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**NISSHINBO**



**Harnessing  
Group Power  
*for a*  
Low-Carbon  
Society**

**Annual Report 2010**  
Fiscal Year Ended March 2010

# Aiming to Be an Environment-Friendly Company That Contributes to Society

“We will contribute to human society through our business activities, achieving corporate growth in conjunction with society and providing benefits to all stakeholders.” The Nisshinbo Group continues to evolve based on our corporate principle of serving as a “public entity.” Since its founding in 1907 as a cotton spinning company, Nisshinbo has expanded into a broad range of business segments, including textiles, automobile brakes, paper products, mechatronics, chemicals, and electronics. The concept at the core of these activities is pursuing value suited to the times in a manner that contributes to lifestyles and society. Recently we also made new starts in the environmental and energy fields. Nisshinbo is now applying its technology and human power accumulated over more than a century to the goal of becoming an environmental company that contributes to the Earth’s future. The Nisshinbo Group is accelerating its evolution toward a new era.

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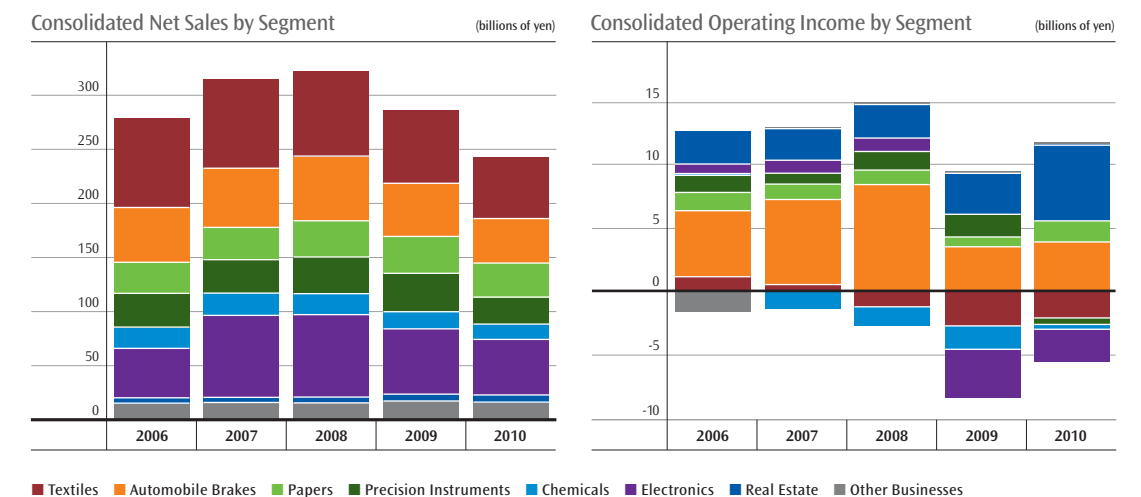
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CONSOLIDATED	(millions of yen)				(thousands of US dollars)	
	2006	2007	2008	2009	2010	2010
Net Sales	¥ 278,617	¥ 312,825	¥ 322,412	¥286,167	¥242,409	\$2,551,674
Textiles	82,879	82,243	78,816	67,593	56,755	597,421
Automobile Brakes	50,402	54,819	59,812	49,230	41,046	432,063
Papers	28,612	29,908	33,547	34,214	31,536	331,958
Precision Instruments	31,761	30,885	34,021	35,602	24,908	262,189
Chemicals	19,546	20,576	19,175	15,791	14,057	147,969
Electronics	45,858	76,068	76,475	60,550	51,699	544,200
Real Estate	4,781	4,788	5,446	6,433	6,674	70,253
Other Businesses	14,778	13,538	15,120	16,754	15,734	165,621
Operating Income	10,524	11,551	12,034	408	3,570	37,579
Net Income (loss)	11,183	15,107	12,290	(1,286)	1,896	19,958
Equity	266,434	282,015	245,909	193,698	193,639	2,038,305

PER SHARE	(yen)				(dollars)	
Net Income (loss)	¥ 53.21	¥ 74.19	¥ 63.34	¥(7.08)	¥10.38	\$0.11
Shareholders' Equity	1,283.21	1,301.14	1,179.43	985.19	1,034.04	10.88
Cash Dividends	10.00	15.00	15.00	15.00	15.00	0.16

KEY RATIO	(%)				
Return on Assets (ROA)	2.6	3.1	2.7	(0.3)	0.5
Return on Equity (ROE)	4.6	5.7	5.1	(0.6)	1.0

Note: The United States dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥95 = US\$1.



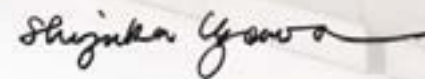


## New-Look Nisshinbo Group Accelerates New Growth Strategies Following Corporate Split

The Nisshinbo Group implemented a corporate split in April 2009 and embarked on a policy of bold “selection and concentration” so that we can respond to the rapidly changing business environment. In April 2010 we launched the Challenge 2012 Three-Year Management Plan. We also set long-term goals of achieving a return on equity (ROE) in excess of 9% and sales in excess of ¥600 billion by fiscal year 2017 (ending March 2018).

The engine of global economic growth is shifting to Asia. As this change unfolds, the Nisshinbo Group is working to undertake production and sales at the optimal locations while implementing global business strategies. We are concentrating management resources in the environmental and energy sectors and developing new businesses, including photovoltaic modules, fuel cells, and electric double-layer capacitors, to build the foundations for the future competitiveness of the Group.

We are now entering the second year since the corporate split, and the individual group companies are starting to operate at full speed. The business environment is changing at an ever-increasing pace, and businesses can no longer rely on their past or current courses. The Nisshinbo Group will seek to achieve new growth as an enterprise that responds to change by exhibiting an entrepreneurial spirit and entering new business fields without excessive reliance on continuity.



SHIZUKA UZAWA  
President  
Nisshinbo Holdings Inc.

The Nisshinbo Group has embarked on the Challenge 2012 Three-Year Management Plan. Freelance journalist Masayoshi Fujita interviewed President Shizuka Uzawa about the present and future.

“Sense of tension fosters awareness for next round of reforms.”



SUMMARY OF FY  
ENDED  
MARCH 2010

*The Transition to a Holding Company Structure Clarifies the Performance of Each Business*

**FUJITA:** *This past fiscal year was one of drastic change. The announcement of a new medium-term business plan was postponed by one year, and the Nisshinbo Group was forced to respond to extremely adverse business circumstances.*

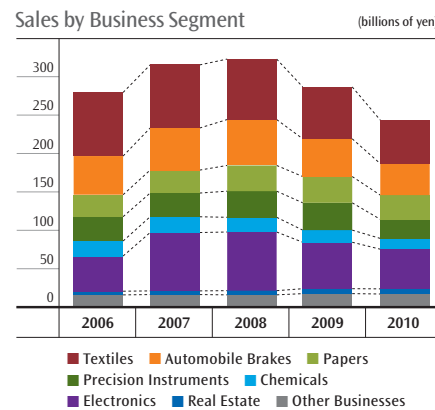
**UZAWA:** Both sales [¥242,409 million] and operating income [¥3,570 million] fell below our initial expectations. In addition, the textiles and electronics businesses performed worse than anticipated. The automobile brakes and paper businesses performed better than we expected, however, and we enjoyed fortunate miscalculations in the chemicals business.

In April 2009 the Nisshinbo Group changed its business format to a holding company and five business companies. Each business company is active in a different business sphere, but this leads to the question of what each one must do to become a leader in its field. This was our main focus in adopting the holding company structure.

As a result of the change, we learned just how poorly the textiles business was doing. Therefore, last year we made the difficult decision to suspend mass production in Japan and move our production bases abroad. We also solicited employees in the textiles business for voluntary retirement. The employees were very understanding and supportive of our action.



MASAYOSHI FUJITA  
Freelance journalist  
Ex-editor-in-chief, Newsweek Japan



**FUJITA:** *In the past, didn't you calculate profit and loss for each division? Has employee awareness changed significantly from the time when each business was a division within the company to now, when they are all separate companies?*

**UZAWA:** Even prior to the corporate split, we calculated profit and loss for each division and prepared trial balance sheets, so we understood the results. But even if employees saw that their own division was losing money, they thought that the losses would be made up by other divisions and that everything would be fine if they simply kept on working hard. With the corporate split, however, a sense of tension has developed, and personnel can see that their companies cannot maintain their current status. This is fostering the awareness that we will need for the next round of reforms.

**FUJITA:** *There are high expectations for the mechatronics [precision instruments] business. How has it performed?*

**UZAWA:** Photovoltaic modules are performing very well now, but sales of photovoltaic module manufacturing equipment are sluggish. There was a solar power collapse in Spain, and there is an excess of equipment in leading European markets. As a result, sales were only about half the level of the previous fiscal year. Nonetheless, I am very hopeful about the future. In fact, we expect that sales this fiscal year will reach about ¥8.5 billion.

The precision instruments business is now facing the question of whether continuing to just manufacture production equipment will be enough in the future. Other possibilities include materials and the solution business. Because of this, we installed photovoltaic modules manufactured by Nisshinbo Mechatronics Inc. on the roof of the Miei Machinery Plant in Okazaki City, Aichi Prefecture. These investigations will enhance our understanding of the types of problems that photovoltaic module manufacturers are facing and their needs.

**FUJITA:** *You mentioned that the chemicals business experienced "fortunate miscalculations." What did you mean by this?*

**UZAWA:** We sell many different products, but carbon products performed better than we expected. Also, unprofitable thermal insulation products contracted considerably, resulting in an improvement in the balance of income and expenditures. For a time, we considered withdrawing from this segment, but after closely examining the costs, we decided to continue. In addition, sales of elastomer products increased in conjunction with the increase in sales of face masks in response to the flu outbreak. Even without this special demand, the chemicals business still would have been profitable, but we made miscalculations that ultimately turned out to be beneficial.

**CHALLENGE 2012 PLAN AND LONG-TERM TARGETS**

*Using M&A to Achieve Target of Sales in Excess of ¥600 Billion by the Fiscal Year Ending March 2018*

Consolidated Financial Target for Fiscal Year 2012 (Ending March 2013) (billions of yen)

	Net Sales	Operating Income	Net Income
Fiscal Year 2012 (Ending March 2013)	285.0	18.0	15.0
Fiscal Year 2009 (Ended March 2010)	242.4	3.6	1.9

**FUJITA:** *This year you launched the three-year management plan, which was postponed last year.*  
**UZAWA:** The Challenge 2012 Three-Year Management Plan gives the impression of being slightly restrained with targets of sales of ¥285 billion, operating income of ¥18 billion, and net income of ¥15 billion for fiscal year 2012 [ending March 2013]. Under the plan, we will continue to develop the environmental and energy sectors. We have set somewhat ambitious long-term financial targets, however, of ROE in excess of 9% and sales in excess of ¥600 billion by the fiscal year ending March 2018. The plan is particularly ambitious in terms of sales, since until now sales have been only a little higher than ¥240 billion. Sales in the real estate business during the plan period will be about ¥25 billion. I believe the important thing is how we use the profits generated by this business to expand other businesses.

*"We will continue to develop the environmental and energy fields."*



We do not have any specific proposals at this time, but mergers and acquisitions will likely be one possible course of action. The environment and energy immediately come to mind as potential business fields for M&A. New Japan Radio Co., Ltd., which became a subsidiary in 2005, represents the initial strategic preparations for such a move. When we think about the growth of the Nisshinbo Group, electronics is an important area. New Japan Radio has reported large losses for the last two years, but a synergy effect in the real sense is going to appear from now on. New Japan Radio returned to profitability on a quarterly basis in January–March of this year [the fourth quarter of the fiscal year ended in March 2010].

**FUJITA:** *It seems that Japanese corporations are currently facing the question of whether to conduct business globally or locally. What stance will the Nisshinbo Group adopt for the future?*

**UZAWA:** The textile business has been struggling for some time, and we have come to the conclusion that we must move offshore. In other words, we have drastically changed our policy from "producing in Japan and selling overseas" to "producing overseas and selling overseas." However, this is not a problem that concerns only textiles. The brake business is no exception. At a time when domestic automobile production is declining, we must think hard about whether domestic investment is most appropriate. We can no longer assume that even research and development must be performed in Japan; it may be possible to move research and development overseas.

The fact that the Japanese economy will contract as the population declines is unavoidable. Under these circumstances, companies like Nisshinbo must carefully examine how we can continue doing business. The aggregate growth of companies leads to the growth of the country, and it is the job of corporate managers to search for new businesses that will not only enable the company to survive but also benefit the country as a whole.

**FUJITA:** *Against this backdrop, what is your approach concerning growth strategies for Nisshinbo?*

**UZAWA:** Textiles is not a declining industry on a worldwide basis, but expanding production in a country like Japan is no longer possible. With respect to automobile production too, China is rapidly emerging to overtake the United States as the world's largest market. In these circumstances, we need to establish new businesses based on research and development. Such businesses include photovoltaic module manufacturing equipment, bipolar plates for fuel cells, Carbodilite, which is a high-performance chemical product, and electric double-layer capacitors.

**FUJITA:** *In response to discontinuous social change, companies must act discontinuously as well. You often say that new businesses need not be extensions of existing businesses.*

**UZAWA:** Today, the Nisshinbo Group appears to be active in a variety of fields, but there are



“Everything starts by taking on new challenges.”



associations with technologies or products. Without a lineup of products with various lifecycles, it is difficult for companies to remain in business. In this sense, we are looking to develop businesses that are not simply extensions of existing business lines. We will develop businesses even in remote fields if they are promising.

Also, speaking of discontinuity, in the past we hired and nurtured engineers who were recent graduates. Now, however, we are hiring highly skilled engineers from outside the company even if it causes a certain amount of friction. We can no longer stick blindly to an independent management model.

Over the next several years, real estate income should generate sufficient capital to invest approximately ¥10 billion every year. I hope to invest these funds in the environment, energy, and other fields and in new businesses not only in Japan but overseas as well. We will not attempt to do everything by ourselves but will look for opportunities to collaborate with others and to make strategic investments. What is essential for doing this is developing the human resources that can manage such a broad range of business. I look forward to taking on young personnel with the ambition to tackle the challenges of new businesses. Everything starts by taking on new challenges.

**REJUVENATING  
MANAGEMENT**

*Seeking Young Managers Who Think  
and Act Independently*

**FUJITA:** *Did seeking this type of reform of internal awareness lead to the recent appointment of young officers?*

**UZAWA:** It did. We appointed some young personnel, who around 10 years ago would have been just about reaching the position of senior manager now, to the post of officers. We want managers who are not only interested in short-term figures but also able to make clear what they are thinking. This personnel shift is a major reform that we have not seen at Nisshinbo for 40 or 50 years.

**FUJITA:** *Human resources also hold tremendous significance for your global strategies. What is your thinking on overseas business development and personnel assignments?*

**UZAWA:** I believe that Japanese manufacturers have been successful overseas because of their technological capabilities. Even if they couldn't speak the local language, if Japanese used tech-

nology to create high-quality products, they were respected and people would follow them. In the past, senior management and financial positions in overseas subsidiaries were filled with people from Japan. It was only when personnel from Japan were not able to manage things that local personnel were put in charge. But even though that system still works in some cases, it is no longer suitable for the times.

Nowadays it is necessary to entrust local management to people who understand the local region best. The president of our subsidiary in Korea does not speak Japanese, so we communicate in English, and it works very well. Although we still have a long way to go, the trend is toward using local personnel rather than sending Japanese employees overseas. I believe that when this happens, development will also begin shifting overseas.

**FUJITA:** *As the company globalizes, do more issues of corporate governance arise?*

**UZAWA:** I believe that fundamentally corporate governance will function adequately if there are structures in place that enable personnel to point out problems when management starts to do something improper. The key element of governance, even more important than the design of the systems, is the state of awareness of the persons who make up the organization. I think the idea that all companies should adopt US-style governance is inappropriate. In fact, in Europe ideas vary from country to country. Nisshinbo has foreign investors, and we have made the preparations necessary to avoid having our foreign investors see us as a strange company.

There are no absolute right answers when it comes to corporate governance theory. Each company can develop the best possible governance tailored to its specific corporate culture. I do believe, however, that a mandatory retirement age for senior management is necessary. This is another area in which we have made specific arrangements.

**PUBLICLY  
TRADED  
SUBSIDIARIES**

*Publicly Traded Subsidiaries Have Dual Governance*

**FUJITA:** *What are your thoughts concerning publicly traded subsidiaries?*

**UZAWA:** There is a theory that publicly traded parent and subsidiary companies are disadvantageous for minority shareholders, but I have some reservations about this. First, if a subsidiary is publicly traded, corporate governance will also be effective with respect to that company. Some say this is disadvantageous for minority shareholders, but in the case of a publicly traded company, shareholders have the right to buy and sell shares freely. It is true that in the past there have been cases where the market value of a publicly traded subsidiary surpassed that of the parent, but this simply means that the subsidiary became stronger as a result of the public listing. I believe that this is the case with respect to procuring capital as well as attracting outstanding human resources.

If the parent company supports the subsidiary with all of its capabilities, governance will be much more effective than that of an uncontrolled publicly traded company. We were criticized for our handling of New Japan Radio after it reported substantial losses in two consecutive fiscal years, but we appointed a managing officer from Nisshinbo Holdings to the chairman's position to strengthen governance. Also, we appointed a Japan Radio director as an executive managing officer of Nisshinbo Holdings. The existence of governance from the parent company and governance as a publicly traded company is not a bad thing for minority shareholders.

We are not considering publicly listing the subsidiaries that became separate companies in the corporate split in the future. If this were to happen, spinning them off rather than keeping them as subsidiaries would be one option that we would consider. At that time, our thinking on whether public listing is a good thing or a bad thing including the legal considerations may be different.



SEEKING ECONOMIC EFFICIENCY FOR PHOTOVOLTAICS

## New Materials Business Shines Light on Path to 100-Year Photovoltaic Modules

The widespread adoption of photovoltaics is being held back by their low economic efficiency. Currently, electricity generated by photovoltaics costs about twice as much as electricity from other means. Nisshinbo Mechatronics Inc. is approaching the problem of improving the economics of photovoltaics from the direction of materials. Nisshinbo Mechatronics President Hiroshi Nakano discusses the new direction of the PV business that will be made possible by new materials.

Photo: A solar simulator, a type of photovoltaic module testing device



HIROSHI NAKANO  
President  
Nisshinbo Mechatronics Inc.

### Two Approaches to Improving the Economics of Photovoltaics

The global PV market is said to be in a second expansionary phase. Total global production of photovoltaic modules is projected to reach 9,000 units in the fiscal year ending March 2013 compared to 4,500 units in the fiscal year ended March 2009. It is also calculated that total power generation will increase to 12 gigawatts worldwide by the fiscal year ending March 2013. The PV market continues to expand, but there are still a number of outstanding issues concerning the widespread adoption of photovoltaics. Looking at fees for household electricity, power generated by oil or wind costs ¥23 per kWh, but photovoltaic power costs ¥48 per kWh. For photovoltaics to replace other means of generation, their economic efficiency will have to be improved by at least two times.

As a manufacturer of photovoltaic module manufacturing equipment, Nisshinbo Mechatronics is conducting research on how to improve the economics of photovoltaics. The first solution that we have obtained is lowering the manufacturing costs of the modules. Another method is to extend the lifespan of photovoltaic modules. In both cases, the key is new materials.

### New Materials to Lower Consumable Costs

We want to be a manufacturer that makes the greatest possible contribution to our customers through the provision of photovoltaic module manufacturing equipment. As one aspect of this idea, we collected a wide range of information concerning problems with manufacturing equipment and with photovoltaic modules themselves. One thing we discovered was an issue with the manufacturing equipment consumables. The O-rings used in module laminators to maintain a vacuum during the production process and the diaphragms that apply pressure are expensive, but if deteriorated parts are used, problems with the equipment as a whole can occur. We thought that by enhancing the performance and lowering the costs of the materials used in these consumables, we could reduce photovoltaic module production costs.

To implement this solution, Nisshinbo Mechatronics extended invitations to outside materials experts and began development of higher added-value consumable materials. The result was the development of original O-rings and diaphragms that are less expensive than earlier products but three times more durable. The Nisshinbo specification O-rings and diaphragms were shown publicly for the first time at an exhibition held in Shanghai in May 2010, and they generated a tremendous response. We received inquiries concerning mass production from leading photovoltaic module manufacturers, and we plan to collaborate with materials makers and begin full-scale production. We expect these low-cost, high-performance O-rings and diaphragms to capture 80% of the global market and generate sales of ¥2.5 billion in the fiscal year ending March 2013.

### New Seal Material Greatly Extends Photovoltaic Module Lifespan

The development of new consumable materials is no more than the starting line to the creation of total solutions for improving the economics of photovoltaics. Nisshinbo Mechatronics is currently conducting research and development on new seal materials that will enhance the economic efficiency of photovoltaics by greatly expanding the lifespan of photovoltaic modules.

The silicon crystals in the generating unit of a photovoltaic module path have indefinite lifespan. Generally, however, the warranty period of the module is only about 10 years. This is because the module lifespan is determined by the seal material that serves the purpose of attaching the cells to the glass or back sheet and protecting the silicon crystals from humidity. Our research into problems with photovoltaic modules revealed that processing defects and poor functioning of the seal material lead to panel failures and reduce module lifespan.

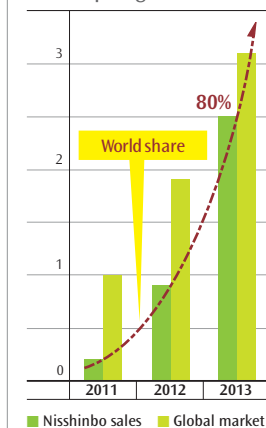
Based on this research, Nisshinbo Mechatronics is developing a new high-performance seal material with many times the durability of existing materials. As part of the verification testing, we installed 1,400 photovoltaic modules that we manufactured on the roof of the Mai Machinery Plant in Okazaki and are collecting data on changes in the seal material cross-linking (the strength of the polymer structures) in conjunction with various changes in the environment, including weather and temperature. The seal material currently under development will be marketed as a revolutionary material that can increase the life of a module by several times. We estimate that the global seal material market is in the range of ¥700 billion to ¥1 trillion, and this business may very well become a driving force behind Nisshinbo Mechatronics' growth in the future.

### Our Ultimate Goal Is to Create 100-Year Photovoltaic Modules

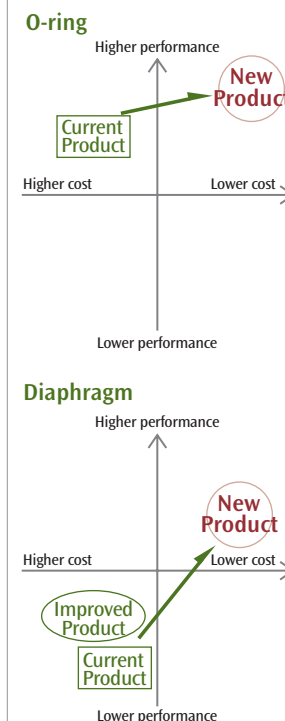
Improving the economic efficiency of photovoltaics requires not only addressing materials-related issues but also visualizing the entire photovoltaic module manufacturing process. Developing optimal consumable materials, establishing molding formulas, and applying them to equipment designs will improve the economic efficiency of photovoltaics and increase their lifespan. Nisshinbo Mechatronics is considering using its accumulated technological expertise to provide photovoltaic module manufacturing system consulting services and supporting the visualization of manufacturing processes.

Nisshinbo Mechatronics will use its comprehensive photovoltaic module manufacturing capabilities in new business fields, including consumable products that reduce manufacturing costs, new seals that extend the lifespan of photovoltaic modules, and consulting services regarding manufacturing system equipment installation and optimal processing conditions, to achieve growth in the global market as a provider of total solutions that pursue the high economic efficiency of photovoltaics. Ultimately, we will create photovoltaic modules with a 100-year lifespan.

Expected Sales of O-Rings and Diaphragms (billions of yen)



Positioning of New Products







RESEARCH AND DEVELOPMENT

## Innovative Breakthroughs Accelerate Widespread Use of Fuel Cells

Fuel cells generate electric power through the reaction of hydrogen and oxygen without creating carbon dioxide. Fuel-cell technology will be essential for creating a low-carbon society. The Nisshinbo Holdings' Business Development Division is conducting diverse research and development that will contribute to the widespread use of fuel cells, and breakthroughs achieved through the application of accumulated technological capabilities will open the path to a low-carbon society. Below, we report on the frontlines of research and development in the Nisshinbo Group.

Photo: The Nisshinbo Group Central Laboratory, a center of research and development served by many young employees

### Overcoming the Significant Hurdles Preventing Widespread Fuel-Cell Use

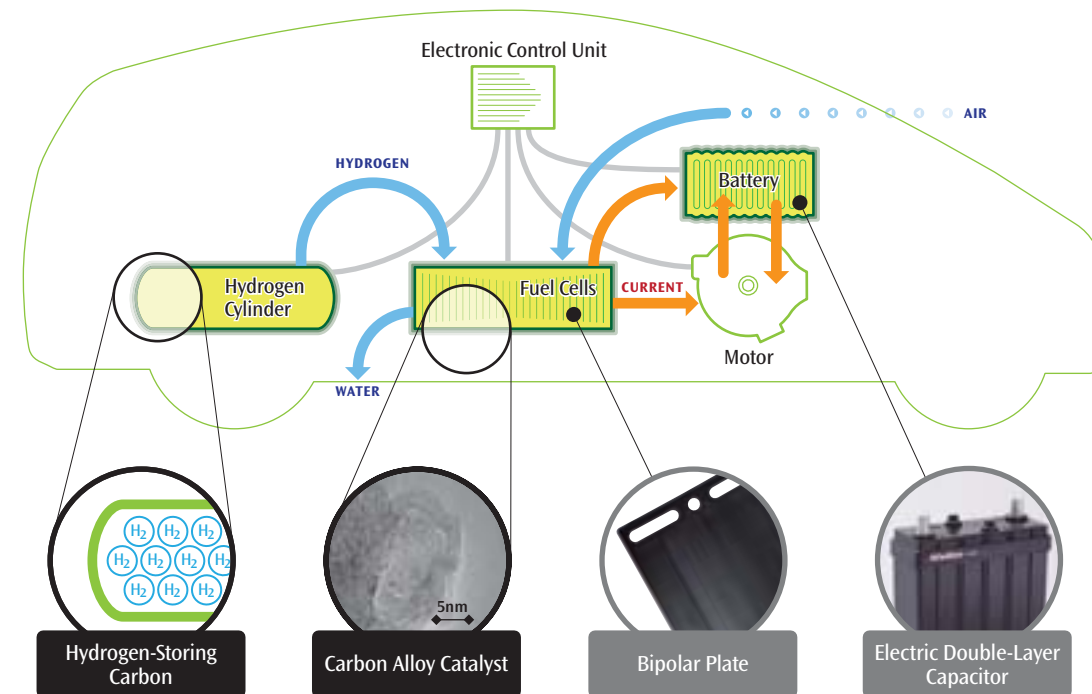
Fuel cells will likely be used in a wide range of applications, and expectations are rising that they will spread rapidly in three areas in particular: automotive fuel-cell use, residential fuel-cell use, and micro fuel-cell use. Of these, the leader is residential fuel cells, and various energy companies began marketing residential fuel cells under the ENE-FARM unified brand in May 2009.

The spread of fuel cells, however, has yet to pick up speed. There are still significant hurdles to the widespread use of fuel cells, including high cost as a result of the use of platinum catalyst to encourage the reaction between hydrogen and oxygen, concerns about stable supply, and the safety and cost issues regarding hydrogen tanks. Nisshinbo is currently conducting research and development on carbon alloy catalysts and hydrogen-storing carbon to solve these problems.

### Development of a Carbon Alloy Catalyst That Can Dramatically Reduce Costs

The platinum catalysts currently used in fuel cells present the two issues of cost and stable supply. With respect to cost, in the case of a fuel-cell vehicle, several score grams

The Nisshinbo Group's Initiatives to Support Fuel-Cell Use



Hydrogen is stored and the pressure is reduced. Improved safety, lower costs

of platinum are used in each vehicle, and the cost can be as much as several hundred thousand yen. In addition, a little less than 80% of platinum supply sources are concentrated in South Africa, and this is a significant factor affecting stable supplies.

To address these issues, in 2006 Nisshinbo launched a plan to develop an alternative catalyst that can take the place of platinum, and a new catalyst that uses carbon was successfully developed. The carbon alloy catalyst boasts catalyst performance (open-circuit voltage and output density) that is at least as high as platinum, but the cost is only about one-sixth that of a platinum catalyst. As a result, when used in a fuel-cell vehicle, the cost can be dramatically reduced. Various companies are currently conducting research on a variety of alloy-replacement catalysts, but we have confirmed that our carbon alloy catalysts perform at the world's highest levels. In addition, the catalyst uses carbon, an extremely common material with much more stable supply.

The Nisshinbo Group is conducting research to enhance the performance of carbon alloy catalysts even further and move to mass production; sample shipments will begin in the fiscal year ending March 2011. We are about to move into the final phase of the practical appli-

cation of the carbon alloy catalyst in preparation for the widespread adoption of fuel-cell vehicles in 2015.

### Hydrogen-Storing Carbon Solves the Problems of Safety and Cost

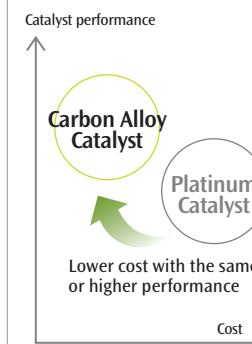
Fuel-cell vehicle hydrogen tanks are at war with high pressure. Because of the filled volume of hydrogen and the storage capacity of tanks that can be used with vehicles, the pressure of a full tank can reach 70 Mpa,\* and manufacturing safe tanks that can withstand these high pressures can cost as much as several million yen.

Nisshinbo is developing hydrogen-storing carbon to create safe and low-cost hydrogen tanks. By storing hydrogen in hydrogen-storing carbon, the pressure inside the tank can be lowered, which enhances the safety and can substantially reduce the cost.

Hydrogen-storing carbon achieves storage and release performance at the world's highest levels, and Nisshinbo plans to start joint research concerning the use of such tanks on fuel-cell vehicles.

\* 0.1 Mpa is equal to approximately 1 atmosphere. Consequently, 70 Mpa is equal to 700 atmospheres (700 times the pressure at ground level, equivalent to water pressure at a depth of 7,000 meters).

Positioning of the Carbon Alloy Catalyst



Segments



**Textiles**

**Nisshinbo's Founding Business Goes Global**

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 the world's most advanced technologies in areas ranging from development to production. Nisshinbo is focusing on the development of new technologies and products based on the concepts of environmental sustainability, health, and comfort. It is expanding overseas bases in Indonesia, India, China, and elsewhere and shifting domestic production abroad while reconstructing domestic business to specialize in new product and technology development.



**Automobile Brakes**

**Global Supplier of Brake Friction Materials**

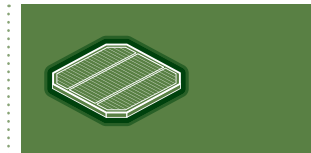
Nisshinbo has become a global supplier with world-class development capabilities in the field of friction materials, which are key components of automobile brake systems. With "customer first" and "continuous improvement" as our main quality policies, Nisshinbo meets the procurement needs of the world's automakers through technological advancement and global business development. We are strengthening stable supply systems tailored to the characteristics of local markets while establishing development systems in response to future technological developments, including electronic brake control and environment-friendly next-generation automobiles.



**Papers**

**All-Round Paper Company Supplying High Added Value**

Nisshinbo supplies high added-value paper products that meet market needs. Based on the concept of environment- and people-friendly manufacturing, in the household products segment we developed Cotton Feel, a tissue paper that contains cotton, and the world's first highly absorbent bathroom tissue paper designed for use with bidets; in the specialty paper segment we developed top-quality printing paper; and in the processed paper products segment we sell telegram paper, high-end packaging, and other products. We are also working to expand the use of products certified by the Forest Stewardship Council (FSC) to contribute to the preservation of forests.



**Precision Instruments**

**Total Solutions for Photovoltaic Module Manufacturing Equipment**

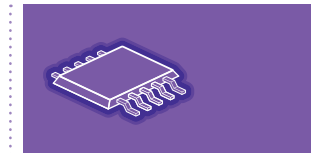
Utilizing the know-how it has accumulated over more than half a century as a machine tool maker supporting various manufacturing industries, Nisshinbo is putting much effort into the photovoltaic module manufacturing equipment business, which is attracting expectations as a clean energy. We are developing a global business centered mainly in Asia and from now on will offer total consulting services concerning equipment, materials, and processing conditions with the aim of expanding business and raising added value even more.



**Chemicals**

**Developing High Value-Added and Environment-Oriented Business**

Utilizing its know-how in the chemicals field, Nisshinbo is developing technologies and products with the aim of contributing to the realization of a low-carbon society. Our products, such as bipolar plates for fuel cells, Carbodilite, which is a high-performance resin material with unique characteristics (such as its ability to increase the durability of plant-derived plastics), and electric double-layer capacitors, will play an essential role in the diffusion of environment-related products. Viewing these as promising growth areas, we are investing management resources in them in a priority manner.

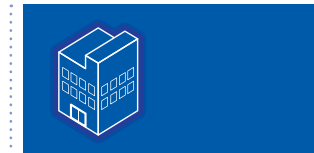


**Electronics**

**Entering Global Markets with Outstanding Technologies**

New Japan Radio Co., Ltd. and Ueda Japan Radio Co., Ltd. enjoy strong superiority in the semiconductor field with respect to analog technologies, in the telecommunications field with respect to microwave technologies, and in medical ultrasound technology. Furthermore, we are developing new products with a focus on consumer audiovisual equipment, industrial and medical equipment, and information and telecommunications. In 2010 technological development will be further reinforced through collaboration with UMC Japan\*. Generating synergy effects between the electronics business and energy fields is a key issue for the Nisshinbo Group.

\*The Japanese subsidiary of UMC, a leading foundry in Taiwan.



**Real Estate**

**Supporting Growth Through Effective Use of Idle Assets**

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, as well as the leasing of office and commercial facilities and the sale of residential land with the aim of creating pleasant urban environments. Many of the idle properties and facilities located throughout Japan have high asset values and can be used for a wide range of purposes, including shopping centers, leisure facilities, offices, housing, and nursing homes. The income obtained from the effective use of idle assets will be used as capital to launch new businesses and develop globally.

Main Business Areas

- **Shirts:**  
Dress shirts, school uniform shirts, casual shirts, and fabric
- **Textiles:**  
Uniform fabrics, home furnishing fabrics (bedding), casual fabrics
- **Denim:** Jeans and denim fabric
- **Knits:** Knit products and fabrics
- **Oikos:** Nonwoven material
- **Mobilon:**  
Polyurethane elastomer fiber
- **Yarn:** Fiber material

- **Friction materials:**  
Brake linings, disc pads
- **Assembly products:**  
Drum brake products

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

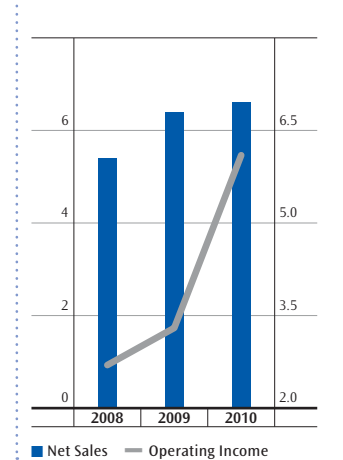
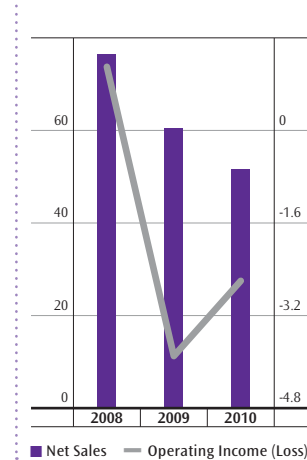
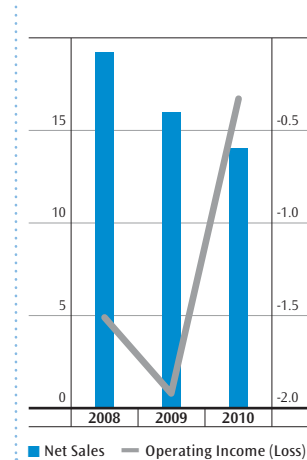
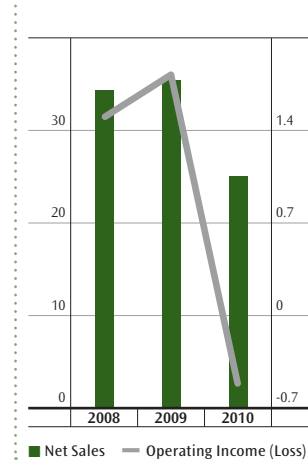
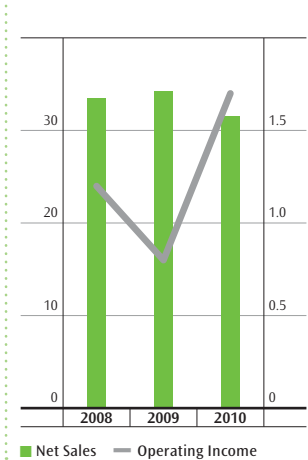
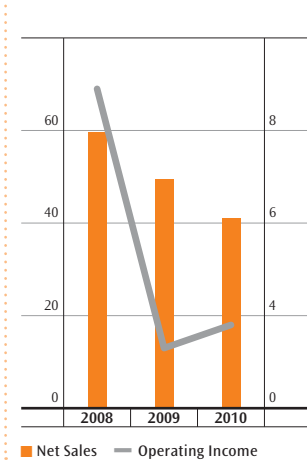
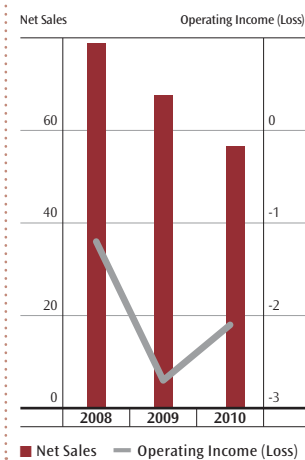
- **Photovoltaic module manufacturing equipment:**  
Photovoltaic module laminators, solar simulators, EL cell inspection equipment, edge isolation systems
- **Customized machinery:**  
Customized machinery for aircraft and automobiles, special presses
- **Precision parts processing**
- **Plastic molding and processing**

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

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

- **Leasing**
- **Sales:**  
Unused sites at the former Hamamatsu Plant and the former Harisaki Plant

Net Sales/Operating Income (Loss)  
(billions of yen)







**APOLLOCOT 100% Cotton Non-Iron Shirts**

Sales of APOLLOCOT non-iron shirts, which are highly resistant to wrinkling even though they are made from 100% cotton, have reached 100 million units. Since no ironing is needed after washing, electricity consumption is reduced, leading to lower carbon dioxide emissions.



## Building Foundations for Rapid Return to Profitability Through Global Business and Competitive Products

### Summary of Financial Results for the Fiscal Year Ended March 2010

#### Operating Losses Improve Despite Adverse Business Environment

In the fiscal year ended March 2010, the textile industry experienced extreme changes in the business environment, including sluggish domestic consumption of apparel, a tendency for consumers to seek low-priced items, falling prices, and a contraction of the domestic textile industry as a result of rapid globalization. It was under these circumstances that Nisshinbo reinforced product development and introduced APOLLOCOT 100% cotton non-iron shirts in August 2009. Also, measures to build global production structures proceeded, including the expansion of processing facilities in Indonesia and the start-up of a sewing joint venture in India.

As a result, the textile business as a whole reported net sales of ¥56,755 million (down 16.0% from the previous year) and an operating loss of ¥2,131 million (an improvement of ¥612 million from the previous year).

### Business Strategies and Outlook for the Fiscal Year Ending March 2011

#### Rapid Establishment of Revenue Bases for a Return to Profitability

Some time will be required for consumer demand to improve, so the business environment is going to remain difficult. Under these circumstances, we will reconstruct domestic business in accordance with the fundamental policies set forth in the Challenge 2012 Three-Year Management Plan and accelerate the globalization of business to rapidly establish revenue bases for a return to profitability.

#### Expanding Sales in the Global Markets of a Core Business

In the shirt business, the highest priority has been placed on reinforcing the revenue bases of CHOYA CORP., a subsidiary. It will be difficult to increase sales because of sluggish performance in the department store market, a major sales channel of CHOYA, but profitability will be improved by reducing costs through such measures as withdrawing from unprofitable stores. Next, Nisshinbo continues to enjoy an overwhelming share of the domestic dress shirt market and to expand business in the dyed

yarn segment, where it accounts for 65% of materials.

Domestic sales of APOLLOCOT brand shirts began in August 2009 and generated a greater response than anticipated. As a result, the sales plan for the first year was revised upward from 150,000 units to 250,000 units. In the fiscal year ending March 2011, we will continue to develop the domestic market and increase sales by expanding product variations and will begin internal sales in China and presales in Europe and America.

In the denim business, the premium denim market (high-priced jeans) has long been a priority area for Nisshinbo, but the market has contracted rapidly as consumer interest in low-priced goods increases. Therefore, Nisshin Denim Inc., a domestic subsidiary, will specialize in the production of high added-value products and quick response (QR) products. Also, a joint venture company established in Indonesia will target the domestic and foreign volume markets (medium-priced jeans) and begin sales of products of “Nisshinbo quality.”

#### Shifting Production Overseas While Retaining Technology Development in Japan

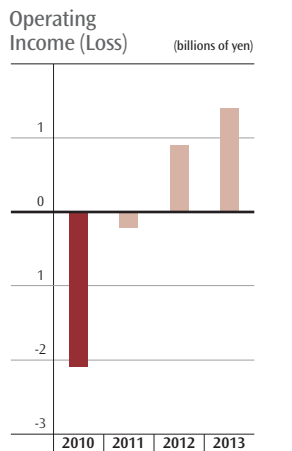
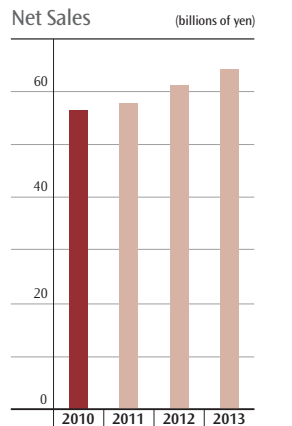
Under the Challenge 2012 Three-Year Management Plan, the overseas shift of production that has been conducted to date will be accelerated. Most production functions will be transferred overseas, and domestic business sites will specialize and focus on the development of highly competitive new products and technologies.

Production capacity is being expanded overseas by the construction of a new plant by a subsidiary in Indonesia, the establishment of a shirt material finishing and processing plant in China, and the start of shirt sewing by a joint venture in India. Meanwhile, domestic sites will focus on the development of highly competitive new products and technologies and the handing down of expertise and will build the structures necessary for the transfer of the world’s highest-level processing technologies to overseas bases and the provision of support.

By accelerating the shift of production overseas while maintaining quality at the highest levels, we will drastically reduce costs in order to gain shares of global markets and increase sales volumes.

.....

*In the fiscal year ending March 2011, our workforce will unite to achieve profitability and establish revenue bases by executing the company’s business reconstruction plan.*



• Projections for the fiscal year ending March 2011 and later are from the time of announcement of the Challenge 2012 Three-Year Management Plan.



## Increasing Market Shares with Distinctive Products Especially in Developing Countries

### Summary of Financial Results for the Fiscal Year Ended March 2010

#### Increasing Operating Income by Reducing Fixed Costs Globally

The business environment in the fiscal year ended March 2010 remained difficult with sluggish personal consumption and a decline in capital investment intentions. Domestic automobile sales recovered to the level of the previous year for the entire fiscal year thanks to tax incentives and subsidies for eco-cars, but exports remained low. As a result, domestic automobile production volume fell to 8.87 million vehicles, down 11% from the previous year.

In this business environment, Nisshinbo Brake's domestic business experienced a decline in revenues due to decreased orders for new car parts, and the overseas business reported lower revenues with the exception of our subsidiary in China, where the market has recovered rapidly. With respect to income, profitability improved thanks to efforts to reduce fixed costs in Japan and overseas, including optimal placement of personnel and reorganization of our American subsidiary, and operating income increased. As a result, the brake product business as a whole reported consolidated sales of ¥41,046 million, down 16.6% from the previous year, and operating income of ¥3,880 million, up 11.9%.

### Business Strategies and Outlook for the Fiscal Year Ending March 2011

#### Market Developments Remain Unpredictable

In the first half of the fiscal year ending March 2011, automobile production volumes in Japan were generally brisk, supported by extensions of tax incentives and subsidies for eco-cars. It is believed, however, that the current strong sales are eating into demand in the second half, when the subsidies will expire, so the outlook for the entire year is not optimistic.

In contrast, the automobile markets of various other countries are undergoing moderate recoveries. Automobile sales in the United States (excluding large trucks and buses) were at the same pace as the previous year, automobile production in Thailand is up 10% over the previous year, automobile production in South Korea is up 6%, and automobile sales in China are at the same level as the previous year. Consequently, a moderate

recovery is expected overall, and China is likely to experience an upturn.

#### Cultivating Emerging Markets Based on Fundamental Strategies

Enhancing our presence in developing countries, particularly in the Chinese and Indian markets, will be essential for achieving future growth in the brake business. In China, we decided to establish a subsidiary in Jiangsu Province in addition to Beijing-based Saeron Automotive Beijing Corporation (SABC). We are expanding facilities and taking other actions to target not only Korean automakers, which are increasing their presence in China, but also Japanese automakers. In the Indian market, we are targeting Japanese automakers by providing technical support to Rane Brake Lining Limited, an affiliate subject to the equity method.

Based on the fundamental strategies of technological advancement and global business development, we are implementing global business strategies with an eye to localization and addressing such major issues as the development of distinctive products with strong price competitiveness. To further develop business in the future, we merged with Nisshinbo Brake Sales Co., Ltd., a group company, in April 2010. Also, we are only halfway done with reorganizing business structures in such a manner that a profit can be generated even with orders at 70% of their level prior to the collapse of Lehman Brothers.

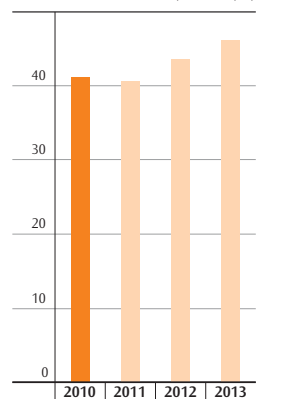
#### Responding to Next-Generation Vehicles

Responding to next-generation vehicles, such as electric vehicles, is a key issue for Nisshinbo Brake. We believe that the brake systems required by future automobiles will be determined by developments concerning the use of electronics in vehicles. Automakers are currently in the research and testing phases, however, so it is difficult to identify likely outcomes. We are working to establish true technological capabilities by delving even deeper into the friction material-related technologies that we possess.

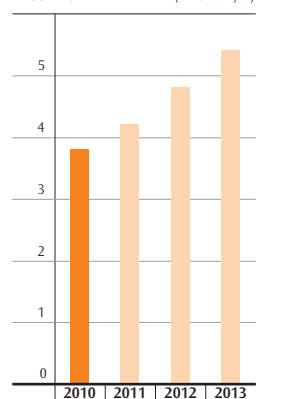
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*In the fiscal year ending March 2011, the 66-year-old Nisshinbo brake business and the 60-year-old Nisshinbo Brake Sales Co., Ltd. have merged. All Nisshinbo Brake employees will make concerted efforts toward greatly improved performance in the future.*

Net Sales (billions of yen)



Operating Income (billions of yen)



\* See note to the graph on p15.

green story

Our Environmentally Friendly Products

#### Green Pad Environment-Friendly Brake Products

Green Pad products are brake friction materials that do not contain any hazardous substances in compliance with the European End-of-Life Vehicle Directive. Nisshinbo Brake conducts material and process designs with a constant awareness of the need to reduce environmental impact.





## New Products Introduced and Sales of Distinctive Products Promoted in Various Fields

### Summary of Financial Results for the Fiscal Year Ended March 2010

#### Income Increased Substantially Through Cost Reductions in Household Papers Segment

In the fiscal year ended March 2010, sales prices in the paper products business declined and revenues fell because of the impact of the economic downturn on household paper products and consumer preference for low-priced products. Thanks to significant cost reductions achieved through lower materials and fuel expenses and lower depreciation expenses, however, income increased sharply. In the specialty papers segment, sales of fine papers and label-related products handled by a subsidiary were sluggish because of the slow economic recovery. Although sales of telegram-related products were brisk, both revenue and income were down from the previous year. As a result, the paper products business as a whole reported net sales of ¥31,536 million (down 7.8% from the previous year) and operating income of ¥1,706 million (up 118.7%).

#### Business Strategies and Outlook for the Fiscal Year Ending March 2011

Higher costs for raw materials and fuel in conjunction with the rising prices of pulp and crude oil will result in continued hardship in the paper products business. Nisshinbo Paper Products will strengthen collaboration with group companies and concentrate management assets in growth fields so as to increase revenue and income despite the difficult business environment.

#### Household Paper Products: Raise Sales Prices and Expand Sales of Distinctive Products

Although the household paper products industry is supported by steady consumption of essential daily items, manufacturers are experiencing contracting revenues due to higher costs for raw materials and lower product prices. Sales channels are undergoing drastic changes as a result of reorganization and mergers in both the wholesale and retail industries, and the introduction of imported products, although market shares are still low, makes it difficult to raise prices.

In these circumstances, we will distinguish ourselves from other companies with high added-value products, such as bath tissue designed specifically for use with

bidets. In this product segment, even if competition intensifies as a result of market entry by other companies, the market will continue to grow, so we can expand sales by maintaining and improving our superiority in quality.

We are also strengthening alliances with overseas companies in such areas as base paper procurement and expanded collaboration to include technical guidance and product stocking.

#### Specialty Papers: Expand Business in Related Fields and Strengthen Eco-Products

Demand for high-quality and distinctive fine papers remains strong in the packaging and paper product areas. In the specialty paper segment, we are introducing new fine paper products and expanding sales of high added-value products, and we are expanding business in the packaging area to related fields by generating synergy effects with Daiwa Shiko Co. As for environment-friendly products, we have established a lineup of products that include natural materials, and we have positioned products certified by the Forest Stewardship Council (FSC)\* as priority products. Overseas, we export high-quality printing paper, mainly to South Korea, and we plan to actively develop this business by expanding sales to other South-east Asian countries and starting overseas production.

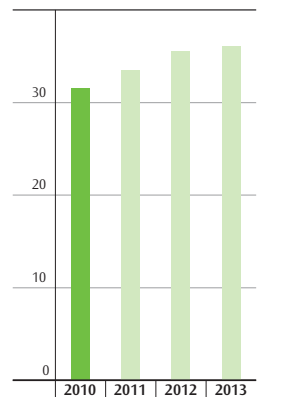
#### Processed Paper Products: Expand the Scope of Business and Develop Overseas Business

The market for telegram-related products has been invigorated as a result of the growth of Internet telegrams and gift products with messages. In fields that are incidental to the high-end paper carton market, we are gaining new customers by offering solutions that include assembly and logistics. In the processed paper product business we will work to increase sales in the telegram-related product and advertising-related product fields, as well as to expand our scope of business through collaboration with group companies. Overseas, we are working to increase sales of printers and other products handled by Nisshinbo Postal Chemical Co., Ltd. and begin selling high-quality paper cartons for use in China. We will also increase production, particularly by our subsidiaries in China.

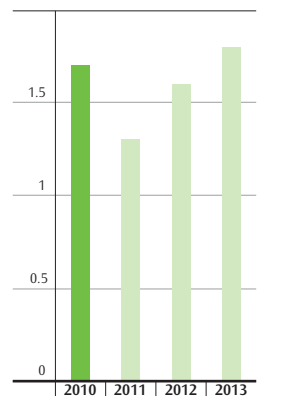
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*Nisshinbo Paper Products will continue to contribute to society by providing high added-value products that satisfy customers.*

Net Sales (billions of yen)



Operating Income (billions of yen)



\* See note to the graph on p15.

\* FSC certified products use forestry materials harvested from properly managed, sustainable forests.

green story

Our Environmentally Friendly Products

#### Bath Tissue Paper with Twice the Absorbency

The convex portions of two sheets of paper that underwent Super W embossing are lined up to create bath tissue designed specifically for bidets with twice the absorbency of earlier Nisshinbo bath tissue. Since the amount used can be reduced, less paper is consumed.





## Developing PV Business Globally from Customer's Perspective

### Summary of Financial Results for the Fiscal Year Ended March 2010

#### Revenues and Profits Decline Due to Less Investment by Photovoltaic Module Manufacturers

In the fiscal year ended March 2010, Nisshinbo Mechatronics' key business developments included the completion of a new plant for photovoltaic module manufacturing equipment at the site of the Miai Machinery Plant in Okazaki City, Aichi Prefecture, the establishment of local subsidiaries in Taiwan and North America, and the development of new materials relating to photovoltaic module manufacturing. Sales of photovoltaic module manufacturing equipment, our main product line, have fallen substantially below the planned figure due to a contraction of large-scale capital investment by photovoltaic module manufacturers following the financial crisis in the autumn of 2008. Also, sales of specialized machine tools have been sluggish with the exception of certain products, such as battery processing equipment for hybrid vehicles.

As a result, the mechatronics business as a whole reported lower revenues and profits, with net sales of ¥24,908 million (down 30.0% from the previous year) and an operating loss of ¥535 million (a deterioration of ¥2,383 million compared to the previous year).

On March 1, 2010, Nisshinbo Mechatronics merged with and absorbed Nippon Kohbunshi Co., Ltd., a wholly owned subsidiary. We will use the merger as an opportunity to raise production efficiency and quality and to generate synergy effects in business and income through the utilization of overseas bases.

### Business Strategies and Outlook for the Fiscal Year Ending March 2011

#### Seeking Lower Total Costs and High Added Value

The present issue in photovoltaics is reduction of the cost of power generation. Nisshinbo Mechatronics is focusing on developing technologies that can extend the lifespan of modules so as to reduce total costs and provide higher added value from the customer's perspective. We are also considering using the expertise accumulated through the production and installation of photovoltaic modules at the Miai Machinery Plant to provide consulting services concerning optimal module processing conditions and materials as well as module

installation to customers that manufacture modules.

In global business, we are establishing overseas sales and service bases, particularly in Taiwan, Europe, and North America. Going forward, we anticipate high growth in East Asia, and we will implement a strategy of exercising leadership in Asian markets by using and expanding our local production bases there.

As part of this strategy, this summer we turned our existing company in China into a subsidiary, renamed it Nisshinbo-Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd., and commenced the manufacture and sale there of photovoltaic module manufacturing devices.

#### PV Business Showing Signs of Recovery

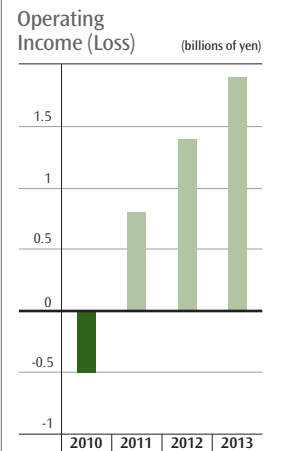
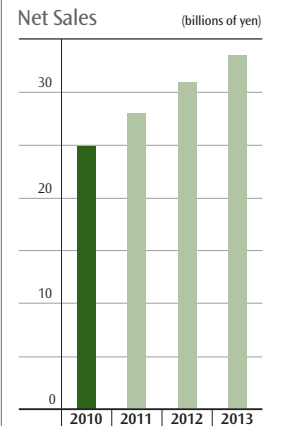
Demand in the PV business plunged as a result of the financial crisis, and markets have been stagnant since then. Nisshinbo Mechatronics experienced a substantial decline in sales in the fiscal year ended March 2010, but business is now turning upward. As a result of rising awareness concerning environmental preservation and an accelerating shift to renewable energy sources, photovoltaics is being installed at a brisk pace in many countries. It is projected that globally more than twice as much photovoltaic capacity will be installed by 2012 than in 2008. In these circumstances, we expect net sales in the photovoltaic module manufacturing equipment segment to more than double to ¥8.5 billion.

#### Other Business Segments

Nisshinbo Mechatronics is active in a number of fields other than photovoltaic module manufacturing equipment, including specialized machine tools for automobile and aircraft manufacturing, precision processed components for automotive antilock brake systems and electronic stability control, and the manufacture and sale of molded plastic components, such as air conditioner fans. Our initial targets for the precision instruments business as a whole in the fiscal year ending March 2011 are net sales of ¥28 billion and operating income of ¥800 million.

\* \* \* \* \*

*Nisshinbo Mechatronics will continue to implement business strategies centered on contributing to preservation of the global environment and pursue higher corporate value.*



\* See note to the graph on p15.

Also see the article *Seeds for Future Growth* on page 8.



green story

Our Environmentally Friendly Products

#### Solar Simulators

Nisshinbo Mechatronics boasts more than 90% of the domestic market for in-line solar simulators, which are devices for measuring the output characteristics of photovoltaic modules. We thus support the manufacture of high-quality photovoltaic modules.





green story

Our Environmentally Friendly Products

**Bipolar Plates for Fuel Cells**

A key component of the fuel cell, which generates electricity from the chemical reaction between hydrogen and oxygen, is the bipolar plates. Nisshinbo Chemical has developed carbon bipolar plates with outstanding corrosion resistance properties.



## Accelerating Business Development with Focus on Environmental Products

### Summary of Financial Results for the Fiscal Year Ended March 2010

#### Comprehensively Reconstructing Business to Generate Profits Despite Declining Revenues

In the fiscal year ended March 2010, Nisshinbo Chemical reorganized its business by streamlining existing product lines, including thermal insulation products, carbon products, and elastomer products, and was able to secure stable income. In the environmental and energy fields, two areas of high-priority development, we started construction of a bipolar plates manufacturing plant in Chiba City, Chiba Prefecture, and established structures that will be able to respond to the widespread introduction of fuel cells. As a result, the chemicals business reported net sales of ¥14,057 million (down 11.0% from the previous year) and an operating loss of ¥376 million (an improvement of ¥1,525 million over the previous year).

### Business Strategies and Outlook for the Fiscal Year Ending March 2011

#### Pursuing “Selection and Concentration” as Environmental Businesses Take Off Worldwide

In order to contribute to the realization of a low-carbon society, Nisshinbo Chemical is actively investing resources in environmental- and energy-related businesses, such as carbon bipolar plates and Carbodilite, a high-performance resin material.

Regarding electric double-layer capacitors, which we aim to develop into a full-fledged business from now on, at present Nisshinbo Holdings is conducting development activities and endeavoring to improve our product strength with a view to expanding application to automobiles and hybrid construction equipment.

#### Bipolar Plates for Fuel Cells

In April 2010 we began operations at a new high-productivity plant (the Chiba Plant) to reduce costs and respond to expansion of the market for residential fuel cells and growing demand for bipolar plates resulting from trial production of automotive fuel cells. In the Three-Year Management Plan through the fiscal year ending March 2013, we project that demand for automotive fuel cells will continue to grow based on the spread of residential fuel cells. In the fiscal year ending March 2011, we will

continue comprehensive efforts to develop technologies that can reduce the cost of bipolar plates and support mass production.

#### Carbodilite

Carbodilite enhances durability and heat resistance when added to polylactic acid resin and has received highest praise around the world. Applications of Carbodilite are not limited to bio-plastics; it is also used globally as a safe crosslinking agent for water-based paints and inks. Carbodilite can make substantial contributions to the development of smaller and lighter digital devices when used as a halogen-free and lead-free electronic component adhesive, and it is becoming an essential material for the development and manufacture of environment-friendly products. Sales are expected to be slightly above ¥1 billion in the fiscal year ending March 2011, and we are aiming for sales of ¥2 billion in the final year of the Three-Year Management Plan.

#### Electric Double-Layer Capacitors

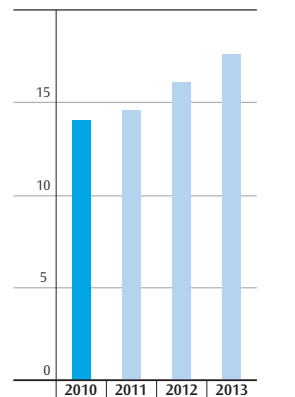
Electric double-layer capacitors are a type of capacitor that excels at rapid charging and discharging of high current. These products have an established track record with transport equipment, and in the fiscal year ending March 2011 we will launch capacitor modules that include a hard case cell and digital control circuit that are currently under development with the aim of expanding the use of the capacitors from the current industrial equipment applications to construction equipment and automotive applications. We expect that widespread use of these capacitors in automotive applications will begin around 2015.

#### Improving the Profitability of Existing Product Lines Through Business Reconstruction

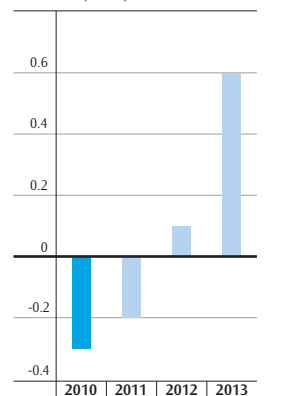
Insulating materials are one of our main product lines, and we are working to enhance performance by increasing the share of high added-value products that employ chlorofluorocarbon-free technologies and by developing business in Asia, where demand is growing rapidly.

.....  
Nisshinbo Chemical is conducting development and establishing businesses in the environmental and energy fields that are essential for the creation of a low-carbon society.

Net Sales (billions of yen)



Operating Income (Loss) (billions of yen)



• See note to the graph on p15.





**Outdoor Transmitters for Satellite Communications System**  
 This product, a type of transmitter with very small aperture terminals (VSAT), has been made lighter and smaller, electricity consumption has been cut, and consideration has been made of the chemical substances used so as to ensure compliance with environmental laws.



## Actively Developing High Added-Value Products to Create Unique Markets amid Intense Competition

### Summary of Financial Results for the Fiscal Year Ended March 2010

#### Second Consecutive Operating Loss Reported amid Sluggish Global Demand

In the fiscal year ended March 2010, the electronics products business performed poorly as a result of sluggish global demand. In the semiconductor segment, a principal business line for New Japan Radio Co., Ltd., sales of certain products, such as microwave devices for use in communications equipment in China, were up, but sales of other products dropped substantially. Measures were taken to control costs, including personnel expenses, but the effects from the decline in revenues were substantial, and the company reported an operating loss.

Because of a rapid decline in the automobile and electrical segments, Ueda Japan Radio Co., Ltd. reported lower sales of electronics manufacturing services (EMS) related products despite substantial efforts. Thanks to reductions in production costs and sales, general, and administrative expenses, however, a profit was achieved, albeit lower than the previous year. As a result, the electronics products business as a whole reported net sales of ¥51,699 million (down 14.6% from the previous year) and an operating loss of ¥2,654 million (an improvement of ¥1,264 million over the previous year).

### Business Strategies and Outlook for the Fiscal Year Ending March 2011

#### Electronics Industry Anticipates Positive Growth in Fiscal Year Ending March 2011

Japan's electronics industry expects positive growth for the first time in four years as a result of higher replacement demand for flat-screen televisions in conjunction with the full transition to terrestrial digital broadcasting scheduled for July 2011 and higher production of electronic components and devices in response to a recovery of global electronics device markets. While continuing to cut costs, the electronics products business will work to achieve a recovery in financial performance by developing new products and cultivating new customers.

#### New Japan Radio

In the fiscal year ending March 2011, New Japan Radio will collaborate with UMC Japan to develop new products, such as power devices that use a BCD (bipolar-CMOS-

DMOS) process, while developing and applying new silicon IC products, such as digital power supply control ICs, digital video decoders, and extremely low-power radio transceiver ICs.

Our initial projections for the fiscal year ending March 2011 are for substantially higher revenues and profits, with net sales of ¥45 billion (up 12.0% over the previous year) and operating income of ¥1.5 billion (an increase of ¥4.2 billion over the previous year).

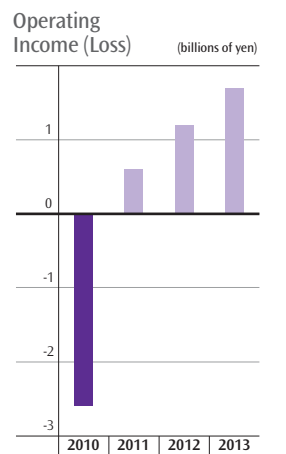
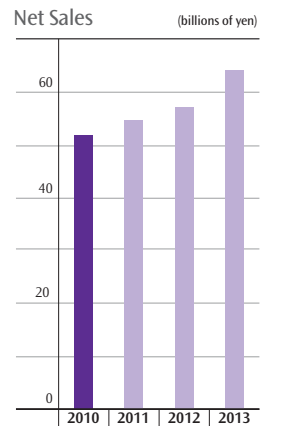
The main factors behind the increase in revenues are a substantial recovery of demand in the microwave tube and peripheral equipment segment and the microwave application product segment as well as expected results from new products and new customers. In the semiconductor product segment, our main business, we will reinforce global collaboration and expand sales to domestic customers. We expect to generate higher revenues from new products and new devices in the flat-screen television, digital still camera, PC-related, Blu-ray disc recorder, mobile phone, and automotive markets.

#### Ueda Japan Radio

Ueda Japan Radio is working to expand business in the low-power radio field, an area in which it has specialized technologies, and for original products using ultrasonic and power supply control technologies. We will also create new technologies to achieve stable development of the EMS business for contract manufacturing of electronic devices. In the area of ultrasonic technologies, we are accelerating the development and expansion of new technologies for use with medical and industrial inspection devices, such as portable ultrasonic diagnostic equipment. With respect to radio technologies, we will expand low-power radio and RFID applications, such as patient guidance systems for hospitals and electric power control and monitoring systems that use radio control.

Our initial projections for the fiscal year ending March 2011 are for net sales of ¥12.5 billion (up 9.0% over the previous year) and operating income of ¥100 million (the same as the previous year).

*The electronics products business will continue its unceasing management efforts to achieve a rapid recovery of financial performance and return to the path of growth.*



• See note to the graph on p15. The above project values take into account risks when incorporating consolidated performance.



## Real Estate

# Securing Income to Accelerate Group Growth by Renting and Selling Idle Assets

### Summary of Financial Results for the Fiscal Year Ended March 2010

#### Higher Income in the Building Lot Sales and Stable Rental Businesses

In the fiscal year ended March 2010, the real estate business began redeveloping the site of the former Hamamatsu Plant by subdividing the property and selling residential building lots, and we reported higher rental income as a result of an expansion of large-scale commercial facilities by lessees. In addition, we started leasing land and buildings to subsidiaries in conjunction with the corporate split.

As a result, the real estate business as a whole reported higher sales and income, with net sales of ¥6,674 million (up 3.7% over the previous year) and operating income of ¥6,136 million (up 83.7%).



Subdivided residential lots

### Business Strategies and Outlook for the Fiscal Year Ending March 2011

#### Business Plan for the Fiscal Year Ending March 2011 Projects Higher Sales and Income

There are signs indicating a weakening of demand from tenant businesses in conjunction with the economic downturn, but the large-scale commercial facilities that we own are outstanding properties with sales and income at the top levels of their class among tenant businesses, and the asset values are extremely high. As a result, we anticipate stable sales and income in the future.

In the fiscal year ending March 2011, we plan to subdivide and sell building lots at the site of the former Hamamatsu Plant and the site of the former Harisaki Plant, and we anticipate substantial increases in both sales and income.

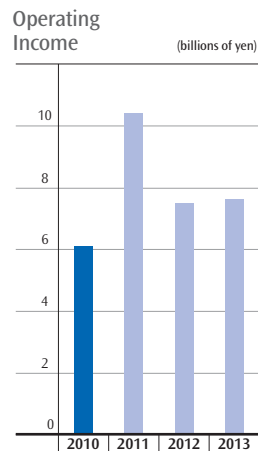
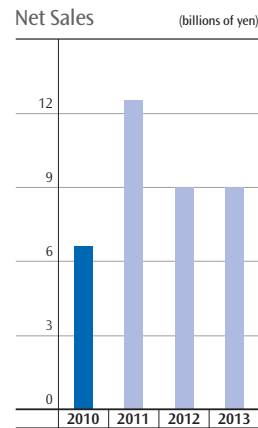
#### Undertaking High-Quality Community Development Through the Effective Use of Idle Assets

We will actively develop the residential building lots subdivision and sales business through the effective use of idle assets and the redevelopment of former business sites over the next five to seven years. Specifically, we will act as the lead developer for site preparation work and collaborate with housing builders and others to subdivide and sell residential building lots.

The properties that we own are located in urban areas close to train stations and have high asset values. By acting as the lead developer, we can conduct integrated planning and development of entire areas, making it possible to create high-quality communities that take into consideration the environment and security.

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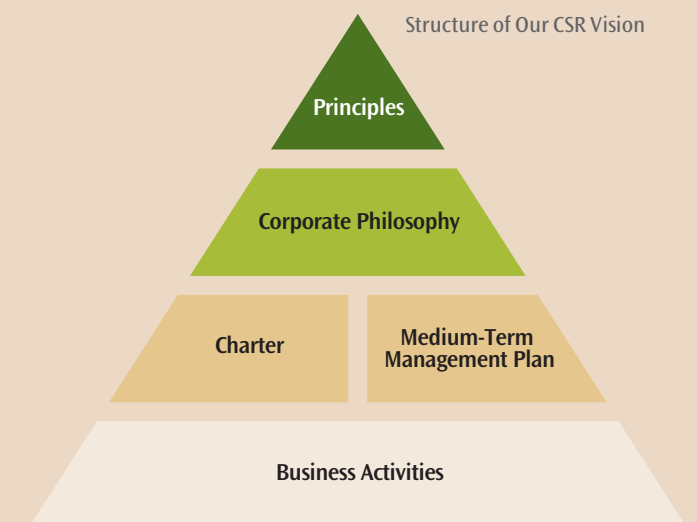
*The real estate business will engage in urban building that contributes to the development of local communities and increase the pace of business to achieve profitability at the earliest possible time.*



• See note to the graph on p15.

## We Aim to Contribute to Society Through Our Business Activities with a Deep Awareness of Corporations as Public Entities

Since its founding in 1907, the Nisshinbo Group has advocated the principles of “the corporation as a public entity” and “consistent integrity.” This way of thinking is in accordance with our approach to corporate social responsibility today. We will continue to contribute broadly to society by engaging in business activities that uphold the spirit of our corporate principles and corporate philosophy by improving the foundations for a comfortable life for people around the world, working in harmony with society and the global environment, and promoting good faith and fairness in business activities.



### Corporate Principles of the Nisshinbo Group

- Public Entity: We shall contribute to human society through our business activities.
- Consistent Integrity: We shall respond to stakeholders with honesty and integrity.
- Innovation: We shall create the future through continuous innovation.

### Corporate Philosophy of the Nisshinbo Group

- As an 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 entities.
- We shall constantly aim to raise corporate value and become a corporate group with a strong presence.

Details regarding other specific environmental and social activities at the Group can be found in Nisshinbo's CSR report.

<http://www.nisshinbo.co.jp/english/csr/download.html>



## Corporate Governance

### Basic Stance

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 our stakeholders. To maintain a system of corporate governance appropriate to this, we regard it important to work to ensure the transparency of management, reinforce accountability, and act ethically in all matters.

### Corporate Governance Structures

#### Improve Transparency of Management

The Board of Directors has 12 members, three of whom are outside directors (as of June 29, 2010). Nisshinbo also has four statutory corporate auditors, including two outside auditors.

Two of the outside directors and the two outside auditors are registered as independent officers as required under the regulations of the relevant Japanese securities exchanges for being listed thereupon.

The terms of office for directors are set at one year in order to clarify management responsibilities in each fiscal year. Nisshinbo also introduced a managing officer system with the intention of separating management decision-making and execution.

#### Reinforcing Audit Functions

The auditors monitor the directors' execution of their responsibilities as well as operations and financial conditions at the Company and its subsidiaries. The two outside auditors attended every (16) Board of Directors and every (12) Board of Auditors meeting held in the fiscal year ended March 2010 and were active in presenting their opinions.

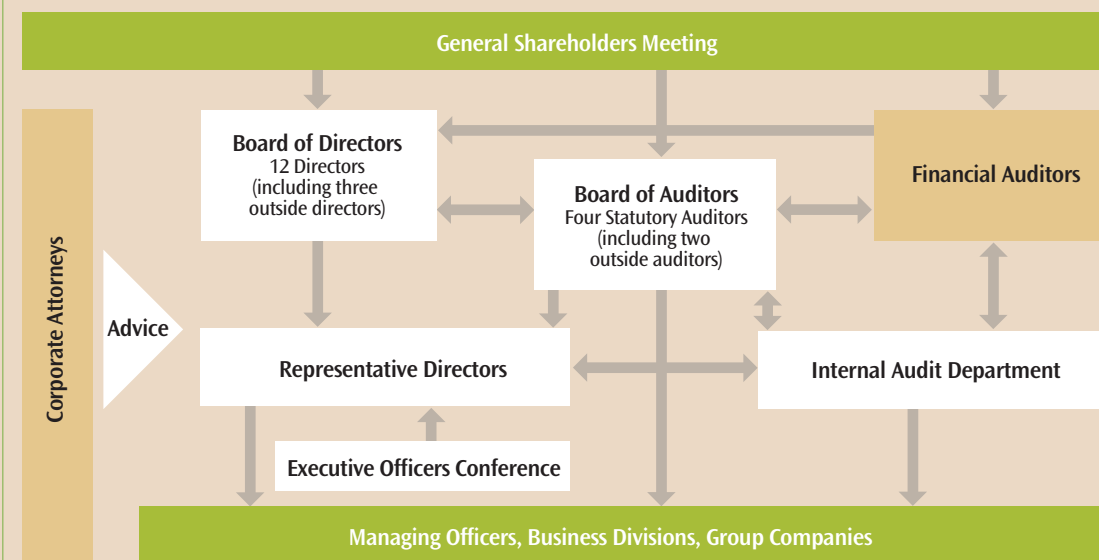
The Company also receives advice on pertinent laws from corporate attorneys, and financial auditors perform rigorous and impartial accounting audits.

Furthermore, the Internal Audit Department works with the corporate and financial auditors to improve the effectiveness of business and accounting audits.

#### Timely Information Disclosure

The Company holds briefings for all of its stockholders and investors on a regular basis. It also publishes notices in a timely fashion on its website regarding the convening of and resolutions from regular general stockholders meetings, financial results, business reports, and annual securities reports.

Corporate Governance Structures



### Maintaining Internal Control Systems

Companies have been obligated since the fiscal year ended March 2009 to submit reports on internal controls in order to ensure the reliability of financial statements. The Nisshinbo Group established group regulations and the like in response to this development and developed a group-wide system of internal controls.

During the system's second year of operation, the fiscal year ended March 2010, the Internal Audit Department assessed the operational status of the internal control systems in each group company to confirm their effectiveness.

## Risk Management

### Basic Stance

The Nisshinbo Group engages in risk management activities in order to minimize various risks. We believe that in risk management it is important to develop measures for preventing risk and measures to respond in a timely manner should a problem occur.

Quick response measures include our having adopted Crisis Management Regulations to respond to a crisis such as a major earthquake. In order to (1) minimize damage, (2) ensure the continuity of business through rapid recovery, and (3) contribute to the rapid recovery of the community when a crisis occurs, we will strive to (i) put a premium on human life, (ii) act in ways befitting a responsible corporation, (iii) collaborate with governmental bodies and business partners, and (iv) give fullest consideration to our community and neighbors.

### Crisis Management Systems

The Company has created a system for times of crisis under which response task forces will be created at Nisshinbo Holdings, the core companies, and subsidiary companies. The authority to direct each task force is placed in the hands of the president of Nisshinbo Holdings. Regular drills and inspections take place to ensure that the crisis management system can perform as expected.

Nisshinbo Holdings and its core subsidiaries have organized firefighting teams at each business site. They perform regular inspections of firefighting equipment, conduct fire hydrant drills, and hold annual accident prevention inspections. Emergency contact exercises are also conducted annually to ensure that the whereabouts and safety of employees can be confirmed should a major earthquake or other disaster occur.

### Novel Influenza Countermeasures

The novel influenza A (H1N1) virus ran rampant throughout the world during 2009. The World Health Organization (WHO) raised its pandemic alert level in June to phase 6 (signaling infections are increasing and persisting among humans). The Nisshinbo Group established a novel flu virus response team in September 2008. The team oversees information management—entailing mainly the distribution of information about travel restrictions and such and collecting data on people who have become ill—as well as the implementation of infection prevention measures. Also, thanks to infection prevention measures having been implemented thoroughly at each group company, such as the distribution of high-performance filtration masks for infection prevention to all group employees, including those overseas, we were able to prevent any workplace infections that could have interfered with business operations.

### Information Security Measures

The Nisshinbo Group is constantly improving information security measures to prevent leaks of important personal information about customers and of trade secrets. We are addressing information security through both measures on information systems and human controls.

On our information systems, we are reinforcing monitoring of the network shared throughout the Group. We are also tightening oversight of the data that employees take out of company offices.

To protect personal information and manage trade secrets, in addition to the aforementioned measures we conduct annual internal audits and are continually improving our control systems. In addition to measures for handling leaks of confidential group information, measures have also been devised to prevent confidential information from being brought in, and we are endeavoring to prevent the intellectual property of third parties from being infringed.



## Compliance

### Basic Stance

The Nisshinbo Group believes it is important for all employees to maintain the highest ethical standards and, in keeping with the principle of “consistent integrity,” to act with fairness and integrity toward our stakeholders in order to obtain society’s trust and sympathy for our business management. For that reason, we ask all employees to comply to the utmost with the Nisshinbo Group’s Corporate Code of Conduct.

### Corporate Ethics Committee and Corporate Ethics Reporting System

Nisshinbo established its Corporate Ethics Committee to oversee group-wide compliance activities.

The Corporate Ethics Reporting System was created for the early discovery and prevention of suspected and actual legal violations. Both Group employees and a wide range of stakeholders can report to the system, which

Corporate Ethics Reporting System



can be used to communicate directly with the Corporate Ethics Committee or an outside corporate attorney. The confidentiality of persons making reports is strictly guaranteed and every effort is made to prevent any prejudicial treatment toward them. Reports are dealt with by the Corporate Ethics Committee.

### Legal Risk Management

The Nisshinbo Group conducts legal risk management as part of its compliance-related efforts. Checklists are used to conduct inspections concerning responses to major laws closely related to the Company’s business and we make efforts to avoid imperfect compliance.

We conducted inspections as a part of that effort during the fiscal year ended March 2010 concerning the safe-keeping of dangerous substances and chemical reagents held at group companies and reporting thereof to governmental bodies to confirm that they were being properly performed.

### Compliance Education

The Nisshinbo Group prepared its Corporate Vision of the Nisshinbo Group in both Japanese and English as an educational tool concerning compliance-related topics. We are making every effort to get the information to all employees, including local executive staff, in non-English speaking countries as well.

# Financial Section

## CONTENTS

32 Management Discussion and Analysis

37 Six-Year Summary

38 Consolidated Financial Statements  
43 Notes to Consolidated Financial Statements



## HIGHLIGHTS

- Sales fell due to reduced capital investments by photovoltaic module manufacturers in the precision instruments business. Nonetheless, operating income rose due to improved profits ratio in the paper product and brake businesses.
- A new management structure was launched on April 1, 2009, with the holding company Nisshinbo Holdings Inc. grouping together six business corporations. The objective is to improve the competitiveness of each business corporation and maximize group corporate value.
- A new three-year management plan called “Challenge 2012” that will be in effect through the fiscal year ending March 2013 (fiscal 2012) was formulated. The plan’s goal is to strengthen and nurture new businesses in the environmental and energy fields as well as restructure businesses globally focused on Asia.

## OPERATING RESULTS

## Overview

During the fiscal year under review (the fiscal year ended March 2010), the Japanese economy rallied thanks to increased exports and the effects of emergency economic measures. However, with the severity in employment conditions and so forth persisting this did not lead to a self-sustaining recovery. It was under these circumstances that on April 1, 2009, Nisshinbo spun off its textiles, automobiles brakes, papers, mechatronics, and chemicals businesses into separate subsidiaries. The Group adopted a holding company structure as Nisshinbo Holdings Inc., grouping together the aforementioned five business corporations with a sixth handling electronics.

During the fiscal year under review, the business corporations made independent by the company split-up worked to improve their competitiveness in their respective areas of business and improve the corporate value of the Group as a whole. They also made progress toward expanding operations in the environmental and energy fields and bolstering earning power. Furthermore, the Group sought to improve managerial efficiency and strengthen management by moving actively forward with organizational restructuring, pulling together its U.S. production bases in the brake products business, and conducting M&A with fellow group companies in the precision instruments business.

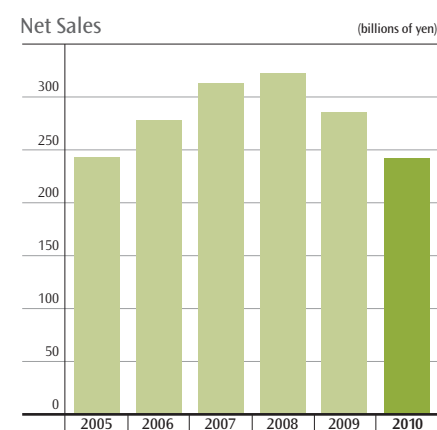
## Results of Operations in the Current Term and Comparison with the Previous Term

Net sales were ¥242,409 million (US\$2,552 million), down 15.3% from the previous year. The cost of goods sold was ¥201,625 million (US\$2,122 million), a 17.3% drop year on year. Selling, general, and administrative expenses stood at ¥37,214 million (US\$392 million), off 11.2% from the previous year. As a result, operating income rose ¥3,162 million from the previous year to ¥3,570 million (US\$38 million). Although the precision instruments business posted lower income, an improved profits ratio in the papers and automobile brakes businesses resulted in increased income. The operating loss was also improved thanks to the effects of streamlining those items in the textiles and electronics businesses whose performance was well below what had

been planned at the start of the year.

In addition, Nisshinbo reported ¥3,887 million in investment income from the equity method for the year, though there was also a ¥2,354 million loss on impairment of idle properties and the like.

As a result, Nisshinbo posted a net profit of ¥1,896 million (US\$20 million), an increase of ¥3,182 million from the previous year. Net profit per share stood at ¥10.38 (US\$0.11), compared to a net loss of ¥7.08 per share in the previous year.



## CURRENT BUSINESS STRATEGIES AND FUTURE PROSPECTS

Our Group formulated a new three-year management plan called “Challenge 2012” that will be in effect through the fiscal year ending March 2013 (fiscal 2012).

Under the plan, we will construct a competitive infrastructure for the future by intensively investing management resources in the environmental- and energy-related businesses, and by nurturing and strengthening new businesses such as photovoltaic modules, fuel cells, electric

double-layer capacitors, Carbodilite, and carbon catalysts. We will also hasten the globalization of our businesses focused on Asia and, in all areas of business, execute business strategies that are aimed at finding optimal locations for production and sales.

Our Group is seeking fresh achievements as an enterprise responsive to changes with a view to branching out into new areas of business without dwelling on their continuity with current operations.

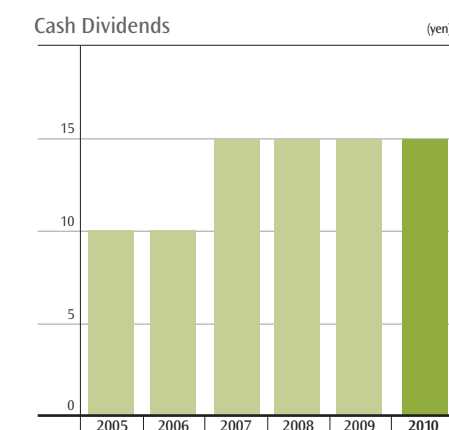
	Net Sales (millions of yen)		Operating Income (Loss) (millions of yen)	
Textiles	56,755	down 16.0% from the previous year	(2,131)	an improvement of ¥612 million from the previous year
Automobile Brakes	41,046	down 16.6% from the previous year	3,880	up 11.9% from the previous year
Papers	31,536	down 7.8% from the previous year	1,706	up 118.6% from the previous year
Precision Instruments	24,908	down 30.0% from the previous year	(535)	a deterioration of ¥2,383 million from the previous year
Chemicals	14,057	down 11.0% from the previous year	(376)	an improvement of ¥1,525 million from the previous year
Electronics	51,699	down 14.6% from the previous year	(2,654)	an improvement of ¥1,264 million from the previous year
Real Estate	6,674	up 3.7% from the previous year	6,136	up 83.7% from the previous year
Other Businesses	15,734	down 6.1% from the previous year	194	up 24.1% from the previous year

Refer to pages 14 to 26 for details on performance in individual segments.

## DIVIDENDS

The basic policy of Nisshinbo Holdings Inc. is to pay dividends twice a year, at midterm and at yearend. The total annual dividend payment including the midterm dividend shall be ¥15.0 per share.

Nisshinbo will continue its policy of paying ¥15.0 per share after the fiscal year ended March 2010 while working to distribute profits to shareholders by flexibly increasing dividends in response to changes in business conditions.



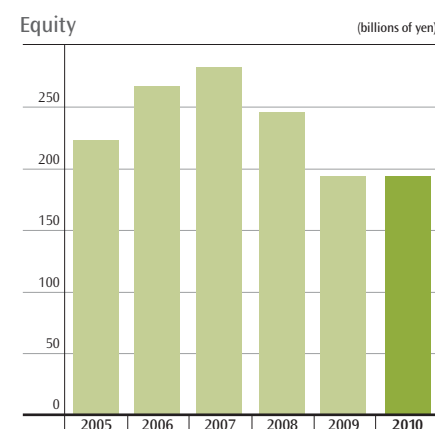
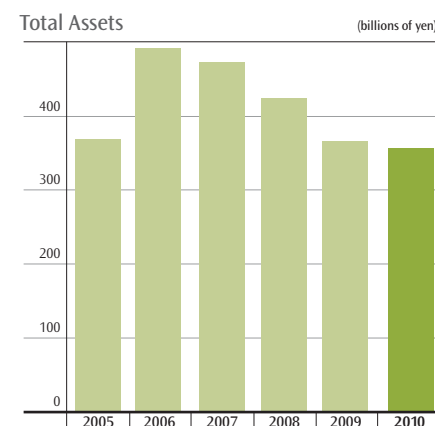
## FINANCIAL POSITION

Total assets at the end of the fiscal year under review stood at ¥358,110 million (US\$3,770 million), a decrease of ¥8,748 million from the end of the previous fiscal year. The main factors behind the decline included a ¥19,259 million decrease in current assets due to a ¥11,435 million decrease in cash and cash equivalents and a ¥6,924 million decrease in inventories; a ¥3,453 million decrease in property, plant and equipment; and a ¥13,964 million increase in investments and other assets due to an increase in gains on devaluation of marketable securities.

Total liabilities at the end of the fiscal year were ¥164,471 million (US\$1,731 million), a decrease of ¥8,689 million from the end of the previous fiscal year. The main factors behind the decline included a ¥35,730 million decrease in short-term bank loans, a ¥4,000 million increase in commercial paper, a ¥9,722 million increase in long-term debt (including current portion of long-term debt), and an ¥11,209 million increase in long-term and short-term deferred tax liabilities.

Net assets at the end of the fiscal year were ¥193,639 million (US\$2,038 million), a decrease of ¥59 million from the end of the previous fiscal year. The major factors behind the decline were a decrease of ¥5,035 million as a result of the acquisition of treasury shares, an increase of ¥6,537 million from higher net unrealized gain on available-for-sale securities as a result of higher securities prices, and a decrease of ¥3,263 million from lower minority interests.

Net assets per share were ¥1,034.04 (US\$10.88), up ¥48.85 from the end of the previous fiscal year.



## CASH FLOWS

## Cash Flows from Operating Activities

Cash flows from operating activities stood at ¥27,538 million (US\$290 million), an increase of ¥15,599 million from the end of the previous fiscal year. The main factors were increases in income before income taxes and minority interests, as well as increases in payable.

## Cash Flows from Investing Activities

Cash flows used in investing activities were ¥9,949 million (US\$105 million), an improvement of ¥4,444 million from the end of the previous fiscal year. The main factor was a decrease in payment for purchase of property, plant and equipment.

## Cash Flows from Financing Activities

Cash flows used in financing activities were ¥30,347 million (US\$319 million), a decrease of ¥42,287 million from the previous fiscal year. The main factor was a decrease in short-term bank loans.

As a result of the above, cash and cash equivalents at the end of the fiscal year were ¥17,768 million (US\$187 million), a decrease of ¥11,435 million from the end of the previous fiscal year.

## PRODUCTION RESULTS

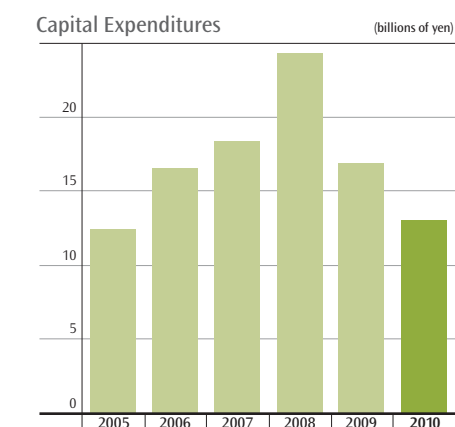
Production results in each segment for the fiscal year under review were as follows:

Industry Segment	Amount (millions of yen)	Year-on-Year Change (%)
Textiles	39,489	-14.4
Automobile Brakes	35,462	-20.9
Papers	25,918	-13.5
Precision Instruments	24,601	-25.8
Chemicals	6,021	-27.1
Electronics	48,930	-15.2
Total	180,421	-18.0

Notes: 1. Amounts are calculated based on manufacturing costs.  
2. The real estate and other businesses do 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.

## CAPITAL EXPENDITURES

Capital expenditures amounted to ¥13,027 million (US\$137 million) during the fiscal year under review. These included investments of ¥1,496 million for the construction of photovoltaic module manufacturing facilities for photovoltaic module manufacturing equipment at the Miai Machinery Plant in the precision instruments business and ¥945 million for the construction of a special plant for bipolar plates for fuel cells at the Chiba Business Office in the chemicals business. In addition, ¥1,032 million was used in the automobile brakes business on system and IT investments for Nisshinbo Brake Inc., a consolidated subsidiary, to build a global data management system and so forth, and ¥1,141 million was used in the textiles business for P.T. Gistex Nisshinbo Indonesia, a consolidated subsidiary, to invest in textile-processing facilities and so forth.

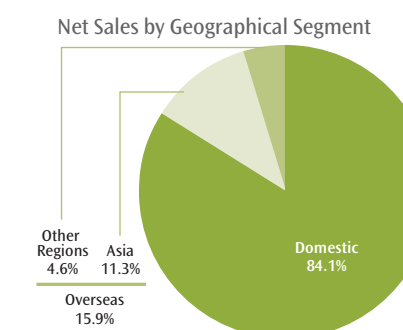


## GEOGRAPHICAL SEGMENT INFORMATION

Sales in Japan were ¥203,747 million (US\$2,145 million), a 13.3% decrease from the previous year. However, operating income rose to ¥5,014 million (US\$53 million), climbing ¥8,020 million from the previous year thanks to a decrease in depreciation expenses.

In Asia, sales fell 23.8% from the previous year to ¥27,442 million (US\$289 million), while operating income fell 69.6% to ¥895 million (US\$9 million). The declines were due to the transfer of the sintering business at Saeron Automotive Corporation in Korea and reduced production due to customer inventory adjustments at Kohbunshi (Thailand) Ltd.

In other regions, sales fell 26.2% from the previous year to ¥11,220 million (US\$118 million) and operating income dropped 37.5% to ¥602 million (US\$6 million), due mainly to decreased sales and income at Nisshinbo do Brasil Industria Textil Ltda. in South America.





## RISK INFORMATION

## New Business Risks

The Nisshinbo Group is actively developing new businesses, but it is possible that the development of appealing new products and the formation of new markets may not proceed as anticipated. This could result in delays or the inability to recover 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. If accounting standards are changed in the future, however, periodic income or losses may vary widely. 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.

In addition, Nisshinbo made a trust contribution of ¥14.7 billion in response to losses resulting from a change in accounting standards regarding employee retirement plans made in 2000. The Company amortizes retirement benefits evenly over an average 15-year employment term, and therefore retirement benefit expenses affected by fluctuations in stock prices could have an impact on income for the fiscal year.

## Risks Associated with the Utilization of Idle Land

To reform its business structures, Nisshinbo is taking active measures to close certain business sites and subsequently use the idle land. Such redevelopment may result in cleanup expenses, and revisions to laws could impede redevelopment.

## Product Quality Risks

The vast majority of the Nisshinbo Group manufactures its 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 Company's business results.

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

Some of the Nisshinbo Group's products are significantly affected by fluctuations in market prices in conjunction with market developments and competition with other companies. Changes in currency exchange rates when procuring imported raw materials that cannot be shifted to selling prices may also curtail income.

## Risks Associated with Changes in Customers' Business Performance

The customers of the Nisshinbo Group's automobile brakes business are automobile manufacturers that conduct business globally. Changes in the business results of such client companies are a factor that the Group cannot control, and consequently they may have an impact on our financial results.

## Risks Associated with the Electronics Product Business

Semiconductors account for more than 80% of the consolidated sales of New Japan Radio Co., Ltd., which is a consolidated subsidiary, and changes in demand in semiconductor markets may have an impact on business results. Also, overseas sales account for approximately half of New Japan Radio's sales, and changes in exchange rates may have an impact on business results.

## Risks Associated with Developing Overseas Businesses

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

## Risks Associated with Financial Covenants Related to Capital Procurement

The Company and its consolidated subsidiary New Japan Radio have entered into commitment contracts with multiple financial institutions. Since certain financial covenants and time-limited acceleration conditions are attached to these contracts, it is possible that the terms for borrowing may change due to future fluctuations in performance.

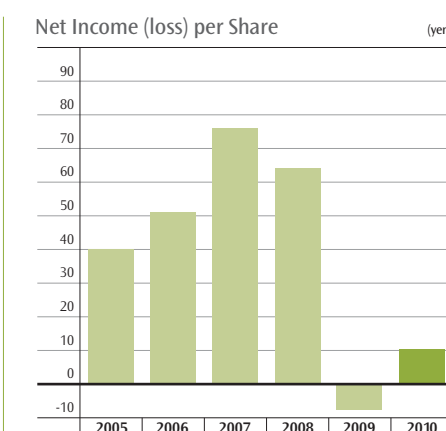
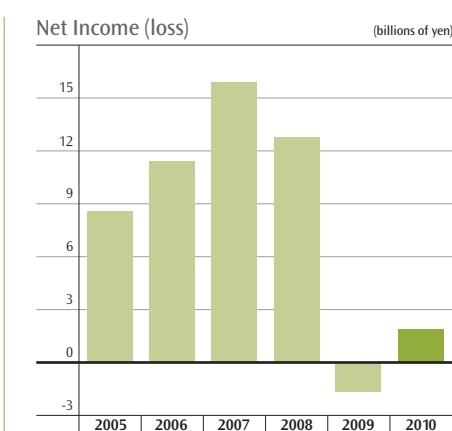
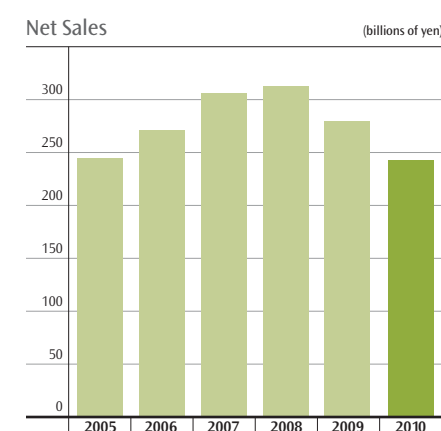
	(millions of yen)					
	2005	2006	2007	2008	2009	2010
Net Sales	243,421	278,617	312,825	322,412	286,167	242,409
Operating Income	9,651	10,524	11,551	12,034	408	3,570
Net Income(loss)	8,199	11,183	15,107	12,290	(1,286)	1,896
Equity	222,771	266,434	282,015	245,909	193,698	193,639
Total Assets	370,168	491,230	472,670	424,706	366,858	358,110
Shareholders' Equity Ratio (%)	60.2	54.2	55.3	53.0	49.0	51.1
Return on Assets (%)	2.2	2.6	3.1	2.7	(0.3)	0.5
Return on Equity (%)	3.8	4.6	5.7	5.1	(0.6)	1.0
Payout Ratio (%)*	28.1	32.2	35.6	—	—	167.7
Capital Expenditures	12,504	16,548	18,306	24,280	16,872	13,027
Depreciation and Amortization	11,046	13,835	14,984	16,890	18,025	12,960

Common Shares Issued	208,198,939	208,198,939	201,698,939	198,698,939	184,098,939	184,098,939
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## Per Share (in yen):

Net Income(loss)	39.03	53.21	74.19	63.34	(7.08)	10.38
Shareholders' Equity	1,072.54	1,283.21	1,301.14	1,179.43	985.19	1,034.04
Cash Dividends	10.00	10.00	15.00	15.00	15.00	15.00
Number of Employees	9,505	12,602	12,744	13,253	12,726	12,488

\*Payout Ratio is on a non-consolidated basis.



## CONSOLIDATED BALANCE SHEETS

(March 31, 2010 and 2009)

ASSETS	(millions of yen)		(thousands of US dollars) (Note 1)
	2010	2009	2010
<b>Current assets:</b>			
Cash and cash equivalents	¥17,768	¥ 29,203	\$187,032
Time deposits (Note 5)	2,413	3,202	25,400
Marketable securities (Note 4)	2	1,637	21
Receivables			
Notes receivable, trade	7,449	9,415	78,410
Accounts receivable, trade (Note 5)	48,991	45,067	515,695
Unconsolidated subsidiaries and affiliates	5,819	6,649	61,253
Other	1,264	2,182	13,305
	63,523	63,313	668,663
Less allowance for doubtful accounts	(300)	(320)	(3,158)
	63,223	62,993	665,505
Inventories (Notes 3 and 5)	41,293	48,217	434,663
Deferred tax assets (Note 7)	3,982	1,665	41,916
Other current assets	1,925	2,948	20,263
Total current assets	130,606	149,865	1,374,800
<b>Property, plant and equipment (Note 5):</b>			
Land	27,643	28,063	290,979
Buildings and structures	127,477	127,373	1,341,863
Machinery, equipment and tools	234,003	232,833	2,463,189
Construction in progress	1,550	2,542	16,316
	390,673	390,811	4,112,347
Less accumulated depreciation	(275,947)	(272,632)	(2,904,705)
	114,726	118,179	1,207,642
<b>Investments and other assets:</b>			
Investment securities (Notes 4 and 5)	60,471	51,565	636,537
Investments in and advances to unconsolidated subsidiaries and affiliates	39,618	35,640	417,032
Deferred tax assets (Note 7)	4,596	4,000	48,379
Goodwill	616	329	6,484
Other	7,477	7,280	78,705
	112,778	98,814	1,187,137
	¥358,110	¥366,858	\$3,769,579

See Notes to Consolidated Financial Statements.

LIABILITIES AND EQUITY	(millions of yen)		(thousands of US dollars) (Note 1)
	2010	2009	2010
<b>Current liabilities:</b>			
Short-term bank loans (Note 5)	¥24,340	¥60,070	\$256,211
Commercial paper	22,000	18,000	231,579
Current portion of long-term debt (Note 5)	2,331	2,432	24,537
Payables			
Notes and accounts payable, trade (Note 5)	24,835	21,826	261,421
Unconsolidated subsidiaries and affiliates	760	547	8,000
Other	7,822	6,530	82,337
	33,417	28,903	351,758
Employees' savings deposits	179	185	1,884
Accrued expenses	5,740	6,307	60,421
Accrued income taxes	3,137	929	33,021
Deferred tax liabilities (Note 7)	44	1	463
Other current liabilities (Note 5)	3,179	3,348	33,463
Total current liabilities	94,367	120,175	993,337
<b>Long-term liabilities:</b>			
Long-term debt (Note 5)	14,424	4,601	151,832
Accrued severance benefits (Note 6)	20,870	25,634	219,684
Deferred tax liabilities (Note 7)	15,914	4,748	167,516
Other long-term liabilities (Note 5)	18,896	18,002	198,905
	70,104	52,985	737,937
<b>Commitments and contingencies (Note 11)</b>			
<b>Equity (Note 12):</b>			
Common stock:			
Authorized— 371,755,000 shares			
Issued—184,098,939 shares	27,588	27,588	290,400
Capital surplus	20,401	20,401	214,747
Stock acquisition rights	156	107	1,642
Retained earnings	129,584	130,521	1,364,042
Net unrealized gain on available-for-sale securities	17,092	10,555	179,916
Deferred loss on derivatives under hedge accounting	(82)	(42)	(863)
Foreign currency translation adjustments	(5,538)	(8,168)	(58,295)
Less shares in treasury			
2010—7,137,858 shares	(6,053)	—	(63,716)
2009—1,567,705 shares	—	(1,018)	—
	183,148	179,944	1,927,873
Minority interests	10,491	13,754	110,432
	193,639	193,698	2,038,305
	¥358,110	¥366,858	\$3,769,579



## CONSOLIDATED STATEMENTS OF INCOME

(Years ended March 31, 2010 and 2009)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2010	2009	2010
Net sales	¥242,409	¥286,167	\$2,551,674
<b>Costs and expenses:</b>			
Cost of sales	201,625	243,858	2,122,368
Selling, general and administrative expenses	37,214	41,901	391,727
	238,839	285,759	2,514,095
<b>Operating income</b>	3,570	408	37,579
<b>Other income (expenses):</b>			
Interest and dividend income	2,144	3,466	22,568
Interest expenses	(816)	(1,140)	(8,590)
Equity in earnings of affiliates	3,887	4,436	40,916
Other, net (Note 10)	(3,449)	(9,738)	(36,305)
	1,766	(2,976)	18,589
<b>Income (loss) before income taxes and minority interests</b>	5,336	(2,568)	56,168
<b>Income taxes (Note 7):</b>			
Current	3,238	2,120	34,084
Deferred	4,042	(3,257)	42,547
	7,280	(1,137)	76,631
<b>Loss before minority interests</b>	(1,944)	(1,431)	(20,463)
<b>Minority interests in net income</b>	3,840	145	40,421
<b>Net income (loss)</b>	¥1,896	¥(1,286)	\$19,958
<b>Per share:</b>	(yen)		(US dollars)
Net income (loss)	¥10.38	¥(7.08)	\$0.11
Cash dividends	15.00	15.00	0.16

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Years ended March 31, 2010 and 2009)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2010	2009	2010
<b>Common stock:</b>			
Balance at beginning of year (2010—184,098,939 shares; 2009—198,698,939 shares)	¥27,588	¥27,588	\$290,400
Balance at end of year (2010 and 2009—184,098,939 shares)	¥27,588	¥27,588	\$290,400
<b>Capital surplus:</b>			
Balance at beginning of year	¥20,401	¥20,401	\$214,747
Balance at end of year	¥20,401	¥20,401	\$214,747
<b>Stock acquisition rights:</b>			
Balance at beginning of year	¥107	¥59	\$1,126
Net changes	49	48	516
Balance at end of year	¥156	¥107	\$1,642
<b>Retained earnings:</b>			
Balance at beginning of year	¥130,521	¥153,746	\$1,373,905
Net income (loss)	1,896	(1,286)	19,958
Cash dividends	(2,755)	(2,812)	(29,000)
Adjustment due to increase in consolidated subsidiaries	(68)	132	(716)
Retirement of treasury stock	(1)	(19,211)	(10)
Other	(9)	(48)	(95)
Balance at end of year	¥129,584	¥130,521	\$1,364,042
<b>Net unrealized gain on available-for-sale securities:</b>			
Balance at beginning of year	¥10,555	¥30,145	\$111,105
Net changes	6,537	(19,590)	68,811
Balance at end of year	¥17,092	¥10,555	\$179,916
<b>Deferred loss on derivatives under hedge accounting:</b>			
Balance at beginning of year	¥(42)	¥(112)	\$(442)
Net changes	(40)	70	(421)
Balance at end of year	¥(82)	¥(42)	\$(863)
<b>Foreign currency translation adjustments:</b>			
Balance at beginning of year	¥(8,168)	¥4,322	\$(85,979)
Net changes	2,630	(12,490)	27,684
Balance at end of year	¥(5,538)	¥(8,168)	\$(58,295)
<b>Treasury stock at cost:</b>			
Balance at beginning of year	¥(1,018)	¥(10,904)	\$(10,716)
Add: acquired	(5,037)	(11,074)	(53,021)
Add: increase in the affiliate accounted for by the equity method	(5)	—	(53)
Deduct: sold and retirement	7	20,960	74
Balance at end of year	¥(6,053)	¥(1,018)	\$(63,716)
<b>Minority interests:</b>			
Balance at beginning of year	¥13,754	¥20,664	\$144,779
Net changes	(3,263)	(6,910)	(34,347)
Balance at end of year	¥10,491	¥13,754	\$110,432

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Years ended March 31, 2010 and 2009)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2010	2009	2010
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥5,336	¥(2,568)	\$56,168
Adjustments to reconcile net income to net cash provided by operating activities:			
Income taxes-paid	(30)	(4,914)	(316)
Depreciation and amortization	12,960	18,025	136,421
Amortization of goodwill	(242)	1,280	(2,547)
Equity in earnings of affiliates	(3,887)	(4,436)	(40,916)
Reversal of doubtful receivables	(175)	(1,076)	(1,842)
Provision for accrued pension and severance benefits	3,439	3,564	36,200
Payment of accrued pension and severance benefits	(2,738)	(6,147)	(28,821)
Loss on sale of property, plant and equipment	623	1,818	6,558
Impairment of long-lived assets	2,354	111	24,779
Gain on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(543)	(3,948)	(5,716)
Loss on write-down of investments in and advances to unconsolidated subsidiaries and affiliates	557	3,120	5,863
Loss on plant closures	435	2,004	4,579
Other	(127)	737	(1,337)
Changes in operating assets and liabilities:			
Receivables	229	14,540	2,411
Inventories	7,334	1,602	77,200
Payables	4,050	(9,974)	42,632
Other, net	(2,037)	(1,799)	(21,442)
Net cash provided by operating activities	27,538	11,939	289,874
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment	290	770	3,053
Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	3,339	7,644	35,147
Payment for purchase of property, plant and equipment	(13,250)	(17,669)	(139,473)
Payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	(1,149)	(2,095)	(12,095)
(Increase) decrease in time deposits	904	(1,317)	9,516
Other, net	(83)	(1,726)	(874)
Net cash used in investing activities	(9,949)	(14,393)	(104,726)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	12,666	3,570	133,326
Repayment of long-term debt	(3,065)	(2,420)	(32,263)
Increase (decrease) in short-term bank loans	(35,883)	19,196	(377,716)
Increase in commercial paper	4,000	8,000	42,105
Cash dividends paid	(2,755)	(2,812)	(29,000)
Payment for purchase of treasury stock	(5,037)	(11,074)	(53,021)
Decrease in other long-term liabilities	(569)	(402)	(5,989)
Other, net	296	(2,118)	3,116
Net cash provided by (used in) financing activities	(30,347)	11,940	(319,442)
Effect of exchange rate changes on cash	1,299	(3,947)	13,673
Net increase (decrease) in cash and cash equivalents	(11,459)	5,539	(120,621)
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	24	403	253
Cash and cash equivalents at beginning of year	29,203	23,261	307,400
Cash and cash equivalents at end of year	¥17,768	¥29,203	\$187,032

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 ¥95 = \$1, the approximate exchange rate at March 31, 2010. 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 Nishinbo 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 associated companies are accounted for by the equity method.

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

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

## (b) Foreign currency transactions

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

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

## (c) Foreign currency financial statements

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

## (d) Cash and cash equivalents

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

## (e) Inventories

Inventories are measured principally at the lower of cost and net realisable value, cost being substantially determined by the average cost method.

## (f) Marketable securities and other investments

The Group classifies all of its marketable securities as available-for-sale which are reported at fair value, with unrealized gains and losses included in 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

Effective April 1, 2009, the Group adopted the straight-line method of depreciation, which had been previously depreciated principally by the declining balance method. This change was made to provide a more accurate allocation of depreciation. The effects of this change were to decrease depreciation by ¥3,789 million (\$39,884 thousand) and to increase income before income taxes and minority interests by ¥3,518 million (\$37,032 thousand) for the year ended March 31, 2010.



**(h) Goodwill**

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

**(i) Impairment of long-lived assets**

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

**(j) Retirement and pension plans**

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.

**3 INVENTORIES**

Inventories at March 31, 2010 and 2009 were as follows:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Finished products	¥18,100	¥22,204	\$190,526
Work in process	14,275	15,909	150,263
Materials and supplies	8,918	10,104	93,874
	¥41,293	¥48,217	\$434,663

**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, 2010 and 2009 were as follows:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Cost	¥27,683	¥28,084	\$291,400
Unrealized gains	31,236	22,267	328,800
Unrealized losses	(790)	(2,119)	(8,316)
Fair value	¥58,129	¥48,232	\$611,884

Aggregate cost of non-marketable securities accounted for under the cost method totaled ¥2,344 million (\$24,674 thousand) and ¥4,970 million at March 31, 2010 and 2009, respectively.

**5 SHORT-TERM BANK LOANS AND LONG-TERM DEBT**

The annual interest rates applicable to the short-term bank loans at March 31, 2010 and 2009 were 0.7% to 6.8%. Long-term debt at March 31, 2010 and 2009 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Long-term debt with collateral:			
Loans from banks maturing serially to 2024, ranging from 0.9% to 2.2%	¥13,183	¥3,225	\$138,769
Long-term debt without collateral:			
Loans from banks maturing serially to 2016, ranging from 0.9% to 4.9%	3,306	1,570	34,800
Capital lease obligations, due through 2015	266	2,238	2,800
	16,755	7,033	176,369
Less current portion	(2,331)	(2,432)	(24,537)
	¥14,424	¥4,601	\$151,832

Annual maturities of long-term debt were as follows:

	(millions of yen)	(thousands of US dollars)
Year ending March 31,		
2011	¥2,331	\$24,537
2012	2,408	25,347
2013	9,450	99,474
2014	724	7,621
2015 and thereafter	1,842	19,390
	¥16,755	\$176,369

At March 31, 2010 and 2009, net book value of assets pledged as collateral for short-term bank loans and long-term debt were as follows:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Inventories	¥10,137	—	\$106,705
Property, plant and equipment	10,056	¥9,272	105,853
Accounts receivable, trade	4,494	—	47,305
Investment securities	2,712	—	28,547
	¥27,399	¥9,272	\$288,410

At March 31, 2010 and 2009, in addition, pledged assets as collateral for liabilities other than the above were as follows:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Assets pledged:			
Property, plant and equipment	¥8,292	¥8,692	\$87,284
Investment securities	441	402	4,642
Time deposits	209	209	2,200
	¥8,942	¥9,303	\$94,126
Liabilities with collateral:			
Other long-term liabilities	¥9,396	¥9,396	\$98,905
Notes and accounts payable, trade	264	313	2,779
Other current liabilities	179	185	1,884
	¥9,839	¥9,894	\$103,568

## 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 has established an employee

retirement benefit trust.

The liability for retirement benefits for directors and corporate auditors at March 31, 2010 and 2009 were ¥153 million (\$1,610 thousand) and ¥478 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, 2010 and 2009 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Projected benefit obligation	¥45,359	¥50,401	\$477,463
Fair value of plan assets	(19,662)	(17,758)	(206,968)
	25,697	32,643	270,495
Unrecognized prior service cost	2,009	2,252	21,147
Unrecognized actuarial loss	(9,102)	(12,482)	(95,811)
Unrecognized transitional obligation	(39)	(87)	(410)
	18,565	22,326	195,421
Prepaid pension cost	2,152	2,830	22,653
	¥20,717	¥25,156	\$218,074

The components of net periodic retirement benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Defined benefits plans:			
Service cost	¥2,098	¥2,447	\$22,084
Interest cost	883	1,095	9,295
Expected return on plan assets	(456)	(508)	(4,800)
Amortization of prior service cost	(243)	(240)	(2,558)
Recognized actuarial loss	1,083	698	11,400
Amortization of transitional obligation	48	56	505
Net periodic benefit costs	3,413	3,548	35,926
Defined contribution plan:			
Defined contribution pension cost	429	94	4,516
Total	¥3,842	¥3,642	\$40,442

Retirement benefits paid due to restructuring of business operations for the years ended March 31, 2010 and 2009 were ¥797 million (\$8,389 thousand) and ¥3,844 million, respectively.

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%–2.8%	1.9%–3.3%
Amortization period of prior service cost	10–15 years	10–15 years
Recognition period of actuarial gain / loss	10–15 years	10–15 years
Amortization period of transitional obligation	10 years	10 years



**7** INCOME TAXES

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
<b>Deferred tax assets:</b>			
Inventories	¥511	¥563	\$5,379
Tax loss carryforwards	17,569	12,715	184,937
Allowance for doubtful accounts	166	174	1,747
Accrued employees' bonuses	1,151	1,295	12,116
Accrued severance benefits	7,777	10,004	81,863
Impairment of long-lived assets and depreciation in excess of tax limitation	1,050	216	11,053
Accrued defined contribution costs	1,032	—	10,863
Other	2,672	1,582	28,126
Less valuation allowances	(17,826)	(9,745)	(187,642)
	¥14,102	¥16,804	\$148,442
<b>Deferred tax liabilities:</b>			
Unrealized gain on available-for-sale securities	¥(12,377)	¥(8,181)	\$(130,284)
Deferred gains on sale of property	(4,396)	(4,406)	(46,274)
Land revaluation surplus	(2,550)	(2,535)	(26,842)
Other	(2,159)	(766)	(22,726)
	¥(21,482)	¥(15,888)	\$(226,126)
<b>Net deferred tax</b>	<b>¥(7,380)</b>	<b>¥916</b>	<b>\$(77,684)</b>

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2010 and 2009 and the actual effective tax rates reflected in the accompanying consolidated statement of income was as follows:

	2010	2009
Normal effective statutory tax rate	40.7 %	40.7 %
Net changes in valuation allowance	175.0	(39.9)
Equity in earnings of affiliates	(29.7)	70.3
Devaluation of investment in subsidiary allowed	(61.7)	—
Intercompany dividends	22.8	(18.6)
Cash dividends and other permanent differences	(19.2)	(4.2)
Lower income tax rates applicable to income in certain foreign countries	(4.6)	24.3
Amortization of goodwill	(0.1)	(24.6)
Other	13.3	(3.7)
<b>Actual effective tax rate</b>	<b>136.5 %</b>	<b>44.3 %</b>

**8** LEASES

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

Total rental expenses for the years ended March 31, 2010 and 2009 were ¥423 million (\$4,453 thousand) and ¥514 million, respectively, including ¥256 million (\$2,695 thousand) and ¥365 million of lease payments under finance leases.

On March 30, 2007 the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions" which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective from the fiscal year beginning on April 1, 2008.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2010 and 2009 was as follows:

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Acquisition cost	¥1,185	¥1,988	\$12,474
Accumulated depreciation	(906)	(1,290)	(9,537)
<b>Net leased property</b>	<b>¥279</b>	<b>¥698</b>	<b>\$2,937</b>
	(millions of yen)	(thousands of US dollars)	
	2010	2009	2010
<b>Obligations under finance leases:</b>			
Due within one year	¥151	¥238	\$1,590
Due after one year	128	460	1,347
<b>Total</b>	<b>¥279</b>	<b>¥698</b>	<b>\$2,937</b>
	(millions of yen)	(thousands of US dollars)	
	2010	2009	2010
<b>Depreciation expense under finance leases:</b>			
Depreciation expense	¥256	¥365	\$2,695

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. Foreign currency forward contracts which qualify for hedge accounting for the years ended March 31, 2010 and 2009 and such amounts which are assigned to the associated assets and liabilities are recorded on the balance

sheets at March 31, 2010 and 2009, are excluded from disclosure of market value information.

The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities. Such contracts outstanding at March 31, 2010 and 2009 were as follows:

	(millions of yen)						(thousands of US dollars)		
	2010			2009			2010		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized loss	Contract amount	Fair value	Unrealized gain (loss)
<b>Not hedged:</b>									
<b>Interest rate swaps:</b>									
Fixed rate payments, floating rate receipt	¥184	¥(9)	¥(9)	¥7,684	¥(692)	¥(692)	\$1,937	\$(95)	\$(95)
<b>Foreign currency forward contracts</b>									
Sold	¥1,735	¥(65)	¥(65)	¥1,139	¥(39)	¥(39)	\$18,263	\$(684)	\$(684)
Purchased	¥390	¥21	¥21	¥689	¥(44)	¥(44)	\$4,105	\$221	\$221
<b>Currency swap</b>									
Receive EUR · Pay JPY	¥3,405	¥431	¥431	¥—	¥—	¥—	\$35,842	\$4,537	\$4,537
Receive EUR · Pay US\$	¥1,044	¥(28)	¥(28)	¥—	¥—	¥—	\$10,989	\$(295)	\$(295)

**10 OTHER INCOME (EXPENSES) – OTHER, NET**

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

	(millions of yen)		(thousands of US dollars)
	2010	2009	2010
Loss on sale of property, plant and equipment	¥(623)	¥(1,818)	\$(6,558)
Impairment of long-lived assets	(2,354)	(111)	(24,779)
Gain on sale of securities	543	3,948	5,716
Write-down of investment securities	(557)	(3,120)	(5,863)
Loss on inventory disposal	—	(709)	—
Loss on plant closures	(435)	(2,004)	(4,579)
Retirement benefits paid due to restructuring of business operations	(797)	(3,844)	(8,389)
Amortization of goodwill	569	(1,280)	5,989
Other, net	205	(800)	2,158
	¥(3,449)	¥(9,738)	\$(36,305)

**11 COMMITMENTS AND CONTINGENCIES**

Commitments for capital expenditures outstanding at March 31, 2010 and 2009 were in the approximate amounts of ¥2,505 million (\$26,368 thousand) and ¥3,856 million, respectively.

**12 SUBSEQUENT EVENTS****(a) Year-end cash dividends**

On May 12, 2010, the Board of Directors of Nisshinbo Holdings Inc. declared year-end cash dividends (¥7.5 per share) in the amounts of ¥1,335 million (\$14,053 thousand).

**(b) Cancellation of treasury stock**

On March 26, 2010, the Board of Directors of Nisshinbo Holdings Inc. approved the Company to cancel treasury stock of the Company's common stock.

On April 22, 2010, the Company canceled 5,300 thousand shares of treasury stock of the Company's common stock.

**(c) Stock option**

At the general shareholders meeting held on June 29, 2010, 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, 2012 to July 31, 2017.

**13 SEGMENT INFORMATION****a) Industry segments**

Information about industry segments of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 were as follows:

	(millions of yen)									
	2010									
	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/Corporate	Consolidated
<b>I. Sales and Operating Income (loss)</b>										
Sales to customers	¥56,755	¥41,046	¥31,536	¥24,908	¥14,057	¥51,699	¥6,674	¥15,734	¥—	¥242,409
Intersegment sales	38	305	134	790	512	10	4,098	830	(6,717)	—
Total sales	56,793	41,351	31,670	25,698	14,569	51,709	10,772	16,564	(6,717)	242,409
Operating expenses	58,924	37,471	29,964	26,233	14,945	54,363	4,636	16,370	(4,067)	238,839
Operating income (loss)	¥(2,131)	¥3,880	¥1,706	¥(535)	¥(376)	¥(2,654)	¥6,136	¥194	¥(2,650)	¥3,570

**II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures**

Total assets	¥48,422	¥39,498	¥20,567	¥30,810	¥11,074	¥82,087	¥52,951	¥8,067	¥64,634	¥358,110
Depreciation and amortization	¥2,096	¥2,331	¥951	¥1,125	¥608	¥3,724	¥1,901	¥13	¥211	¥12,960
Impairment of long-lived assets	¥1,756	¥—	¥—	¥56	¥—	¥—	¥—	¥—	¥542	¥2,354
Capital expenditures	¥1,980	¥2,638	¥1,263	¥1,850	¥955	¥842	¥3,516	¥8	¥(25)	¥13,027

	(millions of yen)									
	2009									
	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/Corporate	Consolidated
<b>I. Sales and Operating Income (loss)</b>										
Sales to customers	¥67,593	¥49,230	¥34,214	¥35,602	¥15,791	¥60,550	¥6,433	¥16,754	¥—	¥286,167
Intersegment sales	2	377	48	628	488	—	464	1,365	(3,372)	—
Total sales	67,595	49,607	34,262	36,230	16,279	60,550	6,897	18,119	(3,372)	286,167
Operating expenses	70,338	46,139	33,482	34,382	18,180	64,468	3,557	17,963	(2,750)	285,759
Operating income (loss)	¥(2,743)	¥3,468	¥780	¥1,848	¥(1,901)	¥(3,918)	¥3,340	¥156	¥(622)	¥408

**II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures**

Total assets	¥54,955	¥41,706	¥25,487	¥35,076	¥10,924	¥62,817	¥22,142	¥8,113	¥105,638	¥366,858
Depreciation and amortization	¥2,898	¥3,607	¥1,869	¥1,949	¥1,431	¥4,754	¥1,476	¥41	¥—	¥18,025
Impairment of long-lived assets	¥85	¥—	¥—	¥—	¥26	¥—	¥—	¥—	¥—	¥111
Capital expenditures	¥2,959	¥2,791	¥2,965	¥1,485	¥1,735	¥2,843	¥411	¥52	¥1,631	¥16,872

	(thousands of US dollars)									
	2010									
	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/Corporate	Consolidated
<b>I. Sales and Operating Income (loss)</b>										
Sales to customers	\$597,421	\$432,063	\$331,958	\$262,189	\$147,969	\$544,200	\$70,253	\$165,621	\$—	\$2,551,674
Intersegment sales	400	3,211	1,411	8,316	5,389	105	43,136	8,737	(70,705)	—
Total sales	597,821	435,274	333,369	270,505	153,358	544,305	113,389	174,358	(70,705)	2,551,674
Operating expenses	620,252	394,432	315,411	276,137	157,316	572,242	48,800	172,316	(42,811)	2,514,095
Operating income (loss)	\$(22,431)	\$40,842	\$17,958	\$(5,632)	\$(3,958)	\$(27,937)	\$64,589	\$2,042	\$(27,894)	\$37,579

**II. Total Assets, Depreciation and Amortization, Impairment of Long-lived Assets and Capital Expenditures**

Total assets	\$509,705	\$415,768	\$216,495	\$324,316	\$116,568	\$864,074	\$557,379	\$84,916	\$680,358	\$3,769,579
Depreciation and amortization	\$22,063	\$24,537	\$10,011	\$11,842	\$6,400	\$39,200	\$20,010	\$137	\$2,221	\$136,421
Impairment of long-lived assets	\$18,484	\$—	\$—	\$589	\$—	\$—	\$—	\$—	\$5,706	\$24,779
Capital expenditures	\$20,842	\$27,768	\$13,295	\$19,474	\$10,053	\$8,863	\$37,011	\$84	\$(264)	\$137,126



**b) Geographical segments**

The geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 were as follows:

	(millions of yen)				
	2010				
	Japan	Asia	Other Regions	Eliminations/ Corporate	Consolidated
Sales to customers	¥203,747	¥27,442	¥11,220	¥—	¥242,409
Interarea transfer	9,301	10,076	805	(20,182)	—
Total sales	213,048	37,518	12,025	(20,182)	242,409
Operating expenses	208,034	36,623	11,423	(17,241)	238,839
Operating income (loss)	¥5,014	¥895	¥602	¥(2,941)	¥3,570
Total assets	¥252,714	¥32,390	¥12,232	¥60,774	¥358,110

	(millions of yen)				
	2009				
	Japan	Asia	Other Regions	Eliminations/ Corporate	Consolidated
Sales to customers	¥234,950	¥36,013	¥15,204	¥—	¥286,167
Interarea transfer	9,405	11,001	349	(20,755)	—
Total sales	244,355	47,014	15,553	(20,755)	286,167
Operating expenses	247,361	44,067	14,590	(20,259)	285,759
Operating income (loss)	¥(3,006)	¥2,947	¥963	¥(496)	¥408
Total assets	¥224,937	¥29,546	¥12,955	¥99,420	¥366,858

	(thousands of US dollars)				
	2010				
	Japan	Asia	Other Regions	Eliminations/ Corporate	Consolidated
Sales to customers	\$2,144,706	\$288,863	\$118,105	\$—	\$2,551,674
Interarea transfer	97,905	106,063	8,474	(212,442)	—
Total sales	2,242,611	394,926	126,579	(212,442)	2,551,674
Operating expenses	2,189,832	385,505	120,242	(181,484)	2,514,095
Operating income (loss)	\$52,779	\$9,421	\$6,337	\$(30,958)	\$37,579
Total assets	\$2,660,147	\$340,947	\$128,758	\$639,727	\$3,769,579

**c) Sales to foreign customers**

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥63,133 million (\$664,558 thousand) and ¥80,528 million, respectively.

**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, 2010 and 2009, and the related consolidated statements of 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, 2010 and 2009, 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.

June 29, 2010  
Tokyo, Japan



Director, Chairman  
**Takashi Iwashita**



Director \*1,  
President  
**Shizuka Uzawa**



Director, Senior Executive  
Managing Officer  
**Shinji Takeuchi**



Director \*1, Senior Executive  
Managing Officer  
**Yoshihito Onda**



Director,  
Executive Managing Officer  
**Masaaki Isobe**



Director,  
Executive Managing Officer  
**Masaya Kawata**



Director,  
Managing Officer  
**Masahiro Murakami**



Director,  
Managing Officer  
**Hiroshi Nakano**



Director,  
Managing Officer  
**Nobuyuki Hagiwara**



Director \*2  
**Tomofumi Akiyama**



Director \*2  
**Toshiya Hanawa**



Director \*2  
**Koji Kato**

\*1 Representative director  
\*2 Outside director

MANAGING OFFICERS AND AUDITORS (As of June 29, 2010)

President  
**Shizuka Uzawa** \*1

Senior Executive  
Managing Officer  
**Shinji Takeuchi** \*1  
**Yoshihito Onda** \*1

\*1 Board member as well  
\*2 Outside auditor

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

Managing Officer  
**Masahiro Murakami** \*1  
**Hiroshi Nakano** \*1  
**Nobuyuki Hagiwara** \*1  
**Toshihiro Kijima**  
**Kazunori Baba** \*1

Standing Statutory Auditor  
**Yoshio Ide**  
**Masao Satsuka**

Statutory Auditor  
**Yo Kawakami** \*2  
**Toshihiko Tomita** \*2

HISTORY

- 1907 Established Nisshin Cotton Spinning Co., Ltd.
- 1937 Acquired Kawagoe Cotton Spinning Co., Ltd.
- 1938 Merged with Nisshin Rayon Co., Ltd. (now the Miei Business Office)
- 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 Business Office)
- 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 Kogyo 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 Acquired additional shares of ALOKA Co., Ltd.  
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.



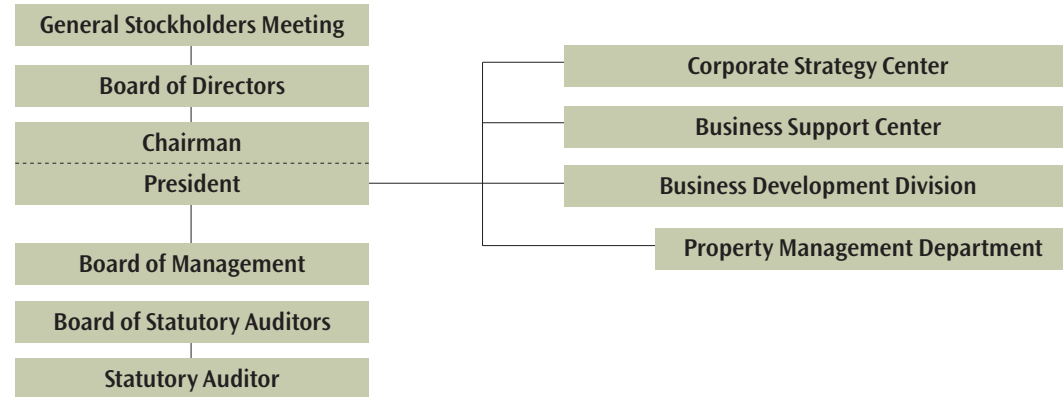
CORPORATE DATA (As of March 31, 2010)

**Founded** Feb. 5, 1907  
**Head Office** 2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo 103-8650, Japan  
 Tel: +81-3-5695-8833 Fax: +81-3-5695-8970  
**Osaka Branch** 2-4-2, Kitakyuhouji-machi, Chuo-ku, Osaka 541-0057, Japan  
 Tel: +81-6-6267-5501 Fax: +81-6-6267-5529  
**Nagoya Branch** 5-2-38, Sakae, Nakaku, Nagoya 460-0008, Japan  
 Tel: +81-52-261-6151 Fax: +81-52-263-9480

**Employees** Parent Company 230  
 Subsidiaries 12,258  
 Total 12,488  
**Common Stock** Authorized 371,755,000 shares  
 Issued 184,098,939 shares  
 ¥27,588 million—US\$290 million  
**Shareholders** 13,781  
**Listings** Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo  
**Transfer Agent** Mitsubishi UFJ Trust and Banking Corporation  
 1-4-5, Marunouchi, Chiyoda-ku,  
 Tokyo 100-8212, Japan



## Nisshinbo Holdings Inc.



### Nisshinbo Textile Inc.

#### Textiles

Development, manufacture, processing, trading, and import/export of thread, woven fabric, nonwoven fabric, apparel, industrial textile materials, and other fiber products.

- CHOYA CORP.
- Nisshin Denim Inc.
- Naigai Shirts Co., Ltd.
- P.T. Nikawa Textile Industry
- P.T. Gistex Nisshinbo Indonesia
- Nisshinbo Do Brasil Industria Textil LTDA.
- Nisshinbo (Shanghai) Co., Ltd.



### Nisshinbo Brake Inc.

#### Automobile Brakes

Development, manufacture, processing, sales, and import/export of friction materials, brake equipment, and brake parts for motor vehicles, transport machinery, and other machinery.

- Nisshinbo Somboon Automotive Co., Ltd.
- Saeron Automotive Corporation
- Nisshinbo Automotive Manufacturing Inc.
- Saeron Automotive Beijing Corporation



### Nisshinbo Paper Products Inc.

#### Papers

Development, manufacture, processing, trading, and import/export of paper and processed paper products and processing of industrial waste.

- Tokai Seishi Kougyou Co., Ltd.
- Nisshinbo Postal Chemical Co., Ltd.
- Daiwa Shiko Co., Ltd.
- Shanghai Sun-Rich Arts & Crafts Co., Ltd.



### Nisshinbo Mechatronics Inc.

#### Precision Instruments

Development, manufacture, processing, trading, and import/export of special-purpose industrial machinery, general industrial machinery, other equipment, and parts for these products.

- Nisshinbo Precision Instrument & Machinery Hiroshima Corporation
- Nisshinbo Alps Tech Co., Ltd.
- Nisshinbo Mechatronics (Shanghai) Co., Ltd.
- Kohbunshi (Thailand) Ltd.
- Taiwan Nisshinbo Photovoltaic Co., Ltd.
- Nisshinbo-Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd.



### Nisshinbo Chemical Inc.

#### Chemicals

Development, manufacture, processing, trading, and import/export of inorganic chemical industrial products, organic chemical industrial products, medical products, and other industrial chemical products as well as construction and civil engineering design, implementation, and management.

- Nisshin Environmental Planning Inc.



### New Japan Radio Co., Ltd.

#### Electronics

Development, manufacture, processing, trading, and import/export of electron tubes, semiconductor elements, integrated circuits, and other electronic components and electrical machinery using these products.

- Ueda Japan Radio Co., Ltd.



### Other Group Companies

#### Real Estate

#### Other Businesses

- Nisshinbo Urban Development Co., Ltd.
- Nisshinbo Europe B.V.
- Nisshin Toa Inc.
- Iwao & Co., Ltd.

