affiliates	562	278	7,025
Other	9,757	7,699	121,962
	69,289	62,747	866,112
Accrued expenses	11,867	8,790	148,337
Accrued income taxes	2,170	1,662	27,125
Deferred tax liabilities (Note 7)	628	54	7,850
Other current liabilities (Note 5)	10,431	9,284	130,387
Total current liabilities	168,939	156,885	2,111,737
Long-term liabilities:			
Long-term debt (Note 5)	62,199	24,988	777,488
Accrued severance benefits (Note 6)	43,342	41,783	541,775
Deferred tax liabilities (Note 7)	26,972	26,835	337,150
Other long-term liabilities (Note 5)	19,381	17,804	242,262
	151,894	111,410	1,898,675
Commitments and contingencies (Note 11)			
Equity (Note 12):			
Common stock:			
Authorized—371,755,000 shares			
Issued 2012 and 2011—178,798,939 shares	27,588	27,588	344,850
Capital surplus	20,401	20,401	255,013
Stock acquisition rights	246	203	3,075
Retained earnings	140,213	133,230	1,752,663
Net unrealized gain on available-for-sale securities	15,344	13,430	191,800
Deferred loss on derivatives under hedge accounting	(11)	(76)	(138)
Foreign currency translation adjustments	(14,280)	(9,601)	(178,500)
Less shares in treasury			
2012—4,107,359 shares	(3,522)	—	(44,025)
2011—2,892,315 shares	—	(2,591)	—
	185,979	182,584	2,324,738
Minority interests	27,772	28,973	347,150
	213,751	211,557	2,671,888
	¥534,584	¥479,852	$6,682,300

Consolidated Statements of Income

(Years ended March 31, 2012 and 2011)

	(millions of yen) 2012	2011	(thousands of US dollars) (Note 1) 2012
Net sales	**¥379,340**	¥325,555	**$4,741,750**
Costs and expenses:			
Cost of sales	**317,534**	262,067	**3,969,175**
Selling, general and administrative expenses	**57,636**	43,645	**720,450**
	375,170	305,712	**4,689,625**
Operating income	**4,170**	19,843	**52,125**
Other income (expenses):			
Interest and dividend income	**1,888**	1,757	**23,600**
Interest expenses	**(1,099)**	(832)	**(13,737)**
Equity in earnings of affiliates	**3,502**	3,348	**43,775**
Other, net (Note 10)	**(5,430)**	(3,580)	**(67,875)**
	(1,139)	693	**(14,237)**
Income before income taxes and minority interests	**3,031**	20,536	**37,888**
Income taxes (Note 7)**:**			
Current	**2,718**	2,430	**33,975**
Deferred	**(6,038)**	4,663	**(75,475)**
	(3,320)	7,093	**(41,500)**
Income before minority interests	**6,351**	13,443	**79,388**
Minority interests (loss) in net income	**(3,065)**	2,258	**(38,312)**
Net income	**¥9,416**	¥11,185	**$117,700**

Per share:		(yen)	(US dollars)
Net income	**¥53.83**	¥63.32	**$0.67**
Cash dividends	**15.00**	15.00	**0.19**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(Years ended March 31, 2012 and 2011)

	(millions of yen) 2012	2011	(thousands of US dollars) (Note 1) 2012
Income before minority interests	**¥6,351**	¥13,443	**$79,388**
Other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities	**1,522**	(3,570)	**19,025**
Deferred loss on derivatives under hedge accounting	**65**	7	**813**
Foreign currency translation adjustments	**(4,623)**	(4,374)	**(57,788)**
Equity in loss of affiliates	**(115)**	(145)	**(1,438)**
	(3,151)	(8,082)	**(39,388)**
Comprehensive income	**¥3,200**	¥5,361	**$40,000**
Comprehensive income:			
Parent	**¥6,888**	¥3,467	**$86,100**
Minority interest	**¥(3,688)**	¥1,894	**$(46,100)**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

(Years ended March 31, 2012 and 2011)

	(millions of yen) 2012	2011	(thousands of US dollars) (Note 1) 2012
Common stock:			
Balance at beginning of year			
(2012—178,798,939 shares and 2011—184,098,939 shares)	¥27,588	¥27,588	$344,850
Balance at end of year			
(2012 and 2011—178,798,939 shares)	¥27,588	¥27,588	$344,850
Capital surplus:			
Balance at beginning of year	¥20,401	¥20,401	$255,013
Balance at end of year	¥20,401	¥20,401	$255,013
Stock acquisition rights:			
Balance at beginning of year	¥203	¥156	$2,538
Net changes	43	47	537
Balance at end of year	¥246	¥203	$3,075
Retained earnings:			
Balance at beginning of year	¥133,230	¥129,584	$1,665,375
Net income	9,416	11,185	117,700
Cash dividends	(2,630)	(2,672)	(32,875)
Adjustment due to increase in consolidated subsidiaries	(27)	558	(338)
Adjustment due to increase in affiliates accounted for by the equity method	141	—	1,763
Retirement of treasury stock	0	(5,422)	0
Other	83	(3)	1,038
Balance at end of year	¥140,213	¥133,230	$1,752,663
Net unrealized gain on available-for-sale securities:			
Balance at beginning of year	¥13,430	¥17,092	$167,875
Net changes	1,914	(3,662)	23,925
Balance at end of year	¥15,344	¥13,430	$191,800
Deferred loss on derivatives under hedge accounting:			
Balance at beginning of year	¥(76)	¥(82)	$(950)
Net changes	65	6	812
Balance at end of year	¥(11)	¥(76)	$(138)
Foreign currency translation adjustments:			
Balance at beginning of year	¥(9,601)	¥(5,538)	$(120,013)
Net changes	(4,679)	(4,063)	(58,487)
Balance at end of year	¥(14,280)	¥(9,601)	$(178,500)
Treasury stock at cost:			
Balance at beginning of year	¥(2,591)	¥(6,053)	$(32,388)
Add: acquired	(931)	(30)	(11,637)
Add: increase in the consolidated subsidiaries	—	(1,931)	—
Deduct: sold and retirement	0	5,423	0
Balance at end of year	¥(3,522)	¥(2,591)	$(44,025)
Minority interests:			
Balance at beginning of year	¥28,973	¥10,491	$362,163
Net changes	(1,201)	18,482	(15,013)
Balance at end of year	¥27,772	¥28,973	$347,150

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Years ended March 31, 2012 and 2011)

	(millions of yen) 2012	2011	(thousands of US dollars) (Note 1) 2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥3,031	¥20,536	$37,888
Adjustments to reconcile net income to net cash provided by operating activities:			
Income taxes—paid	(1,552)	(5,960)	(19,400)
Depreciation and amortization	14,550	13,158	181,875
Amortization of goodwill	41	(3,130)	513
Equity in earnings of affiliates	(3,502)	(3,348)	(43,775)
Provision for (reversal of) doubtful receivables	87	(44)	1,087
Provision for accrued pension and severance benefits	6,986	4,007	87,325
Payment of accrued pension and severance benefits	(7,274)	(4,096)	(90,925)
(Gain) loss on sale of property, plant and equipment	(348)	336	(4,350)
Impairment of long-lived assets	1,045	1,015	13,062
(Gain) loss on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(670)	1,469	(8,375)
Loss on write-down of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	534	124	6,675
Loss on plant closures	110	331	1,375
Loss due to increase in the Company's share of the affiliate accounted for by the equity method	—	1,769	—
Other	1,334	1,189	16,675
Changes in operating assets and liabilities:			
Receivables	(919)	(19,640)	(11,488)
Inventories	(138)	9,397	(1,725)
Payables	1,052	2,086	13,150
Other, net	(1,393)	(2,670)	(17,412)
Net cash provided by operating activities	12,974	16,529	162,175
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	2,791	419	34,888
Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	3,224	11,432	40,300
Payment for purchase of property, plant and equipment	(14,580)	(10,391)	(182,250)
Payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(1,436)	(2,265)	(17,950)
(Increase) decrease in time deposits	(2,720)	1,524	(34,000)
Cash acquired from (paid for) newly consolidated subsidiaries, net of payment for purchase of companies	(43,361)	12,504	(542,013)
Other, net	(1,779)	(1,632)	(22,238)
Net cash provided by (used in) investing activities	(57,861)	11,591	(723,263)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	49,492	7,498	618,650
Repayment of long-term debt	(31,734)	(3,014)	(396,675)
Increase (decrease) in short-term bank loans	998	(4,106)	12,475
Increase in commercial paper	2,000	3,000	25,000
Cash dividends paid	(2,630)	(2,672)	(32,875)
Payment for purchase of treasury stock	(12)	(30)	(150)
Proceeds from treasury stock sold of consolidated subsidiaries	167	829	2,088
Decrease in other long-term liabilities	(1,103)	(703)	(13,788)
Other, net	(343)	(99)	(4,287)
Net cash provided by financing activities	16,835	703	210,438
Effect of exchange rate changes on cash	(1,223)	(1,034)	(15,288)
Net increase (decrease) in cash and cash equivalents	(29,275)	27,789	(365,938)
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	616	6	7,700
Cash and cash equivalents at beginning of year	45,563	17,768	569,538
Cash and cash equivalents at end of year	¥16,904	¥45,563	$211,300

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 ¥80=$1, the approximate exchange rate at March 31, 2012. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into United States dollars.

2. Summary of Significant Accounting Policies

(a) Consolidation

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

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

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

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

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

(b) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

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

(c) Foreign currency financial statements

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

(d) Cash and cash equivalents

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

(e) Inventories

Inventories are measured principally at the lower of cost and net realizable value, cost being substantially determined by the actual cost method or 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 equity as net unrealized gain on available-for-sale securities. 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 are stated at cost. Depreciation is computed principally on the straight-line method over their estimated useful lives. Contribution 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.

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

(i) Impairment of long-lived assets

Long-lived assets are evaluated for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such 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

The Group has defined benefit plans and defined contribution plans that cover substantially all employees. Under the defined benefit plans for the Group, 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 that would be required if all directors and corporate auditors retired at the balance sheet date.

(k) Stock options

The accounting standard for stock options requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. 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 charged to income as incurred.

(m) 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.

(n) Derivative financial instruments

The Group uses a variety of derivative financial instruments, including foreign currency forward contracts, currency swaps, coupon swaps, currency options 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, coupon swaps and currency options are utilized to hedge foreign currency exposures in sales of finished products to overseas customers and procurement of raw materials from overseas suppliers. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge the interest rate exposures of long-term debt.

(o) Asset retirement obligations

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

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

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

3. Inventories

Inventories at March 31, 2012 and 2011 were as follows:

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Finished products	¥30,323	¥24,510	$379,038
Work in process	33,739	34,732	421,738
Materials and supplies	17,541	15,286	219,262
	¥81,603	¥74,528	$1,020,038

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, 2012 and 2011 were as follows:

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Cost	¥29,008	¥31,667	$362,600
Unrealized gains	27,597	27,543	344,963
Unrealized losses	(2,712)	(3,474)	(33,900)
Fair value	¥53,893	¥55,736	$673,663

Aggregate cost of non-marketable securities accounted for under the cost method totaled ¥2,976 million ($37,200 thousand) and ¥2,333 million at March 31, 2012 and 2011, respectively.

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

The annual interest rates applicable to the short-term bank loans at March 31, 2012 and 2011 were 0.5% to 8.2%. Long-term debt at March 31, 2012 and 2011 consisted of the following:

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Long-term debt with collateral:			
Loans from banks maturing serially to 2025, ranging from 0.7% to 3.8%	¥14,958	¥17,715	$186,975
10.8% bonds due in 2017	16,113	—	201,413
Long-term debt without collateral:			
Loans from banks maturing serially to 2019, ranging from 0.6% to 3.8%	50,862	30,420	635,775
Capital lease obligations, due through 2018	891	707	11,137
	82,824	48,842	1,035,300
Less current portion	(20,625)	(23,854)	(257,812)
	¥62,199	¥24,988	$777,488

Annual maturities of long-term debt were as follows:

	(millions of yen)	(thousands of US dollars)
Year ending March 31,		
2013	¥20,625	$257,812
2014	23,255	290,688
2015	17,619	220,237
2016	5,405	67,563
2017 and thereafter	15,920	199,000
	¥82,824	$1,035,300

At March 31, 2012 and 2011, net book value of assets pledged as collateral for short-term bank loans and long-term debt were as follows:

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Inventories	¥14,044	¥9,931	$175,550
Property, plant and equipment	20,838	15,376	260,475
Notes and accounts receivable, trade	12,695	4,052	158,688
Investment securities	338	452	4,225
Time deposits	1,479	—	18,487
Other current assets	664	—	8,300
	¥50,058	¥29,811	$625,725

At March 31, 2012 and 2011, in addition, pledged assets as collateral for liabilities other than the above were as follows:

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Assets pledged:			
Property, plant and equipment	¥7,605	¥7,965	$95,063
Investment securities	450	369	5,625
Time deposits	—	1	—
	¥8,055	¥8,335	$100,688

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Liabilities with collateral:			
Other long-term liabilities	¥8,596	¥8,596	$107,450
Notes and accounts payable, trade	311	292	3,888
Other current liabilities	—	564	—
	¥8,907	¥9,452	$111,338

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 Group provides defined benefit plans and defined contribution plans. In addition, the Company and certain subsidiaries have established employee retirement benefit trusts.

The liability for retirement benefits for directors and corporate auditors at March 31, 2012 and 2011 were ¥333 million ($4,162 thousand) and ¥303 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, 2012 and 2011 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2012	2011	2012
Projected benefit obligation	¥98,258	¥89,753	$1,228,225
Fair value of plan assets	(51,746)	(44,648)	(646,825)
	46,512	45,105	581,400
Unrecognized prior service cost	1,520	1,777	19,000
Unrecognized actuarial loss	(7,847)	(9,040)	(98,087)
	40,185	37,842	502,313
Prepaid pension cost	2,824	3,638	35,300
	¥43,009	¥41,480	$537,613

The components of net periodic employees' retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	(millions of yen)		(thousands of US dollars)
	2012	2011	2012
Defined benefits plans:			
Service cost	¥3,992	¥2,668	$49,900
Interest cost	1,782	1,105	22,275
Expected return on plan assets	(574)	(424)	(7,175)
Amortization of prior service cost	(258)	(228)	(3,225)
Recognized actuarial loss	1,094	850	13,675
Amortization of transitional obligation	—	40	—
Net periodic benefit costs	6,036	4,011	75,450
Defined contribution plan:			
Defined contribution pension cost	628	474	7,850
Total	¥6,664	¥4,485	$83,300

Retirement benefits paid due to restructuring of business operations for the years ended March 31, 2012 and 2011 were ¥4,583 million ($57,288 thousand) and ¥1,366 million, respectively.

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

	2012	2011
Discount rate	1.3%–2.0%	2.0%
Expected rate of return on plan assets	0.0%–6.0%	0.0%–2.9%
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 carry-forwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	(millions of yen)		(thousands of US dollars)
	2012	2011	2012
Deferred tax assets:			
Loss on devaluation of inventories	¥2,589	¥2,837	$32,363
Tax loss carryforwards	25,429	14,992	317,863
Allowance for doubtful accounts	1,084	923	13,550
Accrued employees' bonuses	2,145	2,386	26,813
Accrued severance benefits	10,955	15,861	136,938
Impairment of long-lived assets and depreciation in excess of tax limitation	1,045	855	13,062
Devaluation of investment securities	877	3,462	10,962
Software costs	2,343	2,817	29,288
Other	4,311	4,754	53,887
Less valuation allowance	(35,323)	(37,382)	(441,538)
	¥15,455	¥11,505	$193,188
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(9,107)	¥(10,613)	$(113,838)
Deferred gains on sale of property	(4,114)	(4,377)	(51,425)
Land revaluation surplus	(10,815)	(12,583)	(135,188)
Intangible assets recognized in business combination	(5,339)	—	(66,737)
Other	(2,988)	(2,527)	(37,350)
	¥(32,363)	¥(30,100)	$(404,538)
Net deferred tax	¥(16,908)	¥(18,595)	$(211,350)

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2012 and 2011 and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2012	2011
Normal effective statutory tax rate	40.7%	40.7%
Net changes in valuation allowance	(189.8)	(4.9)
Equity in earnings of affiliates	(0.5)	(6.6)
Cash dividends and other permanent differences	(18.4)	(3.7)
Lower income tax rates applicable to income in certain foreign countries	(11.6)	(1.8)
Amortization of goodwill	2.8	(5.7)
Loss on investment securities in affiliates sold	—	11.3
Effects of revised tax rate	54.5	—
Other	12.8	5.2
Actual effective tax rate	(109.5)%	34.5%

As a result of changes in the corporate tax rate, the deferred tax assets using enacted tax rates in effect for the years in which differences are expected to reverse at 38.0% for the three years ending March 31, 2013 to 2015 and 35.6% for the years ending March 31, 2016 and thereafter.

8. Leases

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

Total rental expenses for the years ended March 31, 2012 and 2011 were ¥423 million ($5,288 thousand) and ¥408 million, respectively, including ¥277 million ($3,463 thousand) and ¥254 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance leases, and 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, 2012 and 2011 was as follows:

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Acquisition cost	¥1,069	¥2,036	$13,363
Accumulated depreciation	(918)	(1,635)	(11,475)
Accumulated impairment loss	(13)	(15)	(163)
Net leased property	¥138	¥386	$1,725

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Obligations under finance leases:			
Due within one year	¥88	¥248	$1,100
Due after one year	50	138	625
Total	¥138	¥386	$1,725

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Depreciation expense under finance leases:			
Depreciation expense	¥272	¥251	$3,400

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 and currency swap contracts to hedge exchange risk associated with certain assets and liabilities denominated in foreign currencies and also into interest rate swap contracts to manage its interest rate exposures on certain liabilities. Such contracts outstanding at March 31, 2012 and 2011 were as follows, however the contracts which qualify for hedge accounting are excluded from following disclosure of market value information.

	(millions of yen) 2012			2011			(thousands of US dollars) 2012		
Not hedged:	Contract amount	Fair value	Unrealized loss	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized loss
Interest rate swaps:									
Fixed rate payments, floating rate receipt	¥389	¥(20)	¥(20)	¥407	¥(18)	¥(18)	$4,863	$(250)	$(250)
Foreign currency forward contracts:									
Sold	¥1,563	¥(57)	¥(57)	¥1,667	¥(24)	¥(24)	$19,538	$(713)	$(713)
Purchased	—	—	—	¥280	¥3	¥3	—	—	—
Currency swap:									
Receive EUR · Pay JP¥	¥2,182	¥(272)	¥(272)	¥2,629	¥(350)	¥(350)	$27,275	$(3,400)	$(3,400)
Receive EUR · Pay US$	¥1,044	¥(32)	¥(32)	¥559	¥(10)	¥(10)	$13,050	$(400)	$(400)

10. Other Income (Expenses) — Other, Net

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

	(millions of yen) 2012	2011	(thousands of US dollars) 2012
Gain (loss) on sale of property, plant and equipment	¥348	¥(336)	$4,350
Impairment of long-lived assets	(1,045)	(1,015)	(13,062)
Gain (loss) on sale of securities	670	(1,469)	8,375
Write-down of investment securities	(534)	(124)	(6,675)
Retirement benefits paid due to restructuring of business operations	(4,583)	(1,366)	(57,288)
Amortization of goodwill	400	3,487	5,000
Loss due to increase in the Company's share of the affiliate accounted for by the equity method	—	(1,769)	—
Other, net	(686)	(988)	(8,575)
	¥(5,430)	¥(3,580)	$(67,875)

11. Commitments and Contingencies

Commitments for capital expenditures outstanding at March 31, 2012 and 2011 were in the approximate amounts of ¥2,495 million ($31,188 thousand) and ¥2,155 million, respectively.

12. Subsequent Events

(a) Year-end cash dividends

On May 10, 2012, the Board of Directors of Nisshinbo Holdings Inc. declared year-end cash dividends (¥7.5 per share) in the amounts of ¥1,310 million ($16,375 thousand).

(b) Stock option

At the general shareholders meeting held on June 28, 2012, 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, 2014 to July 31, 2019.

13. Segment Information

Information about industry segments of the Company and its consolidated subsidiaries for the years ended March 31, 2012 and 2011 was as follows:

(millions of yen)

2012

	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/ Corporate	Consolidated
I. Sales and Operating Income (Loss)										
Sales to customers	¥60,964	¥47,450	¥30,220	¥25,191	¥8,258	¥169,907	¥9,082	¥28,268	¥—	¥379,340
Intersegment sales	14	259	754	853	548	135	2,643	2,004	(7,210)	—
Total sales	60,978	47,709	30,974	26,044	8,806	170,042	11,725	30,272	(7,210)	379,340
Operating expenses	60,138	43,455	30,714	27,114	8,432	174,153	4,982	29,621	(3,439)	375,170
Operating income (loss)	¥840	¥4,254	¥260	¥(1,070)	¥374	¥(4,111)	¥6,743	¥651	¥(3,771)	¥4,170
II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures										
Total assets	¥47,657	¥128,418	¥21,798	¥24,089	¥8,640	¥188,515	¥50,395	¥22,190	¥42,882	¥534,584
Depreciation and amortization	¥1,060	¥2,669	¥1,102	¥1,104	¥711	¥5,387	¥1,826	¥109	¥582	¥14,550
Impairment of long-lived assets	¥—	¥—	¥—	¥219	¥—	¥826	¥—	¥—	¥—	¥1,045
Capital expenditures	¥1,992	¥2,933	¥765	¥2,480	¥426	¥5,432	¥522	¥101	¥1,054	¥15,705

(millions of yen)

2011

	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/ Corporate	Consolidated
I. Sales and Operating Income (Loss)										
Sales to customers	¥57,400	¥46,119	¥30,326	¥32,020	¥7,284	¥112,820	¥12,437	¥27,149	¥—	¥325,555
Intersegment sales	23	346	908	701	533	149	3,477	1,442	(7,579)	—
Total sales	57,423	46,465	31,234	32,721	7,817	112,969	15,914	28,591	(7,579)	325,555
Operating expenses	57,239	41,375	31,381	31,307	8,112	106,785	5,723	28,168	(4,378)	305,712
Operating income (loss)	¥184	¥5,090	¥(147)	¥1,414	¥(295)	¥6,184	¥10,191	¥423	¥(3,201)	¥19,843
II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures										
Total assets	¥49,324	¥40,637	¥22,785	¥23,956	¥7,843	¥222,476	¥52,029	¥21,722	¥39,080	¥479,852
Depreciation and amortization	¥1,242	¥2,486	¥1,047	¥1,149	¥719	¥4,050	¥1,852	¥122	¥491	¥13,158
Impairment of long-lived assets	¥954	¥—	¥—	¥—	¥—	¥61	¥—	¥—	¥—	¥1,015
Capital expenditures	¥1,837	¥2,625	¥1,457	¥1,114	¥111	¥4,043	¥814	¥82	¥717	¥12,800

(thousands of US dollars)

2012

	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/ Corporate	Consolidated
I. Sales and Operating Income (Loss)										
Sales to customers	$762,050	$593,125	$377,750	$314,888	$103,225	$2,123,837	$113,525	$353,350	$—	$4,741,750
Intersegment sales	175	3,238	9,425	10,662	6,850	1,688	33,037	25,050	(90,125)	—
Total sales	762,225	596,363	387,175	325,550	110,075	2,125,525	146,562	378,400	(90,125)	4,741,750
Operating expenses	751,725	543,188	383,925	338,925	105,400	2,176,913	62,275	370,262	(42,988)	4,689,625
Operating income (loss)	$10,500	$53,175	$3,250	$(13,375)	$4,675	$(51,388)	$84,287	$8,138	$(47,137)	$52,125
II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures										
Total assets	$595,712	$1,605,225	$272,475	$301,112	$108,000	$2,356,438	$629,938	$277,375	$536,025	$6,682,300
Depreciation and amortization	$13,250	$33,362	$13,775	$13,800	$8,887	$67,338	$22,825	$1,363	$7,275	$181,875
Impairment of long-lived assets	$—	$—	$—	$2,737	$—	$10,325	$—	$—	$—	$13,062
Capital expenditures	$24,900	$36,662	$9,563	$31,000	$5,325	$67,900	$6,525	$1,263	$13,175	$196,313

Independent Auditors' Report

To the Board of Directors of Nisshinbo Holdings Inc.

We have audited the consolidated balance sheets of Nisshinbo Holdings Inc. and consolidated subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of income, consolidated statements of comprehensive income, changes in equity, and cash flows for the year 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 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 Holdings Inc. and consolidated subsidiaries as of March 31, 2012 and 2011, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles and practices generally accepted in Japan.

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

Veritas & Co.

VERITAS & Co.

June 28, 2012
Tokyo, Japan

History

1907	Established Nisshin Cotton Spinning Co., Ltd.
1938	Merged with Nisshin Rayon Co., Ltd. (now the Miai Plant)
1940	Established Toa Jitsugyo Co., Ltd. (name changed to Nisshin Toa Inc. in 1990)
1945	Acquired Meiji Plant, Nanshin Seiki Co., Ltd. (now the Fuji Plant)
1949	Established Nihon Postal Franker Co., Ltd. (name changed to Nisshinbo Postal Chemical Co., Ltd. in 2006)
1958	Established Nippon Kohbunshikan Co., Ltd. (name changed to Nippon Kohbunshi Co., Ltd. in 1986) (acquired by Nisshinbo Mechatronics Inc. in 2010)
1962	English name of company changed to Nisshin Spinning Co., Ltd.
1972	Established Nisshinbo Do Brasil Industria Textil LTDA. (Brazil)
1978	Acquired Tokai Seishi Kougyou Co., Ltd.
1985	Acquired Nisshin Denim Inc.
1989	Established Kohbunshi (Thailand) Ltd. (Thailand)
1993	Established Pudong Kohbunshi (Shanghai) Co., Ltd. (China) (name changed to Nisshinbo Mechatronics (Shanghai) Co., Ltd. in 2010)
1995	Established Nisshinbo Automotive Corporation (U.S.A.)
	Established Nisshinbo Urban Development Co., Ltd.
1996	Established Nisshinbo Somboon Automotive Co., Ltd. (Thailand)
1997	Established Nisshinbo Automotive Manufacturing Inc. (U.S.A.)
1998	Established P.T. Gistex Nisshinbo Indonesia (Indonesia)
1999	Established Saeron Automotive Corporation (South Korea)
2000	Purchased additional shares of P.T. Nikawa Textile Industry (Indonesia)
	Established Continental Teves Co., Ltd. through merger with Continental Teves AG & Co. oHG (name changed to Continental Automotive Co., Ltd. in 2007)
2002	Acquired all shares of Iwao & Co., Ltd.
	Established Nisshinbo (Shanghai) Co., Ltd. (China)
2003	Established Saeron Automotive Beijing Corporation (China)
2004	Established Continental Teves Corporation (Lian Yun Gang) (China)
2005	Made tender offer for additional shares of New Japan Radio Co., Ltd.
2006	Acquired additional shares of Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd.
2007	Acquired all shares of Daiwa Shiko Co., Ltd.
2008	Acquired all shares of CHOYA CORP.
	Acquired all shares of Nisshinbo Brake Sales Co., Ltd. (acquired by Nisshinbo Brake Inc. in 2010)
2009	Spun off five businesses — Textiles, Automobile Brakes, Papers, Mechatronics, and Chemicals — and converted to holding company; corporate name changed to Nisshinbo Holdings Inc.
2010	Established Nisshinbo-Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd. (China) (formerly Jiangsu Yawei Nisshinbo Precision Instruments & Machinery Co., Ltd.)
	Acquired additional shares in Japan Radio Co., Ltd., making it a consolidated subsidiary Nagano Japan Radio Co., Ltd. also becomes a consolidated subsidiary as a result
2011	Established Nisshinbo Saeron (Changshu) Automotive Co., Ltd. (China)
	Established Nisshinbo Singapore Pte. Ltd. (Singapore)
	Acquired all shares of TMD Friction Group S.A. (Luxembourg)
2012	Established Nisshinbo Business Management (Shanghai) Co., Ltd. (China)

Corporate Data

(As of March 31, 2012)

Founded

Feb. 5, 1907

Head Office

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Fax: +81-6-6267-5529

Nagoya Branch

5-2-38, Sakae, Naka-ku,
Nagoya 460-0008, Japan

Tel: +81-52-261-6151
Fax: +81-52-263-9480

Employees

Parent Company	236
Subsidiaries	22,068
Total	22,304

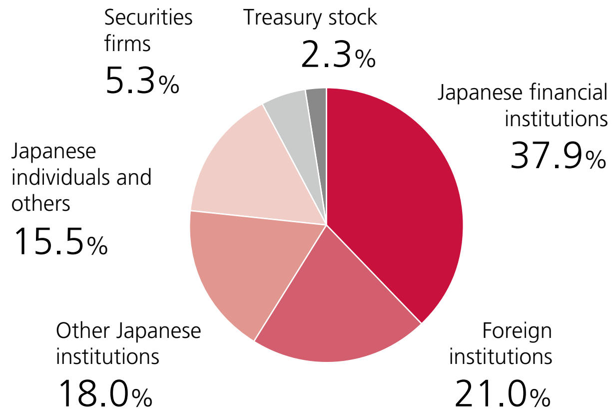
Common Stock

Authorized	371,755,000 shares
Issued	178,798,939 shares
	¥27,588 million—US$345 million

Shareholders

13,413

Composition of shareholders



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

Stock Price and Trading Volume