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August 30, 2017

For immediate release

Company: Nisshinbo Holdings Inc.
Representative: President Masaya Kawata
Securities Code: 3105
TSE (First Section); NSE (First Section); SSE; FSE

Notice Regarding Absorption-Type Demerger and Sale of Subsidiary Shares by Nisshinbo Brake Inc. for the Purpose of Transferring the Foundation Brake Business

At the Board of Directors meeting held today (August 30, 2017), Nisshinbo Holdings Inc. resolved to transfer (the “**Transaction**”) the Foundation Brake Business (the “**Transferred Business**”), part of the Automobile Brake Business of its consolidated subsidiaries including Nisshinbo Brake Inc. (“**Nisshinbo Brake**” or the “**Demerging Company**”), to Hosei Brake Industry Co., Ltd. (“**Hosei Brake Industry**”), a major subsidiary of the Aisin Seiki Group (the “**Aisin Group**”).

The Transaction is intended to consist of the transfer of the assets, liabilities, rights, and obligations held by Nisshinbo Brake with respect to the Transferred Business to a wholly-owned subsidiary that Nisshinbo Brake will newly establish (the “**New Company**” or the “**Successor Company**”) through a demerger (the “**Demerger**”), followed by the sale of all of the outstanding shares of the New Company to Hosei Brake Industry (the “**Share Sale**”).

I. Purpose of the Transaction

The Nisshinbo Group operates its various businesses with the aim of being a group of “Environment and Energy Companies” that contributes to a secure society by proposing solutions to the problems that humanity faces, such as environmental degradation and global warming. As we pursue our growth strategy of unity through diversity, we will first seek to focus our management resources on automotive and super-smart society businesses.

The Nisshinbo Group’s Brake Business has a 70-year history with a focus on automobile friction materials. Lauded by automotive manufacturers, the Friction Materials Business reached annual sales revenue of 130 billion yen through the 2011 acquisition of the prominent European friction materials manufacturer TMD Friction Group S.A. As part of our core business, we intend to establish and expand business locations to support global production by automotive manufacturers, and continue to make investments to maintain our strong market position in developing and producing friction materials that meet copper regulations.

Meanwhile, the Transferred Business’s sales revenue has remained low, at approximately 15 billion yen annually. The future of the brake market is uncertain, partly due to the move to electric park brakes, and large scale capital expenditure and R&D investment will be necessary in order to maintain our competitiveness.

In this context, we sought discussions about future technology with a manufacturer that possesses electric park brake technology, and we found that we could expect the Transferred Business to have success with the Aisin Group, which possesses brake systems. Having comprehensively considered aspects such as our growth strategy, the Transferred Business’s prospects within our group, and Hosei Brake Industry’s evaluation of the Transferred Business, we determined that it would bring further success for the Transferred Business and further satisfaction for our clients and suppliers for us to sell the Transferred Business to Hosei Brake Industry, an automotive parts manufacturer which is the world’s top manufacturer of drum brakes and which possesses electric park brake technology within its group.

Nisshinbo Brake will sell all of the outstanding shares of the New Company after transferring to the New Company all of the assets (including shares of Nisshinbo Commercial Vehicle Brake (“**NCB**”), liabilities, and other rights and obligations held by Nisshinbo Brake with respect to

the Transferred Business. It has also been determined that, before the Transaction takes place, Nisshinbo Holdings Inc. will make an in-kind contribution to Nisshinbo Brake of the real estate and other facilities and intellectual property rights that Nisshinbo Holdings Inc. holds in connection with the Transferred Business, and the employees of Nisshinbo Holdings Inc. who are employed in the Transferred Business will be transferred to the New Company, and that simultaneously with the Transaction, all of the assets, liabilities, and other rights and obligations held by Nisshinbo Somboon Automotive (a wholly-owned subsidiary of Nisshinbo Holdings Inc.) with respect to the Transferred Business will be transferred to a company newly-established in Thailand as a substantively wholly-owned subsidiary of the New Company.

After the Transaction, we will further focus our management resources on automotive and super-smart society businesses, especially the Electronics and Friction Materials businesses, and accelerate our growth strategy to increase corporate value.

Note, however, that the execution of the Transaction is subject to completion of a review of business combination by the Japan Fair Trade Commission.

II. Overview of the (Planned) Establishment of the New Company

Company to be Established

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|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| (1) Trade name | Nisshinbo Brake Demerger Preparatory Company (non-final) |
| (2) Business | Development, manufacture and sale of foundation brakes for automobiles and transport machinery and equipment |
| (3) Address of head office | TBD |
| (4) Representative | Yasuji Ishii (planned) |
| (5) Capital | TBD |
| (6) Date of establishment | September 25, 2017 (planned) |
| (7) Shares outstanding | 400 (planned) |
| (8) Accounting year-end | March 31 |
| (9) Major shareholders and their ownership percentages | Nisshinbo Brake Inc.: 100% |

III. Overview of the Demerger

1. Outline of the Demerger

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|------------------------------------------------------------------------------------------------------------------------|------------------------------|
| (1) Timeline of the Demerger | |
| (i) Resolutions by the Boards of Directors (of both companies) | September 25, 2017 (planned) |
| (ii) Execution of the Absorption-Type Demerger Agreement | September 25, 2017 (planned) |
| (iii) Extraordinary meeting of shareholders (of both companies) for approval of the Absorption-Type Demerger Agreement | TBD |
| (iv) Execution of the absorption-type demerger (effective date) | February 28, 2018 (planned) |
- (2) Form of the Demerger
The Demerger is an absorption-type demerger with Nisshinbo Brake as the demerging company and the New Company as the successor company.
- (3) Details of stock allotments with respect to the Demerger
The New Company will newly issue 600 shares (planned) of common stock upon the Demerger for allotment to Nisshinbo Brake.
- (4) Handling of stock acquisition rights and bonds with stock acquisition rights in the Demerger
Nisshinbo Brake has no stock acquisition rights or bonds with stock acquisition rights outstanding.
- (5) Capital increase or decrease upon the Demerger
Nisshinbo Brake will not increase or decrease its capital.
- (6) Rights and obligations received by the successor company

The successor company will receive all of the assets (including NCB shares), liabilities, and other rights and obligations held by Nisshinbo Brake with respect to the Transferred Business to be separately specified in the Absorption-Type Demerger Agreement on the effective date of the Demerger.

- (7) Prospects of performing obligations
It has been determined that there are no issues with the prospects of the New Company performing the obligations that it will assume on the effective date of the Demerger.
2. Overview of the Companies that are Party to the Demerger (as at March 31, 2017 (for the New Company, as of the date of establishment))

	Demerging Company: Nisshinbo Brake	Successor Company: Nisshinbo Brake Demerger Preparatory Company (non-final)
(1) Name	Nisshinbo Brake Inc.	Nisshinbo Brake Demerger Preparatory Company (non-final)
(2) Address	Ningyocho 2-31-11, Nihonbashi, Chuo-ku, Tokyo	TBD
(3) Representative's name and title	Representative Director and President Yasuji Ishii	Representative Director and President Yasuji Ishii (planned)
(4) Business	Development, manufacture, finishing, sale, export and import of brake pads, brakes and brake components for automobiles and transport machinery and equipment	Development, manufacture and sale of foundation brakes for automobiles and transport machinery and equipment
(5) Capital	8,000 million yen	TBD
(6) Date of establishment	April 1, 2009	September 25, 2017 (planned)
(7) Shares outstanding	8,000	400 (planned)
(8) Accounting year-end	March 31	March 31
(9) Major shareholders and their ownership percentages	Nisshinbo Holdings, Inc. 100%	Nisshinbo Brake Inc. 100%
(10) Financial status and business performance in the most recent fiscal year (YE March 2017)		
	Demerging Company [Individual]	Successor Company (the New Company) [Individual]
Net assets	17,110 million yen	-
Total assets	27,569 million yen	-
Net assets per share	2,138,854 yen	-
Net sales	25,058 million yen	-
Operating income	1,486 million yen	-
Ordinary income	1,598 million yen	-
Net income	566 million yen	-
Net income per share	70,802 yen	-

3. Overview of the Division Subject to Demerger
- (1) Business of the division subject to demerger
Manufacture and sale of drum brakes for passenger vehicles, commercial vehicles and industrial machinery, disk brakes for commercial vehicles, and wheel cylinders for passenger vehicles, and shoe assembly.

(2) Performance and assets of the division subject to demerger

	Transferred Business (a)	Company Consolidated Total (b)	Percentage (a/b)
Segment sales revenue	14,915 million yen	527,274 million yen	2.8%
Segment profit	484 million yen	9,211 million yen	5.3%
Segment assets	12,122 million yen	617,096 million yen	2.0%

Note: Figures with respect to the Transferred Business are as at March 31, 2016, and figures with respect to the company's consolidated total are as at March 31, 2017.

4. Status After the Demerger

Nisshinbo Brake's name, address, representative name and title, business, capital, and accounting year-end will not be affected by the Demerger.

IV. Overview of the Share Sale

1. Overview of the Selling Company

As stated in the "Demerging Company" column of "2. Overview of the Companies that are Party to the Demerger (as at March 31, 2017)" in "III. Overview of the Demerger."

2. Overview of the Purchaser (as at March 31, 2017)

(1) Name	Hosei Brake Industry Co., Ltd.	
(2) Address	10 Michigami, Kazuecho, Toyota-shi, Aichi	
(3) Representative's name and title	President Shizuo Shimanuki	
(4) Business	Development, design, manufacture and sale of automobile parts	
(5) Capital	1.2 billion yen	
(6) Date of establishment	May 1968	
(7) Sales revenue	51.7 billion yen (FY 2016)	
(8) Major shareholders and their ownership percentages	Aisin Seiki Co., Ltd.	53.1%
	Toyota Motor Corporation	46.9%
(9) Relationships between the purchaser and the Company	Capital relationship	None
	Personal relationship	None
	Business relationship	None
	Related party status	None

3. Number of Shares to be Sold, Sale Price, and Share Ownership Before and After Sale

(1) Shares held before change	1,000 share of common stock (planned) (Voting rights: 1,000 (planned)) (Percentage of voting rights held: 100%)
(2) Shares to be sold	1,000 share of common stock (planned) (Voting rights: 1,000 (planned))
(3) Shares held after sale	0 shares of common stock (Voting rights: 0) (Percentage of voting rights held: 0%)

Note: The sale price will not be disclosed in consideration of the fact that it is subject to a non-disclosure obligation under the Share Purchase Agreement with the counterparty to the Share Sale. However, that price was determined through negotiations with the counterparty to the Share Sale, and we consider it to be a fair price.

4. Timeline of the Share Sale

(i) Board of Directors meeting to approve the Share Purchase Agreement	August 30, 2017
(ii) Execution of the Share Purchase Agreement	August 30, 2017 (planned)

(iii) Execution of the share sale	February 28, 2018 (planned)
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V. Future Prospects

We expect to record a special loss this fiscal year (YE March 2018) as a result of conducting the Transaction. We are currently examining the effects that the Transaction will have on the Nisshinbo Group's performance, including such special loss amount, and will disclose the results of that examination promptly once determined.

End

Please direct all queries with respect to this matter to:
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